

# Chapter 6 - Potential Model Reorganized District

---

## **CUSTOMER STATISTICS AND DEMOGRAPHIC PROFILE**

The purpose of this chapter is to define the existing customer statistics and demographic profile of the individual agencies, and then to provide a summary of the customer statistics and demographic profile of a consolidated agency.

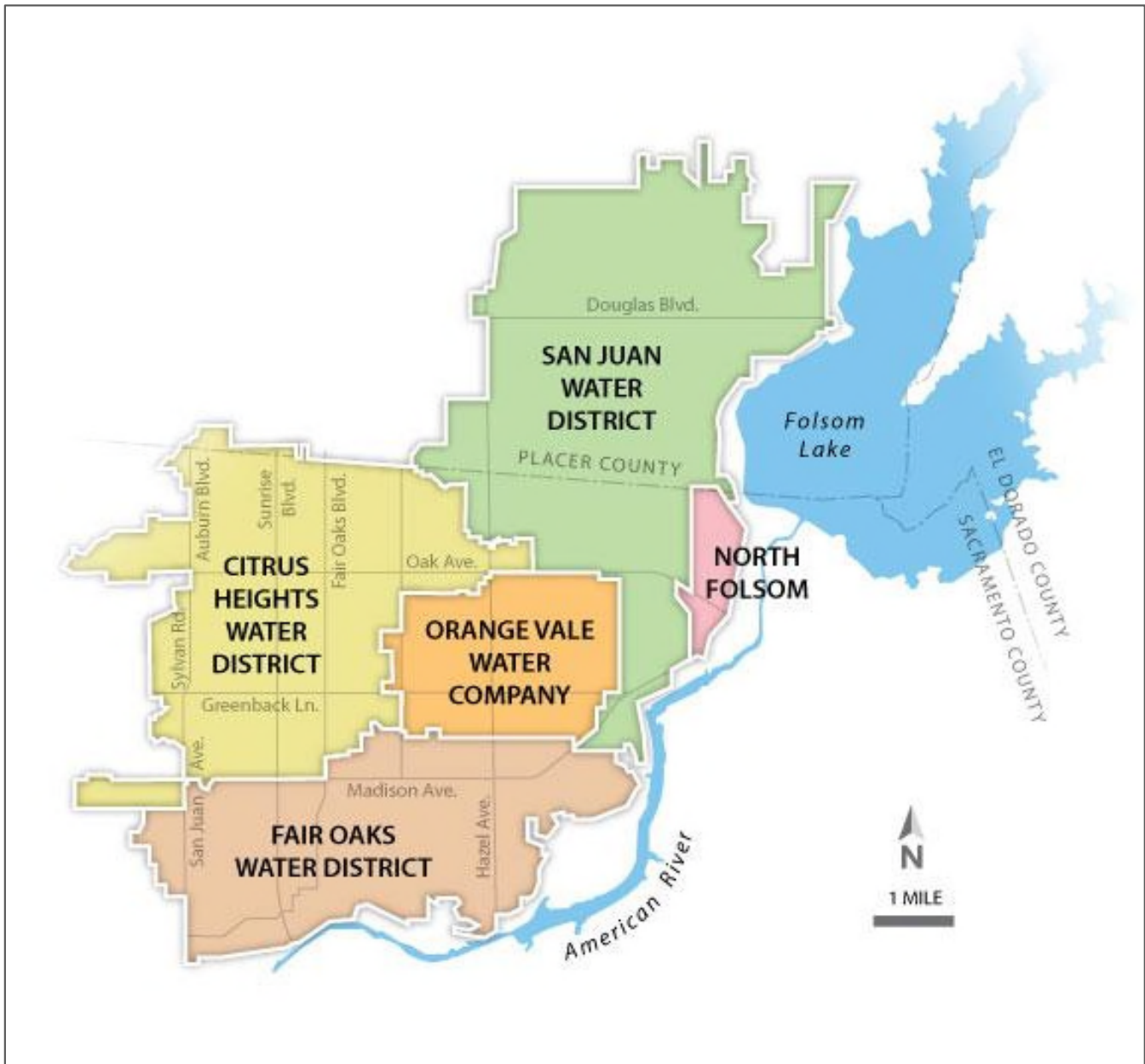
### San Juan Water District - Wholesale

SJWD-W currently diverts water from Folsom Lake, treats it to meet drinking water standards and delivers it to wholesale customers for their distribution to retail customers. SJWD provides wholesale water to SJWD-R, CHWD, FOWD, OVWC and the city of Folsom north of the American River. These customers are known as Wholesale Customer Agencies (WCAs.) In addition, when SSWD has access to surface water, SJWD-W treats water for SSWD, to the extent excess treatment capacity exists.

SJWD-W includes portions of the cities of Citrus Heights, Folsom and Roseville, as well as the portions of communities of Fair Oaks, Carmichael, Granite Bay and Orangevale. The density of the parcels served varies from high to very low density.

SJWD-W provides water to agencies serving over 50,000 connections and a population of 159,000, including SJWD-R. When providing treated surface water to SSWD, the number of connections increases to over 95,000 and a population of over 330,000.

## Wholesale Service Area

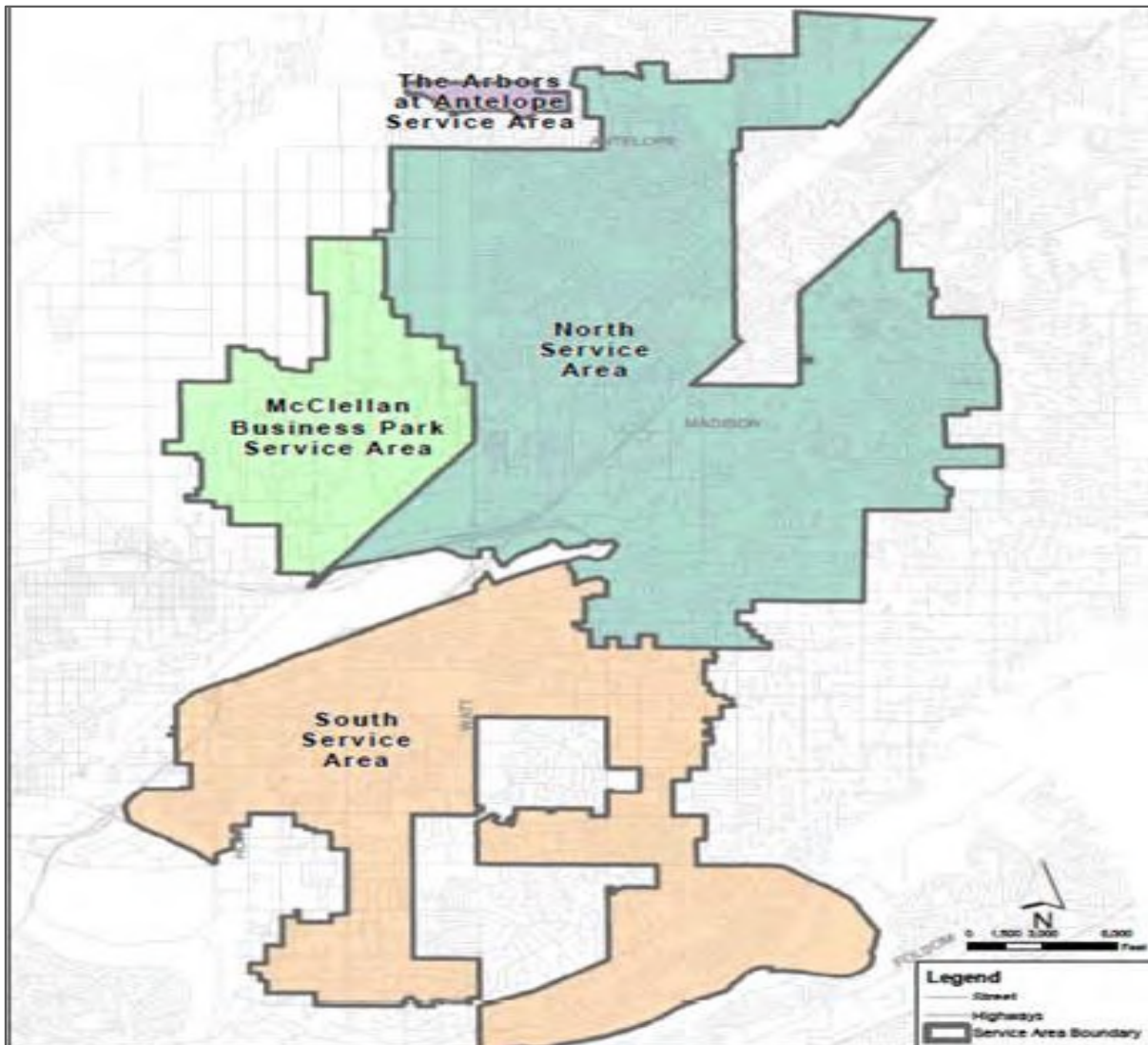


### San Juan Water District – Retail

SJWD-R purchases treated surface water from SJWD-W, similar to all other wholesale customer agencies. SJWD-R does not have access to any groundwater within the SJWD-R boundaries, and as such is currently entirely dependent on surface water from SJWD-W. SJWD-R provides water to 10,500 connections and a population of over 31,000. The service area is approximately 17 square miles. The majority of the parcels are very low density, but there are some areas of medium to higher density.

Sacramento Suburban Water District

SSWD is comprised of four service areas: North Service Area (NSA), South Service Area (SSA), The Arbors at Antelope, and McClellan Business Park. The Arbors at Antelope and McClellan Business Park are separated for reporting purposes but are included in the NSA. The NSA is distinguished from the SSA in that the SSA receives fluoridated water supplies from the City of Sacramento. Particular areas of service include, but are not limited to, portions of Antelope, North Highlands, Citrus Heights, Sacramento, Carmichael, and communities such as Arden-Arcade and Foothill Farms. SSWD provides groundwater, and treated surface water from SJWD-W when available, to their customers in the NSA. SSWD provides groundwater and treated surface water from the City of Sacramento to their customers in the SSA. SSWD has over 46,000 connections and a population of over 173,000. The service area is approximately 36square miles. The majority of the parcels are considered high density.



## Combined District: Population, Connections, Users

### SJWD AND SSWD

	RETAIL	WHOLESALE CUSTOMER AGENCIES					RETAIL	
	SJWD *	CHWD ****	FOLSOM ASHLAND AREA	FOWD ***	OVWC	TOTAL WHOLESALE AGENCIES **	SJWD TOTAL	SSWD TOTAL
Population (1)	31,009	67,333	4,100	38,449	18,154	128,036	160,122	173,012
Connections	10,500	19,591	981	13,737	5,545	39,854	50,354	46,112
Total homes (2)	12,136	25,268	2,165	16,702	7,219	51,354	63,490	74,575
Registered Voters	20,179	31,294	2,672	22,889	9,217	66,072	86,251	79,001
Placer County	14,572							
Sacramento County	5,607							
Annual Operating Budget	\$12.7 M *****						\$12.7 M *****	\$18.0 M
Annual Capital Projects Budget	\$13.4 M *****						\$13.4 M *****	\$19.4M
Full-Time Employees	45						45	62
Miles of Pipeline	214						214	698
Water Treatment Plant	150 MGD						150 MGD	
Wells	-0-						-0-	82

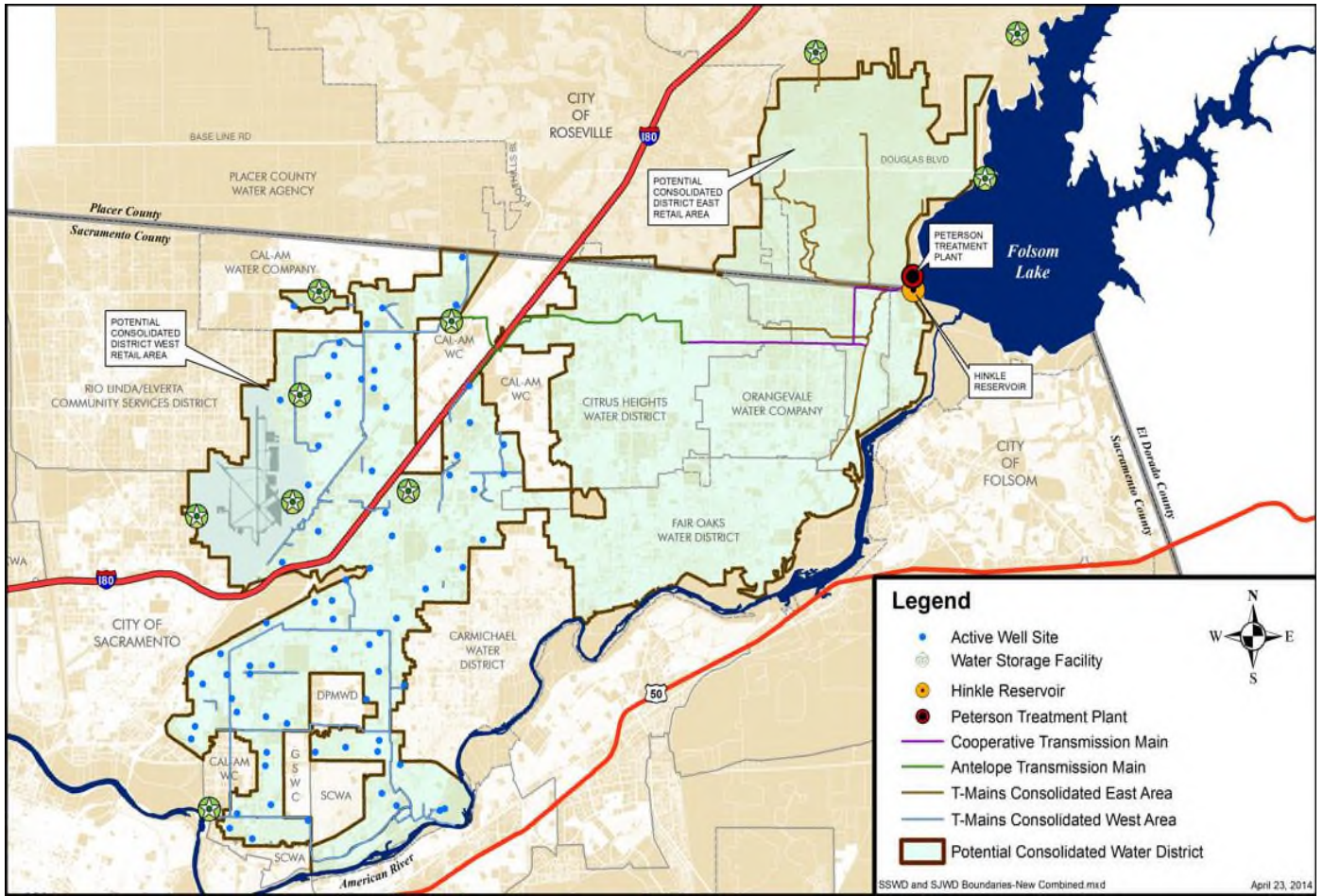
- \* SJWD Retail is also a wholesale customer agency
- \*\* SJWD Retail excluded for presentation purposes
- \*\*\* FOWD confirmed number of connections only
- \*\*\*\* Population and connections per CHWD
- \*\*\*\*\* SJWD – 2014/15 combined budget for wholesale and retail

**SOURCE: SACOG**

(1) Population numbers are from 2010 Census, calculated using blocks for best fit to water agency boundaries. Population density is calculated from this total using the total square miles of each agency.

