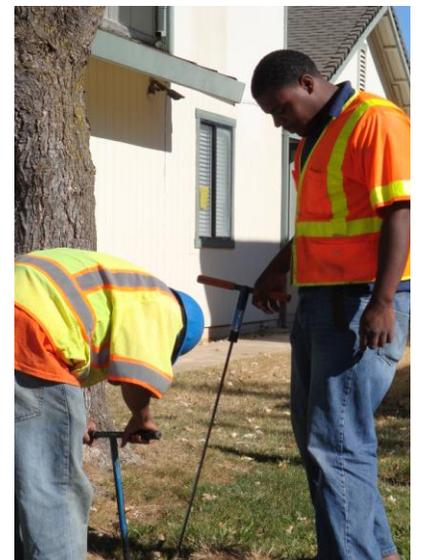




**FLORIN RESOURCE
CONSERVATION DISTRICT
ELK GROVE WATER DISTRICT
2012 - 2017 STRATEGIC PLAN**



**Florin Resource Conservation District
Board of Directors:**
Barrie Lightfoot, Chair Associate Directors:
Chuck Dawson Donald Menasco
Elliot Mulberg Davies Ononiwu
Tom Nelson
Anthony Perez





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As your General Manager, I am proud to present the 2012 Strategic Plan for the Florin Resource Conservation District and the Elk Grove Water District.

This Strategic Plan (Plan) sets forth a five year vision and roadmap for the Florin Resource Conservation District (FRCD), and the Elk Grove Water District (EGWD) which is owned and operated by the FRCD. In its preparation, significant efforts were expended by District staff, coupled with careful oversight, guidance, and input by the District's Board of Directors and Associate Directors.

Both the FRCD and the EGWD provide vital services to the Elk Grove community. The mission statements and core values identified in this Plan center around safeguarding public health and safety, and protecting the natural resources of this region. We recognize the importance of our roles, and these missions and values were developed with that importance in mind.

The FRCD and EGWD are steeped rich in history and these histories are summarized in this document. The FRCD has been serving this region for nearly 60 years. The EGWD has been a public agency for 12 years, but the water system which it operates has serviced Elk Grove for over 118 years. Much like the values carried by the founding family, the Elk Grove Water District still maintains pride in being Elk Grove's "hometown" water provider. Even though this Plan establishes our strategies for the next five year period, we expect to provide safe and reliable water supplies to the Elk Grove community for many future generations.

It should be noted that this Plan is not a dream that, once completed, will sit idle on a shelf until five years from now when another plan must be developed. It is intentionally referred to as a "Strategic" plan because there are defined challenges and measurable goals. Those goals, identified to meet the challenges, were strategically developed to conform to our missions and values.

My commitment to you as the District's General Manager, and speaking on behalf of the Board of Directors, is that we will hold ourselves accountable in meeting these goals while maintaining complete transparency as your local public agency. We also commit to continuous improvement with the intent of exceeding your expectations in providing you the vital services as described herein.

Mark J. Madison





What is a Strategic Plan?

Strategic plans provide an organization an opportunity to reflect upon its successes and to visualize its future. Planning brings stakeholders to a virtual (or actual) table, where fresh ideas, priority issues and potential obstacles can receive attention. The process requires abstract thought, but the results are practical goals and tangible objectives.

The objective of a strategic planning effort is to determine where an organization is going over the next several years and how it is going to get there. This document is actually two strategic plans, one for the Florin Resource Conservation District and the second for Elk Grove Water District. Its contents identify the Board’s priorities from which annual goals and objectives will be developed.

This project started with a critical examination of prior strategic plans, initiatives and work plans. This effort captured the achievements of the prior initiatives, and identified areas for focus over the next five years. During a series of workshops, the Board reviewed existing documents, analyzed the state of the District and generated fresh ideas, priority issues and potential obstacles for the next planning cycle. Their challenge was to define their legacy, and to answer two compelling questions: **What do you want this District to be in 20 years? What decisions can the District make now to make this possible?**

The following key concepts were considered during the strategic planning process:

Concept	Definition
Mission	A mission summarizes the purpose of an organization and clarifies the primary purpose, nature and scope of the service delivery.
Vision	A vision defines the way an organization sees itself in the long-term.
Values	Values describe how an organization conducts its operation. Value statements inform both the staff and customers of the guiding principles of the organization.
Goals	Goals are broad statements of intention, priority and/or desired achievement.
Objectives	Objectives are the specific measures that determine success in reaching goals.

About this Report

This Strategic Plan includes a historic overview, a Florin Resource Conservation District report and an Elk Grove Water District report. This plan summarizes the District's history of achievements and its vision for the future.

The FRCD faces numerous challenges as an urbanized RCD. The District must balance the needs of the both the agricultural landowners and suburban residents with its own financial limitations. The FRCD Board of Directors places priority on groundwater resource programs and local conservation education. FRCD has identified opportunities for participation in agricultural waiver programs, Greenprint, groundwater banking, farm and ranch cleanup projects, improving pollinator habitat, reducing invasive species and improving organic farming initiatives.

The FRCD has no paid employees, so most work must be grant funded. Current funding sources exist through the USDA's Natural Resources Conservation District, including grants for wildlife habitat projects and a pollinator habitat improvement program. The Board may consider hiring a grant writer to prepare proposals for these grants.

Impacts of EGWD's transition from a private company to public agency are still being felt years after the event. Business factors, such as financial stability and cost of service, are issues resultant of the conversion in 1999. Salaries and other employee costs are typically the largest expense on an annual business budget. In comparison, EGWD debt payments and cost of operations exceed employee costs; an indicator that the District's plan to conduct a new rate study is timely and necessary.

One-third of the EGWD workforce will be eligible to retire within the next five years. Therefore, employee development and succession planning must be top priorities in order to continue the exceptional level of service expected by the District and its customers. Strategies for workforce development include the completion of leadership training for all managers, cross-training for operational crews and the implementation of standard operating procedures for every division.

Continued on next page

About this Report (Cont.)

Aging infrastructure is another area of primary concern to EGWD. According to the report *Buried No Longer: Confronting America's Water Infrastructure Challenge*, recently released by the American Water Works Association (AWWA), over \$1 trillion will be necessary to improve drinking water infrastructure nationwide in the next 25 years. Projects to increase source capacity and system reliability and maintenance programs to maximize the life expectancy of assets are all scheduled for completion within the next five years.

