

# Public Meeting on Potential Combination

Tuesday, September 24, 2024



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

SSWD-DPMWD Combination Discussions

# Welcome!

- Introductions
- Supporting materials available at [sswd.org](http://sswd.org) and [delpasomanorwd.org](http://delpasomanorwd.org)
- Questions (*after the presentation*)
  - Please submit a comment card to the facilitator
- Housekeeping

[delpasomanorwd.org](http://delpasomanorwd.org)

Scan the QR codes to find materials online



SSWD



DPMWD





SSWD-DPMWD Combination Discussions

# Tonight's Presentation

- Introduction to SSWD and DPMWD
- DPMWD challenges
- Financial protections for Districts
- Alternatives to combination
- Vision for DPMWD progress: grants, stable operations & maintenance, pay-as-you-go rate structure, representation
- FAQs: fluoride, water meters, water quality, water rates
- Timeline and next steps
- Audience questions

# Introduction to SSWD & DPMWD



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SSWD-DPMWD Combination Discussions

# Introduction to SSWD and History



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Introduction to SSWD and DPMWD

# SSWD Overview

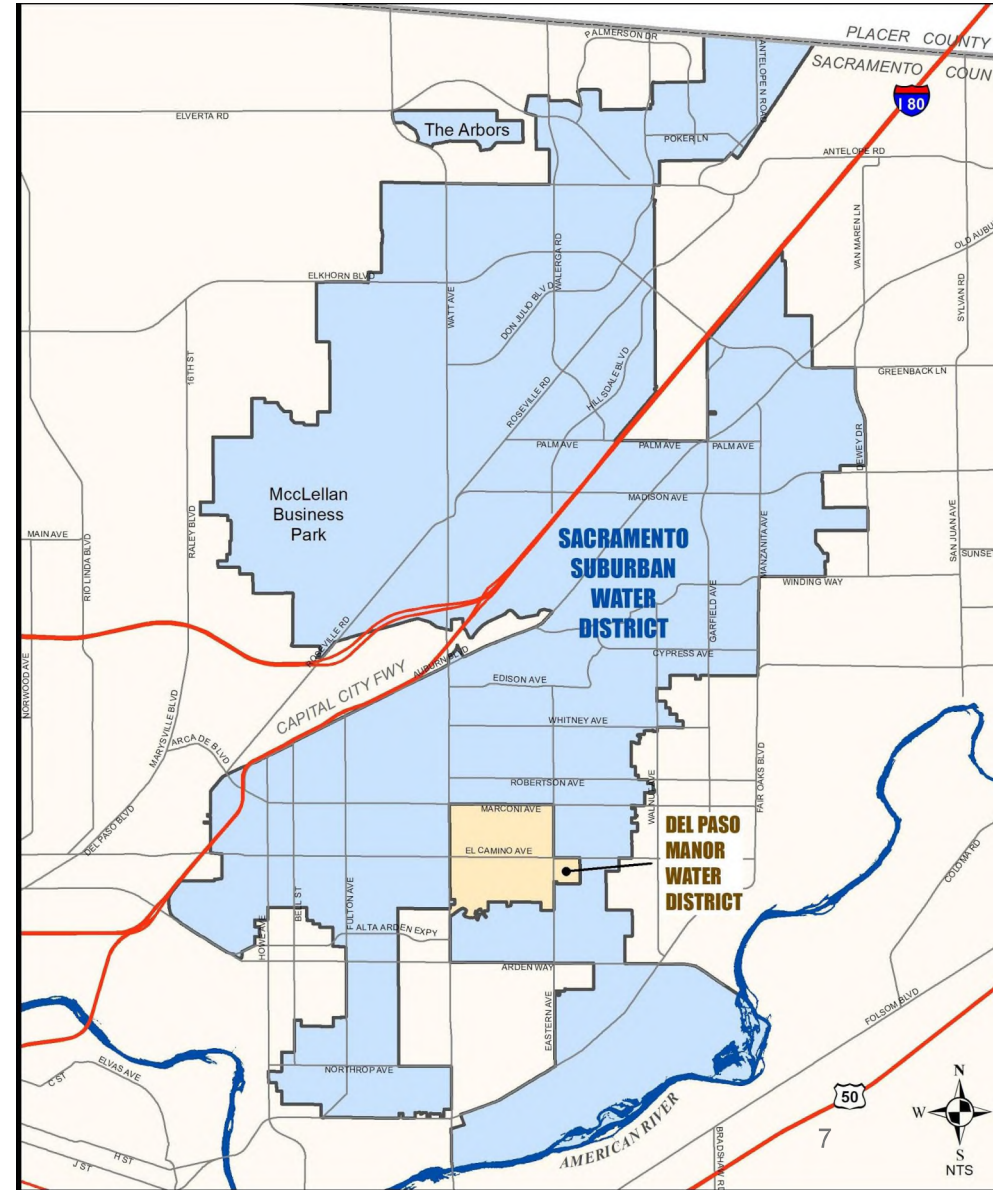
- Established in 2002, resulting from a consolidation of the former Arcade Water District (1954) and Northridge Water District (1956)
- 5 Board of Directors
- 75 Regular full time employees
- 47,000 Service connections
- 195,000 Population served
- 36 square miles of service area

