



CWD-SSWD Combination Discussions

Frequently Asked Questions

Governance and Status

How will CWD and SSWD help ensure CWD residents in a larger combined district have fair representation distribution?

This is addressed in the "Further Analysis of Combining Carmichael Water District and Sacramento Suburban Water District" (Further Analysis Report), which includes a detailed governance plan. The report outlines a carefully planned transition process for the Board of Directors of the combined district that includes third-party oversight by the Sacramento County Registrar of Voters Office and public input. Furthermore, it's important to note that a larger combined organization is anticipated to carry more influence both within the Sacramento region and on regulatory, legislative and funding matters at the state and federal levels, which ultimately provides a larger voice for all customers in a combined district.

What are the distinctions between an Irrigation District (CWD status) and County Water District (SSWD status)?

The differences between an Irrigation District (like CWD) and a County Water District (like SSWD) are explored in the Further Analysis Report. It's worth noting that, despite their distinct designations, the authority granted under their respective enabling acts shares more similarities than disparities. Combining the districts into a new entity does not inherently grant additional powers but may enhance efficiency and streamline operations. Ultimately, the choice of district type (Irrigation or County Water) depends on the specific needs and characteristics of the community served.

Water Supplies and Reliability

How would Combination affect water supply reliability for CWD and SSWD?

The Further Analysis Report finds that combining SSWD's groundwater resources and surface water entitlements with CWD's surface water rights can lead to improved water supply reliability, especially during droughts by providing a more diverse water portfolio.

Currently, both districts have been able to meet demands, even in the face of extreme droughts, with CWD possessing long-standing surface water rights and six groundwater wells, and SSWD having 71 groundwater wells and access to surface water through contract entitlements with neighboring water providers in years with average or above-average rainfall. However, growing challenges from climate change and evolving regulations are placing increased stress on water supplies. Notably, CWD experienced water rights curtailments in recent years, marking a shift from its historical record.

Combination could provide numerous opportunities for CWD and SSWD to integrate its water asset portfolios to meet both short-term and long-term objectives. CWD and SSWD already have four interties in place, which allow for the transfer of water between the two agencies.

Would combination result in decreased surface water availability for CWD customers?

Combining the two districts would not lead to decreased surface water availability for CWD customers in Carmichael. In fact, they will retain their historical access to surface water while gaining increased access

to groundwater. Putting unused rights to beneficial use helps secure them as the state contemplates reexamining water rights.

Would SSWD gain surface water rights by combining with CWD?

In a combined district, SSWD and CWD customers would share rights and access to surface water and groundwater. This collaborative approach helps to ensure a more sustainable and reliable operation for the combined district, delivering benefits to all served by the new entity.

However, having rights to this water should not be confused with delivery of this water, which is constrained by infrastructure (pumps, pipes, wells and treatment). In other words, CWD customers would still maintain their historical access to surface water (see Q&A above).

How would combination affect SSWD's surface water contract entitlements with the City of Sacramento and PCWA?

Both Boards are optimistic that the place of use could be expanded to include the combined district if there is consensus to do so. The state has adopted many policies that support the concept of combining water systems.

Water Rates

How would combination impact rates?

The Further Analysis Report finds that both districts have similar rate structures and financial standings. Although there might be initial start-up costs related to the combination, these expenses are anticipated to be offset by future savings achieved through reduced administrative costs and improved economies of scale. These cost savings can be passed on to customers in the form of rate stability.

Furthermore, water agencies across the state are grappling with rising costs due to inflation, evolving regulations, and the impact of climate change on water supply reliability. However, a combined organization, with its expanded water resources portfolio, broader customer base, and enhanced efficiency, is poised to offer greater rate and financial stability. This is expected to result in lower rate increases over time compared to what would be anticipated if the districts remained separate.

Water Quality and Fluoride

How would a combination of CWD and SSWD impact water quality?

The combination of CWD and SSWD is not expected to impact water quality. CWD customers are expected to continue receiving the same surface water they are accustomed to. The only instance where groundwater would be utilized is during curtailments when having access to groundwater would be advantageous. Both CWD and SSWD share a strong commitment to continuing to deliver a high-quality and dependable water supply to their customers. The drinking water provided to customers consistently meets and/or exceeds State and Federal Drinking Water Standards. Combination would not compromise this commitment to water quality and safety.

