

AGENDA

SANTA MARGARITA WATER DISTRICT

BOARD OF DIRECTORS - SPECIAL BOARD MEETING

JANUARY 29, 2016 8:00 A.M.

COVENANT HILLS COMMUNITY CENTER

1 COVENANT HILLS DRIVE LADERA RANCH CA 92694
(see directions attached)

Casual Attire is requested

Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities, as required by Section 202 of the Americans with Disabilities Act of 1990. Any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to Kelly Radvansky, Secretary, Board of Directors, at (949) 459-6642 at least 24 hours before the meeting if possible.

ITEMS DISTRIBUTED TO THE BOARD LESS THAN 24 HOURS PRIOR TO MEETING

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 twenty-four (24) hours prior to the meeting will be available for public inspection in the lobby of the District's business office located at 26111 Antonio Parkway, Rancho Santa Margarita, California 92688, during regular business hours. When practical, these public records will also be made available on the District's Internet Web Site, accessible at <http://www.smwd.com>.

1. PUBLIC FORUM

Those wishing to address the Board of Directors on any item listed on the Agenda should submit a "Request To Be Heard" form to the Recording Secretary before the Presiding Officer announces that agenda item. Your name will be called to speak at that time. Comments are limited to three minutes, unless further time is granted by the Presiding Officer.

2. BOARD WORKSHOP

2.1 Consideration and Action on 2016 Santa Margarita Water District Strategic Plan.

Staff Recommendation: Workshop discussion to update priorities of the District.

President, Charley Wilson
Vice President, Charles T. Gibson
Finance Committee Chair, Betty Olson
Engineering Committee Chair, Justin McCusker
Water Policy & Innovation Committee Chair, Sandra F. Jacobs
General Manager, Daniel R. Ferons

Directions to Covenant Hills Clubhouse

1 Covenant Hills Drive Ladera Ranch CA 92694

Coming from the 5 Freeway

Go East

Make a right onto O'Neill Drive

Go straight through 3 roundabouts

At the 4th roundabout make a right (this is Sienna Parkway)

Make your 2nd left onto Covenant Hills Drive

Make a left into the parking lot before the gate

Coming From Antonio Parkway

Go south on Antonio towards the beach

Keep going past crown Valley and the shopping centers

Make a right on O'Neill Drive (4th light after Crown Valley)

Take that down to the roundabout

Make a Left at the roundabout

Make your 2nd left on Covenant Hills Drive

You will see a gate before you get to the gate there is a left hand turn make the left hand turn

You are in the Covenant Hills Clubhouse parking lot.

When people are crystal clear about the most important priorities of the organization and the team they work with and they prioritize their work around those top priorities, not only are they many times more productive, they discover they have the time they need to have a whole life.

Stephen Covey

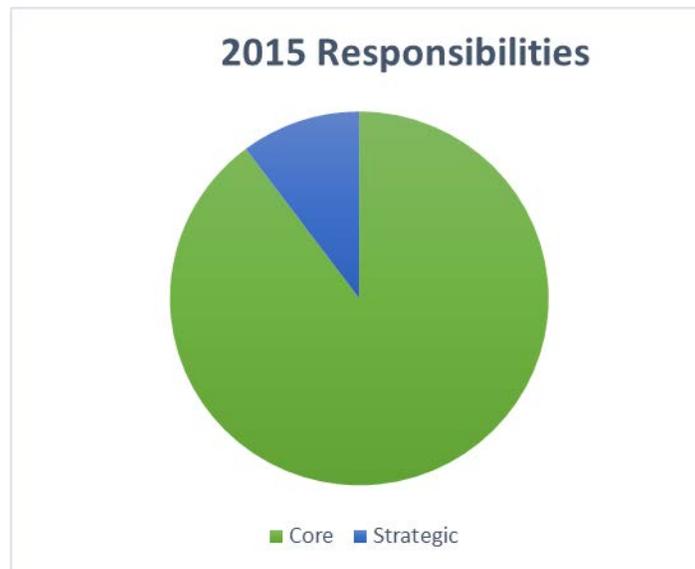
SANTA MARGARITA WATER DISTRICT
2016 STRATEGIC PLAN
“WEATHERING the DROUGHT”

January 29, 2016

INTRODUCTION

We've titled this strategic planning session "**Weathering the Drought**" because 2015 was a tornado of a year. In 2014 and 2015, the strategic planning sessions emphasized the development of strategic reliability goals for water reliability. 2015 started with staff looking at implementing those strategic goals for water supply, storage and recycled water as adopted by the Board. The mandatory drought reductions were a thunder clap from Sacramento which diverted attention and changed our direction due to the demand management mandate. The year also included staff changes, development challenges and major repairs and replacements.