The District is keenly sensitive to the economic conditions of its rate payers and is committed to finding grants and other funding sources as alternatives to customer rate increases whenever possible. Conservation best management practices have been established by the Department of Water Resources (DWR) that must be met in order for a water agency to be eligible for grant funding. EGWD has reported to DWR that some of these practices are not cost effective. Grant eligibility is contingent upon DWR's acceptance of this argument. Partnerships with other agencies and organizations, such as the Regional Water Authority, has proven successful in obtaining grant funding and EGWD will continue to exercise this option whenever viable.

Another State requirement (AB 2572) is the installation of water meters in all homes by 2025. EGWD is on track to complete this assignment well before deadline. Grant funding has accelerated this project and a crew of staff operators are assigned to the task until the project's completion. When the task is complete, cross-training will prepare the crew for ongoing maintenance, repair and replacement needs. Once achieving a fully metered distribution system, the District will be able to evaluate the system's unaccountable water losses.

The Service Areas



A history of the FRCD

Prior to World War II, Florin was well known for its grapes and strawberries. Almost all of the area now encompassed by the FRCD boundaries was in agricultural production, including dairies, orchards, grain and other feed. Reports indicate that 130 railcars loaded with Tokay grapes left the Florin station in 1941. Many farms were operated by families of Japanese descent. After the internment of 1942-1945, when many properties were neglected, the Florin community struggled to recover.

In the spring of 1950, the Florin Farm Center Committee for Organization of a Soil Conservation District, a committee of Florin farmers, submitted a proposal to the Sacramento County Board of Supervisors for the formation of the Florin Soil Conservation District and requested approval and submission of that proposal to the State Soil Conservation Commission. The specific intents of the new soil conservation district were efficient use of irrigation water, improved drainage, flood control and other land improvements. With the necessary approvals, the committee met with other agricultural interests and local landowners until they had thoroughly identified all properties wanting to be within the District boundaries.

On June 23, 1953, a public election determined the establishment of the Florin Soil Conservation District (FSCD) and its first five member board of directors. Those directors were: George E. Carlisle, Thomas H. Young, John E. Mensch, Chris Feickert and J.E. Jensen. Perhaps portending the future FRCD's focus, the very first work plan, written in 1953, identified the importance of wise irrigation use and the necessity of not depleting the area's underground water supply. In 1954, the board executed a Memorandum of Understanding with the United States Department of Agriculture, beginning a long and productive partnership.



During the first years of the organization, two additions were made to the boundaries, a region around Franklin and the Waegell addition, a property near Florin Road, Grant Line and Sunrise Blvd.

The Franklin addition expanded the District into Elk Grove. With grant

Continued on next page

A history of the FRCD (Cont.)

money, equipment was purchased for water management projects, such as irrigation and drainage improvements. The FSCD also had a wildlife program, coordinating the sale of plants grown by the residents of the Preston School of Industry, Sacramento County's Boy's Ranch and Folsom Prison and planting habitat for game birds and rabbits.

As Sacramento grew, the Florin area transitioned from a farm community into a Sacramento neighborhood. The FSCD transitioned too, moving its headquarters and its focus south to Elk Grove. Early FSCD documents describe Elk Grove as an area with orchards, dairy farms and a variety of crops, including alfalfa and other grains. In 1961, the FSCD, in partnership with two neighboring soil conservation districts, purchased 1.6 acres on Elk Grove-Florin Road for \$923.50. That property still provides the revenue that is the entire Florin Resource Conservation District (FRCD) annual budget. In the early 70's, because the District's activities included far more than just soil conservation, the Florin Soil Conservation District changed its name to the Florin Resource Conservation District (FRCD).

In 1998, the FRCD purchased the Susie Gaines-Mitchell Building on Florin Road with the expectation that rental revenues would fund conservation programs. The FRCD formed its first financially independent subsidiary, the Economic Development Corporation (EDC) to manage the operations and financing of this building, which is leased to the County of Sacramento. In December, 1999, the FRCD purchased the Elk Grove Water Works, now operating as the Elk Grove Water District.

California Resource Conservation Districts are authorized by Division 9 of the California Public Resources Code. Chapter 3, Article 9 of Division 9 details the general powers of a district. An expansion of those powers was the impetus in changing the names of the Soil Conservation Districts to Resource Conservation Districts in 1971.

A history of the EGWD

In 1893, after several fires threatened the small town of Elk Grove, local residents banded together to found the Elk Grove Water Company, building a water tower at the same place the current water tower stands (although it is no longer used to store water). The water company began business with twelve owners and 10 customers. The Jones family purchased the water company in 1906 and operated the utility as the Elk Grove Water Works for nearly 100 years. Business was originally conducted from the Jones' family home and moved to its present location at 9257 Elk Grove Blvd. in 1988.



The Railroad Water Treatment and Storage Facility

The Florin Resource Conservation District purchased the Elk Grove Water Works in December, 1999 from J.B. Jones, changing the name first to the Elk Grove Water Service and then to the Elk Grove Water District.

In 1997, the Elk Grove Water Works had nine employees and 7,200 connections. In 2012, there are 32 budgeted positions and 12,112 accounts. The District has seven wells in production as well as a fully functional treatment facility.

Acknowledgment of Board of Directors

The Florin Resource Conservation District/Elk Grove Water District wishes to acknowledge and thank the following men and women for many years of service as Board members.

John E. Mensch: 1953 – 1985
George E. Carlisle: 1953 – 1954
Chris Feichert: 1953 – 1958
J.E. Jensen: 1953 – 1958
Thomas H. Young: 1953 – 1958
Art Monson: 1955 – 1959
Bill Hansen: 1957 – 1998
Sam Tsukamoto: 1957 – 1984
John Sikich: 1957 – 1986
Ed Sievert: 1959 – 1965
Jack Waegell: 1964 – 2002
Pete Saunders: 1985 – 1994
Bill Hallisey: 1986 – 1998
Ray C. Borchard: 1986 – 1988
Walter Hoppe: 1989 – 2002

Carl Amundson, Jr.: 1994 – 2005
Galen Whitney: 1997 – 2001
Ed Kynaston: 1997 – 1999
Harry Riebe: 1999 – 2008
Robert Lilly: 2000 – 2000
Gail Woodson: 2000 – 2002
Gil Albiani: 2002 – 2004
David Beales: 2003 – 2006
Anthony Perez: 2003 –
Sandi Russell: 2004 – 2008
Barrie Lightfoot: 2006 –
Tom Nelson: 2006 –
Chuck Dawson: 2009 –
Elliot Mulberg: 2009 –



The FRCD/EGWD Board of Directors, from left: Chuck Dawson, Tom Nelson, Barrie Lightfoot, Elliot Mulberg, and Tony Perez

How We Conduct Business

Board members and employees of the FRCD and EGWD commit to the following values:

- **Leadership:** We are a team. The community is supported through mutual cooperation and respect. Great ideas come from many sources and we listen with an open mind.
- **Caring:** We care about the quality of our water, we care about our customers' satisfaction and we care about the quality of the working environment.
- **Integrity:** We are honest with one another, with our customers and with our industry partners. We maintain a quality operation that is fiscally sound and forthright. We want the trust and respect of our community and ratepayers.
- **Professionalism:** We are committed to standards of excellence, accuracy and superior conduct.
- **Vision:** We recognize that decisions we make today impact the future of this District and our community. We value our community's natural resources and actively seek ways to improve our services through local control and stewardship.