Would CWD customers receive fluoridated water?

There is no mandate requiring CWD customers to receive fluoridated water should the district combine with SSWD. Fluoride is a naturally occurring element found in most water supplies. Water fluoridation adjusts the natural fluoride concentration in drinking water to the optimal level for dental health, as per U.S. Centers for Disease Control and Prevention guidelines.

Currently, SSWD fluoridates water in its South Service Area with funding from the First Five Commission, set to expire in 2027. After the agreement ends, a combined district, or SSWD, isn't obligated to continue fluoridation unless they choose to cover costs, receive state-mandated funding, or have an outside funding source.

CWD is under no mandate to fluoridate its water and does not add fluoride to its water supplies.

Liability for Debt, Infrastructure and Contamination**How would the handling of debt work in the event of a combination between the two water districts, and would either provider be responsible for the other's debt?**

The Local Agency Formation Commission (LAFCo) mandates that the debt of each agency remains the responsibility of the respective legacy portion of the district, ensuring that the debt does not become a liability of the general combined agency. While operational and maintenance costs are consolidated, rate management keeps rates separate for each service area until all outstanding debt has been retired. This approach allows for the orderly management of financial obligations and avoids one service area bearing the financial burden of capital programs in another area.

Both water districts would continue their debt repayment processes as before. In the future, the new board could choose to combine debts to potentially secure a lower interest rate. Both districts hold a AA+ credit rating, and a larger rate base resulting from the combination could be viewed more favorably by rating agencies, potentially leading to reduced rates for customers and a more competitive position for both loans and grants.

Will one water district's customers be responsible for covering the costs of addressing the other district's infrastructure issues?

Both districts share similarities in the condition of their infrastructure and financial standing. It's important to note that LAFCo plays a key role in ensuring that one district's debt is not transferred to or imposed on other areas.

Regarding the former McClellan Air Force Base and Aerojet General Corporation Superfund sites, what are the risks to the groundwater supply and the associated liabilities?

The U.S. Environmental Protection Agency, in collaboration with state and local environmental regulatory authorities, is overseeing the remediation efforts at both sites. These measures aim to thoroughly and safely clean the soil and groundwater, effectively mitigating any associated risks. It is important to note that the water districts and their customers bear no liability or responsibility for these remediation activities, as they are being directed and managed by the appropriate environmental agencies. Customers can be assured that their water supply remains safe and unaffected by these efforts.

Employees and Contracts

How would the combination affect current employees, particularly CWD's unionized employees?

There are no plans to reduce the workforce. In fact, the merged agency would open new opportunities for employees, allowing them to specialize and advance their careers. Furthermore, the combination could make the district an even more appealing workplace for prospective employees and potentially enhance the retention of skilled and experienced staff.

CWD has some employees represented by the American Federation of State, County, and Municipal Employees (AFSCME), and their continued representation would depend on a majority affirmative vote by all employees of the combined district.

Regardless, CWD and any potential successor agency would fully comply with all state regulations regarding union staffing. The combination offers the benefit of expanded career growth prospects and potential economies of scale in investing in employee compensation and benefits within a larger organization, making it a positive step for employees.

Alternatives to Combination

Why not consider alternatives like joint projects through a Memorandum of Understanding (MOU) or Joint Power Authority (JPA) instead of a full combination?

Other possible avenues for collaboration were explored in the 2018 Sacramento Regional Water Utility Collaboration Study. However, after assessing the outcomes of this study, both the CWD and SSWD Boards decided to direct their staff to pursue a deeper level of integration for more expansive benefits to both agencies. This approach was chosen as it was deemed to provide more comprehensive and effective solutions for enhancing water service provisions, operational efficiencies, and cost savings for the benefit of customers and employees in the long run.

What could be the implications of not pursuing the combination?

