



Agenda

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

3701 Marconi Avenue
Sacramento, CA 95821

Thursday, June 8, 2023
3:00 p.m.

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

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<https://us02web.zoom.us/j/81336729624?pwd=Z3d5QWxJSnBYOTU0TzI4WTM4bjNXZz09>

Meeting ID: 813 3672 9624

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

The public may address the Committee concerning an agenda item either before or during the Committee's consideration of that agenda item. Persons who wish to comment on either agenda

or non-agenda items should fill out a Comment Card and give it to either one of the General Managers. The Chairperson will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

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

Call to Order

Roll Call

Public Comment

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

Consent Items

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

1. **Minutes of the May 4, 2023, Carmichael Water District/Sacramento Suburban Water District 2x2 Committee Meeting**

Recommendation: Approve the draft minutes of the May 4, 2023, Carmichael Water District/Sacramento Suburban Water District 2x2 Committee Meeting.

Items for Discussion and/or Action

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

Recommendation: No recommended action. Receive an update on the Further Analysis Report and direct staff as appropriate regarding Combination Discussions between Carmichael Water District and Sacramento Suburban Water District.

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

Recommendation: No recommended action. Receive an update on the Communications Plan's outreach materials and upcoming public outreach efforts/events.

4. **Carmichael Water District and Sacramento Suburban Water District Board of Directors Interviews**

Recommendation: Receive an overview on interviews conducted by the facilitating consultant with Carmichael Water District and Sacramento Suburban Water District Board of Directors.

5. **Rate Comparison Analysis Update**

Recommendation: No recommended action. Receive updated rate analysis information and direct staff as appropriate.

6. **Setting Future Meetings of the 2x2 Committee**

Recommendation: No recommended action. Receive an update on current status of future meetings of the 2x2 Committee.

7. **Public Comment**

Adjournment

I certify that the foregoing agenda for the June 8, 2023, meeting of the Carmichael Water District/Sacramento Suburban Water District 2x2 Committee was posted by June 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.

Dan York
General Manager/Secretary
Sacramento Suburban Water District

Agenda Item: 1

Date: June 8, 2023

Subject: Minutes of the May 4, 2023, Carmichael Water District/Sacramento Suburban Water District 2x2 Committee Meeting

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

Recommended Committee Action:

Approve the draft minutes of the May 4, 2023, Carmichael Water District/Sacramento Suburban Water District 2x2 Committee Meeting.

Attachment:

1 – Draft Minutes of the May 4, 2023, Carmichael Water District/Sacramento Suburban Water District 2x2 Committee Meeting.



Minutes

Carmichael Water District/Sacramento Suburban Water District 2x2 Committee Meeting May 4, 2023

Location:

3701 Marconi Avenue, Sacramento, CA 95821, and Audio Conference at 1-669-900-6833, and Video Conference using Zoom at Meeting Id #859 9405 9811

Call to Order – Videoconference/Audioconference Meeting

SSWD Director Craig Locke (Chair Locke) called the meeting to order at 3:00 p.m.

SSWD Directors

Present: Dave Jones and Craig Locke.

SSWD Directors

Absent: None.

CWD Directors

Present: Mark Emmerson and Jeff Nelson.

CWD Directors

Absent: None.

SSWD Staff Present: Sacramento Suburban Water District (SSWD) General Manager Dan York (SSWD GM York), Matt Underwood, Jeff Ott, Susan Schinnerer, and Heather Hernandez-Fort.

CWD Staff Present: Carmichael Water District (CWD) General Manager Cathy Lee (CWD GM Lee) and Debbie Martin.

Public Present: William Eubanks, Ellen Cross, Carl Jones, Tom Gray, Christine Kohn, Bruce Hartzel, Kevin Thomas, Paul Selsky, Paul Helliker, Cody Brown, Ron Davis, and Rod Wood.

Public Comment

Tom Gray, General Manager with Fair Oaks Water District (FOWD), requested the 2x2 Committee (Committee) to consider removing the pre 1914 Water Rights language in the Business Case for a Potential Combination Report (Report), expressing that FOWD was willing to pay the consultant fees to have the language removed. He expressed if there was ever an issue with receiving water, FOWD would be willing to help serve water to the two districts if needed.

Rod Wood, representing Citrus Heights Water District, additionally requested the Committee to consider removing the pre 1914 Water Rights language in the Report.

Consent Items

1. **Minutes of the March 28, 2023, Carmichael Water District/Sacramento Suburban Water District 2x2 Committee Meeting**

CWD Director Nelson moved to approve the Consent Item; CWD Director Emmerson seconded. The motion passed by unanimous vote.

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

Items for Discussion and/or Action

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

SSWD GM York presented the staff report and provided an overview of the Draft Outline Report.

Jeff Ott presented the financial analysis portion of the Draft Outline Report.

CWD Director Nelson requested a more simplistic way to compare CWD’s monthly rates with SSWD’s monthly rates.

CWD Director Emmerson requested a listing of some of the primary categories such as CIP, revenue, and debt to O&M ratio.

Chair Locke requested a percentage of how many meters in the districts are 1” and below, or if they could be listed by size.

Discussion ensued over fluoridation in the SSWD South Service Area.

CWD GM Lee provided an overview of the CWD water rights.

Mr. Eubanks asked clarifying questions.

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

SSWD GM York presented the staff report.

Chair Locke requested to ensure that the Arden Oaks Estates Home Owners Association was included in the stakeholders list.

