



## **Agenda**

### **Carmichael Water District/Sacramento Suburban Water District Joint Board Meeting**

3701 Marconi Avenue, Suite 100  
Sacramento, CA 95821

April 10, 2023  
6:00 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 Board President 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.**

**For members of the public interested in viewing and having the ability to comment at the public meeting via Zoom, an internet enabled computer equipped with a microphone and speaker or a mobile device with a data plan is required. Use of a webcam is optional. You also may call in to the meeting using teleconference without video. Please use the following login information for videoconferencing or teleconferencing:**

**Join the meeting from a computer, tablet, or smartphone:**

<https://us02web.zoom.us/j/81230456381?pwd=Ni9sdFpWMUQ2TVZwUHJHcWZEbnNKZz09>

**Meeting ID: 812 3045 6381**

**Password: 595871**

**You can also dial in using your phone: 1 (669) 900-6833**

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**Please mute your line.**

Where appropriate or deemed necessary, the Boards 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 Boards less than 72 hours before the meeting are available for public inspection at each Agency's Administrative Offices.

The public may address the Boards concerning an agenda item either before or during the Board'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 Board President 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 Boards. Comments are limited to 3 minutes.

1. Minutes of the October 6, 2021, Carmichael Water District and Sacramento Suburban Water District Joint Board Meeting  
***Recommendation: Approve the draft minutes of the October 6, 2021, Carmichael Water District and Sacramento Suburban Water District Joint Board Meeting.***

### **Items for Discussion and/or Action**

2. Combination Discussions - Communications Plan Update  
***Recommendation: Approve the updated draft Communications Plan documents, direct staff to prepare as public documents, initiate communication outreach efforts, which includes Public Information Workshops.***
3. Further Analysis Report Update  
***Recommendation: Receive an update on the Further Analysis Report and direct staff on next steps regarding Combination Discussions between Carmichael Water District and Sacramento Suburban Water District.***
4. Continuation of Combination Discussions between Carmichael Water District and Sacramento Suburban Water District  
***Recommendation: The Carmichael Water District Board of Directors and the Sacramento Suburban Water District Board of Directors will each vote on continuing to analyze a proposed Combination.***

5. Consultant Services

***Recommendation: Provide direction to staff regarding a potential to retain the services of a consultant to assist in developing and implementing a process that will provide the appropriate information to the Carmichael Water District and Sacramento Suburban Water District Boards of Directors to permit them to decide on whether to combine into a single agency.***

**Adjournment**

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I certify that the foregoing agenda for the April 10, 2023, meeting of the Carmichael Water District/Sacramento Suburban Water Joint Board was posted by April 5, 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.

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Dan York  
General Manager/Secretary  
Sacramento Suburban Water District

## Agenda Item: 1

**Date:** April 10, 2023

**Subject:** Minutes of the October 6, 2021, Carmichael Water District and Sacramento Suburban Water District Joint Board Meeting

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

**Recommended Board Action:**

Approve the draft minutes of the October 6, 2021, Carmichael Water District and Sacramento Suburban Water District Joint Board Meeting.

**Attachment:**

1. Minutes of the October 6, 2021, Carmichael Water District and Sacramento Suburban Water District Joint Board Meeting



## Minutes

### **Carmichael Water District/Sacramento Suburban Water District Joint Board Meeting**

Wednesday, October 6, 2021

#### **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 #890 9994 6734

#### **Call to Order – Videoconference/Audioconference Meeting**

Sacramento Suburban Water District (SSWD) Board President Robert Wichert (President Wichert) called the meeting to order at 6:00 p.m.

#### **Roll Call**

SSWD Directors

Present: Craig Locke, Kathleen McPherson, Dave Jones, Kevin Thomas, and Robert Wichert.

SSWD Directors

Absent: None.

CWD Directors

Present: Ron Greenwood, Jeff Nelson, Mark Emmerson, and Paul Selsky.

CWD Directors

Absent: Ron Davis.

SSWD Staff Present: General Manager Dan York, Assistant General Manager Matt Underwood, Heather Hernandez-Fort, Dana Dean, Todd Artrip, Erik Flaa, and Susan Schinnerer.

CWD Staff Present: General Manager Cathy Lee, Chris Nelson, and Matthew Medill.

Public Present: Legal Counsel Josh Horowitz, William Eubanks, Ted Costa, Greg Zlotnick, David Dodge, Paul Helliker, Gwyn-Mohr Tully, Brenda Pauli, and James Klark.

#### **Announcements**

Both General Managers and each Director of both agencies introduced themselves.

#### **Public Comment**

None.

## Items for Discussion and/or Action

### 1. **Joint Board Meeting Presentation Material**

SSWD General Manager Dan York (GM York) and Carmichael Water District (CWD) General Manager Cathy Lee (GM Lee) collectively introduced the item and presented the Power Point presentation.

Erik Flaa recommended each agency be sure to include the employees in discussions and updates, as the employees are affected by the decisions made. He additionally encouraged the Boards to move forward cautiously to ensure a smooth transition and reminded the Boards that the quality of employees makes for an exceptional organization.

William Eubanks (Mr. Eubanks) inquired about the financial impact on ratepayers of these discussion.

CWD Director Greenwood answered that one of the topics to look into was how to identify efficiencies in operations.

CWD Director Selsky expressed he was interested in the rate payers saving money as well.

Brenda Pauli, SSWD customer, inquired if part of the exploration of the combination will include a water rate study, or show the public what to expect in regards to a potential merger between the two agencies.

SSWD President Wichert expressed he was not interested in a consolidation if rates were to be increased, he expressed he wanted to show efficiencies and savings resulting in lower rates.

SSWD President Wichert requested Board comments.

SSWD Director McPherson expressed she felt it would be nice to be able to combine efforts among the two Districts, noting she was only interested in a collaboration if it helped lower rates for the ratepayers.

SSWD Director Jones expressed he believed eventually all regional water districts would combine into one, and he noted he supported the collaboration discussions.

CWD Director Nelson expressed the CWD/SSWD 2x2 Ad Hoc Committee were formed based from the regional consolidation discussion and study, where efficiency potentials were identified, noting decisions made now could positively affect rates in the future.

SSWD Director Locke expressed his interest in the consolidation discussion was not primarily with rate savings, as he noted rates will continually increase based on factors like increased costs of labor, inflation, energy, CIP, infrastructure improvements, and increased regulation issues. He expressed the most important factor was to have water

when needed. He noted a consolidation would allow the opportunity to effectively and efficiently move water between both districts, as well as working together to bank water now and into the future.

CWD Director Emmerson agreed with SSWD Director Locke noting this discussion could be a model for other districts. He stated that he was most interested in the process, and that although combination could be an end point, there were other collaboration opportunities that could be made without a political merger. He listed some of those other collaboration opportunities could be cross training of staff, agreements/contracts, and banking water. He further expressed he wanted to be very thorough throughout the process.

CWD Director Nelson noted staff was additionally one of the most important things to consider, expressing he wanted to be sure to create more opportunities for staff, and combining into a larger agency could do that.

GM York expressed he and GM Lee were not forgoing the conclusion that a consolidation had to happen, he noted that rates will continually increase based on a number of factors, and that they both wanted to find operational efficiencies now and into the future.

SSWD President Wichert challenged both districts to provide a business case analysis including a decrease in rates.

SSWD Director McPherson noted she was not interested in absorbing CWD's costs, as she would want to be sure to separate them.

SSWD Director Locke noted if a combination did take place, the assets would become combined assets, similar to how SSWD customers would benefit from CWD's water treatment plant as well.

SSWD President Wichert noted he would be interested in using staff as opposed to consultants for some of the business case analysis going forward.

SSWD Director Thomas expressed he agreed with SSWD Director Locke's comments regarding the discussion, and additionally recommended hiring an outside independent consultant for future analysis.

SSWD Director Locke noted that was a couple steps ahead, expressing the meeting was to provide information to each Board and gain direction from each Board on steps to go forward.

SSWD Director McPherson reiterated that she was most interested in cost saving for the ratepayers, and noted there was a lot of good information already collected for future analysis.

GM York clarified the phases and steps going forward for the Boards.

SSWD Director Locke pointed out the SSWD Board's general sense was to move forward with Phase Two.

CWD Director Selsky recommended moving to the business case evaluation. He expressed that he has heard concern over a loss of local influence by the local neighborhood associations, and that with a larger organization, there could be less of a voice from the public. He additionally expressed concerns over staff turnover, noting it is very expensive to recruit new people.

SSWD President Wichert agreed to continue to look at the business case evaluation and the numbers, noting he didn't want to rush it.

SSWD Director McPherson expressed staff should continue to look into further collaboration opportunities.

The Boards agreed to continue with the CWD/SSWD 2x2 Ad Hoc Committee meetings.

SSWD Director Locke inquired if the Boards agreed to move forward with hiring a consultant.

CWD Director Nelson expressed he didn't believe they were there just yet, and recommended staff present the Boards with their plan for next steps as well as cost analysis for consultant.

GM York stated a consultant could be beneficial to bring an unbiased opinion and that staff could work on proposals and schedules to bring back to the full Boards.

SSWD President Wichert recommended staff present a budgeted effort to the CWD/SSWD 2x2 Ad Hoc Committee, and if agreed, present it to both Boards.

SSWD Director McPherson requested staff provide regular updates on collaboration efforts.

SSWD President Wichert requested to quantify some of the savings that result from collaboration discussions.

Director Greenwood requested a presentation to the full Boards by the CWD/SSWD 2x2 Ad Hoc Committee of what they have researched, including topics such as water rights, infrastructure, water reliability, and public input.

### **Adjournment**

President Wichert adjourned the meeting at 7:29 p.m.

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Dan York  
General Manager/Secretary  
Sacramento Suburban Water District



## Agenda Item: 2

**Date:** April 10, 2023

**Subject:** Combination Discussions – Communications Plan Update

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

### Recommended Board Action:

Approve the updated draft Communications Plan documents, direct staff to prepare as public documents, initiate communication outreach efforts, which includes Public Information Workshops.

### Background:

The Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD) Boards approved the Memorandum of Understanding for a Communications Plan for Public Outreach on the Combination Discussions that was executed on January 24, 2023. SSWD has a public relations firm already under contract for its external customer outreach program and has been working with the firm in drafting the outreach documents attached for the Boards consideration and approval.

