



Agenda

Carmichael Water District/Sacramento Suburban Water District 2x2 Committee Meeting

3701 Marconi Avenue, Suite 100
Sacramento, CA 95821

Friday, March 3, 2023
2:00 p.m.

This meeting will be conducted both in-person in the Sacramento Suburban Water District's Boardroom at the address above, and by videoconference and teleconference using the information provided below. The public is invited to listen, observe, and provide comments during the meeting by any method provided. The Chairperson will call for public comment on each agenda item at the appropriate time and all votes will be taken by roll call. If a member of the public chooses to participate in this public meeting via videoconference and/or teleconference, please see the instructions below.

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<https://us02web.zoom.us/j/86883319319?pwd=TzN5c0o2UFBXT2wrQ2owVzJNTjExUT09>

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Where appropriate or deemed necessary, the Committee may take action on any item listed on the agenda, including items listed as information items. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Committee less than 72 hours before the meeting are available for public inspection at each Agency's Administrative Offices.

The public may address the Committee concerning an agenda item either before or during the Committee's consideration of that agenda item. Persons who wish to comment on either agenda or non-agenda items should fill out a Comment Card and give it to either one of the General

Managers. The Chairperson will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please contact Sacramento Suburban Water District Human Resources at 916.679.3972. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Call to Order

Roll Call

Announcements

Public Comment

This is an opportunity for the public to comment on non-agenda items within the subject matter jurisdiction of the Committee. Comments are limited to 3 minutes.

Consent Items

The Committee will be asked to approve all Consent Items at one time without discussion. Consent Items are expected to be routine and non-controversial. If any Committee member, staff, or interested person requests that an item be removed from the Consent Items, it will be considered with the Items for Discussion and/or Action.

1. **Minutes of the February 8, 2023, Carmichael Water District/Sacramento Suburban Water District 2x2 Committee Meeting**

Recommendation: Approve subject minutes.

Items for Discussion and/or Action

2. **Combination Discussions – Draft Outline Report**

Recommendation: Receive presentation and direct staff on next steps and further analysis on Combination Discussions between Carmichael Water District and Sacramento Suburban Water District.

3. **Combination Discussions – Communications Plan Update**

Recommendation: Receive update on Communications Plan, approve attached outreach materials, and approve staff holding a public information meeting.

4. **Carmichael Water District and Sacramento Suburban Water District - Joint Board Meeting Agenda**

Recommendation: Discuss and direct staff on scheduling a Joint Board Meeting between Carmichael Water District and Sacramento Suburban Water District to provide a current status report on the Combination Discussions and direct staff as appropriate.

5. **Consultant Services**

Recommendation: Provide direction to staff regarding a potential to retain the services of a consultant to assist in developing and following a road map that will provide the appropriate information to the Carmichael Water District and Sacramento Suburban Water District Board of Directors that will allow them to make a decision to combine into a single organization, or not.

6. **Field Trip of Buildings/Water Production Facilities**

Recommendation: Provide direction to staff regarding scheduling a tour of Carmichael Water District and Sacramento Suburban Water District buildings/water production facilities.

7. **Next Meeting of 2x2 Committee**

Recommendation: Determine next meeting of the 2x2 Committee.

8. **Public Comment**

Adjournment

I certify that the foregoing agenda for the March 3, 2023, meeting of the Carmichael Water District/Sacramento Suburban Water District 2x2 Committee was posted by March 1, 2023 in a publicly-accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Suite 100, Sacramento, California, and at the Carmichael Water District office, 7837 Fair Oaks Boulevard, Carmichael, CA 95608, and was made available to the public during normal business hours.

Dan York
General Manager/Secretary
Sacramento Suburban Water District

Agenda Item: 1

Date: March 3, 2023

Subject: Minutes of the February 8, 2023, Carmichael Water District/Sacramento Suburban Water District 2x2 Committee Meeting

Staff Contact: Dan York, SSWD General Manager
Cathy Lee, CWD General Manager

Recommended Committee Action:

Approve the draft minutes of the February 8, 2023, Carmichael Water District/Sacramento Suburban Water District 2x2 Committee Meeting.

Attachment:

1 – Draft Minutes



Minutes

Carmichael Water District/Sacramento Suburban Water District 2x2 Committee Meeting February 8, 2023

Location:

3701 Marconi Avenue, Suite 100, Sacramento, CA 95821, and Audio Conference at 1-669-900-6833, and Video Conference using Zoom at Meeting Id #881 7394 8088

Call to Order – Videoconference/Audioconference Meeting

CWD Director Jeff Nelson (Chair Nelson) called the meeting to order at 4:00 p.m.

SSWD Directors

Present: Dave Jones and Craig Locke.

SSWD Directors

Absent: None.

CWD Directors

Present: Mark Emmerson (via Zoom) and Jeff Nelson.

CWD Directors

Absent: None.

SSWD Staff Present: General Manager Dan York (SSWD GM York), Assistant General Manager Matt Underwood, and Heather Hernandez-Fort.

CWD Staff Present: General Manager Cathy Lee (CWD GM Lee).

Public Present: William Eubanks, Bruce Hartzell, Ted Costa, Christine Kohn, Ron Davis, Paul Helliker, Timothy Underwood, Kevin Thomas, and Jay Boatwright.

Announcements

None.

Public Comment

None.

Consent Items

1. **Minutes of the December 21, 2022, Carmichael Water District/Sacramento Suburban Water District 2x2 Committee Meeting**

SSWD Director Locke moved to approve the Consent Item; SSWD Director Jones seconded. The motion passed by unanimous vote.

AYES:	Jones, Locke, Emmerson, and Nelson.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Items for Discussion and/or Action

- Combination Discussions – A Business Case for a Potential Combination Report**
 William Eubanks (Mr. Eubanks) expressed he was not pleased with the Raftelis report, noting he did not feel it addressed the impact to the customers of the District.

SSWD GM York presented the staff report.

CWD GM Lee provided additional information about the report, noting the report’s intent was to identify fatal flaws, and that the next phase would go further into the details.

The Committee agreed that there were parts of the report that could have been improved, but that overall they endorsed each General Manager to present the report to their respective Boards with a recommendation of acceptance.

SSWD GM York expressed that Raftelis made corrections to the report at their cost and amendments made to the report that CWD and SSWD requested was less than \$5,000.

Chair Nelson recommended for staff to prepare a staff report for each Board to approve the funding for the additional adjustments.

SSWD GM York clarified that the SSWD Board had already approved the additional funding at their January regular Board meeting.

SSWD Director Jones moved to approve the staff recommendation; CWD Director Emmerson seconded. The motion passed by a unanimous vote.

AYES:	Jones, Locke, Emmerson, and Nelson.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

- Combination Discussions – Next Steps/Analysis**
 Mr. Eubanks recommended not to use Raftelis for future reports, and further inquired what the impact of a potential combination would be to the ratepayers.

SSWD GM York presented the staff report and presented the PowerPoint presentation.

SSWD GM York inquired if the Committee wanted to have communication materials reviewed by the Committee, or each Board, or if they felt comfortable with allowing the communications team to execute communication materials.

Chair Nelson and CWD Director Emmerson expressed they felt the CWD Board wanted to review any materials before they were sent out.

SSWD GM York expressed that the SSWD Board gave the authority to the 2x2 Committee to approve any communication materials.

Chair Nelson requested some communication examples for them to provide to their Board at the next Board meeting of CWD, with the request to grant authority for the 2x2 Committee to approve communication materials going forward.

SSWD Director Locke recalled that the 2x2 Committee would approve any communication materials before being sent out.

CWD GM Lee requested staff create a roadmap or outline of the communication plan going forward to present to each Board.

The Committee approved staff to continue moving forward with researching information, creating a timeline, reviewing the scope of work with anticipated dates, and begin to work on some of the items as presented.

The Committee agreed to try to hold a Joint Board meeting in either April or May.

SSWD Director Locke recommended to show the Committee a map of all facilities for both districts.

4. **Combination Discussion – Communications Plan Update**

SSWD GM York presented the staff report.

Christine Kohn expressed that some of the foundational materials were already drafted, and that the communications team would be working on updating a roadmap for moving forward, as well as how that will tie into the milestones for the next steps.

SSWD Director Locke requested to present the roadmap to each respective Board.

The Committee agreed to continue to move forward.

5. **Carmichael Water District and Sacramento Suburban Water District - Joint Board Meeting**

SSWD GM York presented the staff report.

The Committee agreed to try to hold a Joint Board meeting in either April or May.

The Committee agreed to discuss the Joint Board meeting agenda at the next 2x2 Committee meeting.

6. **Next Meeting of 2x2 Committee**

The Committee agreed to hold the next meeting on March 3, 2023, at 2:00 p.m.

7. **Public Comment**

Mr. Eubanks expressed he understood better that the intent of the report was to collect data, as he initially was confused by the terminology.

Adjournment

Chair Locke adjourned the meeting at 5:17 p.m.

Dan York
General Manager/Secretary
Sacramento Suburban Water District

DRAFT

Agenda Item: 2

Date: March 3, 2023

Subject: Combination Discussions – Draft Outline Report

Staff Contact: Dan York, SSWD General Manager
Cathy Lee, CWD General Manager

Recommended Committee Action:

Receive report and direct staff on next steps and further analysis on Combination Discussions between Carmichael Water District and Sacramento Suburban Water District.

Background:

The Draft Business Case for a Potential Combination Report (Draft Report) was presented to the Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD) Boards in February 2023. The intent was for the CWD and SSWD Boards to accept the final Report and provide direction moving forward in the Combination Discussions. The Report was accepted as final by the CWD Board on February 21, 2023, and by the SSWD Board on February 27, 2023.

The intent of the Report was to determine if there were fatal flaws/deterrents identified that would hinder the Combination Discussions between CWD and SSWD. Based on the results of the Report, there were no obvious or compelling deterrents in combining the two districts.

Discussion:

Typically in Combination Discussions, the initial phase is to determine if there are any fatal flaws. If no fatal flaws are identified, then the next phase is to develop a scope of work to analyze such items as governance structure, water supplies, administrative, Human Resources, financial, water rates, facilities and equipment, IT, operations, etc. Staff have developed a Draft Scope of Work, and Draft Report Outline (Attachments 1 and 2 respectively).

Within each of the items listed in the Draft Scope of Work are specific areas that need to be analyzed/compared for both CWD and SSWD. Staff are in the process of initiating analyzing/comparing Human Resources, salaries, and benefits, which are sections 3.a.iv; 3.b.iv; and 4.g of the Draft Report Outline.

Directors from both agencies have provided invaluable comments/questions, bringing forth the need to analyze certain topics in more detail. Certain comments/questions from the Directors require detailed analysis and future Board decisions outside of the scope of work and purview of the Business Case for a Potential Combination Report. Those comments and questions are listed in Attachment 3, which will indicate which sections of the Draft Scope of Work and Draft Report Outline will address the comments/questions received from Directors.

Combination Discussion – Draft Outline Report

March 3, 2023

Page 2 of 2

Once the analysis is completed and presented to the Boards of CWD and SSWD, if determined to be positive, then there can potentially be another step, of which is typically near the end of Combination Discussions, where the CWD and SSWD Boards have enough information to make a decision to combine, or not.

Attachments:

1. Draft Scope of Work
2. Draft Report Outline
3. Directors' Comments and Questions on Raftelis Business Case for a Potential Combination

Draft Scope of Work Schedule
Combination Discussion
CWD and SSWD

Chapter		Internal Draft	2x2 Committee	Board Meeting
1	History/Background			
a.	Carmichael Water District			
b.	Sacramento Suburban Water District			
c.	Raftelis Report			02/27/2023
2	Communication and Outreach Approach			
a.	Meetings, identification of stakeholders and outreach strategy	02/24/23		
b.	Retention of Communication Firm	12/21/22	12/21/22	1/26/23 – fully executed
c.	Summary of concerns, opinions and findings from outreach			
d.	Public Involvement Process			
3	Districts – Current Structure			
a.	Carmichael Water District			
i.	Personnel, organizational structure and chart, budget, communities served			
ii.	Water rights, contracts for water, well inventory			
iii.	Retail responsibility and service area, rate structure			
iv.	Human Resources, salaries, benefits			
v.	Finances, Facilities, etc.			
vi.	Facilities and Debt			
vii.	Policies and Procedures			
b.	Sacramento Suburban Water District			
i	Personnel, organizational chart, budget, communities served			
ii	Water contract rights, well inventory			
iii.	Retail responsibility and service area, rate structure			

Draft Scope of Work Schedule
Combination Discussion
CWD and SSWD

iv.	Human Resources, salaries, benefits			
v.	Finances, Facilities, etc.			
vi.	Facilities and Debt			
vii.	Policies and Procedures			
4	Model Merged District			
a.	What it will be: discuss advantages/disadvantages of Irrigation District vs. County Water District			
b.	How the merged district could be created: consolidation vs. reorganization			
c.	Statistics and demographics: population, customers, registered voters, geographic service area/communities, assessed valuation, combined water resources/water availability			
d.	Board of Directors: Interim and long-term			
e.	Organizational structure and chart: i. General Manager and Executive Staff ii. Budget and Fiscal Cost			
f.	Operations Integration of Software			
g.	Human Resources, salaries, benefits			
h.	Financial			
i.	Water Rates – Short/Long Term			
j.	Integrations of Software (e.g. billing, SCADA, etc.)			
5	How Reorganization will affect Customers, Employees and Other Stakeholders			

Draft Scope of Work Schedule
Combination Discussion
CWD and SSWD

a.	Water reliability: use of all water, both surface and groundwater, conjunctive use plan, perfection of water rights and groundwater			
b.	Residential and business customers, local governments, rates and debt			
c.	Impacts of reorganization on other agencies – not a hostile takeover of other districts			
d.	Employees, suggested HR principles (job status, salaries and benefits, other)			
e.	Staffing Efficiencies			
6	Governance – Board of Directors			
a.	Transition from 10 to 7 to 5			
b.	Election boundaries for each phase			
c.	Final election boundaries			
d.	Options for Advisory Committees			
7	Lessons learned from Arcade/Northridge Consolidation	1/20/23	2/8/23	
8	Findings and Recommendations			
a.	2x2 recommendation to Joint Boards			
b.	Joint Board meeting and approval by each board			
c.	If approved, proceed to LAFCo and Division of Drinking Water			
9	Process and Timeline			
a.	Major steps to process			
b.	Necessary Tasks			
c.	Approval Process			
10	Conclusion and Moving Forward			
	Additional Items			