CWD Director Nelson commented on Exhibit 2, the Perceived Advantages and Disadvantages to Combination, page 2, 4th bullet from the top, noting he was unsure what “Transparent and well precedented” meant.

SSWD GM York expressed he would have that wording clarified at the next meeting of the 2x2 Committee.

CWD Director Nelson suggested looking into other events to attend as a part of the outreach efforts, such as Creek Week, Carmichael Founders Day, Kiwanis Club, and even Rotary Clubs.

Mr. Eubanks asked clarifying questions and additionally inquired who would be collecting and monitoring customer feedback.

SSWD GM York expressed staff would keep track of all customer correspondence regarding the Combination Discussions and report it back to the Committee and Boards.

4. **Consultant Services**

SSWD GM York and CWD GM Lee presented the staff report.

SSWD GM York reminded the Committee that at the April 10, 2023, Joint Board Meeting, the Boards authorized the 2x2 Committee to oversee the process to develop a Request for Proposal, pursue consultant services, approve the scope of work, select a consultant, and authorized staff to sign the agreement, not to exceed the amount of \$75,000.

CWD Director Nelson moved to approve the staff recommendation; Chair Locke seconded.

Mr. Eubanks asked clarifying questions.

The motion passed by unanimous vote.

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

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

The Committee agreed to hold the next meeting on June 8, 2023, at 3:00 p.m.

6. **Public Comment**

None.

Adjournment

Chair Locke adjourned the meeting at 4:38 p.m.

Dan York
General Manager/Secretary
Sacramento Suburban Water District

Agenda Item: 2

Date: June 8, 2023

Subject: Combination Discussions – Draft Outline Report

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

Recommended Committee Action:

No recommended action. Receive an update on the Further Analysis Report and direct staff as appropriate regarding Combination Discussions between Carmichael Water District and Sacramento Suburban Water District.

Discussion:

Staff has developed a Draft Scope of Work and Draft Outline Report identified as specific areas that need to be analyzed/compared for both Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD). Staff continues to collect data and analyzing/comparing each of the different categories within the Draft Outline Report. One of the most critical components in the Draft Outline Report is Section 9., Process and Timeline. Within that section are Major Steps to the Process, Necessary Tasks, and Approval Process. At the May 4, 2023, 2x2 Committee meeting, staff apprised the 2x2 Committee that District legal counsel was in the process of providing guidance to the Board of Directors of SSWD and CWD on the process, decisions, and timeline for making a final determination on whether to proceed with a combination of SSWD and CWD, either by a consolidation or reorganization. As a reminder, consolidation would dissolve both SSWD and CWD and form a new agency. A reorganization would involve the dissolution of one district and the annexation of its territory and transfer of its assets to the district that would continue in existence.

What follows is a list of decisions, descriptions of the process, and approximate timing in a grouped format for reaching a decision on a combination of SSWD and CWD. Note: The listed timelines for Joint Board Meetings are approximate. There is a potential for the approximate dates to be completed earlier than anticipated, or extended:

Group 1 – Public Outreach and Initial Decision to Proceed with or Terminate Combination Proposal (Now to Completion of Public Outreach and Joint Board Meeting 1 – Estimated completion time, 2 months after end of outreach activities). Joint Board Meeting #1 to be held in July/August 2023.

- Completion of Public Outreach Process, including SSWD and CWD public workshops, briefing of public officials, interested agencies, customers, and other stakeholders, and public notification and receipt of comments -- schedule per Public Outreach Plan.
- Post-outreach assessment of stakeholder and public input on proposed combination, including additional discussions and clarification with stakeholders, by 2x2 Committee and

management to determine scope of any stakeholder concerns and potential depth and seriousness of any opposition to proposal.

- Assessment forwarded to SSWD and CWD Boards at a Joint Board Meeting for discussion and decision on proceeding with, modifying, or terminating proposed combination.
 - Assess need for any additional studies or analyses.
- Hold Joint Meeting 1 to discuss results of public outreach process and make initial decision to proceed with combination proposal or terminate process/explore other options.

Group 2 – District Form and Governance Decisions (Assuming decision to proceed at Joint Meeting 1 to Joint Board Meeting 2 – Estimated completion time, 3-4 months). Joint Board Meeting #2 to be held in November 2023.

- Key decisions to be made in this phase include:
 - Pursue a consolidation or a reorganization?
 - Form of District – County Water District, Irrigation District, or another form of district.
 - Governance – 11-, 9-, or 7-member board at formation.
 - Ultimate size of Board by statute is 5 members, but can be larger (e.g., 7 or 9 members) upon request of SSWD and CWD and Sacramento Local Agency Formation Commission (LAFCo) approval.
 - Note that both the County Water District Law and Irrigation District Law contain statutes authorizing these options.
 - Name of new agency – Required for consolidation and optional for reorganization – default is surviving district keeps name, but a name change is authorized by statute and the two Boards should approve a new name.
 - Management structure – General Manager, department heads, and/or proposal of new positions (e.g., AGM, strategic/legislative affairs director).
 - Main administrative office location.

The above issues would be included in the SSWD and CWD resolutions of application to LAFCo.

- Decision process – vetting of issues by 2x2 Committee with management and legal counsel support, with recommendations on all items forwarded to the two Boards at Meeting 2 for discussion and decision.