In 2015, despite the turmoil and heavy lifting, the District accomplished a great deal while adjusting to the new requirements. While successful, to-date, in meeting the required reductions, we experienced significant impacts to the financial structure and to the core duties of the District. As depicted in the following chart, the majority of the day-to-day business of the District is meeting its core duties.



As we enter 2016, the strategic planning session is proposed to include a discussion of the core requirements and our ability to sustain those activities. The Board will be asked to discuss a series of questions in order to set priorities and provide direction for the District. The answers to the questions and direction provided will provide the basis for development of a comprehensive business plan. The business plan will be presented in May and will include:

- ✓ Long-range financial model and plan;
- ✓ Proposed benchmarks to sustain core activities;
- ✓ Capital Improvement Plan (CIP);
- ✓ Water reliability priorities and projects for the next five years;
- ✓ Long-term staffing plan; and
- ✓ FY2016-2017 budget.

As the draft pieces of the comprehensive business plan are completed, they will be presented to various committees and/or the full Board. The intent is to allow the Board to ensure that strategic, operational and financial goals are balanced.

2016 Santa Margarita Water District Strategic Goals

Our mission statement illuminates the purpose of the District and should permeate every action and activity. The following is the District's mission statement:

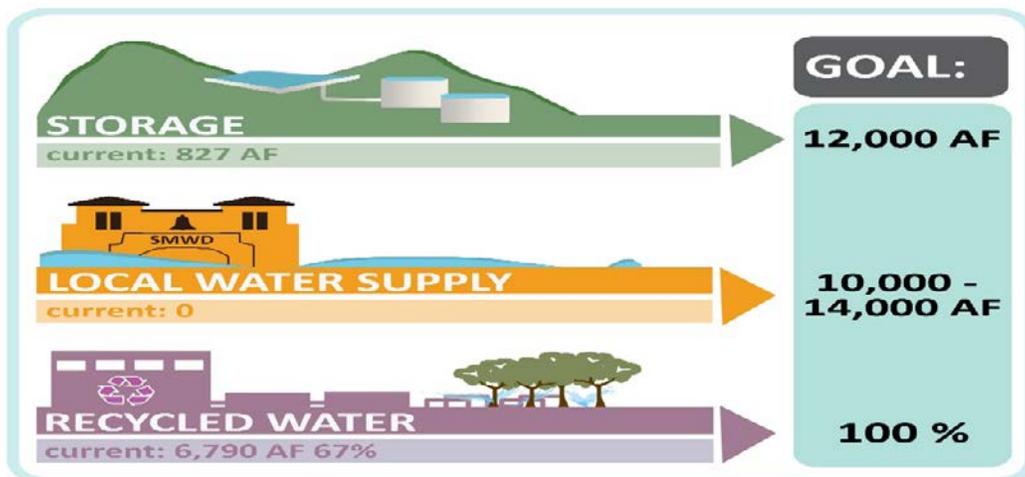
The Santa Margarita Water District provides our customers with quality water and wastewater service – maximizing human, environmental, and financial resources – to help guide South Orange County's water and wastewater needs into the next century

In addition to the broad aims contained in the mission statement, the District has adopted strategic goals for water reliability. Strategic goals are the general long-term ambitions and ones approved in strategic planning sessions.

Strategic Goals

In 2014 the Board approved and in 2015 further clarified and reaffirmed the following strategic goals:

- ✚ 10,000-14,000 Acre Feet (af) of secure local domestic water supply by 2030—
- ✚ 6 months of the District's annual domestic water demand in storage
- ✚ Recycle 100% of our available wastewater



2016 Operational Goals

Strategic goals are the general, long-term ambitions approved in strategic planning sessions. Operational goals support the core functions of the District and are typically part of an annual budget process. The District has never formally articulated operational goals; the implicit assumption was that the District has core responsibilities to deliver safe water and responsibly collect wastewater and within those broad parameters we set our standards of operation.



In 2015, the District made fiscal choices that impacted the operational goals. Based on the recent budget reforecast, the District will have to make additional choices in the near future.