Draft Scope of Work Schedule
Combination Discussion
CWD and SSWD

	Functional Setup of Combined Entity			
	Appendices			
	Acronyms			
Overall Report	Final Report			



DRAFT

REPORT OUTLINE

Further Analysis of Combining
Carmichael Water District and
Sacramento Suburban Water District

TABLE OF CONTENTS

Introduction

To Be Determined

Executive Summary

Introduction

Perceived benefits of the reorganization

Facts about the reorganization

Findings

Recommendations

1. History/Background

- a. Carmichael Water District
- b. Sacramento Suburban Water District
- c. Raftelis Report

2. Communication and Outreach Approach

- a. Meetings, identification of stakeholders and outreach strategy
- b. Retention of Communication Firm
- c. Summary of concerns, opinions and findings from outreach
- d. Public Involvement Process

3. Districts – Current Structure

- a. **Carmichael Water District**
 - i. Personnel, organizational structure and chart, budget, communities served
 - ii. Water rights, contracts for water, well inventory
 - iii. Retail responsibility and service area, rate structure
 - iv. Human Resources, salaries, benefits
 - v. Finances, Facilities, etc.
 - vi. Facilities and Debt
 - vii. Policies and Procedures
- b. **Sacramento Suburban Water District**
 - i. Personnel, organizational chart, budget, communities served
 - ii. Water contract rights, well inventory
 - iii. Retail responsibility and service area, rate structure
 - iv. Human Resources, salaries, benefits
 - v. Finances, Facilities, etc.
 - vi. Facilities and Debt
 - vii. Policies and Procedures

4. Model Merged District

- a. What it will be: discuss advantages/disadvantages of Irrigation District vs. County Water District
- b. How the merged district will be created: consolidation vs. reorganization
- c. Statistics and demographics: population, customers, registered voters, geographic service area/communities, assessed valuation, combined water resources/water availability
- d. Board of Directors: Interim and long-term
- e. Organizational structure and chart
 - i. General Manager and Executive Staff
 - ii. Budget and Fiscal Cost
- f. Operations Integration of Software
- g. Human Resources
- h. Financial
- i. Water Rates – Short/Long Term
- j. Integration of Software (e.g. billing, SCADA, etc.)

5. How Reorganization will affect Customers, Employees and Other Stakeholders

- a. Water reliability: use of all water, both surface and groundwater, conjunctive use plan, perfection of water rights and groundwater
- b. Residential and business customers, local governments, rates and debt
- c. Impacts of reorganization on other agencies
- d. Employees, suggested HR principles (job status, salaries and benefits, other)
- e. Staff Efficiencies

6. Governance – Board of Directors

- a. Transition from 10 to 7 to 5
- b. Election boundaries for each phase
- c. Final election boundaries
- d. Options for Advisory Committees

7. Lessons learned from Arcade/Northridge Consolidation

8. Findings and Recommendations

- a. 2x2 recommendation to Joint Boards
- b. Joint Board meeting and approval by each board
- c. If approved, proceed to LAFCo and Division of Drinking Water

9. Process and Timeline

- a. Major steps to process
- b. Necessary tasks
- c. Approval process

10. Conclusion and Moving Forward

Additional Items

Functional Setup of Combined Entity

Appendices:

Acronyms

Final Report

(A) Carmichael Water District

Financial Statements – 5 Year History

Customer Rates – 5 Year History

Staffing Levels – 5 Year History

Operations Data – 5 Year History

Infrastructure- Condition Assessment

Capital Investments – 5 Year History

Debt Structure

(C) Sacramento Suburban Water District

Financial Statements – 5 Year History

Customer Rates – 5 Year History

Staffing Levels – 5 Year History

Operations Data – 5 Year History

Infrastructure – Condition Assessment

Capital Investments – 5 Year History

Debt Structure

Directors Comment and Questions on Draft Raftelis Business Case for a Potential Combination

General Comments/Questions:

The following comments/questions were submitted to staff from Carmichael Water District and Sacramento Suburban Water District Directors:

1. I'm not sure that references to 'The Great Resignation' are germane to the purpose of the study. If the inference is that there is a dwindling labor supply, then that should be stated.
2. The phrase 'largely voluntary requests for customer usage reductions and penalties for repeat offenders' is repeated twice verbatim. I'm not sure that I ever voted for penalties, nor do I think that I support 'increasingly strict enforcement and penalties'
3. Did the State stop all CWD withdrawals from the American River in the summers of 2014, 2015, 2021, and 2022?
4. Probably ought to explain what the 'take or pay caveat in the agreement' means. Take or pay may not be a known term to our constituents. (section 2.2.1 first paragraph)
5. Why is a County water district a higher level of organizational constitution than an irrigation district?
6. In terms of representation, it might be worth noting that SSWD directors are elected by divisions while CWD directors are elected by the district at large.
7. The meaning of this phrase '(note we are using the word "reorganized" very definitionally here)' is not clear to me, and is repeated in the following sentence. (Section 3.3.2, 4th paragraph)
8. Include acknowledgement page and staff reference/credit page with Directors, GM's, and give credit to other staff that supported the effort.
9. Add something more about better staff retention, compare with other larger agencies. We just lost 2 more people.
10. Add better bond rating/credit rating to report as a benefit of combination.
11. Explain/ add likely more opportunities to diversity, more staff redundancy and better succession planning, diversity, equity, and including (DEI).
12. LAFCO will want to know the level of service (LOS) will not go down and we will increase reliability.
13. What about fluoridation? I thought SSWD was going to stop fluoridation when the condition of their grant was up? Should be addressed in report.
14. How often does SSWD get water from City of Sacramento, American River?
15. Add an acknowledgment page with consultant and agency staff identified.
16. I am glad to see a transmittal letter.
17. All figures and tables need to be called out in the text. Check entire document.
18. Double space between some sentences and not others. Be consistent.

The following comments/questions were provided in the draft report by Carmichael Water District and Sacramento Suburban Water District Directors:

Contents

1. Add an acknowledgement page with consultant and agency staff identified. **(Addressed by consultant)**
2. Add an abbreviations list. **(Addressed by consultant)**
3. Add a reference list. **(Funding not available to make suggested changes)**

Tables

1. I don't agree with skipping Table 1. **(Addressed by consultant)**

Figures

1. I don't agree with skipping Figure 1. **(Addressed by consultant)**

Executive Summary

1. What evidence is there to suggest that “The Great Resignation” has had an effect upon the reduction of resources, presumably in the labor market? **(Intended to be addressed in Chapter 5)**
2. What has been the sustained overall financial benefit seen by the Northridge/Arden-Arcade merger? **(Intended to be addressed in Chapter 1)**
3. On the “Pro” side of combining organizations, are there other scale efficiencies besides the most apparent ones of operations and management that may be realized? **(Intended to be addressed in Chapter 5)**
4. In combining just essential operational systems, such as CMMS, GIS, CIS and others, what are the benefits, including potential cost reductions, due to scale efficiencies to be realized? **(Intended to be addressed in Chapter 4)**
5. Executive summary should be shorter. Remove some unnecessary language. **(Addressed by consultant)**
6. I don't know if I would say that the PCWA and City water is imported. It comes from the same river and watershed. Imported water typically is understood to be from another watershed. I would call it purchased water. **(Addressed by consultant)**
7. The section that reads, “Higher levels of customer service are possible by combining resources, allowing more specialization of staff, greater levels of scale efficiency, and perhaps new or expanded services.” Comment: Explain how this benefits the customers. **(Intended to be addressed in Chapter 5)**
8. The section that reads, “The end results are essentially the same: one agency assumes the rights, responsibilities, assets, and liabilities from others.” Comment: Or a new agency also, right? **(Intended to be addressed in Chapter 5)**

9. Delete: There are several quirks to this process. Comment: Not needed as an ES
(Addressed by consultant)
10. The section that reads: “This approach is least disruptive for both internal and external stakeholders. It allows the leadership of the combined entity to integrate operations carefully and deliberately. Conceptual (only) organizational charts are provided to show a theoretical view of how the organizations may be integrated in the interim and long term periods.” Comment: Should mention that there are other options including:
 1. contract operations for part of the operations.
 2. selling the systems to a private water utility.**(Intended to be addressed in Chapter 5)**
11. The section that reads, “There would be costs and a considerable amount of staff time involved in the interim period.” Comment: Why? More than current staffing level at both entities? **(Intended to be addressed in Chapter 4)**
13. The section that reads, “Raftelis estimated that a combined entity could at least achieve the same level of cost per cost as SSWD currently achieves, which is nearly double that of CWD currently.” Comment: Explain what is nearly double. Confusing, explain better. (Could Raftelis briefly expand on this sentence?) **(Addressed by consultant)**
14. The section that reads, “In the prior regional study of collaboration opportunities in the Sacramento area conducted with CWD, SSWD, and others, repeatable avoided cost ranges on the order of 8-20% relative to uncombined organizations were noted for utility consolidations. Such levels again appear achievable between CWD and SSWD if the aforementioned 20-30% lower costs at SSWD are spread across normalized retail services. A key unknown variable is the monetization of water supplies, which could further drive economic benefits in this case.” Comments: Which one is this? Show clear reference. What are these? need (better) explanation. **(Intended to be addressed in chapter 5)**
15. In the section that reads, “In the prior regional study of collaboration...” Comment: Which one is this? Show clear reference. **(Addressed by consultant)**
16. The section that reads, “However, this analysis is limited to the line items noted below that are immediately relevant to the combination effort, but does not account for worker productivity gains attributable to increased specialization, systems optimization, and the ability of the combined larger ratepayer base to bring down costs per unit and drive additional efficiencies.” Comment: will there be a master plan/guide to follow or management key to optimization? **(Intended to be addressed in Chapter 4)**
17. Table ES 1: Some of these 10-year values look wrong. See comments in the report.
(Addressed by consultant; table removed from report)
18. The section that reads, “Customer communication will be a key consideration and should be initiated early in the process. Communication considerations are referenced.”
Comment: Verify that this ES adequately summarizes every section of the report. I typically write a summary paragraph for each section of the report. Seems out of placed in ES. **(Addressed by consultant)**

1. Introduction

1. Would like a bigger picture of how many water districts there are in region + the varying sizes. Add text in section 1.1 to explain on this. **(Intend to addressed in Chapter 5)**
2. 1.1 I find it redundant to say the final report of the study. It is the Study, period. **(Addressed by consultant)**
3. 1. Figure 2. I suggest highlighting the two districts. Call out in text. Skipped Figure 1 in the numbering. **(Addressed by consultant; figure removed from report)**
4. 1.1 The potential effects, however, are more severe, and include but are not limited to stricter mandatory source and customer restrictions on water usage along with increasingly strict enforcement and penalties... Comment: I find this part garbled. Seems odd to say "mandatory source...restrictions on water usage" as this says. There are diversion curtailments. **(Addressed by consultant)**
5. 1.1 population loss, and limitations on economic activity... Comment: I don't agree that there is or will be population loss and limitations on economic activity. **(Intended to be addressed in Chapter 4)**
6. 1.1 and variety of CWD's water rights... Comment: Only CWD has water rights. Not SSWD. **(Addressed by consultant)**
7. 1.3 Define LAFCo **(Addressed by consultant)**
8. 1.3 As neutral evaluators and advisors, our goal is to identify solutions for the agencies that help achieve their objectives of providing high quality and reliable water service that balances sustainability and affordability for customers, and is in-line with applicable laws. Comment: I don't typically write about the consultant's goal. (Can be addressed in future analysis) Comment: Be careful about describing the agencies' objectives in addition to the Section 1.2 Purpose of Study. I suggest keeping the objectives consolidated in Section 1.2. **(Intended to be addressed in future analysis)**
9. 1.3 Raftelis worked to follow the data wherever it took us. Comment: Did it take you out of scope? **(Staff felt it did not take us out of scope)**
10. 1.3 We recognize that there are staff, Board, and community members at each agency that are likely to be initially either in favor of or against the idea of a potential combination, and as such we have taken great care to be objective in this analysis. Comment: I don't agree with this explanation why care has been taken to be objective. Would you not be objective if all members were all in favor or not? **(Intended to be addressed in future analysis)**
11. 1.3 We have attempted to highlight the opportunities and challenges of a potential combination, while acknowledging that such an endeavor is a complex exercise, and particularly so in a water stressed region governed by western water laws and in an era of political polarization. Comments: There are also CA laws such as SGMA, Delta, water use objectives. **(Addressed by consultant)** Comment: I think that locally the reverse is true. The local politics have never been better to explore collaboration. **(Intended to be addressed in Chapter 1)**

2. Utility Overviews

1. Overviews (See 2.1 & 2.2) are not consistent. **(The overviews were developed by each agency for the Regional Collaboration Study) (Intended to be addressed in Chapter 1)**
2. 2.1.1 The two system descriptions are not consistently written. **(The overviews were developed by each agency for the Regional Collaboration Study) (Intended to be addressed in Chapter 1)**
3. 2.1.1 American River water is treated at a micro filtration plant that CWD invested significantly in recently. Comment: What is meant by recently? **(Addressed by consultant)**
4. 2.1.1 CWD is fortunate to have access to supply from groundwater wells... Comment: But CWD does not have max day demand well capacity. **(Addressed by consultant)**
5. 2.1.1 CWD maintains nearly 160 miles of pipe and supplies an average of just under 3,000 million gallons of water annually to its customers... Comment: Odd units for annual demand. I use acre feet. Is this value water sales or production. **(Addressed by consultant)**
6. 2.1.1 while producing over 4,600 million gallons in total in 2021... Comment: Explain the 1,600 MG gaps. Looks like a large system loss. **(Addressed by consultant)**
7. 2.1.1 . CWD is 100% metered with a mix of mechanical and digital Neptune AMR (truck-read) flow meters. Comment: Why is it relevant to describe meter status and type? **(Addressed by consultant)**
8. 2.1.2 What is the evidence that customers are “reportedly happy” with CWD [water] quality and services? **(The comments were developed by CWD for the Regional Collaboration Study) (Intended to be addressed in Chapter 1)**
9. 2.1.2 What are the indicators that CWD staff will want assurances in implementation of combination, and what would be those assurances? **(Intended to be addressed in Chapter 5)**
10. 2.1.2 Despite the predominantly residential customer base in CWD’s service area, they have benefitted from revenue provided by an award-winning collaborative supply agreement involving remediated groundwater from an industrial site (Aerojet Rocketdyne) and a private water supplier (Golden State Water Company). Comment: Who is they? I don't understand why you say they have benefitted "despite". What if they were not predominate? Wouldn't they still benefit? **(Addressed by consultant)**
11. 2.1.2 As a result of their dual surface and groundwater supply, award-winning public-private-partnership supply agreement, and their position relative to peers, CWD has the potential to be an important voice for the benefits of collaboration, while maintaining appropriate independence. Comment: Who said this? Seems like not a general view by CWD. **(The comments were developed by CWD for the Regional Collaboration Study) (Intended to be addressed in Chapter 1)**