Group 3 – Operational and Financial Decisions (After Group 2 governance decisions – Estimated completion time, continuing effort into implementation)

- Process: Many of these items are intended to be on-going activities and conducted mainly at the staff level with 2x2 Committee oversight and as due diligence matters under Group 5. However, other matters will need to be decided on by the SSWD and CWD Boards. If the decision is made to proceed with a consolidation or reorganization, decisions on these items will need to be made and incorporated into the two “substantially similar” resolutions to be

adopted by both Boards as the two Districts' applications to LAFCo together with the items noted above in Group 2. These specific items are denoted by double asterisks (**).

- Decide on employment-related matters:
 - Retention and assignment of existing employees and proposed organizational chart. **
 - Review and coordinate CWD and SSWD salaries into single schedule.
 - Review and coordinate CWD and SSWD benefits and formation of single unified plan. **
 - Retirement system – both Districts are PERS contractors; coordination of any supplemental plans. **
 - Review and coordinate CWD and SSWD employee manuals and policies.
- Agreements with consultants and vendors – Inventory agreements and determine which would be assigned or terminated.
 - Selection and retention of key consultants – Auditor, Consulting Engineers, Kirby Pumps and Mechanical, Legal Counsel.
- Disposition of real property – inventory of real property owned, leased, and rented by CWD and SSWD; easements and rights-of-way.
 - Plan for consolidating offices, corporation yards, and other property.
 - Inventorying and planning for any actions required to maintain easements and other non-fee interests.
 - Plan for disposal of any surplus real property.
 - Determine how real property will transfer to the new District and be held for customers' benefit. **
- Disposition of personal property – inventorying, consolidating, and surplus.
 - Disposition of leased and rented personal property.
 - Vehicle fleet inventory, consolidation, and surplus disposal planning.
 - How personal property will transfer to the new District and be held for customers' benefit. **
- Ordinances, resolutions, rules & regulations, policies – inventory, review, and select (post-combination readoption of retained items).
- Financial System.
 - Select accounting system and software, and financial reporting protocols.
 - Determine how Districts' cash, receivables, and liabilities will transfer to the new District and be held for customers' benefit. **
- Outstanding indebtedness – Combination must not affect bonded indebtedness. **
 - Notify bondholders of proposed combination, including analysis of no material effect.
 - Inventory all non-bonded loans and grants, and provide appropriate notices to lenders and grantors; make assignments to new District as required (post-consolidation).

- Software and operating systems.
 - Inventory and prepare plan for coordinating, transferring, and terminating systems as appropriate.
- Insurance, claims and litigation.
 - Identify outstanding claims and litigation; at appropriate time, notify adverse parties, insurers, and courts, and substitute in new district.
 - Notify ACWA-Joint Powers Insurance Agency (JPIA) of proposed combination and obtain JPIA’s input on coverage termination, determination of coverage for new agency, and issuance of new memorandum of coverage to new agency.
- Overall Due diligence plan – In addition to above items, determine scope of any additional due diligence reviews and investigations, including final audits of CWD and SSWD and other closing actions.
- Determine timing and scope of consultation on combination proposal with Division of Drinking Water (DDW) and other regulatory agencies.
 - Determine how DDW water system permit will issue to new agency
 - Assignment and transfer of CWD surface water rights.
 - Assignment and transfer of CWD and SSWD well permits.

Group 4 – Final decision (Joint Board Meeting 3 – During course of Group 3 activities, but after those activities required to make decisions for LAFCo application requirements). Joint Board Meeting #3 to be held in February/March 2024.

- Process is to hold Joint Board Meeting to make a final decision on proceeding with consolidation or reorganization, or terminating the proposal and considering other options – if the SSWD and CWD Boards decide to proceed, they would adopt “substantially similar” resolutions of application to LAFCo, which then prohibits LAFCo from denying the application and requires it to approve the application with or without conditions.
 - Note that Sacramento LAFCo Executive Officer recommends SSWD and CWD combine by reorganization because the Cortese-Know-Hertzberg Local Government Reorganization Act of 2000 (the “LAFCo Law”) permits LAFCo to approve the application without an election unless it is successfully protested. If the Board of the dissolving district adopts the resolution for dissolution unanimously, then LAFCo may waive the conducting authority hearing for the dissolution only. LAFCo also may waive the conducting authority hearing for the annexation of the dissolving District’s territory and assets and liabilities if it follows certain steps. (For further information, see Step 4 under the bullet point in Group 5 below describing the LAFCo approval process).
 - The resolutions should include at least the following information:
 - The actions SSWD and CWD request from LAFCo;
 - Each District’s designated agent authorized to sign on the Board’s behalf and who will act as the primary contact with LAFCo;
 - A map of the territory affected by the proposal;
 - Specify what should be done with zones of benefit and/or benefit assessments – since neither CWD or SSWD have such zones, this should be confirmed;
 - Specify fiscal and operational considerations and requirements;

- Specify governance requirements such as directors being elected by division and the composition of the first board of the combined district; and
- Specify any other conditions of approval requested of LAFCo.

NOTE: The Arcade Water District/Northridge Water District substantially similar resolutions for the consolidation into SSWD would be a useful example.

- Approve CEQA document for proposed consolidation or reorganization.
 - The proposal appears to be exempt from CEQA review under a Class 20 categorical exemption.
 - Review for the probable exemption should be performed by management and counsel prior to Joint Board Meeting 3 and, if exemption eligibility confirmed, a Notice of Exemption prepared for approval of both Boards.
- If approved, direct staff to prepare and file application with Sacramento LAFCo. If not approved, proposal terminates unless Boards desire to explore other options.

