



Agenda

San Juan Water District/Sacramento Suburban Water District Joint Special Board Meeting

3701 Marconi Avenue
Sacramento, CA 95821

Tuesday, June 25, 2024
6:00 p.m.

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

Portions of this meeting will be conducted by teleconference in accordance with Government Code section 54953(b). The teleconference locations for the meeting are as follows: (1) District boardroom at the above address, and (2) 605 Prince Street Alexandria, VA 22314. Each teleconference location is accessible to the public, and members of the public may address the Board of Directors from any teleconference location.

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Password: 434387

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

The public may address the Boards concerning an agenda item either before or during the Boards's consideration of that agenda item. Persons who wish to comment on either agenda or non-agenda items should fill out a Comment Card and give it to either one of the General Managers. The Chairperson will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

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

Call to Order

Roll Call

Public Comment

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

Items for Discussion and/or Action

1. **History Between Sacramento Suburban Water District and San Juan Water District Regarding Combination Discussions**
Recommendation: No action. Receive staff presentation.

2. **Consultant Services and Communications Plan**
Recommendation: Staff is seeking approval of the following recommendations; Sole source with Raftelis for a Business Case Analysis, Sole source with In-Communications for a Communications Plan.

3. **Schedule and Tasks – Board Direction to Staff**
Recommendation: Discussion of tasks and schedule associated with the business case analysis and outreach/communications.

4. **Joint Board Meetings vs 2x2 Committee Meetings**
Recommendation: Discuss preference to conduct Joint Board meetings or appoint a 2x2 Committee going forward on the potential combination discussions of San Juan Water District and Sacramento Suburban Water District. Direct staff as appropriate.

Adjournment

I certify that the foregoing agenda for the June 25, 2024, meeting of the San Juan Water District/Sacramento Suburban Water District Joint Board was posted by June 21, 2024, in a publicly-accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Sacramento, CA 95821, and at the San Juan Water District office, 9935 Auburn Folsom Road, Granite Bay, CA 95746, and was made available to the public during normal business hours.

Teri Grant
Board Secretary
San Juan Water District

Agenda Item: 1

Date: June 25, 2024

Subject: History Between Sacramento Suburban Water District and San Juan Water District Regarding Combination Discussions

Staff Contact: Dan York, SSWD General Manager
Paul Helliker, SJWD General Manager

Recommended Board Action:

No action. Receive staff presentation.

Background:

Combination discussions between the Sacramento Suburban Water District (SSWD) and San Juan Water District (SJWD) have been occurring since 2011. In June 2015, the SSWD Board chose to discontinue the subject discussions.

In 2018, SJWD communicated with SSWD, to inquire about restarting discussions concerning combination efforts. The two organizations set up a 2x2 Ad Hoc Committee, which met during 2018 and 2019. During 2019, SJWD and SSWD agreed to expand the discussion of potential combination to other interested agencies, and conducted a “collaboration/integration” project with five other neighboring water agencies, to evaluate different alternatives that ranged from status quo operations to merger among the agencies. That project was completed in 2021.

In 2024, SSWD staff was directed to send a letter to SJWD inquiring about their interest in conducting further discussions about potential combination of SSWD and SJWD. The respective Boards of each agency agreed to such further discussions and request that a joint meeting of the two Boards of Directors be convened in the near future to define the scope and schedule of such discussions, if approved and directed by the respective Boards.

Agenda Item: 2

Date: June 25, 2024

Subject: Consultant Services and Communications Plan

Staff Contact: Paul Helliker, SJWD General Manager
Dan York, SSWD General Manager

Recommended Board Action:

Staff is seeking approval of the following recommendations:

1. Sole source with Raftelis for a Business Case Analysis
2. Sole source with In-Communications for a Communications Plan

Background:

San Juan Water District (SJWD) and Sacramento Suburban Water District (SSWD) have been discussing potential combination discussions 2011. SJWD has an existing water supply profile consisting of only surface water and SSWD has a historically largely groundwater water supply profile, with surface water contract entitlements for conjunctive use that have a limited availability.

The two districts have historically worked together on multiple fronts. With the construction of the Cooperative Transmission Pipeline (CTP) in 1996, and with its extension to SSWD's Antelope Transmission Pipeline (ATP), the water transmission systems of both districts were connected. Since these transmission pipelines were built, SJWD has treated SSWD's surface water entitlement from PCWA and delivered it to SSWD as part of its successful conjunctive use program. The Antelope Pump Back facility was constructed and connected to the ATP that will allow SSWD's groundwater supplies to be pumped into SJWD in extraordinary drought and emergency situations.

With the expected changes to hydrology due to climate change, the changing regulations that are affecting the ability to use and/or access water supplies, and a general scarcity of water supplies in California, the districts began a process to see if there was a way to better manage the water resources of both districts to provide additional water supply reliability for their customers. After years of discussion, the districts initiated a Phase 1 study to evaluate options for better water management. The Phase 1 report was completed by Municipal Consulting Group. This report recommended that additional water supply flexibility might be obtained by combining the two districts into one district, and recommend further study of that option.

The districts then initiated a Phase 2A Study (see Attachment 4) to complete a high level analysis of combining the two districts. A Phase 2B Study, if conducted, would involve further analysis of issues not fully explored in Phase 2A. A Phase 3 Process, if conducted, would involve more detailed information necessary for actual combining of the two districts, and would involve a public outreach and education component to inform customers and solicit additional input. However, in June 2015, the SSWD Board of Directors chose to discontinue the combination effort.

Discussion:

In order to reinforce customer service and benefits, as well as mission, vision, and values of each organizations to key stakeholders, both internal and external, it is important to receive buy-in from such stakeholders. This can assist in making this effort a success. The Communications Plan is intended to ensure the right messages about the Combination Study are communicated to keep every stakeholder informed and potentially reduce employee anxiety. Both SJWD and SSWD have made a decision to again discuss a potential combination of the two districts. If the two districts make a decision to continue the combination discussions, it is very important to obtain the services of a third party consultant to conduct a business case analysis and also develop a thorough and transparent Communications Plan.

Critical components of a Communications Plan is developing the following:

- Fact Sheet on Combination Discussions
- Frequently Asked Questions
- Develop a Stakeholder list
- Governance
- Water supplies
- Rates, revenues, CIP, operations
- Fact Sheet on Advantages and Dis-Advantages
- Conduct Public Workshops

SSWD currently has an agreement with a Public Relations firm and has the capacity to amend the agreement to add the Combination Discussions. If the respective Boards agree to move forward with a Communications Plan, then a Memorandum of Understanding (MOU) would need to be approved that would identify the scope of work and that funds would be split 50/50 between the two districts. A Draft Outreach Outline is provided in Attachment 1 as an example.

A Regional Collaboration Study was conducted by Raftelis in 2020/21, of which SJWD and SSWD were in the subject study. In addition, SSWD and Carmichael Water District (CWD) conducted a Business Case Analysis during Combination Discussions between the respective districts and utilized the services of Raftelis (see Attachment 3, also available at the link provided). In addition to the Business Case Analysis conducted by Raftelis, SSWD and CWD staff conducted an internal Further Analysis of Combining CWD and SSWD.

To assist in minimizing the cost to conduct a Business Case Analysis, the same consultant could be utilized to conduct a Business Case Analysis (see Attachment 2). If the respective Boards agree to conduct a Business Case Analysis, an MOU would need to be approved that would identify the scope of work and that funds would be split 50/50 between the two districts.

Attachments:

1. Draft – Outreach Outline for Combination Study between San Juan Water District and Sacramento Suburban Water District
2. Business Case Study Workplan – CWD and SSWD
3. SSWD-CWD Business Case Analysis Report (available at www.sjwd.org/files/aa8e9811d/SSWD-CWD+Business+Case+Analysis.pdf)
4. Phase 2A Study (included in packet at the end)

Attachment 1

DRAFT - Outreach Outline for Combination Study between San Juan Water District and Sacramento Suburban Water District

OUTREACH PHASES AT A GLANCE

PHASE 1: Combination study in progress

- Educate audiences that SSWD and SJWD are in the process of identifying combination opportunities and that an independent, third-party researcher or consultant is conducting an analysis

PHASE 2: Once the study is released and accepted as complete

- Educate audiences that the SSWD and SJWD Boards have accepted the study as complete
- Educate audiences about the study findings, taking a neutral, fact-based perspective

PHASE 3: Once the SSWD and SJWD Boards take positions on the study

- Educate audiences about the SSWD and SJWD Board positions and perspectives on the study, and next steps
 - If the Board positions are to stop moving forward, then educate audiences about the reasons; outreach concludes
 - If the Board positions are to move forward with combination, then outline next steps for Board action, including opportunities for audiences to learn more and provide input
 - Recommend providing ample time, robust outreach and several opportunities for audiences to learn more and provide input

PHASE 4: Once the SSWD and SJWD boards vote on whether or not to move forward with combination

- Educate audiences about the SSWD and SJWD Board positions and perspectives on combination, and next steps

OUTREACH PHASES AND ACTIVITIES

PHASE 1: Combination study in progress

- Educate audiences that SSWD and SJWD are in the process of identifying combination opportunities and that an independent, third-party researcher or consultant is conducting an analysis.
 - The report considers: economics (economies of scale), efficiencies and effectiveness and enhanced water resource management
 - The draft report is due 14 weeks after study initiation
 - The SSWD and SJWD websites allow visitors to learn more and stay updated

Target Audiences

Note that priority levels for target audiences will change depending upon the outreach phase.

Internal

- SSWD and SJWD employees
- SSWD and SJWD Boards of Directors

External

Priority

- Customers of both Districts, including:
 - Parks departments within SSWD and SJWD service areas
 - Civic and business organizations within the SSWD and SJWD service areas
 - HOAs within the SSWD and SJWD service areas
- SJWD wholesale customer agencies (CHWD, FOWD, Orangevale WC, Folsom)
- Local elected officials that represent the SSWD and SJWD service areas (County Board of Supervisors, CA Assembly and Senate, and Congressional)
- Taxpayer advocacy groups
- LAFCO (already engaged)

Secondary

- Other water providers in the region, especially those that partner with SSWD and SJWD in conjunctive use
- Regional Water Authority/Sacramento Groundwater Authority
- Water Forum/Water Forum Environmental Caucus
- Vendors
- Regulators, especially the State Water Board Division of Drinking Water (aware of discussions)

INTERNAL AUDIENCES: Actions and Materials

- Regular briefings/updates provided at staff meetings
- Website updated/on home page
- Foundational materials, including a fact sheet, FAQ and key messages (to be used by both SSWD and SJWD)
- Online hub with study information (fact sheet and FAQ) and documents (draft study, final study) for staff to access, learn more and provide questions and comments
- Add information/link to hub on the SSWD and SJWD home pages
- Emails from General Managers with links to the online hubs

EXTERNAL AUDIENCES: Actions and Materials

- Regular updates at SSWD and SJWD Board meetings and through any 2x2 Committee
- Website updated/on home page—central location for all audiences to find information

- Include in newsletters and bill inserts
- Foundational materials, including a fact sheet, FAQ and key messages for directors and CS/field staff (to be used by both SSWD and SJWD)
- Direct mail postcard with QR code
- Advertising on Facebook
- Social media/Facebook
- Updated stakeholder list
- Staff reports for Board and committee meetings
- News releases/media stories
- CS Monitor
- Outreach to stakeholders on list
- Briefings for elected officials
- “Official” update provided at an RWA EC/Board meeting and Water Forum plenary
- “Official” update provided to partnering water providers such as City of Sac, PCWA, CHWD, FOWD, OVWC, and City of Folsom

PHASE 2: Once the study is released and accepted as complete

- Educate audiences that the SSWD and SJWD Boards have accepted the study as complete
- Educate audiences about the study findings, taking a neutral, fact-based perspective

INTERNAL AUDIENCES

- Update foundational materials, including a fact sheet, FAQ and talking points for directors and staff (to be used by both SSWD and SJWD)
- Update internal central locations for staff to learn more and provide questions and comments
- Host special briefings for managers (who can then serve as communicators to their teams)
- All Hands meetings/special staff briefings on study data

EXTERNAL AUDIENCES

- Update foundational materials, including a fact sheet, FAQ and talking points for directors and staff (to be used by both SSWD and SJWD)
- Update SSWD and SJWD websites
- Articles in bill inserts and SJWD wholesale mailers
- Advertising on Facebook
- Social media/Facebook
- CS Monitor
- Outreach to Wholesale customer agencies
- Outreach to stakeholders on list, including local elected officials
- News release/media story
- Update to other water providers

- Update to RWA Executive Committee/Board
- Update to the Water Forum

PHASE 3: Once the SSWD and SJWD Boards take positions on the study

- Educate audiences about the SSWD and SJWD Board positions and perspectives on the study, and next steps
 - If the Board positions are to stop moving forward, then educate audiences about the reasons; outreach concludes
 - If the Board positions are to move forward with combination, then outline next steps for Board action, including opportunities for audiences to learn more and provide input
 - Recommend providing ample time, robust outreach and several opportunities for audiences to learn more and provide input

Outreach Activities

Outreach Activities are TBD but will generally include those above, customized to the Board decisions and opportunities for public/staff input

If the Boards move forward, the expectation is that there will be a robust public outreach process, including direct mail pieces and a “Road Show” (i.e. Speaker’s Bureau) by SSWD and SJWD ambassadors to further discuss the study findings and board direction and gather audience input

PHASE 4: Once the SSWD and SJWD Boards vote on whether to move forward with combination

- Educate audiences about the SSWD and SJWD Board positions and perspectives on combination, and next steps

Outreach Activities

Outreach Activities are TBD but will generally include those above, customized to the Board decisions



Carmichael Water District and Sacramento Suburban Water District

Strategic Business Case Analysis for a Potential Combination

WORKPLAN / MARCH 21, 2022



Study Workplan

Raftelis has developed the following workplan for this study, which is heavily based on our submitted proposal, but includes adjustments based on the comments we received from Carmichael Water District (“CWD”) and Sacramento Suburban Water District (“SSWD”) or CWD and SSWD together (“the Districts”). It will result in the development of a strategic business case evaluation of a potential combination of the Districts. A key objective will be to objectively frame the business case for each District’s Board and stakeholders to help them decide whether or not to proceed with consolidation.

Task 1: Project Initiation and Management

We will use the kick-off meeting to identify important project outcomes and, more importantly, to create a shared vision for this engagement. Our team will meet with the Joint Committee and/or other designated representatives from the Districts to establish projects goals, key tasks and milestones, and non-negotiables, as well as to identify key areas of focus for the review of consolidation of the entities. We will prepare a document/data request for each District to gather important background information, building on the information that we have previously collected during past engagements.

Our team will develop a project plan with communication expectations, a timeline, and a project charter to clearly identify stakeholder expectations, goals, in-scope and out-of-scope activities, success factors and potential risks, key participants, and constraints as a product of the kickoff meeting. Getting buy-in on the project plan from stakeholders will be a critical success factor during and beyond this study if a combination is pursued.

DELIVERABLES:

- Agenda, kick-off meeting materials, and participation
- Project plan with communication expectations, a timeline, and a project charter

Task 2: Describe the Current Environment

Our team will focus on combination alternatives, which will be subjected to analytics necessary to determine how combined finances would impact the fiscal condition of the Districts and what the approximate ratepayer burdens could look like over time following a combination. We will

Combining Water Resources

Evaluating a combination necessitates studying the integration of each Districts’ water asset portfolio.

Understanding the fundamental principles of the opportunities and restrictions of each water asset is a primary driver to understanding how water supply integration will actually occur.

Our team will recommend a reliable water asset utilization strategy based on a conjunctive use program with the combined water asset from both Districts focusing on issues like climate change and regulatory restrictions under the Bay-Delta Water Plan. The Raftelis team will explain how to effectively use each agencies water assets and provide guidance on cost-effective approaches to water asset management integration in the context of changed future climatological and regulatory conditions.

thoroughly analyze and assess the financial condition and practices of each District to support the combination alternatives. We will review financial documents, including the CAFR and budget at a minimum, and document rate structure, financial policies, asset base, reserve levels, annual revenues, customer volume, pension liabilities, operating expenses, credit ratings, debt capacity, connection fees, and more to ensure equitability for both Districts.

Our team will review and document at a high level how each District operates, including services and programs, service standards, policies and procedures, staffing levels, water resources, structure, governance, costs, and -- something that is often overlooked -- culture. Because of our work on the previous Sacramento Regional Collaboration Study, we are familiar with the two entities which will allow us to expedite some of the data gathering.

DELIVERABLES:

- Impacts at both Districts based on combination alternatives with financial analyses

Task 3: Identify Opportunities and Challenges

We will compare and contrast the operating models of each entity and of a consolidated entity using a strategic business case format. In this phase, we will analyze and identify opportunities and challenges to a combination, including comprehensively assessing the following areas:

- Governance form/structure
- Organizational structure
- Service integration
- Facilities integration
- Financial impacts and challenges of combining Districts
- Staffing opportunities, impacts, and challenges
- Stakeholder and community organization outreach
- Significant water resource implications
- Major regulatory impacts
- Other opportunities and challenges.

For each item above, our team will identify opportunities and challenges associated with the consolidation of the Districts, including costs and benefits (such as net cost savings vs. newly incurred cost burdens to either District), key operational factors that need to be addressed, and more. The analyses will account for scenarios where known and potential future changes create operational impacts (e.g., growth, legislation, , etc.). For governance, we will assess issues of apportionment (representation), customer equality, and equity. This will include recommendations about the structure of a combined governance body and transitional representation during a combination process. For staffing, we will include a discussion of the likely implications with respect to collective bargaining, culture, and staffing. All of these analyses will be informed by information from our work with other clients in the region as a means of comparison.

Raftelis plans to collect data, including interviews, for Tasks 3 and Task 4 using a combination of on-site and virtual data gathering. One trip is scheduled for Tasks 3 and 4.

We will develop a detailed stakeholder and outreach plan that identifies and prioritizes stakeholders, highlights key areas for messaging, and outlines the channels and intensity of engagement by stakeholder group based on their prioritization. Assistance with execution of stakeholder outreach activities is not presently included in the scope.

We will review preliminary observations and recommendations with the Districts and perform any follow-up required to finalize recommendations.

DELIVERABLES:

- Preliminary observations and recommendations

Task 4: Project Deliverables

Once recommendations have been finalized, our team will prepare a comprehensive draft report incorporating our assessments and using data from all project tasks to make recommendations as to how consolidation of the Districts might proceed, and what the costs and efficiencies (together the strategic business case) are likely to be from such a consolidation. The report will include a model (recommended) sequence of activities to achieve a combination, understanding that combination is a process and certain regulatory, financial, and water resource elements may be impacted by outside forces. The draft report will detail the information collected, the analysis conducted, and our recommendations, and make use of creative graphics, tables, and figures to clearly tell the story to a broad audience. To ensure factual accuracy, the entities will have the opportunity to provide one round of consolidated comments. Raftelis will then produce and present a final report.

Raftelis will present its findings and recommendations in person or via a web meeting (if desired by the Districts). This presentation meeting will augment our ongoing virtual check ins and interactions with the Districts and 2x2 Committee that will occur roughly monthly to provide updates and get feedback. We are available for additional in person or virtual meetings to present findings and recommendations beyond what is described, as an amendment to the scope of work.

DELIVERABLES:

- Draft and final report
- One presentation of findings and recommendations in person or via a web meeting (if desired by the Districts)

Hours by Task and Role:

Role	Name	Availability	PROJECT HOURS				
			Task 1	Task 2	Task 3	Task 4	Total Hours
Project Director	Seth Garrison	40%	7	8	72	28	115
Project Advisor	Jim Armstrong	30%	2	1	11	2	16
Project Advisor	John Mastracchio	25%	--	1	2	2	5
Finance/ Organization	Zach Green	60%	12	20	126	40	198
Finance	Kevin Kostiuk	25%	1	2	6	6	15
Information Technology	Doug Spiers	20%	1	2	4	2	9
Engagement	Melissa Elliott	25%	12	5	16	2	35
Staffing/HR	Lisa Wilson	20%	--	2	4	1	7
Water Resources & Regulatory	Zanjero	35%	8	6	51	30	95
LABOR HOURS			33	42	307	113	495

Agenda Item: 3

Date: June 25, 2024

Subject: Schedule and Tasks – Board Direction to Staff

Staff Contact: Dan York, SSWD General Manager
Paul Helliker, SJWD General Manager

Recommended Board Action:

Discussion of tasks and schedule associated with the business case analysis and outreach/communications.

Discussion:

This item is to discuss and define the estimated schedule for conducting the tasks associated with the combination activities to be conducted by SSWD and SJWD. The business case analysis will include a description of the current operations, financial activities and status, structure and staffing and other details of the business activities of SSWD and SJWD. The analysis will include a draft and final report that will include recommendations as to how consolidation of the Districts might proceed, and what the costs and efficiencies (together the strategic business case) are likely to be from such a consolidation. The report will also include a model (recommended) sequence of activities to achieve a combination, understanding that combination is a process and certain regulatory, financial, and water resource elements may be impacted by outside forces.

The business case analysis is estimated to take approximately five months, once the consultant has been selected and contracts approved. The outreach activities would occur contemporaneously with the business case analysis, and would be conducted by another consultant or consultants. A proposed schedule is attached.

Attachment:

1 – SSWD/SJWD Combination Project Proposed Schedule

SSWD/SJWD Combination Project Proposed Schedule



Project
Initiation and
Management



Describe the
Current
Environment



Identify
Opportunities and
Challenges



Business Case
Analysis
Deliverables



Outreach and
Communications



◆ - Status Meetings

⬠ - Joint Board Meetings

● - Reports

Agenda Item: 4

Date: June 25, 2024

Subject: Joint Board Meetings vs 2x2 Committee Meetings

Staff Contact: Paul Helliker, SJWD General Manager
Dan York, SSWD General Manager

Recommended Board Action:

Discuss preference to conduct Joint Board meetings or appoint a 2x2 Committee going forward on the potential combination discussions of San Juan Water District and Sacramento Suburban Water District. Direct staff as appropriate.

Discussion:

The San Juan Water District (SJWD) and Sacramento Suburban Water District (SSWD) conducted combination discussions from 2011 to 2015. During that timeframe, the SJWD and SSWD Board of Directors chose to appoint a 2x2 Committee to receive the information and analysis provided by staff. The 2x2 Committee would then report back to the full Boards with recommendations, if appropriate.

However, the 2x2 Committee does not have the authority to approve critical points of a reorganization between the two districts. Due to this, a 2x2 Committee has the potential to delay important tasks throughout the process and can ultimately extend critical decision points.

