



San Diego County Water Authority
Board of Director's Annual Retreat
April 8, 2010

—RETREAT NOTES—

SDCWA Board of Directors' Annual Retreat

April 8, 2010
Continental Breakfast: 8:30 a.m.
Session begins promptly at 9:00 a.m. and ends at 3:00 p.m.
Otay Water District Offices
2554 Sweetwater Springs Blvd., Spring Valley

AGENDA

The New Normal: Uncertainty in Water

Facilitator: Michele Tamayo

Retreat Objective: Understand Key Challenges Affecting the Water Authority's Future and Address Related Policy Issues

- I. **Welcome/Introduction**
- II. **A Year in Review: Successes Achieved and Challenges Overcome at the Water Authority – What Challenges will 2010 Bring?**
- III. **Metropolitan Water District: Issues and Challenges Directly Impacting the Authority and its Member Agencies**
- IV. **What does our Water Supply and Demand Picture Look Like in the Future?**
 - **Local Supply Development and Its Role in Providing Safe and Reliable Water for the Future: Member Agencies and Water Authority's Opportunities and Obligations**
- V. **Lunch with Speaker —Understanding the Region's Economic Environment and its Impact on the Water Authority, Marney Cox, SANDAG Chief Economist**
- VI. **Annexations: Implications for Regional Economic Development and Water Supply Reliability**
- VII. **What does the Next 10 Years hold for the Water Authority's Conservation Efforts?**
- VIII. **Wrap-Up**

A Year in Review:

Successes Achieved and Challenges Overcome

Board members were asked to come to the retreat prepared to discuss both successes achieved and anticipated challenges ahead in 2010. The following lists are their responses.

1. Successful bonding of Capital Improvement Program
2. Excellence in staff
3. SCOOP successes
4. Teamed with business community
5. Self-reliance
6. Independence
7. Reliability
8. Canal lining
9. Exceeding conservation goals
10. Asset Management Plan
11. CRACA (Comprehensive Reliability and Cost Assessment) and CRACA-Lite
12. Special Agricultural Water Rate (SAWR)
13. Metropolitan Water District (MWD) team creation
14. Bay-Delta Legislative Package
15. Strategic Plan
16. Supply Diversification
17. Drought Management Plan
18. Quantification Settlement Agreement (QSA)
19. Cost effective bond financing
20. Communication with Board on MWD
21. Strengthened Sacramento Legislative Team
22. Creative water transfers
23. Public outreach on conservation

24. Board learned to work together better and talk
25. Handling of rate increase with teamwork—managed difficult situation

Looking Ahead:

What Challenges Are We Facing in 2010?

1. Annexations
2. Total fairness at MWD
3. Technology impact on behavior
4. Need to develop long-range worst-case scenario
5. Large fixed costs with variable commodity
6. Climate change and Colorado River Basin
7. Rate integrity and incentives
8. Water quality restraints on local supply
9. Impact of unfunded mandates
10. Local supply development impact on Water Authority sales and facilities
11. Future rate stabilization
12. Population growth in rural areas
13. Bay Delta
14. QSA preservation
15. Perception of loss of crisis
16. Stranded assets
17. Social outlook changing
18. New outlook on water
19. Water Bond
20. Maximizing water use
21. Lake Hodges project
22. Rate increases
23. Earthquakes—safety
24. Desalination
25. Salaries and benefits

- 26. Water Authority's role in recycled water
- 27. Water supply—enough sales—money

**Metropolitan Water District:
Issues and Challenges Directly Impacting the Authority
and its Member Agencies**

MWD Delegates Fern Steiner, Bud Pockington and Keith Lewinger presented the MWD Work Plan Update. The presentation included: Key Facts-The Foundation, 2009/10 Objectives/Update, Changed Circumstances & Long Term Objectives, Cost of Service, Next Steps & Roundtable Discussion.

Board members identified the following “takeaways” from the presentation.