Diversity

According to the AWWA's Diversity and Inclusion Committee, "Diversity is a commitment to recognizing and appreciating the variety of characteristics that make individual unique in an atmosphere that promotes and celebrates individual and collective achievement." Adapting to a diverse workforce means far more than hiring employees from a variety of ethnic backgrounds. Categories of the diverse American population include, but are not limited to, generational, economic, race/ethnicity and household. The District is committed to maintaining a welcoming, safe and inclusive environment for all individuals.

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Function of the FRCD

The FRCD was established to maximize soil, water and related natural resource conservation opportunities through coordination of technical, financial and educational resources.

Mission Statement

The FRCD assists, manages, and/or produces beneficial resource conservation programs within the FRCD service area by building alliances, generating community interest and input, and organizing activities and projects.

Trends

The FRCD has identified the following items as of increasing importance to conservation efforts:

- Consumers continue to demand access to reliable water supply
 - Various agencies have overlapping responsibilities and programs affecting resource conservation so that it is difficult for the public to know where to turn for help
 - Water efficient landscaping
-

Priority geographical areas

The FRCD places priority on serving the Whitehouse, Strawberry, Elk Grove, Laguna and Morrison Creek watersheds.

Challenges

Challenges facing the FRCD include:

- Identifying landowner needs. Assessment is necessary to identify what services the District can provide without duplication of efforts
- Resource limitations. The FRCD has no employees and FRCD work cannot be completed by employees on EGWD payroll. EGWD finances cannot be used for the benefit of the greater FRCD. Projects need to be cost neutral.



Achieved since 2006

The FRCD appreciates its partners in conservation and recognizes the important achievements of the last five years, including:

- Strengthened relationship with local NRCS regional conservationist and California Association Resource Conservation District (CARCD) staff
- Executed a successful, grant-funded weed abatement project
- Partnered with the Sacramento Tree Foundation and the City of Elk Grove on the Urban Forest Canopy Assessment (Greenprint) program
- Partnered with the Sacramento Tree Foundation and Elk Grove Unified School District (EGUSD) on the Seed to Seedling program
- Developed a strong relationship with EGUSD
 - Served on EGUSD’s service learning advisory committee
 - Served on EGUSD’s annual science fair
 - Sponsored teams and students for annual Envirothon, Forestry Challenge and Range Camp
 - Presented water conservation activities and Seed-to-Seedling programs multiple times in EGUSD’s classrooms
- Strengthened partnerships with the Central Valley Rails to Trails Foundation and Stone Lakes National Wildlife Refuge
- Participated and/or sponsored multiple public outreach events, including Creek Week, Walk On the Wildside, TrailFest, Community Garden Tomato Tastings

Priority Issues

Most of the FRCD service area is fully developed, so environmental education and other urban programs are those most in keeping with the FRCD’s mission. Because the FRCD is the parent of the Elk Grove Water District, projects relating to the protection of water resources are always of interest to the District. The FRCD has placed priority on the following issues:

- Preservation of ground water resources (quantity and quality)
 - Provisions for excellent, safe and affordable drinking water
 - Partnership with local school districts to integrate conservation activities with school curriculum, such as service learning projects and conservation educational events such as Envirothon and Range Camp
 - Pursuing grant funding for projects
-

POTENTIAL FRCD ACTIVITIES

Cooperative Programs

The FRCD has partnered on a number of projects with local and statewide organizations, including the Natural Resources Conservation Service, California Association of Resource Conservation Districts, the Sloughhouse Resource Conservation District, Lower Cosumnes Resource Conservation District, the City of Elk Grove and the Cosumnes Community Services District. By continuing healthy and productive relationships with these and other groups, the FRCD anticipates completion of many other conservation projects in the future.

Goal:	Timeline:
Board members and General Manager may attend CARCD conferences and events when those agendas are supportive of this Strategic Plan	2012-2017
FRCD will meet with the Lower Cosumnes RCD and Sloughhouse RCD at least annually to discuss issues of common interest	December, annually
Seek grant opportunities and other funding sources	2012-2017

Ag Waivers

Landowners who operate agricultural programs, such as dairies or crop farming, usually irrigate their property and some of that water usually will runoff the land and into area waterways. The State of California regulates all waste discharges in order to protect water quality and require annual reporting from any entity that discharges waste products. Agricultural operators, whose irrigation discharges flow into waterways, may qualify for a waiver in order to avoid the annual state reporting on that discharge, provided those operators practice measures to prevent impairment and participate in a monitoring program.

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POTENTIAL FRCD ACTIVITIES (Continued)

Ag Waivers (Cont.)

The FRCD may choose to participate in an Ag Waiver program by assisting in local Ag Waiver coordination. The Sacramento Valley Water Quality Coalition currently monitors Laguna Creek, which is within FRCD boundaries. The FRCD may assist in public outreach activities to improve Laguna Creek’s water quality. Assisting landowners with the waiver filing process could be performed as a fee-for-service activity.

Goal:	Timeline:
Contact the region’s subwatershed coordinator to investigate opportunities for FRCD participation	December 2012
Review the Sacramento Valley Water Quality Coalition’s Regional Plan to identify potential activities	December 2013

Greenprint

In 2009, District staff volunteered to assist in the Greenprint program, a cooperative effort between the city of Elk Grove and the Sacramento Tree Foundation. Volunteers collected sample data about Elk Grove’s trees, all of which was entered into a mapping and modeling system. This data was used to produce resource structure, resource function, resource value and management necessities of the trees. The FRCD could perform valuable follow up activities to help keep this information current.