(2) Housing numbers are from 2010 Census, calculated using blocks for best fit to water agency boundaries. "Homeowners represent those who own the dwelling they occupy, either with a mortgage or free and clear.





## **REORGANIZED DISTRICT BOARD OF DIRECTORS**

Under current law, the number of directors for a CSD is limited to five. They may be elected at-large, by division, or from division elected at-large. SJWD currently has 5 directors, elected at-large. With the larger service area of a merged district, it is expected that the directors may prefer to request approval for a larger Board of Directors.

### **Role of the Boards of Directors during the Interim Period**

In all LAFCo proceedings, there is transition period between when an action is completed and approved by LAFCo and the effective date, set forth in the Resolution Making Determinations. During this transition period, many decisions will need to be made to set the framework for the reorganized SJWD to perform and succeed.

During the transition period it is reasonable for the Boards of Directors of both districts to meet jointly, but act separately and independently to manage the affairs of the reorganized district until officially combined. Separate actions by each Board of Directors, by majority vote, can provide direction to both districts in the interim period.

### **Initial Board of Directors after Reorganization**

Government Code Section 61030 (See Appendix B) allows LAFCo, in approving either a consolidation or reorganization of two or more special districts into a single Community Service District (CSD), to temporarily increase the number of directors of the reorganized district to 7, 9 or 11. These directors will become the governing body of the reorganized district upon its effective date.

If the reorganized District chooses to maintain an increased number of directors, legislation will need to be enacted to allow an increase from 5 up to the selected number of directors. It is recommended that the legislation allow up to 11 directors, as this will allow the new district the opportunity to decide on the exact number best suited to its changing needs.

The process for increasing the number of board members on the reorganized district Board of Directors is:

1. In the Resolutions of Application to LAFCo that SJWD and SSWD adopt, they will jointly request specific terms and conditions that will be applied to the reorganized district upon its effective date. One such condition should be for LAFCo to temporarily set the number of directors at 11 to accommodate both Boards. The eleventh spot could remain unfilled.
2. Either both districts, prior to the effective date of reorganization, or the new district board, request special legislation to amend CSD statute (or provide authorization for SJWD only) to provide up to 11 directors, elected by division.

3. New district begins process to create electoral divisions on the basis of population and communities of interest.
4. Based upon need, create 7, 9, 11 divisions. At next regular election, or special election, incumbents and challengers run for seats for each of the divisions. This may be accomplished in phases, with the divisions being reduced as directors are up for election.

## **Election by Division**

There are a number of identifiable communities’ areas within the prospective reorganized district. The various “communities of interest”/ geographic areas are: Fair Oaks, Carmichael, Orangevale, Folsom, Citrus Heights, Arden-Arcade, North Highlands, Antelope, Granite Bay, other portions of Placer county including city of Roseville. The combined population of this area is roughly 332,000: (SJWD, 159,000; SSWD 173,000). For example, if the reorganized SJSCSD District is comprised of 11 electoral divisions, each director would represent about 30,000 citizens; 9 directors, 37,000 citizens, 7 directors, 48,000 citizens.

The population of communities within the areas served by SJWD and SSWD are:

1. Fair Oaks: 38,449
2. Orangevale/Folsom: 22,254 (Orangevale, 18,154; west Folsom, 4,100)
3. Citrus Heights: 67,333
4. Arden-Arcade/Carmichael 84,548 (excluding Del Paso Manor, Arden Park Vista, Cal Am and Golden State)
5. North Highlands: 42,694
6. Antelope: 45,770
7. Granite Bay/Roseville 31,009 (Granite Bay, 19,325; Roseville, 11,684)

Based upon the 2010 US Census data for the community areas served by the San Juan and Sacramento Suburban Water Districts, it is possible to create 9 initial divisions within a reorganized district that could generally be around specific community areas. For example, the new district organized by division with nine directors could be developed around communities of interest such as:

Fair Oaks	1 Director
Orangevale/Folsom	1 Director
Citrus Heights	2 Directors
Arden-Arcade/Carmichael	2 Directors
North Highlands	1 Director
Antelope	1 Director
<u>Granite Bay/Roseville</u>	<u>1 Director</u>
Total	9 Directors

Under the scenario noted above, none of the divisions would be precisely coincident with community areas as populations vary significantly. Populations need not be exact, but close. The job of the first Board of Directors is to work with staff, Sacramento and Placer County Elections officials and consultants to create divisions representing both communities of interest and substantially similar populations.

# ORGANIZATIONAL STRUCTURE AND CHART

## Organizational Structure

The first two organizational charts depict the current structure in SSWD and SJWD. The third chart illustrates a potential transitional structure for the period between approval by LAFCo and the effective date of the actual reorganization. The fourth chart illustrates a potential final organizational structure. Final organization structure will be the responsibility of the new Board of Directors.

Chart 1: SJWD Current Organizational Chart

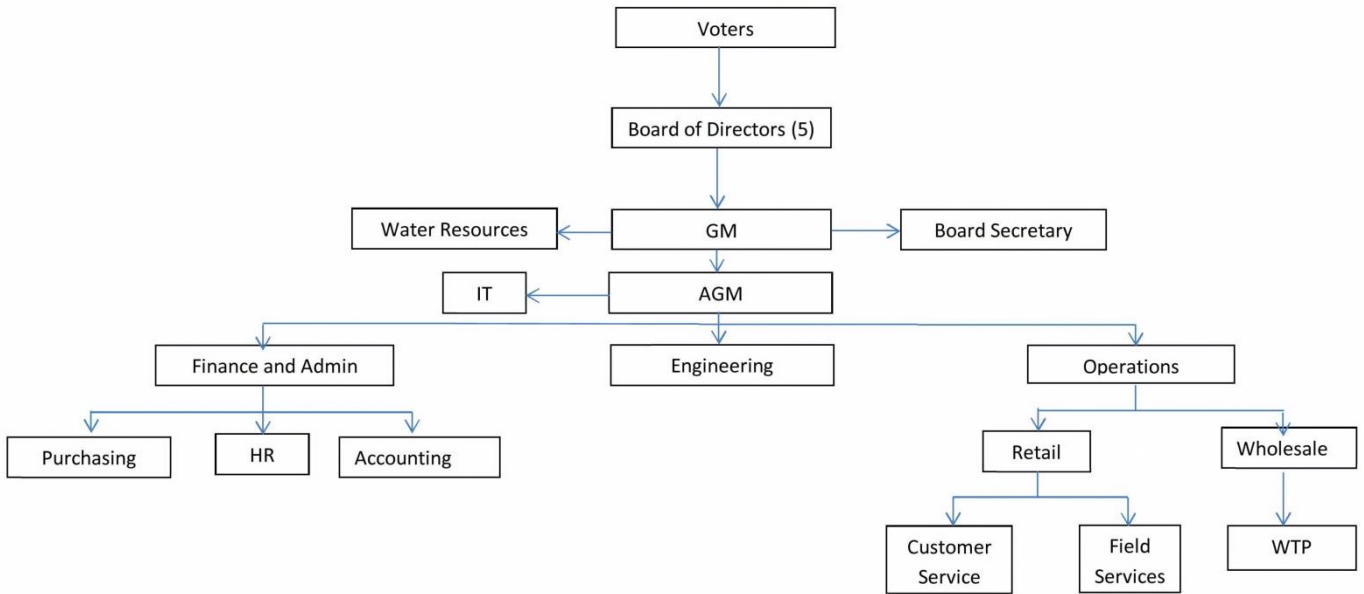
Chart 2: SSWD Current Organizational Chart

Chart 3: Transitional Organizational Chart

Chart 4: Reorganized District Organizational Chart

# San Juan Water District: Current Organizational Chart – Chart 1

**SJWD Current Organization Chart**



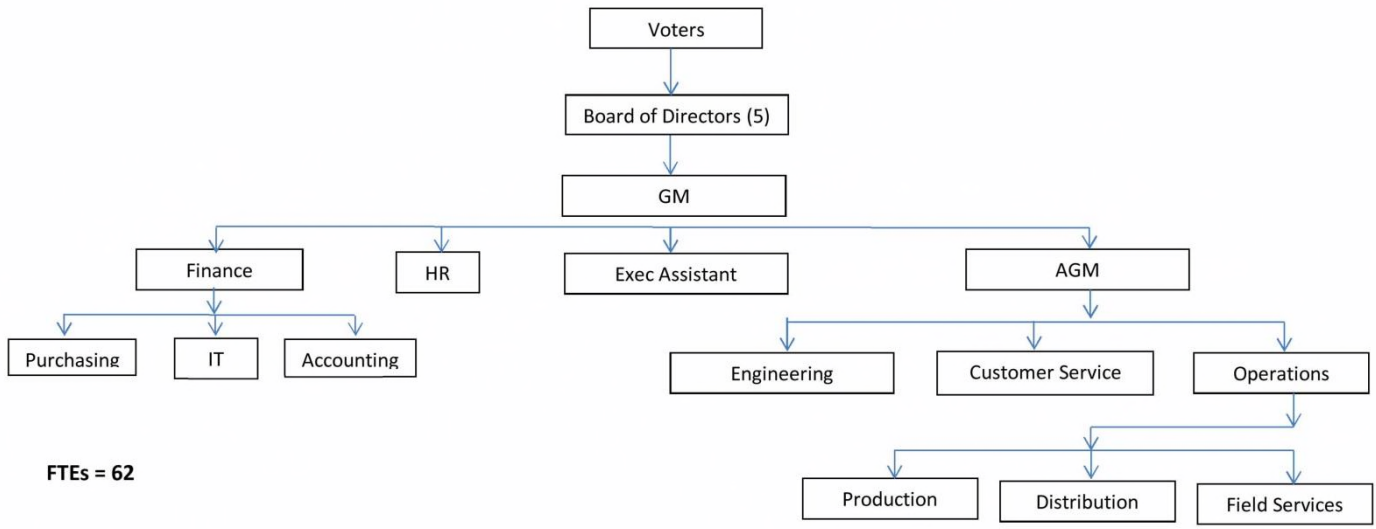
**FTES = 45**

June 25, 2015



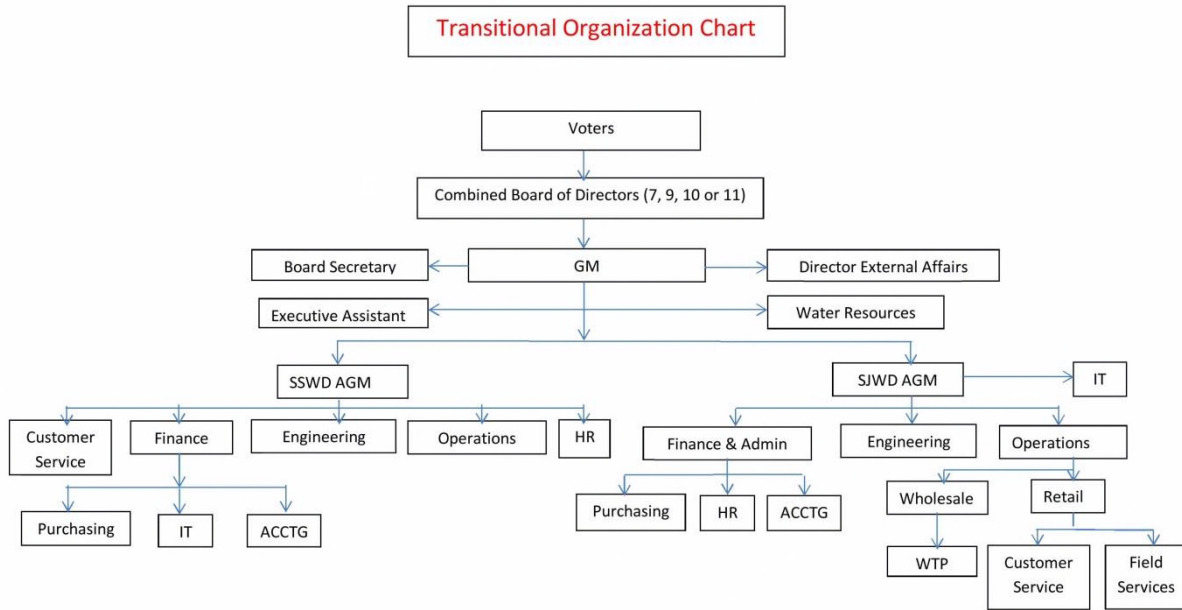
# Sacramento Suburban Water District: Current Organizational Chart – Chart 2

SSWD Current Organization Chart



June 25, 2015

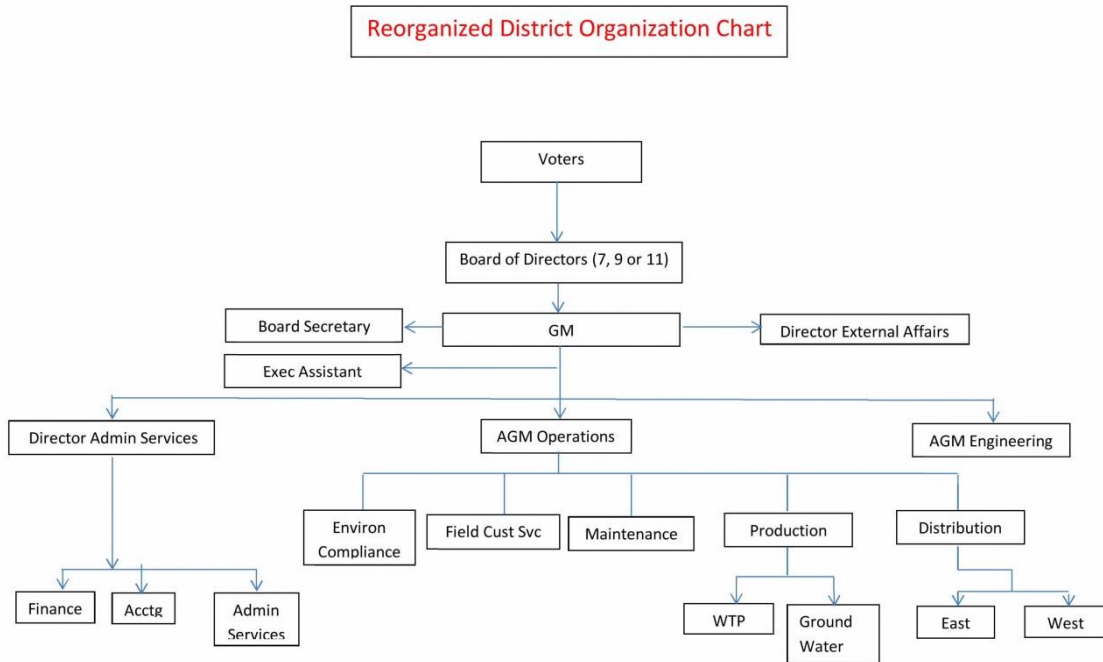
**Transitional Organizational Structure: Reorganized SJCSJ between Approval and Effective Date – Chart 3**



FTEs = 107

June 25, 2015

## Initial Organization Structure: Reorganized SJCSO – Chart 4



**FTEs = 107**

June 25, 2015

## **Transitional Structure**

At the beginning of the combination of the two Districts, the organizational structure will resemble a cut and paste of the existing organizational structures of each district reporting to a single General Manager (GM) (either SSWD or SJWD existing GM). Although the actual organization is not yet determined, the executive team would likely consist of a Board Secretary, Executive Assistant, Director of External Affairs (likely the other GM from SSWD or SJWD) Water Resources (pg 72), SJWD Assistant General Manager (AGM) over SJWD functions and SSWD AGM over SSWD functions. The operational functions of both Districts would remain somewhat separate until such time as consolidating functions makes sense to the new executive team.