12. 2.2.1 System Description. Comment: Describe the fluoridation in the SSA. **(Intended to be addressed in Chapter 3)**
13. 2.2.1 SSWD continues to make investments in several areas including infrastructure replacement and a conjunctive use program. Comment: This is odd to start a system description with a description of the current investment. **(The comments were developed by SSWD for the Regional Collaboration Study) (Intended to be addressed in Chapter 1)**
14. 2.2.1 SSWD is reliant on groundwater, but has contractual surface water rights to 26,064 acre-feet per year of surface water from the City of Sacramento water entitlement; and a contract to purchase up to 29,000 acre-feet of surface water per year from Placer County Water Authority (PCWA), with a 8,000 acre-feet take or pay caveat in the agreement. Comments: Is there such a water right term? Main point is that SSWD has no surface water rights. Might want to point out that the City water is rarely available and the full contract amount may never be delivered. **(Addressed by consultant)**
15. 2.2.1 Since 2005, SSWD has replaced approximately 100 miles of its distribution system at a cost of approximately \$110 million. Comment: Why is this main replacement relevant to the system description? Why are the investments in replacing and rehabbing their wells not important? **(The comments were developed by SSWD for the Regional Collaboration Study) (Intended to be addressed in Chapter 1)**
16. 2.2.1 SSWD works to invest in technologies that enhance operational efficiency. The District is approximately 99.6% metered; and is on schedule to be 100% metered by the end of 2022. SSWD has installed Advanced Metering Infrastructure (AMI) meters that can be read remotely for all customers. SSWD's Computerized Maintenance Management System (CMMS) is CityWorks. In 2007, SSWD chose to fully implement the CMMS system by placing a computer in each District vehicle. Comment: I don't understand why this is metering information is important enough to describe in a section that is supposed to describe the water system. Explain to the reader. **(The comments were developed by SSWD for the Regional Collaboration Study) (Intended to be addressed in Chapter 1)**
17. 2.2.2 Define "For example, SSWD is interested in exploring opportunities for new shared FTE" **(Addressed by consultant)**
18. 2.2.2 Engaged in an effort and Multi-agency study. Comment: Add both to reference list.
19. Overviews (See 2.1 & 2.2) are not consistent. **(The comments were developed individually by both CWD and SSWD for the Regional Collaboration Study) (Intended to be addressed in Chapter 1)**

3. Organizational Assessment

1. Why future tense? **(Addressed by consultant)**
2. **3.1.1** This Study will be constructive to further building regional momentum for collaboration, as it provides an opportunity to carefully consider the practical realities of

an integration between two agencies that may serve as an example to the complex regional web of stakeholders. Comment: Seems out of place under the history subsection. Shouldn't this be under the purpose section? **(Addressed by consultant)**

3. 3.1.1 Regional collaboration, including combination, is more challenging to examine deeply all at once than it is between just two agencies. Comment: This makes it seem that someone mentioned looking at regional collaboration. Why have this under history? **(Addressed by consultant)**
4. 3.1.2 Comment: I thought it is definite that the Board be restructured **(Addressed by consultant)**. I don't see the link between Board actions to combine and the need to restructure the Board. I see them as independent activities, not linked. **(Intended to be addressed in Chapter 6)**
5. 3.1.2 The local LAFCo agency can help with this transition, as it has the power to create a transition plan... Comment: Will LAFCO create this plan? **(Intended to be addressed in future analysis) (Intended to be addressed in Chapter 8)**
6. 3.1.2 Map does not show CWD directors. **(Funding not available to make suggested changes. Will be addressed in Chapter 4)**
7. 3.1.2 Figure 2 comment: Could show the directors like the SSWD map. **(Intended to be addressed in Chapter 4)**
8. 3.1.3 The State Water Resources Control Board, Division of Drinking Water... Comment: Seems odd to start talking about SWRCB to start a section about LAFCO. **(Addressed by consultant)**
9. 3.1.3 In a consolidation, all agencies are dissolved and a new one is created in their place with a service area that encompasses the previous districts' service areas. The new agency is the successor entity. This was the approach taken when SSWD was created following the dissolution of the Arcade and Northridge Water Districts. The process initiates when both agencies file for consolidation. In a reorganization, one or more districts are dissolved and one agency annexes all or a portion of their former service areas. An existing agency is the successor entity. The process initiates when one or more districts applies to dissolve, and the remaining district applies to annex the service area of the dissolved district(s). Comment: This paragraph is somewhat redundant to Section 3.1.3.1. I suggest consolidating. **(Intended to be addressed in Chapter 4)**
10. 3.1.3 In addition, this section says that the reorganization could be ordered without an election unless the conditions under GC §57081(b) are met. Comments: What happens with a reorganization? Who can order it? **(Intended to be addressed in Chapter 4)**
11. 3.1.3 There are some nuances. General elections are not automatic under this process; however, landowners and registered voters can potentially force one. Comment: But what if ordered without an election? **(Intended to be addressed in Chapter 4)**
12. 3.1.3 As part of this study, Raftelis developed customer engagement guidance for CWD and SSWD, which is included as Appendix F and touched on briefly in Section 6. It will be important for both organizations to communicate regularly about the combination process and potential options being considered. Developing resources like a fact sheet, infographics, or short videos, which can be used in different communications channels

can help proactively address potential questions and drive people to learn more. Holding in-person or virtual open houses can be a good method to humanize the agencies and provide an opportunity for stakeholders to learn more about the process in a relaxed setting. Comment: This paragraph seems out of place in LAFCO section. Please explain to reader how it fits. **(Addressed by consultant)**

13. Section 3.7 – combination will result in a more diversified water supply. Add this to section 4.3 as well.
14. Table 23 has many errors or is confusing at best. **(Addressed by consultant; table removed from report)**
15. 3.1.3.1 Reorg – Is the scenario different if SSWD were to be dissolved and CWD to annex SSWD? I suggest giving the specific section numbers. What about reorganization? **(Addressed by consultant)** Are you sure this should be under the LAFCO section? No election required, right? **(Intended to be addressed in Chapter 4)**
16. 3.1.3.1 To initiate the process, the Districts will need to submit resolutions of application to LAFCo which should include: the actions requests from LAFCo. Comment: When would this be provided? **(Intended to be addressed in Chapter 4)**
17. 3.1.3.1 An election to approve consolidation would be necessary if between 25-50% of registered voters or owners by land value object to the change. Comment: But no election for reorganization, right? **(Intended to be addressed in Chapter 4)**
18. 3.1.3.1 Under either Reorganization or Consolidation CWD and SSWD may wish to work with LAFCo to create a temporary, larger Board with the desired number of members. This option allows all but one of the current CWD and SSWD Board of Directors members to remain involved and roll off of the governance body as terms expire. Comment: Already stated earlier. **(Addressed by consultant)**
19. Very unusual to have only one subsection. It indicates that there is no need to break a part 3.1.3, or you need to add a second subsection with the earlier material. **(Addressed by consultant)**
20. 3.1.4 regular coordination of conservation actions through Sacramento Groundwater Authority... Comment: SGA does not coordinate conservation actions. **(Addressed by consultant)**
21. Consolidation – Does SSWD currently receive and special tax or benefit assessment? **(Intended to be addressed in Chapter 4)**
22. Figures 4& 5 – Could these figures be presented as a stacked bar graph by general employee grouping: administrative, management, production, distribution? **(Funding not available to make the suggested changes; can be addressed in future analysis)**
23. 3.3.1 Labor - How many current SSWD Classic members hired before 1/1/2003 are there? **(Intended to be addressed in Chapter 4)**
24. Does CWD offer any “personal holidays” and how many? **(Intended to be addressed in Chapter 5)**
25. 3.3.1 SSWD employees are not represented by a union, and this presents a wrinkle that must be carefully considered. Comment: How big of a hurdle is the labor union? Could that lead to a grievance or block? **(Intended to be addressed in Chapter 5)**

26. 3.3.2 CWD employees also benefit from the advocacy of their Union in salary negotiations. Comment: Is this definitely true? **(Addressed by consultant)**
27. 3.3.3 Table 1 comment: Should admin time benefit be included in table? **(Funding not available to make the suggested changes. Can be addressed in Chapter 5)**
28. 3.4.1 SSWD does not have any staff that employ collective bargaining. Comment: Already described.
29. 3.4.3 Challenges, 4th bullet. Comment: This does not seem to be a challenge. **(Intended to be addressed in future analysis)**
30. 3.5.2 What is the basis to state that employees responsible for more roles are not able to focus work effort resulting in possible less proficiency? **(Intended to be addressed in Chapter 4)**
31. 3.5.2 At the end of the day, staff at utilities are always busy since there is more work than staff. Comment: This seems like a bold conclusion. How do you know the Districts are understaffed? **(Addressed by consultant)**
32. 3.5.3 Comment: Need to add into text before starting bullets. **(Addressed by consultant)**
33. 3.5.3 Challenges - How can the difficulty on the integration of CMMS and GIS procedures be best characterized? **(Intended to be addressed in Chapter 4)**
34. 3.6.2 Opportunities comment: A new Role? Need intro text before starting bullets. Add benefit of increased staff retention in larger organization. **(Addressed by consultant)**
35. 3.6.3 Challenges Comment: Add into text before starting bullets. **(Addressed by consultant)**
36. 3.6.3 Differences in infrastructure between the systems may also limit opportunities for joint purchasing of materials and supplies or equipment where it is not practical to align them over time based assets lifecycles and the needs of each service area. Comment: who and how to determine? **(Intended to be addressed in Chapter 4)**
37. 3.6.3 CWD collective bargaining will be challenging to navigate under any combined organization. Under a reorganization where CWD merged into SSWD, the union contract may be voided as it would through a consolidation where both Districts initially dissolve. However, under any scenario field operations staff would have the opportunity to organize as is the case at any District currently. Comment: Explain how difficult **(This is intended to be addressed in Chapter 5)**
38. 3.7 Water Production Operations. Comment: combination will result in a more diversified water supply. Add this to section 4.3 as well.
39. 3.7.1 Define MGD **(Addressed by consultant)**
40. 3.7.2 Comment: Need to add into text before starting bullets. **(Addressed by consultant)**
41. 3.7.2 First bullet: Comment: I do not agree with this reason for not having these roles filled. We could have these positions. **(Intended to be addressed in Chapter 4 or 5)**
42. 3.7.2 First Bullet Comment: I am not clear on what this opportunity is. **(Intended to be addressed in Chapter 4 or 5)**
43. 3.7.2 Last Bullet Comment: Why is this a bullet under opportunities? **(Addressed by consultant)**
44. 3.7.3 Challenges Comment: Add intro text. **(Addressed by consultant)**

45. 3.7.3 Third Bullet Comment: What other divisions are you talking about? (**Addressed by consultant**)
46. 3.7.3 Challenges – What are the primary challenges found between CWD and SSWD distribution infrastructures that limit opportunities for joint purchasing? (**Intended to be addressed in Chapter 4**)
47. Was there any key impediment found in review of the Union MOU that would prohibit a “functional” integration of distribution operations as a single combined service area? (**Intended to be addressed in Chapter 5**)
48. 3.7.1 Utility Comparison - Should “[environmental] compliance and cross-contamination” be discussed as a distribution activity rather than a production activity, or should they be split? (**Intended to be addressed in Chapter 5**)
49. What is the characterization, including costs, of SSWD production activities and staffing? Could it include the operation and maintenance of wells performed by the sole contractor? (**Intended to be addressed in Chapter 4**)
50. 3.7.2 Opportunities – Is there anything that would prevent cross training and cross-operations of SSWD and CWD staffs in production roles? (**Intended to be addressed in future analysis**)

4. Water Resources

1. 4. Water Resources Comment: This section provides information on the surface water rights that is also in the UWMP and master plans. While this is useful background information, it would be helpful to provide more guidance on how this pertains to combination or the no action alternatives. Not much is said about groundwater. Are there issues with SGA, SGMA, and safe yield of the aquifer, plus groundwater quality issues? (**Intended to be addressed in Chapter 5**)
2. 4.1.1 First sentence comment: Would changing the ownership of these water rights to a new entity present any challenges? (**Intended to be addressed in Chapter 4**)
3. 4.1.1 define cfs and AFA. (**in acronyms**)
4. 4.1.1 The availability of CWD’s water rights also have place of use... Comment: Can the POU’s follow the District boundaries automatically if they expand? (**Intended to be addressed in Chapter 4**)
5. 4.1.1 License 1387: “4,500 acres comprising the service area of Carmichael Irrigation District as shown on map filed with the State Water Rights Board on December 21 ,1964.” License 8731 and Permit 7356: “...a net area of 4,500 acres within an area of 4,950 acres comprising the service area of Carmichael Irrigation District as shown on map filed with State Water Resources Control Board on January 19, 1968.” Comment: How does the merge protect or effect Carmichael’s water rights? (**Intended to be addressed in Chapter 4**)
6. 4.1.1.1 The denied petition for extension for Permit 7356 renders the total water available under the Permit uncertain. Despite the 2009 Order, CWD continues to use and file