1. Educate Water Authority Board on MWD—Use MWD Briefing book and MWD attendance
2. Water Authority has great staff/support
3. Clarify inappropriate rate structures
4. Responsibility to “get it right”—appropriate rate structure
5. Need to prioritize issues
6. Rate and budget top priority
7. Work on Bay Delta
8. Promote local supply development at local agency cost
9. Water Authority does not need new supply from MWD
10. Need better teamwork between MWD Staff and Board
11. How to fix the Delta and its costs
12. Regional bond to fix issues
13. Water Authority Delegation works as a TEAM
14. Build natural alliances /funding

What does our Water Supply and Demand Picture Look Like in the Future?

Local Supply Development and Its Role in Providing Safe and Reliable Water for the Future: Member Agencies and Water Authority's Opportunities and Obligations

Ken Weinberg presented a comprehensive overview of the Water Authority's supply and demand picture for water in the short- and long- term. After the presentation and discussion, small groups addressed the role of the Water Authority and the Member Agencies in developing local supply. They also discussed ideas for accountability and performance requirements. Following, are the charts created by the six work groups.

Local Supply Development	
<u>Water Authority</u>	<u>AGENCY</u>
Maintain current practice? Incentives? Performance requirements?	

Local Supply Development	
<u>Water Authority Role</u>	<u>AGENCY Role</u>
Encourage policies of local agencies to take risk, i.e. Tier 1-Tier 2	Leadership—Lead Role
Encourage Project Implementation Policies	Foster-Benefits with local agency
Regional Brine Line(s)	
Transmission Pipeline for Regional Benefit	
Regulatory Advocate	

Local Supply Development

Water Authority Role

Partner with Agencies

More Education

- Opportunities
- How To

More Frequent Updates

Water Jurisdictional Infrastructure

AGENCY Role

Partner with CWA

Localize Education Willingness

Continual Reporting

Cooperation

Accountability/Performance

Local Supply Development

Water Authority Role

Money & Technology

Remove restrictions—make it easier for Agencies

Ease regulations

AGENCY Role

Create plans

Identify potential water projects within their area

Cooperate with adjacent agencies in Development

New use of drilling technologies

Accountability/Performance

1. Check prior projects to determine success rate!
2. Studies should be done prior to moving forward so that favorable results can be predicted before development occurs.

Local Supply Development

Water Authority Role

- Subsidy consistent with our MWD position?
- Revolving loan
- To facilitate project at start
- Legislative for regional benefit of project
- Studies – Modeling, Benchmarking

AGENCY Role

- Diversify supply— w/o subsidy
- Project/Planning

Accountability: Failure = Tier II price MWD Water

Local Supply Development

Water Authority Role

- Limited financial role where marginal cost is less than Water Authority rate.
- Facilitate storage, treatment, conveyance where economical.
- Appropriate financial model given marginal costs of other supplies, reliability, lost opportunities

AGENCY Role

- Project proponent - Research viability of potential projects.

Accountability— Policy to balance risks

Lunch with Speaker —Understanding the Region’s Economic Environment and its Impact on the Water Authority, Marney Cox, SANDAG Chief Economist

Marney Cox provided a comprehensive overview of the San Diego Region’s long range forecast and emerging trends. Questions and discussion were included.

Annexations: Implications for Regional Economic Development and Water Supply Reliability

Dana Frieauf and Dennis Lamb, GM, Vallecitos presented an overview of annexations. Recommendations from the Working Group were presented in preparation for the April Board meeting.

What does the Next 10 Years hold for the Water Authority’s Conservation Efforts?

Bill Rose presented an overview of Conservation elements, budgets and a review of the benefits of the Regional Program. The board was asked to discuss/clarify the roles of the Water Authority and the Member Agencies in Conservation. The following list was created.

WATER CONSERVATION

Water Authority's Role

1. Raise rates
2. Update Urban Water Management Plan (UWMP)
3. Large-scale water recycled—facilitate
4. Evaluate cost of compliance vs. grants
5. Price
6. Approach reduction #'s regionally

Member Agency Role

1. Raise prices
2. Update UWMP
3. Reclaimed water
4. Legislation—lawn conversion credit
5. Advertising/outreach
6. Re-evaluation of the different elements
7. Show per-capita data on water bill