



South Coast Water District

*Providing Quality Water and Wastewater
Services to the Coastal Communities*

2003-2008 STRATEGIC PLAN

**SOUTH COAST WATER DISTRICT
STRATEGIC PLAN 2003-2008**

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APPENDICES ARE NOT POSTED.

If you would like copies of the appendices, please call 949 499-4555 x 149.

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SOUTH COAST WATER DISTRICT STRATEGIC PLAN 2003-2008

MISSION, VISION, VALUES

MISSION: South Coast Water District is dedicated to providing the highest quality drinking water, recycled water, and sanitary sewer services to our customers in an efficient, environmentally sensitive, and financially responsible manner.

VISION: Water is our focus – and our focus is our strength. Whether it's potable, recycled, or wastewater, it's "H₂O," and South Coast Water District manages this vital resource for the public in an effective and comprehensive way as an independent, local government agency.

VALUE: South Coast Water District employees interact with customers, the community, and co-workers in a courteous, cooperative, and responsive manner.

CURRENT STATE OF THE DISTRICT

OVERVIEW

South Coast Water District is an independent public agency organized under the laws of the State of California to provide water and sewer services to residents and businesses along an 8.3 square mile stretch of the Pacific coast in south Orange County. The communities it serves are South Laguna, Monarch Beach, Dana Point, Capistrano Beach, north coastal San Clemente, and southernmost San Juan Capistrano. The geography of the service area features hilly terrain, valleys, cliffs up to 700 feet along the coast, and finger-like canyons formed by three regional watersheds that reach the Pacific Ocean: Aliso Creek, Salt Creek, and San Juan Creek. (Appendix A-Service Area Map)

The District serves a total population of more than 40,000 residents as well as hundreds of thousands of visitors a year. As of October 31, 2003, the number of active customer accounts is 12,327 for potable water and 17,800 for sewer service. In addition, the District serves 167 major residential and institutional accounts with recycled water for landscape irrigation.

Good service depends on good systems. The District operates and maintains its water and sewer facilities on an ongoing and proactive basis. It is responsible for investing millions of dollars annually in improvements to the local infrastructure. The District's 2003-2004 operating budget is \$18.6 million and capital improvement budget is \$10.5 million.

- The District's potable water distribution system consists of 147 miles of pipelines, 11 pump stations, 1,500 fire hydrants, 1,700 valves, and 16 reservoirs that can store 22 million gallons of water.
- The District's sewer collection system consists of 136 miles of gravity pipelines, 14 lift stations, approximately 3 miles of force mains and 3,408 maintenance holes.
- Since 1984, the District has been among the leaders in the use of recycled water for landscape irrigation and has developed a recycled water system consisting of 15 miles of transmission mains (aka "purple pipeline"), three pump stations, and three storage tanks that store 4.7 million gallons.

Since 2000, South Coast Water District has operated, maintained, and administered the Joint Regional Water Supply System (JRWSS) that distributes imported drinking water from Metropolitan Water District of

Southern California throughout south Orange County. (Appendix E—Imported Water Supply System). The system includes 30-miles of transmission mains and two reservoirs in San Clemente that hold 60 million gallons of water.

The Joint Regional Water Supply System provides water to South Coast Water District, Irvine Ranch Water District, El Toro Water District, Moulton Niguel Water District, the City of San Juan Capistrano, the City of San Clemente and three agencies of the San Diego County Water Authority: San Onofre Nuclear Generating Station, Camp Pendleton, and San Onofre State Park. These districts, cities and agencies jointly own JRWSS and are billed for their allocated portion of expenses. The 2003-2004 JRWSS operating budget is \$1.1 million and capital budget is \$439,000.

GOVERNANCE

South Coast Water District's Board of Directors consists of five elected officials who answer directly to the public it represents, rather than another board or council. Board members serve four-year terms, and as of 2002, they are elected "at-large" versus "by division."

The Board has oversight of the District and appoints the General Manager to handle day-to-day operations. The Directors have the power to set rates, establish ordinances and policies, and approve construction and maintenance to provide required water and sewer services.

Directors chair and participate on three standing committees (Engineering & Operations; Administration & Finance; Public Information, Education & Relations). They are also appointed as District representatives to the boards of key agencies and commissions in the region. (Appendix C—Board Governance)

ORGANIZATION

The General Manager oversees District operations. The current GM is a professional engineer with 30+ years experience in the water/wastewater industry in coastal, south Orange County. He has three senior managers reporting to him: Director of Administration/District Counsel, Director of Engineering, and Director of Operations. Together, these four constitute the senior management team. The 2003-2004 District budget covers 73 authorized full- and part-time employees. (Appendix B—Organization Chart).

CONSOLIDATION

Formed in 1932 under the County Water District Act, the former South Coast Water District originally covered about three square miles of south Orange County coastline in mostly unincorporated areas. From its inception, South Coast was an independent "special" district, a form of local government created by the people to provide a "specialized" service. Examples of special districts include water, sewer, libraries, parks, and schools.

In 1976, consolidation efforts in the south Orange County coastal area began with the merger of South Laguna Sanitary District into South Coast Water District. In 1996, the former Capistrano Beach Water District and Capistrano Beach Sanitary District merged to form the Capistrano Beach Water District. In 1999, South Coast Water District consolidated with Capistrano Beach Water District and Dana Point Sanitary District to form the "new" South Coast Water District, which serves an 8.3 square mile area.

In support of the 1999 consolidation, the Orange County Local Agency Formation Commission (LAFCO) cited the following in its Reorganization Resolution R097-18:

The South Coast Water District has experience in all aspects of services to be provided by the consolidated district, including wastewater collection and treatment facilities, recycled water plants and distribution systems, potable water services and recreation opportunities...The South Coast Water District has an excellent reputation, not only among its customers, but also within the public water and sanitary service industry. The District is known for its well run and efficient systems. The District offers leadership in maintenance excellence supported by a history of operational improvements. This quality of service sets a

high standard that will be incorporated as needed in the consolidated district's operation...This Commission finds that the District is best informed as to the services to be brought together.

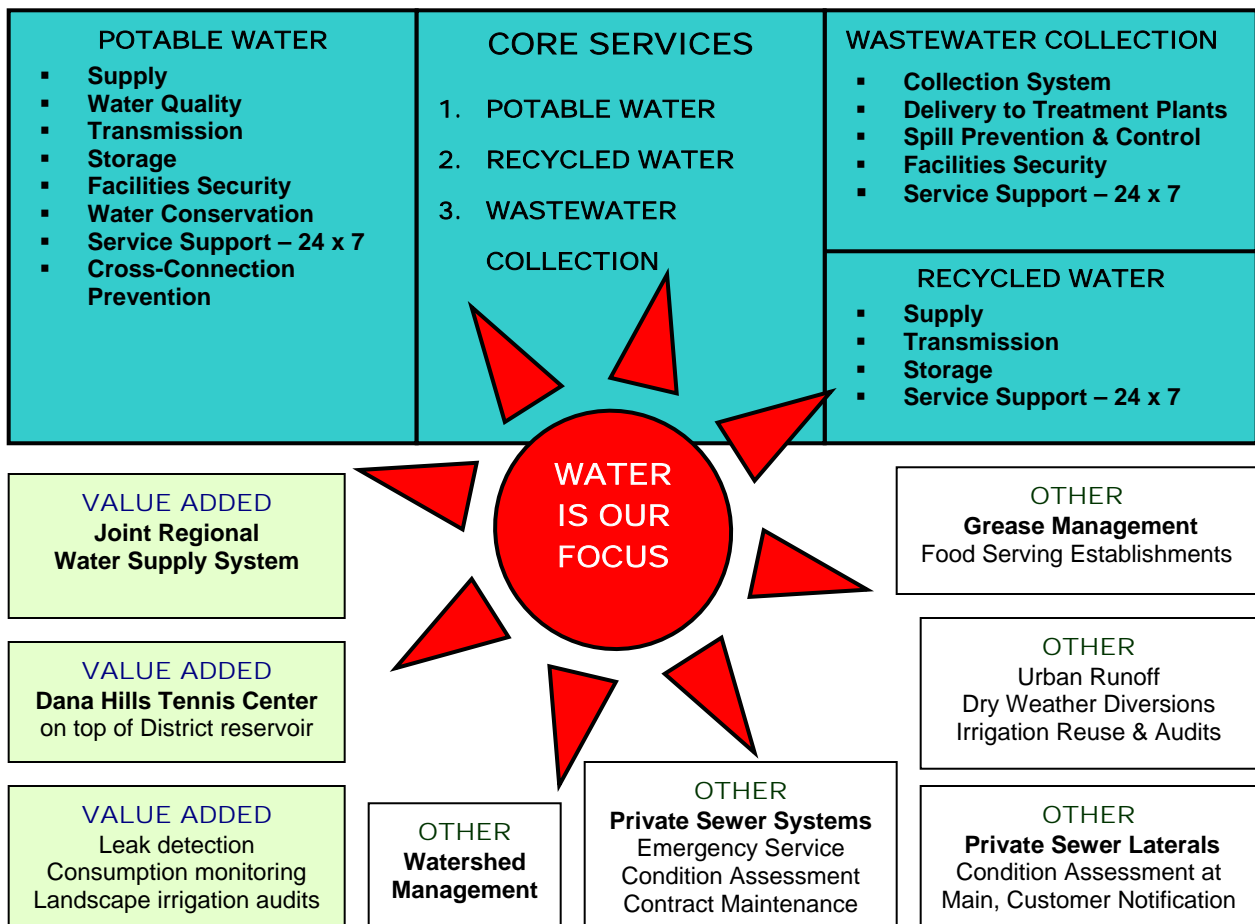
Since 1999, the District has been under contract to the City of Laguna Beach to provide services to South Laguna, which had previously been part of the District's service area. The District also manages a unique sewer tunnel and main in South Laguna, which transports 850,000 gallons of wastewater a day from Dana Point to a treatment plant in Laguna Niguel.