- reports demonstrating water use under Permit 7356, but the Order denying the Permit extension indicates that water under this Permit was not used at the time the Order was issued. Comment: Is this accurate? **(Addressed by consultant)**
7. 4.1.1.1 CWD has access, via a short term annual purchase agreement, to 300 ac-ft. Comment: What is the basis of this amount? **(Addressed by consultant)**
 8. 4.1.1.2 Aerojet Water Comment: Note that this supply is temporary and will cease someday. **(Addressed by consultant)**
 9. 4.1.1.2 CWD's existing intake facilities have captured excess discharge from upstream Aerojet treatment facilities and CWD has attempted exchanges with other GET water diverters like Sacramento County Water Agency (SCWA) and Golden State Water Company (GSWC). Comment: State if they were successful or not. **(Addressed by consultant)**
 10. 4.1.1.2 Specifically, under Process Memo 97-005, CWD may use an "extremely impaired water source" for direct potable uses so long as the water asset is treated to specific levels per the State Board's requirements. Comment: Is this the same as the SWRCB? **(Addressed by consultant)**
 11. 4.1.1.3 First Sentence Comment: State is successful or not. And GSWC has pre-1914 and groundwater. Was the attempt to access all of these sources? **(Addressed by consultant)**
 12. 4.1.1.4 The City of Sacramento has several water assets that can be used within Area D comment: How many AF? **(Addressed by consultant)**
 13. 4.1.1.4 These water assets include the City's surface water rights, including water rights linked to the Sacramento Municipal Utility District system operations in the upper American River watershed, and the City's water assets derived from the Sacramento River. Comment: Not the American River? Note that the City does not have the infrastructure to convey water from the Sacramento River to Area D in SSWD and CWD. **(The City of Sacramento has the infrastructure to convey water from the Sacramento River to SSWD - Intended to be addressed in Chapter 4)**
 14. 4.1.2 Table 4 comment: Do we need a table of the wells? It is not provided in the system description section and not provided for CWD. **(Addressed by consultant; table removed from report)**
 15. 4.1.3 Would changing the ownership of these water contracts to a new entity present any challenges? Can the POU of these contracts be extended to CWD territory? **(Intended to be addressed in Chapter 4)**
 16. 4.1.3.1 The availability of the City's water supplies have been re-examined since SSWD developed its 2020 Urban Water Management Plan and SSWD has additional opportunities to derive surface water supplies from both the American River and Sacramento River systems from the City's water asset portfolio that were not contemplated at that time. Comments: Reexamined in this study or another study? How would it be conveyed? No infrastructure unless the pump back alternative is built. **(Intended to be addressed in Chapter 4)**

17. 4.1.3.1 The 2004 Agreement also anticipates the City delivering water to SSWD derived from its Sacramento River diversion facilities. Comments: I don't think there is infrastructure to do this. **(Intended to be addressed in Chapter 4)**
18. 4.1.3.1 City of Sacramento Contract – What, if any other than the Hodge Flow decision, restrictions exist for the procurement and delivery of the 26K AF? **(Intended to be addressed in Chapter 4)**
19. 4.1.3.3 PCWA Contract – Is SSWD obligated to pay under this contract even if there is no delivery due to circumstance other than normal and above-normal water years? **(Intended to be addressed in Chapter 4)**
20. 4.1.3.4 SJWD and SSWD – could CWD divert SSWD water under this contract and deliver it to SSWD? **(Intended to be addressed in Chapter 4)**
21. 4.1.3.4 Define AF
22. 4.1.3.5 CVP Section 215 Water – is CWD in within the Bureau of Reclamation’s place of use? **(Intended to be addressed in Chapter 4)**
23. 4.2.1 Reference “Raftelis report in 2021”. **(Addressed by consultant)**
24. Section 4.2.2 – So what is the implication for this combination? **(Intended to be addressed in Chapter 4)**
25. 4.3.1 CWD does not have any reservoirs and only captures the natural flow of the American River in delivering water supplies into its service area. Thus, capturing additional natural flows that CWD otherwise does not already divert may be construed as injury to other legal users and the environment. Comment: Shouldn't this be in another section about conservation savings? **(Intended to be addressed in Chapter 4)**
26. 4.3.1 PCWA undertook this place of use expansion in order to include portions of SSWD’s service area under their Permits 13856 and 13858. The State Board’s petition and hearing process took over five years and was considerably expensive, approximating \$5 million in transaction costs. Nevertheless, PCWA was able to secure an expanded place of use to include SSWD’s service area. This expanded use of water was not deemed injurious to other legal users because PCWA would only deliver supplies that it had already captured in its American River reservoirs. CWD does not have any reservoirs and only captures the natural flow of the American River in delivering water supplies into its service area. Thus, capturing additional natural flows that CWD otherwise does not already divert may be construed as injury to other legal users and the environment. Nevertheless, in a successful place of use change petition, both CWD and SSWD would be able to divert and treat water in wetter periods to optimize Bajamont Water Treatment Plant’s spare capacity and store the water via ASR operations. Comment: This paragraph is confusing. Need to tell the reader why and how this PCWA effort needs to be explained and how it pertains to CWD's water rights opportunities. **(This section should remain, it is SSWD’s North Service Area water that could benefit CWD)** (This paragraph remained in the original report). **(Intended to be addressed in Chapter 4)**
27. 4.3.1 However, a change petition that affirmatively demonstrated that CWD had historically been diverting and using the water that is the subject of the petition may have

- a better chance of success. Comment: Why “however”? To what? Not clear to me which water this is. **(Addressed by consultant)**
28. 4.3.1 As such, there may be opportunity to expand the place of use related to CWD’s conserved water for use in SSWD’s service area through a State Board process, but the process would be prolonged and expensive. Comment: How and what is the expense? **(Intended to be addressed in Chapter 4)**
 29. 4.3.1 CWD could also utilize a temporary change petition process to potentially deliver conserved water or water derived from a groundwater substitution process into SSWD’s service area. Comment: Change in what? The POU? **(Intended to be addressed in Chapter 4)**
 30. 4.3.2 The four Permit supplies derived from the American River watershed could be made available by adding a point of diversion to these rights.... Comment: City declined this, right? **(Addressed by consultant)**
 31. 4.3.2 Last, SSWD could deliver the City’s Permit 992 and Pre-1914 appropriative water right into CWD’s service area that lies within “the City of Sacramento”. Comment: CWD does not lie within the City, but we are in Area D. **(Addressed by consultant)**
 32. 4.3.3 Would require additional engineering analysis beyond the scope of this report. Comment: But this is not needed for this combination study, so why say this?
 33. 4.3.3 SSWD’ Water Contract – An “elephant in the room” is the contract SSWD has in fluoridation of it water, which may be discussed in another section but not encountered by this review. What are contract terms for the treatment and delivery of this water, and are there restrictions on any inter-agency transfer? **(Intended to be addressed in Chapter 4)**
 34. 4.4 First sentence. Comment: Aren't we already doing this? **(Addressed by consultant)**
 35. 4.4 The predicted conditions indicate that surface water supplies will be less available. Comment: Mainly in dry years and summer months, right? **(Addressed by consultant)**
 36. 4.4 CWD and SSWD should primarily focus the surface water combination actions on surface supply reliability under dry conditions in the American River watershed. Comment: What are these primary actions? I suggest that they be highlighted. **(Intended to be addressed in Chapter 4)**
 37. 4.4.1 contract is opened a temporary annual measure... Comment: Garbled text or I do not understand. **(Addressed by consultant)**
 38. 4.4.4 GSWC Aerojet Supplies comment: Point out this is a temporary supply. **(Addressed by consultant)**
 39. 4.4.4 Last paragraph comment: More detail needed on this assumption. **(Addressed by consultant)**
 40. 4.4.4 Last paragraph comment: Other items: **Describe how water supplies need to be considered for this combination study.** Are there challenges and opportunities that differ from the no action alternative? Mention the opportunities with the Ancil Hoffman diversion. **(Intended to be addressed in Chapter 4)**

41. 4.4.4 GSWC Aerojet Facilities – Is there a breakdown table of water sale/transfer activities monetized to best-case, worst-case scenarios? **(Intended to be addressed in future analysis)**

5. Finances

1. 5. As is the case now, municipal governments would not funnel water revenues away from the agency except where they provide any specific services to the District, and no property tax revenues would be routed to the agency. Comment: I don't think they can. Can they? **(Addressed by consultant)**
2. 5.1 Beginning Calendar Year 2021, CWD also implemented a 9.5% rate increase per year with a majority portion of the rate increase revenue funding a reserve for the eventual replacement of Bajamont Water Treatment Plant's microfiltration system. Comment: Is this increase in annual revenue or increase in unit cost of water? **(Addressed by consultant)**
3. 5.3 Normalized Expenditures - Table 8 – Does this chart include the \$1.4M temporary Aerojet capacity sales income? Is "Total Capital" the sum of CIP projects and Debt Service? **(Addressed by consultant)**
4. 5.3 There is a generally similar allocation of resources in all categories. Comment: Don't understand. **(Addressed by consultant)**
5. 5.3 This is noteworthy because it highlights that among retail customers. Comment: Aren't all customer retail? **(Addressed by consultant)**
6. 5.3 This is noteworthy because it highlights that among retail customers, it is on other operational aspects outside of water production such as distribution, overhead, administration, customer service, conservation activities, finance, accounting, billing etc. where efficiency may be concentrated through the combination as demonstrated in the other figures. Comment: I don't follow this conclusion. Please clarify. Five figure number. **(Addressed by consultant)**
7. Figure 14 - Is this figure or should this figure be normalized to the connection density of each area? **(Funding not available to make suggested changes; can be addressed in future analysis)**
8. Figure 15 – Should this figure not reflect the cost per connection served? **(Intended to be address in Chapter 4)** Why are we using the term "this data" rather than "these data"?
9. 5.4 CIP – Figure 17 – Should this figure be normalized to the number of connections served? **(Funding not available to make suggested changes)**
10. 5.4 Figure 17 shows normalized CIP comparisons to account for the different scales of the two utilities and to smooth investment over this same period (2018 to 2031) for comparative purposes. Comment: How was the CIP normalized? **(Addressed by consultant)**
11. 5.6 Figure 23 Comment: Figure23 has many errors or is confusing at best. **(Addressed by consultant – Table removed from Business case report)**

12. 5.4 In part the larger properties in CWD, which consume 56% more water per account, also drive this normalized CIP per MG produced advantage. Comment: Really? Not, mentioned before. **(Intended to be address in Chapter 4)**
13. 5.6 Debt Considerations Comment: Comment on how debt levels compare to industry averages. **(Intended to be address in Chapter 4)**
14. 5.5 Convert all “District” to “CWD” or “SSWD.” **(Addressed by consultant)**
15. 5.5 Figure 18 – Could this figure be presented as a stacked bar chart reflecting the type, if there are types, of CIP project? **(Funding not available to make suggested changes; Intended to be address in Chapter 4)**
16. 5.6 Fiscal Policies Comment: Need intro text before going to lower order heading. **(Addressed by consultant)**
17. 5.6.1 Working Capital and Reserves Comment: Compare reserve level to industry average. **(Can be addressed in (Intended to be address in Chapter 4)**
18. 5.6.1 Table 18 comment: Call out Tables 18, 19, and 20 in the text. **(Addressed by consultant)** Also Comment: I am not clear on these reserve categories compared to what the text says are the types pf restricted cash reserves, consisting of:
 1. external requirements
 2. construction or acquisitions of capital assets
 3. payments for long term debt
 Is facility fees another restricted category?
 Is debt service really only \$14 balance? **(Addressed by consultant)**
19. 5.6.1 SSWD, conversely, has no committed reserves but does have two different cash reserves as shown in the following table. Comment: Is this the same as restricted reserves? **(Addressed by consultant)**
20. Table 21 comment: Call out Table 21 in the text. **(Addressed by consultant; table removed from report)**
21. Table 21 first row first column \$16 comment: Only \$16? **(Addressed by consultant; table removed from report)**
22. 5.7.1 Different residential categories are charged at varying rates... Comment: Seems unusual to have varying unit cost of water for different residential customer categories and that it is based on anticipated water usage. What happens if the customer's actual water use is less than anticipated, like just in Tier 1? I would like to see how that works. Table 22 just shows MF residential. What are the other residential categories? Explain how the non residential categories are charged. Does the fixed charge similarly vary by customer category? **(Intended to be addressed in Chapter 4)**
23. 5.7.3 Rate Structure and Bill Comparison – Is there a comparison table that lists those elements that comprise the fixed costs of a service charge for each agency? **(Intended to be addressed in Chapter 4)**
24. 5.7.3 Figure 25 shows the same analysis for 1” meters. While historically the bills for 1” meters were more expensive in SSWD compared to CWD, as would be expected as the second and less common step in the meter charge scaling that would typically be done in

rate design, Comment: I do not understand what this says. Is it saying that the expensive SSWD bills for 1 inch meters are expected because of the rate design?

What does the less common step mean?

What is the first step?

What is meter charge scaling?