In directing staff to schedule Joint Board meetings to present information, or critical decision points, the process is more efficient as all of the Directors of each district receive the same information and allows making decisions in a more timely manner.



INTERIM PHASE 2 REPORT:

FINAL RESULTS OF PHASE 2A STUDY

Further Analysis of Reorganizing
San Juan Water District and
Sacramento Suburban Water District
June 25, 2015

John O'Farrell & Associates

Phase 2A Study

SSWD Board of Directors:

Tom Fellenz (Term ended December 2014)
Fred Gayle
Craig Locke (Term began December 2014)
Todd Robison (Term ended December 2014)
Neil Schild
Kevin Thomas
Robert Wichert (Term began December 2014)

SJWD Board of Directors:

Ted Costa
Ken Miller
Dave Petersen (Term ended December 2014)
Dan Rich (Term began December 2014)
Pam Tobin
Bob Walters

Sacramento Suburban Water District Staff

Robert Roscoe, General Manager
Dan York, Assistant General Manager
Dan Bills, Finance Director

San Juan Water District Staff

Shauna Lorance, General Manager
Keith Durkin, Assistant General Manager
Kate Motonaga, Finance and Administrative Services Manager

Consultants

John O'Farrell and Associates
MMS Strategies

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Acronyms

2x2 Committee	2x2 Ad Hoc Water Management Committee
af or AF	Acre-feet
ac-ft/yr	Acre-feet per year
ACWA	Association of California Water Agencies
AGM	Assistant General Manager
ATP	SSWD Antelope Transmission Pipeline
AWD	Arcade Water District
AWWA	American Water Works Association
BMPs	Best Management Practices
BDCP	Bay Delta Conservation Plan
Cal Am	California American Water Company
CEQA	California Environmental Quality Act
CFS	Cubic Feet Per Second or 0.65 MGD
CHWD	Citrus Heights Water District
CIP	Capital Improvement Program
CSD	Community Services District
CTP	Cooperative Transmission Pipeline
CPAC	Community Planning Advisory Council
CUWCC	California Urban Water Conservation Council
CVP	Central Valley Project
CWD	Carmichael Water District
DPMWD	Del Paso Manor Water District
DWR	Department of Water Resources
EID	El Dorado Irrigation District
Executive Team	Executive level staff at SSWD and SJWD
ERAF	Educational Revenue Augmentation Fund
FDCs	Facilities Development Charges
FOWD	Fair Oaks Water District
GM	General Manager
GPCD	gallons per capita per day
gpd	gallons per day

gpm	gallons per minute
GSWC	Golden State Water Company
IRWMP	Integrated Regional Water Management Plan
IT	Information Technology
JPIA	Joint Powers Insurance Authority
LAFCo	Sacramento Local Agency Formation Commission
MAC	Mutual Advisory Council
MBP	McClellan Business Park
MCG	Municipal Consulting Group
MFP	Middle Fork Project (PCWA-owned project on the Middle Fork of the American River)
MG	million gallons
MGD	million gallons per day
MOU	Memorandum of Understanding
MSR	Municipal Services Review
NSA	SSWD North Service Area
NWD	Northridge Water District
OVWC	Orange Vale Water Company
PCWA	Placer County Water Agency
RLECWD	Rio Linda/Elverta Community Water District
RWA	Regional Water Authority
SACOG	Sacramento Area Council of Governments
SAWWA	Sacramento Area Water Works Association
SCWA	Sacramento County Water Agency
SGA	Sacramento Groundwater Authority
SGMA	Sustainable Groundwater Management Act
SJWD	San Juan Water District
SJWD-R	San Juan Water District - Retail
SJWD-W	San Juan Water District - Wholesale
SJSCSD	San Juan Suburban Community Services District (aka SJWD)
SoFAR	South Fork American River Project

SSA	SSWD South Service Area
SSWD	Sacramento Suburban Water District
SWP	State Water Project
SWRCB	State Water Resources Control Board
UIFR	unimpaired inflow into Folsom Reservoir
USBR	United States Bureau of Reclamation
USEPA	United States Environmental Protection Agency
WCA	Wholesale Customer Agencies
WFA	Water Forum Agreement
WTP	Water Treatment Plant

Chapter 1 - Executive Summary

INTRODUCTION

San Juan Water District (SJWD) and Sacramento Suburban Water District (SSWD) have been discussing improved water management for many years. SJWD has an existing water supply profile consisting of only surface water and SSWD has a historically largely groundwater water supply profile, with surface water supplies for conjunctive use that have a limited availability. The ability to combine the water resources of both districts would provide significant flexibility for a future combined Board of Directors to use to adjust to increasing water regulations and shortages.

The two districts have historically worked together on multiple fronts for many decades. With the construction of the Cooperative Transmission Pipeline (CTP) in 1996, and its extension, the SSWD Antelope Transmission Pipeline (ATP), the water transmission systems of both districts were connected. Since these transmission pipelines were built, SJWD has treated SSWD surface water and delivered it to SSWD as part of a successful SSWD conjunctive use program. A pump station on the ATP is currently being constructed that will allow SSWD's groundwater supplies to be pumped into SJWD in extraordinary drought and emergency situations.

With the expected changes to hydrology due to climate change, the changing regulations that are affecting the ability to use and/or access water supplies, and a general scarcity of water supplies in California, the districts began a process to see if there was a way to better manage the water resources of both districts to provide additional water supply reliability for their customers. After years of discussion, the districts initiated a Phase 1 study to evaluate options for better water management. The Phase 1 report was completed by Municipal Consulting Group (MCG). This report recommended that additional water supply flexibility might be obtained by combining the two districts into one district, and recommend further study of that option.

The districts initiated a Phase 2A Study to complete a high level analysis of combining the two districts. A Phase 2B Study, if conducted, would involve further analysis of issues not fully explored in Phase 2A. A Phase 3 Process, if conducted, would involve more detailed information necessary for actual merging of the two districts, and would involve a public outreach and education component to inform customers and solicit additional input.

Public Process

Discussions of merging the two water districts raised significant interest in the process by many stakeholders. Both districts were determined to be as transparent throughout the entire process as feasible. The transparency went further than most efforts. An ad hoc committee was set up with two Board member representatives from each district. However, in order to be as open as

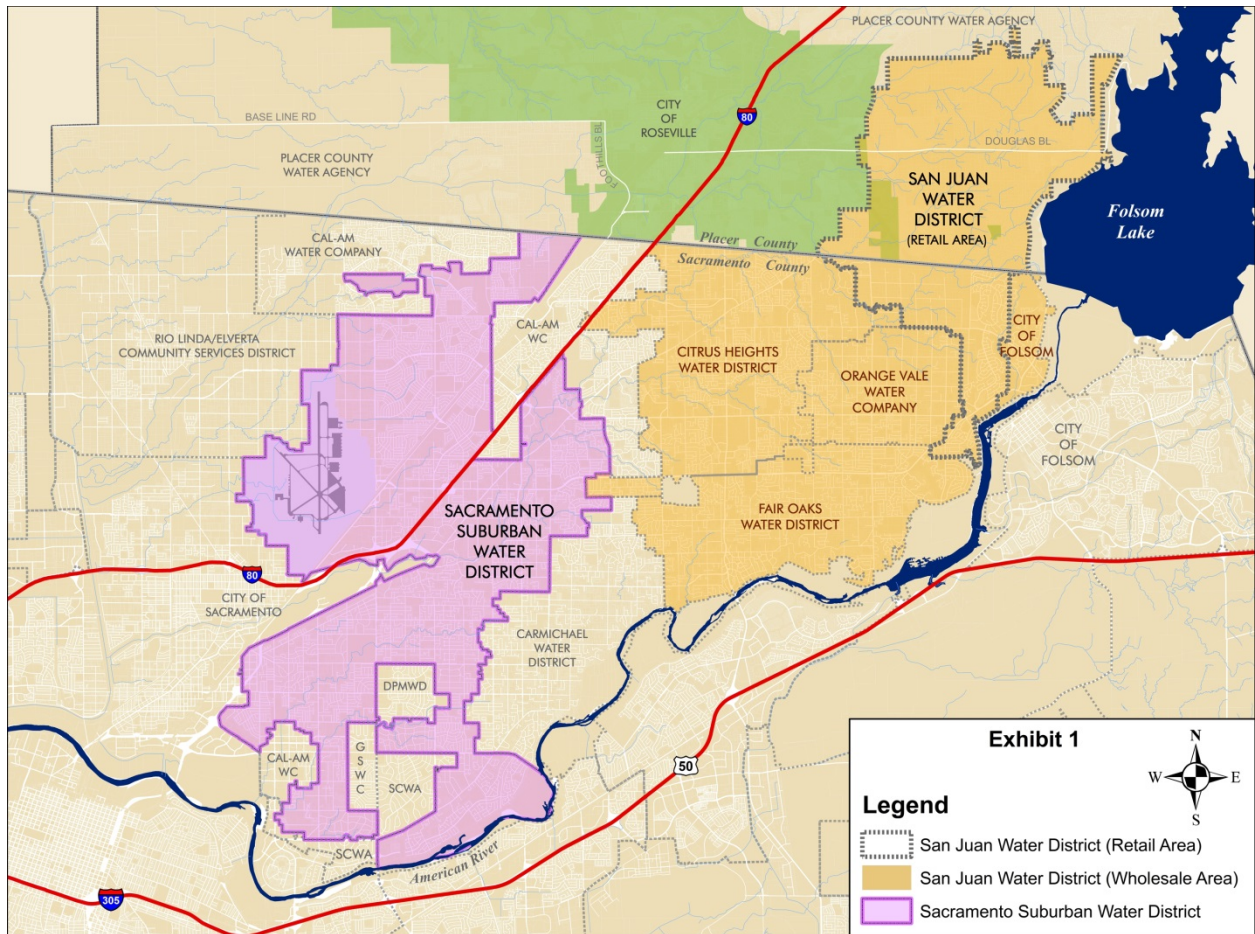
possible, the meetings were noticed and agenda packets were provided on line similar to a regular standing committee. Unedited working drafts of the work products were made available prior to each meeting, with spelling errors and working notes included. Public comment was encouraged and received at each meeting.

Meetings were held with a broad range of individual stakeholders, including staff and elected officials at local districts, cities, counties, organizations, and committees. Presentations were made at chamber of commerce meetings, business group meetings, city council meetings, and to other regional organizations.

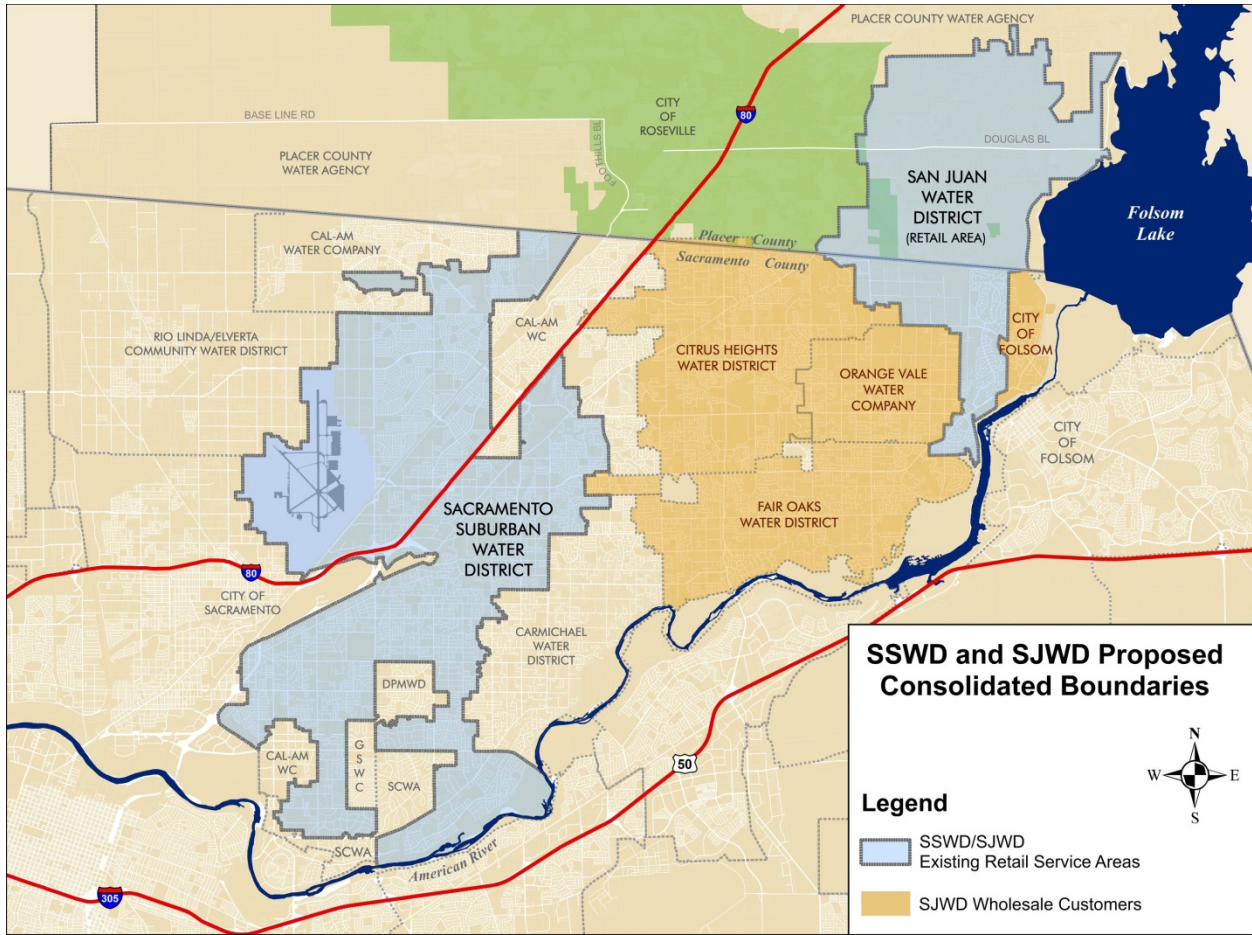
A statistically valid phone survey was conducted of customers in both districts. The results were similar for customers in both districts. Customers view water supply reliability and quality as the most important issues that their water district should address. When informed that water supply reliability might be improved with a merger of the two districts, 44 percent had a favorable opinion, 29% had no opinion, while 27% had an unfavorable opinion on the potential merger.

LOCATION OF SSWD AND SJWD

SJWD and SSWD are located in the heart of Sacramento County north of the American River and along the south edge of Placer County. SJWD boundary overlays the Citrus Heights and Fair Oaks Water Districts, the Orange Vale Water Company, a portion of the City of Folsom north of the American River and includes the area to which SJWD provides retail service. SSWD boundary includes a large part of the central area of Sacramento County north of the American River and overlays many communities, including North Highlands, Antelope, McClellan Business Park, and Arden-Arcade. The boundaries of both Districts are shown below:



For purposes of this report, the potential reorganization of SJWD and SSWD would create a single but unconnected retail service area as shown in blue in the chart below:



BENEFITS OF THE REORGANIZATION

Both SJWD and SSWD do an excellent job of managing the resources available to each district individually. The most important benefit of creating one larger district is to provide more potential water supply flexibility for better water management. The rules and regulations within which water districts will have to operate in the future are unknown at this time, but it is assured it will be more complicated and challenging than today. The ability to have more options for providing the most reliable water supply to the reorganized district's customers will be invaluable.

There will be many additional benefits that may result from the reorganization should the future Board of Directors choose to utilize the tools provided:

Water Supplies:

- The ability to utilize available surface water contracts in wet years for conjunctive use benefits. There are surface water contracts not fully being used by SJWD which might be put to beneficial use by expanded conjunctive use. The storage of water in non-drought years for use in drier years provides a more reliable water supply for all customers. This is the option encouraged in the State water plan. This option would both stabilize and better utilize the storage available in the groundwater basin for the benefit of all customers.
- Ability to provide environmental benefits in dry years through the flexibility to reduce use of surface water by using banked groundwater for the benefit of the lower American River as prescribed in the Sacramento Water Forum.
- Ability to assist other agencies in time of shortages, either hydrologic or emergency, through the use of groundwater to free up surface water for use by others, and by maintaining a stronger, more reliable water supply in the event mutual aid is required.

Maximize Potential of Existing and Future Infrastructure

- SJWD has available capacity in the existing water treatment plant that is currently not being fully utilized.
- SSWD has available capacity in the Cooperative Transmission Pipeline (CTP) and the ATP that is not being fully utilized.
- SSWD has available pumping capacity in its system of groundwater wells to support an expanded conjunctive use program.
- SSWD overlays a groundwater basin which has potential water storage opportunities with expansion of conjunctive use practices.
- There is an intertie between the districts that could be put to use more often.
- There is potential for an in-conduit hydro power project on the ATP and/or CTP between the two agencies.

Economies and Efficiencies:

- Ability to utilize one of the two general manager positions on different tasks.
- Greater ability for succession planning with combined staff.
- Ability to analyze existing positions in SJWD and SSWD to determine if there are efficiencies that could result from realigning positions that already exist within each district.
- Potential surplus positions resolved through attrition or the ability to reassign staff for more effective use of existing staff .
- Ability to combine resources to focus efforts on planning and prevention rather than reaction and response.
- Larger district would provide opportunity to gravitate to the newest and best performing information and computer-based systems as existing systems require replacement.
- Ability to reduce the impact of future rules and regulations and rules on rates with a greater base over which to spread future costs.
- Future rate increases might be reduced through economies of scale.
- Both districts have excellent credit ratings; combining the two districts might provide for even higher credit ratings resulting in savings should future debt issues be required.
- Potential ability to restructure debt for lower cost to customers.
- Potentially reduced cost due to improved purchasing power combination of districts would result in one legal counsel contract, one auditing firm with one annual audit, more efficient use of outside consultants, etc.
- Increase ability of executive staff to focus on external affairs through realignment of staff.
- Improved Regional, Statewide, and Federal advocacy and involvement.

PRELIMINARY FINDINGS

The Phase 2A Study has confirmed the conclusions reported in the Phase 1 Report. The Phase 2A Study has not detected any fatal flaws to merging the two districts. The findings listed below support the conclusion that multiple benefits can be achieved by merging the two districts.

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 will continue to increase. The pressure for water transfers from north to south will grow as water becomes scarcer, even as it becomes more expensive. As an example of the increasing pressure on northern California water supplies, in 2012 the single year transfer market for northern California water was \$190 per acre foot. In 2015 the single-year transfer market is \$700 per acre foot. Without reliable water, economics will falter.
3. The reliability of potable water supplies is becoming difficult to predict, both due to lengthy drought cycles and simply because of more demand regionally and statewide. 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.
4. The greatest risks to local water supply reliability are external to local purveyors. Actions by state and federal agencies, beyond the control of local agencies, create challenges best met with increased flexibility in water supply options.
5. Folsom Lake, the primary surface and contract water source for Placer County and North eastern Sacramento County, has been operated as an "annual reservoir" with Folsom Lake being drawn down by the USBR to accommodate a number of concerns:
 - a. Flood control
 - b. Maintaining flows and temperature in the lower American River
 - c. To temper salinity issues in the Delta
6. Recent modelling by USBR indicates Folsom Reservoir may be drawn to "dead pool" in roughly 10% of future years. The reliability of Folsom Lake can no longer be taken for granted. California is known for imposing drinking water regulations more onerous than other states or the federal government. The new hexavalent chromium standard is but the latest example of water quality regulations which impose costs and challenges not experienced elsewhere.

7. The Sustainable Groundwater Management Act of 2014 (SGMA) imposed new obligations on groundwater users to document long term sustainability of groundwater extraction. This places new challenges not only on resource management, but on political structures through formation of new Groundwater Sustainability Agencies.

Climate Change and the Environment

1. The 20th century may have been an anomaly with respect to snow fall in much of California and the western United States. 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 and there seemed to be more predictable rain producing weather.
2. The hydrological projections for this region are for more rain and less snow, with larger floods and longer periods of drought. These changes will require more sophisticated water management in this region as climate change will further constrain operation of local storage reservoirs.
3. The new SGMA adopted in 2014 will force an end to the state's practice of "mining" 3 to 5 million acre-feet of groundwater, placing additional pressure on surface water sources, as streamflow and groundwater are now connected by law.
4. New water quality objectives, more in-stream stringent temperature requirements and the water supply threats posed by presently listed and potential new future species listings under the Federal Endangered Species Act will further reduce water supply options for public use.

Sacramento County and the Region

Sacramento County has 21 different agencies providing urban and agricultural water. There are 14 water purveyors (or other various types of special districts, mutual or citizen-owned companies, municipal entities or private for-profit providers) north of the American River. The ability to better share resources in the region will provide more flexibility in meeting the water challenges 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 needed infrastructure 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.

3. SSWD and SJWD have histories of providing consistent and excellent service. Both districts have a rich heritage of serving their communities, adapting themselves to needed change. SSWD is the result of merging adjacent agencies to provide better service to their customers.
4. The leadership of the two districts has chosen to look beyond their respective borders in terms of service responsibility to analyze the possibility of a better way to maximize and put to best use each of their water resources to the benefit of both agencies' customers as well as the region.

Stakeholders

1. Generally, all of the major stakeholders interviewed understand the rationale for evaluating and considering a merger of the two agencies.
2. Outside of SSWD and SJWD, many stakeholders are questioning why the two districts would not merge. The benefits of water supply reliability are seen as obvious.
3. The concerns shared by all SJWD wholesale customer agencies include maintaining existing cost and reliability of pre-1914 water rights for the existing WCAs, maintaining rights included in existing wholesale water supply contracts, diluted representation if elections are not by division, and the potential for political pressure for the WCAs to merge with the new larger district.
4. Neighboring Carmichael Water District expressed concern over a lack of analysis of potential impacts to their water supplies in the event the merger occurs and a future Board opts to exercise certain water supply options.
5. Principles to address these concerns have been developed and included in the Study.
 - a. Existing rights and contracts for water will not be affected by the reorganization.
 - b. The cost and reliability benefits of the pre-1914 water rights will remain with the existing WCAs.
 - c. The number of elected directors of the merged district is recommended to increase to 7 or 9 with elections from divisions representing communities of interest. Should the Boards of SSWD and SJWD agree, this may require special state legislation.
 - d. The intent of the reorganization is to provide for improved water resource management for all customers. It is not intended to be an impetus to cause wholesale customer agencies to consolidate.
 - e. A reorganization of the governance structure of SJWD and SSWD does not, by itself, commit changes to existing water supply operations. It is expected that a merging of the two districts will allow a future Board of Directors additional flexibility in water supply options which may result in additional reliability for both districts. Any discretionary action by a future Board of Directors will have to comply with all laws regarding impact analysis. If future water supply options are limited to expanding existing conjunctive use operations, there should be no expected net increase in long

term groundwater pumping, and no expectation of impacts on surface water availability to others that don't already exist.

