

10-YEAR STRATEGIC BUSINESS PLAN

AUGUST 2021

Prepared by: Rauch Communication Consultants Inc.



SANTA FE IRRIGATION

— DISTRICT —





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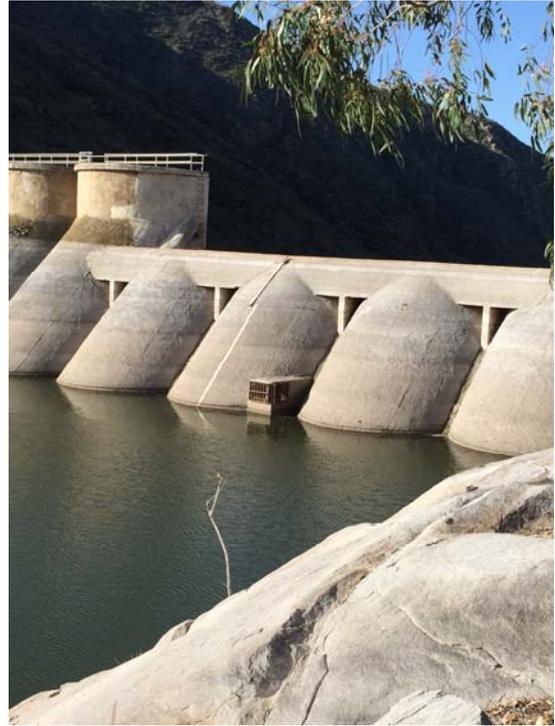
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Our Commitment to the District's Customers

This Strategic Business Plan is the culmination of a comprehensive review of all aspects of the District. It includes an in-depth evaluation of current and forecast challenges and opportunities and potential responses.

The Plan provides long-range policy direction to guide the District over the coming ten years. A detailed work plan was developed to implement this policy guidance. The Plan was designed to be dynamic and be updated to meet evolving challenges, opportunities, and customer needs and expectations.

The Strategic Planning process and the District's other activities demonstrate our continuing commitment to cost-effectively provide high-quality and reliable water service to our customers.



The Board of Directors of Santa Fe Irrigation District

Michael T. Hogan, President

Frank J. Creede, Vice President

Sandra D. Johnson

Dana Friehauf

Andrew Menshek

Introduction

Planning is strategic when it helps move an organization forward from its current situation to its desired future.

Purpose of the Plan

This 10-Year Strategic Business Plan (SBP) is Santa Fe Irrigation District's (SFID's or District's) highest-level planning document and represents the Board's and Staff's direction for the future. The Plan identifies SFID's mission, vision, and core values while providing a set of goals and objectives that serve as a framework for decision-making.

The Plan is also a practical working tool that provides clear direction to the Staff regarding the Board's goals and objectives and includes an Implementation Plan developed by the Staff to meet those goals and objectives. As such, the Board and Staff will refer to it regularly as a guide to SFID's actions during the period covered.

To keep it fresh and to adapt to changing circumstances, the Plan will be updated periodically and rolled forward so that there is always a multi-year guide to the future.

Plan Development

SFID followed a robust planning process, summarized below, that involved a comprehensive review and discussions about the District's current and upcoming strengths, weaknesses, opportunities, threats, challenges, and issues that it must address. The process involved the following steps:

- **Research and planning.** In preparation for the process, the facilitators reviewed documents, interviewed the Board, and held focus groups with the SFID Leadership Team and Staff, including initial development of core values.
- **Board workshops.** The Board of Directors, General Manager, and legal counsel participated in five facilitated workshops. Following the fourth Board workshop, the Executive Committee met with the General Manager and facilitator to review and comment on the draft plan. A review of this document determined the need for an additional meeting before adoption.
- **Leadership Team engagement.** The Leadership Team (Team) engaged throughout the process: the Team attended the Board workshops; reviewed and commented on the Plan as it progressed; and developed implementation actions, key performance measures, and indicators.
- **Staff engagement.** A facilitated meeting was held with all members of the Staff to review the draft plan and provide input.
- **Public outreach.** Staff published notices in the local press, reached out to local homeowners' associations and Solana Beach, published web and social media notices about the process, and provided updates to neighboring water agencies and the City of San Diego.