The difficulty in tighter financial times is to maintain core responsibilities. Deferral is only a short-term solution that requires strict discipline to avoid problems. The District is currently deferring some of its core duties while dealing with the revenue constraints from the drought regulations. These include, but are not limited to, valve and hydrant maintenance, purchase of replacement equipment, planned rehabilitations, upgrades to automated systems and reduced staffing levels. In addition to deferrals, the workload is constantly shifting for the staff. For example, there was a need to have weekly water use efficiency meetings with a broad range of staff to ensure the District would meet the State requirements. However, two to four hours a week by 10 or more staff were suddenly devoted to the water reduction effort which did not include the limited term employees added.

Staff time, District finances, operational responsibilities and strategic goals must be balanced. If additional time is required for core responsibilities, it takes away directly from strategic goals. Limited financial resources, staffing resources or time resources will impact the ability to complete projects.

Historically, the District has judged the success of a project by staying within a budget and on schedule. The Board will be requested to consider the establishment of benchmarks based on meeting minimum core requirements, such as, turning all the valves in the District within a set time frame. In this way, the District can meet its core responsibilities. The business plan developed will include the benchmarks which, in turn, informs and drives the budget process.

FINANCES

On January 22, the Board reviewed the mid-year budget reforecast. The conclusion was that the District, like all water agencies in California, has substantial challenges in remaining fiscally sound, setting equitable rates, meeting required water use reduction targets, maintaining core responsibilities, building infrastructure for the future and communicating clearly with customers.

To address finances, the District is working with PFM to develop a financial planning model to assist in the development of a long range finance plan. The financial model will enable the District to project operating and maintenance expenses, revenues and capital financing costs (e.g., debt service), and reserve balances. The model projects these financial categories for each “enterprise” (water, wastewater and recycled water). The model will also consolidate these results into a District-wide forecast.

The model incorporates projections of Metropolitan Water District (MWD) rates for up to 25 years. The MWD rate forecast can be modified to reflect different cost allocation methods, as well as different assumptions about MWD’s supply costs, transportation costs and expenditures for water use efficiency. These rates drive the District’s purchase water costs.

The financial model will be used to develop the District’s long range finance plan, which will project the District’s financial picture for up to 25 years. The plan can then be updated every two to three years to reflect changing conditions and actual results.

The model and plan are driven by important assumptions and policies such as inflation, MWD supply investments, capital expenditures, demands, budget estimates, reserve balances, etc. As the financial model and plan are developed, other questions and issues will no doubt arise. The model is flexible enough to address most policy questions and will be provided to the District to ensure the District’s ability to model future changes.

Brian Thomas from PFM will attend the strategic planning session and will be available to discuss the direction needed for the long range financial plan.

QUESTIONS FOR DISCUSSION

1. Should our goals change?
 - a. Are the strategic goals for water supply, storage and recycled still valid?
 - b. What are the priorities for each goal?
 - i. If, for example, 10,000-14,000 af of a secure and local water supply is the goal, how much per af are you willing to pay?
 - ii. How soon do you want the project completed?
2. How do we pay for our goals and projects?
 - a. What level of reserves does the District want to maintain over time? (*\$80 million, \$40 million, \$20 million, none, other amount*)
 - b. Should these reserve levels be set by enterprise fund (i.e. water, waste water and recycling)?
 - c. Does the District wish to consider issuing debt supported by District-wide sales revenues?
 - d. Should the District include District-wide general obligation bonds?
 - e. What about already authorized general obligation bonds (per Improvement District?) (*keep as is, fold into new debt structure, other options*)
 - f. Are annual rate increases acceptable?
 - g. If so, what level of annual revenue/rate increase is acceptable? (*>5%, <5%, >10%, <10%, other amounts*)

- h. Should rate/revenue targets be set by total bill (e.g., wastewater and water) or by enterprise? (*by total bill, by fund, other options*)
3. How will we hold ourselves accountable?
- a. How do we measure our success? (*by coming in under budget, by completion on schedule, by benchmarks, all of the above, none of the above, by other means*)
 - b. Given the budget constraints, how should we handle new initiatives?

Appendix A

2015 Accomplishments

The following list of projects completed in 2015 is not intended to be exhaustive. It does, though, provide an example of the breadth of work completed each year by the District staff which may go unnoticed. Most of the activities can be defined as “core”, those critical to providing water and wastewater services and keeping the District’s doors open.

All these projects—and more—were accomplished while increasing the number of Board and committee meetings, cutting expenses and working with regional partners on a variety of other projects and issues.