SERVICES

The District provides the "Core Services" of potable water distribution, recycled water distribution, and wastewater collection. In 2002-2003, the District sold approximately 2.6 billion gallons of potable water, with approximately 60% of sales collected as wastewater and pumped to regional treatment plants. In addition, the District provides "Value Added" services, such as operating and maintaining the Joint Regional Water Supply System, as well as a public tennis center built on top of a District reservoir.

Since South Coast Water District manages by watershed – not by political boundaries – the District is involved in all aspects of water management in the interests of the coastal communities it serves. Board policies define the District's roles and levels of its involvement in providing "Other Services," such as accepting dry weather diversion of runoff into the sewer collection system and outreach to private sewer system operators experiencing increased spills due to lack of private maintenance. (Appendix J) The District's roles can range from regulator to facilitator, partner, participant, and interested observer.

Diagram 1--South Coast Water District "Core Services," "Value-Added Services," and "Other Services"



SUPPLIERS

Metropolitan Water District of Southern California. Currently, 100% of South Coast Water District's water is imported from Northern California and the Colorado River from wholesale supplier, Metropolitan Water District of Southern California. (Appendix E – Imported Water Supply System)

- The State Water Project (California Aqueduct) transports water 400 miles from Northern California and is the longest aqueduct system in the world.
- The Colorado River Aqueduct brings water more than 240 miles through deserts and over mountain ranges to its terminal reservoir, Lake Mathews, in Riverside County.

Metropolitan's rate is currently at \$431 per acre-foot and is expected to rise over the next five years (Appendix M – Metropolitan Water District -Rates.)

Municipal Water District of Orange County (MWDOC). On behalf of 30 member agencies, cities and private companies in our region, the Municipal Water District of Orange County purchases water from Metropolitan Water District of Southern California.

The District is an active member agency of MWDOC. South Coast Water District participates on the MWDOC Board of Directors and at Managers' meetings. Through this participation, the District has a direct hand in planning for water supply reliability and water-use efficiency programs for Orange County to the benefit of customers. (Appendix D -- Overview of MWDOC services to member agencies, MWDOC assistance to South Coast Water District on Core Issues and the MWDOC Strategic Plan.)

South Orange County Wastewater Authority (SOCWA). The District is one of 10 regional agencies/cities that formed the South Orange County Wastewater Authority in 2001. The South Orange County Wastewater Authority is a Joint Powers Authority and the legal successor to Aliso Water Management Agency, South East Regional Reclamation Authority, and South Orange County Reclamation Authority.

SOCWA treats wastewater collected from homes and businesses in the South Coast Water District service area at two treatment plants: one in Laguna Niguel (Coastal Plant, 6.7 MGD) and the other in Dana Point (J.B. Latham Plant, 13 MGD). Wastewater undergoes pre-treatment, primary treatment and secondary treatment at the plants before it safely enters the ocean 1½ miles offshore through two pipelines, known as the San Juan Creek and Aliso Creek outfalls. The treatment plants produce effluent that meets the quality requirements of the Federal Clean Water Act for offshore discharge.

With additional treatment, filtration, and disinfection, SOCWA produces recycled water for South Coast Water District at the Advanced Wastewater Treatment (AWT) plant in Laguna Niguel. The recycled water meets the State's health criteria for irrigation use.

CUSTOMERS

South Coast Water District's customers are divided into groups by services they require, as follows:

1. **Potable Water Customers**, further distinguished by size of meters and water usage.
2. **Sanitary Sewer Customers** are segmented into Residential, Commercial/Institutional and Public
 - a. Residential (Single Family, Duplex, Triplex, Fourplex, Multiple including mobile home parks)
 - b. Commercial/Institutional may include
 - Auto Service & Repair Shops
 - Beauty & Barber Shops

- Grocery Stores & Food markets (with and without garbage disposals)
 - Food Services (Restaurants, cafes, cafeterias, public dining and eating establishments, drive in eating and take out)
 - Clothes Cleaners (laundrettes, laundromats, dry cleaner & combination establishments)
 - Hospitals, sanitariums, retirement homes, health buildings
 - Hotels, motels, inns
 - Office buildings
 - Retail stores
 - Schools (public, private, primary, secondary)
 - Other, e.g., banks
- c. Public may include office and community buildings, e.g., churches and rest room facilities

3. Recycled Water Customers

- a. Cities - parks, medians, sports fields
- b. Golf courses
- c. Homeowners Associations (HOAs) - common landscaped areas
- d. Hotels - landscaped areas
- e. Schools - sports fields
- f. Moulton Nigel Water District (for resale to their customers)

RATES & CHARGES

The current rate structure is a legacy from the consolidation of three different public agencies in 1999 that consisted of five “financial zones” – two water and three sewer. Each water and sewer organization came with its own set of customers and rates. The District is developing a standard rate structure for the entire service area that would be simplified, predictable, and equitable for customers. (See Strategy 3).

RESIDENTIAL RATES

Water. Bimonthly rates for a typical single-family residence with a standard ¾” water meter and average water use of 9,000 gallons (12 CCF) and approximately 15,000 gallons (20 CCF) per month are as follows:

WATER SERVICE Total Active Accounts = 12,327 (Oct. 31, 2003)	ILLUSTRATIVE RESIDENTIAL WATER CHARGES			
	Bimonthly Billing Single family residence; ¾” water meter Water usage: 12 CCF per month / 20 CCF per month (1 CCF = 748 gallons)			
	Pre Nov. 15, 2001	Nov. 15, 2001 - June 30, 2002	July 1, 2002 to present	% Increase since Nov. 14, 2001
South Laguna & Dana Point 6,514 meter connections	\$62.40 ¹ / \$96.00 ¹	\$71.32 / \$109.72	\$80.06 / \$123.26	28.3%
Capistrano Beach & northern San Clemente 5,813 meter connections	\$50.40 ² / \$84.00 ²	\$57.60 / \$96.00	\$64.80 / \$108.00	28.3%

- 1 Water rates had been in effect since July 1, 1996 (5 yrs)
- 2 Water rates had been in effect since July 1, 1991 (10 yrs)

Sewer. As of 2002, all property owners within the District are charged for sanitary sewer service on their annual property tax statements. Use of the County's tax bill as a vehicle to collect sewer charges is an effective means to save payment processing expense and reduce accounts payable. Annual sewer rates for a single-family residence are as follows:

SANITARY SERVICE Total Active Accounts =17,899 (Oct. 31, 2003)	ANNUAL SEWER CHARGES Single Family Residence			
	Pre Nov. 15, 2001	Nov. 15, 2001 - June 30, 2002	July 1, 2002 to present	% Increase since Nov. 14, 2001
Central Dana Point 7,384 accounts	\$141 ¹	\$180	\$216	53.2%
Northern Dana Point 3,835 accounts	\$288 ¹	\$360	\$396	37.5%
South Laguna 2,422 accounts				
Capistrano Beach North San Clemente Southernmost San Juan Capistrano 4,247 accounts	\$280.08 ²	\$432	\$480	71.4%

- 1 Sewer rates had been in effect since July 1, 1993 (8 years)
- 2 Sewer rates had been in effect since July 1, 1991 (10 years)

COMMERCIAL RATES

Rates for commercial customers changed proportionately to residential rates:

- Commercial water rates are based on size of meter and water use.
- Commercial sewer rates are based on varying factors, such as water flow, rooms in a hotel, etc.
- Commercial sewer rates in Capistrano Beach are also based on organic solid strength. This is a requirement of the no-interest state loan that the former Capistrano Beach Water District obtained in 1998 to enlarge a lift station and purchase capacity at a regional treatment plant.

RECYCLED WATER RATES

Recycled water is priced at 80% of residential rates to encourage its use for landscape irrigation and thereby preserve potable water.

RATE STRUCTURE

At the end of 2002, the District initiated a study of the existing rate structure. The goal of the study is to produce a consistent, simplified, and equitable rate structure for customers across the District.

The existing rate structure was inherited from the 1999 consolidation of three separate agencies into one "new" South Coast Water District. This resulted in more than 75 different rate classifications depending on where customers live and types of businesses. Other goals for the rate structure study include identifying pricing methods to encourage water conservation and care for the environment. (Appendix F- Rate Structure Study Goals & Objectives)

For the purposes of financial planning, the five-year financial view assumes a modest rise in rates, up to 5% per year, primarily to cover necessary infrastructure improvements.

INDUSTRY OUTLOOK/ENVIRONMENTAL SCAN

Primary reference sources for this section are AWWA Research Foundation, "A Strategic Assessment of the Future of Water Utilities," (2001) and *Journal AWWA* "Trends & Developments in the Water Industry," (Aug. 2001 & Aug. 2003). Complete source list is on page 39.

WATER/WASTEWATER INDUSTRY TRENDS

Business trends are unfolding at the global and national levels which will shape the future of the water and wastewater industry significantly, as well as retail agencies that provide services to end users.