(Intended to be addressed in Chapter 4)

25. 5.7.3 it is expected that over time the rate of growth in rates would be less than otherwise expected given the scale efficiencies of a larger and more efficient combined organization... Comment: Important conclusion to emphasize. **(Intended to be addressed in Chapter 4)**
26. 5.7.3 That is, where we use the term “savings” for customers, such savings would often be experienced as slower rate increases rather than rate reductions. Comment: Important point to emphasize. **(Intended to be addressed in Chapter 4)**
27. 5.7.3 benefits are expected due to greater scale efficiencies that are observable in normalized costs Comment: Can you say that the rates would be lower in the future with a combined organization compared to the rates with status quo.? **(Intended to be addressed in Chapter 4)**
28. Table 22 – Is this chart, in comparing charges, normalizing CWD residential usage to $\frac{3}{4}$ ” from the 1” predominant residential meter size? Should there be a comparison of a “meter equivalence” cost in both agencies? This comparison might be able to show and substantiate further the statement “CWD and SSWD have remarkably similar rate structures and bill levels”. **(Table removed from report) (Financial related information will be addressed in Chapter 4)**
29. Table 22 comment: Are tier 1 and 2 rates for just single family res? Describe in table. The text says that different residential categories are charged at varying rates for their anticipated water usage. In this table I only see one residential category. What are the other residential categories? **(Table removed from report) (Financial related information will be addressed in Chapter 4)**
30. 5.8 any facilities costs such as a combined distribution facility and warehousing, comment: These kinds of costs would be mitigated by consolidation of these facilities. **(Intended to be addressed in Chapter 4)**
31. 5.8 it is unclear to what degree these can be subject to inter-basin transfers and how much might be curtailed by surface water and aquifer management decisions outside of the organization’s control. Comment: Both Districts have been transferring in-lieu water out of the American River basin successfully, so it is known that it is possible. **(Intended to be addressed in Chapter 4)**
32. 5.8 estimated a 10% (~\$6.5 million) Comment: Table 53, footnote 58 says \$8 million. (Please address) Also What is the basis of the \$65 million that the 10% applied to? Some of the transfers done to date have brought in \$1 million+ in one year, so this looks like a way low estimate. **(Intended to be addressed in future analysis) Table removed from Business case report**

33. 5.8 maximum estimated expense for legal and other efforts contemplated to pursue all water supply opportunities of \$5.25 million. Comment: This cost looks much higher than what has been spent to date for successful transfers. How much more acre feet per year is this? How does the cost per acre foot look like to net \$1.25 million? The SSWD 2017 Water Master Plan has some estimates for water transfer revenue potential. **(Intended to be addressed in future analysis) Table removed from Business case report. (Water Resources will also be addressed in Chapter 4)**
34. 5.8 10 years of \$1.25 million. Comment: The question to address is whether this water sales benefit is improved or neutral with consolidation versus no action alternative. Table 23 shows an ongoing benefit of \$1.05 million per year for water supply changes. Is that something else? **(Table removed from Business case report. Water Resources will also be addressed in Chapter 4)**
35. 5.8 A major unknown is the degree of potential surplus water supply monetization that could be achieved, as it is highly dependent on the degree of investments that the agencies make towards those efforts, market conditions, and regulatory actions outside of the control of the organizations. While based on current water rights there appear to be surpluses available, it is unclear to what degree these can be subject to inter-basin transfers and how much might be curtailed by surface water and aquifer management decisions outside of the organization's control. We have conservatively estimated a 10% (~\$6.5 million) increase in water sales or supply monetization over a 10 year period, which relative to a maximum estimated expense for legal and other efforts contemplated to pursue all water supply opportunities of \$5.25 million. This results in a net profit for the water supply line item after 10 years of \$1.25 million that would grow over time, but is admittedly a very rough and conservative estimate. Comment: This is a lot of text about the water supply monetization. But there is very little written about the other components of Table 23. Seems unbalanced. **(Table removed from Business case report. Water Resources will also be addressed in Chapter 4)**
36. 5.8 does not account for broader worker productivity gains attributable to increased specialization, systems optimization, and the ability of the combined larger ratepayer base to bring down costs per unit and drive additional efficiencies. Comment: These unquantified benefits are important to emphasize. **(Intended to be addressed in Chapter 4 Section j - Operations)**
37. Table 23 comment: If this is one time cost, these values look wrong.
- | | |
|-------------|---------------|
| (\$750,000) | (\$4,500,000) |
| \$50,000 | \$3,000,000 |

(Table removed from Business case report. Water Resources will also be addressed in Chapter 4)

38. Table 23: Comment: These values look wrong. Should be \$0 and \$290,000. These values look wrong. Should be \$210,000 and \$630,000. I am not clear if this is the same thing as the potential surplus water supply monetization described in the text. This seems inconsistent with what the text says about "a net profit for the water supply line item after 10 years of \$1.25 million that would grow over time". Text says "This results in a net profit for the water supply line item after 10 years of \$1.25 million that would grow over

Existing legal services savings	Ongoing	\$0	\$29,000	\$580,000	\$1,280,000[PS172]
Board consolidation savings	Ongoing	\$21,000	\$63,000	\$630,000	\$1,050,000[PS173]
Water supply changes[PS174]	Ongoing	\$0	(\$1,050,000) ^{B7} [PS175]	\$0	\$2,750,000[PS176] ^{B8}
NET COST IMPACTS OF COMBINATION		(\$334,000)	(\$1,148,000)	\$225,000	\$14,790,000

time". Shouldn't this value be in parenthesis? **(Table removed from Business case report. Water Resources will also be addressed in Chapter 4)**

39. Table 23 finally, it is important to remember that in addition to the financial upside potential of a combination of 8-20%, it is the increased ability to manage supplies, implement best practices, and provide quality and reliable service customers that must also be qualitatively considered in any agency combination business case exercise. Comment: So I agree and I would like to see this study qualitatively consider these factors. **(Table removed from Business case report. (Water Resources will also be addressed in Chapter 4)**
40. 5.8 Overall, the business case evaluation did not yield any fundamental barriers to combining agencies. Financial expectations are higher to the upside than to the downside, particularly over the longer-term. While there are initial net costs to combining, these would likely be outweighed by operational benefits and service reliability improvements, particularly once the combined agency refines its operational model and matures. Comment: Isn't it more than likely? Can you give ranges of the initial net costs versus the benefits? Perhaps do a summary of Table 23 with annual projections into the future? It would be good to see if the initial costs are significant or not. **(Table removed from Business case report. (Financial analysis will be address in Chapter 4)**
41. 5.8 Financial Business Case Summary – From where does the 10% water sales increase in water sales over the next 10 years come? **(Addressed by consultant)**
42. Table 23 – Is there a breakdown of the assumptions taken for each of items presented in this table? **(Table removed from Business case report. (Financial analysis will be address in Chapter 4)**

7. Timelines & Implementations

1. 7. An intermediate transition period would then likely take three to five years before the combination reaches its full operating potential. Comment: Is this after the two year near term phase? **(Intended to be addressed in Chapter 4)**

2. 7. Finally, within five years the combination of systems, staff, and operational optimizations should be in full swing. Comment: Is this within 5 years from now, or five years after the near term and intermediate phases are complete? I suggest adding a graphic schedule. **(Intended to be addressed in Chapter 4)**
3. 7.1 Item 2 Comment: The wording of this motion will be critical. What does a yes vote mean? **(Intended to be addressed in Chapter 4)**

Communications

This Communications Plan is much appreciated in that there is the need to provide assurance to all stakeholders of the combination processes that includes transparency as the key component. An educated mind is one that can give constructive feedback.

As an aide to identify the decision-making points in the process, a figure or chart should be developed showing the various off-ramps that could be taken to terminate or suspend the process. Such decision points could likely include: one Board deciding to “stop” the process after a certain phase, LAFCo not approving the combination, significant protesting of combination from ratepayers, SSWD not approving combination, a change external conditions, etc., all without a prescribed optimal or expected timeline.

Conclusions

1. A great description of the pros and cons. Could a list of current projects and programs be developed that potentially be integrated without governance combination or external approval ordered by the ease by which integration could occur and a cost estimate and key obstacles for each item’s integration? **(Intended to be addressed in Chapter 8)**
2. I suggest that an alternatives comparison table be prepared that scores the status quo and combination alternatives for various criteria. The scoring could be a simple good, neutral, poor ratings. **(Intended to be addressed in Chapter 8)**
3. Will a combined organization have a greater chance of success with improvements to water resources compared to the status quo? **(Intended to be addressed in Chapter 4)**

Agenda Item: 3

Date: March 3, 2023

Subject: Combination Discussions – Communications Plan Update

Staff Contact: Dan York, SSWD General Manager
Cathy Lee, CWD General Manager

Recommended Committee Action:

Receive update on Communications Plan, approve attached outreach materials, and approve staff holding a public information meeting.

Background:

The Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD) Boards approved the Memorandum of Understanding (MOU) for a Communications Plan for Public Outreach on the Combination Discussions and was executed on January 24, 2023. SSWD has a public relations firm already under contract for its external customer outreach program and is in the process of amending the subject contract to assist with the public outreach for the CWD/SSWD Combination Discussions. Staff has been working with the public relations firm and has drafted several outreach documents attached for Committee consideration and approval.

Discussion:

Staff presented the draft Communications Plan concept to the 2x2 Committee at the Committee's December 21, 2022 meeting. A draft outreach road map/steps has been developed, attached as Attachment 1, to show the sequences and timing of each step. Additionally, Attachment 2 is an outreach outline to assist with breaking out those steps.

Part of the outreach is to include information on each district's website with a dedicated webpage presenting the information to the public. Draft information for the webpage is in Attachment 3 and Attachment 4 is a draft Key Message/talking points to be distributed to Board members, general managers, and managers. The external messages can also go to Customer Service staff who answer general inquiries from the public.

Attachment 5 is a draft Perceived Advantages and Disadvantages of a Combination, which is a brief summary of potential advantages and disadvantages according to the Raftelis report.

Attachment 6 is a draft Fact Sheet on Exploring a Combination, and Attachment 7 is a draft Fact Sheet of the Raftelis Report findings.

The attachments are in draft format and staff recommends that the Committee provides directions and comments.

Staff is additionally recommending a separate public information meeting to be held at each district. The public information meeting would be to present the findings of the (Draft) Business Case for a Potential Combination Study Report (Study Report), consider further analysis to be conducted jointly by both districts, and steps for approval going forward. The public information

meeting is also intended to gather information and concerns from the public, and to address any questions and/or concerns the public may have. Attachment 8 is the draft postcard inviting the public to the Public Information Workshop.

Attachments:

1. Outreach Roadmap/Steps
2. Outreach Outline
3. Website Information
4. Key Messages
5. Perceived Advantages and Disadvantages
6. Fact Sheet on Combination
7. Fact Sheet on Raftelis Report
8. Public Information Workshop Postcard



OUTREACH ROAD MAP FOR THE CWD-SSWD COMBINATION STUDY

Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD) initiated a study that explores combination opportunities. The goal is to examine how combining the two neighboring water utilities might encourage efficiencies, reduce costs, improve water supply reliability, and enhance customer service. The following are outreach steps for communicating the study and its findings:

STEP 1: Discussion and Analysis

Occurred when the combination study was in progress (COMPLETE)

Educated audiences that CWD and SSWD are in the process of identifying collaboration opportunities and that an independent, third-party researcher conducted an analysis.

STEP 2: Initial Study

Begins when the initial study is released and accepted as complete by the CWD and SSWD Boards. (ENTERING THIS STEP)

Educate audiences about the study findings, taking a neutral, fact-based perspective.

The goal is to share information and hear initial questions and feedback for consideration by the Boards of Directors and to help shape the ongoing technical work.

STEP 3: Technical Analysis

Begins when the Additional Technical Analysis is complete and accepted by the CWD and SSWD Boards.

Educate audiences about the findings of the Additional Technical Analysis.

The goal is to share information and hear questions and feedback for consideration by the Boards of Directors as they consider whether to move forward.

STEP 4: Decision Sharing

Begins when the CWD and SSWD Boards take a position on whether to move forward with the LAFCO process.

Educate audiences about the position and perspective of the CWD and SSWD Boards of Directors and next steps.

- If the position is to stop moving forward, then educate audiences about the reasons. Outreach concludes.
- If the position is to move forward with combination, then outline next steps for action by the Boards of Directors, including opportunities for audiences to learn more and provide input.

The goal is to share information about the position of the Boards of Directors either in favor of or against combination.

STEP 5: LAFCO

Occurs during the LAFCO Process.

Educate audiences about the position of the Boards of Directors in favor of combination, next steps for combination, the LAFCO process and how the public can provide input.

The goal is to share information about the position of the Boards of Directors and to hear questions and feedback per the LAFCO process.

**Carmichael Water District-Sacramento Suburban Water District
Outreach Outline for Combination Study—**Joint Document**
UPDATED--February 23, 2023**

STATUS OF DISCUSSIONS: NEAR-TERM NEXT STEPS

Acceptance of Draft Report as Complete/Decision to Continue Analysis

- CWD-SSWD 2x2 accepted the Draft Report with amendments as complete (February 8, 2023)
- Draft report to be presented to the CWD and SSWD boards for acceptance as complete (February 21 for CWD and February 27 for SSWD)
- Next phase of technical analysis to begin, largely conducted by the CWD and SSWD staff members
- Joint Board Meeting to provide a status report on combination discussions, communications/public outreach, and additional analysis needed regarding governance, water supplies, facilities, water rates, etc. Staff will recommend that both CWD and SSWD Board of Directors vote to continue additional analysis (aiming for April 2023)

OUTREACH ROAD MAP

STEP 1: Discussion and Analysis

Occurred when the combination study was in progress (COMPLETE)

- Educated audiences that CWD and SSWD are in the process of identifying collaboration opportunities and that an independent, third-party researcher conducted an analysis. *(See Outreach and Materials to Date for more information.)*

STEP 2: Initial Study

Begins when the initial study is released and accepted as complete by the CWD and SSWD Boards.

(ENTERING THIS STEP)

- Educate audiences about the study findings, taking a neutral, fact-based perspective.
- The goal is to share information and hear initial questions and feedback for consideration by the Boards and to help shape the ongoing technical work.

Outreach Activities

External Audiences

- Public information workshops (2) to provide an update on the study and communicate findings—one for CWD customers, and another for SSWD customers. The workshops will be hosted by the GMs in person (with a virtual option). Recommend end of March.
- Update foundational materials, including key messages, fact sheet, Frequently Asked Questions, and website text about the process
- PPT, fact sheet, and FAQ that describes the report's findings
- Postcard distribution about the process/public workshop invitation
- News media outreach, especially to local papers, about the process/public workshop invitation
- Advertising on Facebook and the Google Display Network about the process/public workshop invitation

- Offer updates to stakeholders and community groups (Road Show presentations) about the process and report findings
- Bill insert article(s) about the process and report findings
- Social media posts about the process/public meeting invitation
- Customer Service monitor (and/or flyer for the Customer Service area) about the process/public work invitation
- Track and address comments and questions

Internal Audiences

- Update foundational materials, including key messages for directors and CS/field staff, fact sheet, Frequently Asked Questions, and internal information hub
- PPT, fact sheet and FAQ that describes the report's findings
- Continue to provide updates at managers meetings
- Continue to provide updates at All Hands meetings
- Track and address comments and questions

STEP 3: Technical Analysis

Begins when the Additional Technical Analysis is complete and accepted by the CWD and SSWD Boards.