It is anticipated that the financial and customer service functions, such as billing and operations, would remain on separate platforms and/or computer systems until consolidation of systems could be accomplished in a manner that would minimize any impacts to customers and daily operations. The locations of the operations would likely remain at existing locations, with both agencies continuing to function more or less separately under one Board of Directors and GM. Reorganization of functions would be accomplished under the direction of the GM and executive team.

This process would allow the functions of both Districts to continue on as they have historically operated with minimal impact to existing customers, retail or wholesale. It allows an organizational structure that allows the combined executive management team and Board of Directors to evaluate the timing of consolidation of functions, as well as the ultimate buildings, maintenance facilities, board rooms and other facilities that should be retained. It also allows decisions to be made in a unified approach with operational decisions made by the executive team and policy decisions made by the new board of directors.

## **Initial Reorganized District Structure**

The consolidation of the wholesale and retail functions of the two Districts into one reorganized district will likely occur in multiple phases over multiple years. The actual reorganization of the two Districts will be decided by the new Board of Directors, but could result in an organizational structure that consists of one GM reporting to an elected board of directors, with the executive management team consisting of a Board Secretary, Executive Assistant, AGM of Operations, AGM of Engineering/Administration, Director of External Affairs and Director of Administrative Services.

This structure would allow the additional focus on external affairs that are becoming increasingly important and time consuming. Surface and groundwater reliability, statewide water management, water transfers, responses to drought, federal and state legislative monitoring, for example, are some of the activities that could be the responsibility of the Director of External Affairs.

# Chapter 7 - How Reorganization will affect Customers, Wholesaler, Customer Agencies, Employees and Other Stakeholders

---

## WATER RELIABILITY

### Reorganized District Water Supply

The actual water supply management strategy of the reorganized district will be determined by the Board of Directors. The intent of the reorganization is to provide as many tools as feasible for the Board of the reorganized district to have in its tool chest to address changing water supply situations. To describe some of the tools that will be available to the reorganized district, this chapter describes the operating scenarios available currently and potential operating scenarios available to the reorganized district.

### Possible Water Management Strategies

#### Without Reorganization

##### SJWD

SJWD will focus on providing surface water as the source of choice during years where surface water is available. It is expected the maximization of surface water as the preferred water source will occur in most years.

Surface water could be limited due to drought, emergencies, and low Folsom Reservoir levels. When surface water is reduced or unavailable, additional sources such as interties with neighboring agencies and groundwater will be utilized. Conditions of reduced surface water will vary from minimal reductions down to extremely low levels. The reduction will be made up through use of groundwater developed and available for conjunctive use by CHWD and FOWD, as well as groundwater pumped from SSWD for use in SJWD-R, OVWC and City of Folsom north of the American River, when available.

This emergency response approach to reduced surface water supply relies on the groundwater resources being available and adequate. Without the reorganization, the quality and quantity of groundwater is dependent on the level of use and treatment of the groundwater resource by others. SJWD does not have a means to ensure the quantity and quality of groundwater will be available for use.

## **Without Reorganization**

### **SSWD**

SSWD will focus on utilizing groundwater as its traditional source of supply. There are adequate groundwater facilities to meet the full water demand of SSWD customers during dry years. Surface water supplies must remain available during wet years for conjunctive use allowing long term groundwater pumping to remain within sustainable management parameters in coordination with SGA.

SSWD has initiated a successful in-lieu groundwater recharge/conjunctive use program. SSWD has a contract with PCWA for surface water that can be used when the inflow to Folsom Reservoir is above 1.9 million acre feet. This water supply can be pulled back by PCWA if it is ever needed by Placer County, so is not be considered a long term supply. SSWD also has water rights from the City of Sacramento that can be used in the portion of the service area that overlaps with the Area D boundary for water rights usage. SSWD can access the Area D water when the flow in the American River is above the “Hodge” flows. The exceedance of Hodge flows was initially estimated to be over 80% of the time, but with the changes in operations at Folsom Reservoir the projection for exceedance of Hodge flows is much lower. In addition the cost of the surface supply from the City of Sacramento has risen significantly in the past decade.

Without the reorganization, SSWD will continue the conjunctive use program with the surface water periodically available to them. Whether the surface water is available in an adequate number of years to protect and recharge the groundwater basin is unknown. The Sustainable Groundwater Management Act of 2014 has yet to be implemented.

### **Reorganized District**

With a reorganized District, there will be more tools in the toolbox to manage water supply for all customers. Groundwater and surface water resources could be used to increase the water supply reliability for all customers.

In wet years, the reorganized District could utilize as much surface water as possible when surface water is not constrained. This will be accomplished by serving SSWD surface water in the northern service area (NSA). This has been done successfully in the past when SJWD has treated PCWA water for SSWD. The use of surface water will allow the groundwater that would have been used in the existing SSWD NSA to remain in the groundwater basin for future use. Any areas that are not able to receive surface water would remain on groundwater.

During dry years, the available surface water would be reserved for usage first in the existing SJWD wholesale service area (WCA & SJWD-R). SSWD would go back on groundwater to meet their water demands. If necessary, any groundwater above the needs of SSWD could be provided to SJWD to augment the available surface water supply.



## **How Reorganization would affect Customers**

### Customer Service

Customer service is a critical function of both SSWD and SJWD, in conjunction with providing reliable, high quality water supply. The availability and accessibility of customer service staff is a priority with or without the reorganization. The intent of the reorganization would be for the process to be as close to invisible to the District's retail and wholesalescustomers as is reasonable.

### Retail Customers

Currently, district residents can access customer service via telephone, email, or in person. This is not expected to change as a result of reorganization. The majority of the customer service contacts are by phone or email, with a few customers still preferring to meet in person to pay water bills or ask questions.

If reorganized, the agencies intend to maintain at least the existing number of customer service staff as currently available in each of the two agencies. With the number of customer service staff ratio to existing customers remaining at current levels, and both agencies culture of excellent customer service, the customer service provided should remain at least at the current level. For those customers preferring to travel to the agency to meet in person with customer staff, the intent is to initially maintain both customer service offices. With the trend to more electronic communications, the customer needs will likely change. It is anticipated that future customer needs may result in less necessity for a neighborhood office and the efficiencies of one office location may be beneficial. This will be further analyzed either in Phase 2B Study or after reorganization.

### Retail Customer Billing

Providing accurate and timely water bills to customers is necessary for the maintenance of services as well as customer confidence in the water district's ability to provide service. To maintain this confidence, the districts intend to maintain the existing water billing software and processes that currently exist in each of the two agencies for a period of time after reorganization. The timing of eventually transitioning to one customer billing system will be evaluated by the combined district after reorganization. When the transition to one customer billing system is determined to be beneficial, it will be accomplished with as little impact to our customers as feasible. Further discussion on this item is included in Appendix B.

### Retail Water Rate Structure

The water rate structures of each agency will remain intact for a period of time. The water rate structures for SSWD and SJWD-R are based on operation, maintenance and replacement needs. They both include debt service that is unique to each agency. At some time in the future, when the amount of debt service becomes similar for all retail customers, the rate structures will likely be consolidated. When the timing comes to consider a combined retail

water rate structure, all customers will be notified and have the opportunity to provide input. The future Board of Directors must retain the right to establish retail and wholesale rates that are necessary for the fiscal stability of the District.

### Elected Officials

The potential for the biggest impact to retail and wholesale customers will be the expanded area from which the Board of Directors will be elected. Currently, SSWD elects their five directors from and by division. SJWD is a community service district, which requires all directors to be elected at-large from the entire service area. The legal service area for SJWD-W is defined as its wholesale service area which encompasses most of Citrus Heights Water District, Fair Oaks Water District, Orange Vale Water Company, San Juan Water District-R and the City of Folsom north of the American River. When SSWD and SJWD reorganize, the combined district will be recommended to be a CSD. The Board of Directors will be required to be elected from within the boundaries of the reorganized district.

Due to requirements that directors be elected in a manner that provides representation for all customers and does not have a potential to exclude a minority area, the reorganization will require changing the election process for the reorganized district through legislation. This will result in equitable representation by all areas within the reorganized district area. In order to adequately represent all customers, the recommended legislative change will be to elect nine directors from preset divisions by the retail and wholesale customers within each division.

### Wholesale Customers

1. The existing Wholesale Customer Agencies will retain the financial and reliability benefits associated with the existing pre-1914 water rights.
2. Any expansions to the existing wholesale service area will result in different wholesale water rates for those customers served by SJWD surface water. The new SSWD retail customers will be charged a blended cost of water supplies that does not include the benefit of the less expensive pre-1914 water rights.
3. The existing SJWD water rights and contracts will be utilized to ensure continued the reliability of water supply for all agencies.
4. SJWD owns all water rights. The Wholesale Customer Agencies' Water Supply Contracts provide for contracted water supply to all wholesale customer agencies. This relationship will not change as a result of the reorganization.

These principles were developed to assure the existing water supply reliability to Wholesale Customer Agencies (WCAs) is not reduced due to reorganization.

### Neighboring Local Agencies

The potential reorganization of SSWD and SJWD will be the second significant combination of two major regional water agencies in the past 15 years. Although there are several districts, contiguous to or “within” the proposed reorganized district, this action does not include any of them. If, in the future, other adjacent agencies or those totally surrounded choose to become part of the reorganized SSWD-SJWD, they may approach the Board of Directors of the reorganized district and initiate a dialogue to begin the investigation and fact finding to determine if it works for both agencies. This action is not intended to initiate takeovers of other agencies.

# Chapter 8 - External Affairs

---

## **INCREASED VOICE AND IMPORTANCE IN REGION, STATE; STRONGER NEGOTIATING POSITION WITH STATE, FEDS**

The provision of twenty-first century safe and reliable public water supply is increasingly dependent on factors external to the water purveyor's boundaries. Water supplies in California can no longer meet demands, resulting in increasing friction between various needs. The current, ongoing drought in California has only amplified tensions between agriculture and urban and water demands, junior and senior water rights holders, and public trust needs necessary to support healthy aquatic environments, recreation and support endangered and threatened species. These external threats to a purveyor's ability to sustainably serve a safe and reliable supply of high quality water at a reasonable price can broadly be categorized into Legislative and Regulatory affairs.

### **Legislative Affairs**

The region's lack of external influence on legislative affairs was made abundantly clear in 2009 with the passage of sweeping water legislation in the Seventh Extraordinary Session of the Legislature. Water purveyors in the Sacramento area were largely on the sidelines during the legislative debates that resulted in the four bills that passed in late 2009. This lack of input resulted in what is generally considered a very negative outcome for the Sacramento area...from the make-up and mandates of new Delta Stewardship Council, to the lack of any Sacramento area "earmarks" in the original water bond (the bond was subsequently replaced with a scaled-down version in 2014), to the Sacramento regions 20% by 2020 conservation mandates which were more onerous than those established for coastal urban areas.

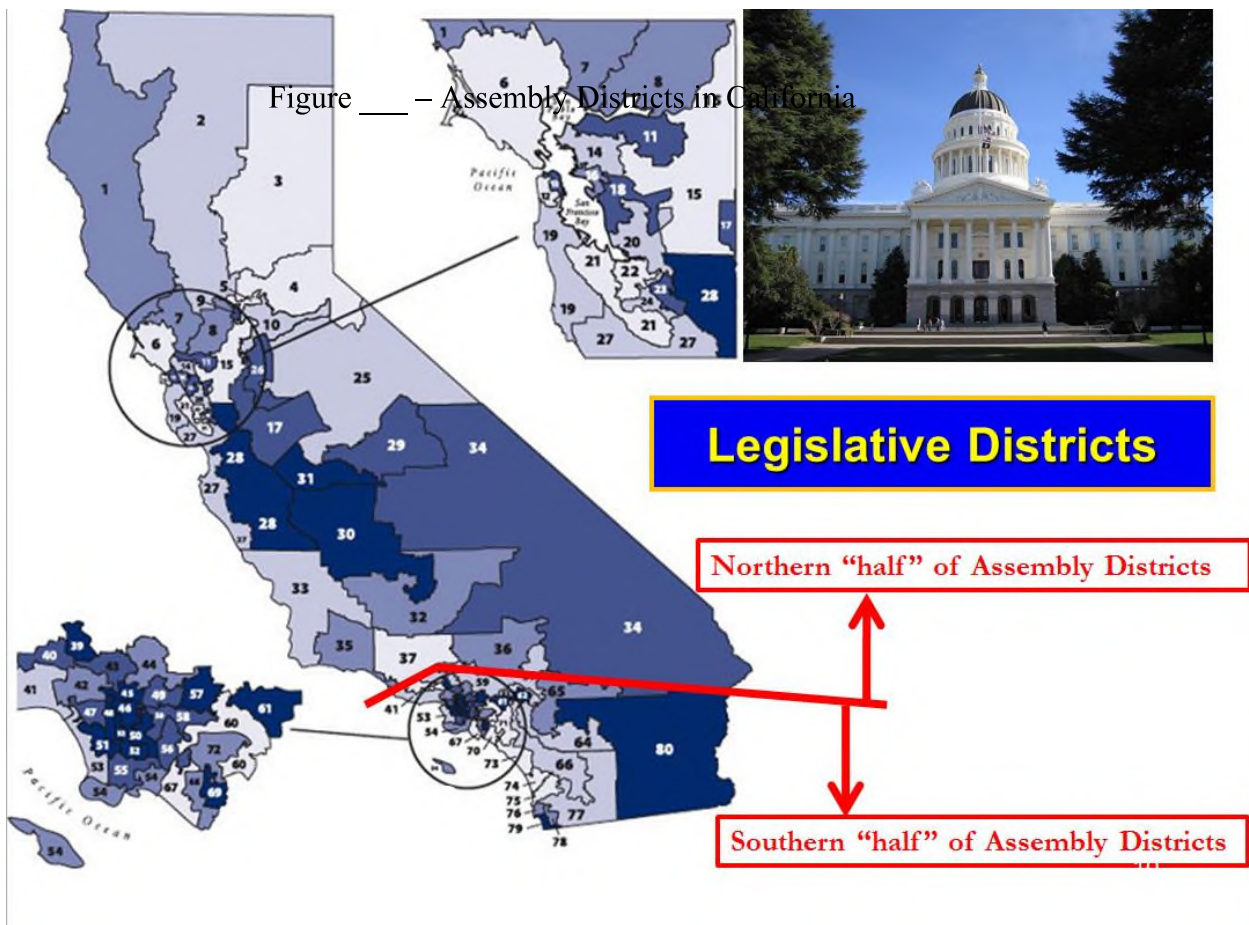
Largely as a result of being displeased with the outcome of the 2009 water legislation, a group of purveyors in the Sacramento region pooled resources to hire a contract lobbyist. More recently, this regional lobbying effort is being moved to a subscription program under the Regional Water Authority. However, the Regional Water Authority was unsuccessful in adopting a budget that would fund a staff position to provide technical support to the lobbyist. Additional staff resources from subscribing purveyors are needed to fill this need.