Increasing cost pressures

- **Utilities face significant requirements to replace infrastructure**, which fuel higher costs of service. In 2002, Orange County's annual "report card" of OC Infrastructure, supported by the OC Business Council and UCI Infrastructure Congress, rated county water systems a "B" and wastewater systems a "C+." The County's 7,500 miles of water mains and 300 potable water storage tanks face enormous challenges in the next decade – notably aging infrastructure, shrinking sources of water supply, water quality and overall system reliability. The County's 7,000 miles of sewer pipelines and 240 pump stations also face enormous needs. To maintain the present grade and meet federal regulatory standards, investment must continue and remain consistent for all agencies.
- **Security concerns in the wake of 9/11** have resulted in increased safety measures that have added to operating costs, including the EPA requirement to conduct comprehensive Vulnerability Assessments of facilities.
- **Environmental regulations will continue to intensify**, complicate new resource development, and require more sophisticated water treatment. In turn, this will put pressure on rates.
- **The price per acre foot of imported drinking water will rise significantly**, particularly for water districts, agencies and cities serving the semi-arid desert area of Southern California. Ninety percent of Southern California's drinking water is imported by Metropolitan Water District from the Colorado River and Northern California. Metropolitan Water District projects a 19% price increase per acre foot of water over the next five years, from today's \$443 per acre foot to \$527 per acre foot in 2007-2008. (Appendix M – Met Rates)
- **Demand for water will rise due to drought and population growth**, which could affect customer rates. Industry focus will intensify on efficient water use, conservation, new treatment technologies, and untapped water sources. New technologies will be key to the improved management and extension of water resources. Broader water reuse and recycling systems will be critical to address shortages. Potable water supply and wastewater treatment will be integrated into "water resource management," including land use, watershed protection, and aquatic habitat preservation.

Rising customer expectations

- **Customer expectations of retail agencies will rise**, as the demand and prices for water rise. Utilities will be faced with responding to increased consumer demands, ranging from taste preferences in drinking water (vs. health concerns) to bill payment options. Agencies that meet customers' expectations will survive; those that do not, whether public or private, will find themselves restructured or taken over.

Changing workforce and workplace

- **Finding and retaining workers will be an ever-increasing challenge.** In general, qualified personnel will be scarcer, require more training, and cost more.
- **Technology will permeate the workplace.** Agencies will apply it strategically to improve efficiency and save cost. Large volumes of data will be routinely generated and require assimilation. More, better and faster information on water quality and usage will drive demand for higher water quality standards and focus attention on conservation issues. Critical systems and applications will change significantly or become obsolete every five years or so, putting further pressure on costs.

Continued industry restructuring and consolidation

- Faced with the prospects of accelerated infrastructure replacement, increased customer demands and stiffer regulations, the water supply community and wastewater industry will continue to experience restructuring. Certain business functions will be increasingly out-sourced. Market pressures will continue to force mergers and consolidations and, in some cases, privatization.

REGULATORY MANDATES

Utilities will continue to work within formidable and costly regulatory and industry constraints. Regulations designed to protect public health and the environment will intensify, driving agencies to utilize more sophisticated methods of water treatment and to focus vigorously on the prevention of sanitary sewer overflows. This will put upward pressure on operating costs and, therefore, rates, since regulatory requirements are placed on utilities without concomitant funding.

San Diego Regional Water Quality Control Board -- Zero Sewer Spill Standard.

- The District embraces the San Diego Regional Water Board's standard of zero sewer spills that underpins Regional Board Order No. 96-04-General Waste Discharge Requirements Prohibiting Sanitary Sewer Overflows by Sewage Collection Agencies. (Appendix G-Regional Order 96-04)
- Since the District consolidated, its sanitary sewer overflows (SSO) have decreased from 18 in 1999-2000 to nine in 2002-2003. To build on this, the District must continue investment in major infrastructure repairs and capital improvement, which in turn drive up costs. In addition, the District must maintain and update its SSO Prevention & Response Plans (Appendix T) and comply with all SSO reporting requirements. (Appendix G—State Water Resources Control Board/Regional Board Strategic Plan)

United States Environmental Protection Agency

- **National Pollutant Discharge Elimination System (NPDES) permits.** The US EPA continues to develop proposed NPDES permit requirements for Capacity, Management, Operation, and Maintenance (CMOM) programs for sanitary sewer collection systems. In conjunction with this effort, EPA's Office of Wastewater Management (OWM) is developing a toolbox to help communities develop and implement better CMOM programs. EPA expects the District and other wastewater collection agencies to maintain and replace aging infrastructure as part of long-term capital improvement programs and financial planning. The District is aware of additional expectations that agencies begin to focus on prevention of non point source pollution that can stem from urban runoff and SSOs. (See Strategy 4, pages 23-25, for action items regarding Root Control Plans, Fats, Oils and Grease Control Plans, and Private Sewer Laterals.)

- **Safe Drinking Water Act of 1974 - Maximum Contaminant Levels (MCLs).** District tap water must meet or exceed Federal EPA Primary Drinking Water Standards for microbial contaminants, such as viruses and bacteria, inorganic contaminants, such as salts and metals, radioactive contaminants (natural or manmade), pesticides and herbicides, and organic chemical contaminants, such as those coming from gasoline stations, urban storm water runoff and septic systems. MCL goals continue to lower the upper allowable limits for contaminants, thereby driving up costs of testing, monitoring, and compliance. As of 1996, agencies are required to publish Consumer Confidence Reports on MCLs for annual distribution to customers. (Appendix Y – 2003 SCWD Water Quality Report)
- **Vulnerability Assessments.** Since 9/11, the EPA has amended the " Safe Drinking Water Act" to include the requirement for Vulnerability Assessments of system facilities. Systems serving populations of 3,300 or more must assess vulnerability to a terrorist attack or other intentional act that could substantially disrupt access to safe, reliable drinking water supplies. Systems with up to 50,000 users have been asked to complete assessments by June 30, 2004, which includes District retail operations and JRWSS contract operation. (Appendix U – Vulnerability Assessment Requirements & Approach).

Additional security measures have and will continue to add to the cost of providing service over the next five to 10 years. Over the last 18 months, the District has experienced cost pressures due to additional facilities security measures, including fencing and extra inspections.

Certification of Operations Personnel

- To perform specified job functions that directly relate to public health and safety, water personnel must be State-certified (e.g., for supervisory functions, cross connection control, etc.). Certifications range from Grade 1 (entry-level) to Grade V. The State requires all water operations personnel to achieve certification by January 2007. The District has an active program for certifying all water operations personnel to Grade III or higher.
- As part of anticipated EPA CMOM regulations, certification of wastewater personnel to perform job functions is expected. The California Water Environment Association (CWEA) has already established a certification program for Grades I–V, and the District has implemented it for its sanitary personnel.
- The District requires Class B licenses for all operations personnel and compliance with Department of Transportation programs, such as random drug testing and physical exams.

DEMOGRAPHIC TRENDS

U.S. At 275 million, the U.S. has the third largest population in the world after China and India, and could actually double to 571 million by 2100. Therefore, by 2100, utilities must have twice the water, one-half the demand, or some combination thereof.

Southwest. As drought conditions and population growth intensify in Arizona and Nevada, those states are calling for up to a 30% cutback in water supplied to California from the Colorado River. Over the next 13 years, California will be expected to wean back to its legal entitlement of 4.4 million acre-feet (MAF.) Consistently, the state has used roughly 5.2 MAF per year of Colorado River water – 0.8 MAF more than its legal entitlement.

California. The U.S. Census Bureau says that California will have nearly 54 million people by 2025, up from today's 34 million. By 2025, Orange County is expected to double in population, from 3 million to 6 million residents. Therefore, water utilities must position themselves for significantly higher demand for water and the higher rates that would follow.

The State's ballooning population is the major factor in the constant water crisis that is projected to worsen. The Department of Water Resources estimates that a modest increase in supply and a soaring demand means that California is teetering on the edge of a profound water shortfall that experts say could rival last year's power shortages for economic and social disruption.

ECONOMIC TRENDS

State Budget Deficit. The State has a \$38 billion deficit that may take up to 20 years to resolve. Even though the State recently passed the 2003-04 budget, California still has a monumental fiscal deficit, and its economic problems are far from solved. Undoubtedly, this will continue to pose a threat to special districts that rely on property tax receipts to fund infrastructure improvement and operating expense.

For the District, the potential loss of property taxes represents 15% of its current operating funds or \$3.2 million per year. One serious proposal to close the 2003-2004 budget gap had called for a \$1.16 billion hit to local government and would have resulted in an estimated \$233 million loss in property taxes to special districts. While that proposal did not pass, property tax receipts remain at risk of being taken away from special districts to help bridge the budget gap.

Workforce. Southern California, in general, and the service area of South Coast Water District in particular, are among the most affluent regions in the U.S. Median house prices in Dana Point are nearly \$450,000. This poses a challenge for entry level employees and operations employees who do not earn enough to "live in the District," yet are required to live "within 30 minutes or 15 miles of the District" so they may respond quickly to emergency calls, as required when they are off work but on duty.

Finding and retaining workers will be an ever-increasing challenge. In general, qualified personnel will be scarcer, require more training, and cost more.

Medical and general insurance costs are expected to rise by 30% next year. This puts significant cost pressures on the District. These costs are not expected to stabilize in the near-term.

ENVIRONMENTAL TRENDS

As carbon dioxide -- a heat-trapping greenhouse gas released by burning fossil fuels such as coal -- warms the global atmosphere, climate changes will result not only in higher temperatures, but also disruption of traditional weather and runoff patterns, thereby increasing the frequency and severity of drought and floods. Global warming will shrink the Sierra Nevada snow pack over the next half-century disrupting water supplies for Californians. The Sierra Nevada snow pack is the source of drinking water for two-thirds of all Californians and irrigates millions of acres of farmland in the Central Valley. Therefore, Northern California Bay/Delta water will not be a reliable source of water supplies to replace Colorado River cutbacks.

Virtually every environmental problem in California can be traced back to the staggering population growth. California is building out (and up) to accommodate the onrush of new residents, and there is increasing pressure to develop even ecologically imperative watershed areas.

CUSTOMER ASSESSMENT

DEMOGRAPHICS

About 75% of South Coast Water District's service area is located in the City of Dana Point, which accounts for 6.2 square miles of the District's total 8.3 square mile territory. The City of Dana Point and South Laguna, which the District serves under contract to the City of Laguna Beach, comprise nearly 100% of the service area. North coastal San Clemente and 300 sewer customers in southernmost San Juan Capistrano complete the service area.