Synergies

SSWD and SJWD have complimentary assets: SJWD, surface water rights and excess treatment plant capacity; SSWD, abundant ground water rights and excess pumping and conveyance capacity. SJWD, in total, has excess surface water of approximately 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 table that within the SGA Water Accounting Framework allows the District to draw 35,000 AF per year. In addition to this annual allotment, the District has a groundwater bank of roughly 200,000 AF. SSWD also has secured 55,000 AF per year of surface water contracts for supporting conjunctive use. SSWD, SJWD, CHWD, FOWD and OVWC collaborated to finance and build the CTP and SSWD as successor to NWD, to finance and build the ATP to deliver surface water from SJWD to SSWD, CHWD, FOWD and OVWC. Currently, the Districts are jointly installing pumps within SSWD capable of delivering 10,000 gpm to SJWD. Working as one, between all water sources and infrastructure, a merged district would be able to deliver water under the most dire of circumstances. With SJWD and SSWD water supply assets jointly managed by a combined District, significantly increased flexibility would exist to respond to an increasingly challenging future.

1. Standing alone, each district is limited in its 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 “external threats” like never before. A combined district could reduce this limited ability to put water supply to use for benefit of the districts, the region, the State and the environment. A combined entity is expected to increase water supply reliability to customers of both districts.
2. SSWD is dependent on ground water and an interruptible surface water supply; SJWD is reliant exclusively upon surface water. Working together, these water assets complement one another and work together synergistically creating mutual benefit and a better approach with additional flexibility.
3. There are “planned changes” and future needs that both districts must face—regulatory challenges, potential staffing increases, staffing specialization, facility improvements, infrastructure upgrades, internal modernization and sophistication of management information systems all driving future rate increases. If the districts reorganize and unify, not all, but some of these planned future costs 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. SSWD has invested millions of dollars to upgrade its infrastructure and recharge the ground water basin north of the American River. SJWD has valuable historic water rights and contracts for American River water and has also invested millions to upgrade its water treatment and delivery systems. SJWD needs to perfect its water 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 ground water and share in time of need with SJWD, and conversely SJWD to share surface water with SSWD when it makes sense to do so.
5. The common governance of the combined entity will provide the capability and credibility to secure and enhance the water resources for the region, providing additional supply flexibility will increase reliability for all existing customers.

CONCLUSIONS

Water is one of the most important resources in our region. Without dependable, high quality and plentiful water, urban growth will stall, economies will falter, agriculture will suffer and the environment will degrade. 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 County's urban, agricultural and environmental requirements but that now appears to be at risk.

The most effective water policy in areas like Sacramento County is to balance the use of ground water and surface water. When it rains and lakes and reservoirs fill up, we utilize that gift, allowing aquifers to recharge. When the clouds do not produce and we experience dry and drought cycles, we draw from the ground water bank, made sustainable through conjunctive use with surface water.

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 merge the two districts politically and organizationally.

The Phase 2A Study concludes that merging the two districts could provide water supply reliability benefits to customers of both districts, allowing fuller use of existing infrastructure and facilities, and providing a potential for reduced costs through economies and efficiencies.

The purpose of this Study has been to further evaluate if it is appropriate and makes sense for the two districts to combine. The Phase 1 analysis arrived at that conclusion related to water supply; the Phase 2A Study makes the same finding after reviewing the political and organizational structures. Neither study uncovered "fatal flaws." Both studies conclude that coming together provides an optimum opportunity and ability to better serve their customers and manage water conjunctively to the benefit of all.

These preliminary conclusions would not be complete without a comment on residual risk. The conclusions to proceed with merging the two districts is based largely on the perceived water supply reliability benefits associated with the added flexibility the combination of water supply assets would create. Increased access to surface water for SSWD in wet times and increased access to groundwater in dry times for SJWD form the root assumption. But the water supply landscape in California is in flux, and there are no longer any certainties or paths without risk. While merging the two districts will not eliminate future risk, it is strongly believed that remaining independent is a path with considerably greater, and likely unacceptable, risk to water supply reliability. In short, the "do nothing" alternative imposes greater risk to both districts.

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 2 - Background: Phases of Analysis

OVERVIEW

San Juan Water District (SJWD) and Sacramento Suburban Water District (SSWD) have been discussing improved water management for many years. SJWD has an existing water supply profile consisting of only surface water and SSWD has a historically largely groundwater water supply profile, with surface water supplies that have a limited availability. The ability to combine the water resources of both districts would provide a significantly increased set of tools for a future combined Board of Directors to use to adjust to increasing water regulations and shortages.

The two districts have historically worked together on multiple fronts for many decades. With the construction of the Cooperative Transmission Pipeline (CTP) in 1996, and NWD's construction of the ATP in the mid-to-late 1990's, the water transmission systems of both districts were connected. Since the CTP was built, SJWD has treated SSWD surface water and delivered it through the CTP and ATP to SSWD as part of a successful SSWD conjunctive use program. A pump station on the ATP is currently being constructed that will allow SSWD groundwater to be pumped into SJWD in drought and emergency situations.

With the expected changes to hydrology due to climate change, the changing regulations that are affecting the ability to use and/or access surface water, and a general scarcity of water supplies in California, the districts began a process to see if there was a way to combine the water resource tools of both districts to create a larger set of tools to better manage water resources and improve water supply reliability for their customers.

After years of discussion, the districts initiated a Phase 1 Report to study options for better water management. Should the Phase 1 Report identify that water management could not be improved; the process would have stopped at this point. However, the Phase 1 report recommended continuing to Phase 2 to further evaluate combining the two districts into one district. The districts initiated a Phase 2A Study to complete a high level analysis of combining the two districts. Phase 2B, if conducted, would involve more detailed information necessary for actual merging of the two districts, and meet the requirements of applying to LAFCo for merging the two districts.

PRIMARY FOCUS OF EACH PHASE

Phase 1: How can the districts working together through inter-agency agreements, or as one unified district, improve water management, resource sustainability, and long term water supply reliability?

Phase 2A: How will a model consolidated district “look, act and feel” to Boards of Directors, staff, customers, local, state and federal stakeholders?

Phase 2B: If the third level of review is reached, it will be focused on the completion of a report to submit to LAFCo to initiate the merging of the two Districts. LAFCo's are empowered by the State of California with responsibility for evaluating and passing judgment on changes of organization of cities and special districts. LAFCo will have limited discretion but will be required to review and make recommendations on how the merged District will operate. Either District would have the option to pull out of the process at any time up to the final action by LAFCo.

PHASE 1 - SUMMARY AND RECOMMENDATION

The Phase 1 report was initiated to identify, analyze and vet opportunities for improvements in regional water management, resource sustainability, and long term water supply reliability. This report has been finalized and accepted by both districts.

Initial Water Management Options

Through a process that began in 2011 to identify ways to increase the efficiency of both districts, the process eventually transitioned to focusing on the ability to increase the effectiveness of water management for both districts. The 2x2 Water Management Ad Hoc Committee identified a list of options to increase the potential uses of existing water assets of both agencies including, but not limited to:

- ◆ Use SJWD CVP water in SSWD without changing SJWD CVP service area in USBR contract.
- ◆ Use SJWD CVP water in SSWD by amending the SJWD CVP contract service area to include SSWD.
- ◆ Change SJWD-W boundaries to include SSWD as another wholesale customer agency in SJWD-W service area and modify SJWD CVP contract service area to include SSWD as part of the wholesale service area.
- ◆ Merge both agencies into one agency and modify SJWD CVP contract to include SSWD in SJWD CVP service area.
- ◆ Merge both agencies and use water rights in SSWD.
- ◆ Various options involving SJWD water rights senior to the CVP water service contract.
- ◆ Use SSWD groundwater assets in SJWD.

- ◆ Opportunities for groundwater banking and exchange using one of the options above.

Analysis

After much research and analysis, three options for better water management were directed to be studied in Phase 1:

Option 1 – Continue as separate agencies without requiring any changes to water supply or taking any actions that would require outside agency approvals.

Option 2 – Remain separate agencies, but share resources through agreements that include any agreements that could require outside agency approvals.

Option 3 – Combine the two districts into one district.

Recommendation from Phase 1

After completion of the analysis by MCG, the Phase 1 report included a recommendation to proceed with Option 3:

Consolidation (or merger) of both Districts into one District.

This option was identified as the best option for water management between the two Districts having complementary assets. Using existing water supply assets could provide significant benefits for achieving water supply reliability for both districts. No fatal flaws were identified related to water supply operations.

Benefits to SJWD from Phase 1

In the Phase 1 report, the water management benefits that would result to SJWD through a merger of the two Districts were identified as:

- ◆ Protecting existing water rights and contract entitlements by putting them to beneficial use.
- ◆ Opportunities to increased allotment of CVP supplies during dry-year cutbacks
- ◆ Access to Groundwater Supplies
 - During Emergencies
 - During drought conditions
- ◆ Opportunities to maximize use of existing infrastructure.
- ◆ Increased opportunities for GW substitution transfers.
- ◆ More political influence.

Benefits to SSWD from Phase 1

In the Phase 1 report, the water management benefits that would result to SSWD through a merger of the two Districts were identified as:

- ◆ Long-term and Dependable access to surface water

- Existing SSWD-PCWA supply may not be a long-term supply for use in Sacramento County.
- City of Sacramento supply limited by uncertain USBR operations under new flow management standard.
- ◆ More opportunities and flexibility to address future groundwater contamination issues.
- ◆ Opportunities to maximize use of existing infrastructure.
- ◆ Increased opportunities for GW substitution transfers.
- ◆ More political influence.

Conclusions

1. Merger of the districts would provide supply reliability benefit to both SJWD and SSWD, as well as potential benefits to the region in general. No fatal flaws were identified.
2. For SSWD, a merger would provide access to more reliable surface water during wet years as well as flexibility of water supply to better address future ground water regulation and contamination issues.
3. For SJWD, a merger would allow SJWD to “perfect” beneficial use of surface water and reduce the risk of losing access to a water supply asset. The merger could provide access to ground water during dry years and the potential for more reliable water supply during extraordinary dry years.
4. For both districts, a merger would allow for additional and more efficient use of existing infrastructure to maximize investments, provide a potential opportunity for ground water substitution transfers/sale of water, and increase political influence in the region and State.

PHASE 2A STUDY – TASKS, PURPOSE, METHODOLOGY, TIMELINE, RECOMMENDATION

Phase 2A Study Purpose

The Phase 2A Study was initiated to conduct a high level review of the elements of a potential merger between the two districts. The intent is to review items other than just water management to filter out any fatal flaws that would result in a recommendation not to proceed before funding a full blown effort to complete the LAFCo required information.

Phase 2A Study was designed to be a high level analysis of all the functions of the districts related to the potential merger of the two agencies, including:

- Reviewing the impact to operations and other elements of each District as a result of a merger.
- Developing adequate information for both Boards to determine whether to proceed (go/no go) with a detailed plan for merger (Phase 2B). Phase 2B would include the application to LAFCo for merging the two Districts, but would allow either District to withdraw from process up until the final action by LAFCo.
- The continuation to Phase 2B will not occur without majority support of both Boards at the end of Phase 2A.

Phase 2A Study Approach

John O’Farrell and Associates was retained by SJWD and SSWD August, 2014 to complete the Phase 2A Study and provide a recommendation to the Boards of Directors on how to proceed. The approach used by Mr. O’Farrell in Phase 2A was to identify the key elements of each District’s operation, and identify how operations might be conducted if the two Districts were merged. Using this process, Mr. O’Farrell looked for any fatal flaw that might result from the merging of the two Districts. Phase 2A investigated a “paper” new district that could result from the merger of the two Districts, and developed and implemented a communications and outreach strategy for Board, staff and consultants to interact with District stakeholders.

Phase 2A Study Report

This Phase 2A Study includes how each of the following would be addressed in the “paper” new merged district:

1. The election process and number of members of the Board of Directors.
2. The potential layout of the Executive Management/Administration.
3. The approach to merging the functions of the two Districts.
4. The reporting relationships and functions illustrated in an organizational chart.

5. The joint operations, specifically water service delivery and customer service.
6. General policy to human resource policies to address issues such as salaries and benefits.
7. Meshing of finance and accounting and Information Technology (IT).
8. The combined district budget to illustrate the total cost of operation.
9. How short and long term debt is kept separate and eventually retired.

This Phase 2A Study identifies and addresses issues raised by different stakeholders through the outreach process:

1. Questions regarding potential impacts to water rates, water supply availability, and water quality. These answers to these questions are provided related to both retail and wholesale customers. How would the political structure be configured and how would this improve or reduce access to Board and staff.
2. The cost of combined operation and the impacts on retail and wholesale water rates.
3. How would existing capital improvement plans be impacted?
4. Would existing water rights and the associated benefits be changed for existing customers?
5. How would a combined district operate in a drought and would current customers be negatively impacted?

Conclusion of Phase 2A Study

The goal of the report is to provide enough information that if, following review of this report, a majority of both Boards of Directors believe an overall benefit to wholesale and retail customers can be achieved and questions and concerns have been adequately addressed for this high level decision, then direction can be given to move ahead with either further analysis if warranted (Phase 2B) or with the final phase of analysis, Phase 3. Phase 3 would evaluate the information necessary to initiate an application to LAFCo to consider a merger of the two districts.

PHASE 2B STUDY APPROACH

- Step 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.
- Step 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”
- Step 3: Set a timeline for completed Phase 2B work, including milestone “check-in” dates for Joint Board of Director meetings for progress reports.
- Step 4: Approve a budget and scope of work for moving forward.

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 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.
- Step4: At the conclusion of the hearing process LAFCo adopts a Resolution which makes a determination approving proposal, conducts the appropriate CEQA process as lead agency, and sets any terms and conditions of the approval.

Chapter 3 - Communication and Outreach

Approach: Identification of Issues, Stakeholders, Summary of Concerns and Findings of Outreach

The combination of special districts is not novel or new to Sacramento County, but each proposal has its own character and litany of issues. The contemplated unification of SJWD and SSWD could be the first significant water district reorganization since Northridge and Arcade came together in 2002. The alternative procedures for bringing districts together have not changed, and if the provisions of California Government Code Section 56853 are employed, (majority consent of both district boards), the regulatory body responsible for judging the merits of such proposals (LAFCo) cannot deny the reorganization, and only has the authority to impose a number of conditions to address issues that come up through the process of reviewing the application and public hearing.

Discussions of merging the two water districts initiated significant interest in the process by many stakeholders. Both districts were determined to be as transparent throughout the entire process as feasible. The transparency went further than most efforts. The committee was set up as an ad hoc committee with two Board member representatives from each district. However, in order to be as open as possible, the meetings were noticed and agenda packets were provided on line similar to a regular committee. Unedited working drafts of the work products were made available prior to each meeting, with spelling errors and working notes included. Public comment was encouraged and received at each meeting.

In addition, to confirm knowledge and understanding of the discussions related to merging of the two districts, it was essential to reach out and communicate to the various interest groups as to the nature of proposed changes. Meetings were held with a broad range of individual stakeholders, including staff and elected officials at local districts, cities, counties, organizations, and committees. Presentations were made at chamber of commerce meetings, business group meetings, city council meetings, and others.

Some of the questions could be grouped by stakeholder group, and some are better grouped by topic. Below is a summary of the questions from retail and wholesale customers, as well as other questions heard throughout the process.

Consumers

1. How would water rates be addressed between the two agencies? Would the rates be separate until a time they are similar and can be combined?

2. Will the change in political structure negatively impact water supply in dry/drought years in the retail areas? In other words, will my water be used elsewhere and reduce the already short supply for me?
3. Would water quality be affected with the combination of groundwater and surface water? Would the changed operations between pumped groundwater and gravity surface water from Folsom Reservoir cause any negative impacts?
4. Access to staff and Board of Directors - will it change? Will it be more difficult for a consumer to resolve a problem or grievance? Will customer service suffer?

Wholesale Customer Agencies

The wholesale customers of SJWD had some of the same issues as the retail customers, as well as some specific wholesale concerns.

1. Contracted wholesale water rates, will they change to the detriment of the Contractor as a result of reorganization?
2. Water availability—will the amount of water available for wholesale customer agencies be reduced? Will surface water be taken from the SJWD wholesale customer agencies to assist SSWD or will ground water be taken from SSWD in drought years to the detriment of SSWD?
3. Will water quality or pressure change?
4. Will interest be brought to bear on Citrus Heights Water District (CHWD) and Fair Oaks Water District (FOWD) to combine together or with others? What might be the impact on Orange Vale Mutual Water Company (OVWC) because of its unique character?
5. Would the members on the new Board have the potential to be all from SSWD or would the structure of elections change?
6. Will Wholesale Agencies lose access to the lower cost surface water sources or the reliability that comes with the most senior water rights?

Political Structure

1. What is the desired end result of the reorganization—if the San Juan CSD is the successor agency, there is a limitation of the number of board members UNLESS special legislation is introduced to allow for a greater number to serve on the SJWD board?
2. Are current directors willing to step down or should the focus be on proposed special legislation?

Organizational Structure

1. How will employees be affected?
2. How will similar positions be dealt with?
3. Will additional staff be necessary or are existing human resources adequate with combination?

4. How will disparity in pay scales and benefits be analyzed and resolved?

Other Issues

1. How will debt be dealt with? Should the liability of the respective districts remain with its existing service area and responsibility of customers, or would it be spread over the new district?
2. How will reserves be handled? Would reserves remain within respective districts service area until spent or be spread district wide?

Water Rights: are they at risk for SJWD?

1. Will improvements /deficiencies in transmission lines/supply system in respective service area be borne by existing customers or spread across the new consolidated district?
2. What about State mandated changes required in one district service area versus the other?
3. How will equity be assured?

Stakeholders

As part of the Phase 2A Study we contacted over 50 individuals, elected officials, local agencies, business groups and major water users to inform on the process as well as solicit any questions. The Communications and Public Outreach firm of MMS Strategies was retained to help with outreach and messaging points. Results of this effort are summarized separately including a listing of meetings held and outreach materials.

Following is the list of interest groups/stakeholders that were contacted:

1. SSWD Board of Directors, management, staff and employees
2. SJWD Board of Directors, management, staff and employees
3. 2 x 2 Water Management Ad Hoc Committee Appointees
4. SSWD customers and voters who attended the publically noticed meetings
5. SJWD customers and voters who attended the publically noticed meetings
6. San Juan Wholesale Customer Agencies:
 - i. Citrus Heights Water District
 - ii. Fair Oaks Water District
 - iii. Orange Vale Mutual Water Company
 - iv. City of Folsom (Ashland Area)
7. Elected Officials, Customers and Citizens residing in:
 - i. City of Folsom
 - ii. City of Roseville
 - iii. City of Citrus Heights

- iv. Fair Oaks
 - v. Orangevale
 - vi. Granite Bay
 - vii. Portions of Unincorporated Placer and Sacramento Counties
8. Other Interest Groups:
- i. Placer County Water Agency
 - ii. State of California (Department of Water Resources, Office of Emergency Services/Drought)
 - iii. Federal government (Bureau of Reclamation)
 - iv. City of Sacramento
 - v. Sacramento County/County Supervisors
 - vi. Sacramento Groundwater Authority
 - vii. Regional Water Authority
 - viii. Law Enforcement
 - ix. Homeland Security
9. Special Districts/Private Utilities:
- i. Sacramento Metropolitan Fire District
 - ii. South Placer Fire District
 - iii. Fair Oaks, Sunrise, North Highlands, Arcade Creek, Arden Manor, Arden Park, Carmichael, Fulton-El Camino, Mission Oaks, Rio Linda-Elverta park districts
 - iv. Del Paso Manor Water District
 - v. Carmichael Water District
 - vi. Rio Linda/Elverta Community Water District
 - vii. Fair Oaks, Sylvan Cemetery Districts
 - viii. California American Water Compay
 - ix. Golden State Water Company
 - x. Sacramento County Water Agency
 - xi. San Juan Unified School District
 - xii. Twin Rivers Unified School District

Comments from some of the individuals and local agencies are noted below.

Purpose of the Interviews

1. Provide background and context of the Phase 2A Study.
2. Explain the purpose and methodology of the Phase 2A Study and associated tasks and timeline for Administrative Draft Report.
3. Provide an opportunity for each stakeholder to ask questions and voice an opinion on the process to date.

The discussions with SJWD and SSWD board members and SJWD WCAs are summarized below.

SJWD Board Members Comments/Questions

The SJWD Board Members were individually interviewed to obtain comments and questions. The responses are summarized below for the record.

Phase 1 Validation:

1. Reorganization of SJWD and SSWD will provide for seasonal and managed conjunctive use of SSWD groundwater and SJWD surface water currently not available under the status quo. This opinion was expressed by all directors from SJWD.
2. There will be a greater opportunity and potential for water transfers or sale of unused assets to regional or other partners.
3. There is a need to maintain a reliable water supply for this region, and surface water should be used when available and groundwater stored. To maintain a healthy groundwater basin and water supply for all customers, this will provide the ability to perfect beneficial use of CVP water when it is available and potentially make surface water available to others when it is in short supply.
4. This will provide tools for a combined district to take advantage of innovative infrastructure opportunities.
5. There is a greater economy and efficiency in operation if the districts combine. There could be an ability to forestall needed staffing increases that districts may require individually. When regulations or changing conditions in the future lead to increased costs, the ability may be there to spread increased costs over a broader base rather than duplicative costs being funded by each district individually. This could reduce future rate increases for all customers.
6. The ability to have designated staff focused on the statewide issues around water would increase statewide and political influence.

Opinions:

1. If merging is successful, the approach would become a model for other local water districts to follow or become part of if they chose to.
2. It is important that the districts look at other successful reorganizations, the issues they had to deal with, and how they were overcome.
3. The risk of no action is greater than the risk of action. Proceed with the reorganization, details can be worked out by the new organization.

Direction:

1. The study should evaluate the bond rating of each district, debt by agency and debt by customer to make sure there is not a negative financial impact to customers in either district. The process should include checking in with the bond rating agency to see if the rating will be affected by a merger (improved or downgraded by reorganization).
2. The public needs to be engaged if this effort proceeds. Notify customers through an effective outreach program, such as mailers, town hall meetings, website facts and figures, etc.
3. It is critical that the merger of the two districts be cautious to not handcuff the new Board of Directors and General Manager by imposing conditions or adopting principles that inhibit effective and efficient operation of the new agency.