The advantage of being actively engaged in statewide water legislation was demonstrated in 2014 as the Sustainable Groundwater Management bills were being drafted. While the end result was not perfect for the Sacramento Groundwater Authority, earlier versions of the legislation were significantly more adverse. It is clear that the Sacramento regions ability to continue provision of reliable water supplies will be increasingly dependent on the ability to engage in statewide legislative efforts proactively, defend area-of-origin water rights and

stave off attempts to weaken the senior water rights and reduce the water supply reliability presently enjoyed by Sacramento area purveyors.

In California, future water battles will increasingly become area-of-origin vs. exporters as public trust and endangered species act requirements usurp even larger portions of the developed water supply. With the vast majority of the state population located in water-limited areas dependent on imported supplies, constant vigilance will be needed to ensure legislative attempts to provide for export areas do not reduce reliability in the Sacramento region.

The figure below shows the dividing line separating the northern half of votes in the legislature from the southern half.



It is believed that a combined service area under a single elected Board of Directors would benefit both present Districts by allowing a louder voice in the legislative discussion. Many of the capitol staff of all state legislators reside in the service areas of SJWD and SSWD. A unified message from a larger, regional purveyor regarding the importance of maintaining reliable supplies for the suburbs of the state capitol could be valuable in future legislative outreach.

Legislative risks to SJWD and SSWD do not stop at the State Senate and Assembly. The largest water rights holder on the Sacramento and American Rivers is the federal government, with the Bureau of Reclamation's operation of Shasta and Folsom Reservoirs and the Central Valley Project.

The 2013-2014 Congress dealt with several bills of great importance to CVP operations including bills which would guarantee delivery of larger portions of contract entitlements to areas south of the Delta.

As Folsom Reservoir is the "first responder" to meet water quality targets in the Delta and is required to make releases to meet biological objectives under the Endangered Species Act, additional demands on Folsom Reservoir exacerbate the risk of drawing the Reservoir below the drinking water intake that serves SJWD and others and through which SSWD receives its contract deliveries from PCWA.

Because of the threats to local water supplies from Folsom Reservoir operations affecting CVP deliveries, increasing attention to federal legislation is more important than ever.

It is believed that combining the resources of SJWD and SSWD will improve the ability to track, monitor and influence key legislation at both the State and the federal level.

## **Regulatory Affairs**

Because of the important health and safety issues inherent in the provision of public drinking water, this industry is one of the most heavily regulated in the United States, and the regulatory environment is ever changing. In particular, California is known for having perhaps the toughest regulatory environment in the country. Evolving regulatory mandates affecting the planning, design, construction, permitting, operation, and monitoring of California drinking water systems are increasingly demanding additional specialized staff time and involve some of the highest risks for penalties, monetary fines, negative publicity and loss of public confidence. Regulatory concerns involve all aspects of SJWD and SSWD operations including but not limited to: water supply and water rights, water quality, air quality, stream flow requirements including delta outflow, new sustainable groundwater mandates, groundwater cleanup, operating rules and restrictions at Folsom Reservoir including temperature requirements for anadromous fish in the lower American River, the Bay Delta Conservation Plan, and changes in labor regulations.

A recent example of the strict regulatory framework in California is evidenced by the passage of the California-only drinking water standard for hexavalent chromium. All 49 other states regulate total chromium concentrations in drinking water. Only California separately regulates one of the chromium ions, the hexavalent form, in addition to the total chromium concentration. California has established maximum contaminant levels for several



constituents which are more restrictive than federal levels, making compliance with drinking water regulations more difficult here than elsewhere in the country.

The recent reorganization of the State drinking water regulatory program from the Department of Public Health to the State Water Resources Control Board (SWRCB) has added additional concern about the potential for a more punitive approach to drinking water regulation. The SWRCB has long regulated wastewater systems in California, and has done so with a statutory requirement for mandatory minimum penalties, or MMP's. When the drinking water program was with the California Department of Public Health, the regulatory approach was one of cooperating with the purveyor toward the solution, rather than one of levying fines until a solution is obtained. While the relocation of the drinking water program to the SWRCB is still too recent to draw judgments, concerns remain regarding the potential of attempting to finance the operation of the State regulatory program through the assessment of monetary penalties on drinking water permits.

Air quality in the Sacramento Region is governed by the local Sacramento Air Quality Management District (AQMD). Operation of standby generators for emergency power supply requires permits from AQMD to construct and to operate these generators. Because the Sacramento air basin is a "non-attainment" basin, permit conditions are very restrictive and onerous. In addition, air quality regulations are notoriously cumbersome to navigate, and several Sacramento area purveyors have received citations for misinterpreting regulations.

The newly enacted Sustainable Groundwater Management Act will have sweeping changes in how groundwater pumpers in California operate. The Sacramento Groundwater Authority presently operates in the southern one-third of the Department of Water Resources North American sub basin. New legislation requires management of the North American sub basin as a unit, which would require the Sacramento Groundwater Authority to join with the West Placer Groundwater Authority and a yet to be formed entity in south Sutter County, perhaps under some form of Joint Powers Authority or as a newly formed entity approved by the local agency formation commissions in three counties. An alternative allowed in the new legislation is to obtain DWR approval of reassigning sub-basin boundaries, but enabling legislation to accomplish this has yet to be adopted by DWR. It is expected that working with DWR on basin boundary revisions and/or forming a new entity for groundwater management will require significant additional staff time and effort. While the SJWD/SSWD Phase 1 report addressed the positive water resource reliability and increased conjunctive use opportunities available by combining the water resources assets of the two districts under a single elected Board, it is expected that the combined resources of SSWD and SJWD would also facilitate the path forward toward helping define and form the governance structure required by the new sustainable groundwater management law to ensure an agreeable outcome.

Unfortunately, the Sacramento area has a legacy of groundwater contamination with several federal superfund sites of concern to water supply. Adverse groundwater quality from the Aerojet site, the former Mather and McClellan Air Force Bases, the Sacramento downtown and Roseville rail yards and unspecified solvent contamination locations all threaten area groundwater supplies. Coordinating with state and federal regulatory agencies to ensure proper and complete cleanup where responsible parties are identified, working with agencies to identify responsible parties where none are presently known, and ensuring any required wellhead treatment systems needed to meet evolving drinking water standards are in place when needed is a daunting responsibility and staff commitment.

Additionally, one of the outcomes of the 2009 water legislation was a requirement for the SWRCB to set minimum outflow standards for the Delta and for all major Delta tributaries, including the Sacramento and American Rivers. The outcome of the flow-setting process has a very real chance to pose additional risks for local water rights and surface water supply reliability, demanding close attention and additional staff resources.

## **Summary**

The combination of legislative and regulatory risks to the provision of safe and reliable water supply at reasonable costs demands additional attention by California water purveyors, perhaps even to a greater extent by those in Delta tributary areas. It is expected that additional staff resources will be necessary to mitigate these external risks, remain current with ever evolving regulatory environments, and develop response strategies that minimize costs. Combining the staff resources of SSWD and SJWD is expected to reduce duplication of existing and future staff efforts, reduce future costs, and provide a stronger response to, and defense against, these risks.

As public government entities, both SSWD and SJWD represented by their Boards of Directors, have the responsibility to analyze the opportunities and the risks to their agencies created by the political and administrative actions of other government organizations with jurisdictional relationships to both Districts. Accordingly, the duties incumbent upon the Districts are to:

1. Identify the opportunities and risks associated with government action or inaction as they relate to the missions of the Districts to deliver quality water and service.
2. Devise strategies which provide direction to staff for implementation.
3. Support District activities in the implementation of strategies.

“Whiskey is for drinking water for fighting.” The famous quote often attributed to Mark Twain is ringing more true today even though it was first offered over 150 years ago. Water politics in California will dominate more and more discussion and debate and generate changes in water policy and law as the resource becomes less available. Increases In population, agricultural needs, and environmental considerations have put increased pressure on water throughout the state.

A strong commitment to external affairs locally, at the State capitol, and in Washington D.C. is very important to the new age of water.

# Chapter 9 - Lessons Learned from Arcade/Northridge Consolidation

---

## LESSONS LEARNED - CONSOLIDATION OF ARCADE AND NORTHRIDGE WATER DISTRICTS

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 upon the initial district consolidation that created SSWD.

- ◆ 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.
- ◆ Cost of service and rate design principles were not established.
- ◆ Asset management plans for distribution/transmission water main replacement, groundwater production facilities, buildings, meter retrofit, etc., were not completed.
- ◆ Arcade Water District outsourced billing and Northridge Water District 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 as the administrative office. However, there was no space planning 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 was prepared to surplus redundant tools and equipment.
- ◆ No analysis was conducted on customer walk-ins, phone calls, or customer service issues, etc. Two customer service centers were maintained until it was evident that one had only limited use.
- ◆ No assessment was conducted on which billing software program was to be utilized for new district.

- ◆ No assessment was conducted on which work order system should be utilized. One district utilized a vendor-supported system, while the other district sole sourced a one person, antiquated Disk Operating System program.
- ◆ Both districts had very different retirement and post-retirement programs. A thorough analysis was not conducted until after merger, when retirement benefits were increased for all.
- ◆ It was noted in the consolidation evaluation that initial start-up costs were expected to be significant. The report recommended that the first level of cost 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 SJWD is to guide the Boards 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.

# Chapter 10 - Phase 2A Study

## Preliminary Findings

---

The Phase 2A Study has proven to be a worthwhile effort. It has confirmed the conclusions reported in the Phase 1 Report and has not detected any fatal flaws. It has also arrived at a number of conclusions and findings which suggest why it makes sense to move forward to a LAFCo process.

### **STATE AND FEDERAL OVERSIGHT AND INTEREST IN LOCAL WATER MANAGEMENT**

1. The state of California is taking a heightened interest in water because of the possibility of a continuing drought, and ever increasing urban, agricultural and environmental demands. In all likelihood there will be increased pressure placed upon the State, by areas challenged by lack of water, to review and carefully scrutinize historic water rights and contracts for water supplied throughout California.
2. Northern California has most of the surface water. Southern California a majority of the population. In between lies the great Central Valley, where much of the State's agriculture is located. Competing interests and competing demands for water will continue. The pressure for water transfers from north to south will grow as water becomes scarcer, even as it becomes more expensive. Without water the State's economy will falter.
3. Potable water supplies are becoming difficult to predict, either due to lengthy drought cycles and/or simply because of more demand regionally, statewide and beyond. The management of water in Sacramento County is moving past the parochial local perspective to a much broader view as a result of external influences. It is beginning to happen at the State level, therefore, local districts need stronger external regional and statewide influence to preserve and protect historical interests.
4. Folsom Reservoir, the primary surface and contract water source for Placer County and north-eastern Sacramento County, has been operated as an "annual reservoir" with the Reservoir being drawn down by the USBR to accommodate a number of objectives: Flood control, Maintaining flows and temperature in the lower American River, To temper salinity issues in the Delta. As such, the availability in Folsom Reservoir can no longer be taken for granted

### **CLIMATE CHANGE AND THE ENVIRONMENT**

The 20th century may have been an anomaly with respect to snow fall and precipitation in much of California and the west. Scientific evidence is beginning to suggest that rainfall and



snow fall may have been skewed or the highest during the 20th century, over what might have been the historical norm for the prior 500 to 1,000 years. 100 years ago, even 20 years ago, demands for water throughout the State were significantly less than today and there seemed to be more predictable rain and snow producing weather.

## **SACRAMENTO COUNTY AND THE REGION**

Sacramento County has 21 different agencies providing urban and agricultural water. There are 14 water agencies north of the American River. In an environment of water as a diminishing resource, is this historic structure over the last 100 years the best way to manage water in the future?

## **CULTURE OF SSWD AND SJWD**

1. SSWD and SJWD have done a good job of delivering water to their respective customer base utilizing the metrics of customer service, water quality, water reliability and availability, cost of water, attention to infrastructures and needed improvements and planning for the future.
2. SJWD and SSWD management, employees and policy makers are proud of the culture created in each of the Districts of being conscientious, professional and customer oriented. They have histories of providing consistent and excellent service. Both Districts have a rich heritage of serving their communities, adapting themselves to needed change and, in the case of SSWD, being a creation of a consolidation to provide better service to their customers.
3. The leadership of the two Districts have chosen to look beyond their respective borders in terms of service responsibility to address the issue: “if we combine our Districts, can we provide better service to our combined customer base? Is there a better way to maximize and put to best use each of our water resources to the benefit of all of our customers as well as the region?”

## **STAKEHOLDERS**

Generally, virtually all of the major stakeholders interviewed understand the rationale for evaluating and considering a combining of the two agencies.

Stakeholders in the SSWD service area appear less concerned about combining with SJWD than some in the SJWD service area. Concerns shared by SJWD Wholesale Customer Agencies include – cost of water, assurance of delivery, status of existing contracts for water purchase, diluted representation and the impression that reorganization of SJWD and SSWD will lead to “hostile takeovers” of other agencies.

Principles have been developed in the body of this report that cover these concerns:

1. Existing rights and contracts for water will not be affected by the reorganization.
2. Access, cost of water will not be negatively affected by the reorganization.
3. The number of elected directors of the merged district will be increased to 7 or 9 with elections from divisions representing communities of interest should special legislation be successful.
4. The intent of the reorganization is to provide for improved water resource sharing – reliability, dependability and manageability – not an impetus to cause wholesale agencies to consolidate.
5. For regular retail customers, rates, debt and reserves will be preserved until such time that it makes sense to blend any or all of them.
6. For all customers, retail and wholesale, there will be improved water management, dependability and reliability.

## SYNERGIES

SSWD and SJWD have complimentary assets: SJWD, surface water and excess treatment plant capacity; SSWD, abundant groundwater and excess pumping capacity. SJWD, in total, has excess surface water of 24,000 AF from all sources. Based upon historical uses, SSWD has 82 active wells capable of producing 402 AF per day (maximum capacity) from a groundwater basin that allows the District to draw 35,000 AF per year. In addition to this annual allotment, the District has a groundwater bank of roughly 185,000 AF. SSWD also has secured 55,000 AF per year of surface water contracts. SSWD and SJWD collaborated with the WCAsto finance and build the CTP to deliver surface water from SJWD to the WCAs and SSWD. Currently, the Districts are jointly installing pumps within SSWD capable of delivering 10,000 gpm through the ATP and CTP to SJWD. Working as one, between all water sources and infrastructure, a reorganized district would be able to deliver water under the most dire circumstances.

1. Standing alone, each District is limited in ability to put its water supply to its best use; standing alone, each has found it challenging to address the ever changing and evolving complexities in the new age and increasing significance of water in California. There are competing demands regionally and statewide resulting in “water politics” like never before. A combined District could reduce this limited ability to put water supply to use for benefit of agencies, region, State and environment.
2. SSWD is dependent on groundwater and an interruptible surface water supply; SJWD is reliant exclusively upon surface water. Working together, their water assets complement one another and work together synergistically creating mutual benefit and a better approach to manage and distribute this precious resource.
3. There are “planned changes” and future needs that both Districts must face—regulatory challenges, staffing needs, staffing specialization, facility improvements, infrastructure upgrades, internal modernization and sophistication of management information systems,

and fleet renovation all driving future rate increases. If the Districts reorganize and unify, not all, but some of these planned future needs may be mitigated, others will need to happen anyway, but the costs may be less significant if conducted as one agency and spread over a much broader customer base.