- Educate audiences about the findings of the Additional Technical Analysis.
- The goal is to share information and hear questions and feedback for consideration by the Boards as they consider whether to move forward.

Outreach Activities

Outreach Activities are TBD but will generally include those above.

STEP 4: Decision Sharing

Begins when the CWD and SSWD Boards take a position on whether to move forward with the LAFCO process.

- Educate audiences about the position and perspective of the CWD and SSWD Boards and next steps.
 - If the position is to stop moving forward, then educate audiences about the reasons. Outreach concludes.
 - If the position is to move forward with combination, then outline next steps for action by the Boards, including opportunities for audiences to learn more and provide input.
- The goal is to share information about the position of the Boards of Directors either in favor of or against combination.

Outreach Activities

Outreach Activities are TBD but will generally include those above, customized to the decision of the Boards of Directors and opportunities for public/staff input.

STEP 5: LAFCO

Occurs during the LAFCO Process.

- Educate audiences about the position of the Boards of Directors in favor of combination, next steps for combination, the LAFCO process and how the public can provide input.
- The goal is to share information about the position of the Boards of Directors and to hear questions and feedback per the LAFCO process.

Outreach Activities

Outreach Activities are TBD but will generally include those above.

OUTREACH AND MATERIALS TO DATE

Sacramento Suburban Water District

Board of Directors and 2x2 Meetings

- Public updates at Board meetings and through the CWD-SSWD 2x2 committee since July 2021
- Draft PowerPoint/summary report delivered by Raftelis to SSWD and CWD on September 14, 2022
- Full report provided to SSWD and CWD on September 23, 2022
- Draft report delivered to the public via the 2x2 meeting on October 13, 2022
- Report accepted as complete with amendments at the 2x2 meeting on February 8, 2023

External Communications

- Website updated/link added to home page—central location for all audiences to find information
- Included in fall 2022 newsletter mailed September 15, 2022
- Created comprehensive CWD-SSWD stakeholder list for outreach to elected officials, business groups, neighboring and partnering water providers, homeowners associations and others
- Slide included at the monitor during Open House on October 6, 2022
- Direct mail postcard with QR code mailed to 45,000 SSWD customers (property owners) received on/about October 7, 2022
- Advertising on Facebook and the Google Display Network began the week of October 10, 2022 and ended on October 30th on Facebook and on November 10th on the Google Display Network.
- Included in bill inserts for October and November 2022
- Slide included on the Customer Service monitor PowerPoint starting in October 2022
- SSWD posted to Facebook page on October 13, 2022
- Outreach to SSWD stakeholders with postcard distributed electronically on/about October 20, 2022

SSWD Staff Outreach

- All Hands Meeting/staff update on a monthly basis
- Internal information hub for information and questions created/Dan emailed link to staff on September 15, 2022
- All Hands Meeting/staff update on study and internal hub/answer questions on September 21, 2022
- Internal key messages and Frequently Asked Questions provided to SSWD staff and Board members
- Weekly update at Managers Meeting with distribution of key messages on October 18, 2022
- Email from the GM to SSWD team, inviting questions and providing link to key messages and FAQs on October 19, 2022

Carmichael Water District

Board of Directors and 2x2 Meetings

- Public updates at Board meetings and through the CWD-SSWD 2x2 committee since July 2021
- Draft PowerPoint/summary report delivered by Raftelis to SSWD and CWD on September 14, 2022
- Full report provided to SSWD and CWD on September 23, 2022
- Draft report delivered to the public via the 2x2 meeting on October 13, 2022
- Report accepted as complete with amendments at the 2x2 meeting on February 8, 2023

External Communications

- Created comprehensive CWD-SSWD stakeholder list for outreach to elected officials, business groups, neighboring and partnering water providers, homeowners associations and others

CWD Staff Outreach

- The SSWD General Manager attended a Carmichael Water District staff meeting to discuss his experience with consolidations on October 31, 2022

Materials Available

External Audiences

- Key messages
- Website text
- Fact sheet and FAQ on the Combination Exploration
- Fact sheet and FAQ on the Raftelis Report Findings
- Stakeholder database
- Customer comment and question tracking sheet
- Postcard
- Advertising for Facebook and the Google Display Network
- PPT design template (unified brand) and presentation for stakeholder outreach

Internal Audiences

- Key messages
- Internal information hub
- Staff comment and question tracking sheet

**Carmichael Water District—Sacramento Suburban Water District
Website Text Update for Sacramento Suburban Water District
February 23, 2023**

Overview:

SSWD currently has information on the combination posted to their website. The following are recommended updates to that text.

HOME PAGE

<https://www.sswd.org/home>

Sider:

Carmichael Water District and SSWD Exploring Combination Opportunities

[Once a public information meeting is set, this should be updated to promote the meeting.]

COMBINATION PAGE

<https://www.sswd.org/about/mou-with-sswd-and-carmichael-water-distrtic>

Carmichael Water District and SSWD Exploring Combination Opportunity

[PrintFeedback](#)

[Share & Bookmark](#) Share & Bookmark, Press Enter to show all options, press Tab go to next option

[Font Size:+-](#)

Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD) commissioned a study that explores combination opportunities. The goal is to examine how combining the two neighboring water utilities might encourage efficiencies, reduce costs, improve water supply reliability, and enhance customer service.

Background

The study is part of an ongoing exploratory process that grew from a Sacramento Regional Water Utility Collaboration Study initiated in 2020, in which CWD and SSWD participated with five other regional water providers. The CWD and SSWD Boards of Directors decided to continue exploring the possibility of increased collaboration and created a committee comprised of Board members from both water utilities. The Committee began meeting in July 2021, and in 2022 retained Raftelis, an independent financial consulting firm that specializes in working with government agencies and utilities, to conduct a Combination Study Business Case Analysis.

Content

The study explores trends in the water industry and community, such as changing water demand, pressure to keep rates affordable, regulatory change, water supply reliability, and expansion to meet regional needs, and the feasibility for addressing those trends through combination. The analysis includes a top-to-bottom review of both water providers, including a comparison of organizational structures, management, customer services, billing, staffing, water treatment operations, capital improvement projects, and finances. The analysis details the benefits and costs of potential combination, as well as options for next steps.

Status

The CWD and SSWD Board of Directors have accepted the report as complete and have directed their respective staffs to do additional detailed technical analysis on issues and questions raised during the study's review. Ultimately, any decisions about moving forward will occur after a deliberative, public process that explores the study's findings and provides opportunities for input.

Stay Updated and Share Your Thoughts

You are also welcome to attend public meetings discussing combination opportunities. You can review the meeting information and agenda on our [Meeting Agendas, Packets, and Minutes](#) page.

[If possible, please place this text near the top, right as a pull-out box (and/or we can create a graphic)]

YOU'RE INVITED!

Public Information Workshops Exploring a Study on Potential Combination!

We invite you to learn more about the study's findings, ask questions and provide input during a public workshop hosted by each District.

A virtual option will also be available—access details are available at carmichaelwd.org and sswd.org.

Sacramento Suburban Water District
3701 Marconi Ave. Sacramento, CA 95821
[Insert Date and Time]

Carmichael Water District Board Room
7837 Fair Oaks Blvd., Carmichael, CA 95608
[Insert Date and Time]

FREQUENTLY ASKED QUESTIONS

Why did Carmichael Water District and Sacramento Suburban Water District initiate a study to explore potential combination opportunities?

The water industry and our communities are facing several changes and challenges, including the projected impacts of climate change on our water supplies and increasing regulations that will potentially make it difficult to keep rates affordable. The goal in initiating this independent study is to explore how combining our two neighboring water utilities might encourage efficiencies, reduce costs, improve water supply reliability and enhance customer service.

What does the study examine?

The study explores trends in the water industry and our communities, such as changing water demand, pressure to keep rates affordable, regulatory change, water supply reliability, and expansion to meet regional needs, and the feasibility for addressing those trends through combination. The analysis included a top-to-bottom review of both water providers, including a comparison of organizational structures, management, customer services, billing, staffing, water operations, capital improvement projects, finances, and water supply. The analysis detailed the benefits and costs of potential combination, as well as options for next steps.

Who has been involved in shaping the study?

The study was developed with input from the CWD and SSWD Boards of Directors and staff. Staff provided input as part of the 2020 Sacramento Regional Water Utility Collaboration Study (conducted by CWD, SSWD, and five other water providers), which was used as a foundation for the current study.

Customer input avenues have occurred through public meetings of the CWD/SSWD 2x2 Committee, which includes leadership and management from both water providers and has been hosting public meetings since July 2021, and regular Board meeting updates. In addition, information is posted to the SSWD website at sswd.org and articles have been included in SSWD bill inserts and newsletter.

When was the draft study released?

A draft of the study—[Draft Business Case Study](#)—was released October 10, 2022, and is available on our [Meeting Agendas, Packets, and Minutes](#).

What happens after the report is accepted as complete by CWD and SSWD?

The CWD/SSWD 2x2 Committee and the CWD and SSWD Boards of Directors have both reviewed the study and are considering whether the study is complete. The CWD and SSWD Board of Directors have also directed their staffs to begin a detailed technical analysis of questions and issues raised by the initial study.

After the technical study is completed, reviewed and shared with the public, the Boards of Directors will then determine whether to continue exploring combination opportunities, utilizing the information and data developed by the studies, as well as public and staff input, for continued conversations.

Who paid for the study?

The costs were equally shared by CWD and SSWD.

How can I find out more and provide input?

SSWD is posting regular updates on its website (www.sswd.org). Customers are also invited to attend public meetings discussing combination opportunities either in person or via zoom. Complete details on how to attend are available at: <https://www.sswd.org/about/meeting-agendas-packets-minutes>.

How are CWD and SSWD being thoughtful in exploring combination opportunities?

CWD and SSWD are taking care to undergo a deliberative, public process to explore combination opportunities. To date, this has included public discussions since July 2021 through the CWD/SSWD 2x2 Committee, which includes leadership and management from both water providers, and regular Board meeting reports.

The districts also retained Raftelis, a financial consulting firm that specializes in working with government agencies and utilities, to conduct an independent, third-party analysis that explores combination opportunities. Raftelis released a draft study, which is currently under review by each organization and will inform discussions about combination. **In addition, the CWD and SSWD Board of Directors have directed their respective staffs to do a detailed technical analysis on additional issues and questions raised during the study's initial review.**

Ultimately, any decisions to move forward will be made after an open process that explores the study's findings and provides opportunities for input.

Would Carmichael Water District be required to fluoridate water should the two Districts combine?

No, Carmichael Water District would not be required to fluoridate water should the two Districts combine. Here is some background on fluoridation in SSWD's service area:

Fluoride is a naturally occurring element found in most water supplies. Water fluoridation involves increasing the natural fluoride concentration found in drinking water to the optimal level that provides the most benefit for dental health, as prescribed by the U.S. Centers for Disease Control and Prevention.

Since 2007, SSWD has fluoridated drinking water served to the South Service Area only. Customers in the North Service Area do not receive fluoridated water.

Fluoridation in the South Service area stems from an agreement with the City of Sacramento to provide water from the Lower American River to SSWD during wet years so that groundwater aquifers can recharge as part of the regional conjunctive use program. Surface water received from the City of Sacramento is fluoridated in accordance with California Department of Public Health (DPH) standards. To maintain an optimal fluoride level in its total water supply, meet DPH standards and provide the greatest health benefit for the prevention of tooth decay, SSWD is fluoridating its groundwater supply in the South Service Area.

Fluoridation is funded, in part, by a grant from the First 5 Sacramento Children and Families Commission, which awarded SSWD \$2.1 million for capital facilities (for installation of fluoridation equipment on wells in the South Service Area).

CWD-SSWD Combination Study
Key Messages for External Audiences—Joint Product
As of February 13, 2023

EXTERNAL AUDIENCES

What are the messages you want external audiences to know above all else at this point in the combination exploration?

The CWD and SSWD Boards of Directors are considering the results of a study that explores combination opportunities.

- The study was conducted by an independent consultant to inform discussions and further analysis.
- Any decisions to move forward with combination will be made after a deliberative, public process that explores the study's findings and provides opportunities for public input.

The study's goal is to explore how combining the two neighboring water utilities might encourage efficiencies, reduce costs, improve water supply reliability and enhance customer service.

We are taking a comprehensive and deliberative process to consider combinations opportunities.

- We have been hosting public meetings since July 2021 through a committee, which includes leadership and management from both water providers, as well as providing updates during regular Board meetings.
- We retained an independent third-party consultant for the combination analysis.
- We are conducting additional technical analysis to further review and define potential governance structures, water rights assurances, administration, operations, cost savings and other topics.
- Both CWD and SSWD are hosting public information workshops in [March] to share information about the study's findings, provide an opportunity for the public to ask questions and provide input. Additional details will be posted to the CWD and SSWD websites at carmichaelwd.org and sswd.org.

We invite you to learn more and stay updated.

- CWD and SSWD are posting regular updates to their websites at carmichaelwd.org and sswd.org.
- Both CWD and SSWD are hosting public information workshops in [March] to share information about the study's findings, provide an opportunity for the public to ask questions and provide input. Additional details will be posted to the CWD and SSWD websites at carmichaelwd.org and sswd.org.
- You are also invited to attend public meetings discussing combination. Complete details on how to attend are available on the CWD and SSWD websites at carmichaelwd.org and sswd.org.

INTERNAL AUDIENCES

What are the messages you want internal audiences to know above all else at this point in the combination exploration?

The CWD and SSWD Boards of Directors are considering the results of a study that explores combination opportunities.

- The study was conducted by an independent consultant to inform discussions and further analysis.
- Any decisions to move forward with combination will be made after a deliberative, public process that explores the study's findings and provides opportunities for public input.

The study's goal is to explore how combining the two neighboring water utilities might encourage efficiencies, reduce costs, improve water supply reliability and enhance customer service.

We are taking a comprehensive and deliberative process to consider combinations opportunities.