While some projects listed below may be attributed to one department, the District staff works as a team and frequently staff from multiple departments are involved.

2015 Accomplishments	
Engineering	
	WATER SUPPLY
	Baker Water Treatment Plant investment
	Gobernadora Multi-Purpose Upper and Lower Basins completed
	Successfully added 800 new connections including significant capital facilities
	RECYCLED WATER
	Assumed responsibility for operation of 3A plant which included: Digester gas pipe repair; process model evaluation; primary improvements and construction support; flooding mitigation; tertiary “fuzzy” filter pilot test
	Completed CEQA, SRF loan application and design for Trampas Reservoir
	Added CEQA on-call consultants to speed approval process
	WATER USE EFFICIENCY
	Implemented WaterSmart program
	WUE Sustainable Landscape Design Classes, sprinkler control classes, and rebate information to over 100 customers
	330 AF in recycled water conversions
	Direct outreach with over 500 residential high-users achieving 20%-40% water savings
	INFRASTRUCTURE
	Construction/installation/programming of high efficiency blowers at Chiquita by staff
	Evaluation and design of Chiquita screw press installation, grit washer replacement and filter overflow
	Completed solar installation at District headquarters
	In process of completing solar installation at Chiquita
	Administer/maintain annual compliance for 6,000 backflow assemblies within the District
	Design (staff) Esencia recycled water pump station; completed
	Design (staff) and construction of Upper Chiquita Reservoir recirc. Pump and upgrades by staff

	Design (staff) and construction of Cordova lift station pump replacement and upgrades
	Design (staff) Calafia recycled water distribution system; project bid and under construction.
	Evaluation and pilot testing of odor control equipment for Chiquita and Ortega lift station
	Recycled water permit renewal support (SOCWA)
	Coto lift station electrical and controls replacement design—in progress
	Horno lift station pump evaluation
	Redesign/Construction of Plano force main and bridge; and satisfied permit requirements
	Initiate/monitor new and ongoing revegetation contracts at Gobernadora and Upper Chiquita , Plano Force Main and Bridge project
	Construction of Middle Chiquita infrastructure--\$17 million of grading, 25,000 ft of pipeline and 2 mg reservoirs
	Manage design consultants for Tesoro infrastructure—grading, pipeline and reservoirs
	Manage design and bid for SC-6 turnout
	Evaluated and selected new GIS system
	Replaced cathodic bulk protection rectifiers and stalled new system for new infrastructure
	Review of developer and contractor plans and other documents--ongoing
	Updated District standards--ongoing
	Monthly coordination meetings with Rancho Mission Viejo
	Revised contract and bidding documents (general and special conditions) and instituted use as template
	Design, bid, award, and construction of Los Patrones pumping/pipeline to convey recycled water to Portola Hills Reservoir
	Managed consultant design of Reservoir Recoating program
Operations	
	\$250,000 in UCM utility rebates
	\$32,000 in rebates for excellent safety record
	Cell lease policy and master agreement approved
	Installed two weather stations
	Completed 6 months of reading meters for City of SJC
	Parking lot lighting replaced with LEDs – Produced a 50% power reduction in lighting costs
	Replaced HQ carpeting
	LABORATORY
	Passed ERA Proficiency Study (WP-243)
	Acquired equipment to enable new level of analysis for solids
	Certified for DW analyses of turbidity, alkalinity, conductivity, TDS, free chlorine, chlorine residual, and pH
	Certified for SN analyses of free chlorine, temperature, and TDS