Goal:	Timeline:
Contact the City of Elk Grove to establish partnership for future work on the program.	December 2012
Maintain relationship with Sacramento Tree Foundation in order to participate and support new initiatives	Ongoing

POTENTIAL FRCD ACTIVITIES (Continued)

Farm and Ranch Cleanup

The FRCD has twice participated in waste tire removal grant programs and could continue to offer similar services, expanding into projects aimed at the rehabilitation of farms with dumpsites that could potentially introduce contaminants into waterways. Amnesty projects are also a viable option.

Goal:	Timeline:
Review CalRecycle tire amnesty program for project opportunity	December 2012
Investigate DWR's Urban Stream Restoration Program grant application as a potential funding source	January 2013

Pollinator Habitat

The FRCD's conservation partner, USDA's Natural Resources Conservation Service (NRCS), is exploring pollinator habitat projects and is eager to



advance the work into suburban areas, such as the FRCD service area. Pollinator habitat projects promote the planting of plants that support pollination. Project funding for agricultural land is available through NRCS and additional funding

may be available for outreach and signups of residential properties.

Goal:	Timeline:
Coordinate Project RIDE with Fish and Wildlife Service funding	Summer 2012
Review NRCS' WHIP program for pollinator habitat opportunities	Fall 2012

POTENTIAL FRCD ACTIVITIES (Cont.)

Organic Farming Initiatives

The FRCD could perform outreach activities to local farmers with information on converting to organic farming. The local NRCS has developed a relationship with the area’s strawberry farmers, creating a potential for follow up projects.

Goal:	Timeline:
Review EPA’s PestWise program grants for opportunities to facilitate organic methods within the District	December 2014
Continue sponsorships for the Society for Range Management’s Range Camp for high school students	Ongoing

Groundwater Banking

An innovative way of storing water for future use is groundwater banking, in which underground aquifers are recharged by percolating or pumping water into the earth. DWR grants, such as the Local Groundwater Assistance Grant Program, offers funding to explore groundwater banking opportunities.

Goal:	Timeline:
Maintain participation in the Sacramento Central Groundwater Authority	Ongoing
Initiate relationship between regional water purveyors to seek cooperation on potential groundwater banking projects	June 2014

Invasive Species

The FRCD has long been a participant in Sacramento area efforts against invasive species. Several years ago, the FRCD partnered with the Stone Lakes National Wildlife Refuge in obtaining grant funding to eradicate water hyacinth and more recently, received a Sacramento Weed Management Area grant to remove Arundo from the banks of Elk Grove Creek.

Goal:	Timeline:
Maintain cooperative relationship with Sacramento’s Weed Management Area	Ongoing
Cooperate with City of Elk Grove and Cosumnes Community Service District on local creek improvements	Ongoing

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ORGANIZATION

Mission of the EGWD Committed to supplying our customers with high quality, safe water along with outstanding customer service for current and future generations.

The Divisions Work at EGWD is divided between three divisions, Administrative, Operations and Technical Services. Thirty two staff positions have been authorized by the Board. Contracted work is used as necessary, generally for computer support, legal counsel and engineering needs.

Administration The Administration of EGWD has two departments, that of the General Manager and Finance. The General Manager department has three positions, the General Manager, the Human Resources Specialist and the Management Analyst. The positions in the Finance department include those for Billing, Customer Service and Meter Reading. All of these functions are headquartered at the Administration office at 9257 Elk Grove Blvd.

The General Manager is responsible for planning, organizing, directing and coordinating all activities and functions of the District and carrying out related board policies. The Human Resources Specialist and the Management Analyst report to the General Manager. The Human Resources Specialist handles all of the employee related actions, including supervising all hiring processes, employee benefits, retirement services and legal requirements. The Management Analyst is responsible for special projects and program management, including preparation of reports, research, editing the employee manual and legislative analysis. The Management Analyst is also responsible for the District’s conservation programs.



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ORGANIZATION (Continued)

Administration (Cont.)

The Finance department is headed by a Finance Manager who reports to the General Manager. The Finance Manager controls the annual budget for the water district, the Florin Resource Conservation District and the Economic Development Corporation and manages the repayment of bonds and other loans against the District. The Finance Supervisor pays the monthly invoices, operates the employee payroll and supervises the Customer Service staff and the Meter Reader. The Customer Service department answers the telephone and greets visitors to the office, responds to customer requests, processes payments and issues the monthly billing statements. The Meter Reader collects usage information from each meter every month, downloads it into billing software, and performs maintenance on meters. The Meter Reader will also perform customer service requests, such as double-checking usage readings.

Operations

The Operations division employs personnel in three departments, Distribution, Treatment, and Utility. The division is headed by the Operations Manager, who reports to the General Manager. Operations are housed at the Railroad Street Water Treatment and Storage Facility.

The Distribution team is responsible for the delivery of water to EGWD customers. They maintain the pipelines, turn service connections on or off, repair leaks and respond to service requests. Some employees have specialized skills in backflow prevention or in equipment manufacturing.

The Treatment plant operators are tasked with the responsibility of supplying safe and potable drinking water to the public. In order to ensure the system operates effectively and efficiently they must regularly inspect the well and treatment plant equipment. This includes operating, monitoring, and adjusting pumps, valves, and chemical feed systems. They also review procedures to ensure adherence to maintenance, operation, and safety requirements. The staff is responsible for the requisition of materials, supplies, and equipment needed for plant repairs and improvements.

The staff also observes record keeping functions such as logging plant operations, test results, maintenance work performed, and unusual operating conditions encountered. They also review and evaluate a variety of operational data from SCADA, computer reports, daily logs, and meters/gauges. The Treatment department develops and implements routine water quality sampling to comply with established Federal and State regulations.

Continued on next page

ORGANIZATION (Continued)

Operations (Cont.)

All Operations employees are expected to support other team members and step in to fill areas of need whenever necessary. At least one operator is on call around the clock in order to respond to emergencies within a matter of minutes.

In addition, the Operations division holds the responsibility for the safety of all employees and the security of the entire system. An appointed safety officer provides regularly scheduled trainings to all staff. Operators ensure the security of the District facilities through the use of monitoring systems and related computer technology.

Technical Services

The Technical Services division provides planning, engineering, construction management and technical support for District operations. Technical Services employs an Associate Civil Engineer and a Geographic Information System (GIS) Technician. The division is headed by the Associate Civil Engineer who reports to the General Manager. The Technical Services division is housed at the Railroad Street Water Treatment and Storage Facility.

The Technical Services division works collaboratively with Operations and provides technical assistance to support the activities of Operations. The Technical Services division develops and maintains the District's GIS to track operational activities, maintenance and data associated with the District's water system.