Dana Point (Source: myoc.com). The city is 6.2 square miles with a population of 35,100 and 15,682 housing units. Median home price is \$447,500 and median income is \$54,516. The median age is about 40, with 21% of the population under 18, 13% 65 and older and 15% Hispanic. Total employment in the area is 6,547 people in 483 businesses. The top five private employers are Ritz Carlton, St. Regis, Marriott's Laguna Cliffs Resort, REMAX Real Estate Services, First Team Real Estate. The top three major business activities are: retail trade, personal, and business services and finance/insurance/real estate. (Appendix H— Excerpt from the City of Dana Point Strategic Plan)

Laguna Beach (Source: myoc.com). The city is 7.8 square miles with a population of 23,727 and 12,965 housing units. Median home price is \$659,000 and median income is \$53,419. The media age is roughly 40, with 16% under 18 and 6.6% Hispanic. Total employment in the area is 7,175 people in 735 businesses. (Appendix I – City of Laguna Beach Strategic Plan for Improvement of the Sanitary Sewer System)

PUBLIC MISPERCEPTIONS

Misperception #1: Most drinking water is used for drinking, washing, and cooking.

- No. Landscape irrigation accounts for 60% of the drinking water used in the District. In the District's largely residential, built-out area, landscape irrigation is the #1 use of potable water. Moreover, landscape over-watering and misdirected sprinkler heads are the top causes of urban runoff, which can flow down storm drains into the ocean – carrying pesticides, herbicides and bacteria with it.

About 20% of customers account for 80% of landscape irrigation (e.g., homeowners associations, schools). Recycled water is a product designed for that market segment. South Coast currently provides recycled water for landscape irrigation to 167 customer accounts that include the City of Dana Point, City of Laguna Beach, Dana Hills High School (sports field), the Links at Monarch Beach, hotels, and homeowners associations, as well as Moulton Niguel Water District -- which resells it to its recycled water customers.

Misperception #2: Sanitary sewer spills are the #1 reason beaches are posted with warning signs about high bacteria levels.

- No. Sewer spills are not the #1 cause of beaches' being posted much of the year warning of high bacteria levels. It's runoff from the street that flows down storm drains and into the ocean – carrying pesticides, herbicides, and bacteria. Yet, the public often perceives that beach warning signs are posted due to leaks and spills from the public sewer system. (Appendix J1 & Strategy 5)

Misperception #3: Fats, Oils and Grease “dissolve” or “break up” when they go down the drain.

- No. Neither hot water nor garbage disposal units solve the problem of fats, oils, and grease building up inside pipelines over time. Only discarding fats, oils and grease (FOG) in the trash prevents that. This problem is intensified in tourist destinations like Dana Point and South Laguna, which have many restaurants and food serving establishments using high quantities of FOG daily. These establishments are prone to grease-related sewer spills due to grease build-up in traps and interceptors or in their privately owned and maintained pipelines. (Appendix J2—Grease Management & Strategy 4)

South Coast Water District owns and maintains all the sanitary sewer lines in its service area.

- No/Private Sewer Laterals. All property owners are responsible for cleaning and maintaining their private sewer laterals (pipelines) that connect into the public sewer system. A critical issue is tree roots that can grow into private laterals, intrude into the District’s public system, and obstruct flow. Another significant problem can occur when homeowners have their private sewer laterals cleaned, resulting in tree roots being pushed into the District’s main lines and creating an obstruction in the public system. (Appendix J3—Private Sewer Laterals & Strategy 4).
- No/Private Sewer Systems. There are 14 homeowners associations and mobile home parks along the coast that operate their own private sewer systems, which can be prone to spills if they are inadequate in size and not cleaned and maintained on a regular basis. (Appendix J4—Private Sewer System Operators & Strategy 4) In addition, the County of Orange is responsible for cleaning, maintaining, and repairing its sewer system in Dana Point Harbor.

COMPETITIVE ASSESSMENT

Private Operators – Bottled Water. As a monopoly supplier of tap water, recycled water, and wastewater collection in its service area, South Coast Water District has no “competitors” per se. However, there is a ubiquitous “substitute product:” bottled water. Bottled drinking water is in high demand and cuts down tap water usage, which could affect revenues over time.

More than 50% of Americans drink bottled water. From 1988-98, the sale of bottled water tripled to four billion annually, according to the Beverage Marketing Association. In 1999, it went to 4.4 billion, representing \$5 billion in sales. Yet, bottled water costs from 240 to over 10,000 times more per gallon than tap water according to the 1999 NRDC’s “Bottled Water Report.” There are more than 700 different U.S. brands; yet, as the NRDC Report points out 25%-40% is filtered tap water. Consumer Reports has noted that Pepsi’s Aquafina and Coke’s Dasani are filtered tap water.

In 1994, 33% of the U.S. bottled water market resided in California. According to Met’s “Consumers Expectations Survey,” bottled water usage increased from 29% to 38% between 1993 and 1997 in the area that Met supplies water. Demographically, the highest use of bottled water is in LA (43%) and San Diego (37%); the lowest uses are in OC (27%).

Many Californians seem to perceive that bottled water is the standard for purity and taste in drinking water. However, bottled water and tap water are held to the same EPA standards. Where bottled water may edge out tap water is the area of water quality “aesthetics,” i.e., taste and odor, which for some equate to “high

quality.” In a 2001 California Water Awareness Campaign “Public Information & Education Assessment Study,” 14% of the residential sample perceived the quality of their tap water as “excellent.” The two most frequently reported reasons for drinking bottled water were better quality (36%) and better taste (35%).

There will never be a substitute for water. However, consumers get to choose between water from the tap or the bottle. Whether due to taste, convenience, cultural norms, or misperceptions about relative water “purity,” consumers are in the driver’s seat and they are expected to propel the bottled water industry along a trajectory of explosive growth over the next five years.

Private Operators – Public Waterworks. Water privatization – turning the operation, control, or ownership of public water supplies over to corporations to increase efficiencies and operating margins – is on the rise both overseas and in the U.S. The City of San Jose has privatized its public water works in an effort to promote greater operational effectiveness and efficiencies. Some agencies and municipalities are exploring the possibility of public/private partnerships, versus wholesale privatization.

Conversely, the City of Atlanta recently reversed its decision to privatize its waterworks. Also, the City of Stockton had accepted a proposal to privatize its waterworks, but community groups are contesting that decision. Cities, agencies, and organizations point to the inherent disadvantages of privatization, notably:

- Private profit mandate
- Decreased public accountability
- Requirement for additional insurance
- Increased overhead expense
- Loss of tax free financing advantages

CRITICAL SUCCESS FACTORS

Given the industry outlook and environmental scan, a vital few critical success factors stand out for the District to have in place to ensure long-term success. These critical capabilities and resources are:

- Community support of the District’s mission, vision, values, and goals.
- Excellent relations with regulatory agencies, local governments, and non-governmental organizations.
- Sensitivity and flexibility to meet or exceed customer service expectations.
- Sufficient designated funds to implement capital improvements over 20 years.
- Employees who are qualified and certified to do the job and are motivated and productive.
- Technology leveraged to improve all aspects of the organization’s operations and communications.

STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS (SWOT ANALYSIS)

The District has employed the “SWOT” analysis to assess its internal strengths and weaknesses and external industry/environmental threats and opportunities. The SWOT strategy is twofold: eliminate organizational weaknesses in areas where external threats exist and capitalize on organizational strengths where outside opportunities lie.

INTERNAL CAPABILITIES ASSESSMENT

Input for this section came from the Organizational Assessment (Appendix L) and four Strategic Planning Steering Committee workshops (2002-2003.)

STRENGTHS

Operations & Maintenance

- Service quality consistently meets customer expectations.
- O&M has implemented effective “unattended operations” strategies and applies “total productive operations” concepts.
- The District seeks ways to co-develop common solutions with others and out source some functions.

Organization

- Smaller agency is better positioned to offer customers personalized service (more one-on-one time; less bureaucracy; faster response time; flexibility to respond to individual situations.)
- Jobs are more interesting because smaller staff requires multi-talented/functional personnel.
- Employees have a strong sense of job ownership and responsibility.

Technology

- IT Master Plan is completed.
- Significant efforts are underway to upgrade IT infrastructure and communications platform.

WEAKNESSES

Work Practices

- Best practice “asset management” concepts are not fully implemented.
- Deferred investment in the communications network makes for limited capacity and reliability.
- Work processes are not documented (mapped out) in writing, which would aid employee training and development and process improvement.

Organization

- The organization is “siloed” by function (Water, Sewer, Engineering, Admin), which can challenge team-based efforts.
- Integration of organizational cultures as a “consolidated” District can be improved.
- Lean organization with limited to no staff back up can result in workforce gaps due to sick leave/vacation.

Technology

- Systems are not fully integrated.
- Obsolete computer hardware supports certain operations and must be replaced.
- Employee computer training/use is needed to derive greatest benefits from technology investments.

Performance Results

- There are limited District performance measures to align employee performance measures with.
- There is a need to improve “incentive-based” employee skill development and compensation.

Infrastructure

- District facilities are located in a built-out service area, where infrastructure tends to be older.

Rates

- The District inherited 75+ different rate classifications resulting from the consolidation of three agencies into one District in 1999. (Rate structure study in progress)
- Some of our rates are lower than other agencies' in Orange County; some are higher due to cost of source water, geography, etc.

Employees

- Personnel are too spread out in satellite locations
- Other agencies and/or competitive employers in the public and private sectors may pay employees more for comparable job functions and provide greater benefits/perks.