	Reduced lead/copper monitoring for Nichols system from 3x to 2x annually
	Sampling sites were reduced from 21 to 10 sites
	T22 parameters were waived for Nichols since well is dry
	Passed 2015 ERA Proficiency Study for both WA and SN.
	Lab now develops culture media in-house instead of purchasing from outside vendor
	DOMESTIC WATER
	Received \$3 million+ MWD Rebate for OC-88 meter discrepancy
	Added 800 new connections
	Reduced water demand by 25% in comparison to June - December 2013. 1.5 million gallons (4,700 AF) less
	Added ten (10) miles of large diameter pipe
	Utilized UCR during Baker tie-in project
	Repaired leak at Plaza PS
	Began comprehensive water loss audit of distribution system.
	Middle Chiquita reservoirs online
	Installed 130 SmartMeters
	NON-DOMESTIC WATER
	45 AF in recycled water conversions
	Gobernadora Multi-Purpose Upper and Lower Basins captured 21.8 million gallons captured (67 AF)
	Came to an agreement with IRWD to purchase ND water to maintain UOR levels
	Middle Chiquita reservoirs online
	SANITATION
	No sewer spills that reached surface waters
	179 miles of sewer lines cleaned
	6 miles of sewer lines CCTV'd
	Cordova Lift Station rehabilitation completed
	Assumed responsibility for operation of 3A plant
	SmartBall inspections of sewer force mains
	Installed 4 smart manhole covers
	SCADA
	Fiber optic communications laid at CWRP
	WiFi network established throughout CWRP
	Completed conversion of CWRP to FactoryTalk
	Converted 3A Plant to FactoryTalk
	Established communications with 3A and integrated into SMWD SCADA network
	Developed a Remote Emergency Operations Center for SCADA backup
	SCADA
Finance	
	Adopted FY 2015-2016 budget
	Completed MWD rate study
	Vacant office suite rented
	Completed audits for District and 2 associated JPAs
	Approved new rate restructure

	Analyzed and obtained approval for January 2016 rate changes (Year 2 change in Prop 218)
	Approved ID Theft Policy
	Approved new investment and reserves policies
	Completed the Raftelis rate study
	Completed and submitted the first CAFR and received an award for Excellence in Financial Reporting from GFOA
	Completed Prop 218 (along with help from others in the District)
	Obtained approval for the updated Rules & Regulations (CS, Engineering, Admin and Finance)
	Obtained approval for the Water Budget variance policy (CS, Engineering and Finance)
	Completed online rate calculator (IT, Engineering, CS, and Finance)
	Completed automated software program to pull data for HOA usage from Naviline
	Completed JCFA for Esencia, and formed CFD for Esencia Phase 2.1 with SMWD, RMV, and Ranch
	Grant reimbursement submissions/fundings for Prop 1E - \$3,752,144 (Gobernadora), Prop 50 - \$640,929 (IRWD Interties), USBR Title XVI - \$30,948 (SJBA Groundwater Management Study) (Engineering & Finance)
	New grant applications/awards for Prop 84 Drought Grant – Califia (\$490k), USBR Title XVI Grant SJBA Groundwater Management Study (\$225K), Trampas Grant (Engineering & Finance)
	Completed Ranch Buy-In Consultant Study, including appraisal of HQ building
	Completed lease renewals for Show Mgr and Assistance League office spaces
	Completed various Grand Jury requests
	Completed the Ranch 4C payment schedule and obtained payment of \$2 million
	Completed the Benefit Analysis study and submitted tax allocations to the County (Engineering and Finance)
	Completed Tri-Party Agreement establishing lower property tax rates for Esencia, with rate buy-down funds of \$.4 million received from RMV
	Completed technical GASB training for finance staff by auditors
	Completed processing of \$3 million payoff of Talega bond debt due to prepayment from customer Essex Properties
	Revised SJBA financial statement package to the Board and instituted review/communication with member agencies
	IT
	TERP RFP developed and released (Fall 2015); Demos/Selections in progress
	Phase 1 of District GIS Infrastructure
	New surveillance System implemented for HQ/Upper Chiquita Reservoir
	Storage Area Network implementation for District infrastructure
	Next generation firewall implemented for District network
	Cyber threat prevention platform deployed to all District workstations
	Development of IT/SCADA Systems Infrastructure Disaster Recovery Plan (Summer 2015)
	Microsoft Office 365 Deployment to all business users (Spring 2015)
	District email migrated to Microsoft Exchange Online (Spring 2015)

