

South Mesa Water Company Strategic Plan – 2021-2026



About South Mesa Water Company

South Mesa Water Company's (Company) is a local, not-for-profit mutual water company, organized in 1912 to provide designated water services to parts of the Calimesa and Yucaipa community. SMWC's five-member Board of Directors (Board) is elected by our shareholders. SMWC's responsible fiscal management and planning provide the financial means to ensure reliable water system operations.

SMWC's vision, mission and values guide decision making on behalf of the customers and communities we serve.

Company Vision

South Mesa Water Company will meet the water needs of its shareholders by investing in a skilled workforce, infrastructure integrity, and a comprehensive water supply portfolio.

Company Mission

The mission of the South Mesa Water Company is to deliver reliable, high-quality water services to its customers in a transparent, prudent, and sustainable manner.

Values

SMWC is committed to serving our shareholders with vision confidence and PRIDE!

P	- Professionalism
R	- Responsibility
I	- Integrity & Ethics
D	- Dedication
E	- Equality & Fairness

We are committed to the responsibilities of serving our shareholders by having a passion for creative and collaborative solutions. We take on big challenges and pride ourselves on seeing them through. We value recognizing the efforts of our board of directors, senior management, and staff by sharing our successes. We hold ourselves accountable to our communities, shareholders, and employees by honoring our commitments, providing results, and striving for the highest quality.

The goal of this effort is not simply to state our organizational values, but to develop a shared culture where these values drive our actions – towards our fellow employees, our shareholders, and our community.

SMWC's Strategic Plan

This Strategic Plan is a blueprint for how SMWC will respond to current challenges and make the best of future opportunities for the benefit of our shareholders in the next five years (2021-2026). It reaffirms our vision, mission, and guiding principles as a mutual water company dedicated to high-quality water service. It establishes approaches for the preservation of our precious resources for future generations, utilizing the principles of sustainability and prudent fiscal practices. It also outlines the specific strategies and measurable objectives we will pursue.

The plan briefly defines five guiding principles and commitments for SMWC related to: Reliability, Quality, Stewardship, Sustainability, as well as Customers and Community. Our Board actions will consistently support these commitments and we will track our progress against this plan, revisiting the plan regularly to adjust as conditions warrant.

Background (Challenges Ahead)

New Demands as an Urban Water Supplier

The Cities of Calimesa and Yucaipa are trending as moderate growth communities which expand South Mesa's service connections beyond 3,000 and activate new requirements as an urban water supplier. As an urban water supplier, South Mesa will need to expand facilities, adopt more sophisticated customer services, comply with new regulatory requirements and to formulate an Urban Water Management Plan for Submission to the California Department of Water Resources (DWR) which must be updated every 5 years.

Activation of the Yucaipa Basin Groundwater Sustainability Plan

In addition to the new demands on SMWC associated with growth, in 2021 the Yucaipa Basin Groundwater Sustainability Plan (GSP) will come into effect. The GSP will introduce additional reporting and emergency planning requirements that SMWC must regularly plan for and update.

Demand for Enhance Community Relations and Collaboration

Add demands for enhanced community relations and need to work through challenges in collaboration with City and other regional water suppliers.

Within this context, there are several important initiatives for SMWC in the coming years. These initiatives include enhancing the water supply portfolio, continuing to encourage water use efficiency, making organizational enhancements to improve efficiency and manage costs, planning for operational

redundancies to meet emergency needs, and optimizing the assets, providing leadership in supporting the region's disadvantaged communities and continued engagement with statewide water associations. Each of these are briefly discussed below and will be addressed in a manner that is in alignment with SMWC's five principles of *reliability*, *quality*, *stewardship*, *sustainability*, and *customer and community*.

1. Enhance the SMWC's water supply portfolio

Significant changes affecting water supply have occurred in the last decade, including expanded state requirements for conservation, climate change considerations, rate structure changes, rising imported water costs, requirement of the Yucaipa Basin Groundwater Sustainability Plan and the Governor's California Water Action Plan. While SMWC overlies productive groundwater basins, which adds significant water reliability to the service area, enhancing water supply reliability to continue to support economic development and the quality of life of the region will remain an important priority for SMWC. This will require greater technical planning capacity, the rehabilitation of old wells, drilling of new wells and exploration of ways to enhance stormwater capture and storage through purchase of State Water Project water. Additionally, the water quality of the groundwater basin must be protected to realize the requirements of the GSP and full economic benefit of potential increased use of this critical local resource.