4. The districts have a history of working together for mutual benefit —major pipeline construction, the Antelope Pump Back Booster Pump Project, sharing of staff for special projects, water treatment, cornerstones in the formation of the Regional Water Authority (RWA) and numerous planning and resource protection efforts.
5. SSWD has invested millions of dollars to upgrade its infrastructure and in-leiu recharge the of groundwater basin north of the American River. SJWD has valuable historic water rights and contracts for American River water. SJWD needs to perfect those rights and contract obligations to maximize their beneficial use and protect them for the communities in the region which it serves. The political unification of SSWD and SJWD will allow SSWD to use excess groundwater and share in time of need with SJWD, and conversely SJWD to share surface water with SSWD when it makes sense to do so.
6. Any unused asset (banked groundwater, excess surface water) has value as a commodity that can be banked, shared or sold to others benefitting the region and possibly others in the State too. The common governance of the combined entity will provide the capability and creditability to secure and enhance the water resources for region.

# Chapter 11 - Conclusions and Moving Forward

---

Water is one of the most important resources in our region. Without dependable, potable and plentiful water, urban growth will stall, economies will falter, agriculture will falter and environment will be harmed. Sacramento and surrounding counties have been blessed with access to surface water from two rivers and a vast underground reservoir of potable water. Historically, there has been enough water to satisfy all of the region's urban, agricultural and environmental requirements, but that appear to be changing.

The most effective water policy in areas like Sacramento County is to balance the use of groundwater and surface water. When it rains and snows and our lakes and reservoirs fill up, we utilize that gift; when the clouds do not produce and we experience dry and drought cycles, we draw from the groundwater bank.

The Phase 1 MCG Report completed in May 2014 concluded better water management and reliability could be best achieved through the combination of SJWD and SSWD water resources. And, the best way to accomplish improved water management and reliability is to combine the two Districts politically and organizationally.

This Phase 2A concludes that combining the two Districts could provide water supply reliability benefits, benefits to regional and statewide stakeholders through water transfers, maximize use of existing infrastructure and facilities, and provide for reduced costs through economies and efficiencies.

The purpose of this Study has been to determine if it is appropriate and makes sense for the two Districts to combine. The Phase 1 Report analysis arrived at that conclusion related to water supply; now the Phase 2A Study analysis is making the same finding. Neither study has uncovered "fatal flaws". Both analyses conclude that coming together provides an optimum opportunity and ability for SJWD and SSWD to better serve their customers and manage water conjunctively to the benefit of all.

# Chapter 12 - Recommended Next Steps

---

Initiate a Phase 2B work program to:

1. Respond to relevant comments on Phase 2A Draft Report generally in the following areas: finance, budget, fiscal, rate structures; human resources principles, organizational structure, staffing, salary and benefits; water management and operations; customer service and operations. Prepare an addendum Phase 2B Report to respond to relevant comments and questions raised on Draft Phase 2A Report and other issues as may be raised by Boards of Directors during the Phase 2B work program.
2. Develop and implement a customer outreach program that places greatest emphasis on actual consumers of water and ratepayers via neighborhood, community and town hall meetings, electronic and conventional “mailings”
3. Set a timeline for completed Phase 2B work, including milestone “check-in” dates for Joint Board of Director meetings for progress reports.
4. Approve a budget and scope of work for moving forward.

## Phase 3

At the conclusion of the Phase 2B work program, and the Boards of Directors will have reviewed the Phase 2B report, customer and rate payer outreach findings, other information developed beyond the original scopes of work of Phases 2A and 2B, at a joint Board meeting, and determined whether or not to move forward or abandon the reorganization effort.

1. If the districts jointly determine that they desire to initiate reorganization proceedings, they will need to adopt resolutions of application to begin the LAFCo process to annex the area of the Sacramento Suburban Water District into the San Juan Suburban Community Services District, while simultaneously dissolving the Sacramento Suburban Water District with all assets and liabilities accruing to the successor district, the San Juan Suburban Community Services District.
2. Stipulate to LAFCo in the initiating application, that at any time up to and including the final hearing on the reorganization, either district, by resolution, may withdraw its application and the proposed reorganization will be abandoned.
3. Work with the LAFCo staff as necessary to develop any additional information required by LAFCo policy or State law.
4. Direct staff to draft proposed terms and conditions to be applied to the reorganization.
5. Direct staff to prepare a Phase 3 work program detailing tasks, budget, and time line.
6. Continue with customer and rate payer outreach.
7. Initiate a State legislative process to increase the number of Board members and organize by division for the reorganized district to be effective as soon as practical.

# Chapter 13 - Phase 3-the LAFCo Process

---

- Step 1: District Boards of Directors adopt similar Resolutions of Application to initiate reorganization and submit to LAFCo a completed packet with supporting documents, which include an updated Municipal Services Review (MSR), Phase 1/Phase 2A analyses and a reorganization plan, and any additional information requested by LAFCo during its review.
- Step 2: LAFCo Executive Officer conducts a review, analysis, report and makes a final recommendation.
- Step 3: Commission hearing(s) - Opportunity for the LAFCo Commissioners to hear public and agencies input on the proposed reorganization.
- Step 4: At the conclusion of the hearing process, LAFCo adopts a Resolution which makes a determination approving the proposal, adopts the CEQA findings, and sets any terms and conditions of the reorganization.

# Appendices

---



## Appendix A – Financial and Other Data

### Statements of Net Position Last Three Years (Dollars in Thousands)

#### Sacramento SuburbanSan Juan

	2011	2012	2013	2011	2012	2013
<b>Assets</b>						
Current assets	\$ 12,711	\$ 9,045	\$ 9,632	\$ 19,763	\$ 21,460	\$ 19,115
Noncurrent assets	42,714	43,299	44,416	23,091	16,855	19,437
Capital assets:						
Nondepreciable assets	23,829	10,426	6,036	12,155	9,932	12,847
Depreciable assets	327,124	358,258	384,406	123,897	130,037	131,676
Accumulated depreciation	(110,084)	(119,900)	(130,324)	(52,870)	(55,841)	(59,793)
Capital assets, net	240,869	248,784	260,118	83,182	84,128	84,730
Total assets	296,294	301,128	314,166	126,036	122,443	123,192
Deferred outflows of resources	16,254	11,556	9,251	-	-	-
<b>Liabilities</b>						
Current liabilities	8,287	7,844	7,840	6,780	3,883	3,917
Noncurrent liabilities	116,889	110,403	104,334	47,282	44,342	43,511
Total liabilities	125,176	118,247	112,174	54,062	48,225	47,428
Deferred inflows of resources	-	-	2,565	-	-	-
<b>Net position</b>						
Net investment in capital assets	137,004	146,682	161,531	47,026	47,621	49,187
Restricted	6,643	3,532	3,520	4,836	2,911	2,911
Unrestricted	43,725	44,223	43,627	20,112	23,686	23,666
Total net position	\$ 187,372	\$ 194,437	\$ 208,678	\$ 71,974	\$ 74,218	\$ 75,764

## Statements of Revenues, Expenses and Changes in Net Position

Last Three Years

(Dollars in Thousands)

### Sacramento SuburbanSan Juan

	2011	2012	2013	2011	2012	2013
<b>Operating Revenues</b>						
Water sales – Retail	\$10,151	\$11,656	\$12,451	\$ 7,835	\$ 8,090	\$ 8,544
Water sales – Wholesale	-	-	-	7,765	7,364	7,013
Water transfers	-	-	536	-	-	-
Water service charge	7,095	6,820	6,650	-	-	-
Capital facilities charge	20,448	20,619	20,650	-	-	-
Wheeling water charge	303	170	6	-	-	-
Other charges	960	946	1,068	124	804	701
Total operating revenues	<u>38,957</u>	<u>40,211</u>	<u>41,361</u>	<u>15,724</u>	<u>16,258</u>	<u>16,258</u>
<b>Operating Expenses</b>						
Source of supply	2,663	2,039	406	2,821	3,187	3,507
Pumping	3,341	4,238	4,706	591	622	609
Water Treatment	-	-	-	2,119	1,702	1,933
Transmission and distribution	3,997	3,596	3,886	1,658	1,765	1,927
Water conservation	202	295	321	618	663	615
Customer accounts	1,003	976	1,086	659	681	697
Administrative and general	6,135	5,738	5,961	3,150	3,033	3,234
Total operating expenses	<u>17,341</u>	<u>16,882</u>	<u>16,366</u>	<u>11,616</u>	<u>11,652</u>	<u>12,521</u>
Operating income before depreciation	21,616	23,329	24,995	4,108	4,606	3,737
Depreciation	(9,705)	(9,890)	(10,424)	(3,025)	(3,871)	(3,971)
<b>Operating income (loss)</b>	<u><b>11,911</b></u>	<u><b>13,439</b></u>	<u><b>14,571</b></u>	<u><b>1,083</b></u>	<u><b>736</b></u>	<u><b>(234)</b></u>
Non-operating revenues	1,520	(3,540)	488	2,368	2,033	1,797
Interest expense	(4,773)	(4,157)	(3,914)	(2,591)	(2,472)	(2,487)
Other non-operating expenses	(7)	(418)	-	(59)	(63)	(52)
Gain on disposal of capital assets, net	-	12	-	-	-	-
<b>Income before capital contributions</b>	<u><b>8,651</b></u>	<u><b>5,336</b></u>	<u><b>11,145</b></u>	<u><b>800</b></u>	<u><b>234</b></u>	<u><b>(977)</b></u>
Capital contributions	1,692	1,729	3,096	1,284	2,009	2,523
<b>Increase in net position</b>	<u><b>10,343</b></u>	<u><b>7,065</b></u>	<u><b>14,241</b></u>	<u><b>2,084</b></u>	<u><b>2,243</b></u>	<u><b>1,546</b></u>
Net position, beginning of year	177,029	187,372	194,437	69,890	71,974	74,218
Adjustment	-	-	-	-	-	-
Net position, end of year	<u><u>187,372</u></u>	<u><u>194,437</u></u>	<u><u>208,678</u></u>	<u><u>71,974</u></u>	<u><u>74,218</u></u>	<u><u>75,764</u></u>

SSWD is reported on a calendar year basis; SJWD on a Fiscal Year Basis Ending June 30.

**Outstanding Debt**  
 Outstanding Debt by Type  
 Current

**Sacramento Suburban Water District**

Series	Type	Original Par	Outstanding	Maturities	Coupon (%)	Next Call	Refunding Status	Reserve
2009A	COPs	\$42,000,000	\$42,000,000	2023-2034	Var	11/1/2019		n/a
2009B	COPs	\$36,155,000	\$27,915,000	2009-2028	3.0-5.63	11/1/2019		Cash
2012A	Bond	\$29,200,000	\$23,440,000	2012-2027	1.0-5.0	11/1/2022		n/a
<b>Total</b>		<b>\$107,355,000</b>	<b>\$93,355,000</b>					
Swap	Swap	\$33,300,000	\$33,300,000	2023-2034	3.283	n/a	n/a	n/a
LOC & Remarket		n/a	n/a	n/a	0.575	6/30/2018	n/a	n/a

**San Juan Water District**

Series	Type	Original	Outstanding	Maturities	Coupon (%)	Next Call	Refunding Status	Reserve
2009A	COPs	\$30,510,000	\$29,670,000	2015-2039	4.0-6.0	2/1/2019	Advance Refundable	Cash
2012A	Bond	\$13,625,000	\$11,985,000	2015-2033	3.0-5.25	2/1/2022	Non-Advance Refundable	n/a
<b>Total</b>		<b>\$44,135,000</b>	<b>\$41,655,000</b>					

**Retail Water Rates**  
**Last Three Years**  
**Sacramento SuburbanSan Juan**

	2011	2012	2013	2011	2012	2013
<b>Flat Accounts</b>						
Usage Charge (\$/1,000 per sq. foot)	\$ 0.91	\$ 0.91	\$ 0.91	n/a	n/a	n/a
Flat Service Charge (single unit)						
¾" connection	14.89	14.89	14.89	n/a	n/a	n/a
1" connection	21.55	21.55	21.55	n/a	n/a	n/a
1 ½" connection	40.69	40.69	40.69	n/a	n/a	n/a
2" connection	40.19	40.19	40.19	n/a	n/a	n/a
<b>Metered Accounts</b>						
<b>Usage Charge (\$/100 cubic feet (CCF))</b>						
Residential – (0-10 CCF)	0.80	0.80	0.80	0.44	0.44	0.45
Residential – (11-20 CCF)	1.00	1.00	1.00	0.44	0.44	0.45
Residential – (21-200 CCF)	1.00	1.00	1.00	0.74	0.74	0.75
Residential – (200+ CCF)	1.00	1.00	1.00	0.52	0.52	0.53
Non-Resid.–Off-Peak Rate (Nov-Apr)	0.81	0.81	0.81	n/a	n/a	n/a
Non-Resid.–Peak Rate (May-Oct)	1.01	1.01	1.01	n/a	n/a	n/a
<b>Meter Service Charge (by Meter Size)</b>						
5/8" meter	3.60	3.60	3.60	34.50	34.50	35.10
¾" meter	5.25	5.25	5.25	34.50	34.50	35.10
1" meter	8.50	8.50	8.50	34.50	34.50	35.10
1 ½" meter	16.60	16.60	16.60	92.10	92.10	93.90
2" meter	24.60	24.60	24.60	147.00	147.00	150.00
3" meter	49.20	49.20	49.20	292.50	292.50	298.50
4" meter	81.75	81.75	81.75	455.70	455.70	464.70
6" meter	163.15	163.15	163.15	910.80	910.80	929.10
8" meter	293.40	293.40	293.40	1,637.40	1,637.40	1,670.10
10" meter	472.50	472.50	472.50	2,637.00	2,637.00	2,689.80
12" meter	700.40	700.40	700.40	3,909.60	3,909.60	3,987.90
<b>Flat and Metered Accounts</b>						
<b>Capital Facilities Charge</b>						
5/8" meter	19.25	19.25	19.25	n/a	n/a	n/a
¾" meter or connection	28.70	28.70	28.70	n/a	n/a	n/a
1" meter or connection	48.00	48.00	48.00	n/a	n/a	n/a
1 ½" meter or connection	95.65	95.65	95.65	n/a	n/a	n/a
2" meter or connection	153.10	153.10	153.10	n/a	n/a	n/a
3" meter	287.30	287.30	287.30	n/a	n/a	n/a
4" meter	478.95	478.95	478.95	n/a	n/a	n/a
6" meter	957.60	957.60	957.60	n/a	n/a	n/a
8" meter	1,723.80	1,723.80	1,723.80	n/a	n/a	n/a
10" meter	2,777.45	2,777.45	2,777.45	n/a	n/a	n/a
12" meter	4,117.65	4,117.65	4,117.65	n/a	n/a	n/a

**Retail Facility Development Charges (Connection Fees)**  
**Last Three Years**  
**Sacramento SuburbanSan Juan**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
5/8" service	\$ 3,338	\$ 3,544	\$ 3,826	\$ 13,458	\$ 13,842	\$ 14,236
3/4" service	4,982	5,290	5,711	13,458	13,842	14,236
1" service	8,319	8,834	9,537	13,686	14,076	14,477
1 1/2" service	16,589	17,616	19,017	27,372	28,152	28,955
2" service	26,552	28,196	30,439	43,795	45,043	46,327
3" service	49,817	52,901	57,108	87,589	90,085	92,662
4" service	83,045	88,185	95,199	135,965	139,840	143,826
6" service	166,040	176,318	190,341	276,578	284,461	292,568
8" service	298,902	317,403	342,648	492,701	506,743	521,185
10" service	481,581	511,390	552,063	793,797	816,420	839,688
12" service	714,028	758,225	818,529	1,177,008	1,210,553	1,245,054

## Annual Water Production

Last Ten Years

(Reported in Acre Feet)

Year	Sacramento Suburban Water District			San Juan Water District			Combined Production
	Surface	Ground	Sub Total	Wholesale *	Retail	Sub Total	
2013	409	38,493	38,902	32,869	14,945	47,814	86,716
2012	11,201	27,530	38,731	35,803	13,936	49,739	88,470
2011	18,813	19,121	37,934	43,721	12,508	56,229	94,163
2010	17,807	20,178	37,985	44,889	12,651	57,540	95,525
2009	12,084	23,021	35,105	37,783	13,569	51,353	86,458
2008	14,982	23,516	38,498	48,678	17,063	65,741	104,239
2007	7,543	37,039	44,582	40,952	16,659	57,611	102,193
2006	12,642	25,364	38,006	53,877	15,133	69,010	107,016
2005	14,363	26,829	41,192	52,747	16,125	68,872	110,064
2004	15,147	32,365	47,782	55,384	17,941	73,325	121,107

\*Includes deliveries to SSWD.