### Discussion:

Per direction of the CWD and SSWD Boards, staff was directed to amend the Communications Plan documents to ensure they were addressing their questions and edits. In addition, legal counsel opined to be mindful of what pros and cons were listed, and to ensure that it was neutral and factual. The documents were then presented to the CWD/SSWD 2x2 Committee (Committee) on March 28, 2023, where the Committee requested additional amendments.

The Committee recommended the updated outreach documents be presented to the Joint Board meeting on April 10, 2023, for approval and direction going forward.

Below is a list of materials included for approval, along with a brief description of each document:

- **Road map/milestones for the outreach process:** *Outlines the steps and overall approach for the public outreach/engagement process (final draft)*
- **Fact Sheet on the Combination:** *Provides an overview of why the districts are discussing combination, activities to date and how the public can learn more (to be designed once text is final)*
- **Fact Sheet on CWD/SSWD Report Findings:** *Provides an overview of the initial study findings and seeks to anticipate/answer likely questions (to be designed once text is final)*
- **Fact Sheet on Pros and Cons:** *Highlights perceived advantages and disadvantages to combination (to be designed once text is final)*

- **Exploration One-Pager:** *Provides a one-page document highlighting the opportunities, process, and ways to learn more.*
- **Postcard for the public information session:** *Invites the public to an information session to learn about combination discussions and the findings of the initial study, ask questions and provide input (final draft)*

Additionally, staff is requesting the Boards provide direction on two public information workshops, one workshop to be held at each district. The public information workshop is to present the findings of the Business Case for a Potential Combination Study Report, further analysis to be conducted jointly by both districts, and steps for approval. The public information workshop is also intended to gather information and address any concerns from the public.

**Fiscal Impact:**

The estimated cost for the Public Outreach is not to exceed \$20,000, which will be split 50/50 between CWD and SSWD.

**Attachments:**

1. Road map/milestones for the outreach process
2. Fact Sheet on the Combination
3. Fact Sheet on CWD/SSWD Report Findings
4. Fact Sheet on Pros and Cons
5. Exploration One-Pager
6. Postcard for the public information session



# 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:

### Exploring the Possible:

*Discussing and Analyzing Potential Combination*

**COMPLETE:**

Occurred when the combination study was in progress.

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:

### Community Conversation:

*Sharing the Case for Considering Combination and Initial Study Results*

**WE ARE HERE:**

Began when the initial study was released and accepted as complete by the CWD and SSWD Boards.

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:

### A Deeper Dive:

*Exploring the Findings of the Additional 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 Time:

*Providing Perspectives on Combination*

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:

### Seeking Approval:

*Engaging in the LAFCO Process*

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  
Fact Sheet on Combination—Joint Product for Both Districts  
April 10, 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 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.

**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 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 study reviewed 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 addresses the benefits and associated costs of potential combination, as well as options for next steps.

**Status**

The CWD and SSWD Board of Directors have accepted the study and have directed their respective staffs to perform additional more detailed technical analysis concerning topics raised during the study's review. Ultimately, decisions about moving forward will occur after a deliberative, public process with opportunities for customer 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 CWD website at [carmichaelwd.org](http://carmichaelwd.org) and SSWD website at [sswd.org](http://sswd.org).

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**YOU'RE INVITED!**

**Public Information Workshops Exploring a Potential Combination of Carmichael Water District and Sacramento Suburban Water District**

We invite you to learn more about ongoing discussions exploring potential combination, ask questions and provide input during a public workshop hosted by each District, and we welcome you to participate in the workshops in person or virtually.

**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]

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**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 initial 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 demands, long term water rates affordability, regulatory change, water supply reliability, and the feasibility for addressing those trends through combining districts. The analysis included a review of both water providers, comprised of a comparison of organizational structures, management, customer services, billing, staffing, water operations, capital improvement projects, finances, and water resources. The analysis addresses the benefits and associated 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. Public meetings of the CWD/SSWD 2x2 Committee have provided opportunities for customer input, in addition to regular public Board meetings since July 2021. In addition, information is posted to the CWD

website at [carmichaelwd.org](http://carmichaelwd.org) and SSWD website at [sswd.org](http://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 the CWD website at [carmichaelwd.org](http://carmichaelwd.org) and SSWD website at [sswd.org](http://sswd.org).

**What happened after the report was accepted as complete by CWD and SSWD?**

The CWD/SSWD 2x2 Committee and the CWD and SSWD Boards of Directors both reviewed the study and accepted the report. In doing so, they signaled their desire to continue exploring the combination process. The CWD and SSWD Board of Directors 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 next steps.

**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](http://carmichaelwd.org) and [sswd.org](http://sswd.org)). Customers are also invited to attend public meetings discussing combination opportunities. Complete details on how to attend are available at [carmichaelwd.org](http://carmichaelwd.org) and [sswd.org](http://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. Since July 2021, this has included public discussions by the CWD/SSWD 2x2 Committee, which includes leadership and management from both water providers, and regular Board meeting reports.

The districts also retained a financial consulting firm that specializes in working with government agencies and utilities. The CWD and SSWD Board of Directors have accepted the initial study and have directed their respective staffs to do a detailed technical analysis on additional issues and questions raised during the study's review.

Ultimately, any decisions about moving forward will occur after an open, public process that provides opportunities for input.

**Carmichael Water District-Sacramento Suburban Water District  
Fact Sheet on CWD-SSWD Report Findings—Joint Product  
DRAFT—April 10, 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 an independent financial consulting firm, the study explored trends in the water industry and community, such as changing water demands, 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 provides an overview of both water providers, comprised of a comparison of organizational structures, management, customer services, billing, staffing, water treatment operations, capital improvement projects, water supplies, and finances. The analysis describes some of the benefits and costs of potential combination, as well as options for next steps.

In addition, the CWD and SSWD Boards of Directors accepted the study, signaling their desire to continue combination discussions, and 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.”*

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**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](http://carmichaelwd.org) and [sswd.org](http://sswd.org).

**WATER SUPPLY RELIABILITY**

- CWD possesses numerous surface water supplies and groundwater wells. CWD also has access to additional surface water supplies that it has not yet fully activated. SSWD obtains its water supplies from groundwater extraction and surface water supplies delivered under contracts with

neighboring water agencies. All of these supplies could be integrated to maximize benefit for both districts through a combination effort.

- CWD and SSWD have ample surface water and groundwater supplies to meet their current and future needs.
- Both districts face potential future water reliability challenges from the projected impacts of climate change and increased regulatory requirements.
- CWD and SSWD have potential opportunities to integrate and diversify their water asset portfolios to meet both short-term and long-term water reliability objectives.

## **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 similar 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 ten to five members.
- Consolidate the General Manager positions.

## **FINANCES**

### **Rates**

- CWD and SSWD have similar rate structures and bill levels.
- The report projects water rates from a combined district to be very similar to current household bills in either district.
- While there are initial costs associated with a combination, the report forecast a lower increase in rates than would be expected of the individual districts due to the scale efficiencies of a larger and combined organization.

### **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.

**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.
- 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.

**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.

**Salaries**

- The pay scale between the organizations may need to be aligned.
- A classification and compensation study can equalize pay ranges for similar jobs and potentially inform staff decisions.
- 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.

**FACILITIES**

- Treatment facilities would be largely unaffected by combination.

*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 of the district 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 strengths and expertise. 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 more efficiently utilize the water resources with the combined portfolio of groundwater 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.

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*We invite you to learn more and stay updated. CWD and SSWD are posting regular updates on their websites at [carmichaelwd.org](http://carmichaelwd.org) and [sswd.org](http://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
- Maximize 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 with 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.

DRAFT

**Combination Discussions**  
**SSWD-CWD—Joint Product**  
**Fact Sheet on Pros and Cons**  
**UPDATED DRAFT—April 10, 2023**

*Note: This document has been updated to provide space to list additional advantages to combination that are not included in the initial study.*

**FACT SHEET**

**Perceived Advantages and Disadvantages to Combination**

Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD) are currently exploring combination opportunities. The goal is to examine how combining 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 the study by an independent financial consulting firm. 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.

CWD and SSWD are continuing to consider initial study 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 study, “A Business Case for a Potential Combination,” is available at [sswd.org](http://sswd.org) and [carmichaelwd.org](http://carmichaelwd.org).

**Potential Advantages to Combination**

- **Ability to achieve greater scale efficiencies through a larger organization:** Each organization has different areas of strengths and expertise and combining the two entities could provide efficiencies if resources are used strategically.

**Greater water resource sharing and utilization:**

- CWD possesses numerous surface water supplies and groundwater wells. CWD also has access to additional surface water supplies that it has not yet fully activated. SSWD obtains its water supplies from groundwater extraction and surface water supplies delivered under contracts with neighboring water agencies. All of these supplies could be integrated to maximize benefit for both districts through a combination effort.
- **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 precedented process** with LAFCo and SSWD history of success.

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*Pull-out box:*

The following are additional potential advantages to combination not identified in the independent study:

- [Insert bullet: TBD]
- [Insert bullet: TBD]
- [Insert bullet: TBD]
- [Insert bullet: TBD]

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**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 combining existing water resources :** The current regulatory framework may make it difficult to combine water resources and maximize their utilization and efficiency. Political and environmental needs ad could even invite some challenges to current arrangements.

**Carmichael Water District-Sacramento Suburban Water District  
Exploration One-Pager—**Joint Product**  
DRAFT—April 10, 2023**

## **SUMMARY**

### **Exploring the Combination of Carmichael Water District and Sacramento Suburban Water District**

Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD) are exploring the potential to combine the two neighboring water utilities.

#### **The Threats**

The water industry and our communities are facing several changes and challenges, including the projected impacts of climate change on water supplies and increasing regulations that will potentially make it difficult to keep rates affordable.

#### **The Opportunities**

The goal in examining combination is to see how merging the two districts might encourage efficiencies, reduce costs, improve water supply reliability, and enhance customer service.

#### **The Process**

The CWD and SSWD Boards commissioned a study by an independent consulting firm to provide an initial look at the potential benefits and disadvantages to combination.

After a comprehensive public review, the boards accepted the initial study as complete. In doing so, Board members signaled that the initial study offered many potential benefits that should continue to be explored and uncovered no fundamental flaws that should stop discussions. The Boards also requested staff to undertake additional technical analysis that further reviews and defines potential governance structures, water rights assurances, administration, operations, cost savings and other topics.