EXTERNAL ASSESSMENT

OPPORTUNITIES

- Provide local sources of water using new technologies (groundwater recovery and ocean desalination) to reduce dependence on imported supplies.
- Improve wastewater treatment that produces recycled water for irrigation and expand customer base
- Bottle District water.
- Dispel public misperception that sewer spills are #1 cause of beach closures and postings.
- Identify customer service needs through requirements analysis and address them.
- Improve responsiveness of restaurants, private homeowners, homeowners associations, and private sewer system operators to cleaning and maintaining private pipelines and systems.

THREATS

- Imported water supply will be cut back to the District by up to 30% in five years.
- The price for Met's imported water will rise by more than 20% in five years. (Appendix M)
- 15% of revenues continue to be at risk as State may seize property tax receipts in the future help close its budget deficit.
- The EPA requires increases in funding capital investment and compliance initiatives (CMOM).
- Customer rates will likely rise given increased costs of regulatory compliance and imported water.
- Significant fines and penalties are at risk for non-compliance with Order 96-04 (Zero Sewer Spills).
- Political forces may drive further consolidation and, in some cases, privatization, takeovers and municipal mergers.

CORE ISSUES SUMMARY

The Strategic Planning Steering Committee reached consensus on the Core Issues facing the District in the next five years. This "top 20 list" was distilled from more than 50+ items/issues that team members identified (Appendix N – Strategic Planning Committee/Planning Teams). The Core Issues Summary forms the basis for the District's 2003-2004 Goals, Strategies, and Action Plans, which follow on the next page.

Votes	Rank	TIER 1 PRIORITIES
27	1	Technology Master Plan for Voice, Data & SCADA (telemetry). Data portion of the Master Plan will address Customer Billing System/Auto Pay, timing of CMMS and GIS, and other customer/operations support.
26	2	Water/Wastewater Master Plan & Capital Improvement Program. Supports goals for reliable water delivery, zero sewer spills, and conservation through recycled water program.
25	3	Multi-year rate plan based on the financial equalization study and rates restructure study that supports goal to establish fair, equitable, simplified and predictable customer rates district-wide that cover cost of services.
23	4	Enhanced employee training, recognition, compensation, and other targeted HR programs to attract and retain personnel.
21	5	Centralized District Offices to optimize employee effectiveness and communications.
20	6	District ordinances, policies, roles, and partnerships with cities and agencies regarding urban runoff; grease management, private sewer laterals, private sewer systems, and watershed management.
TIER 2 PRIORITIES		
19	7	Water/Wastewater Operations & Maintenance Management <ul style="list-style-type: none"> ▪ Potable Water (Supply, Storage, Distribution). Includes conservation programs, proposed desalination & groundwater recovery plants, increased independence from imported supplies. ▪ Recycled Water (Supply, Storage, Distribution) ▪ Wastewater Collection, including SSO prevention and response
19	7	Assessment of Water/Wastewater facilities.
18	8	San Juan Creek Property Development
14	9	Future Vision for District (10-20 years out)
14	9	Public Information Plan with key public messages. Supports goal to inform public about water supply issues/conservation & zero tolerance of sewer spills; to solidify service benefits in mind of customers.)
13	10	Grant Development for operations/other projects.
13	10	Identification of customer requirements, e.g., bill payment, water quality, service, public info) and customer service levels aligned with identified requirements.
12	11	Partnership with City of San Juan Capistrano on potable reservoir.
12	11	Vulnerability assessment of facilities' security.
12	11	Optimal organization design and processes, including size, structure, functions, performance measures (e.g., 1 Dir. Ops.)
10	12	GM and management succession plan to ensure continuity of services and operations.
TIER 3 PRIORITIES		
6	13	Dedicated Customer Liaison for Community Outreach.
5	14	District's role and partnerships with federal, regional, and local regulatory agencies and state water board.
5	14	Location of Board of Directors' meetings to maximize public participation.

2003-2008 GOALS, STRATEGIES & ACTION PLANS

To address the Core Issues identified and prioritized by the District's Strategic Planning Steering Committee, the Committee and its planning teams developed a series of strategies and action plans for 2003-2008.

Strategies and Action Plans are prioritized as Tier 1, 2 or 3 and correlate to the Core Issue priorities (page 19). In addition, strategies and action plans are divided into two categories: External and Internal Initiatives (see chart below)

These Strategies and Action Plans will support the District in achieving its key goals for 2003-2008.

DISTRICT GOALS 2003-2008	STRATEGIES & ACTION PLANS
<ol style="list-style-type: none"> 1. Meet or exceed customer service requirements. 2. Ensure facilities reliability for water, wastewater and recycled water services. 3. Protect public health and the environment through prevention of sanitary sewer overflows and by meeting or exceeding water quality standards. 4. Ensure water reliability by addressing supply and conservation. 5. Keep customers, public and key stakeholders informed and solicit their input. 	<p><u>External Initiatives</u> Address Core Issues related to meeting the requirements of customers, the public and key stakeholders.</p> <p>TIER 1 Priorities Strategies 1 - 6</p> <p>TIER 2 Priorities Strategies 7 -19</p> <p>TIER 3 Priorities Strategies 20-22</p>
<ol style="list-style-type: none"> 6. Promote an efficient and productive workforce. 7. Attract and retain a skilled workforce. 8. Ensure and enhance financial management. 	<p><u>Internal Initiatives</u> Address Core Issues concerning human and financial resources needed to meet external requirements.</p> <p>TIER 1 Priorities Strategies 23-29</p> <p>TIER 2 Priorities Strategies 30-31</p>

**EXTERNAL INITIATIVES
MEETING REQUIREMENTS OF OUR CUSTOMERS,
THE PUBLIC AND KEY STAKEHOLDERS**

TIER 1 PRIORITIES - EXTERNAL

STRATEGY 1

Develop Technology Master Plan that will enable the District to provide reliable customer and employee services now and in the future.

Action Plans

1. Develop Request for Proposal for Information Technology Master Plan (completed, Q2 2003)
2. Develop IT Master Plan (completed, Q3, 2003)

Priorities

- a. Upgrade IT infrastructure: replace main administrative server, tape backup unit, desktop operating systems and server operating systems (underway, 2003-2005)
- b. Replace billing system and handheld meter reading devices (underway, 2003-2004)
 1. Replace specialized water billing system with commercial product offering flexibility and customer support. (underway)
 2. Replace Versa Term handheld water meter reading devices with Automated Meter Reading (AMR) system (2004-2006)
 3. Provide customers with additional bill payment options:
 - a. Establish auto pay service, as customers have requested (2004-2005).
 - b. Explore other bill payment options for customers, such as Internet payments, check-by-phone, credit card. (2004-2005)
- c. Implement a Geographic Information System/GIS (2003-2007).
- d. Replace Supervisory Control And Data Acquisition/SCADA system – telemetry radio network and computer system -- for improved operations and maintenance. (underway, 2003-2005)
- e. Install Computerized Maintenance Management System/CMMS (2003-2005)
 1. Establish CMMS that supports planned and reactive maintenance programs.
 2. Establish formal, documented work order processes for water and wastewater operations.
 3. Conduct preventative maintenance according to planned schedule.
 4. Conduct emergency and unanticipated repairs, as necessary.

- f. Install and implement Document Imaging & Retrieval System (2003-2005)
 - g. Upgrade phone system (2003-2005).
 - h. Rebuild and revitalize the District's website into a user-friendly, timely source of customer and public information, that may provide such features as bill payment. (2003-2005).
3. Develop Technology Financial Plan to support priority changes (underway)
 4. Develop and enhance employee computer and technology-related skills (underway).
 5. Incorporate infrastructure upgrades (ongoing)

*Lead Department: Administration (IT) in partnership with internal clients
Appendix P: Strategic Information Technology Plan (2003-2008)*

STRATEGY 2

Develop Water/Wastewater Facilities Master Plan that will drive the effective delivery of necessary capital improvement projects.

Action Plans

1. Develop Request for Proposal for Master Plan (underway)
2. Implement Engineering Portion of Master Plan
 - a. Inventory facilities: Wastewater (underway); Potable/recycled water (2003-2005)
 - b. Conduct Master Plan Study (2003-2004)
3. Recommend Capital Improvement Program
4. Develop Financial Plan required to implement CIP
5. Implement facilities capital improvements

Lead Department: Engineering

STRATEGY 3

Establish common rate structure throughout District that is fair, equitable, predictable, and simplified.

Action Plans

1. Conduct Rate Restructure Study that includes five-year rate plan and conservation based pricing (underway, to be completed 2003-2004). Explore multi-tiered rate scenario for conservation-based pricing and assess for feasibility and usefulness in promoting water conservation in all service areas.
2. Conduct public hearings and secure Board approval (Q1 2004)

3. Implement restructured rates

- a. Water (targeted effective date-by 3/30/04)
- b. Sewer on annual property tax statement (targeted effective date-7/1/04)

Lead Department: Administration (Finance with Customer Service, IT, Public Info)
Appendix F: Goals & Objectives of Rate Structure Study

STRATEGY 4

4A. Comply with federal, state, and local sanitary sewer system regulations, orders, and standards as these are developed (i.e., CMOM regulations, regional orders).