**Sacramento Suburban Water District**  
**Full Time Equivalent Employees**  
 Last Ten Years

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Administration	9	8	8	8	8	8	8	8	8	8
Customer Service	5	5	5	6	6	6	6	6	6	6
Engineering Production and Water Treatment	9	9	9	9	9	9	9	9	9	10
Distribution	6	10	10	13	14	14	14	15	15	13
Total	23	21	21	23	23	23	23	23	23	22
<b>Total</b>	<b>52</b>	<b>53</b>	<b>53</b>	<b>59</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>61</b>	<b>61</b>	<b>59</b>

**San Juan Water District**  
**Full Time Equivalent Employees**  
 Last Ten Years

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Executive	3	3	3	3	3	3	3	3	3	3
Conservation	3	3	3.5	3.5	3.5	3.5	5	5	4	4
Customer Service	4	3	3	3	3	3	3	3	3	3
Engineering Services	4	3	3	3	3	3.5	4	4	4	4
Field Services	16	15	16	17	17	17	15	15	15	15
Finance/Admin Services	3	4	4	5	5	5	5	5	5	5
Water Treatment Operations	11	10	10	10	10	10	10	10	10	10
<b>Total</b>	<b>44</b>	<b>41</b>	<b>43</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>



# Appendix B – Government Code Section 61030

CA Codes (gov:61025-61030)

## GOVERNMENT CODE SECTION 61030

61030. (a) Notwithstanding any other provision of this part, the local agency formation commission, in approving either a consolidation or reorganization of two or more special districts into a single community services district, may, pursuant to subdivisions (k) and (n) of Section 56886, temporarily increase the number of members to serve on the board of directors of the consolidated or reorganized district to 7, 9, or 11, who shall be members of the boards of directors of the districts to be consolidated or reorganized as of the effective date of the consolidation or reorganization.

(b) Upon the expiration of the terms of the members of the board of directors of the consolidated or reorganized district whose terms first expire following the effective date of the consolidation or reorganization, the total number of members on the board of directors shall be reduced until the number of members equals five.

(c) In addition to the powers granted under Section 1780, in the event of a vacancy on the board of directors of the consolidated or reorganized district at which time the total number of members of the board of directors is greater than five, the board of directors may, by majority vote of the remaining members of the board, choose not to fill the vacancy. In that event, the total membership of the board

of directors shall be reduced by one member. Upon making the determination not to fill a vacancy, the board of directors shall notify the board of supervisors of its decision.

(d) This section applies only to a consolidation or reorganization in which each subject agency was an independent special district prior to the initiation of the consolidation or reorganization.

(e) As used in this section, "consolidation" means a consolidation as defined by Section 56030, "special district" means a special district as defined by Section 56036, "independent special district" means an independent special district as defined by Section 56044, and "reorganization" means a reorganization as defined by Section 56073.

---

# Appendix C – MMS Strategies’ Public Outreach and Advocacy Report

## **Sacramento Suburban Water District/ San Juan Water District**

PHASE 2A

Public Outreach and Advocacy

March 2015

In October 2014, MMS Strategies was retained to provide consulting services to the San Juan Water District and Sacramento Suburban Water District (Districts). The Districts desired assistance in developing message points, messaging coordination with local governments, managing media relations, preparing fact sheets and other materials deemed necessary. In addition, MMS Strategies provided coordination of meetings, presentations and market research.

### **Scope of Work**

The Districts tasks comprised of advocacy and communications, stakeholder meetings, project management, messaging and outreach materials.

### **Advocacy**

We knew that in order for the project to be successful, it would require the coordination of staff, elected officials and community groups and stakeholders. Having relationships with key stakeholders we were able to coordinate over 50 meetings between December and March.

- ❖ Briefings with elected members and staff on status and findings
  - City of Roseville
  - Placer County
  - City of Folsom
  - City of Citrus Heights
  - Sacramento County Water Agency
  - Orange Vale Water Company
  - Carmichael Water
  - Fair Oaks Water District
  - Citrus Heights Water District
  - State Senators
  - State Assembly Members
  - Assembly Local Government Committee
  - Regional Water Authority
  - SGA
  - Placer County Water Authority
  
- ❖ Public presentations before 2x2 group were conducted in November, December, January and March

## Stakeholder Meetings

Stakeholder meetings generate qualitative data and allow for the exploration of issues and messaging. They are used to uncover information about particular challenges or topics where little is known, to confirm or refute assumptions or obtain third party feedback. They can be used as a starting point for future research or to unearth concerns that require further study. Our team met with various business and neighborhood groups over the past several months.

Meetings/ presentations included:

- Metro Chamber of Commerce
- Citrus Heights Chamber of Commerce Government Affairs Cmte Presentation
- Citrus Heights Chamber of Commerce
- Roseville Chamber of Commerce
- Folsom Chamber of Commerce
- Folsom Chamber of Commerce Government Affairs Cmte Presentation
- Folsom City Council Presentation
- Carmichael Chamber of Commerce
- Granite Bay MAC
- North State Building Industry Association
- Region Builders
- Arden Arcade Business Council

## Project Management/ Information Gathering

This includes coordination of project management tasks, reviewing background reports, information and conducting research. Internal communications was an important factor to the project. Our team kept close communications with one another and the rest of the project development team to ensure comprehensive strategic planning and implementation.

Tactical Execution

- Prepared monthly project schedules and reports
- Participated in weekly team meetings with the executive team
- Provided follow up to the executive team meetings
- Attended 2x2 meetings
- Attended Joint Board meetings
- Prepared and submitted monthly progress reports
- Review the draft Phase 2A report through several iterations

## Messaging

We created high-level talking points to circulate to the team and for distribution in meetings. These are simple, messages that are easily understandable and notable.

### Deliverables

- Frequently Asked Questions (FAQ) sheet created
- Fact Sheet
- Timeline
- Maps
- Press Release

## Media

Building relationships and a sense of trustworthiness is critical as the project move forward. We had conversations with reporters that cover local government and water stories. As we have seen time and again in smaller communities, these local papers tend to be the place where residents get their news. However given the scope of the project we will also work with regional publications.

## Research

MMS Strategies in coordination with Russo Miller, Summit Consulting Group and Political Data Inc. conducted supplemental research on behalf of the Districts. We felt it important to test community sentiments on a variety of issues by gathering qualitative and quantitative data. We tested messaging, perception and engagement levels. The survey was done from January 26 – February 2, 2015. The survey was statistically valid between each District ensuring representation between the retail customers.

The survey was designed to accomplish four objectives:

1. Assess the overall environment and top-of-mind issues that may impact the water districts
2. Identify top-of-mind water issues – aided and unaided
3. Assess satisfaction with water service
4. Determine sentiment toward a partnership or possible merger – with aided questions to learn what issues related to the merger matter to customers

The recommended methodology was to survey 600 registered voters (representing a margin of error = 3.95%) – 300 in each water district and weighted to reflect the distribution of voters by age, race, gender, income and community (within each district). For comparison purposes, a 400 sample generates a margin of error of 4.85% and an 800 sample generates a margin of error of 3.42%. We recommended a sample of 600 to ensure meaningful cell sizes by community.

The voter file was used to draw the sample, because that is the most cost effective data available to ensure the survey is conducted only within water district boundaries. In addition, voter file demographics are more easily matched to insure a properly balanced survey sample, because U.S. Census data is not available by water district.

## Survey Outcomes

- Sacramento Suburban and San Juan Water Districts have positive job approval ratings –
  - 88% and 93% respectively... with exceptional ratings at 23% and 22%
- The drought remains water users number one unaided concern – 38%
  - Protecting water quality is the top aided (list of issues provided) at 69%, followed closely by ensuring adequate water supplies (the drought) at 68%
- 73% of respondents are either favorable or hold no opinion regarding a merger
- A merger is 7 points more favorable than a partnership – 44% to 37%
- The more one learns about the merger, the more favorable they become:
  - From 63% favorable or no opinion to 73% favorable or no opinion

## Next Steps

MMS Strategies has been asked to provide recommendations on the scope of outreach required for Phase 2B. It was clear that in Phase 2A, the outreach was targeted to decision makers to determine any “fatal flaws.” Having found none, the next phase of outreach must focus on ratepayers and consumers. It is our recommendation that within the next phase of the project, very specific outreach be conducted to notify and educate ratepayers. This would include town hall meetings, homeowner association meetings and district (wholesale and retail) mailings. We would also recommend setting up a one stop shop website for disseminating information as well posting videos/reports and answering questions. This work would take approximately 3-4 months and should be done prior to a final LAFCo decision.

## Attachment A

List of Meetings: December 2014 – March 2015

### December 2014

- ✓ Placer County Supervisor Kirk Uhler
- ✓ Roseville Council member Susan Rohan
- ✓ Roseville Utilities Director Ed Kriz
- ✓ Roseville Council Member Carol Garcia
- ✓ Roseville Council Member Bonnie Gore
- ✓ Sacramento County Supervisor Susan Peters
- ✓ City of Citrus Heights Mayor Sue Frost
- ✓ Citrus Heights Council Member Jeff Slowey
- ✓ Citrus Heights City Manager Henry Tingle
- ✓ Citrus Heights General Services Director David Wheaton
- ✓ Citrus Heights Principal Senior Engineer Chris Fallbeck
- ✓ Folsom Council Member Jeff Starsky
- ✓ Folsom Council Member Steve Miklos
- ✓ Folsom City Manager Evert Palmer
- ✓ Placer County CAO David Boesch

### January 2015

- ✓ Sacramento Supervisor Patrick Kennedy
- ✓ Sacramento Supervisor Roberta MacGlashan
- ✓ Roseville Council Member Tim Herman
- ✓ Roseville Council Member Pauline Roccucci
- ✓ Roseville City Manager Ray Kerridge
- ✓ Citrus Heights Council Member Mel Turner
- ✓ Folsom Mayor Andy Morin
- ✓ Folsom City Council Presentation
- ✓ Metro Chamber
- ✓ Roseville Chamber
- ✓ Folsom Chamber
  - Met with Russ Davis and presented to the Government Affairs Committee
- ✓ Create Joint Website

## February 2015

- ✓ Senator Richard Pan
- ✓ Senator Ted Gaines
- ✓ Assembly Member Ken Cooley
- ✓ Assembly Member Beth Gaines
- ✓ Sacramento County CAO Brad Hudson
- ✓ Citrus Heights Council Member Steve Miller
- ✓ Citrus Heights Council Member Jeannie Bruins
- ✓ Folsom Council Member Kerri Howell
- ✓ Folsom Council Member Ernie Sheldon
- ✓ Granite Bay MAC
- ✓ North State BIA Presentation
- ✓ Citrus Heights Chamber

## March 2015

- ✓ Sacramento Supervisor Phil Serna
- ✓ Senator Jim Nielsen
- ✓ Carmichael Chamber
- ✓ Arden Arcade Business Council



## **Attachment B**

### **Fact Sheet**

Sacramento Suburban Water District and San Juan Water District are contemplating a partnership which could result in a single water agency. This partnership will significantly improve water supply reliability in the combined service areas by combining both ground and surface water for customers and could save ratepayer dollars by eliminating duplication of job duties, create a more streamlined agency and protect water rights.

#### **About San Juan Water District**

- ✓ Provides water service to a population of approximately 160,000
- ✓ Treats and delivers approximately 50,000 acre feet of water through 218 miles of pipeline
- ✓ Retail division serves parts of Roseville and Granite Bay in Placer County and Orangevale and Folsom in Sacramento County
- ✓ Wholesale customers include Citrus Heights Water District, San Juan Retail, Fair Oaks Water District, Orange Vale Water Company and a portion of the City of Folsom north of the American River.
- ✓ Have pre-1914 American River water rights of 33,000 acre-feet annually plus contractual rights with the U.S. Bureau of Reclamation for 24,200 acre-feet annually and Placer County Water Agency for 25,000 acre-feet annually, the latter to be used solely within Placer County.

#### **About Sacramento Suburban Water District**

- ✓ Provides water service to a population of approximately 173,000
- ✓ Treats and delivers annually 38,000 acre feet of water through 698 miles of pipeline
- ✓ Provides service to Arden-Arcade, Foothill Farms, portions of Citrus Heights, Carmichael, North Highlands, Sacramento, Antelope and McClellan Business Park
- ✓ Provides water to customers from 82 active groundwater wells
- ✓ Has contractual rights to 26,064 acre feet from the City of Sacramento and 29,000 acre-feet of surface water from Placer County Water Agency

#### **Benefits**

- ✓ Will increase water supply reliability
- ✓ Greater economy and efficiency in operations
- ✓ Risks associated with both agencies are reduced with the partnership
- ✓ Increased access to surface water
- ✓ Maximize the use of existing infrastructure
- ✓ Increase accessibility to groundwater supplies
- ✓ Preservation of water rights to a broader customer base
- ✓ A larger agency will have more influence at the state and local level

#### **Considerations**

- ✓ Larger agency
- ✓ Possibly less representation per capita

## Attachment C

### Frequently Asked Questions

**Q: Why have the Sacramento Suburban Water District (SSWD) and San Juan Water District (SJWD) been meeting together for the past year?**

**A:** For close to four years staff and elected board members have been discussing and studying reorganizing or merging the two water districts to create a stronger water district with increased water assets to improve water supply reliability.

**Q: What does reorganization mean? Does it mean the two agencies are proposing to merge or consolidate water resources, operations, staff and the board of directors?**

**A:** The simple answer is yes. Technically, what is being studied and proposed is for the SJWD to annex or add the service area of SSWD. Once complete, the SSWD would dissolve and staff, assets and liabilities would be assumed by SJWD.

**Q: Why are they proposing to do this if both districts are fiscally solvent and both provide excellent service?**

**A:** Both districts do have balanced budgets, stable water rates, and reserves. The accumulated debt of each agency is a result of investing in the water delivery system required to maintain operations. The reason they are looking to combine operations is to improve water management and reliability. SSWD has vast reservoirs of ground water and SJWD, extensive water rights and contracts for surface water. Bringing the water resources of the two districts together provides for a seamless mechanism to ensure their ability to deliver water under the direst circumstances.