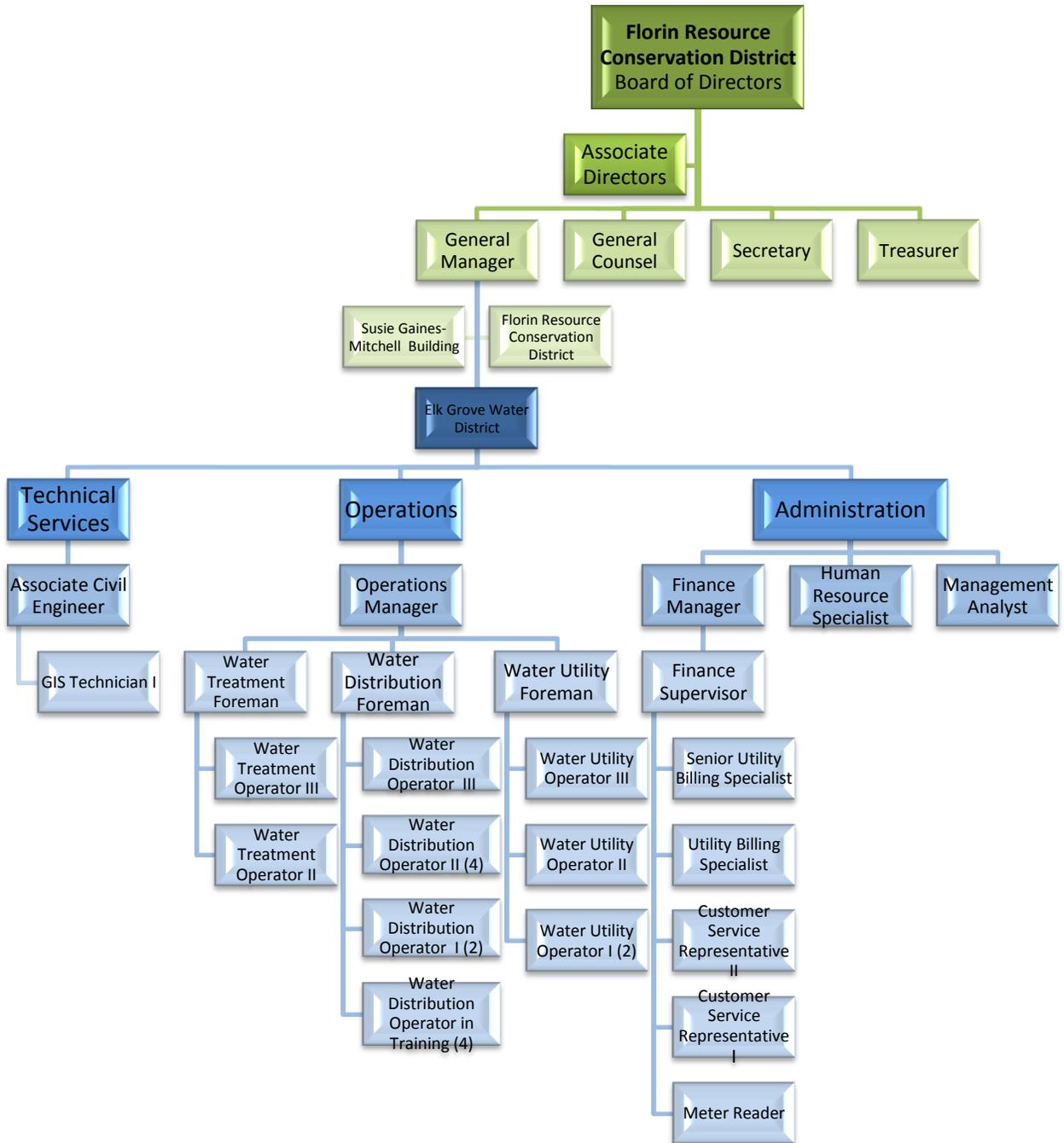
The Technical Services division is responsible for developing the capital improvement and replacement program. The capital improvement program serves as a blueprint for the development and rehabilitation of the District's water system infrastructure.



The Technical Services division promotes sustainable use of natural resources through special projects. Technical Services develops and implements projects to enhance the efficient use of water and energy.

ORGANIZATION (Continued)

Organization Chart



INDUSTRY ANALYSIS AND CURRENT STATUS

State of the Industry/State of the District

AWWA’s 2011 State of the Industry (SOTI) report details the impacts of nation’s economic issues on the water industry. Although some businesses can cut costs by shutting down non-critical units, in water service, all components are necessary to the health and safety of the public. It is impossible to cut costs by pumping less water than the public requires or by cutting back on the quality standards. People require safe, sufficient water at all times, so water districts must maintain a quality operation at all times.

The AWWA 2011 SOTI identified business factors (such as finances and cost of service) as the number one concern for US and Canadian survey respondents, a response mirrored by a similar survey of EGWD employees. EGWD carries nearly \$56 million dollars in debt, the bulk of which are bonds taken for the purchase of the District and for capital improvement projects, such as building the Railroad Water Treatment and Storage Facility. About \$3.5 million dollars of revenue is paid annually to principal and interest on these debts, the single highest budget expense to the District. The District must balance payment of old debts against new project costs.

In addition to financial concerns, as in years past, infrastructure concerns remain vitally important to the industry as a whole and to EGWD. Both the physical and financial aspects of the EGWD infrastructure are top priorities for the District.

As pipelines age, the rate of breakage and system water loss increases. According to the U. S. Geological Survey, 1.7 trillion gallons of water is lost per year in distribution systems, at a cost of \$2.6 billion a year. AWWA estimates costs for necessary drinking water infrastructure in the United States to top \$13 billion annually and \$1 trillion in



Continued on next page

INDUSTRY ANALYSIS AND CURRENT STATUS (Continued)

State of the Industry/State of the District (Cont.)

the next 25 years. EGWD repairs about 36 main line leaks a year and 84 service leaks, requiring 2,340 labor hours. Some pipes in Elk Grove are over 80 years old, well beyond their life expectancy.

In 2009, the California Senate passed SBx7-7, the Water Conservation Bill in response to water supply issues and the probability of severe shortages. All water suppliers are required to improve water efficiency by the year 2020, measurable by a 20 percent drop in gallons per capita daily (GPCD) use.

The 2010 Urban Water Management Plan (UWMP) provides information on the fourteen Demand Management Measures (DMMs) developed by the California Urban Water Conservation Council (CUWCC) and EGWD's plan to meet the law's requirements through the implementation or non-implementation of these DMMs. Compliance with the law may mean implementing conservation programs not currently offered by EGWD and a successful achievement of a 20% reduction means a 20% reduction in the revenues source. With nearly 30% of earned revenue dedicated to bond payments and an additional 20% to be conserved by 2020, financial prudence must be in constant practice.