#### **Learn More**

Detailed information is available online on the CWD website at [carmichaelwd.org](http://carmichaelwd.org) and SSWD website at [sswd.org](http://sswd.org), including:

- The initial study, *Business Case for a Potential Combination*
- Fact sheets and Frequently Asked Questions about combination discussions and the initial study
- Coming soon: Public information workshops exploring combination discussions that provide opportunities for the public to ask questions and offer input



# YOU'RE INVITED!

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

DATE & TIME



Attachment 6

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](http://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](mailto:feedback@sswd.org)  
[sswd.org](http://sswd.org)

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

## Agenda Item: 3

**Date:** April 10, 2023

**Subject:** Further Analysis Report Update

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

### **Recommended Board Action:**

Receive an update on the Further Analysis Report and direct staff on next steps regarding Combination Discussions between Carmichael Water District and Sacramento Suburban Water District.

### **Background:**

The Business Case for a Potential Combination Report (Report) was presented to the Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD) Boards in February 2023. The Report was accepted 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:**

Since there were no obvious or compelling deterrents identified in the Report, the next phase would be 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 has developed a Draft Scope of Work and Draft Report Outline (see Attachments 1 and 2) identified as specific areas that need to be analyzed/compared for both CWD and SSWD. Staff is in the process of analyzing/comparing each of the different categories. As you will see in the Draft Report Outline, staff has updated the following:

- Executive Summary
- History/Background of CWD and SSWD – Sacramento Regional Water Utility Collaboration Study and Business Case for a Potential Combination Study Report
- Current Structure of CWD and SSWD – Personnel, Organizational Structure and Chart, Water Rights and Well Inventory, Water Rate Structure, Finances and Budgets, Facilities and Equipment, Policies and Procedures, Communities Served, and Existing Governance

- Model Merged District – Advantages/Disadvantages of Irrigation District vs. County Water District, How the Merged District Could be Created; Consolidation vs. Reorganization, Statistics and Demographics: Population, Customers, Registered Voters, Geographic Service Area/Communities, Combined Water Resources/Water Availability, Board of Directors: Interim and Long-Term, Provision of Water Service, and Water Rates – Short/Long Term
- How Combination Could Affect Customers, Employees and Other Stakeholders – Impacts of Reorganization on Other Agencies
- Governance Board of Directors – Transition from 11 to 7 to 5, Election Boundaries for Each Phase, Options for Advisory Committees
- Lessons Learned from Arcade/Northridge Consolidation

Staff will continue updating categories in the Draft Report Outline and provide updates to the 2x2 Committee and respective Boards. A 2x2 Committee meeting has been scheduled for May 4, 2023.

**Attachments:**

1. Draft Report Outline
2. Draft Scope of Work



**DRAFT**

**REPORT OUTLINE**

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

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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

**(B) 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



# **Executive Summary**

## **Introduction**

The purpose of this report is to shed additional light on issues and questions the executive staff, policy makers and stakeholders of the Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD) have raised with respect to combining the two agencies to improve water management/reliability and operational efficiencies.

This investigatory effort began in 2021 with staff beginning a dialogue of how to better serve all of the customers of the two districts. There was a Joint Board meeting, the creation of the 2x2 Committee (2 directors from each district), and the joining of General Managers and senior staff to form an Executive Team to lead and direct the study effort.

In 2021, a consulting firm was retained to perform a Business Case for a Potential Combination Study Report to determine if there are any fatal flaws associated with a potential combination of CWD and SSWD. The study was accepted by the CWD/SSWD Board of Directors in January 2023 and suggested moving to the next level of analysis, looking into organizational issues of combining districts and implementing an outreach and communication strategy to touch stakeholders, customers, and employees from both districts.

The following individuals worked in a collaborative effort to produce this document:

### **CWD Board of Directors:**

Ron Davis  
Mark Emmerson  
Ron Greenwood  
Jeff Nelson  
Paul Selsky

### **SSWD Board of Directors:**

Jay Boatwright  
Dave Jones  
Craig Locke  
Kevin Thomas  
Robert Wichert

### **2x2 Committee:**

Jeff Nelson  
Mark Emmerson  
Craig Locke  
Dave Jones

**General Managers:**

Cathy Lee, CWD General Manager  
Dan York, SSWD General Manager

**Executive Team:**

Debbie Martin, CWD Finance Manager  
Matt Underwood, SSWD Assistant General Manager  
Jeff Ott, SSWD Director of Finance and Administration  
Susan Schinnerer, SSWD Human Resource Manager

## **1. History/Background**

### **a. Carmichael Water District**

CWD was established as an Irrigation District in 1916 and was the first irrigation district established in Sacramento County. The district changed its name to Carmichael Water District in the 1980's. There are approximately 12,000 service connections that represent a population of approximately 40,000 customers. The district maintains over 160 miles of water lines within its approximately eight (8) square miles of service area.

### **b. Sacramento Suburban Water District**

SSWD was formed as a County Water District in February 2002, through the consolidation of the former Arcade Water District and Northridge Water District, which were formed in 1954 and 1956, respectively. There are approximately 47,000 service connections representing a population of approximately 200,000 customers. The district maintains over 700 miles of water lines within its approximately 36 square miles of service area.

### **c. Sacramento Regional Water Utility Collaboration Study**

In March of 2018, SSWD and San Juan Water District (SJWD) re-initiated combination discussions that last took place in 2015. However, in late 2018, the respective Boards directed staff to initiate collaboration discussions with neighboring water agencies that could identify additional operational and financial efficiencies and to improve service provisions to customers. The following agencies were invited, and accepted, to participate in the collaboration discussions: SSWD, SJWD, Citrus Heights WD, Carmichael WD, Rio Linda / Elverta Community WD, Del Paso Manor WD, and City of Folsom. The effort was identified as the Sacramento Regional Water Utility Collaboration Study (Study). The Study was completed and accepted by the respective Boards in early 2021. Based on the results of the Study, the CWD and SSWD Boards directed staff to continue seeking collaboration/combination opportunities.

### **d. Business Case for a Potential Combination Study Report**

CWD and 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 combining into a single organization.

The Committee retained an independent financial consulting firm that specializes in working with government agencies and utilities, to conduct a Combination Study Business Case Analysis.

The goal was to examine how combining the two neighboring water utilities might encourage efficiencies, reduce costs, improve water supply reliability, and enhance customer service.

The study explored trends in the water industry and community, such as changing water demands, pressure to keep rates affordable, regulatory changes, 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 treatment operations, capital improvement projects, and finances.

The intent of the analysis 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 analysis, there were no obvious or compelling deterrents in combining the two districts.

The Report was accepted by the CWD Board on February 21, 2023, and by the SSWD Board on February 27, 2023.

- 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** – CWD has a total of thirty (30) full-time-equivalents (FTE’s), of which twelve (12) are management/administration with the remaining eighteen (18) being in operations (see Exhibit 1). Customer accounts per employee is 428. Population served per employee is 1,250.
  
- ii. **Water Rights and Well Inventory** – CWD has three surface water rights; 1915 = 10,859 af, 1925 = 3,669 af, and 1948 = 18,099 af. CWD has five (5) active groundwater wells with a total capacity of approximately 6,400 gallons per minute.
  
- iii. **Water Rate Structure** – CWD has the following water rate characteristics:
  - Rates are comprised of a fixed charge and usage charge component. The usage charge is based on one-hundred cubic foot (CCF) measurement and the fixed charge is based on meter size.
  - Primary residential meter size is 1.0”.
  - A single tier usage rate for all customers.
  - A Water Shortage Surcharge.
  - Approved a 5-year rate schedule in 2021 that covers the calendar years 2021 – 2025 at 9.5% per year and has implemented scheduled increases through 2023.

Description Fixed Rate	CWD		
	2023	2024	2025
5/8" Meter	\$ -	\$ -	\$ -
3/4" Meter	35.05	38.38	42.03
1" Meter	54.90	60.12	65.83
1 1/2" Meter	104.53	114.45	125.33
2" Meter	164.07	179.66	196.73
3" Meter	303.02	331.80	363.33
4" Meter	501.51	549.15	601.32
6" Meter	997.74	1,092.53	1,196.32
8" Meter	1,593.22	1,744.58	1,910.31

Description Fixed Rate	CWD		
	2023	2024	2025
10" Meter	-	-	-
12" Meter	-	-	-
Condo Living Units	35.05	38.38	42.03
MF Living Units with Separate Meter	35.05	38.38	42.03
Usage Rate	2023	2024	2025
All Customers	\$ 2.06	\$ 2.26	\$ 2.47

Fire Services:

Description Fire Service	CWD		
	2023	2023	2023
2" Connection	\$ 54.88	\$ 54.88	\$ 54.88
3" Connection	82.32	82.32	82.32
4" Connection	109.76	109.76	109.76
6" Connection	164.64	164.64	164.64
8" Connection	219.52	219.52	219.52
10" Connection	274.4	274.4	274.4
12" Connection	329.28	329.28	329.28

Average Billing per Month, by Customer Type:

	Residential		Non-Residential	
	Dollars	Percent	Dollars	Percent
CWD	\$ 954,364	83%	\$ 199,487	17%
SSWD	3,246,459	77%	959,022	23%

Average Billing per Month, by Charge Type:

	Fixed Charge		Variable Charge	
	Dollars	Percent	Dollars	Percent
CWD	\$ 7,620,715	55%	\$ 6,225,489	45%
SSWD	34,920,697	69%	15,545,075	31%

- iv. **Human Resources, Salaries, Benefits**
- v. **Finances and Budget** – CWD has a Fiscal Year (FY) budget. FY 2022-23 O&M is \$9,772,660, Capital \$10,036,944 and revenue \$20,489,240.
- vi. **Facilities and Equipment** - CWD’s Administration Building, located at 7837 Fair Oaks Blvd., houses approximately 15 administrative staff persons with 9 enclosed offices. The building also includes a conference room and a 90-person capacity Boardroom with an adjoining warehouse, parking garage, and loading dock. The building is approximately 9,700 square feet on an almost 2.5-acre lot off of Fair Oaks Blvd. The parcel is also CWD’s Corporation Yard where equipment and materials are stored in separate garages and bays aside from the Administration Building. The 2.5-acre parcel has 3 access points and a large parking area with a solar generating shade structure. The Bajamont WTP is located at 3501 Bajamont Way in Carmichael. The WTP includes the treatment plant and intake facilities that is located on three parcels consisting of 18-acres. The WTP includes above ground filtration and treatment facilities and an underground 2-million gallon concrete chlorine contact tank. CWD owns two water storage reservoirs at two separate locations containing a 1-MG steel tank and a 3-MG steel tank, with booster pump stations. CWD has a total fleet of 34 vehicles that range from passenger vehicles to a large 5 yard dump truck. In regards to large equipment, there are 4 backhoes, 1 mini excavator, 2 vacuum trailers, 1 valve exerciser, 1 mini excavators, 1 forklift, and several flatbed trailers.