**Q: If these two agencies do a joint re-organization, how will this affect ratepayers?**

**A:** The re-organization will be seamless to ratepayers within the service boundaries.

**Q: These agencies seem very different, how will this partnership work?**

**A:** Actually, the agencies are very much alike; the main differences will complement the other if the agencies create the partnership. The primary focus for both agencies is ensuring water supply reliability. The main distinction is one agency focuses on ground water and the other on surface water. This partnership could allow for strategic management of both surface and groundwater supplies that would benefit the customers of both agencies.

**Q: What was the impetus for these discussions?**

**A:** In looking to ensure water supply reliability, financial and regulatory efficiencies, the Board of Directors from each agency set up a system to collect feedback, these discussions started in earnest in 2013. At each step there is a “go, no go” decision. Both Boards are very conscientious of their ratepayers, staff and stakeholders. They are working diligently to ensure the right decision is made prior to moving to the next phase.

**Q: What does this mean for ratepayers?**

**A:** The partnership of SJWD and SSWD will mean long term economies of scale, increased water supply reliability and could mean smaller rate increases in the future.

**Q: Has this been done before?**

**A:** Yes, Arcade and Northridge Water consolidated in 2002

**Q: What does this mean for the employees of both organizations?**

**A:** It is our intention that staff will not be displaced if this partnership occurs. We could realize a savings through natural attrition. The more likely scenario is that staff would not increase under the new organization whereas both agencies would need to increase staffing over the next couple years to handle demand.

**Q: Can the two districts unilaterally combine? Is approval required by a county or state agency to ensure the reasons for moving forward are legitimate and valid and the public has an opportunity to be heard?**

**A:** No, they cannot do this on their own. California law, which is in many ways unique, sets forth a statutory process for this type of action. The body that has authority to oversee and approve, disapprove or condition such actions is the Local Agency Formation Commission (LAFCo) In this case, it is the Sacramento LAFCo that would be reviewing and approving the action if it makes it that far.

**Q: Will there be a vote?**

**A:** Not necessarily, but there are opportunities for the public to force a vote if a significant number of property owners or register voters protest the action. The process for protest is set forth in the LAFCo law.

**Q: Will the merger of SSWD and SJWD affect my water bill?**

**A:** Of and in itself, no. Water rates in each district are based upon the cost of producing the water. As a matter of fact, for a prolonged period of time, if the districts are consolidated, rates would remain separate as district debt and reserves must be kept separate.

**Q: Will I see a difference in how I get my water if the districts join together? Will I be required to use less if they consolidate? Will it taste or smell different? How will the pressure be?**

**A:** There will not be a difference in how you get water. Consolidation will not result in water rationing or dry days. The purpose of this effort is to ensure that the combined district customers are less affected by unusual water conditions—drought and contamination for example. The water coming out of the faucet will not be distinguishable.

**Q: Where and how will I pay my bill? Will there be customer service centers in each of the areas? Where will the combined district board of directors meet?**

**A:** The goal of each district today is to provide exemplary customer service and this will not change. Staff from each of the districts will become staff of the new district. The existing district boards will become the new board. Staff will continue in the tradition of providing the best service possible. Existing facilities will be maintained so where ever a bill is paid now, will be the case for the immediate future.

**Q: We just had an election, will there be a new vote to confirm the directors. And presently, SSWD directors are elected by division and SJWD at large, how will elections be held in the future? How many directors will we vote for?**

**A:** The next election will occur in 2016. If the reorganization moves forward, special legislation will be sought to increase the number of directors to more appropriately represent the larger area and they will be elected by division.

**Q: What happens to SJWD's wholesale customers—Fair Oaks, Citrus Heights and OrangeVale Water agencies? Will they go away or be forced to consolidate too?**

**A:** No they will not go away, nor will they be required to merge. Their status and water contracts will not change.

- Q: Are there ways to improve water management and reliability between the two water districts without merging?**
- A:** Not with any degree of certainty that improved water management and reliability will be permanent and not without putting existing water rights at risk.
- Q: Why now?**
- A:** Our region needs to ensure water supply reliability. Northern California's water supplies support the economy and environmental needs of the entire state. This partnership strengthens the water rights and availability. Given the demands of increased urban and agricultural water needs in the region and the ongoing drought in California, this proposed partnership would strengthen the historic water rights and increase water reliability in the combined district area.
- Q: What is the process?**
- A:** The process to combine special districts is governed and regulated by California Government Code.
- The Local Agency Formation Committee or LAFCo is the state created agency in each county—empowered to make decisions on all types of local agency changes—formations, dissolutions, mergers, consolidations, annexations, detachments and reorganizations. The Government Code requires each LAFCo to look carefully and critically at proposed changes and evaluate and make findings on a number of factors before rendering a decision. There are written reports and a recommendation made by LAFCo staff, public hearings by the Commission before a decision is made
- Q: What about water rights?**
- A:** SJWD water rights are secure. The reliability and financial benefit of the water rights will be retained for the existing wholesale customer agencies. The intent is to use as much of SJWD surface water as possible in wet years and increase reliance on groundwater in dry years.
- Q: How will the debt of each agency be handled?**
- A:** Debt and reserves will be handled fairly and equitably. SJWD will not be retiring SSWD bond debt and vice versa. However, the partnership will create the opportunity to restructure the debt, thus saving ratepayers money.

**Q: When will this occur? Is this a done deal?**

**A:** This is absolutely not a done deal. We are currently in phase 2 of 3. The next step by the boards will be to determine if they would like to continue to a third phase. The earliest this could be completed in late 2015 or early 2016.

**Q: How can my voice be heard? Will there be stakeholder meetings?**

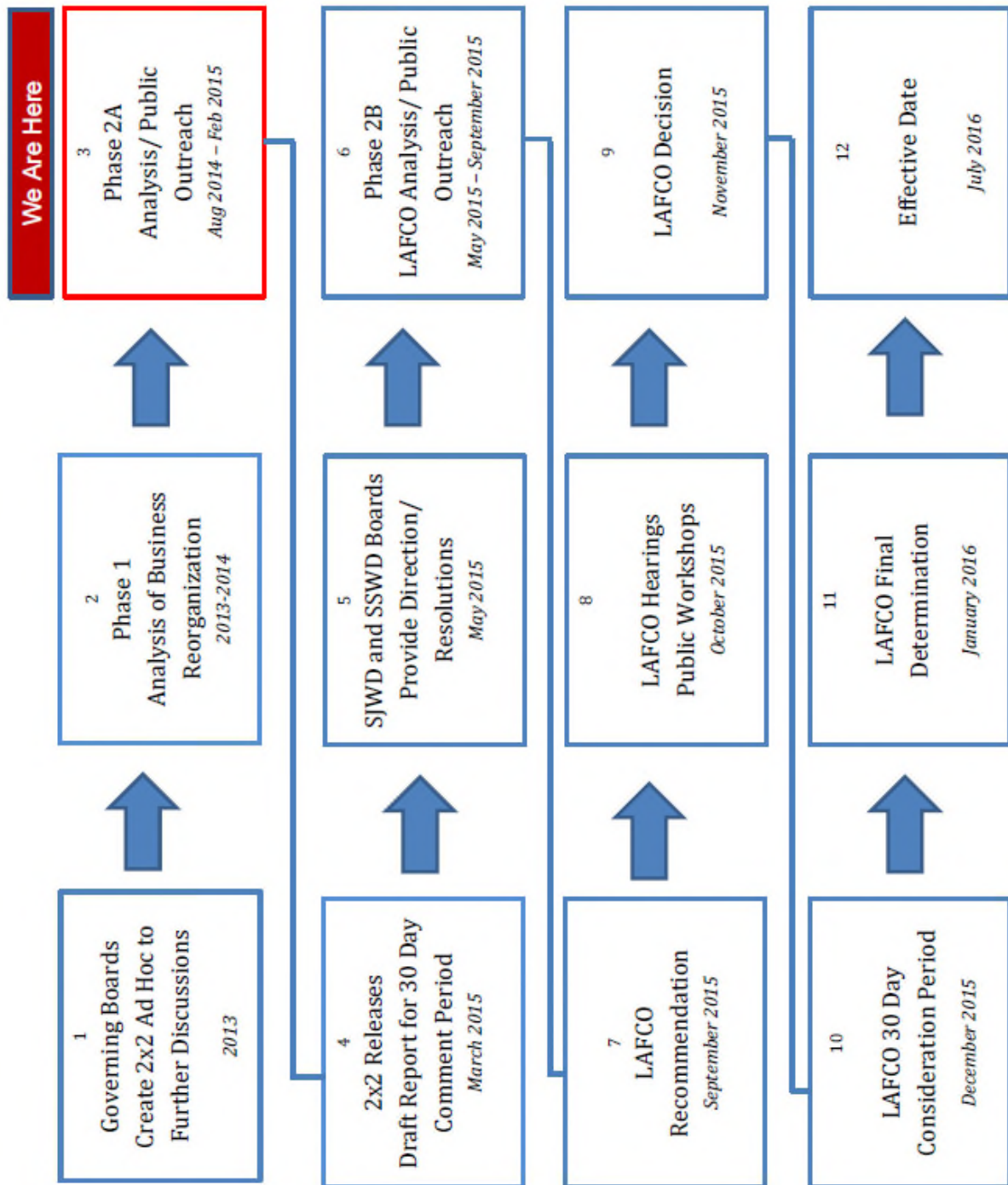
**A:** If the Board elects to continue the process, public meetings will be set up to gather additional comment and input. The boards already have held multiple public meetings, both joint and individual, to hear from ratepayers and stakeholders.

**Q: Who do I call with questions?**

**A:** Please contact Christine Bosley at 916.679.3974

Attachment D

Timeline







# Water Districts Survey

Field Dates: January 26 – February 2, 2015

Margin of Error: +/- 3.95

**Fielded by: The Summit Group**

Analysis by: Apex Strategies, Inc.



## **Key Findings**

- Sacramento Suburban and San Juan Water Districts (Districts) have positive job approval ratings – 88% and 93% respectively... with exceptional ratings of 23% and 22%.
- The drought remains water users number one unaided (no list of issues provided) concern – 38%.
- Protecting water quality is the top aided (list of issues provided) at 69%, followed closely by ensuring adequate water supplies (the drought) at 68%.
- Little intensity on the issue of a potential partnership or merger:
  - Favorable or no opinion at all – 73%
  - Very unfavorable opinion -- consistent at just 19%
  - A merger is better received than a partnership by 7 points – 44% vs. 37%
  - Some context plus merger definition is better received by 23 points – 44% vs. 21% (i.e., We are merging because..., not... We are merging.)



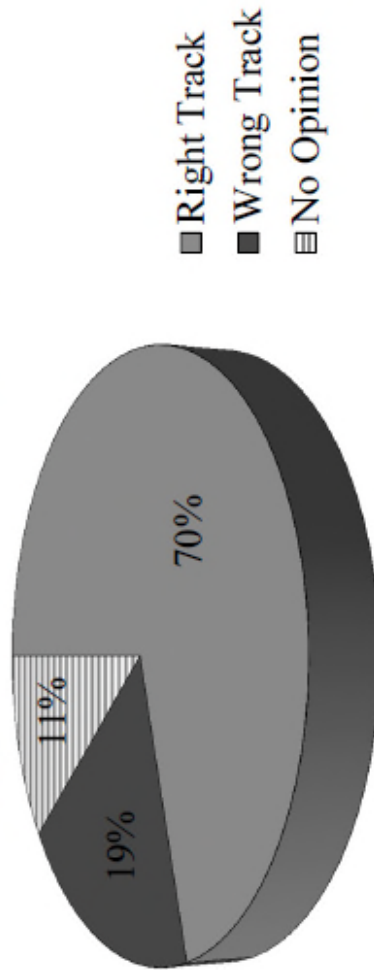
## **Key Findings** (cont.)

- Greatest perceived benefits to merging include:
  - Protecting water rights – 69%
  - Makes operations more efficient – 67%
  - Improving water supply and reliability – 64%
  
- Greatest perceived concerns:
  - Need more information – 12%
  - Bigger is not better – a generally negative gut reaction – 9%
  - Possible rate increases – 5%
  
- With 73% either favorable or with no opinion, it seems the districts boards would be free to exercise their best judgement.



Q3. Thinking specifically about the local community where you live, would you say things are on the right track, or would you say things are off on the wrong track?

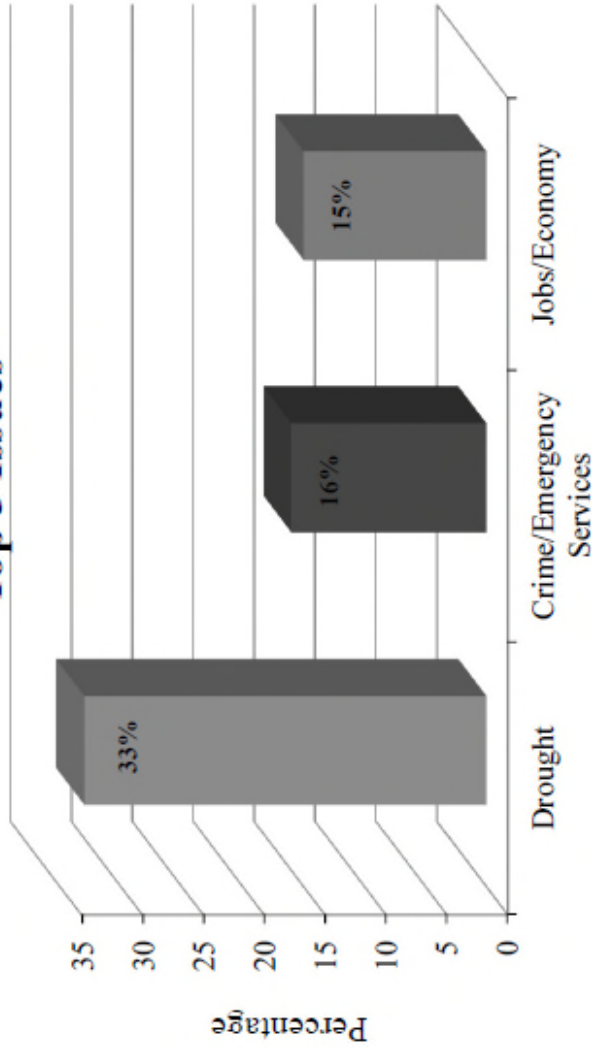
### Right Track / Wrong Track



Right Track	
<u>Highest</u>	<u>Lowest</u>
Folsom	Sacramento Suburban Water District I
85%	59%

Q4. Again, thinking about the local community where you live, what would you say is the most important issue facing your community?