Action Plans

- 1. Comply with EPA Order Docket No. CWA-402-9-03-29 dated September 30, 2003 to document a comprehensive sanitary sewer overflow (SSO) prevention program.
 - a. Document Current SSO Prevention Programs and submit to EPA by due date of Mar. 1, 2004.
 - 1. District's Sewer Cleaning Plan
 - a. System-wide, annually
 - b. Hot spots, quarterly until source of adverse conditions eliminated (in some cases, thorough cleaning may be sufficient to eliminate the location from the hot spot list)
 - 2. District's Sewer Pipeline Inspection & Condition Assessment Plan
 - a. Baseline Established (2002-2004)
 - 1. Capistrano Beach/San Clemente video and assessment completed.
 - 2. Dana Point video completed and assessment underway.
 - 3. South Laguna and Monarch Bay video underway.
 - b. Detail Ongoing Efforts
 - b. Enhance and Develop New SSO Prevention Programs and submit to EPA by due date (currently Mar. 1, 2004).
 - 1. 10-Year Capital Improvement Program and Financial Plan
 - a. Prioritize rehabilitation efforts using Baseline Assessment and complete Priority 1 work in 2003-2004; Priority 2 in 2004-2005; and Priority 3 in 2005-2006.
 - b. Eliminate Hot Spots. Capistrano Beach/San Clemente completed; Dana Point completed in May 2004; South Laguna to follow.
 - c. Identify pipelines that require near-term and longer-term rehabilitation, and consider additional business practices such as "asset inventory" and/or CMMS implementation to match work plan to maintenance standards.
 - d. Develop 10-year financial plan to fund planned pipeline rehabilitation work.

2. Root Control Plan

a. District System

1. Inspection and Assessment will provide the base information to direct spending and focus programs toward the highest problem areas first.
2. Cleaning, Maintenance, Rehabilitation, and Public Information programs are underway and will be improved to address existing conditions.

b. Private Sewer Laterals

1. District-wide assessment will provide base information to direct spending and focus programs toward highest problem areas first.
2. Program will include District enforcement ordinance and public info plan.

3. Fats, Oils and Grease (FOG) Control Plan

a. District System – Inspection, Assessment, Cleaning, Maintenance, Rehabilitation and Public Information programs are underway and ongoing.

b. Food Service Establishments with Grease Traps/Interceptors—Current District Program addresses these establishments through inspection and follow up. They represent 25% of the total food service establishments in the District.

c. Food Service Establishments without Grease Traps/Interceptors—The District will evaluate potential programs, including development of a District enforcement ordinance and industry education/information program.

c. Prepare Annual Progress Reports on District's SSO Prevention Programs and Results and submit to the EPA by due date of Sept. 1 each year until Order terminates.

1. Sewer cleaning and root control programs in the past year.

2. Findings of pipeline condition assessments made in the past year and miles of pipelines to be inspected in the current year.

3. Sewer rehabilitation work completed in the past year, description of projects to be completed in the current year, and update of 10-year Capital Improvement Plan.

4. FOG program, including food service establishment inspection/enforcement logs.

d. Develop, document, and implement a comprehensive SSO Prevention Program for lift stations and force mains.

1. Submit findings and recommendations from the District's study of lift station conditions to the EPA by due date of Sept. 1, 2004.

2. Submit a Lift Station and Force Main Repair, Renovation and Upgrade Plan, including work schedule and funding to the EPA by due date of Mar. 1, 2005.

e. Prepare Quarterly SSO Summary Reports that identify the primary factors contributing to District spills and submit to the EPA by the following due dates: Feb. 1, May 1, Aug. 1, and Nov. 1 each year until Order terminates.

*Lead Department: GM with senior managers from Administration, Operations and Engineering
Appendix Z: - EPA Order (September 30, 2003)*

2. Comply with Regional Order No. 96-04 regarding submission of updated District Plans for Sanitary Sewer Overflow (SSO) Prevention and Response to the San Diego Regional Water Quality Control Board (Regional Board).
 - a. Provide periodic reports on the District's SSO Prevention and Response programs and results to the Regional Board, as determined by the Director of Operations.
 - b. Conduct San Ops team reviews of the causes of SSOs (public and private) following each incident, with an eye to future prevention. Revise Prevention and Response Plans as needed and submit revised Plans to the Regional Board.
 - c. Prepare Quarterly SSO Reports and submit to the Regional Board.
 - d. Submit Individual SSO Reports to the Regional Board following each spill incident in the time frames and manner specified in Order No. 96-04. Submit reports of private spills that the District becomes aware of to the Regional Board as a Courtesy Notification.

Lead Department: Operations

Appendix T/G: SSO Prevention & Response Plan/Regional Order No. 96-04

STRATEGY 4

4B. Continue improvements to the District's sanitary sewer overflow prevention planning.

Action Plans:

1. Private Sewer Systems within District's service area
 - a. Homeowners Associations (11) and Mobile Home Parks (3)
 1. Existing Efforts - Requests for information on maintenance schedules
 2. Planned Efforts
 - a. Consider ordinances addressing cleaning, maintenance and repair for homeowners associations and mobile home parks
 - b. Contracting for cleaning for some homeowners associations.
 - b. Dana Point Harbor, County of Orange – Potential contract for cleaning.

Lead Department: GM with senior managers from Administration & Operations

Appendix J4: Private Sewer System Operators

STRATEGY 5

Establish and implement District ordinances, policies, and continuing partnerships with cities, the county, agencies, and non-governmental organizations regarding dry weather diversion of urban runoff and irrigation reuse. (ongoing)

Lead Department: GM with senior managers from Administration & Operations.

Appendix J1: Dry Weather Diversion Policy

STRATEGY 6

Establish District policies, roles, and partnerships with cities, the county, agencies, and non-governmental organizations (NGOs) regarding watershed management in our service area.

Action Plans

1. Focus efforts in three watersheds that reach the Pacific Ocean.
 - a. Aliso Creek in South Laguna (City of Laguna Beach)
 - b. Salt Creek in Monarch Beach (City of Dana Point)
 - c. San Juan Creek in Capistrano Beach (City of Dana Point).
2. Focus efforts on Dana Point Harbor, which is managed by the Orange County Public Facilities & Resources Department (PFRD).

*Lead Department: GM with senior managers from Administration & Operations.
Appendix J5: Watershed Management*

TIER 2 PRIORITIES - EXTERNAL

STRATEGY 7

Establish long term plans to address (a) the reduction in imported water supplies over the next 10-15 years, (b) funding for additional water supplies and (c) the financial impact of rate increases from Metropolitan Water District of Southern California.

*Lead Department: GM with Director of Administration, Controller
Appendix M: Metropolitan Water District of Southern California Rates*

STRATEGY 8

Evaluate and plan for water storage needs.

Action Plans

1. Consider purchase of capacity in the City of San Juan Capistrano's potable reservoir, which could provide two million additional gallons of water storage for the District. (2004-2005)
2. Assess overall storage needs and make recommendations: buy, build, partner. (underway/ongoing)
3. Develop plans to integrate water storage facilities that served two separate water districts before the 1999 consolidation. (2003-2004)
4. Integrate requirements into the Water/Wastewater Facilities Master Plan (2003-2004)

Lead Department: Engineering (with GM)

STRATEGY 9

Build and operate a Groundwater Recovery Plant on the District's San Juan Creek Property to provide a local supply of potable water from the San Juan basin. (underway, target completion: 2005-2006)

*Lead Department: Engineering (with GM)
Appendix R –Groundwater Recovery Facility Report*

STRATEGY 10

Work with Municipal Water District of Orange County to site regional ocean water desalination facility on District's property to provide plentiful supply of potable water to south Orange County. (underway, target completion 2007-2008)

*Lead Department: GM with senior managers in Administration & Engineering)
Appendix V: Ocean Desalination Information Sheet*

STRATEGY 11

Explore potential for District to bottle its own water, once its Groundwater Recovery Facility is operational. (2006-2008)

Action Plans

1. Consider bottling water for emergencies and other community-based uses.
2. Assess desirability and profitability of selling bottled water to the public.

Lead Department: GM with senior managers from Administration & Engineering.

STRATEGY 12

Meet or exceed all federal and state water quality standards. (underway and ongoing)

Action Plans

1. Develop and implement programs to ensure District complies with new and increasing drinking water quality requirements from federal and state governments (ongoing).
2. Publish mandated Water Quality Report that demonstrates District has met/exceeded all standards. (annual requirement)

Lead Department: Operations

Appendix Y: 2003 Water Quality Report

STRATEGY 13

Promote water conservation in compliance with voluntary California Urban Water Institute Best Management Practices (underway and ongoing).

Action Plans

1. Seek opportunities to collaborate with cities, homeowners associations, non-governmental organizations, and community stakeholders to prevent landscape over-watering. . (e.g., outside irrigation audits). Landscape irrigation is the #1 water use of drinking water in our service area and the #1 cause of urban runoff/ocean pollution
2. Promote Metropolitan Water District of Southern California and Municipal Water District of Orange County water conservation programs locally: Residential and Commercial/ Industrial/Institutional.
3. Implement District conservation programs, such as auto shut off hose nozzles and soil probes.

Lead Department: Operations (with support of Public Information/Education)

Appendix S: California Urban Water Conservation Council Best Management Practices

STRATEGY 14

Promote and support the use of recycled water for landscape irrigation and beneficial reuse of water to conserve potable water. (underway and ongoing)

Action Plans

1. Regain Aliso Creek Golf Course as a customer of recycled water.
2. Partner with Headlands, LLC on construction of recycled water infrastructure.
3. Expand use of recycled water within the District's service area.
4. Expand use of recycled water with adjacent agencies and cities.

Lead Department: Operations

STRATEGY 15

Manage and develop District properties to maximize benefits to customers and the community.

Action Plans

1. Maximize value of District's 30-acre San Juan Creek property (revenue or revenue-equivalent) for the benefit of customers and the community. (underway and ongoing)
2. Maximize value of District's other real property for the benefit of customers and the community.