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Introduction to SSWD and DPMWD

# SSWD Service Area

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Introduction to SSWD and DPMWD

# SSWD Financials

- CY24 Budget = \$71.5 million
- CY24 Capital Budget = \$29.7 million
- CY24 Operating Budget = \$27.5 million
- Reserves = \$42.9 million
- Debt Service = \$49.2 million
- AA+ Credit Rating





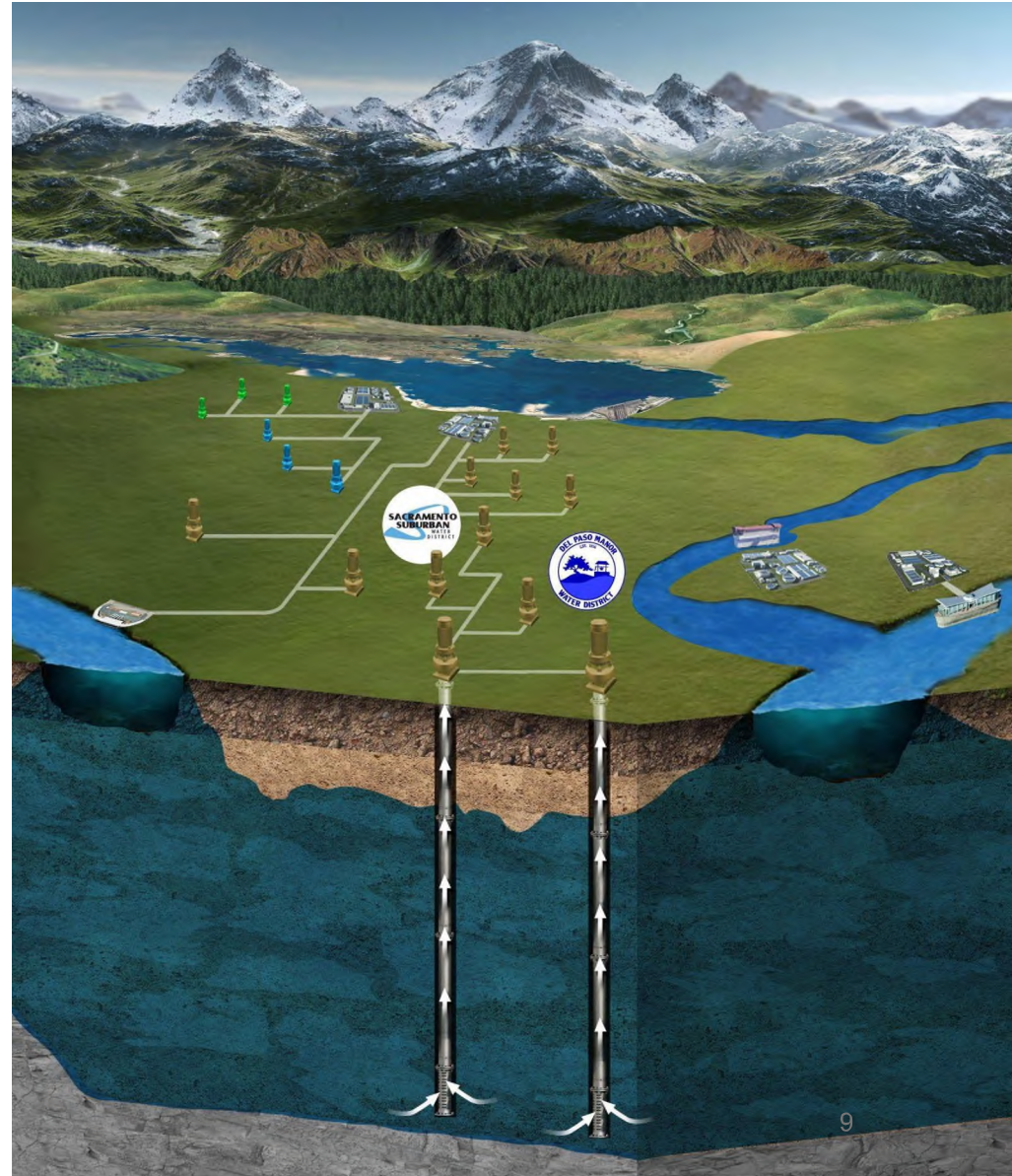
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Introduction to SSWD and DPMWD