California Oregon Transmission Line:

The CA-OR Transmission Pipeline/Project (COTP) is an electric transmission project consisting of 340 miles of 500-kilovolt alternating current transmission line between Southern Oregon and Central California. The COTP has a capacity of 1,600 megawatts (MW) of which CWD has 1 MW. CWD sits on the Board of COTP.

- vii. **Policies and Procedures** - CWD has twenty-two (22) Directors’ Policy Manuals and thirty-seven (37) Policy Manuals. (See Exhibits 2 and 3)
- viii. **Communities Served** – CWD provides water service to customers in the Carmichael Community.
- ix. **Existing Governance**  
CWD recently completed its election by division process. The process began in January 2022 with the Board adopting a Resolution declaring its



intent to initiate procedures to transition from at-large elections to division based elections, per the procedures provided in the Elections Code. After the required public outreach, map preparations, and four Public Hearings, CWD finalized the transition on November 15, 2022. CWD elections by divisions will commence in November 2024.

**b. Sacramento Suburban Water District**

- i. **Personnel, Organizational Structure and Chart** – SSWD has a total of seventy-three (73) FTE's, of which twenty-six (26) are management/administration, with the remaining forty-seven (47) being in operations (see Exhibit 4). Customer accounts per employee is 671. Population served per employee is 2,570.
- ii. **Water Contract Rights, Well Inventory, and Fluoride** – SSWD has a surface water contract right with City of Sacramento to receive 26,064 af per year, a surface water contract right with PCWA to receive 29,000 af per year, and the ability to receive up to 4,000 af per year from SJWD, as well as Central Valley Project Section 215 Water from the Bureau of Reclamation. SSWD has a total of seventy-one (71) active groundwater wells with a total capacity of approximately 86,238 gallons per minute. Three– 5 million gallon reservoirs, One-500,000 gallon elevated storage tank, One-150,000 gallon elevated storage tank, and One-125,000 gallon elevated storage tank. SSWD's South Service Area (SSA) is fluoridated. Capital funding was derived from First Five in 2007 with a twenty-year agreement. The subject agreement terminates in 2027, however, there are stipulations that could warrant continuing to fluoridate the SSA post 2027.
- iii. **Water Rate Structure** – CWD has the following water rate characteristics:
  - Rates are comprised of a fixed charge and usage charge component. The usage charge is based on one-hundred cubic foot (CCF) measurement and the fixed charge is based on meter size.
  - Primary residential meter size is 3/4”.
  - A single tier usage rate for non-residential customers. 2 tier usage rate for residential customers.
  - Approved a 5-year rate schedule in 2019 that covers the calendar years 2020 – 2024 at 5%, 4%, 3%, 3%, 3% per year and has implemented scheduled increases through 2023.

Description Fixed Rate	SSWD		
	2023	2023	2023
5/8" Meter	\$ 35.32	\$ 36.38	\$ 36.38
3/4" Meter	48.99	50.46	50.46
1" Meter	76.34	78.63	78.63
1 1/2" Meter	144.72	149.07	149.07
2" Meter	226.77	233.57	233.57
3" Meter	445.58	458.95	458.95
4" Meter	691.74	712.49	712.49
6" Meter	1,375.51	1,416.77	1,416.77
8" Meter	2,469.54	2,543.63	2,543.63
10" Meter	3,290.07	3,388.77	3,388.77
12" Meter	4,623.42	4,762.12	4,762.12
Condo Living Units	-	-	-
MF Living Units with Separate Meter	-	-	-
<b>Usage Rate</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Residential – 1 <sup>st</sup> Tier (0-15 ccf)	\$ 0.98	\$ 1.01	\$ 1.01
Residential – 2 <sup>nd</sup> Tier (16 + ccf)	1.28	1.32	1.32
Multi-Family Residential	1.39	1.43	1.43
Non-Residential	1.47	1.52	1.52

Fire Services:

Description Fire Service	SSWD		
	2023	2023	2023
2" Connection	\$ 54.88	\$ 54.88	\$ 54.88
3" Connection	82.32	82.32	82.32
4" Connection	109.76	109.76	109.76
6" Connection	164.64	164.64	164.64
8" Connection	219.52	219.52	219.52
10" Connection	274.4	274.4	274.4
12" Connection	329.28	329.28	329.28

Average Billing per Month, by Customer Type:

	Residential		Non-Residential	
	Dollars	Percent	Dollars	Percent
CWD	\$ 954,364	83%	\$ 199,487	17%
SSWD	3,246,459	77%	959,022	23%

Billing per Year, by Charge Type:

	Fixed Charge		Variable Charge	
	Dollars	Percent	Dollars	Percent
CWD	\$ 7,620,715	55%	\$ 6,225,489	45%
SSWD	34,920,697	69%	15,545,075	31%

iv. **Human Resources, Salaries, Benefits**

v. **Finances and Budget** – SSWD has a Calendar Year (CY) budget. CY2023 Budget is \$24,860,000 O&M and \$22,805,000 Capital. Revenues are \$54,660,000.

vi. **Facilities and Equipment** - SSWD’s Administration Building, located at 3701 Marconi Avenue, which houses both administrative and engineering staff. Currently, forty staff persons report to this facility, which includes nine (9) intern/temporary staff. The entire building size is approximately 18,000 square feet (sf), which includes offices, a customer service area, two conference rooms, and a Board Room. The maximum occupancy of the Board Room is 125 people. The building also includes a separate suite that is currently unoccupied. This particular area is approximately 6,800 sf. The building is raised above the surrounding public way and has an underground parking garage. The underground parking garage has the capability to accommodate 50 vehicles. SSWD’s existing Corporation Yard, located at 5331 Walnut Avenue, is approximately 16,000 square feet in size. This building incorporates offices, a maintenance shop, and an inventory warehouse. The building is split level in configuration with the older portion of the building being single story and the newer portion of

the building at two stories. Currently, forty-two staff persons report to this facility. Located at 2736 Auburn Blvd, are three buildings and a separate carport structure that make up this facility. All three buildings are currently leased out to Skip's Music. However, SSWD utilizes the corporation yard itself as it has material storage bins for asphalt, sand and gravel. There is also a standalone carport structure at this site. In addition, there is one active well site located on this property. One building is approx. 3,100 sf in size. The second building was constructed in the 1960's, but a building addition was later constructed in 2000. The total size of the building is 4,400 sf. In addition, there is an old steel storage building approximately 1,300 sf in size. There is a cell tower located at this facility that currently generates annual revenues. In addition to the cellular tower revenue, SSWD currently receives annual revenues for the lease agreement with Skip's Music. The Antelope Reservoir Facility, located at 7800 Antelope North Road, was built in 1999 at the same time that the 5-million-gallon (MG) reservoir was constructed. The building is two story, 18,000 sf in size, and is metal frame with a CMU block exterior and metal roof. The building houses the booster pump station and equipment and also includes a separate standby generator room, motor control center, a large meeting room, kitchen area, locker rooms/shower/bathrooms, office space, storage areas, and a shop. The large meeting rooms are utilized for training seminars and water related events for associations such as ACWA, AWWA, SAWWA, JPIA. The yard area has material storage bins for asphalt, sand and gravel. It also houses some of the District's large equipment (e.g., backhoe, dump truck, etc.). In addition, there is also a standalone carport structure at this site. SSWD has a total fleet of 44 vehicles that range from a compact electric vehicle to as large as a 5 yard dump truck. In regard to large equipment, there are 3 backhoes, 1 front end loaders, 3 vacuum trailers, 1 valve exerciser/vacuum trailer, 3 mini excavators and 2 forklifts.

- vii. **Policies and Procedures** - SSWD has forty-seven (47) Board adopted policies and sixty-two (62) procedures. (See Exhibits 5 and 6)
- viii. **Communities Served** – SSWD provides water service to customers in Arden/Arcade, Foothill Farms, North Highlands and portions of Citrus Heights, Carmichael, Fair Oaks, Sacramento County/City, Antelope, and McClellan Business Park.
- ix. **Existing Governance**  
Sacramento Suburban Water District is governed by a five-member Board of Directors elected by divisions. Directors are elected to serve four-year terms. Elections are held on even numbered years.

#### 4. Model Merged District

- a. What it Could Be: Discuss Advantages/Disadvantages of Irrigation District vs. County Water District** – There is no real legal hierarchy of district enabling acts, it's more about comparing the relative powers provided under particular enabling acts and their suitability for the specific circumstances of the community being service by a particular water district. A relative consideration focuses on ease of operations and administrative convenience.

For existing enabling acts, it is legal counsel's opinion that a County Water District form is much better than an Irrigation District for an urban water provider. Even though the Irrigation District Law can be used by an urban water provider, that law was designed for agricultural water providers and the statutes in the law authorizing retail treated water service were added later as a result of agencies like CWD becoming urbanized. The County Water District Law was designed from the beginning for urban treated suppliers. It has much clearer statutory provisions related to governance, management and operations. The real advantage is County Water Districts are not required to comply with the Public Contract Code's formal competitive bidding statutes for public works projects.

- b. How the Merged District Could Be Created: Consolidation vs. Reorganization:**

Combining two or more public agencies into one can be primarily achieved as either a consolidation or a reorganization (dissolution and subsequent annexation). The end results are essentially the same, one agency assumes the rights, responsibilities, assets, and liabilities from the other. The difference lies in what technically happens from a legal standpoint. There are pros/cons listed below that are more general in nature and may not apply to this specific example.

*Consolidation* – Both 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. Initiation: Both agencies file for consolidation.

Pros:

- New district (new identity; new name; fresh start);
- New board composition;
- Maximize economies of scale;
- Allows for the potential cancellation of existing contracts (such as labor contracts) if those obligations are not specifically transferred as part of the LAFCo approval.

Cons:

- May be difficult to determine which existing board members will be on the new board;
- There can be complications with determining who the “successor” plan will be used post-consolidation – either on an interim or long-term basis (e.g. labor agreements, pension contract with CalPERS, etc.);
- All residents from both districts can oppose during the protest period;
- May require a new Proposition 218 vote to re-ratify special taxes/benefit assessments;
- It is highly disruptive for the same reason as the “Pros.” The potential cancellation of labor contracts can create unnecessary anxiety for affected workers. In addition, the new entity would now have to start at the proverbial “square 1” on all of its operations.