Questions:

1. How will the representation be determined for the new district? SJWD directors are elected “at-large” and SSWD are elected by “division”. Should there be more directors? What will be the process for transitioning to the new board of directors?
2. How will water availability potentially be affected? Will new State legislation provide for state oversight or intervention in groundwater management? If the groundwater basin is controlled by the State or other outside source how will that benefit San Juan customers in the long term?
3. There are many unknowns of reorganization that will need to be discussed, such as future water rates, costs of needed infrastructure, process for allocation of existing debt in an equitable manner.
4. Are any of SJWD surface water rights or contracts at risk with reorganization?
5. How will customer access to a merged district be handled? Where will Board meeting be held? Where will the administrative offices be?
6. How will customer service be handled? Will there be satellite centers or locations for bill paying and other customer service?

7. Do we need to quantify the value of the unused asset and what is it really worth or is it obvious that combining groundwater and surface water assets provides a win for both agencies without the labor intensive evaluation?
8. Conservation measures in each of the districts, how do they compare? Is one district ahead of the other?
9. Will there be a rate differential or does the debt stay with the existing service area until it is paid off?
10. What principles will be adopted to allay the concerns of the wholesalers related to water assurances? What are the principles that will govern water delivery, cost, and quality?

SSWD Board Members Comments/Questions

The SSWD Board Members were individually interviewed to obtain comments and questions. The responses are summarized below for the record.

Phase 1 Validation:

1. What will the principles be related to water assurances in dry years, and the cost and quality of water?
2. What is the value of unused assets?
3. It is important to have principles around groundwater banking to make sure the groundwater is not depleted. Conjunctive use must not negatively impact the groundwater stability?
4. What would the operations be on a seasonal basis or will it be condition dependent? How much groundwater will be pumped from SSWD to SJWD or surface water delivered from SJWD to SSWD in wet years? Will existing customers be impacted depending on how water is used?
5. Have all of the available options for use of the unused assets been evaluated, such as banking, selling or trading?
6. How will water rates be determined? Will they be maintained by existing service area, and if so, for how long. Does a blended rate make sense right away or in the future? Same issues related to the existing debt of each district. Should established debt be tied to existing customers and service area and future debt spread district wide?
7. The study should evaluate the pros and cons of the district organization chosen, such as Community Service District versus County Water District (representation, powers, taxing authority)?
8. Will a merged district will create a larger bureaucracy and add cost?
9. Can we not achieve the same benefit of improved water availability without merging and just maintaining the status quo?

10. The Phase 1 report is not “clean”; there should be additional investigation into the ability to utilize CVP supply.

Opinions:

1. The director interviewed is of the opinion the Pre1914 rights can be transferred to any successor agency, e.g., if the SSWD the successor, pre-1914 rights would succeed to the district.
2. There is concern that the State Legislature will begin to take preemptive action within the decade or so and possibly grab up any unused water supplies.
3. Reorganization of all the water districts north of the American River should occur in a logical progressive manner over a period of time. First reorganization should be the creation of a SJWD retail water district including all of retail area; next reorganization should merge SJWD retail district with FOWD, OVWC and CHWD.
4. Other agencies north of the river—Carmichael, Del Paso Manor, county water maintenance districts could become part of larger merged retail district.

Questions:

1. How will customer access to a merged district be handled? Where will Board meeting be held? Where will the administrative offices be?
2. Will the ability of the new district to possibly transfer or sell any of the unused assets require more groundwater pumping adding cost and drawing down the groundwater reservoir?
3. What is the process to reorganize? Are there potential legal causes of action? How will rates and debt be addressed? Will there be greater political influence?
4. What is the value of the unused assets? Could we use value of the unused asset to reduce debt for both agencies? Provide for new infrastructure needs?
5. Shouldn't we also be concerned about the long term reliability of groundwater—Aerojet plume, drawing down the aquifer? Doesn't conjunctive use of surface and groundwater make more sense?
6. Isn't this just all about water reliability, guarding against the loss of water rights and supply, providing tools to allow a future board to beneficially use San Juan surface water and SSWD groundwater?

Summary of Discussions with Directors from both districts:

None of the directors said they are unequivocally opposed to reorganization, but all expressed a need for more information to validate Phase 1 conclusions or address issues not fully covered in Phase 1. Most directors appeared favorably disposed to the reorganization, and appeared to support reorganization, as long as the issues above are addressed and questions answered.

SJWD Wholesale Customer Agencies

Questions and Comments:

Meetings were held with each of the wholesale customer agencies to discuss the Phase 2A process. The following is a summary of the discussion points.

Orange Vale Water Company

- ◆ Public agencies cannot merge with another public agency (or mutual) without concurrence from both boards.
- ◆ SJWD requirement that water rights financial and reliability benefits must stay with existing wholesale customer agencies.
- ◆ Combination of surface and groundwater management would provide increased reliability for existing SJWD customers as well as SSWD.
- ◆ Potential to provide dry year water supply to benefit environment and/or other agencies while benefiting SJWD.
- ◆ Intent to reduce future increases in costs, not reduction in existing costs.

Citrus Heights Water District

- ◆ Background to date and meetings held with individual SJWD/SSWD board members
- ◆ Public agencies cannot merge with another public agency (or mutual) without concurrence from both boards.
- ◆ There is no predetermined outcome to Phase 2A.
- ◆ The intent is to maintain at least neutrality to all wholesale customer agencies, but that benefits are expected.
- ◆ CHWD concerned that costs of reorganization not be transferred to CHWD, FOWD, OVWC, etc.
- ◆ SJWD requirement that water rights financial and reliability benefits must stay with existing wholesale customer agencies was a requirement for CHWD.
- ◆ Combination of surface and groundwater management would provide increased reliability for existing SJWD customers as well as SSWD.
- ◆ The opportunity for a future board to have the tools to provide dry year water supply to benefit environment and/or other agencies while increasing the reliability of water supply to both districts.
- ◆ Intent to reduce future increases in costs, not reduction in existing costs.
- ◆ Understanding that until the portion of the report that includes the wholesale customer assurances is available to review, there will be concerns. The intent is for the written document to provide reassurances for all wholesale customer agencies.

Fair Oaks Water District

- ◆ FOWD first stated that they do not have an official position on the reorganization.
- ◆ The background to date and a summary of meetings held with individual SJWD/SSWD board members was presented.
- ◆ Public agencies cannot merge with another public agency (or mutual) without concurrence from both boards.
- ◆ There is no predetermined outcome to Phase 2A.
- ◆ The intent is to maintain at least neutrality to all wholesale customers, but that benefits are expected.
- ◆ SJWD requirement that water rights financial and reliability benefits must stay with existing wholesale customer agencies.
- ◆ Combination of surface and groundwater management would provide increased reliability for existing SJWD customers as well as SSWD.
- ◆ FOWD would like future surface supply for the existing wholesale member agencies to be firmly committed in a written agreement.
 - Understanding that all surface water to meet 100% of water demands for existing SJWD-W service area is the top priority of surface water.
 - It is important to maintain the financial benefit of the pre-1914 water for existing SJWD wholesale customer agencies. Including SSWD in the same aggregate price would spread increase costs for SJWD WCAs. It was discussed that the current intent is for the existing wholesale customers to have an aggregate price that includes the cost benefit of water rights, and any cost to new customers would be the aggregate price without the cost benefit of water rights (in other words, higher to new customers as the low cost water rights water would not be included in their cost). However, this is the staff recommendation and will ultimately be up to the Board of Directors on what is included if the districts merge.
- ◆ Potential to provide dry year water supply to benefit environment and/or other agencies while benefiting SJWD and SSWD water supply reliability.
- ◆ The intent is to reduce future increases in costs, not reduction in existing costs.
- ◆ Understanding that until the portion of the report that includes the wholesale customer assurances is available to review, there will be concerns. The intent is for the written document to provide reassurances for all wholesale customer agencies.
- ◆ FOWD asked about the option of having a wholesale agency and a separate retail agency consisting of the existing SJWD-R and SSWD. It was discussed this had already been addressed and that this option would not allow one Board of Directors to be able to control the management of surface water and groundwater to the benefit of the entire retail area. Separate agencies would require the same contracts and have the same restrictions as the current situation.

- ◆ CSD formation requires elected officials to be either “at-large” or from “divisions” and based on population. A representative from each retail agency is not an option under the current law.
- ◆ FOWD discussed the desire for a vulnerability assessment, current value, and future needs assessment of the SJWD and SSWD systems. It was discussed that the SJWD and SSWD Board of Directors are evaluating the current statistics, infrastructure, etc. in each retail agency and will be making decisions based on the information available.
- ◆ FOWD requested a list of reorganization operational benefits.
- ◆ FOWD would like a legal determination of the responsibilities of SJWD-Wholesale and the existing SJWD customer agencies related to responsibility for water supply reliability. In summary, FOWD believes all SJWD- customer agencies would like SJWD to just provide surface water to the point of delivery. We discussed that OVWC, City of Folsom and SJWD-R would like SJWD-W to provide the most reliable water supply as reasonable, whether it is surface or groundwater. This was a point that FOWD felt was critical to resolve sooner than later.

Questions and Comments from Others:

- ◆ See Appendix C for a summary of results from other entities contacted, such as the Cities of Folsom, Sacramento, Roseville and Citrus Heights, as well as the Counties of Sacramento and Placer.

Chapter 4 – Districts: Current Structure

SAN JUAN SUBURBAN WATER DISTRICT DBA SJWD

Executive Management Structure

SJWD is managed by a General Manager (GM) who reports to a five member elected Board of Directors. The GM is responsible for all operations at the District. The executive team consists of the GM, Assistant General Manager (AGM) and the Board Secretary. The finance, engineering and operations departments all report to the AGM, along with the Information Technology (IT) manager. The Finance and Administrative Manager has a direct reporting line directly to the General Manager on financial matters. Operations at the District are divided between retail and wholesale operations, with the finance, information technology, and engineering departments providing support for both operations. The finance, accounting, purchasing and human resources functions report to the Finance and Administrative Manager.

History, Water Rights, Contracts for Water

History and Organization

The District traces its root to the North Fork Ditch Company, which dates back to 1854. The North Fork Ditch Company provided water prior to and after the formation of OVWC (1896), FOWD (1917) and CHWD (1920). The SJWD in existence today was formed as the result of petitions being presented to the Board of Supervisors of Sacramento and Placer Counties by CHWD, FOWD, OVWC and a group of homeowners in south Placer County. An election was then held within the boundaries of the sponsoring area on February 10, 1954. At this election, voters approved the formation of the SJWD by nearly a two-thirds majority and elected five Directors. The District is a community services district formed under Section 60000 et seq., Title 5, Division 3 of the California Government Code.

The District provides water on a wholesale and retail basis to an area of approximately 46 square miles for wholesale (which includes the retail area) and 17 square miles for retail in Sacramento and Placer Counties.

The District's wholesale operation consists of delivering treated water to the wholesale customer agencies under negotiated contracts. This currently includes operating a surface water treatment plant and treated water storage facility, maintaining transmission facilities, and providing the administrative support related to those activities.

The District's retail service area and assets consists of storage, pumping, transmission and distribution facilities (which deliver water to roughly 10,500 active retail service connections located in a portion of northeast Sacramento County and the Granite Bay area of south Placer County) and providing the administrative, customer service, conservation and engineering support related to those activities.

The District's existing water supply consists of three separate raw water contracts. The first source of water is 33,000 acre-feet of water rights held directly by SJWD. These consist of pre-1914 and very-senior 1928 water rights. Full delivery of this water is covered, in perpetuity, by a settlement contract with the USBR when Folsom Dam was being constructed. The second source is a contract with the USBR for 24,200 acre-feet of Central Valley Project (CVP) water. The third water source is a contract with PCWA for 25,000 acre-feet of water. All sources of surface water are either stored or flow through Folsom Lake and delivery is taken at Folsom Dam outlets, either by gravity or pumped by the USBR Folsom Pumping Plant. Total raw water delivery for the Fiscal Year 2010-2011 was 42,517 acre-feet, 44,308 acre-feet for Fiscal Years 2011-2012 and 47,581 acre-feet for Fiscal Years 2012-2013, excluding pass through deliveries for SSWD. See below for additional water right history.

The District's water treatment facilities, Sidney N. Peterson Water Treatment Plant (WTP), was constructed in three phases and completed between the years of 1975 to 1983. The WTP is classified as a "conventional treatment process" and the facilities include two flocculation-sedimentation basins, two filter basins, chemical storage and feed facilities, operations building and a treated water storage reservoir. Major upgrades and improvements to the plant in 2005 and 2009-2011 added a solids handling facility and a chlorine storage/handling facility to the WTP, added plant piping and increased hydraulic capacity, and upgraded the supervisory control and data acquisition (SCADA) system. These projects, along with other capital projects, increased efficiency and capacity to meet the required demands of customers and improved operations to help meet Federal and State regulatory requirements.

The WTP is permitted to treat 150 million gallons per day from May 15th through September 30th, and 120 million gallons per day (MGD) from October 1st through May 14th when colder water and higher raw water turbidity can impact treatment process. The WTP receives delivery of raw water directly from Folsom Dam outlets. The raw water undergoes an extensive treatment process to ensure the highest quality of water for all District customers. From the WTP, the water flows into the 62 million gallon Hinkle Reservoir for storage and distribution. The District maintains approximately 214 miles of

transmission and distribution pipelines, which transport the high quality treated water to wholesale and retail customers.

SJWD Water Supply

SJWD-W provides treated surface water to SJWD retail customers (SJWD-R). There is no groundwater available in large enough quantities beneath SJWD's retail service area.

SJWD Water Rights History

As will be discussed in more detail below, the formation of San Juan Water District relates back to the operation of a water diversion and conveyance system on the North Fork of the American River that began operating in 1854 to provide water for gold mining. By 1882 the water system was primarily used to deliver irrigation water. Over time, the water system became a source of residential water service. By 1953, three local water agencies (CHWD, FOWD and OVWC) brought forth the idea to form a master water district (which became SJWD) to acquire and operate the North Fork water system.

Pre-1914 Water Right

SJWD is the owner, as the successor in interest of the North Fork Ditch Company, of the right to divert from the American River at a rate of up to 60 cubic feet per second (cfs) under a pre-1914 appropriative water right with a priority date of 1853 and a right to divert 15 cfs from the American River with a 1928 priority that were both combined and included in a settlement agreement with USBR for 33,000 AF with a 75 cfs limitation without charge or reduction in supply. The surface water rights of SJWD trace back to California's Gold Rush Era. In December 1844, the Mexican Government granted the 20,000 acre Rancho de San Juan to Joel Demond. Gold was discovered at Sutter's saw mill on the South Fork of the American River near Coloma in 1848. The South Fork and the North Fork of the American River join about three miles upstream of Folsom Reservoir. The Natoma Water and Mining Company was operating a water diversion and canal system for the mining operations on the South Fork, and began plans in 1853 to construct a diversion dam and conveyance system for the mining operations on the North Fork. While the record is unclear, the directors of the Natoma Water and Mining Company probably formed the North Fork Water and Mining Company (which was formed on July 27, 1854) to construct the diversion dam and conveyance system. The North Fork Water and Mining Company became the American Ditch Company on July 31, 1854, and started construction of a rock diversion dam on the North Fork of the American River at Tamaroo Bar, about two and one-half miles southeast of Auburn, two miles above the confluence of the North Fork and Middle Fork of the American River, and about thirty-three miles upstream from what is now the City of Folsom.

The system of ditches and flumes that was constructed to convey water from the diversion dam for the hydraulic mining operations had a capacity of about 60 cfs, and became known as the “North Fork Ditch.” In 1882, the property was acquired by C.W. Clarke, who owned a substantial cattle business, and who incorporated the North Fork Ditch Company in 1899 to improve the North Fork Ditch. The water system was acquired by the American Canon Water Company in 1909, but was reacquired in 1914 by the North Fork Ditch Company when American Canon defaulted on payments on bonds held by Mr. Clarke. By that time, the main canal was twenty-five miles long, had eleven miles of branch canals, three reservoirs, and twenty-seven and one-half miles of main and lateral pipes, consisting of the main pipes supplying water to Orange Vale and Fair Oaks.

The notice of appropriation of 3,000 miner’s inches (about 60 cfs) of water for the pre-1914 water right was posted at the original diversion dam site during 1853 for mining, agricultural, mechanical and other purposes. Water diversions under the right commenced during 1854. In 1898, the Sacramento Electric Gas and Railway Company (owner of the Folsom Dam that existed at that time) brought suit to claim a portion of the North Fork Ditch Company water right. On August 5, 1898, the Sacramento County Superior Court issued an adjudication decision that confirmed the pre-1914 water right of the North Fork Ditch Company.

Water Right Settlement Agreement with the United States

In anticipation of the construction of the Folsom Dam and Reservoir project by the United States, which would interfere with the operation of the North Fork diversion dam and conveyance system, the United States and the North Fork Ditch Company had a series of meetings that began in 1951 to resolve water right and water system relocation issues. In a memorandum dated March 20, 1952, the United States confirmed the principal provisions of a water right settlement and water system relocation agreement with the North Fork Ditch Company, which concluded that the Company had a right (under its pre-1914 water right and water right permit no. 4009) to divert about 33,000 acre feet per year at a maximum diversion rate of about 75 cfs. On April 17, 1955, Reclamation made the first water delivery from Folsom Reservoir to SJWD.

Formation of SJWD and Acquisition of the Pre-1914 Water Right

The North Fork Ditch Company was the sole source of water to the agricultural developments within the San Juan Land Grant, including the Cardwell Colony, the Orange Vale Colony and the Fair Oaks Colony. The Orange Vale Mutual Water Company was incorporated in 1896, the Fair Oaks Irrigation District was organized in 1917 (due to agitation concerning a water rate increase in 1915 by the North Fork Ditch Company) and the Citrus Heights Irrigation District was organized in 1920, to distribute irrigation water from the North Fork Ditch.

In 1947, and again in 1953, representatives of these three local water agencies formed a committee to study the water supply needs of the area, and concluded that they should: (1) acquire the North Fork Ditch Company's water system and water rights; and (2) promote the formation of a master water district to own and operate the North Fork water system. During the process of organizing the new district, the retail water customers of the North Fork Ditch Company and other water users in Placer County asked to be included within the new district. As a result, SJWD was formed following two-thirds voter approval at an election held within its proposed service area on February 10, 1954.

On May 25, 1954, SJWD entered into an agreement with the North Fork Ditch Company under which SJWD acquired all of the Company's water system and water rights, including the rights under the 1954 Settlement Agreement.

Appropriative Water Right under Permit No. 4009

The North Fork Ditch Company filed appropriative water right application no. 5830 (permit no. 4009,) on February 11, 1928 to divert 35 cfs from the North Fork American River for irrigation and domestic use, and was issued permit no. 4009 by the California Division of Water Rights on October 28, 1932. On June 5, 1961, the State Board issued SJWD water right license no. 6324 on permit no. 4009 to divert 15 cfs from June 1 through November 1 of each year for irrigation and domestic uses within the boundaries of SJWD. A change in the point of diversion (to Folsom Dam) and place of use (to include the area within SJWD) under permit no. 4009 was approved by the Division of Water Rights on March 7, 1967.

SJWD files reports of water diversion and use with the Division of Water Rights under license no. 6324 that states the combined quantities of water diverted and used under license no. 6324 and SJWD's pre-1914 water right.

SJWD's rights under permit no. 4009 (license no. 6324) were quantified in the 1954 Settlement Agreement, as discussed above, to recognize a diversion rate of 15 cfs under this permit, so that the diversion under both the pre-1914 right and this permit would not exceed 75 cfs and a total of 33,000 acre feet per year.

Water Rights vs. Water Supply

While SJWD possesses very senior water rights, and holds solid water supply contracts from the CVP and PCWA, all of those water rights are delivered to SJWD through a single facility at Folsom Dam. While there are a number of unlikely events which could cause SJWD to lose access to Folsom Lake water supplies (upstream chemical spill, terrorist activity, dam failure etc.) a much more likely loss of access to water could be through the USBR operations of Folsom Dam. In 2014 the Bureau came alarmingly close

to daylighting the intakes of SJWD water supplies. Modeling of future operations indicates Folsom Reservoir may be drawn below the drinking water intakes in extremely dry years. The numerous competing demands on water from Folsom Reservoir mean access to SJWD’s water rights and contract entitlements is not assured.

Conclusion

As the above history dictates, SJWD is charged with supplying wholesale treated surface water to all wholesale customer agencies within the wholesale service boundary. The existing wholesale water supply contracts dictate the requirement to provide treated water to the wholesale customer agencies to meet their water supply demands prior to providing water supply to any area outside the existing SJWD boundaries. The potential reorganization by SJWD and SSWD will not decrease or increase the right to the water included in the existing Wholesale Water Supply Contracts.