# Water Supplies

SSWD and DPMWD rely primarily on groundwater from the same groundwater basin

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Introduction to SSWD and DPMWD

# SSWD Water Supplies

- 72 groundwater wells (4 replacement wells are under construction)
- North Service Area is non-fluoridated and South Service Area is fluoridated
- City of Sacramento surface water contract entitlement = 26,064 acre-feet (af)
- Placer County Water Agency surface water contract entitlement = 29,000 af (8,000 af take or pay)



Introduction to SSWD and DPMWD

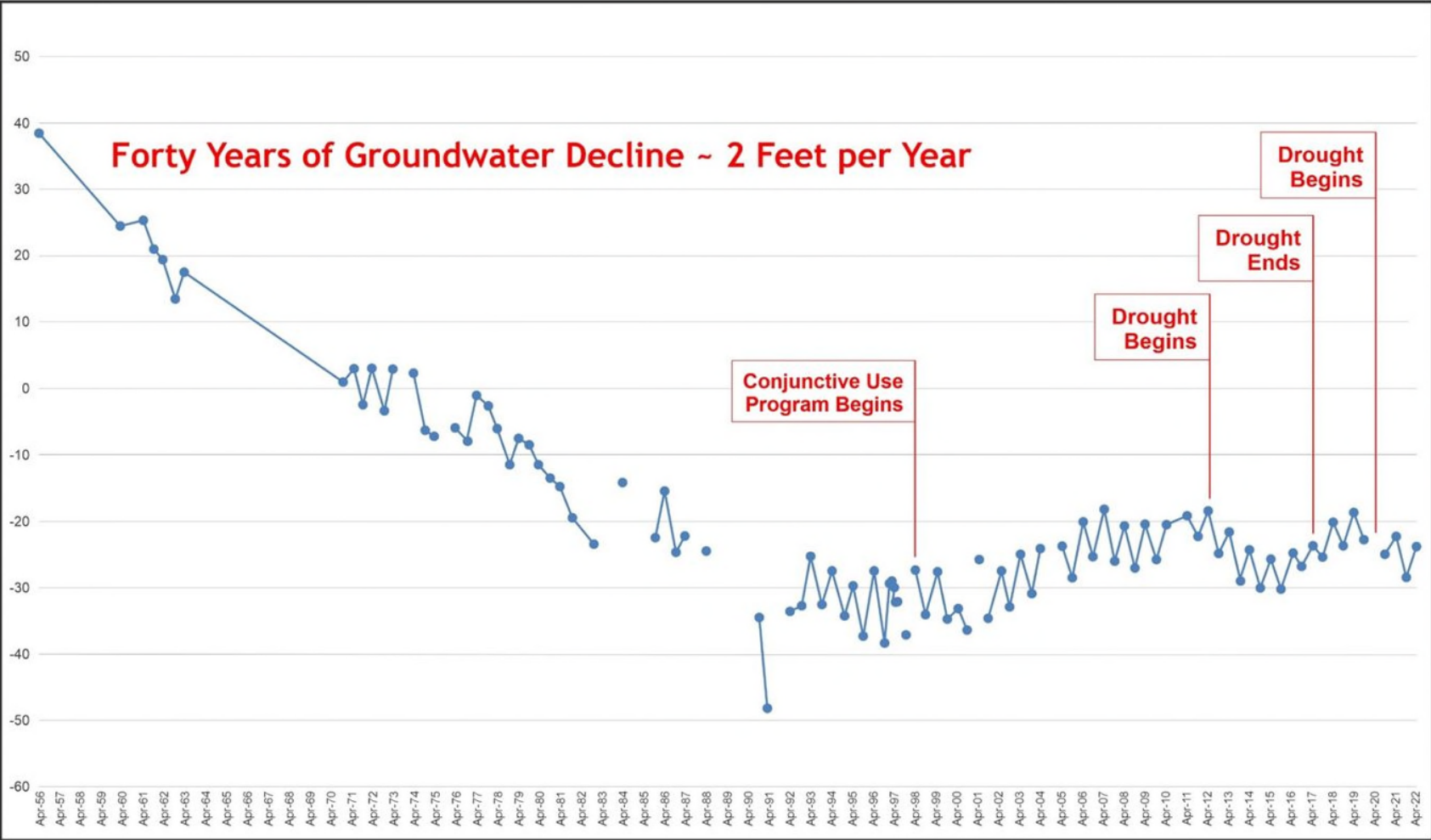
# Reliable Water, Sustainable Groundwater