Lead Department: GM with District Counsel & project manager

Appendix W: San Juan Creek Property – Overview

STRATEGY 16

Develop and consistently communicate key customer, public, and stakeholder messages.
(underway/ongoing)

Action Plans

1. “Brand” South Coast Water District so customers know our name, services, and value.
 - a. Theme: “Water is our focus – and our focus is our strength.
 - b. Tag: “South Coast Water District -- Partnering With The Community.”
2. Communicate key messages about water and sewer service to the public and targeted audiences.
 - a. Water
 1. Local Water Independence. We need to develop local water supplies in our desert area so we are not 100% dependent on imported water (e.g., groundwater recovery facility and ocean desalination plant).
 2. Don’t Over-water. 60% of our drinking water is not used for drinking – it’s used to water lawns and landscaping. (e.g., outdoor water audits and programs to curb waste and runoff.)
 3. Save Water, Save \$\$\$ (e.g., conservation-based pricing)
 - b. Sewer
 1. Fat-Free Sewers. Underpins FOG Control public information in support of ordinances and programs developed in connection with the public system, restaurants and food serving establishments.
 2. Get To The Root Of The Problem. Underpins Root Control public information in support of ordinances and programs developed in connection with the public system and private sewer laterals (homeowner, commercial)
 3. Clean Pipelines, Clean Ocean and Fat-Free, Root-Free Pipelines. Used in public information to convey overall need to maintain systems and private sewer laterals.
3. Communicate specialized messages to the public and target audiences.
 - a. District’s first Strategic Plan, public comment (underway, 2003-2004)
 - b. Rate Restructure Recommendations & Implementation (2003-2004)
 - c. San Juan Creek Property Development (underway and ongoing, 2003-2008)
 - d. Ownership and operation of private sewer laterals and private sewer systems through educational and compliance information (2003-2004)

Lead Department: Administration (Public Information with departments)

STRATEGY 17

Identify customer service and public information requirements in key areas: services provided; service levels and public information. (2004-2005)

Action Plans

1. Determine need, timing, and approach for formal customer and public research.
2. Conduct research as indicated, assess findings, and implement changes/new programs, as needed.

Lead Department: Administration (Customer Service & Public Information)

STRATEGY 18

Assess vulnerability and security of facilities to human threat and natural disaster.

Action Plans

1. Conduct EPA-mandated Vulnerability Assessment by June 30, 2004 (potable, recycled, JRWSS)
2. Develop Emergency (Implementation) Plan by Dec. 30, 2004 to address areas for improvement.
3. Implement Emergency Plan.
4. Safeguard safety of facilities by carefully reviewing security-related information before public dissemination.

Lead Department: Operations

Appendix U – Vulnerability Assessment Requirements & Approach

STRATEGY 19

Continue to contract services to operate and maintain the Joint Regional Water Supply System.

Action Plans

1. Complete EPA-mandated Vulnerability Assessment of the JRWSS and submit report to the EPA at same time SCWD submits its report (June 30, 2004)
2. Until Metropolitan Water District of Southern California expands South County pumping stations, purchase capacity on the Allen-McColloch Pipeline to meet increased need for water in Capistrano Beach, San Clemente and San Diego County Water Authority. (2003-2005)
3. Inspect 3 miles of 60" Joint Transmission Main (Unit 1, Reaches 1 & 2) and repair as needed.
 - a. Develop inspection plan and secure permits. (2004-2005)
 - b. Conduct RFP process, select contractor, and inspect transmission main. (2005-2006)

Lead Department: Operations

Appendix E: Imported Water Supply System Map

TIER 3 PRIORITIES - EXTERNAL

STRATEGY 20

Establish dedicated Community Liaison position to support the District in proactively educating targeted audiences in water conservation and maintenance of sewer lines. (2005-2005)

Action Plans

1. Conduct water conservation sessions for targeted groups, such as HOAs, large landscape irrigators.
2. Conduct information sessions on maintenance of sewer lines for targeted groups, such as homeowners (private sewer laterals) and private sewer operators.

Lead Department: Operations (with support of Public Information)

STRATEGY 21

Foster excellent communications and working relations with federal, state and local regulatory agencies to ensure District meets all standards in the interests of protecting public health and the environment.

Lead Department: GM, Administration, Operations.

Appendix K: Effective Relations with Regulators and Health Care Agencies

STRATEGY 22

Maximize opportunity for the public to participate in public meetings by periodically evaluating location, time, and potential broadcast of Board meetings and public hearings. (underway and ongoing)

Lead Department: Administration (Public Information & PIER Committee)

**INTERNAL INITIATIVES
HUMAN AND FINANCIAL RESOURCES**

TIER 1 PRIORITIES - INTERNAL

STRATEGY 23

Ensure competitive compensation and benefits.

Action Plans

1. Address entry-level compensation/cost of living issues for personnel required to live within 30 minutes (15 miles) of the District for duty/emergency response. (underway and ongoing)
2. Assess employee compensation/benefits annually to ensure they are competitive with other Districts. (underway and ongoing)

Lead Department: Administration (Human Resources)

STRATEGY 24

Enhance employee training and development.

Action Plans

1. Ensure supervisors effectively manage direct reports through annual performance reviews, annual training/development plans, recognition programs, and safety compliance. (underway and ongoing)
2. Establish new employee orientation program to facilitate integration into the organization and provide information about the District, including policies. (2004-2005)

Lead Department: Administration (HR w/support of departments.)

STRATEGY 25

Enhance employee training, recognition and rewards icw certification of water/sewer personnel.

Action Plans

1. Require and support initiatives to ensure water personnel meet state-mandated certification by January 2007. (underway, to be completed 2006-2007).
 - a. Develop library of certification-related materials.
 - b. Provide information on courses/tests
 - c. Offer peer mentoring, as required or requested.

2. Support sanitary operations in meeting anticipated state certification requirements. (underway/ same action items as listed above.)
3. Reward employees for certification through compensation/bonus programs. (underway)
4. Assess Educational Assistance Policy icw employee reimbursement for potential improvements. (underway)

Lead Department: Operations (with HR support)

STRATEGY 26

Cross train personnel within water operations and sewer operations to promote workforce flexibility.
(underway/ ongoing)

Lead Department: Operations

STRATEGY 27

Enhance employee communications.

Action Plans

1. Improve voice and data communications within and between satellite locations and headquarters. (underway, to be completed 2003-2005)
2. Continue to utilize monthly Employee Representative Meetings as springboard for information sharing and dissemination. (underway and ongoing)
3. Share organization information regularly through communications vehicles, e.g., employee publications, interdepartmental presentations, regular general employee meetings. (underway).

Lead Department: Administration (Human Resources with IT/other groups)

STRATEGY 28

Consolidate and centralize District offices and operations.

Action Plans

1. Consolidate water operations on District property. (2003-2004)
2. Consolidate District facilities on San Juan Creek property, potentially to include centralized District offices. (2008-2010).

Lead Department: Administration with Operations and other departments.

STRATEGY 29

Maximize working capital to fund customer service and capital improvement efforts. (underway and ongoing)

Action Plans

1. Retain, optimize, and grow revenues.
 - a. Develop plan to retain/replace 15% of District's total revenues (\$3.2 million per year), if State takes property tax receipts from special districts in the future to fund its budget deficit.
 - b. Seek opportunities to improve repayment terms of \$7.6 million no-interest state loan secured to expand lift station at former Victoria treatment plant and purchase capacity at regional plants.
 - c. As opportunities arise, reduce debt service by refinancing revenue bonds and certificates of participation (ongoing/bonds refinanced in Q1 2003 avoid \$300,000 in annual cost)
 - d. Capitalize on opportunities to secure grants for capital improvement projects, maintenance, and operations. (underway/Engineering)
2. Seek opportunities to contain costs (both ongoing and one-time) throughout the organization (underway)
 - a. Pursue possible cooperative development of projects with other agencies/entities, e.g., technology, public information (underway and ongoing)
 - b. Seek opportunities to outsource work requiring specialized expertise or short-term project management to free staff to perform other critical work. Conduct cost/benefit analyses to determine value of outsourcing vs. doing in-house and seek to minimize consultant expense.

Lead Department: Administration (Finance with other departments)
Appendix X: Annual Budget 2003-2004

TIER 2 PRIORITIES - INTERNAL

STRATEGY 30

Optimize District's organizational design, structure, processes, and performance measures to maintain and promote efficient and effective service to customers and co-workers.

Action Plans

1. Organization Design & Structure
 - a. Create a single Director of Operations position to which water and wastewater supervisors report to maximize effectiveness and efficiency (completed 2003).
 - b. Review, update, and revise all job descriptions (underway and ongoing).
 - c. Form organizational "design team" to recommend alternative structures, right sizing and functions. Assess recommendations, make proposals, implement. (2004-2005)

2. Work Processes

- a. Consolidate budget from five financial zones to one (completed, 2Q 2003)
- b. Streamline budget detail and documentation (underway).
- c. Streamline selected work processes (Administration, Operations, Engineering) to improve efficiency, avoid costs, and better serve customers.
 - 1. Map “vital few” work processes, assess areas for improvement, and streamline.
 - 2. Reduce turn around time to answer queries and/or to generate reports.

3. Performance Measures

- a. Develop business performance measures that drive accountability and continuous improvement in customer satisfaction, employee satisfaction, work processes, and financials.

Lead Department: Administration in partnership with Engineering and Operations.

STRATEGY 31

Develop succession plan for General Manager and other senior level and key mid-level managers to ensure transition of institutional knowledge.

Lead Department: Administration (HR with senior management)

FINANCIAL OVERVIEW

CONSOLIDATED FINANCIALS

In May 2003, the Board approved a Financial Equalization Study that integrated the District's five financial zones (that equate to the separate agencies' service areas before the 1999 consolidation) into one combined District for financial reporting purposes. Employees must no longer report time worked by financial zone, and the Finance Department does not need to generate duplicate reports by service area.

2003-2004 BUDGET

On June 26, 2003, the Board of Directors approved a \$28.4 million budget for 2003-2004 operations, maintenance, administration, capital improvements, and debt service. In 2003-2004, the District is expected to generate \$25.4 million in revenues and other receipts, and will utilize the \$3 million in reserves previously set aside for capital projects to meet total projected expenses.