Independent analysis

- We retained an independent third-party consultant for the combination analysis.
- We are conducting additional technical analysis to further review and define potential governance structures, water rights assurances, administration, operations, cost savings and other topics.

Staff input and updates

- The study was developed with input from the CWD and SSWD Boards of Directors and staff.
 - Staff provided input as part of the 2020 Sacramento Regional Water Utility Collaboration Study (conducted by CWD, SSWD and five other water providers), which was used as a foundation for the current study.
 - We have been providing updates on the process during staff meetings.

Staff input will continue to be important as we enter into different phases of the study.

- We have created an online hub [TBD for CWD] with study information and documents you can access, learn more and provide questions and comments. You can find a link to this hub at [insert link].
- In addition, we will continue our regular updates at staff meetings.
- We welcome your input. You can provide feedback through your supervisor, the internal online hub (where questions can even be submitted anonymously) or directly to the General Manager.
- We invite you to tell your supervisor and manager if you have any concerns or questions, and to make suggestions.
- We also invite you to attend public information workshops: Both CWD and SSWD are hosting public workshops in [March] to share information about the study's findings, provide an opportunity for the public to ask questions and provide input. Additional details will be posted to the CWD and SSWD websites at carmichaelwd.org and sswd.org.

Combination Discussions
SSWD-CWD—joint product
Fact Sheet on Pros and cons
DRAFT—February 23, 2023

***Overview:** Create a brief summary of potential advantages and disadvantages, according to the Raftelis Report.*

FACT SHEET

Perceived Advantages and Disadvantages to Combination

Sacramento Suburban Water District (SSWD) is currently exploring combination opportunities with Carmichael Water District (CWD). The goal is to examine how combining the two neighboring water utilities might encourage efficiencies, reduce costs, improve water supply reliability, and enhance customer service.

The following are potential advantages and disadvantages of combination, as outlined in Section 8 of a report by independent financial consulting firm Raftelis, which details combination opportunities between SSWD and CWD. The Raftelis study explores trends in the water industry and community, such as changing water demand, pressure to keep rates affordable, regulatory change, water supply reliability, and expansion to meet regional needs, and the feasibility for addressing those trends through combination.

CWD and SSWD are continuing to consider report findings and are conducting additional technical analysis to further review and define potential governance structures, water rights assurances, administration, operations, cost savings and other topics.

The full report, “A Business Case for a Potential Combination,” is available at sswd.org.

Potential Advantages to Combination

- **Ability to achieve greater scale efficiencies through a larger organization:** Each organization has areas of strength, as well as under- and over-utilized staff. Combining the two entities could provide efficiencies if resources are used strategically.
- **Greater water resource sharing and utilization:** Maximizing the use of water resources is a complex process filled with regulatory and political hurdles. However, there are significant opportunities to maximize water resources with a combined portfolio of groundwater, imported, remediated, and surface water assets possessed by both Districts.
- **Greater political advocacy:** A larger organization that covers a broader service area will likely be able to increase its political advocacy in the region, helping it protect resources and ensure customer needs are represented.
- **Higher levels of customer service,** allowing more specialization of staff, greater levels of scale efficiency, and perhaps new or expanded services.

- **More rate and financial stability** with a larger and more stable supply of water resources, a broader customer base, and an improved ability to address changes in operating conditions brought on by water resource challenges, staffing shortages, and inflation.
- **Upward mobility for staff** at a larger organization.
- **Transparent and well preceded process** with LAFCo and SSWD history of success.

Potential Disadvantages to Combination

- **A perceived loss of local control and the dilution of representation:** A combined entity would have Board members representing a larger number of constituents, assuming the Board is the same size as the current Boards.
- **More bureaucracy that could come with a larger organization:** Sound leadership will need to ensure scale efficiency is created while avoiding the pitfalls of a larger organization.
- **Adapting to changes can be challenging for staff:** This will require attention and management effort to effectively navigate and thoughtfully consider as a new organization takes shape.
- **Challenges to water resources and/or limited ability to maximize resources:** The regulatory and political environment may make it difficult to use water resources with maximum efficiency and could even invite some challenges to current arrangements.

The report goes on to say that savings in the range of 8-20 percent annually could be achieved once a combination reaches its full potential, typically within 10 years of the planning stage of integration, according to industry data. This proceeds from broad worker productivity gains attributable to increased specialization, systems optimization, and the ability of the combined larger ratepayer base to bring down costs per unit and drive additional efficiencies. The variability in this figure may be driven by the scale of improvements in the use of water resources, which are possible, but may take time to realize.

Given that some of the pros and cons of combination are subjective, a decision to combine cannot be based solely on a quantitative cost-benefit analysis. However, Raftelis estimates that a combined CWD-SSWD entity could over time at least achieve the same level of cost per customer as SSWD currently achieves. This would provide value to current CWD customers and is highly likely to provide some savings to current SSWD customers.

Nevertheless, the biggest potential benefits carry the biggest number of unknowns. Integrating water resources could buttress existing water supplies and has the possibility of substantial monetization, but there are regulatory and political challenges. Integrating the staff and operations of the two entities could provide a host of benefits, but if not managed well could result in new inefficiencies and a host of staffing problems.

**Carmichael Water District—Sacramento Suburban Water District
Fact Sheet on Combination—joint product for both Districts
February 23, 2023**

FACT SHEET

**Carmichael Water District and Sacramento Suburban Water District
Combination Study**

Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD) commissioned a study that explores combination opportunities. The goal is to examine how combining the two neighboring water utilities might encourage efficiencies, reduce costs, improve water supply reliability, and enhance customer service.

Background

The study is part of an ongoing exploratory process that grew from a Sacramento Regional Water Utility Collaboration Study initiated in 2020 in which CWD and SSWD participated with five other regional water providers. The CWD and SSWD Boards of Directors decided to continue exploring the possibility of increased collaboration and created a committee comprised of Board members from both water utilities. The Committee began meeting in July 2021, and in 2022, retained Raftelis, an independent financial consulting firm that specializes in working with government agencies and utilities, to conduct a Combination Study Business Case Analysis.

Content

The study explores trends in the water industry and community, such as changing water demand, pressure to keep rates affordable, regulatory change, water supply reliability, and expansion to meet regional needs, and the feasibility for addressing those trends through combination. The analysis includes a top-to-bottom review of both water providers, including a comparison of organizational structures, management, customer services, billing, staffing, water treatment operations, capital improvement projects, and finances. The analysis details the benefits and costs of potential combination, as well as options for next steps.

Status

The CWD and SSWD Board of Directors are considering whether to accept the study as complete and have directed their respective staffs to do a detailed technical analysis on additional issues and questions raised during the study's initial review. Ultimately, any decisions about moving forward will occur after a deliberative, public process that explores the study's findings and provides opportunities for input.

Stay Updated and Share Your Thoughts

A copy of the study—*Business Case for a Potential Combination*, updates about combination discussions and details about public meetings, are available on the Carmichael Water District website at carmichaelwd.org and SSWD website at sswd.org.

[If possible, please place this text near the top, right as a pull-out box (and/or we can create a graphic)]

YOU'RE INVITED!

Public Information Workshops Exploring a Study on Potential Combination!

We invite you to learn more about the study's findings, ask questions and provide input during a public workshop hosted by each District.

A virtual option will also be available—access details are available at carmichaelwd.org and sswd.org.

Sacramento Suburban Water District
3701 Marconi Ave. Sacramento, CA 95821
[Insert Date and Time]

Carmichael Water District Board Room
7837 Fair Oaks Blvd., Carmichael, CA 95608
[Insert Date and Time]

FREQUENTLY ASKED QUESTIONS

Why did Carmichael Water District and Sacramento Suburban Water District initiate a study to explore potential combination opportunities?

The water industry and our communities are facing several changes and challenges, including the projected impacts of climate change on our water supplies and increasing regulations that will potentially make it difficult to keep rates affordable. The goal in initiating this independent study is to explore how combining our two neighboring water utilities might encourage efficiencies, reduce costs, improve water supply reliability and enhance customer service.

What does the study examine?

The study explores trends in the water industry and our communities, such as changing water demand, pressure to keep rates affordable, regulatory change, water supply reliability, and expansion to meet regional needs, and the feasibility for addressing those trends through combination. The analysis included a top-to-bottom review of both water providers, including a comparison of organizational structures, management, customer services, billing, staffing, water operations, capital improvement projects, finances, and water supply. The analysis detailed the benefits and costs of potential combination, as well as options for next steps.

Who has been involved in shaping the study?

The study was developed with input from the CWD and SSWD Boards of Directors and staff. Staff provided input as part of the 2020 Sacramento Regional Water Utility Collaboration Study (conducted by CWD, SSWD, and five other water providers), which was used as a foundation for the current study. Customer input avenues have occurred through public meetings of the CWD/SSWD 2x2 Committee, which includes leadership and management from both water providers and has been hosting public

meetings since July 2021, and regular Board meeting updates. In addition, information is posted to the SSWD website at sswd.org and articles have been included in SSWD bill inserts and newsletter.

When was the draft study released?

A draft of the study—[Draft Business Case Study](#)—was released October 10, 2022, and is available on our [Meeting Agendas, Packets, and Minutes](#).

What happens after the report is accepted as complete by CWD and SSWD?

The CWD/SSWD 2x2 Committee and the CWD and SSWD Boards of Directors have both reviewed the study and are considering whether the study is complete. The CWD and SSWD Board of Directors have also directed their staffs to begin a detailed technical analysis of questions and issues raised by the initial study.

After the technical study is completed, reviewed and shared with the public, the Boards of Directors will then determine whether to continue exploring combination opportunities, utilizing the information and data developed by the studies, as well as public and staff input, for continued conversations.

Who paid for the study?

The costs were equally shared by CWD and SSWD.

How can I find out more and provide input?

CWD and SSWD are posting regular updates on their websites (carmichaelwd.org and sswd.org). Customers are also invited to attend public meetings discussing combination opportunities. Complete details on how to attend are available at carmichaelwd.org and sswd.org.

How are CWD and SSWD being thoughtful in exploring combination opportunities?

CWD and SSWD are taking care to undergo a deliberative, public process to explore combination opportunities. To date, this has included public discussions since July 2021 through the CWD/SSWD 2x2 Committee, which includes leadership and management from both water providers, and regular Board meeting reports.

The districts also retained Raftelis, a financial consulting firm that specializes in working with government agencies and utilities, to conduct an independent, third-party analysis that explores combination opportunities. Raftelis released a draft study, which is currently under review by each organization and will inform discussions about combination. In addition, the CWD and SSWD Board of Directors have directed their respective staffs to do a detailed technical analysis on additional issues and questions raised during the study's initial review.

Ultimately, any decisions about moving forward will occur after an open, public process that explores the study's findings and provides opportunities for input.

**Carmichael Water District-Sacramento Suburban Water District
Fact Sheet on CWD-SSWD Report Findings—Joint Product
DRAFT—February 23, 2023**

FACT SHEET

Study: A Business Case for a Potential Combination

Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD) initiated a study to explore combination opportunities. The goal is to examine how combining the two neighboring water utilities might encourage efficiencies, reduce costs, improve water supply reliability, and enhance customer service.

Produced by independent financial consulting firm Raftelis, the study explores trends in the water industry and community, such as changing water demand, pressure to keep rates affordable, regulatory change, water supply reliability, and expansion to meet regional needs, and the feasibility for addressing those trends through combination.

The analysis includes a top-to-bottom review of both water providers, including a comparison of organizational structures, management, customer services, billing, staffing, water treatment operations, capital improvement projects, water supplies, and finances. The analysis details the benefits and costs of potential combination, as well as options for next steps.

In addition to the current study, the Boards of Directors for CWD and SSWD have requested additional technical analysis to further review and define potential governance structures, water rights assurances, administration, operations, cost savings and other topics.

Pull-quote: -----

“SSWD itself is a product of combination, having been created through the merging of the Arcade Water District and the Northridge Water District. Over time, SSWD has come to recognize that effort as a successful one that allowed for better cost control and more reliable service. CWD has recognized the potential for scale and greater regional coordination to improve the sustainability of its services through an award-winning partnership with Golden State Water Company and Aerojet Rocketdyne.”

KEY FINDINGS

Following are highlights from the study’s key findings. It is important to note that **combination opportunities outlined in the report are conceptual in nature**. The full report, “A Business Case for a Potential Combination” is available at carmichaelwd.org and sswd.org.

GOVERNANCE AND ORGANIZATION

The study primarily considers two potential organizational structures. These include:

- **Reorganization**--where one organization absorbs the other.
- **Consolidation**--where both entities dissolve and merge to create a new utility.

The end result is essentially the same, with one agency assuming the rights, responsibilities, assets, and liabilities from the current organizations.

Organizational Structure

The study examines existing organizational structures and job descriptions to identify conceptual organizational structures (both interim and long-term) for a potential combination, finding that:

- Operations would be less impacted because each district has different assets (groundwater wells, water treatment plants and distribution networks).
- There are opportunities to align staff performing similar functions.
- There are opportunities for efficiency that optimize specialization over time.
- There are efficiencies in administration and management over time.

Over the long-term, combination could, in concept:

- Consolidate the combined boards as terms end, from nine to five members.
- Consolidate the General Manager positions.
- Allow up to \$1.25 million in operational savings (equivalent to 11 full-time employees) every year once fully implemented, to be achieved over time through attrition.

FINANCES

Bookkeeping

- Both Districts operate as enterprise funds.
- The current accounting structures could continue as-is, but would be united in a single set of books with a combined enterprise fund.
- The most difficult aspect of combining finances would be merging into a single chart of accounts and unifying accounting practices and systems.

Revenues and Expenses

- Revenues for each agency are unlikely to be greatly affected by a combination and would remain largely unchanged from current projections in the near- to mid-term.
- In the short-term (two to five years), expenses are likely to increase as the combined utility implements one-time expenditures for aligning and integrating systems and structures.
- Over time, costs are expected to decline as the newly combined entity moves forward and begins to benefit from efficiencies and economies of scale.