Group 5 – LAFCo Application and Approval Process (LAFCo estimates one year to complete from date of filing resolutions of application and application)

- Staff prepares and files application with the Sacramento LAFCo.
 - Application must be on LAFCo forms.
 - There is a substantial amount of information which must be attached to the application, including an outer boundary survey and related maps, plan of service for new agency, municipal service review updates for CWD and SSWD.
- Property tax negotiation under Revenue & Taxation Code section 99 with Sacramento County.
 - This is a requirement of the LAFCo Law, but strictly a “check the box” action because neither CWD nor SSWD receive a property tax increment from the County.
- The following is a summary of the approval process LAFCo would conduct under the LAFCo Law after CWD and SSWD file their application and property tax agreement:
 - Step 1 -- LAFCo staff analysis: Upon receipt of the complete application packet, LAFCo staff will analyze the documents and follow up with the districts to ensure there is sufficient information to address the LAFCo Law’s information requirements. Once those requirements are satisfied, LAFCo staff will issue a Certificate of Filing, stating the approval hearing date for the proposal. The approval hearing is typically scheduled for the first LAFCo meeting for which at least 21-days’ advance notice can be posted.
 - Step 2 -- Approval Hearing: LAFCo considers the facts of the proposal as shown in the application and supporting materials, the staff report, written and oral testimony, the environmental review, the context and setting of the proposal, and any other pertinent information necessary to permit LAFCo to decide on the proposal. The LAFCo Commission’s discretionary decision could be unconditional approval, approval with conditions, or denial. A denial can be prohibited if the dissolving District’s Board adopts the resolution of application unanimously. If a denial is authorized and is made, the

project is terminated and LAFCo issues a Certificate of Termination. If the application is approved with or without conditions, then the proposal moves to Step 3.

- Step 3 -- 30-day reconsideration period: The LAFCo Law permits anyone within Sacramento County to request that LAFCo reconsider its approval of an application within 30 days after that approval. The requirements for reconsideration are strict and the Commission decides whether to grant reconsideration. A request for reconsideration rarely succeeds because of the high standard for granting them and the substantial record usually developed to support the application and approval.
- Step 4 -- Conducting Authority Hearings: If an application has less than 100% landowner consent, a “conducting authority” (also called a protest) hearing must be scheduled, also subject to a minimum 21-day advance notice. This hearing provides an opportunity for landowners and registered voters to protest the approval. The result of the hearing depends on the number of protests received and not withdrawn:
 - 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 LAFCo’s approval (with or without conditions) stands;
 - If more than 50% of registered voters or landowners protest, then LAFCo’s decision is overturned and the proposal fails; or
 - If the number of protests by registered voters or landowners is between 25% and 50%, then the proposal goes to an election.

As noted previously, a reorganization or consolidation of agencies is generally subject to an election. But if the conducting authority hearing step is used, it is the mechanism to determine if an election is held, and only if the number of submitted (and not withdrawn) protests is between 25% and 50% of landowners or registered voters. If CWD and SSWD apply for a reorganization, then the conducting authority hearing step for the dissolution can be bypassed if the resolution of application for the dissolving District is approved unanimously by its Board. If LAFCo staff ensures that the 21-day notice for the LAFCo approval hearing is timely given to landowners and registered voters within the affected territory and (1) the notice discloses to the registered voters and landowners that, unless written opposition to the proposal is received before the conclusion of the Commission’s proceedings on the proposal, LAFCo will waive the conducting authority (protest) proceedings; (2) the notice discloses that the new agency may extend or continue any previously authorized charge, fee, assessment, or tax in the affected territory; and (3) no landowners or registered voters within the affected territory file written opposition to the proposal before LAFCo concludes its proceedings on the proposal (which LAFCo Executive Director said he would ensure), then this step also can be eliminated for the annexation portion, thus eliminating the conducting authority step altogether.

- Assuming LAFCo approves CWD’s and SSWD’s application, one of the following occurs:
 - If LAFCo approves the application without conditions, it will record a Certificate of Completion and the consolidation or reorganization will be completed.
 - If LAFCo approves with conditions, CWD and SSWD must satisfy those conditions and then LAFCo will record the Certificate of Completion. CWD and SSWD would have one year to satisfy any conditions imposed by LAFCo.

Group 6 – Post-Consolidation Actions to Implement New Agency (Complete as soon as possible after LAFCo records Certificate of Completion)

- Initial meeting of new agency board – actions to continue or adopt amended or new ordinances, resolutions, and policies, elect board officers and appoint secretary, treasurer, auditor, and legal counsel.
- Roster of Public Agencies filings with the Secretary of State for new agency and CWD and SSWD.
- Complete Group 3 actions as appropriate.
- If the new agency is formed by consolidation, it will have to initiate a Proposition 218 proceeding to impose new water service rates and charges.
 - Formation by reorganization would avoid a Proposition 218 proceeding because the surviving district's rates and charges would remain in effect and extend to the annexed area of the dissolved District.
 - If formed by consolidation, the new agency also would have to conduct a new proceeding under the Mitigation Fee Act to set connection/capacity fees.
- Record notice of transfer of real property interests, if deemed appropriate by management and legal counsel.