*Reorganization* - One district is dissolved and one agency annexes all of their former service areas. An existing agency is the successor entity. Initiation: One district applies to dissolve, the remaining district applies to annex the service area of the dissolved district. Both agencies file simultaneously.

Pros:

- Because one of the existing agencies remains (albeit now with a larger service area), it is less disruptive than a consolidation. All assets/liabilities/revenues/expenses are transferred to successor;
- Only the residents of the dissolving agency can oppose during the protest period.

Cons:

- The remaining agency will be unable to shed any legal obligation it might otherwise be able to shed in a consolidation. For example, if the remaining agency had a more generous benefit structure to its labor than the other district, it now may need to extend those benefits to a larger labor pool;
- May be difficult to educate the non-successor agency residents about the benefits of dissolving their home water agency (need community workshops/outreach efforts);
- May be difficult to educate the successor agency residents of the benefit of absorbing the dissolving agency (e.g. dilution of local control, etc.). The annexing agency will be under political pressure to allow the public to vote on the matter;
- Need to resolve how the non-successor residents will be represented in the post-reorganization entity.

Who can initiate the combination? Either district can initiate it by adopting a resolution of application and go through the “normal” LAFCo process. However, there is a sub-LAFCo process that may be applicable: Government Code §56853(a) states that if the combining agencies adopt substantially similar resolutions of application, LAFCo must either approve or conditionally approve the proposal (in other words LAFCo cannot deny the application). In addition, this section says that the reorganization could be ordered without an election unless the conditions under GC §57081(b) are met. After the approval hearing, a second hearing (called a conducting authority hearing or a protest hearing) must still be held, but only to determine if the conditions specified in GC §57081(b) exist.

There are typically seven major milestones in the LAFCo process. The overall time for a combination to get from Step 1 through to Step 7 can take as long as a year, with the caveat that this assumes any time before Step 1 is not counted, all goes according to plan with no hiccups (the timing of notice) and if several stars align (most prominently no lawsuits). After Step 6, the applicant(s) has/have up to a year to comply with the conditions of approval. LAFCo can record the Certificate of Completion once those conditions are met. That filing finalizes the proceedings and the combination is complete.

1. Project initiation – Applicant submits all the forms found here (<https://sac.lafco.saccounty.gov/Pages/ApplicationForms.aspx>), including the plan for service (please see the section immediately below);
2. Property tax negotiation – Governed by Revenue and Taxation Code §99. While neither district receives a portion of the property tax, this section cannot be bypassed per R&TC §99(b)6;
3. LAFCo staff analysis – Upon the receipt of the complete packet of application (see Step 1 above), staff will analyze the documents and follow up with the Districts to ensure there is sufficient information to address the requirements under GC §56668. Once GC §56668 has been satisfied, LAFCo staff will issue a Certificate of Filing, stating the approval hearing date for the proposal. This approval hearing is typically scheduled for the first meeting in which at least 21-days advance notice can be posted (GC §56159).
4. Approval Hearing – The Commission considers the facts of the proposal, the staff report, written and oral testimony, the environmental review, the context and setting of the proposal and any other pertinent information to decide on the proposal. The Commission’s discretionary decision could be unconditional approval, approval with conditions or denial. If the latter, the project stops here and LAFCo issues a Certificate of Termination. If the decision is approval with or without conditions, then the proposal moves on.

5. The 30-day reconsideration period begins – Government Code §56895 allows anyone within the County of Sacramento the ability to request that the Commission reconsider its approval. The requirements for reconsideration are strict and the Commission decides whether to grant reconsideration. While in my career there have been several instances where a citizen requested reconsideration, only one request has succeeded.
6. Conducting Authority Hearings – For proposals with less than 100% landowner consent, a “conducting authority hearing” (also called a protest hearing) has to be scheduled (also subject to a 21-day advance notice). This provides the opportunity for landowners and registered voters to protest the approval. What happens to the proposal depends on the number of protests received and not withdrawn:
  - a. If less than 25% of registered voters or 25% of landowners who own at least 25% of the total assessed value of the land protest, then the Commission’s approval (with or without conditions) stands;
  - b. If more than 50% of registered voters or landowners protest, then the Commission’s decision is overturned and the proposal fails;
  - c. If the number of protests by registered voters or landowners is between a) and b) above, then it goes to an election.

Please note:

- The “sub-LAFCo process” under GC §56853(a) I referenced above speaks to this step of the process. Normally the dissolution or consolidation of agencies are subject to an election. If the sub process is used, the Conducting Authority Hearing is the mechanism to determine if an election is held, and only if the number of submitted (and not withdrawn) protests is above 25% of registered voters or landowners.
- If the districts choose the reorganization route, there is a way to bypass this step if the resolution of application for the dissolving district(s) is approved unanimously by the governing board(s). Then this step is only taken on the question of annexation. Unless...
- LAFCo staff ensures that the 21-day notice for the approval hearing is consistent with the requirements for GC §56663. If so, then this step is also bypassed for the annexation, eliminating the Conducting Authority step altogether.

Final Filings – These are filed, depending on the outcome in Step 6. If the number of protests submitted are insufficient to overturn the Commission’s approval and/or if the applicants received a conditional approval, then the applicant will have 12 months to complete them. When



the conditions are met (or if there were no conditions, soon after the proposal successfully completes Step 6), the LAFCo issues a Certificate of Completion with the County Clerk-Recorder. The combination is complete with this filing.

**c. Statistics and Demographics: Population, Customers, Registered Voters, Geographic Service Area/Communities, Combined Water Resources/Water Availability** – If CWD and SSWD were to combine:

- Population = 240,000
- Connections = 59,000
- Registered Voters = 94,000 SSWD / 24,300 CWD – 118,300
- Communities Served = Carmichael, Arden/Arcade, Foothill Farms, North Highlands and portions of Citrus Heights, Fair Oaks, Sacramento County/City, Antelope, and McClellan Business Park.
- Combined Water Resources: Surface water/contract rights = 91,691 af per year. Groundwater Supplies = 92,638 gpm.

**d. Board of Directors: Interim and Long-Term** - The initial Board of Directors of the combined district shall have eleven members, composed of the members of the current Board of Directors of CWD and SSWD. The eleventh Director shall remain vacant. For voting purposes, to ensure there is an odd number of Directors for the combined district, in the interim a Director could voluntarily resign from the Board of Directors. The terms of the office of Board members shall be the same term of office that he/she was serving as of the effective date of the combination. The number of seats on the Board of Directors of the combined district shall be reduced to seven for the general district election scheduled for November, 2024, and reduced to five for the general district election in November, 2026.

**e. Organizational Structure and Chart**

- i. **General Manager and Executive Staff**
- ii. **Budget and Fiscal Cost**

**f. Integration of Software**

**g. Human Resources**

**h. Financial**

**i. Provision of Water Service** – There will be no change in the provision of water service to customers within each district. Combination should help minimize rate increases by reducing overhead and administrative costs. However, capital

improvements will continue to be a significant portion of the rate base and costs for each district. There will be initial (one-time) start-up costs. These costs will be offset by future savings.

- j. Water Rates – Short/Long Term** – Rates will be based on the combined operations and maintenance charges and capital costs related to each service area. Cost savings related to the combination will be passed to both the CWD and SSWD service areas based on an appropriate cost allocation process. Rates will be kept separate for each service area until all outstanding debt has been retired. This avoids rate shifts between areas so that one service area does not pay for capital programs in another service area. However, the Board of Directors of the combined district shall determine from time-to-time which funds derived from the operation of service areas shall be used to pay the cost of administration of the combined district that benefits the combined district as a whole.

5. **How Combination Could 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 Combination on Other Agencies** – Combination of CWD and SSWD will not impact other special/water districts. The primary purpose of the combination is to provide cost-effective and efficient water service to customers within each district. A map that identifies regional water purveyors is attached as Exhibit 7.
  - d. **Employees, Suggested HR Principles (Job Status, Salaries and Benefits, Other)**
  - e. **Staff Efficiencies/Employee Opportunities**

**6. Governance – Board of Directors**

- a. Transition from 10 to 7 to 5** – The initial Board of Directors of the combined district will have eleven members, composed of the members of the current Board of Directors of CWD and SSWD. The terms of the office of Board members shall be the same term of office that he/she was serving as of the effective date of the combination. The eleventh seat on the combined district shall remain vacant. The number of seats on the Board of Directors of the combined district shall be reduced to seven for the general district election scheduled for November 2024.

The Board of Directors of the combined district shall be elected by and from divisions at the general district election in November 2024, unless there is a delay in the effective date of the combination which prevents the Board of Directors from establishing the boundaries of the divisions in time to provide the required notice to the Registrar of Voters.

- b. Election Boundaries for Each Phase** – To transition down to 5 Board of Directors, a new division map will be developed and approved by the Board of Directors of the combined district. For each district general election following approval of the combined district, staff must prepare a proposed voting division map depicting the recommended adjustments to the voting divisions for consideration by the Board of Directors, and for comment by the public. The population deviation (greatest relative difference in size between any two voting divisions) in the proposed voting divisions should be within the 10 percent deviation permitted under federal and state voting rights law. The combined district must consider when adjusting voting division boundaries, the following factors: (1) topography, (2) geography, (3) cohesiveness, contiguity, integrity, and compactness of divisions, and (4) community of interests of each division. Although this is not a factor in drawing the maps, for the Board’s information the proposed adjustments would not result in any Director’s residence being located outside of their current voting division.

In addition, at each district general election, the proposed division map must be presented at two separate Special Board meetings for the purpose of holding Public Hearings.

As advised by legal counsel, staff must consult with the Sacramento County Registrar of Voters’ office to review the draft proposed voting division map to ensure the draft proposed voting division map is acceptable and in compliance with federal and state voting rights and election laws.

- c. Options for Advisory Committees** – In the event a Board member wishes to voluntarily resign from the Board of Directors to ensure there is an odd number of

Directors, or a Board member does not get elected to the combined district, there could be options for the Board member to continue their community service. The Board of Directors of the combined district can implement opportunities to allow participation on appropriate advisory committees that would enable them to remain involved with their communities.