Overview of Santa Fe Irrigation District

Founded in 1923

Santa Fe Irrigation District was founded in 1923 to serve the then predominantly agricultural area that would grow to become Solana Beach, Rancho Santa Fe, and Fairbanks Ranch.

Today SFID serves about 20,000 people, with over 85% of the water used on residential properties and the remaining 15% or so split among commercial, outdoor irrigation, and institutional and governmental customers.

Extensive Facilities to Meet Customer Needs

SFID-owned facilities: 160 miles of pipeline, six-million-gallon storage reservoir, pump station, 30 pressure reducing stations, and over 1,200 fire hydrants.

Shared ownership with San Dieguito Water District: eight miles of pipelines, two pump stations, 13 million-gallon treated water reservoir, 40 million-gallon-per-day water treatment and filtration plant, and San Dieguito Reservoir and Dam. SFID operates and manages these joint facilities on behalf of both agencies.

Water Supply Sources

Santa Fe Irrigation District benefits from a robust portfolio of water sources.

Local water (~30% of supply). SFID is fortunate to have access to low-cost local water from Lake Hodges. The City of San Diego owns the Lake and Dam. Both the City and SFID have water rights in the lake. SFID pays the City a share of the cost to maintain and operate the lake and dam. The lake level is currently restricted by the California Department of Water Resources Division of Safety of Dams due to the condition of the Dam. SFID is working with the City of San Diego and other stakeholders on the long-term repair or replacement of the Dam.

Imported water (~65% of supply). SFID joined San Diego County Water Authority (SDCWA) in 1948 and purchases both treated and untreated water from them. SFID benefits from the robust and diverse water supply developed by SDCWA in recent decades.

Recycled water (~5% of supply). SFID also purchases recycled water from San Elijo Joint Powers Authority.

Cost Effective and Quality Service

Thanks to long-range planning, lean staffing, proactive maintenance and management, the availability of low-cost water from Lake Hodges, and other factors, SFID has provided quality service for decades and keeps its water rates in roughly the bottom third of all water retailers in San Diego County.

Strategic Framework

Santa Fe Irrigation District built the Strategic Business Plan from a series of logical and integrated components, described below.

Mission. The mission statement explains why the organization exists. It articulates the organization's essential work in a brief sentence or two.

Vision. The vision articulates what the organization will become at a given time in the future. It is the strategic target that, when achieved, fulfills the organization's mission. As such, it is at the heart of the strategic planning process.

Values. Values provide guidance when an organization is faced with challenging decisions that require trade-offs, help govern attitudes and behaviors, and generally remain constant over time. The Board sets values.

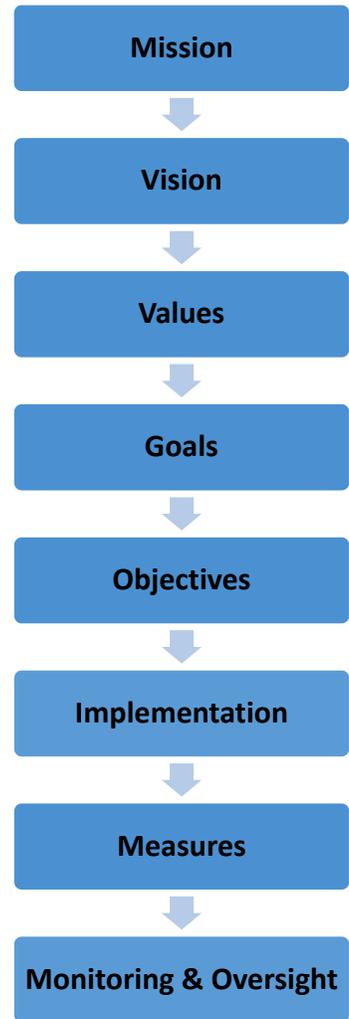
Goals. Goals describe broad, primary areas of management, operations, and planning that need to be addressed to accomplish the mission. Goals are not connected to timelines.