Agenda Item: 3

Date: June 8, 2023

Subject: Combination Discussions – Communications Plan Update

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

Recommended Committee Action:

No recommended action. Receive an update on the Communications Plan’s outreach materials and upcoming public outreach efforts/events.

Discussion:

Below are status updates on the Communications Plan outreach items for May and June:

Outreach for Public Information Workshops:

The Public Information Workshops are 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 Workshops are also intended to gather input and provide opportunities to address questions from the public.

Public Information Workshops Scheduled:

- Carmichael Water District: Thursday, June 15, 2023, at 6:30 p.m.
- Sacramento Suburban Water District: Wednesday, June 21, 2023, at 6:30 p.m.

Completed/Scheduled Outreach Activities:

- May 11: Press release distributed to media outlets with early deadlines
- May 17: CWD postcard received in mailboxes
- May 18: Letter to HOAs/Neighborhood Associations into the mail
- May 18: Story posted in the Carmichael Times: <https://www.carmichaeltimes.com/back-issues/currentissue.php>
- May 22: Outreach to elected officials and other influencers on the stakeholder list
- May 24: SSWD postcard received in mailboxes
- May 30: LAFCo Special District’s Advisory Committee meeting. SSWD GM York conducted a verbal presentation on the overview and current status of the CWD and SSWD Combination Discussions.

June Outreach Activities:

- Continued outreach to stakeholder list to offer presentations and request their assistance with sharing information about the workshops
- Workshop preparation: Materials (approved fact sheets) in final review by 2x2 Committee
- Continued outreach via existing CWD and SSWD communication channels, including websites, bill inserts, bill messages, etc.
- News media outreach (press release) resend week of June 5

Combination Discussions – Communications Plan Update

June 8, 2023

Page 2 of 2

- Digital Advertising (Facebook and news/weather sites via the Google Display Network) in June
- Social media monitoring (ongoing) and outreach beginning late May through workshop dates
- June 9: 1/4 page print ad in Carmichael Times and 1/2 page print ad in Arden Carmichael Newspaper
- June 13, 10:00 a.m.: SSWD scheduled presentation to the Women's Group, at the St. Mark's United Methodist Church in Sacramento)
- June 16: 1/4 page print ad in Carmichael Times

Attachments:

- Attachment 1: Overview: About the Combination Study and Process
- Attachment 2: Fact Sheet: Study: A Business Case for a Potential Combination
- Attachment 3: Advertisement for the Carmichael Times and Arden-Carmichael News
- Attachment 4: Advertisement for Facebook
- Attachment 5: FAQs: Special Topics (Fluoride and Discussions with DPMWD)



OVERVIEW

About The Combination Study and Process

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.

YOU'RE INVITED!

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.

Carmichael Water District Board Room
7837 Fair Oaks Blvd., Carmichael, CA 95608
Thursday, June 15, 2023, at 6:30 p.m.

Sacramento Suburban Water District
3701 Marconi Ave. Sacramento, CA 95821
Wednesday, June 21, 2023 at 6:30 p.m.

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 an initial study on the "Business Case for a Potential Combination" (the study).



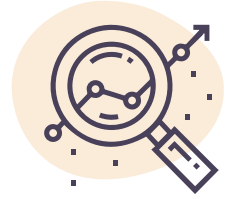
Content

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 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 Boards of Directors have accepted the study and 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 and SSWD website at sswd.org.



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 and SSWD website at sswd.org and articles have been included in SSWD bill inserts and newsletter.

When was the draft study released?

A final version of the initial study was accepted on February 27, 2023, and is available for review on the CWD website at carmichaelwd.org and SSWD website at 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 Boards 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 and sswd.org). Customers are also invited to attend public meetings discussing combination opportunities. Complete details on how to attend are available at carmichaelwd.org and sswd.org.

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

CWD and SSWD are taking care to undergo a deliberative, public process to explore combination opportunities. 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 Boards of Directors have accepted the initial study and 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.





FACTSHEET

Study: A Business Case for a Potential Combination

OVERVIEW

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.



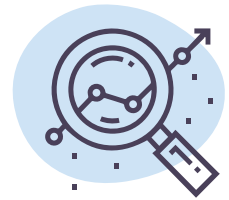
“SSWD itself is a product of combination, having been created through the merging of the Arcade Water District and the Northridge Water District. Over time, SSWD has come to recognize that effort as a successful one that allowed for better cost control and more reliable service. CWD has recognized the 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.”

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.



KEY FINDINGS

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



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.

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.

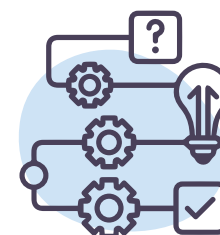
Potential Advantages to Combination

- **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 will create more opportunities for staff increasing staff retention and attracting a wider base of potential candidates.



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 and could even invite some challenges to current arrangements.



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.





Public Information Workshops on Combination Study

Please join us for a special workshop exploring a study on a potential combination of Sacramento Suburban Water District and Carmichael Water District.

Visit carmichaelwd.org or sswd.org to find out how to attend.

THURSDAY, JUNE 15TH
6:30 P.M. →

CWD Boardroom
7837 Fair Oaks Blvd.
Carmichael, CA 95608



WEDNESDAY, JUNE 21ST
6:30 P.M. →

SSWD Boardroom
3701 Marconi Ave.
Sacramento, CA 95821





Sacramento Suburban Water District

Attachment 4



Sponsored ·

Please join us on June 15th or 21st for a special workshop exploring a study on a potential combination of Sacramento Suburban Water District and Carmichael Water District. Visit carmichaelwd.org or sswd.org to find out how to attend.