**Top 3 Issues**

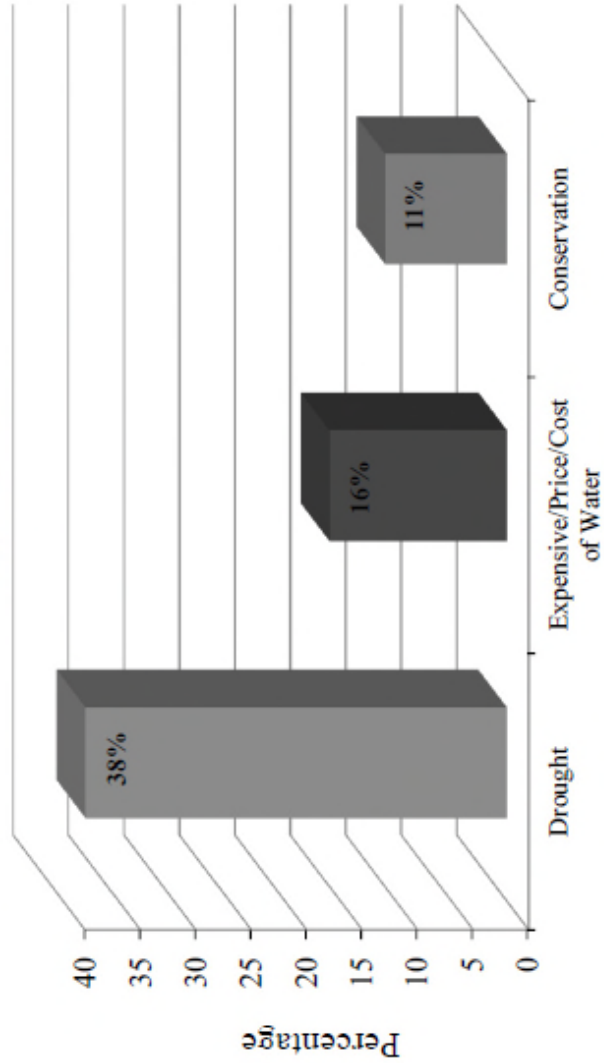


Drought	
Sac Suburban	San Juan
29%	37%



Q5. Now thinking about your local water service, what is your biggest concern?

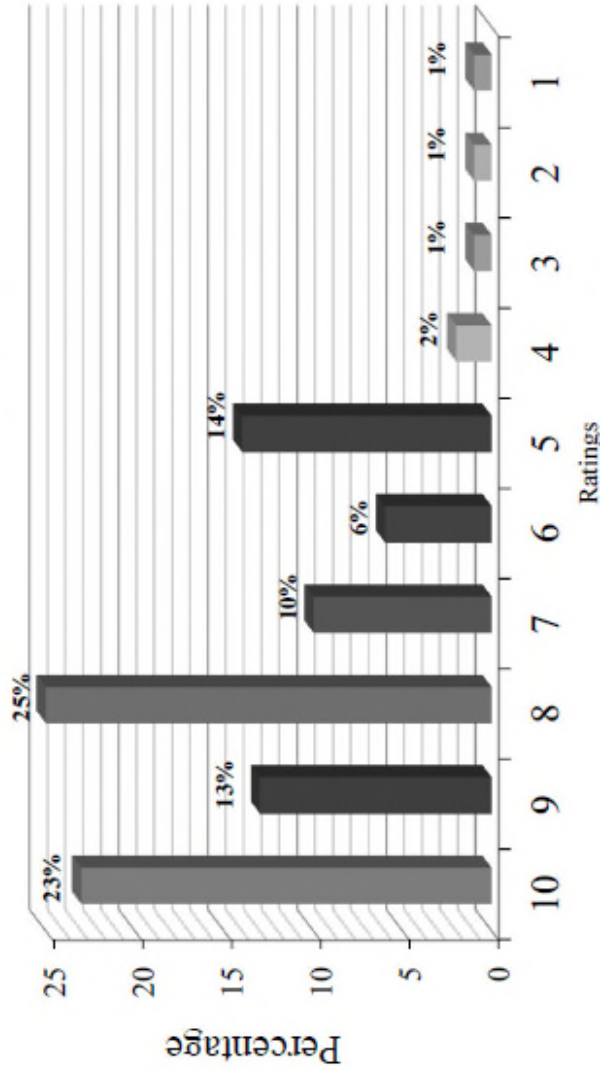
**Top 3 Issues**



Drought	
Sac Suburban	40%
San Juan	36%

Q6. Thinking about your local water district, on a scale of 1 to 10, please rate your overall opinion of the job it does -- 10 being excellent and 1 being not good at all.

### Overall Opinion of the Job Respondent's Think the Water District Does



Sacramento Suburban	
Rating of 10	23%
Rating of 8-10	55%
Rating of 5-10	88%

San Juan	
Rating of 10	22%
Rating of 8-10	65%
Rating of 5-10	93%

Combined	
Rating of 10	23%
Rating of 8-10	61%
Rating of 5-10	91%

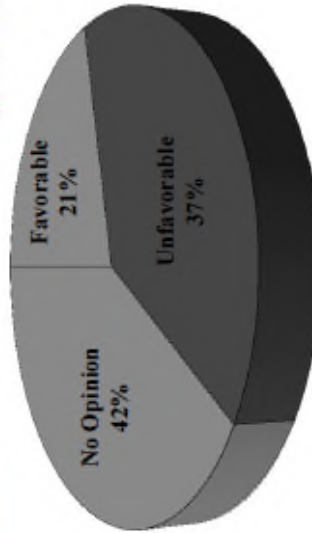
**Q7-Q14:** Still thinking about your local water district, please rate the importance of the following issues to you – 10 being most important to deal with and 1 being not important at all to deal with.

	Rank	Overall	Water Districts		Sac Suburban		Gender		Length of Residency	
			San Juan	Sac Sub.	North	South	M	F	Less 5 Yrs	Over 20 Yrs
Protecting Water Quality	1	69%	71%	68%	69%	69%	70%	69%	72%	68%
Ensuring adequate drinking water	2	68%	70%	65%	72%	63%	69%	67%	73%	65%
Guaranteeing water supply reliability	3	63%	63%	62%	65%	61%	61%	64%	64%	61%
Keeping water rates affordable	4	59%	63%	56%	61%	50%	58%	61%	55%	63%
Managing the drought	4	59%	59%	59%	62%	60%	54%	64%	64%	54%
Maintaining local infrastructure	6	56%	55%	56%	54%	60%	55%	56%	50%	58%
Keeping overhead costs under control	7	54%	56%	51%	55%	55%	54%	54%	54%	54%
Promoting water conservation	7	54%	52%	55%	53%	58%	46%	61%	60%	50%

*Shading denotes differences of 8% or more*

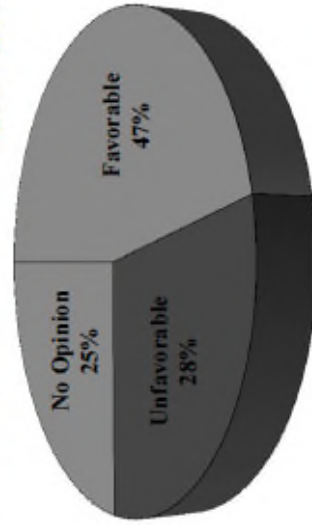


15. The Sacramento Suburban Water District and San Juan Water District are considering a partnership which could result in a merger into a single water agency. Without knowing anymore about the potential merger, do you have an initial favorable or unfavorable opinion? And is that somewhat/very favorable or somewhat/very unfavorable? **63% - 37%**



	Water Districts		Length of Residency	
	San Juan	Sac Sub.	Less 5 Yrs	Over 20 Yrs
Favorable/No Opinion	61%	64%	70%	60%
Unfavorable	39%	36%	30%	40%

16. Here is a little more information. The water districts are considering a merger, because this would improve water supply reliability in their service areas by combining ground water and surface water reserves for customers, reducing overhead, and protecting long-term water rights. Hearing this, do you have a favorable or unfavorable opinion? And is that somewhat/very favorable or somewhat/very unfavorable? **72% - 28%**



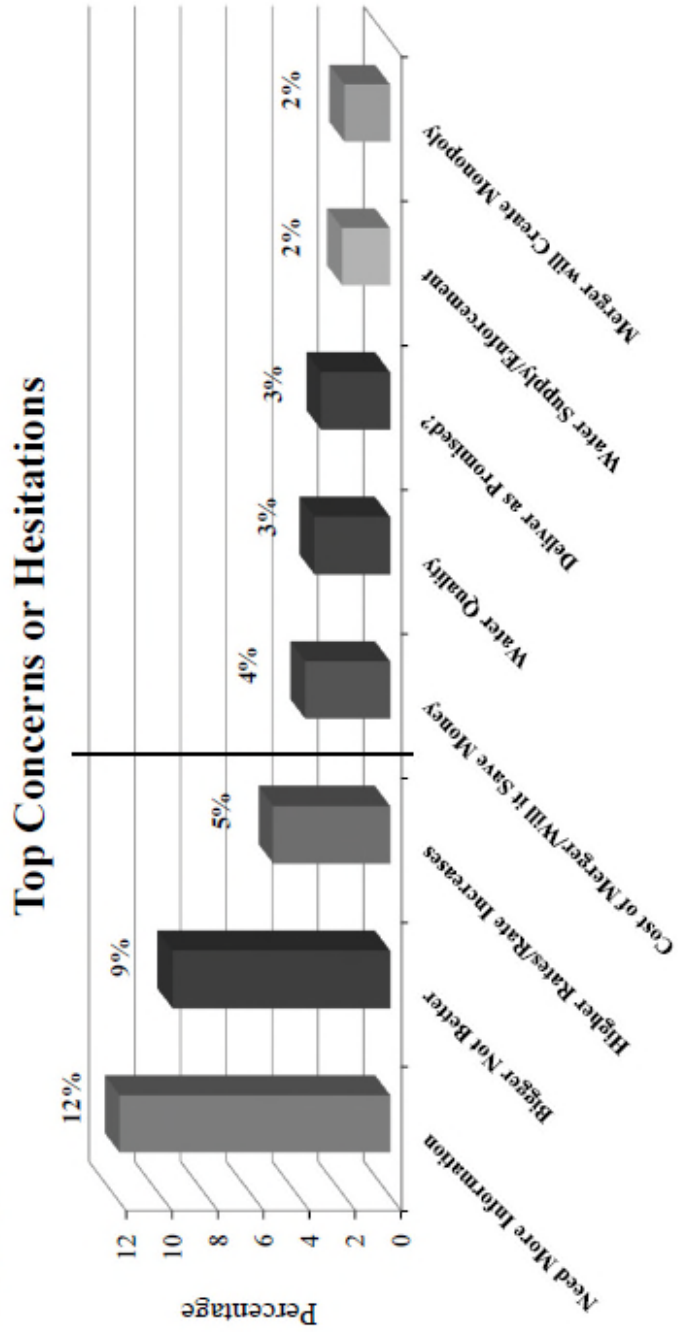
	Water Districts		Length of Residency	
	San Juan	Sac Sub.	Less 5 Yrs	Over 20 Yrs
Favorable/No Opinion	71%	73%	83%	67%
Unfavorable	29%	27%	17%	33%

Q17 – Q23: Now I am going to read you a list of benefits from the merger. Using a scale of 1 to 10, where 10 is very important and 1 is not important at all, please let me know how you rate each of these benefits.

	Rank	Overall 8-10	Water Districts		Sac Suburban		Gender		Length of Residency	
			San Juan	Sac Sub.	North	South	M	F	Less 5 Yrs	Over 20 Yrs
Protects local water rights	1	69%	70%	69%	68%	66%	64%	74%	71%	68%
Makes operations more efficient	2	67%	67%	69%	68%	65%	68%	68%	70%	64%
Improves water supply and reliability	3	64%	66%	64%	66%	54%	61%	68%	70%	62%
Maximizes use of infrastructure	3	64%	65%	62%	62%	53%	62%	64%	67%	62%
Reduces overhead, admin. and bureaucracy	5	63%	67%	61%	63%	50%	62%	66%	65%	62%
Diversifies water supply to include ground and surface storage	6	59%	57%	61%	58%	56%	60%	59%	66%	57%
Large water agency equals more influence and clout	7	46%	44%	49%	48%	44%	41%	51%	51%	48%

*Shading denotes differences of 8% or more*

24: As you think about this partnership or merger, do you have any concerns or hesitations?

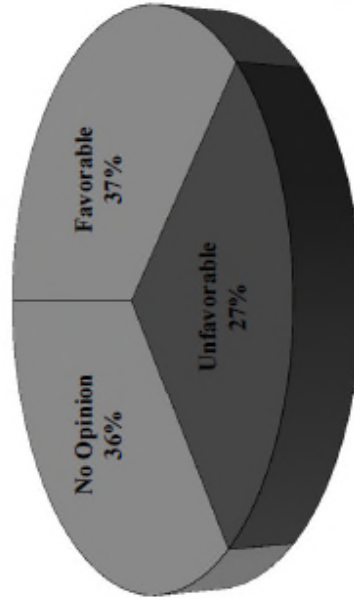


*Black vertical line denotes top concerns within margin of error*



**Partnership**

25a. Still thinking about this partnership between the Sacramento Suburban Water District and the San Juan Water District, do you have a favorable or unfavorable opinion? And is that somewhat/very favorable or somewhat/very unfavorable?

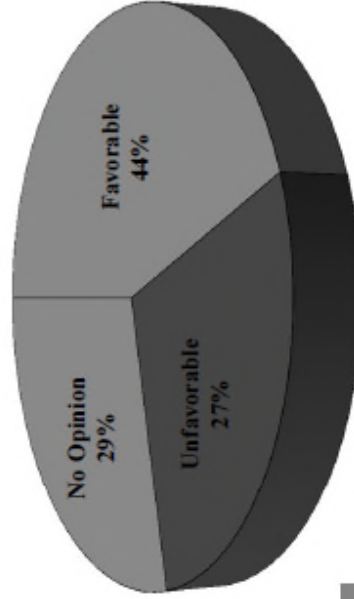


73% - 27%

Difference  
+ 7

**Merger**

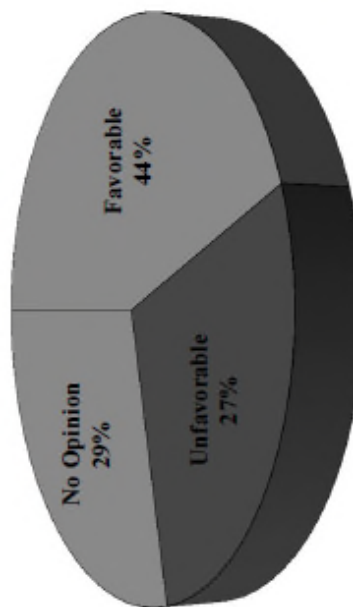
25b. Still thinking about this merger between the Sacramento Suburban Water District and the San Juan Water District, do you have a favorable or unfavorable opinion... And is that somewhat/very favorable or somewhat/very unfavorable?





25b. Still thinking about this merger between the Sacramento Suburban Water District and the San Juan Water District, do you have a favorable or unfavorable opinion... And is that somewhat/very favorable or somewhat/very unfavorable?

	Overall	San Juan	Sac Sub.	Sac Suburban		Gender		Length of Residency	
				North	South	M	F	Less 5 Yrs	Over 20 Yrs
Favorable	44%	44%	44%	43%	42%	42%	47%	47%	41%
No Opinion	29%	26%	31%	32%	33%	27%	28%	29%	30%
<b>Combined</b>	<b>73%</b>	<b>70%</b>	<b>75%</b>	<b>75%</b>	<b>75%</b>	<b>69%</b>	<b>75%</b>	<b>76%</b>	<b>71%</b>
Unfavorable	27%	30%	25%	25%	25%	31%	25%	24%	29%



73% Favorable / No Opinion

19% Very Unfavorable



## **Summary**

- 73% of respondents are either favorable or hold no opinion regarding a merger.
- A merger is 7 points more favorable than a partnership – 44% to 37%.
- The more one learns about the merger, the more favorable they become:
  - From 63% favorable or no opinion to 73% favorable or no opinion.
- Similarly, the more one knows about the merger, concerns or unfavorable ratings fall from 37% to 27%.



**THANK YOU**

**Questions?**