Objectives. Objectives are specific directions established by the Board, which expand upon and refine the goals. There may be multiple objectives for each goal. Objectives are related to goals but more specific, measurable, attainable, and have a time frame.

Implementation Plan. The Implementation Plan contains actions required to accomplish the mission, goals, and objectives. The actions in the plan are assigned to members of the Leadership Team and have timelines. There may be multiple tasks for each objective.

Measures. Staff developed measures to provide insights into progress in achieving the objectives. Progress will be tracked, analyzed, used to adjust course where appropriate, and reported to the Board.

Monitoring/Oversight. Actions developed that will be taken by the Board, Leadership Team and Staff to ensure that the plan is implemented and updated over time.



Mission

The mission of Santa Fe Irrigation District is to meet the water supply needs of all its customers — safely, sustainably, reliably, and cost-effectively.

Vision

Santa Fe Irrigation District will proactively ensure:

Sustainable water supplies — providing, efficiently using, and managing water resources to cost-effectively meet long-term needs.

Reliable infrastructure — planning, improving, and managing facilities to cost-effectively meet customer needs.

High-performing staff — creative, forward-thinking staff that provide excellent service in an inclusive, team-oriented environment.

Cost-effective operations — continually improving operations to efficiently deliver quality services.

Customer service focus — transparently communicating and engaging with customers, considering their interests, and exceeding expectations.

Environmental stewardship — adapting to our changing climate and decreasing our environmental impact.

Resiliency — planning and preparing for potentially significant events and threats to mitigate their effects.

Values

In our actions and decisions, we prioritize:

Teamwork — Our success is built on cooperation, collaboration, and respect for each other, our customers, communities, neighboring agencies, and staff.

Inclusiveness —Our organization is positive and respectful, embracing diversity, and listening to every voice.

Continuous improvement – We are dedicated to excellence and innovation in everything we do.

Transparency — We communicate freely, report honestly, listen attentively, and make decisions transparently.

Accountability — We are all responsible—individually and collectively—for providing cost-effective, high-quality service to our customers.

Sustainability — We are good stewards of our resources and our environment, benefitting current and future customers.

Goals and Objectives

The following pages contain SFID's goals and objectives for the coming ten years. Staff developed implementation actions to fulfill these Board-level goals and objectives. This SBP focuses only on key areas where there is a change or a desire for additional clarity of direction. Numerous existing and ongoing initiatives, programs, and actions are not incorporated into this Plan.

GOAL 1. Sustainable, Cost-Effective Water Resources

Strategic challenges. The San Diego County Water Authority (SDCWA) provides 65% of SFID's water supply. Local supplies from Lake Hodges and the San Elijo Joint Powers Authority provide 30% and 5%, respectively. Lake Hodges will continue to be the lowest-cost source of water for SFID, partly due to its proximity. It requires less energy to transport local water than resources farther away. Reducing the amount of imported water supports environmental stewardship and sustainability. The cost of imported water is projected to continue to rise due to investments in aging infrastructure and inflation. Additionally, as new local water supplies are developed and State water use restrictions through SB606 and AB1668 are implemented, there will be a reduced demand for SDCWA water, resulting in higher costs for agencies that remain reliant on SDCWA for supplies. Reduced demands on SDCWA will also result in more imported water being available to SDCWA member agencies, increasing SDCWA's water supply resiliency and reliability. Uncertainties regarding future availability of imported water exist due to potential climate change impacts.

Strategic response. Maximizing and enhancing local water supplies could mitigate long-term SDCWA cost increases to the District and provide additional resiliency resulting from climate change impacts. A potential agreement with the City of San Diego for increasing SFID's water supply and storage rights could lower long-range water supply costs. Additionally, participating in the regional North County Water Reuse Coalition to develop a viable recycled water or potable reuse project could result in a more sustainable and reliable water supply with long-term cost benefits.