A 2008 Bureau of Labor Statistics report estimated that 52.8% of all utility workers are over the age of 45, emphasizing a growing need for succession planning. As the baby boomer workforce ages, strategies must be in place to capture the knowledge of departing employees and to develop the next generation of staff. At EGWD, eleven employees will be eligible for retirement within the next 5 years, which is more than 1/3 of the workforce.

One of the primary goals discussed in the draft of the Association of California Water Agencies (ACWA) 2012-2013 strategic plan is to "improve public awareness of factors driving water rates." A public opinion poll conducted by the Municipal Water District of Orange County in 2011 indicated that 60% of all customers thought that water was a reasonably priced commodity and that 28% felt water was too expensive. A similar poll in San Diego showed that 57% of their customers would be unwilling to pay more for their water. As EGWD prepares a new rate study, it will be very important to educate customers on the value of their water, as the District can expect as wide a variance in acceptance as that shown in these polls.

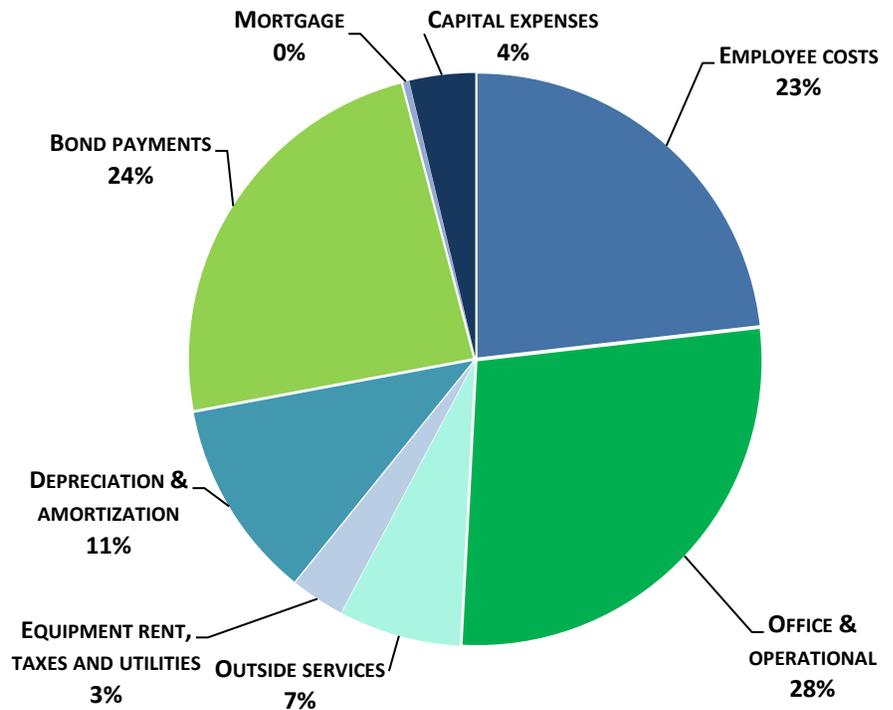
CHALLENGES FOR THE DISTRICT

Financial Stability

Financial Stability means having reliable financial resources to meet the ongoing needs of an organization with the ability to withstand emergencies that may periodically arise. It is paramount for the survival of any organization to achieve financial stability. The EGWD has set a goal to achieve financial stability in order to operate in an efficient manner as to provide our ratepayers with a safe and reliable source of water for their current and future needs.

The EGWD has many challenges as they pertain to the fiscal stability of the organization. The District is tasked with insuring that income will be sufficient to cover the necessary expenses for operations, debt service and capital projects. The District is also sensitive to the financial challenges that the ratepayers have faced since the tremendous slowdown of the national, state, regional and local economies.

In July of 2009, the Board adopted a reserve policy to provide future funds for capital replacement project, facility modifications and special projects. In addition, the Board and staff reached an agreement that resulted in the implementation of the Employee Cost Control Program Policies which will reduce personnel costs.



2012 budgeted expenses

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CHALLENGES FOR THE DISTRICT (Continued)

Financial Stability (Cont.) The District’s outstanding bonded indebtedness includes covenants for net revenue ratios. The district has two such requirements. The first covenant requires \$1.25 of net revenue, which includes rate stabilization funds, for each \$1.00 of debt service. The second covenant requires \$1.15 of net revenues for each \$1.00 of debt service.

Workforce Development Critical to District success is a highly skilled workforce. EGWD employees hold college degrees in engineering, business, accounting and communications and over 90 professional certifications, including several levels of treatment, operations, human resources, project management and conservation.

Continuing employee development is very important to the District. Program offerings include educational reimbursement and in-house leadership training seminars.

Equally important as training the District employees is retaining the collective knowledge. As employees retire, the District must be able to transfer their knowhow to new staff. With a significant portion of the EGWD organization eligible for retirement within 5 years, knowledge management is a critical challenge. Retirement of the most experienced staff members could significantly impact the District if tacit knowledge is lost.

Customer Service Customer service is the epicenter of the District’s responsibilities. EGWD is responsible for safe guarding the public’s health and the District is committed to providing quality water exceeding safe drinking water standards. Customer service is more than a friendly voice answering a telephone; it is fast and reliable response to midnight emergencies, thorough assistance for customer needs and mindful, dedicated attention to every detail intrinsic to the delivery of safe, potable water.

EGWD intends to provide customer service that is proactive in approach instead of merely reactive. Customer involvement in the various decision making processes is desired and opportunities must be established to include community members in those decisions.

CHALLENGES FOR THE DISTRICT (Continued)

Business Practices

EGWD acknowledges the enormous responsibility of the health and well being of the community we serve. EGWD has an ethical obligation to the community we serve to provide potable, safe drinking water and to manage the public’s money wisely. The District’s goal is to be irreproachable in our business practices.

In keeping with our commitment to appropriate business practices, the District appoints its work assignments according to the best possible value for the customer. Occasionally, a specific skill set is necessary, as in the case of legal advice, which requires the District to contract work to an outside resource. The District is committed to obtaining the highest value for the customers’ money and seeks a balance between personnel expertise and contracted insight.



Grants and Other Funding

Grants are an attractive option for financing projects, but can be time consuming and difficult to obtain. In addition, regulations added to State law in 2009 will require urban water agencies such as EGWD, beginning in 2016, to comply with certain water conservation requirements, detailed in an approved Urban Water Management Plan, in order to be eligible for State grants and loans.