## **SSWD's Conjunctive Use Program**

- 100% groundwater in dry and very dry years.
- Surface water available in average and wet years
- Contract entitlements for surface water totaling 55,064 acre-feet per year in average and wet years
- \$120 million investment in conjunctive use infrastructure

Note: Over 250,000 acre-feet of groundwater banked

## Groundwater Levels, Well 10N05E14Q002M Sacramento Valley (Sacramento County)





Introduction to SSWD and DPMWD

# SSWD & DPMWD Water Rates

## SSWD

$\frac{5}{8}$ " Meter: \$36.38 + \$1.01/ccf to 15ccf  
\* $\frac{3}{4}$ " Meter: \$50.46 + \$1.01/ccf to 15ccf  
1" Meter: \$78.63 + \$1.01/ccf to 15ccf

## DPMWD Commercial

$\frac{5}{8}$ " Flat rate: \$118.22 + \$2.26/ccf  
 $\frac{3}{4}$ " Flat rate: \$118.22 + \$2.26/ccf  
1" Flat rate: \$146.46 + \$2.26/ccf

Average SSWD Residential Water Bill:  $\frac{3}{4}$ " Meter \$50.46 + \$14.14 = \$64.60

\*  $\frac{3}{4}$ " metered rate is the major portion (80%) of SSWD's rate structure.

DPMWD residential flat rate per month (combination of Flat Rate Charge and System Maintenance Charge); This is calculated using a 1" service line.

0-5,000 sf =	\$87.95
5,001-8,000 sf =	\$97.46
8,001-11,000 sf =	\$111.55
11,001-14,000 sf =	\$121.64
14,001-17,000 sf =	\$131.73
17,001-20,000 sf =	\$141.90