	District Intranet/SharePoint collaboration sites migrated to SharePoint Online (Summer 2015)
	Adobe/Microsoft Office Training events for all District staff (Spring 2015)
	District HQ/3A/Oso WiFi upgrade (Summer 2015)
	CUSTOMER RELATIONS
	Increase in call activity due to the WaterSmart promotion and other current rebates programs (August 2015)
	Began tracking calls specific to Rate inquiries prior to Prop 218 hearing (January 2015)
	Installation of Interactive Voice Response (IVR) system and educate District customers on the new telephone payment portal (July/August 2015)
	Increase in new service turn on requests; new connections for Sendero Village & Esencia
	Installation of the AMI pilot program meters (September/October 2015)
	Customer Service Events in response to upcoming January rate increases (events held at the District, Bell Tower, Norman P Murray Senior Center and Vista Del Mar Middle School-Talega)
	Updated the customer bill format to include residential consumption graph and provide target reductions due to State of California drought mandate (October 2015).
	Complied with AB2747 requirement for all delinquent notices to be sent out in multiple languages and mailed to tenant as well as customer of record (May 2015).
	Automated WaterSmart data transfer (October 2015).
	Provided data reports for M.Cubed and WSO project.
External Affairs	
	Contacted 35,000 customers regarding water use efficiency for drought response
	Held weekly drought outreach meetings with staff and consultants
	Produced 3 drought response TV spots; monitored viewership
	Monitored webpage and social media analytics
	Produced 6 issues of On Tap and 6 bill inserts for 55,000 customers for each item (total distributed 660,000)
	Conducted two HOA water-use/drought response meetings with WUE staff with a combined attendance of over 200
	Held 4 open houses with 135 customers for rate restructuring resulting in fewer than 50 complaints
	Began "Water Heroes" program with monthly awards for 16 Heroes
	Continued District Internship program
	Successful Water Awareness Day with 1,500 in attendance
	Awarded Mizell scholarships
	Coordinated direct, door-to-door outreach to 9,000 customers in Talega
	Drought response outreach program generated over 1,000,000 "impressions"
	Provided 3 legislative updates to Board with Sacramento lobbyists
	Presentations to 5 local civic groups on drought
	Six presentations to City Council on drought response and rates
	Created/distributed over 10,000 copies of the "Drought Emergency Action Plan" brochure

	Outfitted trucks with magnetic signs “Reduce your outdoor use by 50%” message
	Deployed a rolling billboard with the “Reduce your use by 50%” message
	Attended and staffed an information booth at 7 community concerts in RSM (35,000 residents)
	Placed 11 drought response progress signs throughout the District
	Partnered to place drought response banners throughout the region
	Conducted 10 in-home water use and drought response meetings in Coto de Caza
	Conducted 8 “Guess Your Gallons” booths at locations near high-usage areas of Coto de Caza and Las Flores
	Staffed an information booth at the KSBR radio event (500 attendees)
	Provided 24 articles to HOA newsletters (55,000 residents)
	Developed the Drought Response Ad Hoc Committee with RSM, MV, and San Clemente city councils and SMWD board
	Conducted monthly polling of 10,000 customers to track the effectiveness of our outreach
	Placed 2 large banners along the 241 tollway with the “Reduce your use...” message
	Thanked customer via ad in OC Register and encouraged their continued efforts
	Had speaker from NOAA on El Niño
	Mailed letters /contact to 450 customers in Las Flores encouraging use-reduction
Admin./HR	
	Approved and implemented Board Operating Policy
	Began new committee structure
	Completed econometric study with M. Cubed for long range demand analysis
	Hired 27 new people
	Completed 11 trainings for staff
	Successful meter reading proposal for the City of San Juan Capistrano
	Held 3 special meetings—drought, rates and board Operating policy
	Held 2 strategic planning sessions in May and June
	Revised District Bylaws
	Updated District Policy Handbook
	Produced 6 employee newsletters
	Approved continuation of drug-drop-off program
	Safety Training Classes
	Total Hours: 32,700
	Operations Safety Hours
	Confined Space Awareness
	Hearing Conservation
	Lock Out/Tag Out
	Chains, Slings and Hoists
	Driven to Distraction
	Back Injury Prevention
	Hand and Power Tool Safety
	Hydrogen Sulfide H2s
	Emergency Evacuation
	Accident Causes and Prevention
	Eye Safety

	Hands at Work
	Industrial Fire Prevention
	Small Falls Can be a Big Deal
	Repetitive Stress Injuries
	Heat Related Illnesses
	Complacency in the Workplace
	Think and Be Safe
	Hand Injuries
	Fire Extinguisher Basic Safety
	Safety Top Ten Causes of Injury
	Safety Decision Making
	Survive Confined Spaces
	Eye Protection
	Emergency Response Plan
	PPE --Your First Layer of Protection

Projects Not Closed During 2015	Barrier to Completion
MWD agreement regarding Cadiz	Political and regulatory issues
MWD agreement regarding Cucamonga Valley Water District storage	Political and regulatory issues
Conversion of Coto de Caza to recycled water	Development of contract and workload
Update of RSM buy-in	In progress; currently held by RMV
Adopt benchmark program	Awaiting General Manager and Board direction