CWD and SSWD are taking proactive steps to address potential issues and challenges that could arise if no action is taken. Here are some of the opportunities lost and implications from maintaining the status quo:

- **Water Reliability:** Climate change is projected to have severe impacts on the Sacramento region's water system. Having a larger district with a more diverse portfolio of both surface water and groundwater helps to secure a reliable water future for our communities.
- **Escalating Costs:** Larger districts are better positioned to invest in water reliability projects and absorb rising administrative expenses, including healthcare, compensation, and retirement benefits.
- **Rate Increases:** Larger districts are better able to compete for external funding sources, such as grants, State Revolving Funds, and federal WIFIA funds. These funding avenues help mitigate the need for customer rate increases to fund vital initiatives like system repairs, rehabilitation, drought planning, conservation efforts, and other critical programs.
- **Water Rights and Regulatory Challenges:** Smaller districts face mounting challenges in managing water rights and adapting to emerging regulatory requirements.
- **Resource Strain:** As technical demands grow, the pressure on employee resources becomes increasingly challenging to manage.

- **Diminished Influence:** Smaller districts may find themselves disempowered when representing their constituents, impacting their ability to make prudent and economical investments in our shared future.
- **Regional Competitiveness:** Other combinations within the region could proceed, necessitating a return to this issue in the future, incurring additional time and expenditure.
- **Water Quality and Customer Service:** The initiative also plays a role in securing the delivery of high-quality water and service for customers, which is essential to safeguarding public health and being responsive to our ratepayers.

Due Diligence and Analysis

What have CWD and SSWD done to ensure an in-depth analysis of scenarios, opportunities, and potential risks in combination?

To ensure an in-depth analysis of potential risks and opportunities in combining the water districts, the process began in late 2018 with the Sacramento Regional Water Utility Collaboration Study, where multiple agencies, including SSWD and CWD, collaborated to identify operational and financial efficiencies. The study was completed and accepted in 2021, leading to continued collaboration efforts.

In July 2021, CWD and SSWD established a committee to explore maximizing water supply reliability and cost savings through a potential combination. They hired an independent consulting firm to conduct a Combination Study Business Case Analysis, examining industry trends, customer service, staffing, finances, and more. The analysis found no compelling deterrents. The Further Analysis Report was developed with a focus on transparency and addressing any unknowns.

How are you simplifying the complexities of the combination for the public?

Recognizing the technical nature of the data involved, both CWD and SSWD are committed to making this information as universally understandable as possible. They aim to strike a balance, ensuring that while simplifying the content for broader comprehension, they do not sacrifice the level of detail sought by customers, staff, LAFCo and Board Directors for informed decision making. This approach is designed to empower the public with the knowledge they need to engage meaningfully with the complex processes associated with this potential combination.

Past Experience

How is SSWD's past consolidation experience informing your current approach?

Drawing from the lessons of the 2002 consolidation process involving the former Arcade and Northridge Water Districts, the Further Analysis Report highlights key areas that warrant more thorough analysis and attention. Our intention is to delve deeper into these areas as part of the ongoing discussions regarding this potential combination for informed decision making. By learning from past experiences, we aim to make well-informed decisions, helping to ensure that the challenges and concerns faced during previous consolidations are addressed more effectively this time around.

Decision-Making and Timeline

Who holds the authority to make the final decision on the combination, and will there be a community vote?

The ultimate decision on whether the districts combine hinges on the process. The requirement for a public election depends on whether the districts choose to pursue consolidation or reorganization.

Irrespective of whether a public vote is necessary, our commitment is to actively engage with the community, giving residents a voice in the process. We are dedicated to a comprehensive public engagement process, helping to ensure that all customer concerns and feedback are heard and addressed during this significant decision-making process.

How long will discussions continue and what is the timeline for future steps?

The current expectation is that discussions will persist into early 2024. For specific milestones and updates, you can refer to each district's website.

Additional Combination Discussions

Are there plans to combine with Del Paso Manor Water District (DPMWD)?

DPMWD is a neighboring water provider, with the majority of its service area surrounded by SSWD's service area. The DPMWD Board of Directors made the decision to discontinue combination discussions with SSWD. While it's possible that talks about a combination with DPMWD might be revisited in the future, the primary focus would be on assessing whether such a partnership would be mutually advantageous for both districts. If a combination with CWD moves forward and DPMWD expresses interest in joining the combined district, that decision would ultimately rest with the combined Board.