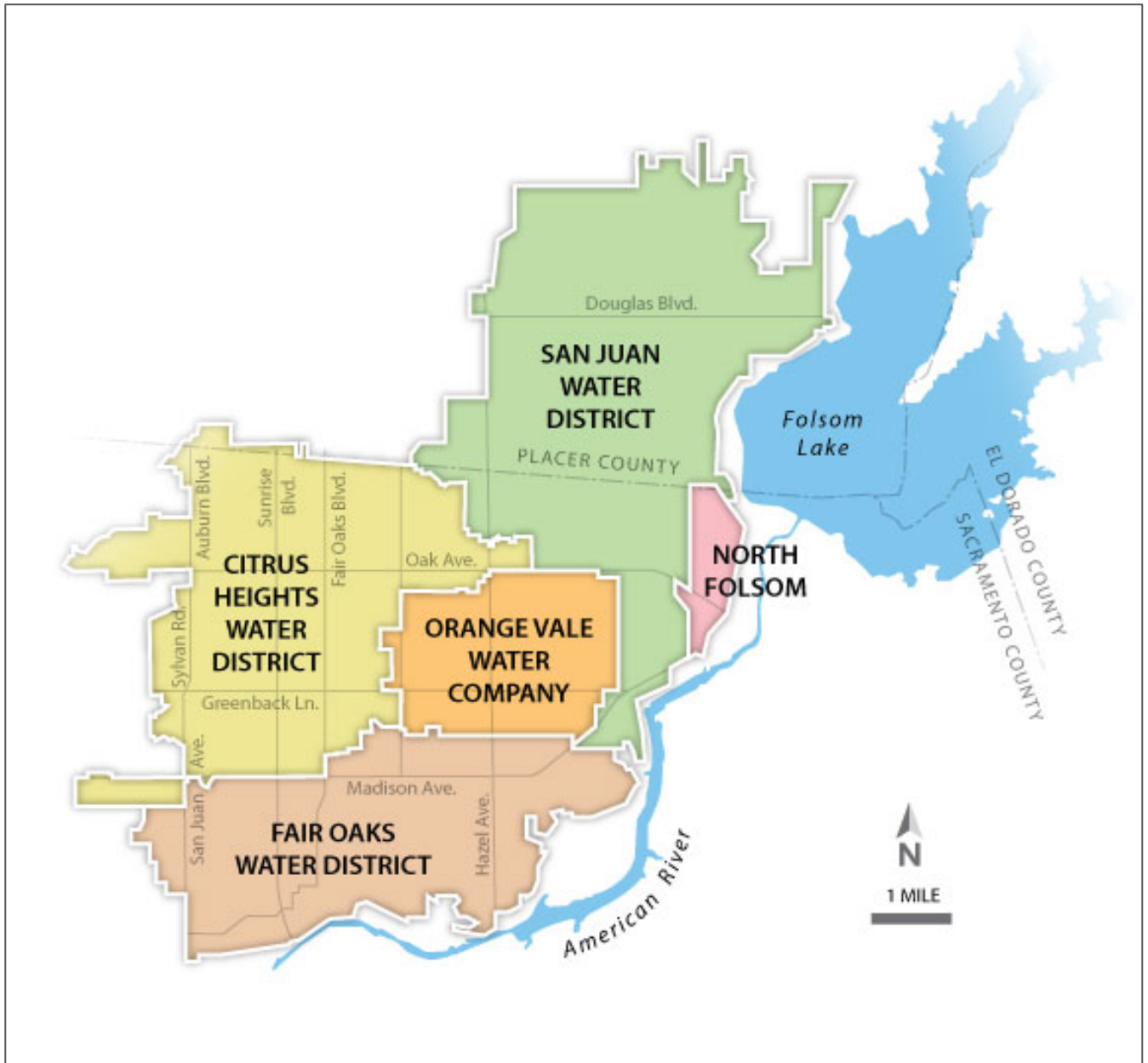
The existing surface water supplies, contracts and rights all are owned by SJWD. The existing wholesale customer agencies have a right to expect continued delivery of treated water as stated in the Wholesale Water Supply Contracts.

WATER RIGHTS, ENTITLEMENTS AND LIMITATIONS
San Juan Water District

The District obtains all of its surface water from the American River

SOURCE	ENTITLEMENT (Annual in AF)	DATE BEGIN	DATE END	LIMITATIONS
Pre-1914 Rights	33,000	1954	None	Controlled by USBR (Folsom Dam Operations)
2006 CVP Contract	24,200	2006	2045	Use limited to current SJWD wholesale boundary. USBR approval needed to change place of use. Subject to availability. Subject to change in Federal Laws.
PCWA Contract	25,000	2000	2021	Use intended for Placer County. Subject to availability. May use in Sac County portion of current wholesale boundary. Warren Act Agreement with USBR limits use to Placer County only.

Wholesale Responsibility and Service Area



Questions have been raised by the wholesale customer agencies about their future contract rights, water cost, and water reliability with the proposed merged District. The following principles will be recommended to be adopted by the reorganized District, if it is created:

Wholesale Customer Agencies Principles

General

1. All wholesale customer agencies will retain the existing water supply agreements. The rights and terms in the existing contracts will not be diminished.

2. Access to water supply will not be diminished as a result of reorganization of agencies.
3. Subsequent to reorganization, the intent is to seek legislation that will allow election of Board of Directors Members from divisions to ensure representation from all customer communities, and may request an odd number of members above the present limit of five for a community services district.
4. The focus of the reorganization is between SSWD and SJWD and is not intended to influence wholesale customer agencies to consolidate. If other agencies are interested in discussing reorganization, their request for discussion is welcome.

Pre-1914 Water Rights

1. The existing wholesale customer agencies will retain the financial and reliability benefits associated with the existing pre-1914 water rights.
2. Reliability of water supply for all areas presently served by pre-1914 water rights will not be decreased because of a merger with SSWD.
3. SJWD owns all water rights. The wholesale water supply contracts provide for contracted water supply to all wholesale customer agencies which will continue in with the same rights regardless of reorganization.

SJWD Wholesale Water Supply Assurances

The evaluation of a possible reorganization between SJWD and SSWD began to determine the best way to manage surface and groundwater supplies between SJWD and SSWD. The process is proceeding based on the analysis in Phase 1 that water can be managed more effectively as one entity, rather than two agencies. One element of this evaluation was that water supply assurances would not be reduced for each of the existing wholesale customer agencies of SJWD. Principles were developed to eliminate concerns of water supply reliability to each of the wholesale customer agencies during discussions of reorganization.

SJWD Wholesale Existing Operations

The existing operating conditions for the wholesale service area are described below for normal, wet and dry hydrological years.

Normal and Wet Hydrological Years- During water years where the hydrology is normal or wet, SJWD wholesale (SJWD-W) will provide treated surface water to all wholesale customer agencies. CHWD and FOWD may utilize their groundwater wells a minimal amount to maintain the facilities in working order. The remainder of all water demands within the wholesale service area will be met with surface water.

Dry Hydrological Years – In dry years, CHWD and FOWD will pump groundwater to the extent necessary to meet their determined level of service. The desired level of service is defined by the water use reduction appropriate for the amount of surface water available at that time. The amount of reduction in surface water determines the minimum desired groundwater pumping from these agencies. The remainder of the water demands is met with surface water from SJWD.

Retail Responsibility and Service Area

The SJWD-R service area includes all of SJWD service area except the areas within the boundaries of Fair Oaks Water District, Citrus Heights Water District, Orange Vale Water Company and the City of Folsom north of the American River. The Retail area generally includes a northeastern portion of Sacramento County and a portion of southern Placer County.

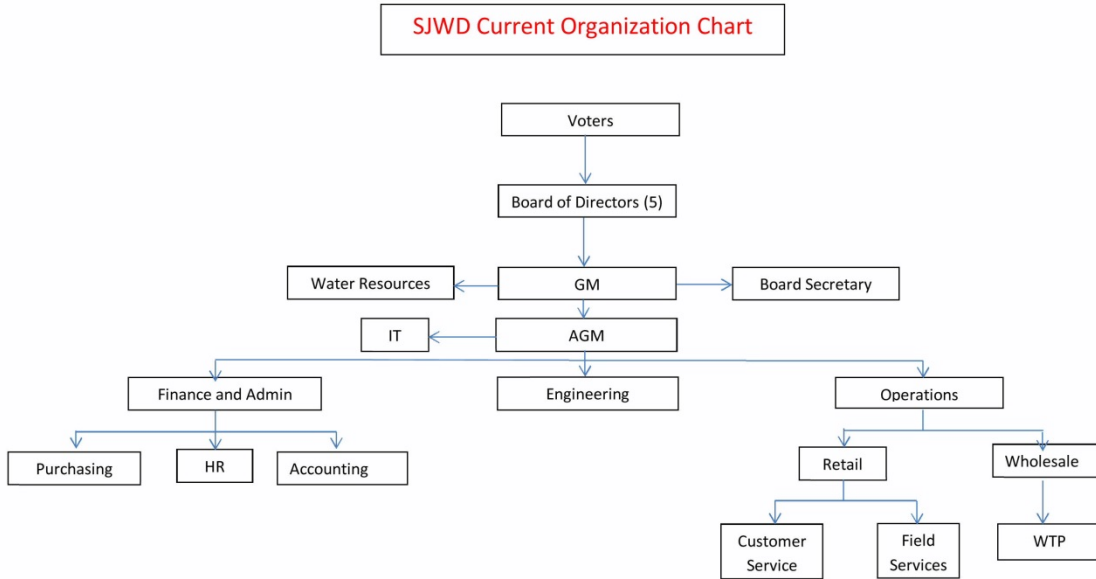
SJWD Retail Service

Normal and Wet Hydrological Years- During water years where the hydrology is normal or wet, SJWD Wholesale (SJWD-W) will provide treated surface water to meet 100% of the water demands within the SJWD-R service area.

Dry Hydrological Years – In dry years, SJWD Retail (SJWD-R) will meet all water demands with treated surface water from SJWD-W. Water demands are reduced by conservation depending on the amount of surface water available to SJWD-W and groundwater that may be requested from CHWD and FOWD pursuant to separate Agreements. In the future, it is anticipated that SJWD-R will be provided groundwater during dry years from SSWD via the Antelope Pump Back Booster Pump Project and delivered to SJWD-R, OVWD and Folsom via reversing the typical flow in the ATP and CTP.

Current Organization Chart

SJWD is governed by a five person Board of Directors elected at large who by majority vote provide policy direction to the General Manager, the Chief Executive of the District. The current organizational chart is noted below:



FTES = 45

June 25, 2015

Finances, Facilities and Fleet

Finances

See Appendix A for SJWD Financial Data

Facilities and Fleet

This section describes SJWD's administration and operations facilities, and the district's vehicles and equipment.

- a. Primary facilities (Wholesale and Retail)
- b. The district's primary facilities are located at 9935 Auburn Folsom Boulevard in Granite Bay. These facilities include an administration building, the water treatment plant including an operations building, the field services building, a "shop building" that has been converted into a storage building, and the Hinkle Booster Pump Station. The Lower Granite Bay Booster Pump Station is also under construction on this site, scheduled for completion in the summer of 2015.

The administration building houses customer service. The executive management team, conservation staff, finance and accounting, and other administration staff also occupy the building. The available office space is fully utilized by these staff. There is also a small board room in the administration building that doubles as a meeting room during the day. The district's water efficient landscape (WEL) demonstration garden is located adjacent to the administration building.

Included within the water treatment plant facilities is an operations building that accommodates operations and maintenance staff, including the water treatment plant superintendent and chiefs of operations and maintenance. The operations building includes a shop with fabrication facilities, and a chemical storage and handling area for polymers. The district's treatment plant control center and SCADA monitoring systems are located in an area of the building overlooking the treatment plant. The district's Information Technology Manager and servers and IT equipment are also housed in this operations building.

The field services building includes offices for field operators, leads, other field staff, and the Field Services Manager. This building also houses engineering and construction inspection staff. The Operations Manager's office is located in this building. Distribution system inventory is kept on the bottom floor of the building and there is a garage/shop area for performing minor vehicle maintenance.

The old shop building is a metal building with shingle roof that was the district's main operation building before the water treatment plant was constructed. Part of the building is currently used for records storage with the majority of the floor space used for storage of field operations equipment and supplies.

The other two buildings on this site are the Hinkle and Lower Granite Bay Booster Pump Stations (BPS). The Hinkle BPS contains separate pumping facilities for the district's Crown Point Pressure Zone and the City of Folsom's Ashland service area. The Lower Granite Bay BPS will replace the existing BPS located at the intersection of Eureka Road and Auburn Folsom Boulevard. It will serve the lower Granite Bay pressure zone and supply water to the Upper Granite Bay Pressure Zone. The district's pressure zones are described below.

The district also owns property directly west of the district's administration site across Auburn Folsom Boulevard. The district owns and operates an approximate 800 kW solar electric power generation facility on this property that provides sufficient capacity to meet the average day electrical demands of all the buildings, treatment plant, and pump stations described above.

c. Operations Facilities (Retail)

The district's retail system SJWD-R consists of eight pump stations, about 200 miles of distribution system mains, a treated water storage reservoir, a steel water storage tank, and one hydropneumatic tank.

Because of the variation in elevation across the retail service area, the distribution system is divided up into eight separate pressure, or service zones. These zones are hydraulically separated so that service can be provided to customers at reasonable pressures. One of the pressure zones is served by gravity from the Hinkle Reservoir at the water treatment plant. The Bacon, Sierra, and American River Canyon North pressure zone pump stations are located within the same building on the Bacon BPS site. The American River Canyon South, Crown Point, and Lower and Upper Granite Bay BPSs are housed within separate buildings at various sites adjacent to each pressure zone across the district. The Douglas BPS provides backup pumping capacity for the Lower Granite Bay BPS and is called upon to operate during peak demand periods during the summer months.

Although each pressure zone is normally isolated from other zones, there are check valves and pressure reducing and pressure sustaining valves connecting adjacent zones to allow water to travel between zones during outages or emergencies.

The district's distribution system includes three storage facilities to help balance water supply and demands during the day and provide additional water for fire flows. Kokila Reservoir is a 4.56 million gallon below grade hypalon lined and covered reservoir. The Los Lagos tank is a steel, on grade, 1.65 million gallon storage tank. The Mooney Ridge hydropneumatic tank was constructed to help maintain service pressure for a small number of homes located above the 600 foot elevation in the Upper Granite Bay Pressure Zone. It is constructed of steel and has a capacity of 50,000 gallons.

d. Vehicles and Equipment (Wholesale and Retail)

SJWD has a total fleet of 25 vehicles. The vehicles include an electric vehicle for the meter reader, assigned staff and pool cars, service trucks for field operators, and a five yard dump truck. The district also owns several pieces of large equipment including two backhoes with travel trailers, one front end loader, one ditch witch excavator, and one forklift. The number of vehicles correlates to the number of operations staff, with two distribution operators assigned to each service vehicle. With reorganization and a fleet management program, it is expected the total fleet and equipment will not be reduced.

SACRAMENTO SUBURBAN WATER DISTRICT

Executive Management Structure

SSWD is managed by a General Manager (GM) who reports to a five member elected Board of Directors. The GM is responsible for all operations at the District. The executive team consists of the GM, Assistant General Manager (AGM), and Finance Director. Engineering, Customer Service, and Operations report to the AGM. Accounting, Finance, Information Technology, and Purchasing report to the Finance Director. Human Resources and the Executive Assistant report to the GM. The District operates a retail service area.

History, Water Rights, Well Inventory

History and Organization

The District was formed on February 1, 2002 under the State of California's County Water District Law, water code section 30000 et. Seq. through the consolidation of the Northridge Water District and the Arcade Water District. The consolidation was approved and ordered by the Sacramento County Local Agency Formation Commission. The District is located in northern Sacramento County, California and includes portions of the unincorporated area of Sacramento County, Arden-Arcade, Antelope, Carmichael, Citrus Heights, Foothill Farms, and North Highlands; small portions of the cities of Sacramento and Citrus Heights; and all of McClellan Business Park (formerly McClellan Air Force Base). The District, which serves water to a population of approximately 173,000, generally is divided in two service areas. The North Service Area is comprised mainly of the former Northridge Water District's territory, the Arcade Water District's North Highlands service area and McClellan Business Park. The South Service Area is comprised mainly of the former Arcade Water District's Town and Country territory.

The District is governed by a 5-member Board of Directors, each of which is elected to four-year terms from geographical divisions by the registered voters residing in each division of the District. The terms of the Directors are staggered, with the Directors from Divisions 1 and 2 elected at the same State-wide general election and the Directors from Divisions 3, 4 and 5 elected at the general State-wide election two years later.

The District's service area covers approximately 36 square miles. The District's territory is substantially built out. Based on Sacramento Area Council of Governments projections, the District's population is expected to be 216,600 in 2035, when the District is expected to be fully built out. Other than residential and commercial in-fill projects, and industrial and commercial development at the McClellan Business Park, the District does not expect significant additional development within its territory.

The service area experiences cool and humid winters and hot and dry summers. The combination of hot and dry weather results in higher water demands during the summer than in winter. Fluctuation in water production from year-to-year typically results from weather conditions in the spring and fall. Demand during the summer and winter generally does not vary significantly from one year to the next with the notable exception of recent drought conservation efforts. The District's water conservation efforts, including ongoing meter retrofitting, have resulted in a lowering of per capita water use over the past several years.

The distribution system has roughly 698 miles of pipeline that range in size from 48-inch transmission mains down to 2 and 4-inch laterals. There are 49 emergency interties with neighboring agencies along the District's boundary. The District has 7 storage tanks with a collective capacity to hold approximately 16 million gallons of water. There are a total of 5 booster pumping stations in the District, three of which are co-located with major storage tanks.

Water Supply

Groundwater

The water supply of the District is a combination of both surface water and groundwater. Historically, groundwater constituted 100% of the supply to areas within the District. Groundwater is currently supplied by 82 active wells and a variety of pumping stations. The District's wells are located in the North American Groundwater Basin north of the American River. While groundwater levels fluctuate based on hydrological conditions, groundwater levels historically declined within the District over the second half of the past century at an average rate of approximately 1.5 to 2.0 feet per year. Since 2000, however, groundwater levels in the portion of the North American Groundwater Basin from which the District pumps water have stabilized and have been recovering. This is believed to be due to basin-wide reductions in pumping and in-lieu groundwater banking with surface water acquisitions by SSWD.

The District's wells have a range in depth from 210 to 1,260 feet. Total maximum daily production from the District's wells is about 130.9 million gallons and is sufficient to supply 100% of water demand within the District. There are currently no legal or regulatory restrictions on the amount of groundwater that can be pumped by the District, although the Sustainable Groundwater Management Act of 2014 has the potential to allow a limitation on extractions if the basin cannot be otherwise sustainably managed as defined in the new law. The District pays a groundwater management fee of \$4.10 per acre foot pumped to SGA for use in a regional effort to manage, stabilize and sustain the groundwater basin. SGA monitors and reports on basin conditions and prepares the basin

Groundwater Management Plan for the portion of Sacramento County from which SSWD pumps groundwater.

Surface Water

Recognizing that groundwater levels within the District had been declining over a long period, NWD and AWD had each commenced negotiations for the acquisition of surface water in the 1990s. The acquisition and delivery of this surface water to SSWD as successor to AWD and NWD is covered under various water supply agreements with other agencies. These agreements include: (i) an agreement dated June 1, 2000 and amended on October 2, 2008 between the District and Placer County Water Agency (PCWA) to supply PCWA Water to the District (the “PCWA Water Supply Agreement”); (ii) the Wholesale Water Supply Agreement between the City of Sacramento (the “City”) and the District, dated as of January 20, 2004 (the “Sacramento Agreement”); and (iii) the water supply agreement between the City and the District, dated as of February 13, 1964 (the “1964 Water Supply Agreement”). All of these sources of water ultimately depend upon water delivered from Folsom Reservoir through SJWD, or diverted from the lower American River, by the City.

The District has sufficient surface water supplies available in normal to wet years to serve all of its customers except during limited peak demand periods. The District generally plans to increase surface water deliveries and reduce groundwater deliveries during wet years and to increase groundwater deliveries and reduce surface water deliveries during dry years in a conjunctively managed fashion. This conjunctive management of surface and groundwater was identified in the Sacramento Water Forum Agreement as a strategy to sustainably manage groundwater while preserving environmental values in the lower American River. This practice has allowed SSWD to create an exchangeable groundwater bank account of roughly 185,000 acre-feet as of 2014.

PCWA Water Supply Agreement

In 1995 (and as superseded and amended in 2000 and further amended in 2008), Northridge Water District (NWD) and PCWA entered into the PCWA Water Supply Agreement to supply PCWA Water from PCWA’s Middle Fork Project on the American River to NWD for 25 years. The PCWA Water Supply Agreement provides for the sale by PCWA to the District of 12,000 acre feet of water in calendar year 2009 and each year thereafter with an option to purchase additional water in each calendar year, increasing after 2014 to an option to purchase a total of up to 29,000 acre feet of water per calendar year. The PCWA Water Supply Agreement has provisions for permanently reducing the entitlements of the District by one-half of the scheduled amount that the District fails to take in any year that deliveries are available. The scheduled entitlements are subject to the water needs of the customers of PCWA, the entitlements of San Juan Water District

(SJWD) under an existing water supply agreement with PCWA, the obligations of PCWA under a power agreement with Pacific Gas and Electric Company, and any temporary disruptions due to repairs or inspections of the facilities of PCWA. While the District currently expects that such prior entitlements will not result in a reduction of water available from PCWA, there can be no assurance that water available to the District from PCWA will meet the schedule of deliveries set forth in the PCWA Water Supply Agreement. All water deliveries may be unilaterally curtailed by PCWA if that water is needed to serve customers in Placer County.

Water deliveries under the PCWA Water Supply Agreement are subject to certain conditions, including the terms of an order of the State Water Resources Control Board that approved the inclusion of the District, as successor to NWD, within the authorized place of use under the water rights of PCWA, and the provisions of a water conveyance agreement with the United States Bureau of Reclamation. Under the State Water Resources Control Board order, the District may not divert water under the PCWA Water Supply Agreement during certain dry years, when unimpaired inflows into the Folsom Reservoir are below 1.6 million acre-feet, in which case the District would use groundwater or surface water from other sources to meet the water supply needs within the District. The 2008 amendment to the contract limited the “take or pay” portion of this contract to 12,000 acre feet when the 1.6 million acre-foot trigger is met. This trigger is met in roughly 58% of the years, based on historical records.

The current District cost of water under the PCWA Water Supply Agreement is \$35.00 per acre foot, regardless of whether the District takes its base contractual water supply. In addition, the District currently pays a wheeling charge of \$18.36 per acre foot to the USBR to move such water through Folsom Reservoir.

The PCWA Water Supply Agreement terminates in 2025, with a provision for the parties to negotiate an extension thereof. There is no assurance that an extension of the PCWA Water Supply Agreement can be obtained or that the District could be successful in securing a reliable alternate permanent supply of surface water for the District from PCWA, another agency or by obtaining a direct water right.

SJWD Agreement

In October 1994, NWD and SJWD entered into the SJWD Agreement concerning the diversion, treatment and conveyance of PCWA Water through SJWD’s diversion, water treatment and conveyance facilities (the “SJWD Facilities”) to NWD. Under the SJWD Agreement, the District has an exclusive right to 59 million gallons per day (“mgd”) of capacity in the SJWD 78-inch/72-inch Cooperative Transmission Pipeline (CTP), and a first right to use surplus capacity (the “Surplus Capacity”) in the SJWD Facilities, subject

to the prior use of the SJWD Facilities by SJWD's wholesale water service customers, consisting of SJWD, City of Folsom, CHWD, FOWD and OVWC (collectively, the "Member Districts"). The District has the first right to use the Surplus Capacity for delivery of: (i) surplus water (the "Surplus Water") not needed by the Member Districts diverted by SJWD from Folsom Reservoir under the existing water rights of SJWD; and (ii) surface water diverted from Folsom Reservoir that the District may be entitled to from time to time under other agreements and arrangements, including water under the PCWA Water Supply Agreement.