Public Information Workshops on Combination Study

**THURSDAY, JUNE 15TH
AND WEDNESDAY, JUNE 21ST
6:30 P.M.**

SSWD.ORG

Please Join Us at the June Workshops

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**CWD-SSWD Combination Study
Frequently Asked Questions on Special Topics
DRAFT—June 1, 2023**

FLUORIDE

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

There is no mandate that Carmichael Water District customers would receive fluoridated water should the two districts combine.

- Fluoride is a naturally occurring element found in most water supplies. Water fluoridation involves increasing the natural fluoride concentration found in drinking water to the optimal level that provides the most benefit for dental health, as prescribed by the U.S. Centers for Disease Control and Prevention. In addition, community water fluoridation is supported by the American Dental Association, American Academy of Pediatrics, U.S. Public Health Service, and the World Health Organization.

Sacramento Suburban Water District fluoridates water in the South Service Area only.

- Since 2007, Sacramento Suburban Water District (SSWD) has served fluoridated drinking water to the South Service Area that resulted from a grant received from the First 5 Commission. In addition, SSWD has a wholesale water agreement with the City of Sacramento, which fluoridates its water in accordance with California State Water Resources Control Board, Division of Drinking Water standards.
- SSWD has four separate service areas. The South Service Area is the only service area that receives fluoridated water.
- The agreement with the First 5 Commission to provide fluoridated drinking water to SSWD's South Service Area will remain in place at least until 2027.

Carmichael Water District is under no mandate to fluoridate its water and does not add fluoride to its water supplies.

DISCUSSIONS WITH DPM

Question: Is SSWD combining with Del Paso Manor Water District?

Discussions about combination with Del Paso Manor Water District (DPMWD) are on hold while they undergo a Proposition 218 rate increase process.

SSWD believes in the value that comes from partnering with other local water providers.

- Partnerships can take many forms. For example, SSWD has 48 interties with neighboring water providers that allow us to transfer water in emergency situations or to recharge our groundwater aquifer with surface water provided by a neighbor.
- Sometimes partnerships can be enhanced through a longer-term arrangement like combination.
- Del Paso Manor Water District (DPMWD) is a neighboring water provider. Almost all of their service area is surrounded by SSWD's service area.
- Down the road, it may make sense to continue discussions that explore whether combination would provide mutual benefits for both districts.

Agenda Item: 4

Date: June 8, 2023

Subject: Carmichael Water District and Sacramento Suburban Water District Board of Directors Interviews

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

Recommended Committee Action:

Receive an overview on interviews conducted by the facilitating consultant with Carmichael Water District and Sacramento Suburban Water District Board of Directors.

Discussion:

One of the tasks for the facilitating consultant was to conduct an interview with each Director of Carmichael Water District (CWD) and Suburban Water District Board (SSWD), with focus on expectations for process and outcomes, visions of success, what is going well and/or what is not going well, impediments to process and outcomes. The subject interviews have been completed. The facilitating consultant will provide the feedback from the Directors in the attached PowerPoint.

Attachment:

1. PowerPoint Presentation

Board Directors Interview Summary for Combination Process / Outcomes

June 8, 2023



Agenda

- In Conversation with the Board Directors: Executive Facilitators
- Overview of Board Directors' Interview Process
- Expectations for Process and Outcomes
- Visions of Success
- What is Going Well
- Impediments to Process and Outcomes
- How the Executive Facilitators Can Provide Value-Added
- Recommended Actions

In Conversation with the Board Directors: Ellen Cross and Jennifer Persike, Executive Facilitators

Ellen Cross, Strategy Driver, Inc.



- 33 years of water industry experience
- Founder of Strategy Driver, Inc.
- Consolidated dozens of Private Water Engineering and Planning Firms
- Strategic Visioning and Planning for Water Agencies throughout the West

Jennifer Persike, JP & Company



- 39 years of experience in water and energy industries
- Founder of Jennifer Persike & Co.
- Provided strategic counsel, planning, and visioning for water, JPAs, and non-profits.
- Recognized national leader and strategist in external affairs

Overview of Board Directors' Interview Process

- The Executive Facilitators interviewed all 10 Board Directors:
 - **SSWD:** Jay Boatwright, David Jones, Craig Locke, Kevin Thomas, Robert Wichert
 - **CWD:** Ron Davis, David Emmerson, Ron Greenwood, Jeff Nelson, Paul Selsky
- Each interview endured 30 to 60 minutes
- Recommendations based on discussion as articulated by the
 - Board Directors
 - Executive Facilitators

Expectations for Process and Outcomes (1 of 2)

- **Complete the Investigative Process**
 - If moves forward, move into implementation and integration
 - If does not move forward, end it amicably
 - Create off ramps
 - Efficiently and effectively
 - No drama
 - What more data do we need before we vote?
- **Gather Relevant Information to Answer Questions and Inform Decision Making**
 - Is this a “Reorganization or Consolidation?”
 - Get in the weeds to identify and discuss issues with no surprises
 - Anticipate and address opportunities and challenges
- **Prioritize Rate Payers and Public Input**
 - As former nay sayer of the process and an advocate of the constituents I serve, the public's comments and input are a top priority
 - Encourage active listening and strong input from the public