## 7. **Lessons Learned from Arcade/Northridge Consolidation**

A Consolidation Evaluation was conducted in 2001 by a consultant for purpose of consolidating the former Arcade and Northridge Water Districts. The purpose of the Consolidation Evaluation was to evaluate practices, policies, procedures, rates, financial status, and other factors that would be important to the policy makers to consider the benefits and risks of a consolidation. The Consolidation Evaluation report identified areas that were dis-similar for both agencies and should have been analyzed upon consolidation. Following the consolidation, effective February 1, 2002, the new Board of Directors, and management refrained from conducting an analysis on all areas that were noted in the Consolidation Evaluation report. Below are examples of areas that should have been analyzed:

- A detailed assessment of total employee compensation and benefits was not conducted. Promotions and salary increases were given with no consideration of merit.
- There were noted differences in work rules and administrative policies and procedures mentioned in the report. Upon consolidation, management did not conduct an assessment to develop new/revised work rules and administrative policies and procedures.
- Should have developed cost of service and rate design principles.
- Should have developed asset management plans for distribution/transmission replacement, groundwater production facilities, buildings, meter retrofit, etc.
- Arcade outsourced billing and Northridge conducted billing internally. No analysis was conducted on cost efficiencies regarding outsourcing or internal labor.
- A thorough analysis of staff utilization was not conducted. The Administration Building (3701 Marconi Avenue) was designated. However, there was no plan on utilizing various buildings for operational purposes.
- No assessment was conducted on vehicles and equipment. There was duplication on a large number of small equipment and tools. No plan to surplus redundant tools and equipment.
- No analysis on customer walk-ins, phone calls, operational issues, etc.
- No assessment on which billing software program was to be utilized for new district.
- No assessment on which work order system should be utilized. One district utilized a vendor supported system, while the other district sole sourced a one person Disk Operating System program.
- Both districts had different retirement and post-retirement programs. A thorough analysis was not conducted.
- It was noted in the report that initial start-up costs was expected to be significant. The report recommended that the first level of evaluation should have been legal

fees, reorganization, consumer education, office modifications and accounting systems. The only area initially addressed was the office modifications related to the designated Administration Building.

The purpose of an evaluation process for reorganization of SSWD and CWD is to guide the Board of Directors and General Manager to ensure all areas within the operational parameters of both districts are prioritized and thoroughly analyzed in a timely manner.

- 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. Perceived Benefits of a Combination**
  
- 11. Facts About the Combination Discussions**
  
- 12. Findings**
  
- 13. Recommendations**



Draft Scope of Work Schedule  
Combination Discussion  
CWD and SSWD

Chapter		Internal Draft	2x2 Committee	Board Meeting	Joint Board Meeting
<b>1</b>	<b>History/Background</b>				04/10/23
a.	Carmichael Water District	03/12/23	03/28/23		04/10/23
b.	Sacramento Suburban Water District	03/12/23	03/28/23		04/10/23
c.	Sacramento Regional Water Utility Collaboration Study			02/27/2023	04/10/23
d.	Business Case for a Potential Combination Study Report				04/10/23
<b>2</b>	<b>Communication and Outreach Approach</b>				
a.	Meetings, Identification of Stakeholders and Outreach Strategy	02/24/23			
b.	Retention of Communication Firm	12/21/22	12/21/22	01/26/23 – fully executed	
c.	Summary of Concerns, Opinions, and Findings from Outreach				
d.	Public Involvement Process				
<b>3</b>	<b>Districts – Current Structure</b>				
a.	<b>Carmichael Water District</b>				04/10/23
i.	Personnel, Organizational Structure and Chart	03/13/23	03/28/23		04/10/23
ii.	Water Rights and Well Inventory	03/13/23	03/28/23		04/10/23
iii.	Water Rate Structure				04/10/23
iv.	Human Resources, Salaries, Benefits	<b>4/18/23</b>			
v.	Finances and Budgets	03/13/23	03/28/23		04/10/23
vi.	Facilities and Equipment		03/28/23		04/10/23
vii.	Policies and Procedures	03/17/23	03/28/23		04/10/23
viii.	Communities Served		03/28/23		04/10/23
ix.	Existing Governance				04/10/23

Draft Scope of Work Schedule  
Combination Discussion  
CWD and SSWD

b.	<b>Sacramento Suburban Water District</b>				
i.	Personnel, Organizational Structure and Chart	03/13/23	03/28/23		04/10/23
ii.	Water Contract Rights, Well Inventory, and Fluoride	03/13/23	03/28/23		04/10/23
iii.	Water Rate Structure				04/10/23
iv.	Human Resources, Salaries, Benefits	<b>4/18/23</b>			
v.	Finances and Budget	03/13/23	03/28/23		04/10/23
vi.	Facilities and Equipment		03/28/23		04/10/23
vii.	Policies and Procedures	03/17/23	03/28/23		04/10/23
viii.	Communities Served		03/28/23		04/10/23
ix.	Existing Governance				04/10/23
<b>4</b>	<b>Model Merged District</b>				
a.	What it Could be: Discuss Advantages/Disadvantages of Irrigation District vs. County Water District	Week of 04/01/23	03/28/23		04/10/23
b.	How the Merged District Could be Created: Consolidation vs. Reorganization	03/13/23	03/28/23		04/10/23
c.	Statistics and Demographics: Population, Customers, Registered Voters, Geographic Service Area/Communities, Combined Water Resources/Water Availability	03/13/23	03/28/23		04/10/23
d.	Board of Directors: Interim and Long-Term	03/16/23	03/28/23		04/10/23
e.	Organizational Structure and Chart: i. General Manager and Executive Staff ii. Budget and Fiscal Cost				
f.	Integration of Software				
g.	Human Resources				
h.	Financial				

Draft Scope of Work Schedule  
Combination Discussion  
CWD and SSWD

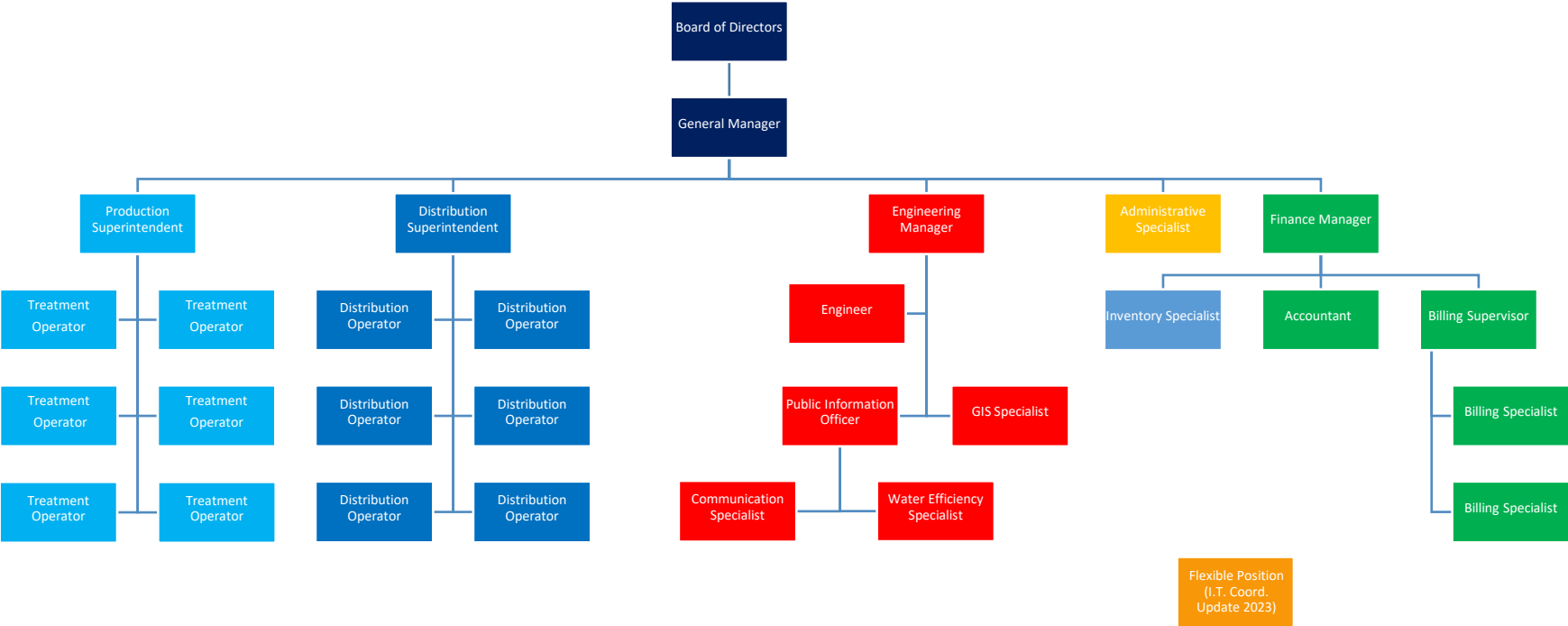
i.	Provision of Water Service		03/28/23		04/10/23
j.	Water Rates – Short/Long Term				04/10/23
<b>5</b>	<b>How Combination Could Affect Customers, Employees and Other Stakeholders</b>				
a.	Water Reliability: Use of All Water, Both Surface and Groundwater, Conjunctive Use Plan, Perfection of Water Rights and Groundwater				
b.	Residential and Business Customers, Local Governments, Rates and Debt				
c.	Impacts of Reorganization on Other Agencies	03/16/23			04/10/23
d.	Employees, Suggested HR Principles (Job Status, Salaries and Benefits, Other)				
e.	Staffing Efficiencies/Employee Opportunities				
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b.	Election Boundaries for Each Phase	03/16/23	03/28/23		04/10/23
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<b>7</b>	<b>Lessons Learned from Arcade/Northridge Consolidation</b>	01/20/23	02/08/23		04/10/23
<b>8</b>	<b>Findings and Recommendations</b>				
a.	2x2 Recommendation to Joint Boards				
b.	Joint Board Meeting and Approval by Each Board				

Draft Scope of Work Schedule  
Combination Discussion  
CWD and SSWD

c.	If Approved, Proceed to LAFCo and Division of Drinking Water				
<b>9</b>	<b>Process and Timeline</b>				
a.	Major Steps to Process				
b.	Necessary Tasks				
c.	Approval Process				
<b>10</b>	<b>Perceived Benefits of a Combination</b>				
<b>11</b>	<b>Facts about the Combination Discussions</b>				
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	<b>Acronyms</b>				
Overall Report	<b>Final Report</b>				

Exhibit 1

# Carmichael Water District Organizational Structure



**CARMICHAEL WATER DISTRICT**  
**Directors' Policy Manual**

**TABLE OF CONTENTS**

**POLICY #      POLICY TITLE**

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9030	Basis of Authority
9040	Committees of the Board of Directors
9050	Membership Association List – Advisory Body Meetings
9060	Directors' Compensation and Expense Reimbursement