Projected 2003-2004 Revenues & Other Receipts~ \$25.4 Million

73% - Revenues from water and sewer charges

27% - Other Receipts, notably state financing and property taxes

Projected 2003-2004 Expenses, Capital Projects, Transfers~\$28.4 Million

55% - Expenses for operations, maintenance, and administration

45% - Capital Projects & Transfers (Savings for future projects)

POTENTIAL LOSS OF PROPERTY TAX REVENUES

Property taxes represent 15% of the District's source of funding annually (\$3.2 million in 2003-2004). If the District were to lose these funds due to the State's budget crisis, the organization would have to find alternative revenue sources and/or cutback expenses, capital improvements, or level of service.

2003-2008 CRITICAL COST DRIVERS - UPWARD

1. Capital Projects - \$10.5 million for 2003-2004; \$27.6 million for 2004-2008
2. Operating Expense - \$18.6 million for 2003-2004; \$83.6 million for 2004-2008
 - a. Labor: Need to attract new entry-level employees potentially through Standby Housing Solutions/457 matching program.
 - b. Insurance: Need to cover significant increase in employer costs for worker's compensation insurance, health insurance, and general liability/property insurance. (30% increase next year; estimated 15% increase over each of the next five years.)
 - c. Imported Water Supply (3% increase in Met rates next year; ~ 20% rise over five years)
 - d. SOCWA: Member agencies help fund rehabilitation of regional treatment plants (\$1.7 million increase next year; estimated \$6.6 million increase over five years)
 - e. Recycled Water Operations (26% increase next year; ~ 135% increase over five years)
 - f. Power Costs (30% increase next year; estimated 270% increase over five years.)

2003-2008 CRITICAL COST DRIVERS - DOWNWARD

Maintenance and collection costs for sanitary operations are lower resulting from ongoing and enhanced preventative maintenance programs. (19% decrease next year; estimated 48% decrease over five years.) Avoided costs enable reinvestment in other programs.

2003-2008 CAPITAL IMPROVEMENT PROGRAM & FUNDING

WATER DISTRIBUTION & STORAGE SYSTEM

The District estimates through June 30, 2008 that it will require \$8.6 million to fund essential water system improvements. The source of funds for capital improvements are (a) water rates, (b) general reserves that will decrease by \$6.6 million over five years, and (c) limited amounts from grants and property tax revenues.

2003-2008 Capital Projects (\$250,000+)

1. Water system replacement (\$1.6 million)
2. Seasonal emergency storage (\$1.3 million)
3. Three Arch Bay/Monarch Pointe interconnection and pressure conversion (\$375,000)
4. Calle Juanita main replacement (\$340,000)
5. California/Las Ramblas control structure (\$300,000)
6. Del Gado main replacement (\$268,000)
7. 5A reservoir interior/exterior (\$328,000)
8. 5B reservoir interior/exterior and rehabilitation (\$550,000)

SEWER COLLECTION SYSTEM

The District estimates through June 30, 2008 that it will require \$19 million to fund essential sewer system improvements. The sources of funds for capital improvements are (a) sewer rates, (b) general reserves, and (c) limited amounts from grants and property tax revenues.

2003-2008 Capital Projects (\$250,000+)

1. SOCWA - JB Latham Treatment Plant (\$13 million)
2. Sewer rehabilitation (\$5.1 million)
3. Sewer tunnel improvements (\$5.1 million)
4. SOCWA – Coastal Treatment Plant/Advanced Wastewater Treatment Plant/Outfall (\$3.6 million)
5. Lift Station 2 expansion/bypass (\$1 million)
6. Video Inspection (\$250,000)

WATER/SEWER COMBINED SYSTEMS

2003-2008 Capital Projects (\$100,000+)

1. Master Plan Implementation, Water (\$2 million)
2. Master Plan implementation, Wastewater (\$2 million)
3. Master Plan Infrastructure and Earthquake Protection Study (\$275,000)
4. GIS Study and Development (\$200,000)
5. GIS Implementation (\$300,000)

PREVIOUS SYSTEM IMPROVEMENTS & FINANCING

Over the next five years, the District will pay \$7.9 million in principal and interest to service long-term debt that financed previous system improvements and capital purchases, as follows:

SOUTH COAST WATER SERVICE AREA

- In 1991 and 1992, the former South Coast Water District issued general obligation bonds to buy capacity in an alternate supply line, improve distribution, and expand the recycled water system.
- In 1993, the former District issued revenue bonds to upgrade the Advanced Wastewater Treatment plant (recycled water), fund a pump station on the alternate supply line, and other improvements.
- In 2003, the District refinanced the 1993 revenue bonds, yielding a present value savings of \$258,000.

CAPISTRANO BEACH WATER SERVICE AREA

In 1998, the former Capistrano Beach Water District issued \$9 million in Certificates of Participation to fund:

- Construction of a groundwater recovery plant
- Improvements in water distribution, fire flow and hydraulics along Beach Road
- Improvements to the Capistrano Beach reservoir
- Access to San Juan Creek property from Stonehill Road.

CAPISTRANO BEACH SANITARY SERVICE AREA

In 1998, the former Capistrano Beach Water District:

- Secured a no-interest loan for \$7.6 million to demolish an inadequate treatment plant, construct an expanded lift station, and purchase wastewater treatment capacity from Santa Margarita Water District, the City of San Juan Capistrano, and the former Dana Point Sanitary District.
- Issued \$3 million in Certificates of Participation (COPS) to fund the replacement of a sewer main along Beach Road, the upgrade of lift stations on Beach Road and at the State Park, improvements to manholes, and rehabilitation of pipelines near Capistrano Bluffs.

DANA POINT SANITARY SERVICE AREA

In 1994, the former Dana Point Sanitary District issued \$2.5 million in revenue bonds buy treatment capacity from Santa Margarita Water District.

NOTE: For purposed of the California Environmental Quality Act ("CEQA"), the Strategic Plan is essentially a planning document, which presents various strategies and preliminary action plans for achieving the consensus reached by the Strategic Planning Steering Committee on core issues facing the District over the next five years. The Strategic Plan is a framework for meeting the goals and objectives of the District over the next five years and is not intended to legally bind or otherwise commit the District's Board of Directors to implement or otherwise carry out any specific project. Therefore, no CEQA review is required prior to the Board of Director's consideration and/or ultimate adoption of the Strategic Plan because the Board will not be approving any particular project for purposes of CEQA. (City of Vernon v. Board of Harbor Commissioners, 63 Cal. App. 4th 677, 688 (1998); Stand Tall on Principles v. Shasta Union High School District, 235 Cal. App. 3d 772, 781 (1991); see also Residents Ad Hoc Stadium Com. V. Board of Trustees, 89 Cal. App. 3d 274, 291 (1979) [critical time for CEQA review is when *final* project development plans are submitted for recommendation and budgetary consideration]). The "action plans" that are identified under each section represent concepts or ideas of the Strategic Planning Steering Committee to implement each of the thirty one (31) strategies. If, in the future, the District intends to approve any specific project to implement the strategies or "action plans" of the Strategic Plan, then the District will conduct the requisite CEQA review.

SOUTH COAST WATER DISTRICT
STRATEGIC PLAN 2003-2008

**SOURCES FOR INDUSTRY OUTLOOK/
ENVIRONMENTAL SCAN SECTION**

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 - a. "A Strategic Assessment of the Future of Water Utilities," 2001.
 - b. "How to Best Position Your Utility For the Future," 2000.
2. Journal AWWA
 - a. "Key Trends and Market Developments in the Water Industry," Steve Maxwell, August 2003.
 - b. "Where Are We Headed? 10 Key Trends and Developments in the Water Industry," Steve Maxwell, April 2001.
 - c. "Perceptions and Bottled Water Use," Anadu & Harding, November 2000.
 - d. "The Importance of Water Quality Aesthetics in Consumer Confidence in the Safety of Drinking Water Supplies," Torobin & Co-workers, June 1999.
3. U.S. Census Bureau: Population figures.
4. www.myoc.com: Demographic data for Dana Point and Laguna Beach
5. www.pacinst.org: Pacific Institute Studies in Development, Environment and Security, "Water Facts, Trends, Threats & Solutions," March 22, 2002
6. OC Business Council and UC of Irvine Infrastructure Conference, "Report Card of Orange County Infrastructure," 2002.
7. ACWA, "California Water Awareness Campaign Public Information & Education Assessment Study," October/November 2001.
8. National Resource Defense Council, "Bottled Water Report & Survey," 1999.
9. US News & World Report, "World of Water: The Coming Water Crisis," Lavelle & Kurlantzick, August 3, 2002.
10. Consumer Reports, "It is Only Bottled Water, Right?" August 2000.
11. E: The Environmental Magazine, "As Its Population Soars, California's Environment Approaches A Crisis," Jim Motavalli, March 21, 2003.

**SOUTH COAST WATER DISTRICT
STRATEGIC PLAN 2003-2008**

TABLE OF ACRONYMS

AF	Acre Foot/Feet
AMP	Allen McColloch Pipeline
AWT	Advanced Wastewater Treatment
CIP	Capital Improvement Program
CMOM	Capacity, Management, Operation & Maintenance
CMMS	Computerized Maintenance Management System
IT	Information Technology
FOG	Fats, Oils, and Grease
GIS	Geographic Information System
JRWSS	Joint Regional Water Supply System
MAF	Million Acre Feet
Met	Metropolitan Water District of Southern California
MGD	Million Gallons Per Day
MWDOC	Municipal Water District of Orange County
O&M	Operations & Maintenance
NPDES	National Pollutant Discharge Elimination System
RWQCB	Regional Water Quality Control Board
SCADA	Supervisory Control and Data Acquisition
SCWD	South Coast Water District
SOCWA	South Orange County Wastewater Authority
SSO	Sanitary Sewer Overflow
SWRCB	State Water Resources Control Board
US EPA	United States Environmental Protection Agency