The SJWD charge to the District for use of Surplus Capacity to divert, treat and deliver water described above is at the average wholesale water rate SJWD charges to Member Districts (but not including the cost-of-water component of such rate for water purchased from agencies other than SJWD), plus a charge to cover the pro rata cost of treating water to be delivered to the District, to the extent that treatment costs are not included in wholesale water rates. The current rate paid by the District under the SJWD Agreement is \$64.58 per acre-foot of water treated.

The Surplus Capacity in the SJWD treatment plant ranges seasonally from 5 to 60 mgd, with the highest availability in the winter months and the lowest in the summer months. There can be no assurance that the Surplus Capacity in the SJWD treatment plant will remain available. The SJWD Agreement contains no express termination date.

1964 Water Supply Agreement

Pursuant to the 1964 Water Supply Agreement, the District as successor to AWD, has the right to divert 26,064 acre feet per year of water from the American River for use within a portion of the former AWD Town and Country Service Area known as "Area D." Area D is entirely within the authorized place of use of the City of Sacramento water right. Under the 1964 Water Supply Agreement, the District has the right to divert this water at two points, from the E.A. Fairbairn Water Treatment Plant of the City (the "E.A. Fairbairn Plant") located near Howe Avenue, and from a floating diversion point on the reach of the American River between Folsom Dam and the Sacramento River. The agreement stipulated that AWD pay to the City an annual payment based on the per acre foot cost of raw water charged by the USBR to the City. The District's current per acre-foot payment amount to the city to maintain its entitlement to Area D water is \$9.00. The District anticipates that it will continue making the annual payments to the City that is required to maintain its Area D raw water entitlement.

Prior to the consolidation, AWD developed its Area D raw water entitlement by constructing 11 shallow infiltration wells along the north bank of the American River, located in the southeast portion of the District. The wells were constructed between 1966

and 1968, of which eight wells were equipped with pumps and placed in service. The wells range in depth from 22 to 45 feet. The original capacity of the wells was 6,945 gallons per minute, but that capacity diminished over time. In 1993, all of the wells were taken out of service in order to comply with a directive from the State of California Department of Health Services (“DHS”) which required additional treatment for “groundwater under the influence of surface water.” AWD subsequently made improvements to the wells and reactivated the system in 1995 with the approval of DHS. At the time the wells were reactivated, AWD also requested a time extension to comply with the applicable treatment regulations. On March 21, 1996, DHS issued a Compliance Order requiring that the District provide multi-barrier treatment for the existing wells, as required by the Surface Water Filtration and Disinfection Treatment Regulations, by July 1, 1999. Subsequently, in November 1997, the District again discontinued use of the American River wells and removed the pumps and related equipment.

Under the Sacramento Agreement, the City may deduct any amount of untreated surface water diverted by the District under the 1964 Water Supply Agreement from the amount of water the City is required to divert, treat and deliver to the District under the Sacramento Agreement.

Sacramento Agreement

Under the Sacramento Agreement dated January 20, 2004, the City conveyed a capacity interest in the facilities of the City for diverting, treating and delivering up to 20 mgd to the District in exchange for payment of the capital costs of the reserved capacity. Under the Sacramento Agreement, the District has the right to receive up to 20 mgd of treated surface water from the City’s water supply facilities. SSWD retains an option to acquire an additional 10 mgd in treatment capacity subject to the then current cost to acquire when and if the option is exercised.

The Sacramento Agreement superseded a previous agreement between AWD and the City pursuant to which AWD paid approximately \$2.2 million to acquire an interest in up to 20 mgd of conveyance capacity in a 54-inch transmission main constructed in 1993 by the City from the E.A. Fairbairn Plant under the American River and up Howe Avenue in the City. Using a portion of the proceeds from the previous agreement between AWD and the City, the District acquired ownership rights in a portion of the capacity in the City’s 54-inch transmission main for the purpose of conveying treated water from the City’s E.A. Fairbairn Plant to an above-ground reservoir and pump station project constructed by the District that was in part constructed with proceeds from the 2004 Certificates. The District began receiving water from the E.A. Fairbairn Plant through the District’s capacity interest in the City’s 54-inch transmission main in 2007. The Sacramento Agreement contains no express termination date.

Under the Sacramento Agreement, the District may not receive treated surface water from the City when the flow in the lower American River is below: (i) 2,000 cubic feet per second (cfs) during the period from October 15 through the last day of February of each year; (ii) 3,000 cubic feet per second during the period from March 1 through June 30 of each year; and (iii) 1,750 cubic feet per second during the period from July 1 through October 15 of each year. These restrictions are known as the “Hodge flows” as they were established to protect American River fisheries by Judge Hodge in resolving litigation between Sacramento County and East Bay Municipal Utilities District over EBMUD’s proposed diversions to the Folsom South Canal at Lake Natoma.

Federal (USBR) operations at Folsom Reservoir have resulted in a reduction in times when the District can access water under the Sacramento Agreement with new flow requirements on the lower American River imposed by Biological Opinions under the Federal Endangered Species Act. It is unknown how changes in USBR operations at Folsom Reservoir may affect SSWD’s frequency of access to the Sacramento Agreement for surface water supply.

Other Surface Water

The District has from time to time purchased other water on a short term basis for use within the Service Area, including but not limited to flood releases from Folsom Reservoir, known as Section 215 water:

WATER RIGHTS, ENTITLEMENTS AND LIMITATIONS
Sacramento Suburban Water District

The water supply of the District is a combination of both surface water and groundwater

SOURCE	ENTITLEMENT (Annual in AF)	DATE BEGIN	DATE END	LIMITATIONS
Groundwater	82 Active Wells Max production is 402 AF per day Banked water > 185,000 AF	None	None	Wells in North American Groundwater Basin north of American River Subject to Groundwater Contamination
PCWA Agreement	29,000	2000	2025	Subject to availability, including: water needs of PCWA, SJWD and PG&E. Unimpaired inflows into Folsom Reservoir 1.6 million AF (Mar. to Nov.). Use limited to Northern portion (NSA) of SSWD.

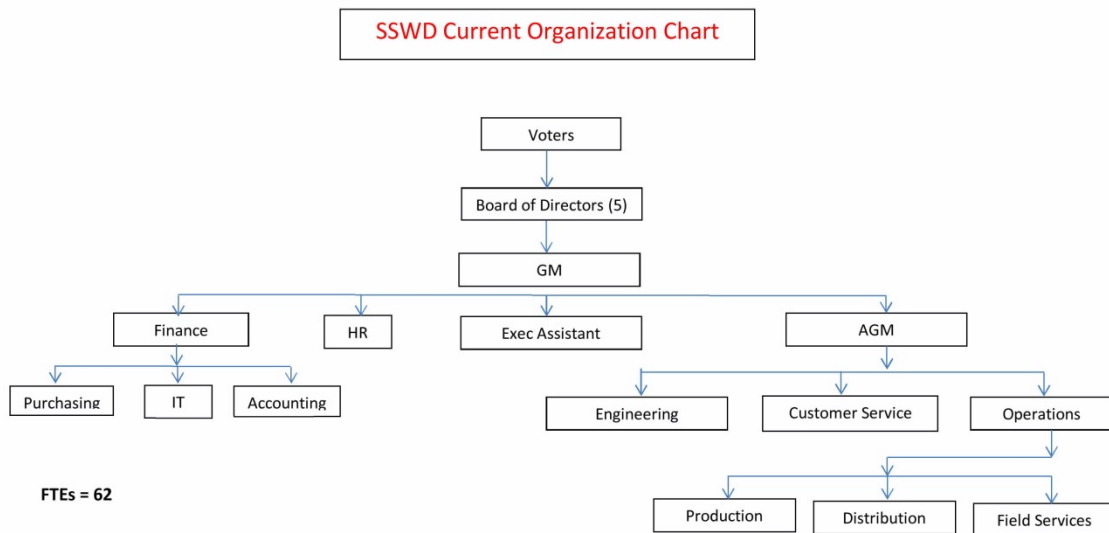
Sacramento Agreement	26,064	2004	None	Use limited to Southern portion (SSA) of SSWD (Area D) Subject to availability (> hodge flow limit) City has complete discretion to set price
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Retail Responsibility and Service Area

SSWD is a retail agency only. The retail service area is the entire District. Of note however, is the fact that there are four other purveyors within the exterior boundary of the South Service Area of the District: Del Paso Manor Water District, Arden Park Vista Water Maintenance District (operated by Sacramento County), Golden State Water Company (aka: Southern California water Company) and California American Water Company.

Organizational Structure

SSWD is governed by a five person Board of Directors elected by division who by majority vote provide policy direction to the General Manager, the Chief Executive of the District. The current organizational chart is noted below:



June 25, 2015

Finances, Facilities and Fleet

Finances

See Appendix A for SSWD Financial Data

Facilities and Fleet

The purpose of this chapter is to describe current Operations and Maintenance (O&M) facilities, vehicles and equipment of SSWD.

a. Office Facilities

Administration Building (3701 Marconi Avenue)

This facility is SSWD's Administration Building which houses both administrative and engineering staff. Currently, twenty-five staff persons report to this facility. The entire building size is approximately 18,000 square feet (sf), which includes offices, a customer service area and a Board Room. The maximum occupancy of the Board Room is 125 people. The building also includes a separate suite that has in the past been leased out. It is currently unoccupied. This particular area is approximately 6,800 sf. If the unoccupied area is utilized, there is a potential to house an additional 15-20 staff persons. The building is raised above the surrounding public way and has an underground parking garage. The underground parking garage has the capability of accommodating 50 vehicles. This was the Administration Building for the former Arcade Water District (AWD). There is a cell tower located at this facility that currently generates lease revenues.

b. Operations & Maintenance Facilities

Walnut Corporation Yard (5331 Walnut Avenue)

SSWD's existing Corporation Yard building is approximately 16,000 square feet in size. This building incorporates offices, a maintenance shop and an inventory warehouse. The building is split level in configuration with the older portion of the building being single story and the newer portion of the building at two stories. Currently, thirty-seven staff persons report to this facility.

If the reorganization were to occur, this facility should continue to be utilized as an operations facility. The facility would be in a central location of the reorganized Districts western service area. This allows for continuing efficiencies in operations. This was the Administration/Operations Building for the former Northridge Water District. Co-located at Walnut Avenue is a production well and an elevated storage tank. If the reorganization were to occur, this facility could be utilized as a corporation yard. There is a cell tower located at this facility that currently generates lease revenues.

Auburn Yard (2736 Auburn Blvd.)

There are three buildings and a separate carport structure that make up this facility. All three buildings are currently leased out to Skip's Music. The lease agreement was approved by the Board in August 2014 to potentially extend through August 2024. However, the District still utilizes the corporation yard itself including the carport structure. The yard area has material storage bins for asphalt, sand and gravel. In addition, there are two active well sites located on this property. One building is the former AWD Administration Building. This building is approx. 3,100 sf in size. The second building is the former AWD Operations Building. The first half of this building was constructed in the 1960's on a building addition was later constructed in 2000. The total size of the building is 4,400 sf. In addition, there is an old steel storage building approximately 1,300 sf in size with an attached carport. There is a cell tower located at this facility that currently generates lease revenues.

If the reorganization were to occur, it is recommended that this facility be maintained as an unmanned offsite facility as it is utilized on a daily basis for operations and maintenance activities. In addition to the cellular tower revenue, SSWD currently receives annual revenues for the lease agreement with Skip's Music. SSWD is currently investigating a subdivision of this property in coordination with leaseholder Skip's Music.

Antelope Reservoir Operations Building, Antelope Garden and Booster Pump Station (7800 Antelope North Road)

This building was built in 1999 at the same time that the 5 million gallon (MG) reservoir was constructed. The building is two story, 18,000 sf in size, and is metal frame with a CMU block exterior and metal roof. The building houses the booster pump station and equipment and also includes a separate standby generator room, motor control center, a large meeting room, kitchen area, locker rooms/shower/bathrooms, office space, storage areas, and a shop. The large meeting rooms are utilized for training seminars and water related events for associations such as ACWA, AWWA, SAWWA, JPIA. The yard area has material storage bins for asphalt, sand and gravel. It also houses some of the District's large equipment (e.g., backhoe, dump truck, etc.). There are also three outbuildings at this site located near the Antelope Garden. These include a bathroom, gazebo and kitchen. In addition, there is also a standalone carport structure at this site. The Garden is also utilized for water related events. In addition, the Garden can be rented for private events.

If the reorganization were to occur, it is recommended that this facility be maintained as an unmanned offsite facility as it is utilized on a regular basis for training, operations and maintenance activities.

Well Buildings and Pump Houses

The well site buildings range from only a few hundred square feet in size up to approximately 1,500 sf. The older well site buildings tend to be very small, typically only a few hundred square feet in size. The newer buildings tend to be much larger, typically over 1,000 sf in size. The majority of these buildings are constructed of CMU block and they generally have either prefabricated metal or composite shingle roofs. In some cases, the block is unpainted but incorporates a sealer on the surface of the block to prevent moisture from passing through.

Groundwater Well Sites and Real Property

SSWD owns 145 parcels that house groundwater well infrastructure, including 83 considered active groundwater well sites with the remainder containing abandoned or destroyed well sites or monitoring wells.

In addition, SSWD owns in fee title 11 vacant parcels for future groundwater well sites.

c. Vehicles and Equipment

SSWD has a total fleet of 48 vehicles that range from a midsize sport utility vehicle to as large as a 5 yard dump truck. In regards to large equipment, there are 3 backhoes, 2 front end loaders, 4 mini excavators and 2 forklifts. The need for the subject vehicles equates quite closely to the number of operations staff, with the exception of a number of vehicles in the Distribution Department where 2 staff persons are assigned to one vehicle. With reorganization and a sufficient Fleet Management Program, it is expected the total fleet and equipment will not be reduced.

Chapter 5 - Governmental Restructuring

Citizens and business in local communities have expectations regarding a number of “givens” or “entitlements” from the governments that represent them and provide the wide array of services that are necessary for basic human needs and quality of life in the United States and specifically California. Historically, those services have included potable water supply, collection and treatment of wastewater, storm water management and flood control, collections and disposal of solid waste, clean air, safe and well maintained streets, affordable public transportation, protection from and incarceration of criminals, fire prevention and protection as well as parks and open space, habitat and libraries.

The entitlements expected from a county, city or special district that serves the public include: access, quality, value, stewardship, responsiveness and accountability:

1. ACCESS: Administrative, Political and Geographic

Administrative – the ability to interact with non-elected local government staff from top to bottom.

Political – elected leadership is perceived to be easily approachable, providing fair and responsible representation.

Geographic/locational – community services are close to the residents they serve. Parks, fire stations, governmental service centers for permits and bill paying are located within easy reach.

2. QUALITY: Service Units and Attitude

Service units – is staffing adequate and capable to provide the fire, water, sewer and parks, and deal with customer service issues?

Attitude – recognizing who the customer is, and treating them in a friendly, professional and service oriented manner.

3. VALUE: is the manner in which the service is delivered the most efficient and cost-effective and is it in line with the cost of service provided by like agencies; and does it avoid deferring cost to future generation?

4. STEWARDSHIP: if the service is a commodity, is the county, city or special district a good steward relative to protecting the resource for present and future generations through education, conservation, state of the art technology, and in the case of water, balancing human and environmental needs in a sustainable fashion?

5. **RESPONSIVENESS:** Timely delivery of the service, Political responsiveness

Timely delivery of service – is the product available when needed, is the service initiated and reinstated after service interruption?

Political responsiveness – does elected leadership address problems and critical issues in a timely fashion without politics getting in the way.

6. **ACCOUNTABILITY:** Fiscal, Administrative, and Political

Fiscal – budgets are balanced, accounting is professional and peer reviewed, management systems are updated and current, independent audits occur annually.

Administrative – staff and personnel follow a chain of authority and take direction from the Chief Executive Officer who reports to elected leadership.

Political – elected leadership listens to and responds to the people who voted them into office, works through the Chief Executive Officer and refrain from directing staff.

SJWD and SSWD have historically met the expectations and satisfied the needs of their citizens and customers by addressing these issues and thereby providing excellent water service. Both agencies do a very good job today. The Phase 2A study effort is an evaluation of the advantages and disadvantages of combining the two water agencies to see if they can provide better service and do a better job. If the advantages outweigh the disadvantages and there are no “fatal flaws”, the directors of the Districts should consider proceeding to Phase 2B of the study and consider merging the two districts.

MECHANISMS FOR COMBINING DISTRICTS

Consolidation

Consolidation is the unification or reorganization of two special districts into an entirely new entity that requires LAFCo approval and election of a new Board of Directors. All assets and liabilities succeed to a new agency and the underlying agencies are dissolved. The new Board of Directors hires a General Manager.

There have been very few consolidations in the history of the Sacramento LAFCo as it is both costly because of the election requirement to vote in new directors and uncertainty of who those directors might be. Districts seeking to unify, for the most part, have used the reorganization process in Sacramento County because it provides much more certainty related to the initial composition of the Board of Directors and the Chief Executive Officer/General Manager. Using the consolidation approach could potentially put the security of the San Juan Water District water rights at risk.

Reorganization

Reorganization is defined as one or more changes of organization and can include an annexation and detachment to a city or special district, incorporation of a city and dissolution of the underlying special districts, or in this case, the annexation of the service area of either SSWD to SJWD or the annexation of the service area of SJWD to SSWD and the dissolution of the other district

Reorganization allows the existing Boards of Directors to determine the number of directors for the new agency, the transition for the existing two Board of Directors to one new Board of Directors and the selection of the Chief Executive Officer/General Manager.

Reorganization also does not require an immediate costly election, unless a sufficient protest is registered to require an election.

Recommendation

The consolidation versus reorganization question was addressed in the Phase 1 Report and has been revisited in the Phase 2A Study. The Phase 1 Report concluded that a reorganization of the two districts by which the service area of SSWD is annexed to SJWD and at the same time, the SSWD is dissolved. The Phase 2A Study concluded that the Phase 1 Report recommendation is still valid.

COMMUNITY SERVICES DISTRICT (CSD) VS. COUNTY WATER DISTRICT

Community Services District (CSD)

The SJWD was formed as a Community Services District under the Community Services District statute of the California Government Code, Section 61000. The SJWD has broad ranging authority under the Community Services District law beyond that which it currently exercises. It stores, treats and transmits water to customers in its retail area. SJWD wholesales and transmits treated water under contract to the FOWD, CHWD, OVWC, the City of Folsom north of the American River, and SJWD-R.

SJWD has the authority to act as a multi-purpose agency that for all practical purposes can perform much like a city. Authorized services include sewage treatment and disposal, storm drain and solid waste, fire protection and police services, park and recreation, libraries, mosquito abatement, street lighting and construction, undergrounding of utilities and communication lines, ambulance service, airports, septic tank maintenance, and many more.

CSD's may be entitled to a share of the county property tax, if part of the enabling legislation, and can impose rates and service charges, they have borrowing and bonding authority and can establish benefit assessment districts. SJWD receives a share of the property tax both in Sacramento and Placer Counties from properties in its current wholesale service area. A CSD has considerable fiscal and financial flexibility through its ability to set rates and charges, share in a percentage of the property tax, and impose special taxes with super majority vote (2/3's) of its electorate.

Like a water district or irrigation district, a CSD may be formed or annex across county lines and its governing body may be constituted accordingly. The number of directors may be 3 or 5, elected "at-large" or by "division."

County Water District (CWD)

While a County Water District's primary function is to store and distribute water for consumption, water districts can carry out other water related activities such as drainage and reclamation, sewer, including on-site sewer management, sanitation and fire protection. They may also generate and wholesale hydroelectric power. In some cases, as long as it is incidental to water storage and supply, they may provide park and recreation facilities.

County Water District directors may be elected "at-large", by "division" or nominated from divisions with vote by the entire district. A County Water District may have up to 9 Directors.

To finance services, a water district can issue revenue bonds, collect fees for water or sewer if provided, and levy stand by charges. Water districts typically are not entitled to a share of the property tax as they are enterprise agencies.

The Sacramento Suburban Water District as a County Water District, retails water within its boundaries to over 45,000 customer connections. The SSWD service area includes many of the communities north of the American River, such as Arden-Arcade (excluding Del Paso Manor, Arden Park Vista CWMD, Golden State Water Company, California American Water Company) North Highlands, Foothill Farms, McClellan, Carmichael, Antelope, and portions of the Cities of Sacramento and Citrus Heights.

Advantages of the CSD Structure over a CWD Structure

1. A CSD has ability to provide a broad variety of community needs.
2. A CSD has more fiscal latitude with the ability to receive property taxes and special taxes with approval of electorate. A CSD can also adopt service charges and fees and benefit assessment capacity with support of land owners.
3. Perceived as a higher form of local government with additional, latent service capabilities.

Disadvantage of the CSD Structure over a CWD Structure

The number of directors for a CSD under current law is limited to 5, which can be elected at large, by division, or by division elected at large. A CSD can have more than five directors. Should the districts reorganize as a CSD, legislation through the California State Legislature would be necessary to allow the new district to have a greater number of directors; 7, 9, or 11.

In addition to the broad powers of a CSD as compared to a CWD, there are other reasons that suggest that SJWD should be the successor agency in a reorganization proceeding with SSWD:

1. SJWD as a CSD has multi-county status which allows SJWD to receive an existing property tax entitlement, and an exemption from the Educational Revenue Augmentation Fund (ERAF) shift.
2. The CSD law allows securing of additional property tax in the future by a district-wide vote to offset cost of operation.
3. SJWD has existing water rights and contracts that could be at risk should SJWD be dissolved and reorganized into SSWD.
4. SJWD's Pre-1914 water rights remain with SJWD without needing to facilitate a transfer to a succeeding entity.

Summary

1. Reorganization of the two agencies with SJWD as the successor agency is the preferred and least risky LAFCo process to unify the two districts.
2. A CSD with its multi-purpose authority and fiscal latitude is the better structure long term to deal with changing community needs.
3. Surface water rights and contracts are at less risk if SJWD is not dissolved.

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.