2. Water use Efficiency

Current and future droughts will challenge SMWC on the water supply, finance, customer service and public outreach fronts. The 2016 Governor's Executive Order "builds on temporary statewide emergency water restrictions to establish longer-term water conservation measures, including permanent monthly water use reporting, new permanent water use standards in California communities, and bans on clearly wasteful practices such as hosing off sidewalks, driveways, and other hardscapes." The Executive Order is consistent with the 2014 California Water Action Plan, which furthers implementation of California's Climate Change Scoping Plan for reducing greenhouse gas emissions.

Similar drought reduction requirements are echoed in the Yucaipa Basin Groundwater Sustainability Plan.

This underscores the importance of review, update, and continued implementation of SMWC's Water Shortage Contingency Plan and continued investment in the successful conservation efforts SMWC has engaged in to date.

3. Implement Organizational Enhancements

Transferring institutional knowledge to ensure that appropriate skill sets are retained and enhanced as our board members and staff at all levels near retirement is a challenge facing all water utilities. The skills SMWC needs to be successful in the future are also changing. Ensuring SMWC develops and retains these skills in a competitive job market will be critical. There is also a need to develop and implement succession planning, continue to invest in training and professional development and improve employee communication to enhance workforce knowledge and engagement.

It is important for SMC to continue to be effective and efficient stewards of the public resources entrusted to it. This initiative emphasizes the need to proactively examine opportunities to improve services and efficiency, recognizing SMWC’s growing emphasis on operations and maintenance. Refinement and tracking of metrics to ensure accountability will be continued and optimized.

4. Support the Region’s Disadvantaged Communities

5. Continue to Exercise Leadership with Statewide Water Policy

Guiding Principles

These five principles represent the commitment statements for SMWC: *reliability*, *quality*, *stewardship*, *sustainability*, and *customer and community*. SMWC is committed to these principles to achieve our vision and mission.

<i>Reliability</i>	SMWC will make investments to provide a level of water reliability that ensures sufficient supplies to meet our customers’ health, quality of life and economic needs.
<i>Quality</i>	SMWC will provide safe water and high-quality services to its customers.
<i>Stewardship</i>	SMWC will exercise good stewardship of financial and operating assets through use of sound, cost-effective business judgment.
<i>Sustainability</i>	SMWC will address, adopt, and implement policies that support the social, economic, and environmental values of the service area.

*Customer Service
and Community*

SMWC will inform and engage its customers and community leaders as it pursues reliable, high quality, and sustainable water supply; prepares for emergencies and new regulations.

Strategies to Address SMWC's Guiding Principles

*Guiding Principle 1:
Reliability*

SMWC will make investments to provide a level of water reliability that ensures sufficient supplies to meet our customers' health, quality of life and economic needs.

Strategy 1 – Develop appropriate water resources to meet the water reliability needs of the community we serve

- Objective 1: Update and continue to implement SMWC's Water Resource Management Plan. Monitor current resources and economic trends, and update the plan, as required
- Objective 2: Track opportunities for water transfers and exchanges
- Objective 3: Maintain resource-planning tools and models to support water resource planning
- Objective 4: Modify capital program to reflect updated water supply portfolio
- Objective 5: Work jointly with Riverside and San Bernardino County Flood Control to assess the potential for storm water capture to augment local water supply
- Objective 6: Work with regional partners to facilitate understanding of South Mesa as a mutual water company and formalized protocols/requirements for collaboration
- Objective 7: Monitor implementation of Riverside and San Bernardino County's Local Agency Management Plan, and the Yucaipa Basin GSP and align efforts as appropriate
- Objective 8: Conduct additional basin modeling, as needed
- Objective 9: Continue development and implementation of the asset management plan and land acquisition plans for rehabilitating/replacing wells as needed

Strategy 2 – Develop and implement a comprehensive groundwater management strategy

- Objective 1: Monitor implementation of Riverside and San Bernardino County's Local Agency Management Plan and the Yucaipa Basin GSP
- Objective 2: Consider additional basin modeling, as needed

Objective 3: Continue development and implementation of the asset management plan and land acquisition plans for rehabilitating/replacing wells as needed

Strategy 3 – Engage on statewide water policy issues

Objective 1: Track and engage on regulations and legislation that effect SMWC through membership in relevant statewide organizations

Objective 2: Engage on statewide conservation requirements

Objective 3: Track and engage on state policies regarding water rates

Strategy 4 – Respond to anticipated near-term water shortages through rate structure modification, conservation assistance, customer service, and outreach

Objective 1: Monitor and modify the Water Shortage Contingency Plan, as required

Objective 2: Continue local messaging and outreach in anticipation of water supply constraints

Objective 3: Review and modify, as appropriate, the commercial rate structure for hydrant meters to manage demands and improve cost recovery

Guiding Principle 2: Quality

SMWC will provide safe water and high-quality services to its customers.