**SERIES 9200 -- ETHICS**

9200	Code of Ethics
<u>9210</u>	<u>Conflict of Interest Code – Carmichael Water District Finance Corporation</u>

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9310	Adoption/Amendment of Policies
9320	Statement of Interest in Pursuing Consolidation and/or Joint Services

**SERIES 9400 -- BOARD MEETINGS**

9400	Board Meetings
9410	Attendance at Meetings
9420	Board Meeting Conduct
9430	Rules of Order for Board and Committee Meetings
9440	Board Meeting Agenda
9450	Board Actions and Decisions
9460	Minutes of Board Meetings

**SERIES 9600 -- FINANCIAL**

9600	Investment of District Funds
9610	Reserve Policy
9620	Debt Management, Bond Issuance and Post-Issuance Compliance

**CARMICHAEL WATER DISTRICT**  
**Policy Manual**

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1010	Executive Officer
1020	Use of District Property
<b>SERIES 2000 – HIRING AND EMPLOYMENT</b>	
2000	Equal Opportunity Employment and Employment Relationship
2010	Nepotism
2020	Employee Status
2030	Continuity
2040	Reduction in Force
<b>SERIES 3000 – ETHICS</b>	
3000	Conflict of Interest Code
3010	Guidelines for Accepting and Providing Gifts, Entertainment, and Services
3020	Outside Employment
3030	Anti-Fraud Policy
3040	Computer/Communication Hardware and Software
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4000	Hours of Work and Overtime
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5020	Holidays
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5040	Sick Leave
5041	Sick Leave – California Healthy Workplaces, Healthy Families Act of 2014

### **SERIES 6000 – HEALTH AND WELFARE**

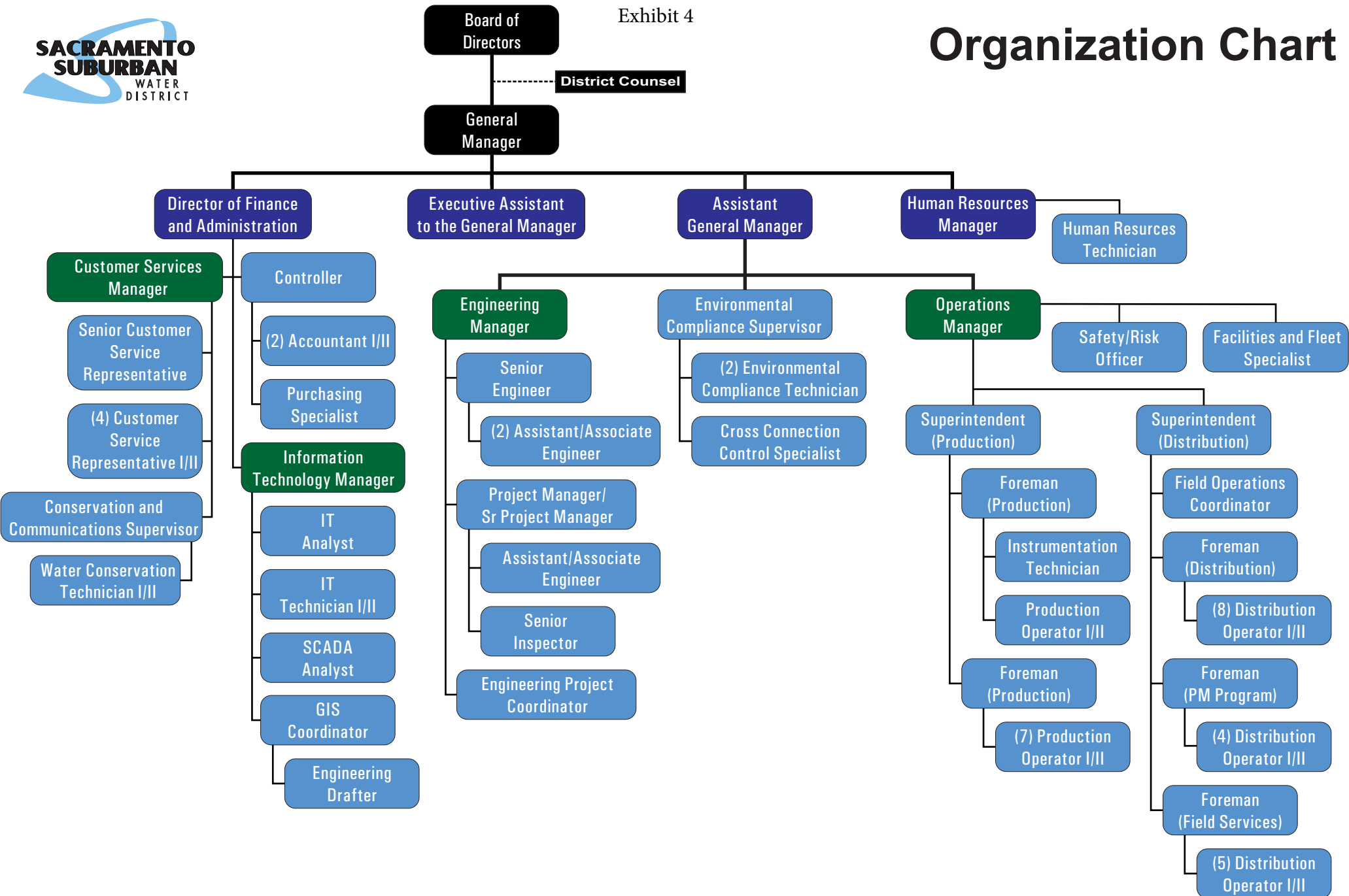
6000	Health and Welfare Benefits
6010	Uniforms and Protective Clothing
6020	Transitional Duty Program
6025	California Lactation Accommodation
6030	Drug Free Workplace
6040	Smoke Free Workplace
6050	Violence in the Workplace
6060	Harassment, Discrimination, and Retaliation
6070	Code of Conduct
6080	Privacy
6090	Global Position Systems Equipment





Exhibit 4

# Organization Chart



## SSWD Administrative Office

3701 Marconi Avenue, Suite 100 | Sacramento, CA 95821-5346

Phone: 916.972.7171 | Fax: 916.972.7639

Office Hours: 8:00 a.m. to 4:30 p.m. Monday-Friday

Web site: [sswd.org](http://sswd.org)

**Policies**  
Table of Contents

**1. Administration (PL - Adm)**

PL - Adm 001	Regulations Governing Water Service (bound separately)
PL - Adm 002	Records Management Storage Policy
PL - Adm 003	Disposing of Surplus District Real Property, Vehicles and Large Equipment and Other Personal Property Policy
PL - Adm 004	Legislative Response Policy
PL - Adm 005	Environmental Sustainability Policy
PL - Adm 006	Workplace Dishonesty Policy
PL - Adm 007	Claims Processing Policy
PL – Adm 008	Communication and Team Building Policy

**2. Board of Directors (PL - BOD)**

PL - BOD 001	Strategic Plan
PL - BOD 002	Rules for Proceedings of the Board of Directors
PL - BOD 003	Directors' Compensation and Expense Reimbursement Policy
PL - BOD 004	Ethics Policy
PL - BOD 005	Director Sexual Harassment Prevention Training Policy
PL - BOD 006	Water Banking and Transfer Policy

**3. Engineering (PL - Eng)**

PL - Eng 001	Improvement Standards and Technical Specifications
PL - Eng 002	Public Works Contracting Policy
PL – Eng 003	Capital Improvement Program Policy

#### **4. Finance (PL - Fin)**

PL - Fin 001	Engagement of Auditor Policy
PL - Fin 002	Capital Asset Policy
PL - Fin 003	Investment Policy
PL - Fin 004	Reserve Policy
PL - Fin 005	Procurement Policy
PL - Fin 006	Purchasing Card Policy
PL - Fin 007	Unclaimed Funds Policy
PL - Fin 008	Impaired Capital Asset Policy
PL - Fin 009	Water Service Charges and Rate Setting Policy
PL - Fin 010	Capacity Fee Setting Policy
PL - Fin 011	Debt Management Policy
PL - Fin 012	Budget Policy
PL - Fin 013	Debt Obligation Disclosure Policy

#### **5. Human Resources (PL - HR)**

PL - HR 001	Employment Rules and Procedures Policy
PL - HR 002	Employee Compensation Policy
PL - HR 003	Employee Performance Evaluation, Merit and COLA Policy
PL - HR 004	Training and Career Development Policy
<del>PL - HR 005</del>	<del>Employee Recognition and Retention Expense Policy</del>
PL - HR 006	Driver Record and Insurance Review Policy
PL - HR 007	Modified/Alternate Duty Policy
PL - HR 008	Catastrophic Leave Policy
PL - HR 009	Employee Recruitment, Hiring and Promotion Policy

- PL - HR 010 Drug and Alcohol Program Policy
- PL - HR 011 Employee Standards of Conduct and Discipline Policy
- PL - HR 012 Discrimination and Harassment Prevention Policy
- PL - HR 013 Workplace Violence Policy
- PL – HR 014 Reasonable Accommodations and Interactive Process Policy

**6. Information Technology (PL - IT)**

- ~~PL - IT 001 Information Technology Policy – Rescinded 04/21/08~~
- ~~PL - IT 002 Information Technology Disaster Recovery Policy – Rescinded 04/21/08~~
- PL - IT 003 Electronic Communication Management and Retention Policy
- PL - IT 004 Technology Maintenance, Security, Protection and Recovery Policy
- PL - IT 005 Technology Use Policy

**7. Customer Service (PL - CS)**

- PL – CS 001 Disconnection of Residential Water Service Policy

**Procedures**  
**Table of Contents**

**1. Administration (PR - Adm)**

PR - Adm 001	Public Records Request Procedure
PR - Adm 002	Declaring and Disposal of Real Property, Vehicles, Equipment and Personal Property Procedure
PR - Adm 003	Marconi Administration Building Security Procedure
PR - Adm 004	Workplace Dishonesty Procedure
PR - Adm 005	Employee and District Gift Procedure
<del>PR - Adm 006</del>	<del>Public Records Information Deposits/Costs Procedure</del> Rescinded 03/20/19
PR - Adm 007	Non-Exempt Employee Meal Allowance for Unscheduled Work Hours Procedure
PR - Adm 008	Claims Processing Procedure
PR - Adm 009	Board of Directors and Employee Communications Procedure
PR - Adm 010	Communication and Team Building Procedure
PR - Adm 011	Sponsorship Funding Request Procedure
PR - Adm 012	Electric Vehicle Charging Station Procedure