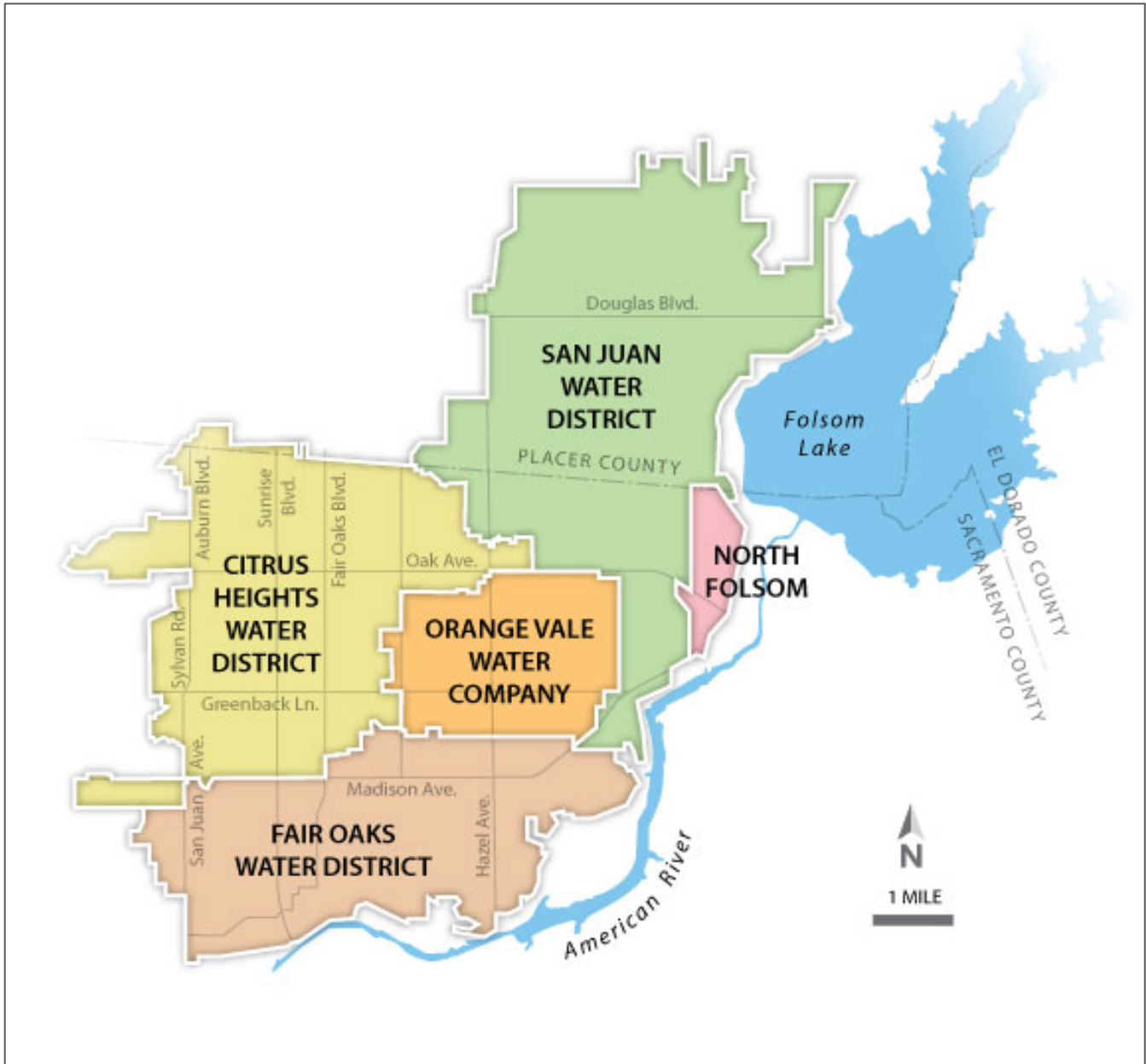
San Juan Water District - Wholesale

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

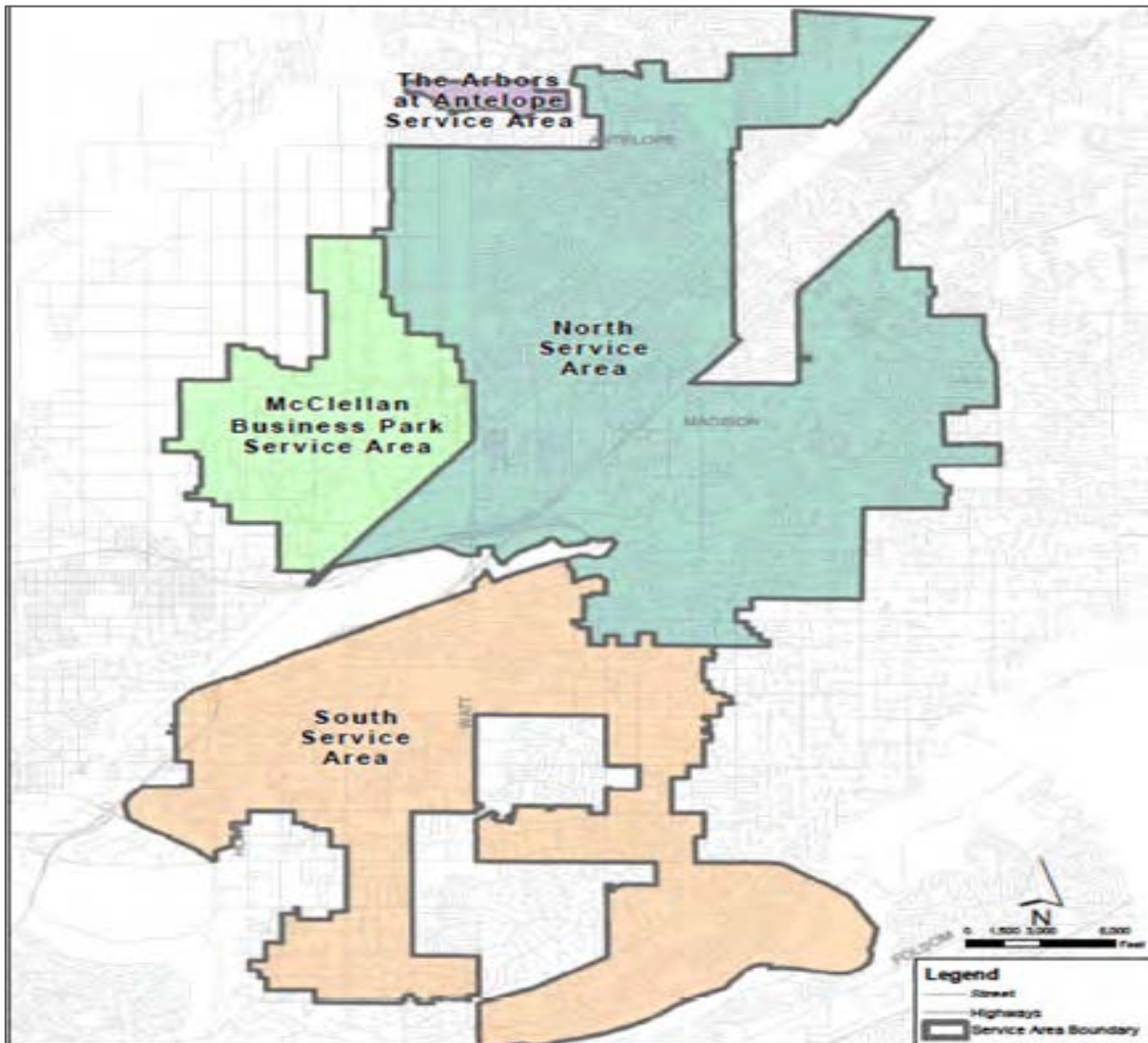


San Juan Water District – Retail

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 36 square miles. The majority of the parcels are considered high density.



Combined District: Population, Connections, Users

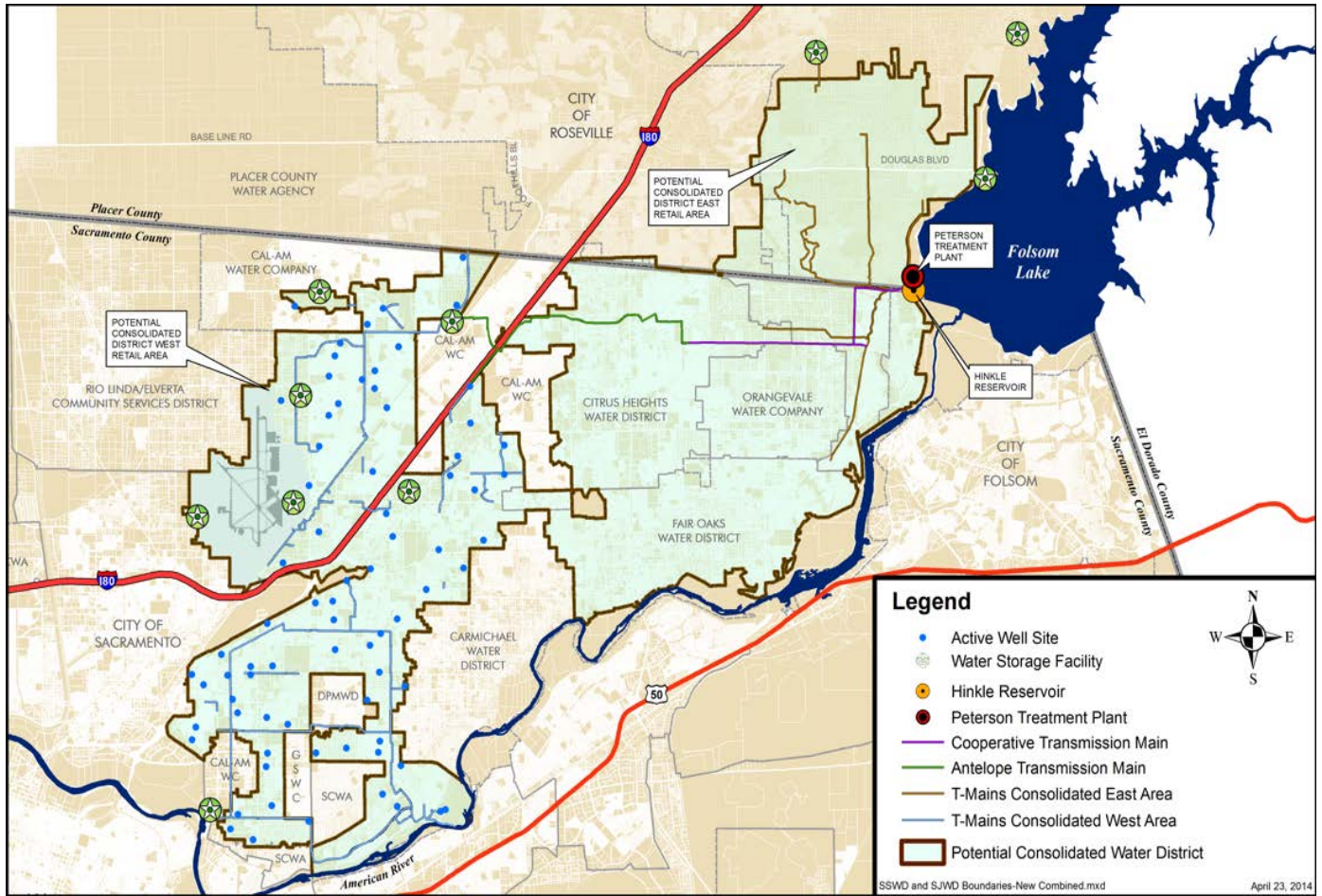
SJWD AND SSWD

	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

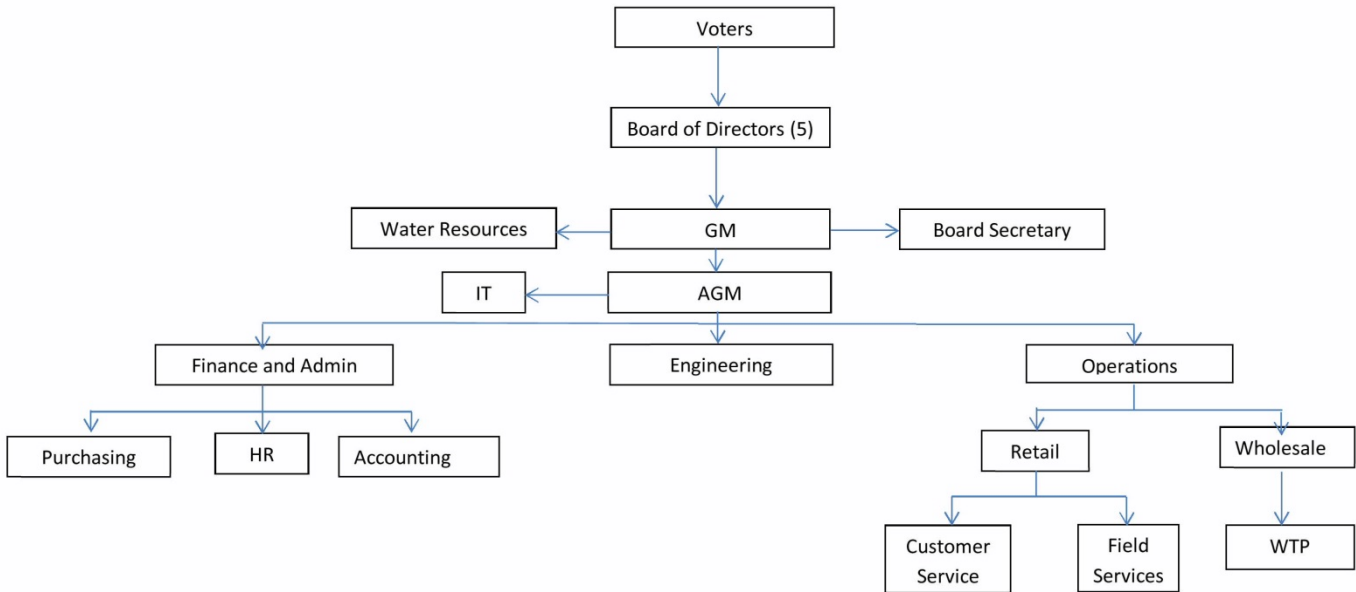
Chart 2: SSWD Current Organizational Chart

Chart 3: Transitional Organizational Chart

Chart 4: Reorganized District Organizational Chart

San Juan Water District: Current Organizational Chart – Chart 1

SJWD Current Organization Chart

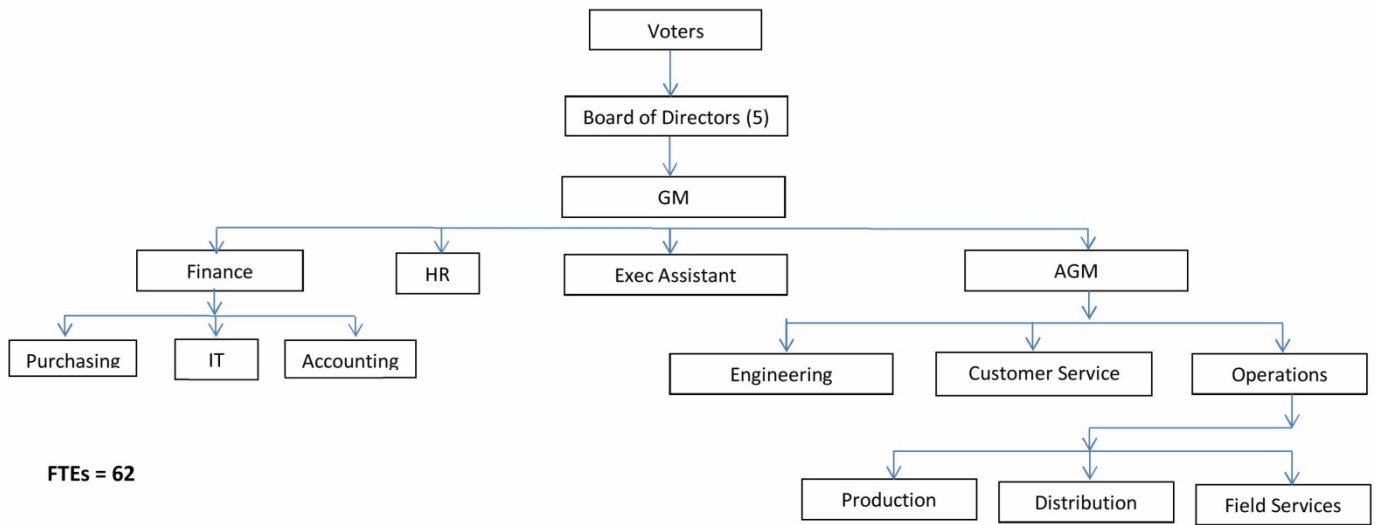


FTES = 45

June 25, 2015

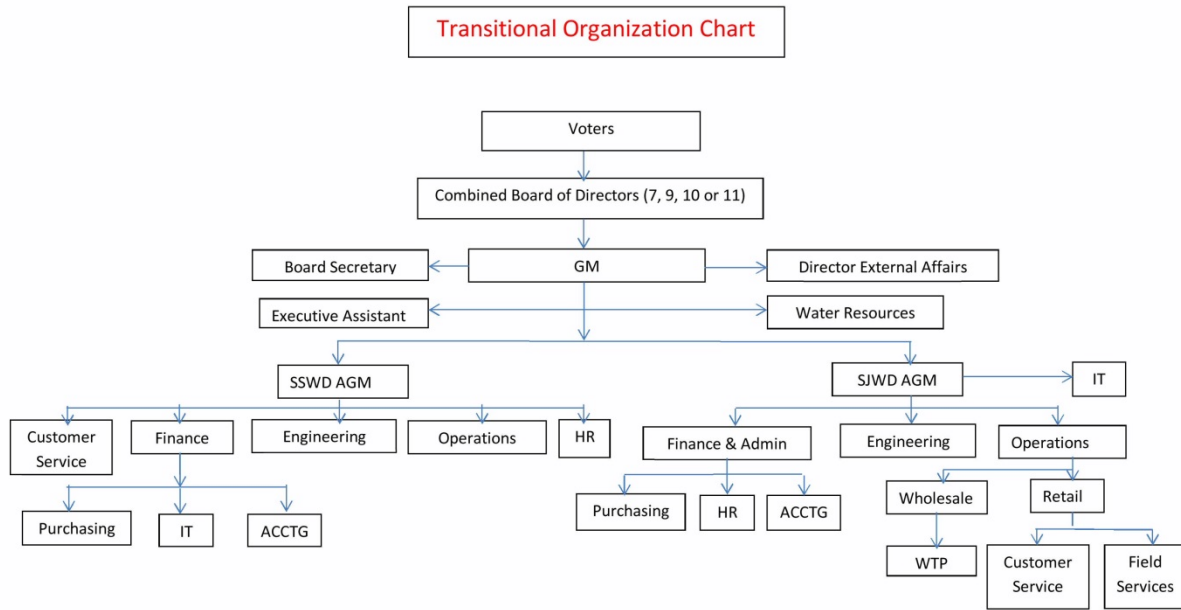
Sacramento Suburban Water District: Current Organizational Chart – Chart 2

SSWD Current Organization Chart



June 25, 2015

Transitional Organizational Structure: Reorganized SJCS D between Approval and Effective Date – Chart 3

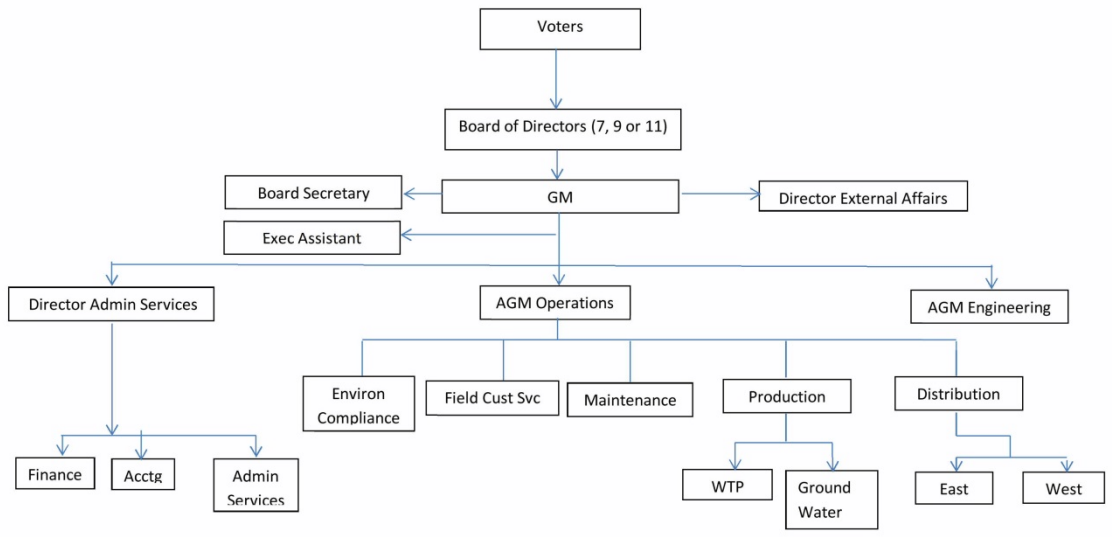


FTEs = 107

June 25, 2015

Initial Organization Structure: Reorganized SJCS D – Chart 4

Reorganized District Organization Chart



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 wholesale customers 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.