Expectations for Process and Outcomes (2 of 2)

- **Be a Leader in Demonstrating “Consolidations” work**
 - We have not seen failures
 - SSWD’s proved positive in long run and maybe strongest agency in region
 - There may be bumps in short-term but long-term benefits outweigh
 - Consolidating small agencies is intuitive and has lots of benefits and the devil is in the details
 - Conduct Transparent and Objective Process
 - Boards Review all communications
- **Retain Staff and Promote Engagement in Process is Paramount**
 - Staff mobility for growth of larger agency opportunities
 - Create opportunities for transparent input
 - Identify issues early and address
 - Create enthusiasm around the possibilities of a shared District that benefits everyone
- **Create Win-Win for Both Districts and their Constituents**
 - Representation of the constituents is important
 - Leverage our combined assets for reliability and sustainability
 - Be a size that most efficiently uses our inhouse resources

Visions of Success (1 of 2)

- **Staff**
 - Mobility for advancement, effectiveness and efficiencies of a larger organization
 - Inclusive in process with input and concerns addressed
 - What are the communication channels and frequency
- **Win-Win**
 - Create a “Combination” that makes sense to both Districts
 - Unanimous vote: If it is a 6 out of 10 vote it is **not** successful
- **Transparent Communication:**
 - Keep it open, honest and inclusive to all Directors
 - Surface hidden agendas and hesitations early
- **Process**
 - Keep it open, smooth, efficient
- **Implement joint goals and priority projects as soon as practical**

Visions of Success (2 of 2)

- **Governance**
 - Prefer a County Water District over an Irrigation District and definitely not a Community Services District
 - Dissolve both Districts, create one new District; new name and brand it around “cheaper and better”
 - Dissolve CWD
- **Reliable Water with surface and groundwater options for sustainability**
- **Identify benefits and challenges**
 - Stop fluoridation
- **No additional capital improvements due to combined assets**

What is Currently Going Well (1 of 2)

- **GMs Commitment to Process**
 - Added workload
 - Cooperation and communication is great with daylighting pros/cons
 - Elevated the process
 - Enthused by their advocacy
- **The Joint Board**
 - Working well together in cooperation
 - Voted unanimously to continue process
 - Best Board meetings we have ever had with substantive conversation
 - Elevated discussions
 - No egos or pride in positions
 - Fully engaged
- **The 2X2**
 - Daylighting concerns and questions
 - Open / Transparent
 - Going beyond talking about process and discussing issues

What is Currently Going Well (2 of 2)

- **Early discussions with important stakeholders**
 - LAFCo/County Supervisors
- **Surfacing Relevant Challenges**
 - No fatal flaws
 - Building momentum
- **There is excitement about this process that could lead to positive outcomes including cost savings, better utilization of resources and ability to adapt to climate**

Impediments to Process and Outcomes? (1 of 3)

- **Public**
 - Acceptance fundamental
 - Need to answer their questions/concerns
 - Allowing vocal minority dominate the process
 - Educating on key issues
 - Will not be able to make everyone happy
- **Staff Acceptance / Retention**
 - Trepidation about cultures and negative inter-staff discussions/messaging
 - We will not be able to make everyone happy
 - Build confidence in benefits
 - Address resistance/concerns/fears
 - Promote buy in to ensure retention
 - Develop Joint Organization Chart
 - Educate
- **Ratepayers & Structure**
 - Can assimilate over time
 - Creating understanding on benefit
 - Ratepayers intervene process
- **Timing**
 - Not moving fast enough
 - Moving too fast without addressing issues – take time to explore all scenarios
 - Need less time between Board meetings
 - Finding meeting times that work for everyone
 - SSWD Strategic Plan Update
 - Make meaningful progress
 - Consistency of Directors due to elections
 - Identify what data do we need to make the decision?
 - Longer it goes the more money and momentum declines
 - How soon can we vote?

Impediments to Process and Outcomes? (2 of 3)

- **Decision Making**
 - Reluctance to move forward
 - Identifying unknowns and what Directors' need to make decision
 - Silent Directors who aren't sharing concerns
 - Move towards both Boards for continued discussions as 2X2 has no decision-making authority
- **Organizational Culture and Policies**
 - CWD not operated as efficiently
 - SSWD doesn't have Nepotism policy
- **Union**
 - How and when do we address?
 - Unions only needed if management fails
 - Union option could be deal-breaker
- **LAFCo Acceptance**

Impediments to Process and Outcomes? (3 of 3)

- **Governance**
 - Directors / Staff may lose their jobs
 - One Director offered to step down
- **SSWD Fluoridation Commitment**
 - Do not want to continue service?
- **CWD's Issues**
 - Aerojet contaminated plume
 - Post-1914 Water Rights
- **Communication**
 - Managing misinformation/rumors

How Can Executive Facilitators Provide Value? (1 of 2)

- **Understand the Issues**
 - Identify issues we may not see as external observers
 - Move issues forward to address challenges
 - Provide insights
 - Ask tough questions
 - Make us listen to you
 - Don't hide the negative
 - Provide guidance and solutions
 - Critique us
- **Excited Facilitators are onboarded to assist with GMs/2X2/Boards with process**
 - Call on all Directors to share their concerns
 - Make sure meetings are scheduled with attorneys, Directors and Facilitators available
 - Keeping us on same page
 - Recognize we are more unified than not
- **Excited Facilitators are onboarded to assist with GMs/2X2/Boards with process (con't)**
 - One on One Interviews
 - Attend 2X2s
 - Encourage candid discussions
- **Facilitate to reach outcomes**
 - Achieve unanimous vote on next steps (irrespective of outcome)
 - Be neutral
 - Build Consensus
 - Public Meetings
- **Keep process on track**
 - Keep us on track to see beyond today and into the future
 - Keep us at pace – not too fast / not too slow