Strategy 1 – Provide safe drinking water to our customers by ensuring all current and anticipated drinking water regulations are met or surpassed

Objective 1: Meet all standards 100 percent of the time

Strategy 2 – Anticipate and comply with regulatory and environmental changes

Objective 1: Continue to meet regulatory requirements water/environmental/emergency/security

Objective 2: Evaluate impact of potential changes in water quality regulations on Company well production and cost of operations

Objective 3: Track regulation development and engage where appropriate

*Guiding Principle 3:
Stewardship*

SMWC will exercise good stewardship of financial and operating assets through use of sound, cost-effective business judgment.

Strategy 1 – Plan and prepare for catastrophic emergencies

- Objective 1: Conduct annual joint agency emergency response drill
- Objective 2: Report SMWC compliance with the National Incident Management System
- Objective 3: Conduct SMWC Emergency Operations Plan training and/or exercise annually and implement lessons learned
- Objective 4: Assess business resumption capability

Strategy 2 – Maximize outside funding opportunities

- Objective 1: Track and pursue grant opportunities

Strategy 3 – Maintain, implement, and enhance the long-range financial plan

- Objective 1: Annually develop a 5-year Capital Improvement Plan
- Objective 2: Update the Cash Reserve Policy and achieve cash reserve and revenue levels
- Objective 3: Review budget-based tiered rate model and cost allocations to tiers
- Objective 4: Prepare an annual update to the Long- Range Financial Plan
- Objective 5: Annually update financial policies

Strategy 4 – Pursue maintenance on existing facilities to meet or exceed industry norms

- Objective 1: Evaluate “level of service” maintenance standards
- Objective 2: Rehabilitate wells to optimal system capacity
- Objective 3: Report water losses per state requirements and develop and implement plan to reduce water losses

Strategy 5 – Improve organizational effectiveness

- Objective 1: Refresh and implement Geographic Information System (GIS) Master Plan
- Objective 2: Examine vacancies to determine optimum staffing levels
- Objective 3: Improve internal communications to enhance staff awareness and engagement in strategic planning and other Company issues

- Objective 4: Continue to set and communicate performance metrics to all employees
- Objective 5: Provide appropriate education & safety-related training for all employees
- Objective 6: Review Company website for additional customer functionality opportunities

Strategy 6 – Promote an open and professional work environment

- Objective 1: Reinforce partnerships to promote a spirit of cooperation, respect, and trust
- Objective 2: Promote SMWC value statement – “PRIDE”

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- Objective 3: Proactively address appropriate policy and process changes
- Objective 4: Proactively and collaboratively address grievances
- Objective 5: Review and update Standard Operating Procedures

Strategy 7 – Attract, retain, and develop quality staff

- Objective 1: Maintain appropriate compensation & benefits package
- Objective 2: Conduct annual performance management and evaluation
- Objective 3: Complete and implement a succession plan (including cross-training, mentoring plan, employee training programs, etc.)
- Objective 4: Track attrition and causes
- Objective 5: Review and update job descriptions

*Guiding Principle 4:
Sustainability*

SMWC will address, adopt, and implement policies that support the social, economic, and environmental values of the service area.

Strategy 1 – Implement effective water use efficiency (conservation) plan that meets or exceeds voluntary best management practices and/or legislative requirements.

Objective 1: Complete 2021 Urban Water Management Plan

Objective 2: Provide customer water use efficiency evaluations.

Objective 3: Comply with current and new state mandated water use reductions.

Strategy 2 – Optimize partnerships with neighboring public agencies

Objective 1: Work with local water agencies, state and national water associations, and others to track and comment on state legislative proposals that may impact SMWC and its customers

Strategy 3 – Optimize energy efficiencies

Objective 1: Evaluate and implement energy-efficient systems

Objective 2: Utilize Supervisory Control and Data Acquisition (SCADA) system to achieve greater energy optimization

Objective 3: Monitor changes in energy regulations and rates

*Guiding Principle 5:
Customer Service
and Community*

SMWC will inform and engage its customers and community leaders as it pursues reliable, high quality, and sustainable water supply; prepares for emergencies and new regulations.

Strategy 1 – Minimize complaints on quality, reliability, billing, and customer service

Objective 1: Track and analyze customer complaints

Objective 2: Incorporate the findings into revised customer service policies/standards

Strategy 2 - Expand shareholder and community communications and outreach

Strategy 3 – Provide staff support for the Board of Directors

Objective 1: Prepare adequate and timely information to support sound policy decisions by the Board

Objective 2: Work to improve board/staff interactions/policy deliberations

Objective 3: Implement a Board of Directors succession plan