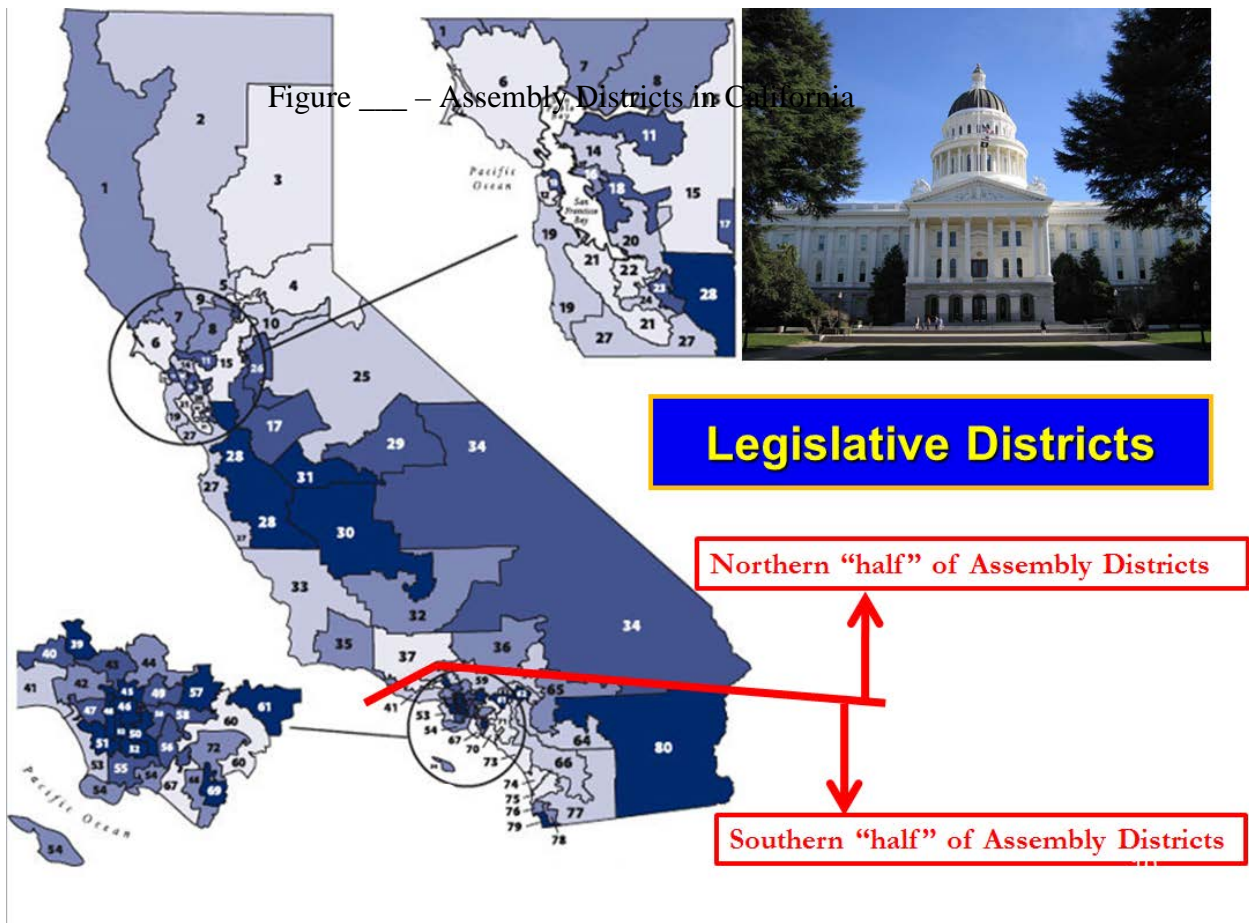
Largely as a result of being displeased with the outcome of the 2009 water legislation, a group of purveyors in the Sacramento region pooled resources to hire a contract lobbyist. More recently, this regional lobbying effort is being moved to a subscription program under the Regional Water Authority. 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 WCAs to 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 Suburban			San Juan		
	2011	2012	2013	2011	2012	2013
Assets						
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	-	-	-
Liabilities						
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	-	-	-
Net position						
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 Suburban

San Juan

	2011	2012	2013	2011	2012	2013
Operating Revenues						
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>
Operating Expenses						
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)
Operating income (loss)	<u>11,911</u>	<u>13,439</u>	<u>14,571</u>	<u>1,083</u>	<u>736</u>	<u>(234)</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	-	-	-	-
Income before capital contributions	<u>8,651</u>	<u>5,336</u>	<u>11,145</u>	<u>800</u>	<u>234</u>	<u>(977)</u>
Capital contributions	1,692	1,729	3,096	1,284	2,009	2,523
Increase in net position	<u>10,343</u>	<u>7,065</u>	<u>14,241</u>	<u>2,084</u>	<u>2,243</u>	<u>1,546</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>187,372</u>	<u>194,437</u>	<u>208,678</u>	<u>71,974</u>	<u>74,218</u>	<u>75,764</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
Total		\$107,355,000	\$93,355,000					
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
Total		\$44,135,000	\$41,655,000					

Retail Water Rates
Last Three Years
Sacramento Suburban

San Juan

	2011	2012	2013	2011	2012	2013
Flat Accounts						
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
Metered Accounts						
Usage Charge (\$/100 cubic feet (CCF))						
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
Meter Service Charge (by Meter Size)						
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
Flat and Metered Accounts						
Capital Facilities Charge						
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 Suburban

San Juan

	2011	2012	2013	2011	2012	2013
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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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
Total	52	53	53	59	60	60	60	61	61	59

San Juan Water District
Full Time Equivalent Employees
Last Ten Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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
Total	44	41	43	45	45	45	45	45	45	45

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 Orange Vale 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.

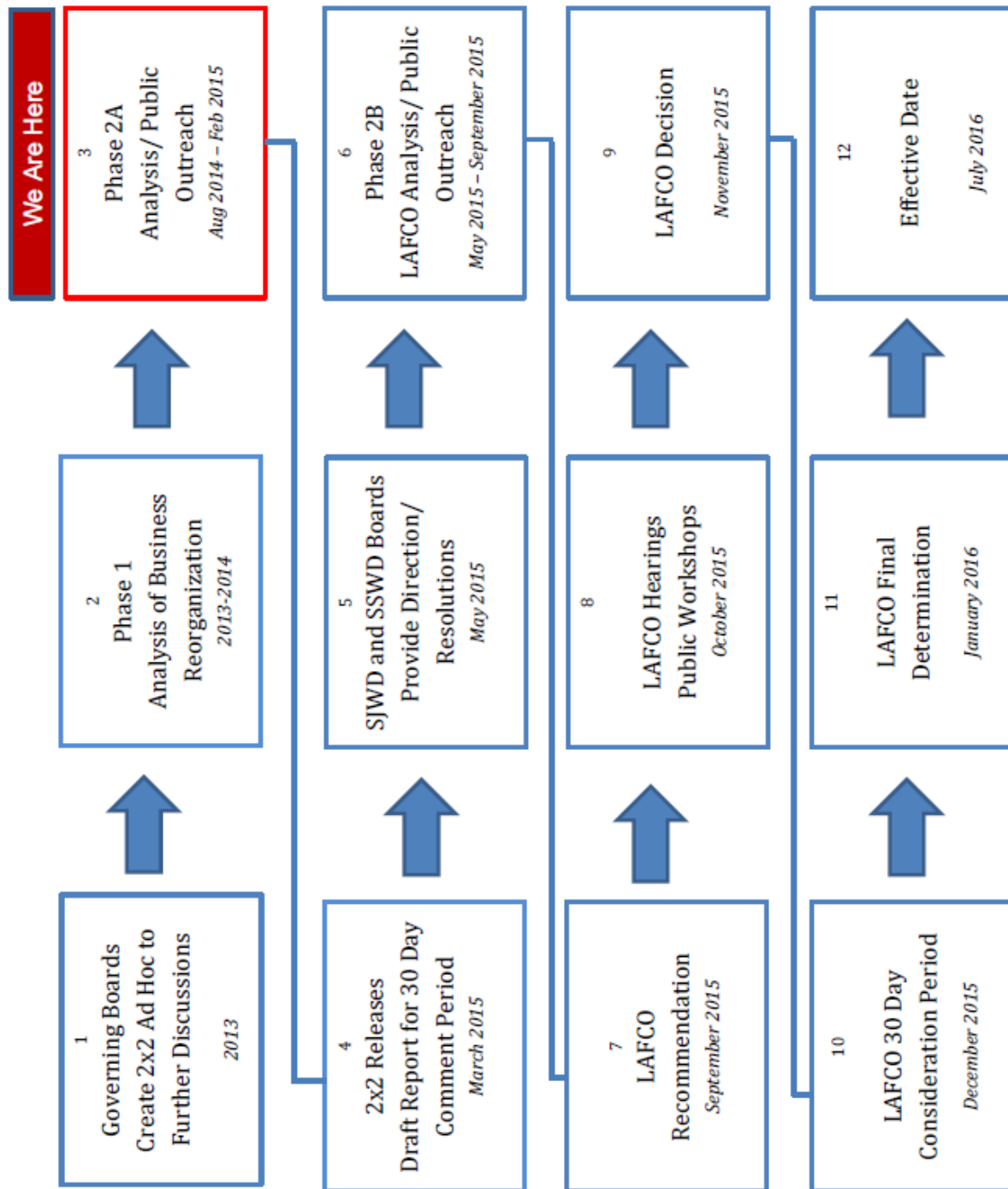
Q: How can my voice be heard? Will there be stakeholder meetings?

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

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%

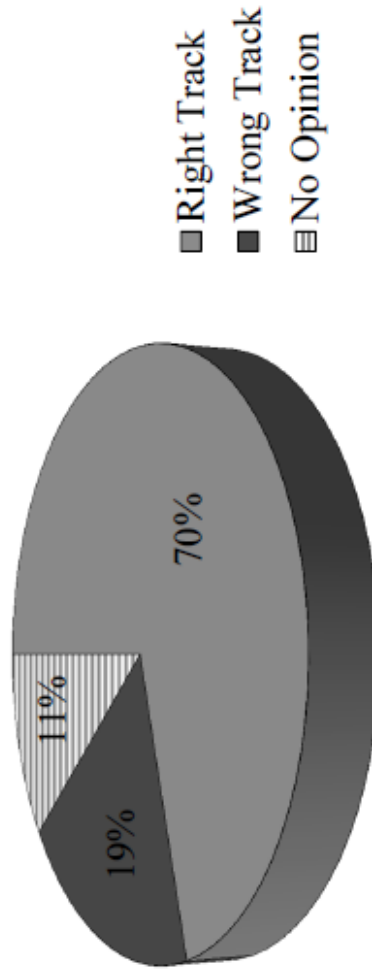
- Greatest perceived concerns:
 - Need more information – 12%
 - Bigger is not better – a generally negative gut reaction – 9%
 - Possible rate increases – 5%

- 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

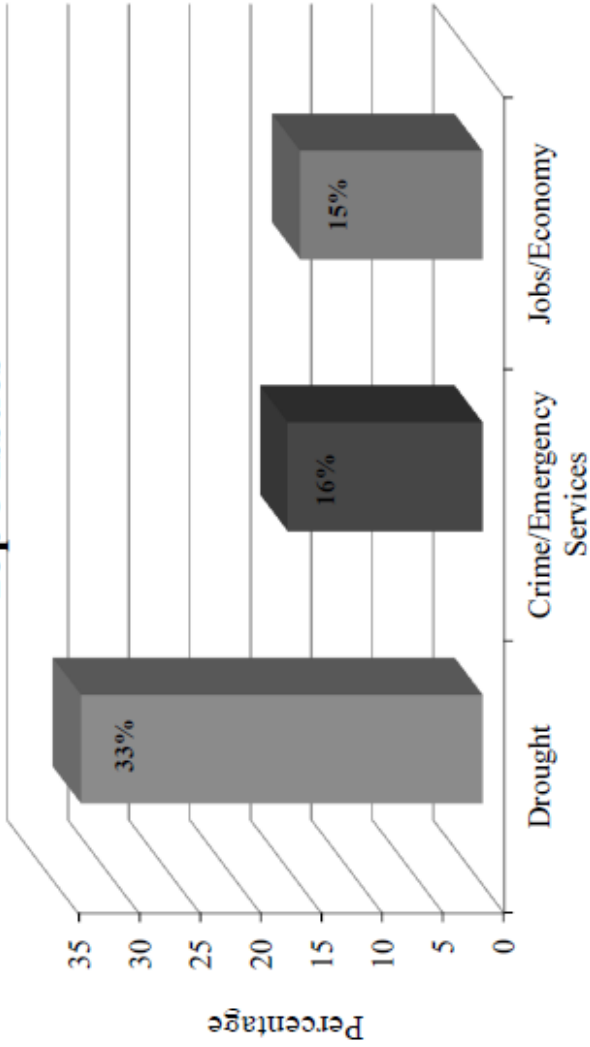


Right Track	
<u>Highest</u>	<u>Lowest</u>
Folsom	Sacramento Suburban Water District 1
85%	59%



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

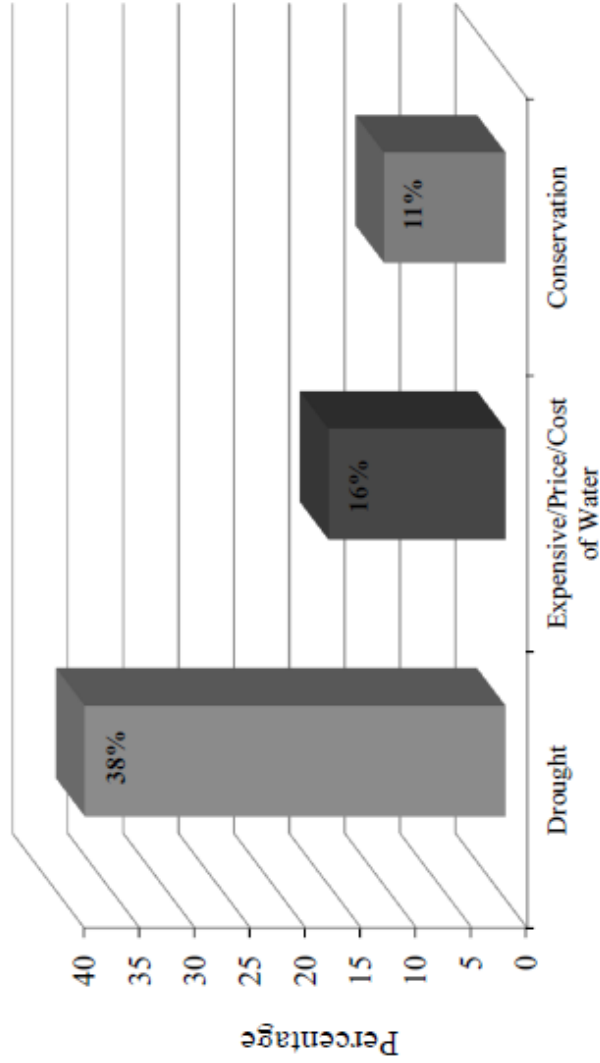
Top 3 Issues



Drought	
Sac Suburban	San Juan
29%	37%

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

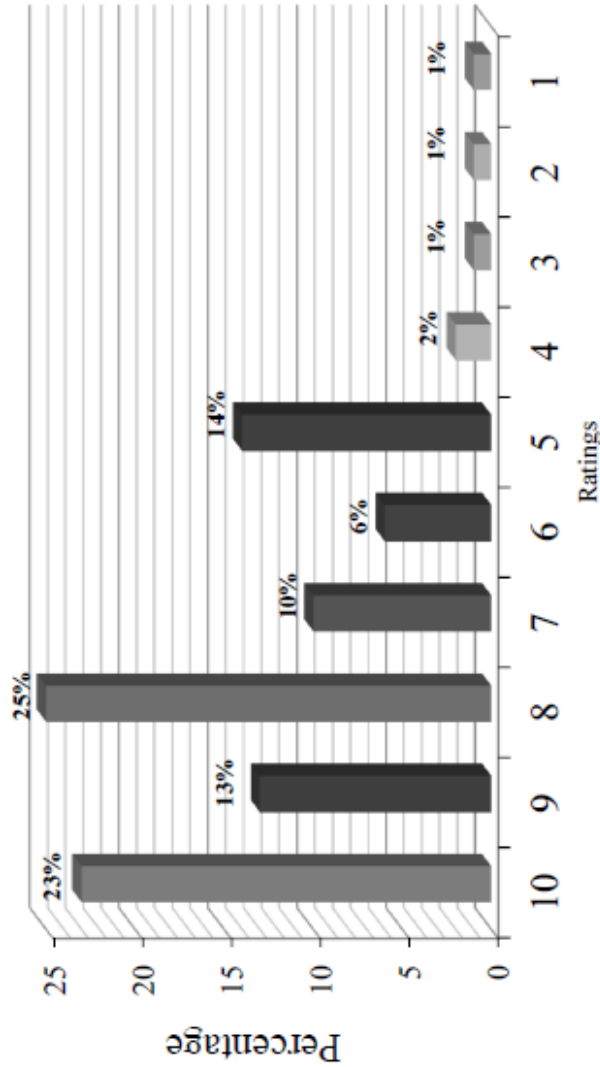
Top 3 Issues



Drought	
Sac Suburban	San Juan
36%	40%

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%

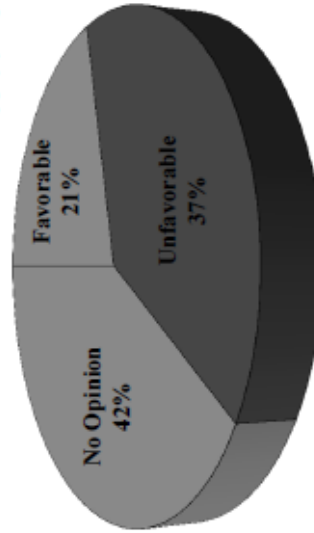
Combined	
Rating of 10	23%
Rating of 8-10	61%
Rating of 5-10	91%

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%

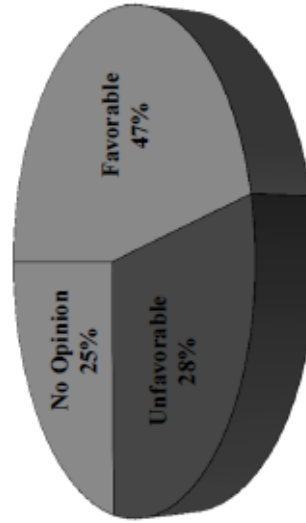
Shading denotes differences of 8% or more

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%**



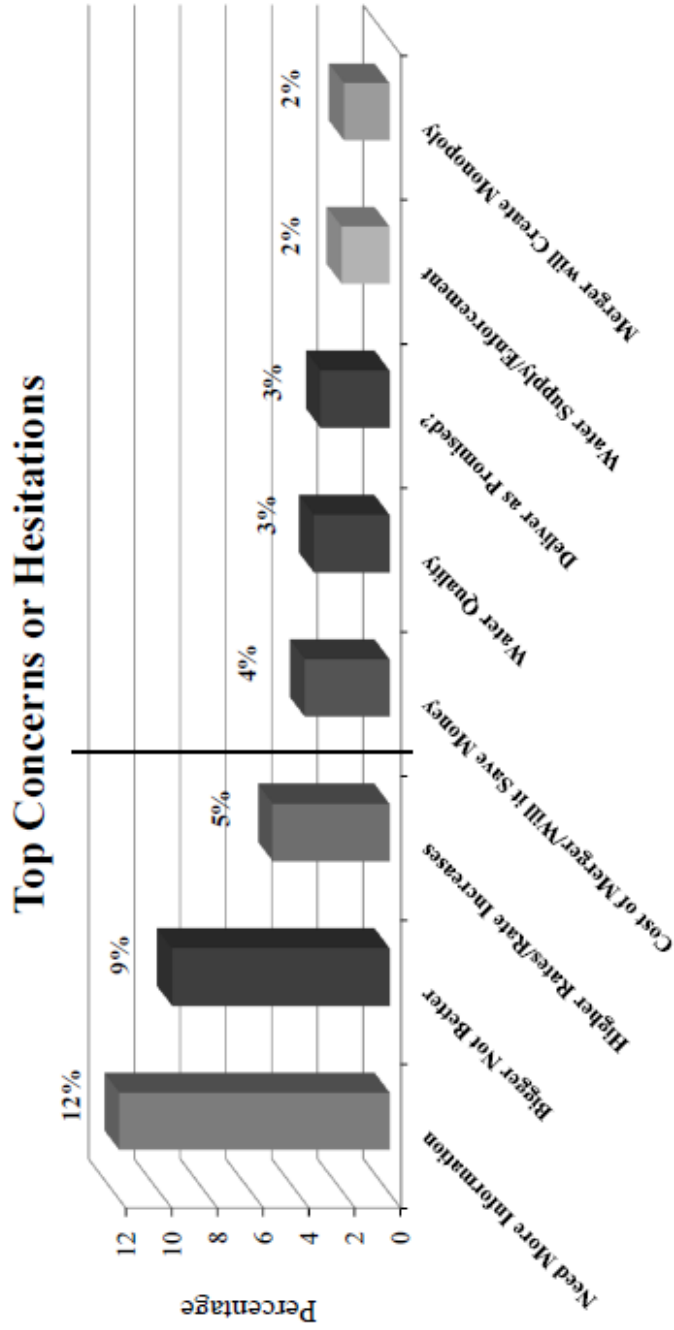
	Water Districts		Length of Residency	
	San Juan	Sac Sub.	Less 5 Yrs	Over 20 Yrs
Favorable/No Opinion	71%	73%	83%	67%
Unfavorable	29%	27%	17%	33%

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

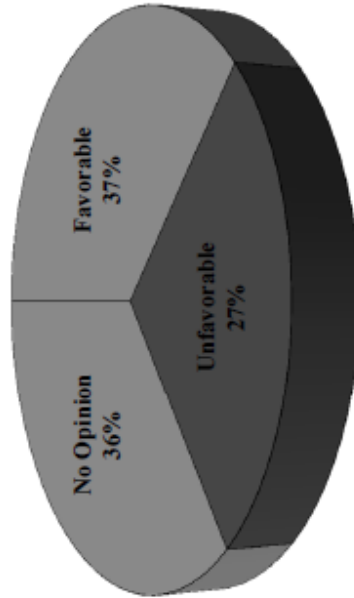
24: As you think about this partnership or merger, do you have any concerns or hesitations?



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?

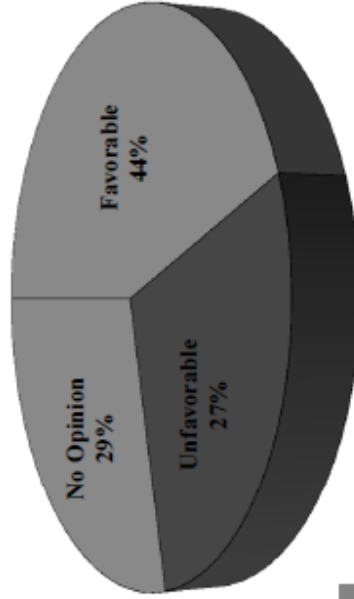


73% - 27%

Difference
+ 7

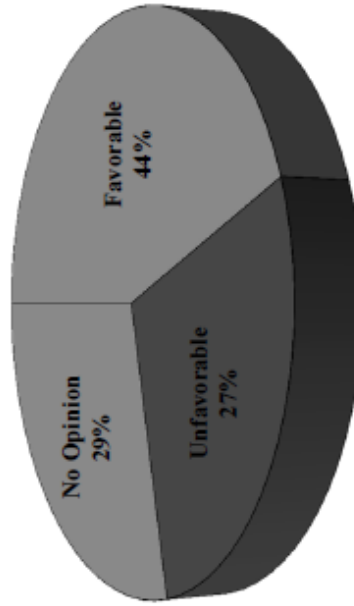
Merger

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%
Combined	73%	70%	75%	75%	75%	69%	75%	76%	71%
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?