Salaries

- The pay scale between the organizations would need to be aligned.
- A classification and compensation study can equalize pay ranges for similar jobs and potentially inform staff decisions around collective bargaining, if collective bargaining remains.
- Part of the challenge in projecting salaries in any combination model is that employee roles and responsibilities might change under varying approaches.

Benefits

- Benefits are generally aligned between the Districts. Each offers a similar range of benefits with reasonable employer contributions for insurance premiums.
- A larger pool of employees may result in lower premiums.

- A combined agency would need to redefine eligibility for all benefit types and determine a single consistent offering to staff.

Debt and Debt Service

- As of 2021, total debt obligations were \$34.2 million for CWD (2037 latest maturity) and \$65.3 million for SSWD (2034 latest maturity), or nearly \$100 million combined.
- Annual combined debt service was \$9.7 million for fiscal year 2021.
- There is the potential for future combination of debt and refinancing (pending a more favorable interest rate environment).
- SSWD and CWD credit ratings are both AA+.
- There is the potential for rating agencies to look more favorably on a larger ratepayer base, potentially resulting in cheaper debt.

Capital Improvement Plans

The study reviewed the Capital Improvement Plans (CIP) for each District, which outline each utility’s current and planned investments in the water system from 2018 to 2031. The study found:

- A steady upward trend in investment levels for SSWD.
- Steady investment levels for CWD with a brief peak due to a period of more intensive investment in the system to replace filtration membranes at the CWD water treatment plant.

Rates

- CWD and SSWD have similar rate structures and bill levels.
- The impact of combination on rates is expected to have minimal impact on the bottom lines of a typical household in either District.
- While there are initial net costs to combining, it is expected that over time the rate of growth in rates would be less than otherwise expected given the scale efficiencies of a larger and more efficient combined organization.

FACILITIES

- Treatment facilities would be largely unaffected by combination.

WATER SUPPLY

- CWD and SSWD currently have ample surface water and groundwater supplies to meet their current needs, and both Districts provide reliable water supplies even under extreme drought cycles.
- Both Districts face water reliability challenges from the projected impacts of climate change and increased regulatory requirements to maintain water quality in the Sacramento-San Joaquin Delta.
- CWD and SSWD have numerous opportunities to integrate and diversify their water asset portfolios to meet both short-term and long-term water reliability objectives.

Potential Pull-Out Box, potentially near the front if it can fit-----

COMBINATION PROCEDURES

Both organizational structures examined in the study—whether reorganization or consolidation—would require an application to the Sacramento County Local Area Formation Commission (LAFCo).

LAFCO works with residents, counties, cities, and special districts to encourage the orderly formation of appropriate local agencies. They have the authority to approve and manage combination efforts, as well as enable the transition from one organizational form to another.

In addition, formal notice will need to be sent to all landowners and registered voters within the boundaries any district(s) being dissolved.

Near-Term Timeline

Section 7.1 of the report outlines an implementation timeline if combination is pursued:

- Conduct public outreach to educate CWD and SSWD stakeholders about reasons to consider combination
- Boards review study and vote to move forward with combination next steps including any further studies required to confidently initiate LAFCo process
- Prepare reorganization/consolidation application for LAFCo
- Continue public outreach during LAFCo application process and respond to LAFCo comments and questions
- Establish staff teams to work on key issue areas of HR, IT, facilities, operations, capital delivery, and finance
- LAFCo process activities
- Implement work team recommendations
- Utilities formalize interim combined structure at start of new fiscal year
- Begin interim phase

Potential Pull-Out Box-----

The report notes that while the advantages to combination are significant, there also are some notable disadvantages.

Potential Advantages to Combination

- **Ability to achieve greater scale efficiencies through a larger organization:** Each organization has areas of strength, as well as under- and over-utilized staff. Combining the two entities could provide efficiencies if resources are used strategically.
- **Greater water resource sharing and utilization:** Maximizing the use of water resources is a complex process filled with regulatory and political hurdles. However, there are significant opportunities to maximize water resources with a combined portfolio of groundwater, imported, remediated, and surface water assets possessed by both Districts.
- **Greater political advocacy:** A larger organization that covers a broader service area will likely be able to increase its political advocacy in the region, helping it protect resources and ensure customer needs are represented.
- **Higher levels of customer service,** allowing more specialization of staff, greater levels of scale efficiency, and perhaps new or expanded services.

- **More rate and financial stability** with a larger and more stable supply of water resources, a broader customer base, and an improved ability to address changes in operating conditions brought on by water resource challenges, staffing shortages, and inflation.
- **Upward mobility for staff** at a larger organization.

Potential Disadvantages to Combination

- **A perceived loss of local control and the dilution of representation:** A combined entity would have Board members representing a larger number of constituents, assuming the Board is the same size as the current Boards.
- **More bureaucracy that could come with a larger organization:** Sound leadership will need to ensure scale efficiency is created while avoiding the pitfalls of a larger organization.
- **Adapting to changes can be challenging for staff:** This will require attention and management effort to effectively navigate and thoughtfully consider as a new organization takes shape.
- **Challenges to water resources and/or limited ability to maximize resources:** The regulatory and political environment may make it difficult to use water resources with maximum efficiency and could even invite some challenges to current arrangements.

We invite you to learn more and stay updated. CWD and SSWD are posting regular updates on their websites at carmichaelwd.org and sswd.org.

FREQUENTLY ASKED QUESTIONS

Study: A Business Case for a Potential Combination

Will rates increase from combining SSWD and CWD?

Section 5.7 of the report details the current rate structures and levels of each organization and discusses potential future states. The study finds that CWD and SSWD have similar rate structures and bill levels. The impact of combination on rates is expected to have minimal impact on the bottom lines of a typical household in either District. And, while there are initial net costs to combining, it is expected that over time the rate of growth in rates would be less than otherwise expected given the scale efficiencies of a larger and more efficient combined organization.

What form could the combination take?

Section 3 of the report outlines the current organizational structures and potential structures if combined. The study primarily considers two potential organizational structures. These include:

- **Consolidation:** All agencies are dissolved, and a new one is created in their place with a service area that encompasses the previous districts' service areas. The new agency is the successor entity. This was the approach taken when SSWD was created following the dissolution of the

Arcade and Northridge Water Districts. The process initiates when both agencies file for consolidation.

- **Reorganization:** One or more districts are dissolved and one agency annexes all or a portion of their former service areas. An existing agency is the successor entity. The process initiates when one or more districts applies to dissolve, and the remaining district applies to annex the service area of the dissolved district(s).

How will the decision be made whether to combine SSWD and CWD? What is the timeline? Will the decision to combine require a public vote?

The study outlines combination procedures in Section 3.1.3 of the report. Both organizational structures examined in the study—whether consolidation or reorganization—would require an application to the Sacramento County Local Area Formation Commission (LAFCo). LAFCo works with residents, counties, cities and special districts to encourage the orderly formation of appropriate local agencies. They have the authority to approve and manage combination efforts, as well as enable the transition from one organizational form to another. In addition, formal notice will need to be sent to all landowners and registered voters within the boundaries any district(s) being dissolved.

According to Section 7.1 the general process for combination would be as follows:

- Conduct public outreach to educate CWD and SSWD stakeholders about reasons to consider combination
- Boards review study and vote to move forward with combination next steps including any further studies required to confidently initiate LAFCo process
- Prepare reorganization/consolidation application for LAFCo
- Continue public outreach during LAFCo application process and respond to LAFCo comments and questions
- Establish staff teams to work on key issue areas of HR, IT, facilities, operations, capital delivery, and finance
- LAFCo process activities
- Implement work team recommendations
- Utilities formalize interim combined structure at start of new fiscal year
- Begin interim phase

Note that general elections are not automatic under this process.

What are some of the advantages and disadvantages of combination outlined in the study?

Section 8 of the study outlines both pros and cons to combination.

Pros include:

- Greater efficiencies of scale
- Great water resource sharing and utilization
- Greater political advocacy
- Higher levels of customer service and possibly new or expanded services
- More rate and financial stability

Cons include:

- A perceived loss of local control through having Board members potentially presenting a larger number of constituents
- The potential for a larger bureaucracy
- Challenges to staff as they adapt to the changes brought about by the combination
- Challenges water resources

What is the Sacramento LAFCo?

LAFCOs were created by the State of California in response to rapid growth experienced in the 20th century and the urban sprawl that resulted. Each LAFCo works with residents, their parent county, and any cities and special districts in their region on jurisdictional issues to discourage urban sprawl and encourage the orderly formation of appropriate local agencies.

LAFCOs have the authority to approve and manage combination efforts, as well enable the transition from one organizational form to another. Applications for combination, and some forms of collaboration, need to be submitted to the local LAFCo for review, public engagement, and approval.

LAFCOs are able to work with agencies to provide guidance and temporary rules to facilitate combination. This can include arrangements for transitioning Board seats and finances between agencies, or consolidating them in the case of a combination of two or more entities. As part of a consolidation or collaboration process, CWD and SSWD will need to develop a plan for approval with the LAFCo of Sacramento County.

YOU'RE INVITED!

Public Information
Workshop Exploring
a Study on Potential
Combination with
Carmichael
Water District

DATE & TIME



Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD) are considering the results of a new study exploring combination opportunities between the two districts.

The study, which was conducted by an independent consulting firm, explores how combining the two neighboring water utilities might improve efficiencies, reduce costs, increase water supply reliability, and enhance customer service

We invite you to learn more about the study's findings, ask questions and provide input during a public workshop hosted by Sacramento Suburban District.

See next side for details.



3701 Marconi Ave #100
Sacramento, CA 95821

PUBLIC INFORMATION WORKSHOP

DATE & TIME

Sacramento Suburban Water District Board Room
3701 Marconi Ave.
Sacramento, CA 95821

A virtual option will also be available

Visit sswd.org to find:

- A copy of the study
- Fact sheet and Frequently Asked Questions
- Details about the upcoming Public Information Workshop, including access for a virtual option



916.972.7171
feedback@sswd.org
sswd.org

← Scan the QR code with the camera app on your phone.

Agenda Item: 4

Date: March 3, 2023

Subject: Carmichael Water District and Sacramento Suburban Water District – Joint Board Meeting

Staff Contact: Dan York, SSWD General Manager
Cathy Lee, CWD General Manager

Recommended Committee Action:

Discuss and direct staff on scheduling a Joint Board Meeting between Carmichael Water District and Sacramento Suburban Water District to provide a current status report on the Combination Discussions and direct staff as appropriate.

Background:

Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD) began the Combination Discussions in July 2021, by developing a 2x2 Committee to identify opportunities to maximize/enhance the reliability of water supplies, and identify benefits or impacts related to cost saving opportunities, as well as consolidation into a single organization. To date, there have been nine 2x2 Committee meetings and one Joint Board Meeting.

Discussion:

To date, the 2x2 Committee has done an excellent job overseeing the ongoing development of the Combination Discussions between the two agencies. The efforts are currently moving towards compiling necessary information in regards to governance, water supplies, communications/public outreach, facilities and equipment, future water rates, salaries/benefits, etc., to allow the respective Boards to make decisions that are required to be addressed by the Boards. Therefore, in order to move forward in an efficient and effective manner, staff believes that future 2x2 Committee meetings are necessary to ensure efficiencies in completing the necessary analysis, but an important reminder is the need to conduct CWD and SSWD Joint Board Meetings to ensure appropriate items are approved by the respective Boards.

The intention is to systematically bring chapter(s) in the Draft Scope of Work before the Directors at Joint Board Meetings. Once the analysis is completed, a final Draft Report Outline will be presented to the Boards of CWD and SSWD, at a Joint Board Meeting, and if determined to be sufficient, then there can potentially be another step, of which is typically near the end of Combination Discussions, where the CWD and SSWD Boards have enough information to make a decision to combine, or not.

Agenda Item: 5

Date: March 3, 2023

Subject: Consultant Services

Staff Contact: Dan York, SSWD General Manager
Cathy Lee, CWD General Manager

Recommended Committee Action:

Provide direction to staff regarding a potential to retain the services of a consultant to assist in developing and following a road map that will provide the appropriate information to the Carmichael Water District and Sacramento Suburban Water District Board of Directors that will allow them to make a decision to combine into a single organization, or not.

Background:

Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD) began the Combination Discussions in July 2021 to identify opportunities to maximize/enhance the reliability of water supplies, and identify benefits or impacts related to cost saving opportunities, as well as combining into a single organization. To date, there have been nine 2x2 Committee meetings and one Joint Board Meeting.

In addition, both CWD and SSWD executed an agreement with a consultant to conduct a business case study that would identify any fatal flaws that would hinder CWD and SSWD from combining into a single organization. The subject report did not identify any fatal flaws and was accepted by both CWD and SSWD Boards in February 2022.

CWD and SSWD also approved to utilize a public relations firm to assist in the communication and public outreach efforts to stakeholders, customers, and employees.

Discussion:

To date, staff have generated the staff reports and associated documents relevant to the Combination Discussion efforts. Staff would like to bring forward to the 2x2 Committee an approach that would assist staff in continuing to bring forth the necessary information to the Boards of CWD and SSWD.

A consultant can assist with project management, utilizing resources efficiently, identifying risks, assist in prioritizing issues, but also have the strength as a strong communicator and a good listener. If the 2x2 Committee is amenable to retain consultant services in this effort, staff will develop a Draft Scope of Work to bring to the 2x2 Committee for acceptance and ultimately to the full Boards of CWD and SSWD for approval.

Agenda Item: 6

Date: March 3, 2023

Subject: Field Trip of Buildings/Water Production Facilities

Staff Contact: Dan York, SSWD General Manager
Cathy Lee, CWD General Manager

Recommended Committee Action:

Provide direction to staff regarding scheduling a tour of Carmichael Water District and Sacramento Suburban Water District buildings/water production facilities.

Discussion:

At the February 8, 2023 2x2 Committee meeting, staff presented an overview of Carmichael Water District (CWD) and Sacramento Suburban Water District's (SSWD) buildings/water production facilities and equipment. Following the presentation, a committee member suggested scheduling a field trip for the purpose of visiting CWD and SSWD building/water production facilities. The field trip invite could also be extended to other CWD and SSWD Board members.

If amenable to scheduling the field trip, staff will determine which Board members are interested, set a date and time, develop field trip route, and make arrangements for transportation.