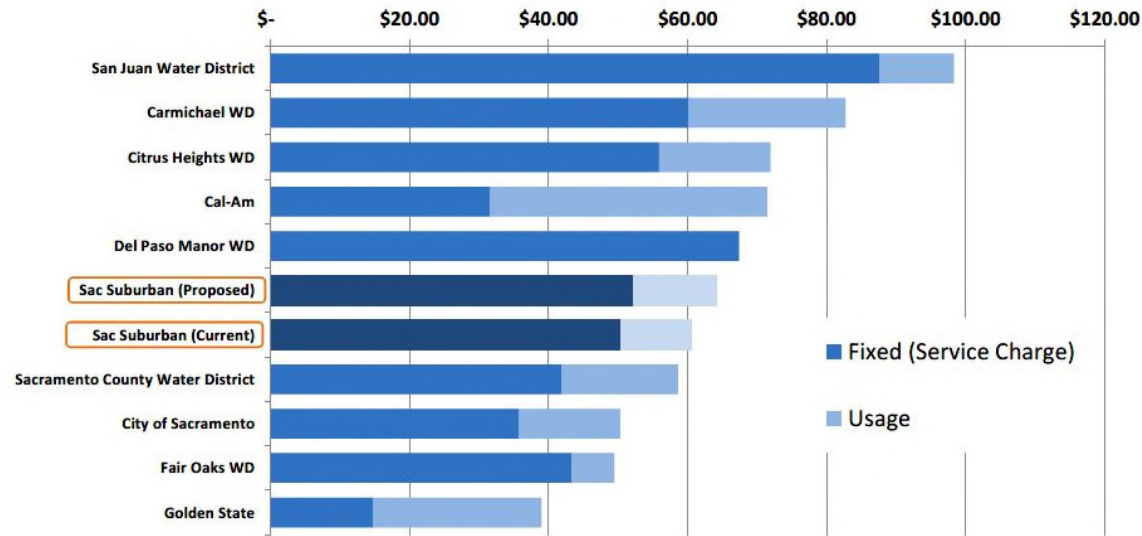


Introduction to SSWD and DPMWD

# SSWD & DPMWD Water Rates

## Survey – Single Family Homes

Monthly Bill for typical water usage (10 HCF per month and 3/4" meter \*)



\* Some utilities have a minimum meter size of 1"



Introduction to SSWD and DPMWD

# Asset Management, Preventative Maintenance and CIP

## Asset Management Plan Docs:

- Building and Structures
- Water Meters
- Groundwater Well
- Transmission/Distribution
- Reservoir & Booster Pump Station
- Fleet
- SCADA

## Preventive Maintenance:

- Distribution, meters, and production
- 5-year agreement with a well maintenance contractor, with a provision to purchase the company after the first year

## CIP:

Groundwater wells, meter installation (AB 2575) and replaced over 100 miles of distribution infrastructure at a cost of over \$100 million

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SSWD-DPMWD Combination Discussions

# Introduction to DPMWD and History



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Introduction to SSWD and DPMWD

# DPMWD Overview

- Established in 1956
- 5 Board of Directors
- 4 Regular full time employees
- 1,898 Service connections
- 4,854 Population served
- 1.3 square miles of service area



Pooling water brains

Above are representatives of seven water districts in the Sacramento suburban area who are jointly cooperating in a study of water needs for the area. Seated, from left, are Albert Ricksecker, Del Paso Manor; Frank L.

Kelly, Northridge; Neal Brown, Citrus Heights and S.N. Peterson, San Juan. Standing, from left, Leland Cutler, Arcade; William Pettite, Fair Oaks, Bill White and Bill Wagner, Carmichael.



Introduction to SSWD and DPMWD

# DPMWD Financials

- FY 24/25 Funds Available = \$2.7 Million
- FY 24/25 CIP = \$1.1 Million
- FY 24/25 Operating Budget = \$1.9 Million
- Debt Service = \$4 million
- Reserves = \$2.1 Million

Introduction to SSWD and DPMWD

# DPMWD Water Supplies

- 4 operational groundwater wells = 4.7 million gallons per day
- City of Sacramento surface water contract rights \* = 2,460 af

*\* DPMWD does not have the infrastructure or approvals to use this water at this time*





Introduction to SSWD and DPMWD

# DPMWD Water Meters

- Residential services are not metered
- 100% of commercial services are metered
- Per 2009 Master Plan: Goal of DPMWD is to install meters at each service connection by 2032, as required by law

# DPMWD Challenges



## DPMWD Challenges

# Independent Analysis of DPMWD

- 2005 LAFCo Municipal Services Review—*maintained the status quo*
- 2021 Grand Jury Report—*“DPMWD Flooded with Public Safety Dangers”*
- 2022 LAFCo Municipal Services Review—*aging infrastructure with limited improvements in the past five years*
- 2024 LAFCo Municipal Services Review Addendum—*declining water system capacity; recent water rate increase insufficient to cover needs*
- 2024 LAFCo Resolution of Intent to Dissolve DPMWD—*District given until May 2025 to demonstrate progress in addressing issues*

## DPMWD Challenges

# Extensive Infrastructure Deficiencies

- 8 total wells
  - 2 wells are offline due to contamination
  - 1 well can only be operated in an emergency (no more than 3 consecutive days or 15 total days in CY)
  - 1 well is capped
  - 2 wells are over 70 years old (two decades past their useful life)
- Inability to meet fire flow requirements or maximum daily demand
- Leak mitigation of the steel section of pipe is managed by reducing pressure