How Can Executive Facilitators Provide Value? (2 of 2)

- **Public**
 - Lead communications in educating the Public on the benefits/challenges
 - Assist with ratepayers who will own this outcome
 - Ask questions and don't provide answers/solutions and provide collective Boards' response back (Workshops)
- **Create joint vision and strategy plan**
- **Address key barriers to process and outcomes**
 - Draw out concerns from staff
- **Provide Creativity and Objectivity**
- **Communicate**
 - Long term benefits outweigh short term obstacles
 - Provide strategic communications with content
 - Maintain good lines of communication
 - Make sure Board is informed of external communication
- **Assist with Phase 2 Report Preparation**
- **Keep information relevant to inform decision making**
- **Listen to Rate Payers and develop joint Board responses**

Recommendations (1 of 2)

- **Research California water mergers and their success rates and where issues occurred so SSWD/CWD Combination can learn and anticipate possible opportunities and challenges (e.g. Castaic Lake)**
- **Include more stakeholders earlier in process**
 - County Supervisors (need to inform them more often for public alignment)
 - Districts' Leadership (the Leaders who will have to integrate and implement)
- **Assist GMs and 2X2 on anything to move process forward**
- **Consider earlier vote on “Combination” and start working on integration plan – the devil is in the details**
 - What data and assurances do we need to move forward?

Recommendations (2 of 2)

- **Stronger communication to public and rate payers**
 - Listening sessions
- **Create Staff forums and engage leaders to identify and address staff concerns**
 - Anonymous Q&A
- **Create a Strategic Envisioned Future with Joint Goals prioritizing projects and programs for early initiation to foster relationships and demonstrated success**
 - Workshop on perceived positive and limiting culture and envisioned future to create combined motivating culture that reflects the shared vision.
 - Joint Barbeque
- **Nail down decision-making process and roles/responsibilities of 2X2; Joint Boards; and Executive Teams and provide milestones for decisions on key issues**
 - Key Milestone Schedule and Decision-Making (e.g., Type of Agency, Governance)

Questions / Comments

Thank You!

carmichaelwd.org and sswd.org



Agenda Item: 5

Date: June 8, 2023

Subject: Rate Comparison Analysis Update

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

Recommended Committee Action:

No recommended action. Receive updated rate analysis information and direct staff as appropriate.

Discussion:

At the May 4, 2023, CWD/SSWD 2X2 Committee Meeting, the Committee asked staff for additional information on comparison of CWD and SSWD rates. Specifically, the Committee asked to see the comparison of ¾” and 1” meter billings with various usages. Staff have calculated billings for both ¾” and 1” meters utilizing 10 ccf and 20 ccf usage amounts. The table below shows the comparison for both CWD and SSWD. Staff also calculated the average monthly billing for residential and non-residential in total and per account. The average is based on 11,633 accounts for CWD; 11,053 residential, 580 non-residential. and 45,322 accounts for SSWD; 42,496 residential, 2,826 non-residential.

Residential Billing, ¾" and 1" meters:

	<u>CWD</u>		<u>SSWD</u>	
	<u>Dollars</u>	<u>Units</u>	<u>Dollars</u>	<u>Units</u>
<u>¾" Meter</u>	\$ 55.65	10 ccf	\$ 58.79	10 ccf
	76.25	20 ccf	70.09	20 ccf
<u>1" Meter</u>	75.50	10 ccf	86.14	10 ccf
	96.10	20 ccf	97.44	20 ccf

Average Billing per month, by customer type:

	<u>Residential</u>		<u>Non-Residential</u>	
	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>
<u>CWD</u>	\$ 954,364	83%	\$ 199,487	17%
<u>(average bill)</u>	86.34		343.94	
<u>SSWD</u>	3,246,459	77%	959,022	23%
<u>(average bill)</u>	76.39		339.36	

The above information has been placed within the CWD SSWD Draft Outline Report.

As a reminder, CWD’s main revenue structure is based on a 1” meter, whereas, SSWD’s main revenue structure is based on a ¾” meter.

Agenda Item: 6

Date: June 8, 2023

Subject: Setting Future Meetings of the 2x2 Committee

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

Recommended Committee Action:

No recommended action. Receive an update on current status of future meetings of the 2x2 Committee.

Discussion:

To maintain efficiencies/progress in the Combination Discussions between Carmichael Water District (CWD) and Sacramento Suburban Water District (SSWD), staff was directed to schedule monthly 2x2 Committee meetings. The following dates have been set for CWD/SSWD 2x2 Committee meetings for the remainder of the 2023 calendar year. Unless otherwise posted, all meetings will be held at 3:00 p.m. in the SSWD Boardroom and available via Zoom for the public.

- July 11, 2023
- August 14, 2023
- September 11, 2023
- October 11, 2023
- December 13, 2023

Note: There may be a point and time in the subject process that the 2x2 Committee meetings will no longer be necessary due to the fact particular items will need to be addressed at a CWD/SSWD Joint Board Meeting.