Therefore, we will seek to develop and enhance local water supplies first when faced with new water supply opportunities or options.

The following objectives and implementation actions must be completed to fulfill Goal 1.

OBJECTIVE: 1.1: Minimize long-range water supply costs.

OBJECTIVE 1.2: Assist customers in achieving water-use efficiency and conservation goals and mandates.

OBJECTIVE 1.3: Balance long-range water supplies and water use to minimize the need for cutbacks during water shortages or regulatory changes.

GOAL 2. Customer Service Focus and Communication

Strategic challenges. SFID serves a wide variety of customer classes: single-family dwellings, multi-unit complexes, large estates, commercial, agriculture, and others. Each customer class has different needs and expectations. Additionally, to successfully provide customers with sustainable, reliable, and cost-effective service, SFID must engage effectively with neighboring water and wastewater agencies and other stakeholders and partners.

Strategic response. SFID's Board and staff are committed to maintaining a customer focus in decision making, being proactive in sharing information, listening to customers to understand their diverse perspectives, answering questions, and being responsive. It is SFID's priority to communicate with customers throughout the service area to build customer understanding of important water issues, programs, and policies. The District will also engage with stakeholders: HOAs, City of Solana Beach, water district managers and board members, the San Diego County Water Authority (SDCWA), and others. Additionally, SFID will engage through the SDCWA and other partners to proactively advocate for its customers' interests in regulatory and legislative forums.

Therefore, each day, we must consider if we have done enough to focus on all our customers and stakeholders, understand their needs, and build productive relationships.

The following objectives and implementation actions must be completed to fulfill Goal 2.

OBJECTIVE 2.1: Understand and exceed customer expectations.

OBJECTIVE 2.2: Communicate with customers throughout the service area, educate them on pertinent water issues, and obtain their input to improve service.

OBJECTIVE 2.3: Collaborate with stakeholders to reduce costs and improve service.

OBJECTIVE 2.4: Proactively monitor and engage appropriately in regulations and legislation that may impact SFID and its customers.

GOAL 3. Cost-Effective, Resilient and Reliable Infrastructure and Operations

Strategic challenges. SFID's \$500 million infrastructure is well maintained and managed, but substantial investment is required to ensure its long-term reliability and service. Major projects identified in the Joint Facilities Plan and Asset Management Master Plan include substantial Lake Hodges Dam repairs, and development of new or updated corporate yard and administrative facilities that have code compliance issues.

Strategic response. SFID will continue to proactively rehabilitate, replace, and upgrade infrastructure and execute planned maintenance to ensure that all system operations are reliable, safe, and cost-effective. SFID will also implement infrastructure and operations response plans to guide the decision-making process. The core planning documents will include but are not limited to Joint Facilities Plan, Asset Management Master Plan, Energy Efficiency Management Plan, Water Shortage Response Plan, and Emergency Preparedness Plan. Additionally, the appropriate plans will be integrated into the Long-Range Financial Plan to ensure effective implementation.

Therefore, each day, we must develop and implement thoughtful long-range facility planning and effective operations and maintenance.

The following objectives and implementation actions must be completed to fulfill Goal 3.

OBJECTIVE 3.1: Guide all capital infrastructure upgrades and replacements by utilizing the Long-Range Joint Facilities Plan.

OBJECTIVE 3.2: Utilize a long-range, Comprehensive Asset Management Master Plan for reliability and cost savings.

OBJECTIVE 3.3: Plan and prepare to mitigate significant incidents and threats (fires, water shortages, earthquakes, cyber-attacks, climate change, pandemics, etc.).

OBJECTIVE 3.4: Utilize technology to enhance efficiency and effectiveness.

OBJECTIVE 3.5: Ensure excellent water quality and regulatory compliance.