## DPMWD Challenges

# Financial Instability

### **Over \$50 million in needed upgrades to infrastructure:**

- The 2023 rate increase will fund only \$9 million in needed improvements
- Water rates will need to be at least four times the approved 2027 rate
- Changes to state and federal regulations will require additional investment in water meters, fire flow capacity, and water treatment

*LAFCo: "No one should expect a community of ~4,800 people with a median household income of \$86,262 to be able to support water rates that are 4 times what your neighbors in the surrounding water district pay."*



# Combination Discussions



SSWD-DPMWD Combination Discussions

## Why Explore a Combination?

- **Limited Financial Risk for SSWD Customers:** SSWD is well-prepared to integrate DPMWD without financial harm to its existing customers
- **Shared Community and Water Source:** Both districts rely on the same groundwater basin, serving the same community
- **Right to Clean, Reliable, and Affordable Water:** Every resident deserves access to clean and affordable water
- **Previous Collaboration:** The districts have successfully worked together through Mutual Aid and Operational Services agreements

## SSWD-DPMWD Combination Discussions

# Financial Protections

- **No Sharing of Debt:** Each district's debt will remain its own responsibility
- **Separate Infrastructure Costs:** Each district will continue to be responsible for its own infrastructure upgrades and maintenance
- If grants are not secured, DPMWD ratepayers are still responsible for funding needed improvements
- **Rates Remain Separate:** Rates will stay separate until all outstanding debt is paid off and the Board decides to merge the systems financially

# Background About Combination Discussions

- Discussions ongoing since 2019
- Track record of SSWD providing assistance to DPMWD
- Multiple studies to explore:
  - Condition Assessment of DPMWD Infrastructure: Production, Distribution, and Meters
  - Groundwater/Surface Water Supplies
  - Municipal Services Review Updates
  - Financial Analysis
  - Water Rate Comparison
  - Benefits, Advantages, and Disadvantages



SSWD-DPMWD Combination Discussions

# Alternatives to Combination with SSWD

**Potential combination with another water district** such as Golden State Water Company

**Rate increase through another Prop 218 process** to cover the \$42 million in infrastructure investment needed

**LAFCo involvement if no progress by May 2025**

- LAFCo has the authority to dissolve DPMWD
- This could result in another agency taking over DPMWD's water services

# Vision for Progress



SSWD-DPMWD Combination Discussions

# What is Progress for DPMWD?

A realistic and sustainable long-term plan for improvement in key areas:

- **Meet Clean Water Demand:** Provide clean and safe water for all customers, meeting health and safety standards
- **Fix Critical Infrastructure:** Repair and upgrade the pipes, pumps, and other parts of the water system that are outdated or broken
- **Keep Rates Low:** Implement necessary improvements without drastically increasing water rates

Vision for Progress

# Grant Funding to Keep Rates Lower

**DPMWD achieves greater access to state grant funding/principal forgiveness and low- or no-interest loans** with a combination due to SSWD's size, finances, and credit rating

**State funding available** through a competitive statewide process:

- Up to \$20 million per infrastructure project
- Up to \$5,000 per connection as a consolidation incentive
- Up to \$500,000 total for administrative expenses
- 0% or low-interest loans



Vision for Progress

# Grant Funding to Keep Rates Low

## Are Grant Funds Available Without Combination?

- Yes, but the funds would cover only a small portion of the costs for needed infrastructure investment
- DPMWD has struggled to secure grants/loans in the past
- Most of DPMWD is not considered a disadvantaged community
- SSWD and DPMWD jointly applied for a \$20 million grant in June 2024
  - The grant could provide over \$10,000 per DPMWD ratepayer
  - Funding is contingent on the combination of the two districts
  - All grant funds will stay within the DPMWD service area

Vision for Progress

# Stable Operations

- DPMWD has a team of qualified professionals to cover field operations, repairs, customer service calls, well operations, water quality checks, and emergency repairs
- Currently, SSWD is in this role on a temporary basis



Vision for Progress

# Maintenance Programs

## Groundwater Well Maintenance Program:

- Inspect and maintain wells, including pumps and water quality, to prevent problems
- Address any issues that arise to ensure wells continue to function properly