**2. Board of Directors (PR - BOD)**

PR - BOD 001	Outside Communications to Directors Procedure
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**3. Customer Service (PR - CS)**

PR - CS 001	Delinquency Procedure
PR - CS 002	Payment/Cash Handling Procedure
PR - CS 003	Water Billing Accounts Receivable Procedure

- PR – CS 004 Account Adjustments Procedure
- PR – CS 005 Billing Rate Update Procedure
- PR – CS 006 Billing System Access Control Procedure

**4. Engineering (PR - Eng)**

- PR - Eng 001 Public Works Contracting Procedure
- PR - Eng 002 Development Meter Installation Procedure

**5. Finance (PR - Fin)**

- PR - Fin 001 Delegation of General Manager Procurement and Public Works Contracting Authority Procedure
- PR - Fin 002 Expense Disbursement and Employee Business Expense and Travel Reimbursement Procedure
- PR - Fin 003 Purchasing Card Procedure
- PR - Fin 004 Custodian Petty Cash Procedure
- PR - Fin 005 Employee Petty Cash Procedure
- PR - Fin 006 Uncollectable Customer Account Balance Reserve and Write-Off Procedure
- PR - Fin 007 Inventory and Stores Process Procedure
- PR - Fin 009 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries Procedure
- PR – Fin 010 Debt Obligation Disclosure Procedure

**6. Human Resources (PR - HR)**

- PR - HR 001 Employee Performance Evaluation, Merit and COLA Procedure
- ~~PR – HR 002 Training and Career Development Procedure~~ Rescinded 10/15/07
- PR - HR 003 Driver Record and Insurance Review Procedure
- ~~PR – HR 004 Early Return to Work Procedure~~ Rescinded 09/21/09

- PR - HR 005 Working Out of Class, Temporary Special Assignment, and Acting/Interim Assignment Procedure
- PR - HR 006 Employee Certification and License Incentive Program Procedure
- PR - HR 008 Catastrophic Leave Procedure with Pledge & Donation Form
- PR - HR 009 Employee Recruitment Hiring and Promotion Procedure
- PR - HR 012 Discrimination and Harassment Prevention Procedure
- PR - HR 013 Disciplinary Documents and Retention Periods Procedure
- PR - HR 014 Employment Rules Procedure

**7. Information Technology (PR - IT)**

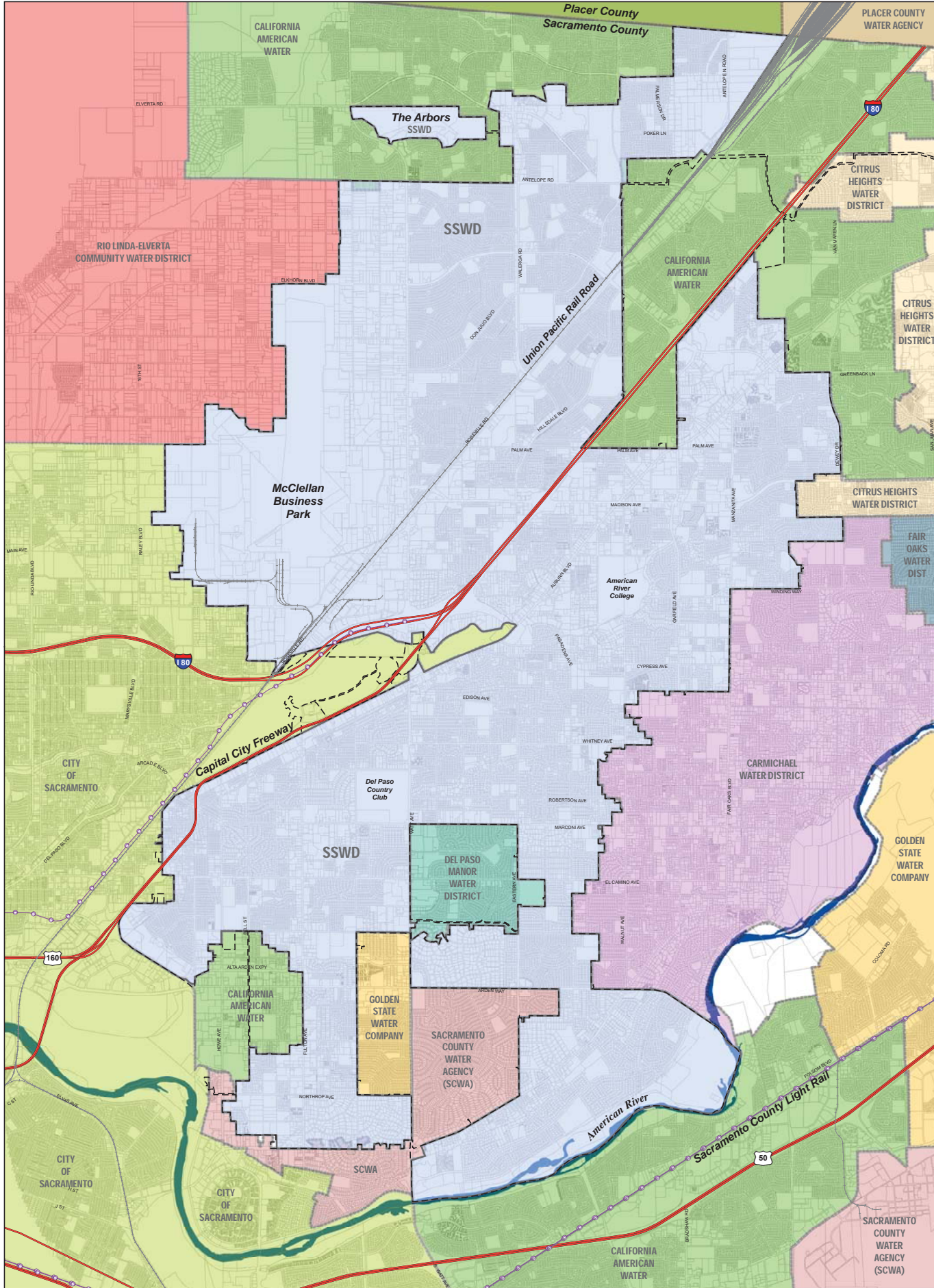
- PR - IT 001 District Electronic Facility Safety Procedure
- PR - IT 002 Electronic Mail Management and Retention Procedure
- PR - IT 003 Information Technology/Disaster Recovery Procedure
- PR - IT 004 Water Facility Data Update Procedure
- PR - IT 005 Social Media Procedure

**8. Operations and Maintenance (PR - O&M)**

- PR - O&M 001 Standby Procedure
- PR - O&M 002 Protective Footwear Program Procedure
- PR - O&M 003 Temporary Traffic Control Procedure
- PR - O&M 004 Parking and Backing a District Vehicle Procedure
- PR - O&M 005 Out of Service Public/Private Fire Hydrant Procedure
- PR - O&M 006 Disposal of Scrap Metal and Securing New Brass/Copper Materials Procedure
- PR - O&M 007 Chain of Custody Procedure
- PR - O&M 008 Heat Illness Prevention Procedure

- PR - O&M 009 Easement Access Procedure
- PR - O&M 010 Fire Hydrant Flushing Procedure
- PR - O&M 011 Wildfire Smoke Protection Procedure
- PR - O&M 012 Confined Space Procedure
- PR - O&M 013 Employee Emergency Action Plan Procedure
- PR - O&M 014 Hazard Recognition Program Procedure
- PR - O&M 015 Lockout/Tagout Procedure
- PR - O&M 016 Hazard Communications Procedure
- PR - O&M 017 Fall Protection Procedure
- PR - O&M 018 Ladder Safety Procedure
- PR - O&M 019 First Aid Procedure





- Legend**
- Highways/Freeways
  - Light Rail
  - Union Pacific Rail Road



## Regional Water Purveyors

### Exhibit 7

## Agenda Item: 4

**Date:** April 10, 2023

**Subject:** Continuation of Combination Discussions between Carmichael Water District and Sacramento Suburban Water District

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

### **Recommended Board Action:**

The Carmichael Water District Board of Directors and the Sacramento Suburban Water District Board of Directors will each vote on continuing to analyze a proposed Combination.

### **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, regarding progress on the Combination Discussions, there have been eleven 2x2 Committee meetings and two Joint Board meetings, as well as monthly updates to the respective Boards.

### **Discussion:**

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 regard to governance, water resources/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 approved by the Boards.

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. If determined to be sufficient, there can potentially be another step, which is typically near the end of Combination Discussions, where the CWD and SSWD Boards have enough information to permit them to make a decision to combine.

This item was presented to the 2x2 Committee on March 28, 2023. The 2x2 Committee feels there has been sufficient information/data presented by staff that warrants a vote to proceed from both Boards, to ensure all Directors have the same intent to proceed forward. In addition, this is also an opportunity for a Director(s) to bring forward issues or concerns that need to be addressed.

## Agenda Item: 5

**Date:** April 10, 2023

**Subject:** Consultant Services

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

### **Recommended Board Action:**

Provide direction to staff regarding a potential to retain the services of a consultant to assist in developing and implementing a process that will provide the appropriate information to the Carmichael Water District and Sacramento Suburban Water District Boards of Directors to permit them to decide on whether to combine into a single agency.

### **Discussion:**

To date, staff have been providing the report and analysis functions being presented to the Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD) Boards and 2x2 Committee to assist in the Combination Discussion efforts.

Retaining the services of a consultant would focus on assisting staff to address the efforts in compiling necessary information in a timely and efficient manner, finalizing the Further Analysis Study, interview all ten Directors, assist in facilitating 2x2 Committee meetings, Joint Board meetings to assist in ensuring all Director's questions, comments, and concerns are being addressed.

Objectives of the scope of work will be determined jointly by CWD and SSWD, however, as a few examples, generally facilitated meetings will assist in addressing the following:

- Exploration of each organizations Mission that can provide additional value to stakeholders, customers, and employees.
- Create an expectation of an envisioned future if the organization combined on how the vision and values would create greater benefit.
- Consider how the combined organization can more effectively work to achieve joint goals and priority objectives.

This item was brought before the 2x2 Committee at the March 28, 2023, Committee meeting for discussion and direction. The 2x2 Committee recommended that staff seek approval from the CWD and SSWD Boards to provide the 2x2 Committee authority to oversee and approve the scope of work and retention of a consultant. Staff's estimate to engage with a consultant to provide assistance in the Combination Discussion efforts is recommended to be a not to exceed amount of \$75,000. If approved, the consultant fees would be split 50/50 between CWD and SSWD.