GOAL 4. Motivated, High-Performing, Well-Supported Staff

Strategic challenges. Over the last ten years, despite increasingly complex water management and service demands, SFID has maintained current staffing levels through efficient, high-performing staff, and creative management. SFID will face upcoming pressures to implement new government regulations, control internal labor costs, and replace highly experienced retirees in an employment environment characterized by a shortage of trained and certified workers. As a result, water agencies are increasingly competing against each other for experienced staff.

Strategic response. To meet these challenges, SFID will focus on continuing to recruit and retain experienced staff, provide competitive compensation, develop a succession plan, and support employees so they can be successful over time.

Therefore, it is critical to identify long-term staffing needs and levels, and have adequate recruitment, retention and succession plans and actions.

The following objectives and implementation actions must be completed to fulfill Goal 4..

OBJECTIVE: 4.1: Attract and retain excellent staff.

GOAL 5. Sustainable and Effectively Managed Finances

Strategic challenges. SFID is faced with numerous challenges to control costs and ensure fiscal sustainability. The biggest single cost driver is for the delivery of imported water from the San Diego County Water Authority (SDCWA) and Metropolitan Water District (MWD). Although the SDCWA has developed a Long-Range Finance Plan to manage and minimize their rate increases over time, they are projecting an annual increase of three to eight percent annually. MWD is continuing to invest in and maintain their existing infrastructure, and as a State Water Contractor, they are obligated to pay approximately 50% of the costs associated with Delta Tunnel and repair the State Water Project Aqueduct caused by subsidence. These two projects alone will cost billions of dollars that will be passed on to water districts, including SFID.

In response to the cost of imported water, local agencies are motivated to invest in local water supplies and conservation due to recurring drought, climate change, and decreased availability of supplies. As these local projects and conservation actions are implemented, they reduce the demand on the SDCWA and MWD, resulting in loss of revenue that must be recovered by re-examining the overall budget and reducing expenditures, finding new funding sources to offset expenditures, and/or increasing rates.

Santa Fe Irrigation District is also faced with implementing the State's new water use efficiency regulations by 2024. The impact of these new regulations is not known at this time but could require SFID to reduce its annual water demand. The impact on SFID will be a loss of revenue that will have to be recovered as described above.

Strategic response. To respond to these challenges, SFID will implement a long-range financial planning approach that will consider various scenario projections, including wholesale water rate increases, lower water demands, capital project implementation, and operational costs. The Board and staff will use these financial tools to make sound financial decisions, control costs and rates, ensure generational equity, and maintain financial sustainability over the long term.

Therefore, it is critical to develop long-term financial plans, to maintain clear and understandable financial policies, and report and re-examine all aspects of the budget.

The following objectives and implementation actions must be completed to fulfill Goal 5.

OBJECTIVE 5.1: Manage finances based on a comprehensive long-range financial plan.

OBJECTIVE 5.2: Explore all sustainable long-term options for effectively managing pension liabilities and post-employment benefits.

OBJECTIVE 5.3 Ensure that SFID reviews rates and charges for all customers on a regular basis for proper cost recovery and conformance with legal requirements.

OBJECTIVE 5.4: Maintain the credit rating, examine reserve levels, and update the financial metrics as needed-in approved financial policies.

Monitoring and Oversight

Below are the actions that will be taken by the Board, Leadership Team and Staff to ensure that the plan is implemented and updated over time.

Communicate and Lead

The General Manager and Leadership Team will meet with all employees to review the Plan and make sure everyone understands their responsibility within the Plan.

Report progress on strategic goals and objectives at least annually to the entire staff.

Publish the Mission, Vision, Values, Goals, and Objectives on the web, posters, and handouts and display them in visible locations.

Incorporate the Mission, Vision, Values, Goals, and Objectives into the employee handbook and orientation and training materials for employees, Board, and Committee members.

Resource Allocation and Oversight Reflect Goals and Objectives.

Align the budget to the strategic goals and objectives.

Align Board oversight and monitoring to reflect all aspects of the Strategic Business Plan.