## Preventive Maintenance Programs:

- Inspect and maintain valves and hydrants to ensure they are operational in the event of an emergency
- Regularly check and maintain wells, including pumps and water quality, to ensure they function properly
- Regularly check and repair/replace meters to ensure they work correctly

Vision for Progress

# Pay-As-You-Go Rate Structure

- SSWD uses a Pay-As-You-Go component within its rate structure to fund capital improvements without incurring debt
- This model generates \$21 million annually dedicated to essential infrastructure upgrades and long-term reliability

Benefits of Pay-As-You-Go:

- Ensures projects are funded upfront, reducing long-term costs
- Avoids interest payments from bonds or loans
- Supports ongoing system upgrades without burdening ratepayers with debt service costs

Vision for Progress

# DPMWD Leadership in a Combined District

- **Reorganization:** DPMWD will dissolve, and SSWD will annex the service area
- **Integration:** DPMWD will become part of an existing SSWD division and DPMWD staff will join the SSWD team
- **Advisory Committee:** DPMWD ratepayers will advise SSWD on the needs and improvements for the area
- **Grant Funds:** Infrastructure grants will remain within the DPMWD area

# Frequently Asked Questions



Frequently Asked Questions

# Water Supplies Change?

- No change in current water supply sources for DPMWD or SSWD
- DPMWD customers already receive water from both DPMWD wells and SSWD sources via three interties
- Detailed information on water quality issued yearly

Scan the QR codes for Water Quality Reports



SSWD



DPMWD



## Frequently Asked Questions

# Fluoridated Water for DPMWD?

- Water in SSWD's South Service Area is fluoridated under a contract with First Five California (contract ends in 2027)
- SSWD currently provides water to DPMWD to maintain pressure
- This includes lower levels of fluoride
- If the districts combine, DPMWD customers will receive fluoridated water that meets state requirements
- SSWD may seek approval to discontinue fluoridation after 2027



## Frequently Asked Questions

# Water Quality Protections in Place?

- **McClellan Area:** Designated as a Superfund site. Water quality is monitored through dedicated wells to detect and manage contamination early
- **Aerojet:** Designated as a Superfund Site. Specialized wells monitor and treat contaminated groundwater in Rancho Cordova
- **Protection for Combined District:** If the combination moves forward, these practices will safeguard water quality for the entire district

## Frequently Asked Questions

# Water Meters for DPMWD?

1. In accordance with California Water Code, Division 6, Part 2.56, Chapter 2, Section 10609.62 (e): "No later than January 1, 2032, meter each service connection and monitor for water loss due to leakages."
2. In accordance with California Water Code, Division 1, Chapter 8, Article 3.5, Section 528: A water purveyor that becomes an urban water supplier (a supplier, public or private, that provides water to more than 3,000 customers or provides more than 3,000 AF of water annually) on or after January 1, 2005, shall install water meters on all municipal and industrial connections within its service area within 10 years of the meeting the definition of an urban water supplier.



## Frequently Asked Questions

# Impact on Water Rates?

### **The combination will not affect SSWD water rates:**

- Each district manages its own debt and improvements
- SSWD's proposed rate increase covers its existing system's needs

### **DPMWD customers currently pay higher rates than SSWD customers:**

- A combination can potentially make DPMWD eligible for state grants, which may assist in keeping rates lower
- A larger combined customer base could lead to more stable rates over time
- Rate Base: SSWD = 47,000 and DPMWD = 1,800

# Timeline and Process





SSWD-DPMWD Combination Discussions

# Timeline and Process

Discussions are expected to continue into early 2025 and the LAFCo application process could take another year

**Phase 1** – Public Outreach and Initial Decision to Proceed or Terminate

**Phase 2** – District Form and Governance Decisions

**Phase 3** – Operational and Financial Decisions (**CURRENT PHASE**)

**Phase 4** – Final decision to Apply to LAFCo

**Phase 5** – LAFCo Application and Approval Process

**Phase 6** – Post-Combination Actions to Implement New Agency

# Questions?

Please submit a comment card



# Thank You!

Find updates on the SSWD and DPMWD websites

[sswd.org](http://sswd.org) and [delpasomanorwd.org](http://delpasomanorwd.org)