EGWD is committed to pursuing available funding sources both independently and in partnership with appropriate organizations.

Meter Installations

In September 2004, Governor Arnold Schwarzenegger signed into law Assembly Bill 2572, directing the State of California to fully meter all water services by 2025. A previous law, passed in 1992, mandated that all new construction include a water meter; the new law created the necessity of retrofitting all properties constructed before 1992 and to bill all customers according to their metered consumption.

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CHALLENGES FOR THE DISTRICT (Continued)

Meter Installations (Cont.) EGWD has been installing meters throughout its service area for several years and is on track to complete the retrofit before the deadline. Grant funding has accelerated the project and the District continues to pursue additional funding to ease the cost of the transition. The District intends to complete the meter retrofit by 2015, well ahead of the State's deadline.

Asset Management

EGWD owns and operates millions of dollars in property and appropriate management of this equipment, land and tools is vital to the success of the organization. Good management of the District assets means no wasted funds on avoidable corrections.

Each piece of equipment has a life expectancy and maintenance is routinely performed to ensure that all equipment meets that expectation. Documenting maintenance and related details should be a part of procedures, a project that is already underway.

Long term planning forecasts future asset needs and schedules the means of acquiring, financing the building or maintenance of those assets. Capital improvement and replacement projects must be completed so that water supply and distribution capacity meet future demand and water quality standards are maintained.

A great challenge for the District is identifying growth strategies that can be implemented without amplifying the financial burdens already incurred by past projects. As infrastructure ages and regulations change, it is without question that the District will be required to develop additional structure to meet those needs.

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CHALLENGES FOR THE DISTRICT (Continued)

Asset Management (Cont.)

EGWD operates in conformance with California Department of Public Health (CDPH) requirements. The District must comply with requirements regulating both the quality and the quantity of water. Because they fell short of water quality expectations, some wells have not been used recently and overall production of water has been diminished.

Studies indicate that the District must increase its capacity in order to become compliant with state regulations for system demands. Short term solutions, including the purchase of additional water from SCWA have been implemented, but long term solutions are necessary to address system demands and regulatory requirements. Eight source capacity projects have been identified, a few of which were in progress during the writing of this Plan.



MEETING THE CHALLENGES

Financial Stability

The District staff is preparing a multi-year Capital Improvement Program (CIP) which will address the capital needs of the District to insure the safe and efficient operations of the District. The plan will identify, quantify and prioritize various needed capital improvements. The CIP will be in conformance with this Strategic Plan.

The District is in the process of hiring a firm to conduct a water rate services study to quantify the future financial needs of the District. The result will serve as the District’s Financial Plan to guide the District for the next five years. The plan will include the operating, debt service and capital needs and determine what the rates need to be to cover the expenses. In addition, the plan will take in to account the need for adequate reserve levels as well.

Goal:	Timeline:
Adopt a 5 year CIP with “pay-as-you-go” funding	July 2012
Complete a comprehensive rate study, reviewing existing rates and fees and develop a strategy for financial sustainability	December 2012
Analyze debt restructuring options and implement the option best suited for the District’s situation	December 2012
Meet the bond covenant requirements every year	Ongoing
Adopt budget for FRCD, EGWD	Annually

Workforce Development

Scheduled training for the leadership team will focus on:

- Excellent customer service
- Communicating and connecting
- Difficult conversations
- Building trust
- The practice of management
- Creating accountable goals and coaching for success
- Performance appraisals
- Building a high performance culture
- Effective meetings
- Professional integrity, ethics and accountability

Healthy employee relations also mean employees support and acknowledge successes. Recognition should be peer driven.

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MEETING THE CHALLENGES (Continued)

Workforce Development (Cont.)

Work order documentation is another area of development. As the Operations Division implements the Cityworks system, improvements are expected in documenting the allocation of labor hours, asset management, and GIS mapping infrastructure priorities.

Goal:	Timeline:
Leadership team will complete an eight session management training series	Jan. – Aug. 2012
Meter crew will be cross trained in maintenance and capital improvement project skills	January 2012 - ongoing
Succession planning and implementation	July 2012 – ongoing
Standard operating procedures and succession planning for every division	June 2015

Customer Service

EGWD is committed to ensuring outstanding relationships with the people we serve. Improvements with communications between the customer service division and operations are underway in order to speed response to customer calls. Customer feedback on service performance will be gathered through evaluation surveys. The District will continue to seek ways to make bill paying as convenient for customers as possible.

Customer education on the value of water will be achieved through community meetings and public advisory sessions. EGWD will continue to be an active, visible contributor to the strength of Elk Grove, interacting with and supporting customers through a variety of community events.

A member of the EGWD staff serves on the AWWA national Customer Service Committee, co-chairing a subcommittee that has developed an innovative Customer Service training series and becoming one of the first certified trainers of that course nationally.

Goal:	Timeline:
Complete customer service training for all staff members	June 2013
Create follow-up surveys to analyze service performance	June 2013
Review opportunities for enhanced payment options	June 2014
Evaluate potential Automatic Meter Reading and Advanced Metering Infrastructure opportunities	June 2016
Activate customer service advisory committee	As needed
Answer customers calls by the second ring	Always

MEETING THE CHALLENGES (Continued)

Business Practices

In keeping with the District’s core value of integrity, all members of the leadership team and Board will complete ethics training. As a public agency, the District is committed to including the public as a key partner in decision making through involvement in the Community Advisory Committee, associate board membership and public hearings. Board meetings are open to the public and are noticed on the District Web site, in the local newspaper, at the meeting’s location and at the District office.

Goal:	Timeline:
Staff training, including: regulatory, first aid, OSHA, industry innovations and safety	Ongoing
Review opportunities to support local business	Ongoing
Brown Act training/ethics	Every 2 years

Grants and Other Funding

EGWD is committed to seeking funding sources other than rate income for projects, especially grants. Partnership with the Regional Water Authority on grant applications has resulted in several grant fundings. Two primary sources are the U.S. Department of Interior’s Bureau of Reclamation for federal funds and the State of California’s Department of Water Resources. There are difficulties with each source. The Bureau of Reclamation’s primary concern is surface water. EGWD’s water source is groundwater, making the District ineligible for many Bureau grants.

To be eligible for a DWR grant, urban water district’s, such as EGWD, must meet two criteria: a complete Urban Water Management Plan and be compliant with AB 1420. At the time this report was written, EGWD had submitted a 2010 UWMP, but had not received word of acceptance from DWR. Compliance with AB 1420 requires the implementation of best management practices or their equivalent for the purpose of water conservation. EGWD does comply with some of these practices and has argued in the UWMP that some are not cost effective. If DWR accepts the UWMP and EGWD’s conservation efforts, then the District can go forward with grant applications.