Reference Strategic Business Plan items on Board meeting agendas as appropriate.

Consider the SBP when the Board and Board committees deliberate.

Provide a Staff report to the Board on the progress of the SBP annually, early in the budget development process.

Monitor for Progress on Environmental Sustainability

SFID faces numerous challenges caused by climate change and recurring drought. To respond to these challenges, SFID will continue to explore and implement technologies that could improve sustainability and protect the environment. Decisions about which actions to take will consider SFID's intent to control costs and rates, maintain a customer service focus, and fulfill our mission, vision, values, goals, and objectives. Throughout this Strategic Business Plan, the Board and staff incorporated objectives that will improve environmental sustainability; related work plan actions were identified for each objective. To ensure our commitment to environmental sustainability is realized, progress on these objectives and work plan actions will be monitored as projects are implemented and during the annual SBP review.

Update the Plan

Formal Review and update of the goals and objectives every three years or as needed.

Updates the Staff implementation plan as appropriate over time.

Single-Page View of the Core Elements of the Strategic Plan

MISSION	Meet the water supply needs of all its customers—sustainably, safely, reliably, and cost-effectively.				
VISION	Sustainable Water Supplies Customer Service Focus	Reliable Infrastructure Environmental Stewardship	High-Performing Staff Resiliency	Cost-Effective Operations	
VALUES	Teamwork	Inclusiveness	Continuous Improvement	Transparency	Accountability Sustainability
	The following goals and objectives fulfill the Mission, Vision, and Values				
GOALS	1. Sustainable, Cost-Effective Water Resources	2. Customer Service Focus and Communication	3. Cost-Effective, Resilient Infrastructure and Operations	4. Motivated, High-Performing, Well-Supported Staff	5. Sustainable and Effectively Managed Finances
OBJECTIVES	<p>1.1: Minimize long-range water supply costs.</p> <p>1.2: Assist customers in achieving water use efficiency and conservation goals and mandates.</p> <p>1.3: Balance long-range water supplies and water use to minimize the need for cutbacks during water shortages or regulatory changes.</p>	<p>2.1: Understand and exceed customer expectations.</p> <p>2.2: Communicate with customers throughout the service area, educate them on pertinent water issues, and obtain their input to improve service.</p> <p>2.3 Collaborate with stakeholders to reduce costs and improve service.</p> <p>2.4: Proactively monitor and engage appropriately in regulations and legislation that may impact SFID and its customers.</p>	<p>3.1: Guide all capital infrastructure upgrades and replacements by utilizing the Long-Range Joint Facilities Plan.</p> <p>3.2: Utilize a long-range, Comprehensive Asset Management Master Plan for reliability and cost savings.</p> <p>3.3: Plan and prepare to mitigate significant incidents and threats (fires, shortages, earthquakes, cyber-attacks, climate change, pandemics, etc.).</p> <p>3.4: Utilize technology to enhance efficiency and effectiveness.</p> <p>3.5: Ensure excellent water quality and regulatory compliance.</p>	<p>4.1: Attract and retain excellent staff.</p>	<p>5.1: Manage finances based on a comprehensive long-range financial plan.</p> <p>5.2: Explore all sustainable long-term options for effectively managing pension liabilities and post-employment benefits.</p> <p>5.3: Ensure that SFID reviews rates and charges for all customers on a regular basis for proper cost recovery and conformance with legal requirements.</p> <p>5.4: Maintain the credit rating, examine reserve levels, and update the financial metrics identified in approved financial policies.</p>

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Implementation Plan

The implementation plan was developed by staff to fulfill the strategic direction set by the Board through the Mission, Vision, Values, Goals, and Objectives. It is shown on the following pages.

Legend to the Implementation Plan

ESM – Engineering Services Manager

ASM – Administrative Services Manager

DSM – Distribution System Manager

PCO – Public Communications Officer

WTPM – Water Treatment Plant Manager

HR – Human Resources

FY21 – Each fiscal year is July 1 to June 30 of the year named, in this case 2021.