Goal:	Timeline:
Accepted, complete 2010 UWMP	Submitted June, 2011
Partner with RWA and other regional organizations	Ongoing
Meet cost effective BMP requirements for grant eligibility	Ongoing
Review and pursue \$500,000 or more in grants	Annually
Accepted, complete 2015 UWMP	2015

MEETING THE CHALLENGES (Continued)

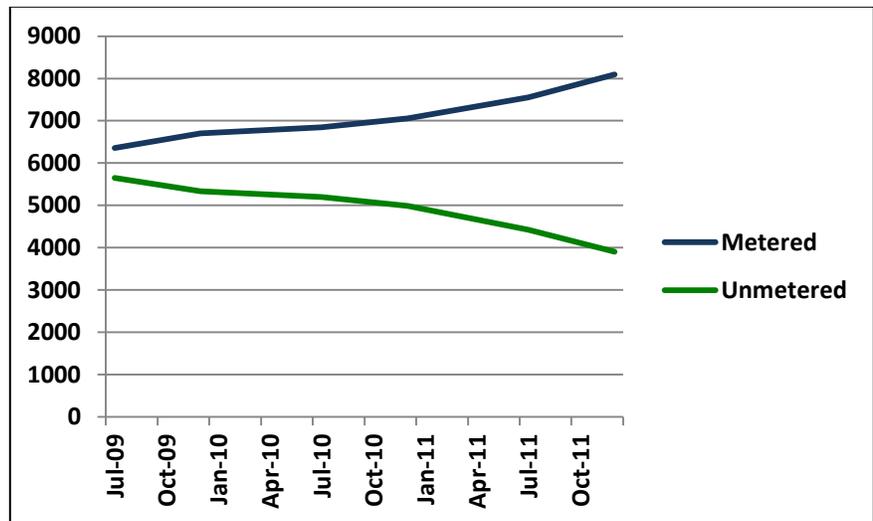
Regulatory Compliance

Compliance with all laws regarding drinking water is not discretionary. EGWD **must** and EGWD **will** comply with all regulations, all of the time. This District will not compromise the health and safety of the public. Items of particular focus in the next five years will include new regulations on disinfection residuals and byproducts, arsenic standards and the 20% by 2020 urban water efficiency programs.

Goal:	Timeline:
Meet all regulatory requirements. Always.	Ongoing
Publish Consumer Confidence Report by July 1	Annually
Comply with permitting requirements	Ongoing

Meter Installations

EGWD intends to meet the challenges imposed by AB 2572 through in-house work assignments, supplemented through grant-funded contractor work. Annual targets are determined, but weather fluctuations and emergencies sometimes pull crews to other assignments, so monthly completion counts may vary. When installation is complete, it is expected that the crew will be assigned to other projects, including the ongoing maintenance and repair of old meters and no layoffs are anticipated.



Meter retrofit progress

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MEETING THE CHALLENGES (Continued)

Meter Installations (Cont.) When all EGWD services are metered, the District will be in a position to fully evaluate the system’s unaccounted for water, or water which is lost to system leaks or other events, such as firefighting or unauthorized use. Tracking and minimizing water loss will help the District reach conservation goals as well as save on production costs.

Goal:	Timeline:
Complete meter retrofit	2015
Evaluate water management to minimize unaccounted for water	2017

Asset Management

EGWD has been collecting information on its equipment and documenting maintenance procedures for several years. This information will be used to train the next generation of employees to care for company equipment with the skill of the present team. EGWD places a priority on performing preventative maintenance on its equipment. Preventative maintenance helps EGWD reach maximum life expectancy



on equipment and avoid premature replacement costs. EGWD uses a geographic information system (GIS) to map its infrastructure. The mapping includes information on pipes, valves, hydrants, wells, pumps, filters and tanks. EGWD also uses CityWorks, a computerized work order system, to schedule and manage maintenance and repairs on infrastructure. Information obtained during infrastructure maintenance and repairs is used to update the GIS map.

In order to ensure an adequate water supply, projects to increase source capacity and reliability are underway. Two additional filters are being installed at the water treatment plant bringing the total number of filters to eight. The Hampton Road Water Treatment Plant is being evaluated for refurbishment and a return to service. A number of projects that would increase source capacity and reliability are included in the capital improvement program.

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MEETING THE CHALLENGES (Continued)

Asset Management (Cont.) The capital improvement program (CIP) is a projection of the District’s capital funding needs for projects planned over the next five fiscal years. The objectives and timelines associated with the CIP will be consistent with the goals and objectives of the Strategic Plan. The CIP will be reviewed and updated annually.

Goal:	Timeline:
Adopt FY 2013-17 Capital Improvement Program	June 2012
Work with the Finance Department to review and update EGWD’s assets list, and the assets’ valuations.	February 2013
Evaluate available Enterprise Asset Management (EAM) systems to determine the feasibility of using EAM for EGWD.	April 2013
Evaluate EGWD’s usage of CityWorks to determine if it is being used to its maximum potential.	June 2013
Field verify all mapping information and update GIS program.	December 2013

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AB 1420: California Assembly Bill 1420
AM/CMMS: Asset management/computerized maintenance management system
AMI: Advanced metering infrastructure (Smart meter)
AMR: Automatic meter reading
AWWA: American Water Works Association
BMP: Best management practices
CARCD: California Association of Resource Conservation Districts
CDPH: California Department of Public Health
CIP: Capital Improvement Program
CUWCC: California Urban Water Conservation Council
DMM: Demand Management Measures
DWR: Department of Water Resources
EAM: Enterprise Asset Management
EGUSD: Elk Grove Unified School District
EGWD: Elk Grove Water District
EGWS: Elk Grove Water Service
EGWW: Elk Grove Water Works
FRCD: Florin Resource Conservation District
FSCD: Florin Soil Conservation District
GIS: Geographic Information System
NPDES: National Pollutant Discharge Elimination System
NRCS: Natural Resources Conservation Service
RCD: Resource Conservation District
RWA: Regional Water Authority
SCADA: Supervisory Control and Data Acquisition
SCWA: Sacramento County Water Agency
SMUD: Sacramento Municipal Utilities District
TMDL: Total Maximum Daily Load
USDA: United States Department of Agriculture
UWMP: Urban Water Management Plan
WOW: Walk on the Wildside



The Elk Grove Water District Team