

**SAN JUAN WATER DISTRICT and  
SACRAMENTO SUBURBAN WATER DISTRICT  
Joint Committee Meeting**

San Juan Water District  
9935 Auburn Folsom Road  
Granite Bay, CA 95746

**2x2 Ad Hoc Water Management Committee**

**AGENDA  
September 17, 2013  
1:00 p.m.**

1. Phase 1 Evaluation of Water Management Alternatives -  
Proposal Review and Discussion
2. Other Matters
3. Next Meeting
4. Public Comment

# STAFF REPORT

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**To:** 2x2 Water Management Ad Hoc Committee

**From:** Shauna Lorance, General Manager SJWD  
Rob Roscoe, General Manager SSWD

**Subject:** Request for Proposal – Phase 1 Evaluation of Water Management Alternatives

**Date:** September 17, 2013

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## BACKGROUND

At the Joint Board meeting on August 20, 2013, the San Juan Water District and Sacramento Suburban Water District Boards approved issuance of the Request for Proposal – Phase 1 Evaluation of Water Management Alternatives (RFP) to interested consulting firms (see Exhibit 1). The intent of the RFP is to analyze the three water management alternatives, which are listed below:

- Alternative 1 – Do Nothing. Continue doing business as usual, keeping the same political structures and seek strategies for improved water resources management through agreements between the two agencies.
- Alternative 2 – Amend the existing contract between SJWD and the Bureau of Reclamation to expand their contract service area to include SSWD's service area boundary.
- Alternative 3 – Consolidate the Districts into a single agency with one Board of Directors.

The RFP was mailed to twelve consultants and consulting firms on August 1, 2013. The deadline for submittal of proposals was September 5, 2013. Of the twelve consultants and consulting firms, only one proposal was received (see Exhibit 2).

Staff reviewed the proposal on September 9, 2013. Upon final review of the proposal, staff believes the proposal does not meet the needs of the Joint Boards due to the following:

- Submitted response did not meet the requirements set forth in the Scope of Work.
- The lack of response to the RFP made it impossible to determine whether an alternative approach (reduction in alternatives analyzed) is necessary to align scope of budget needs, or if a focused and streamlined approach is feasible to meet the scope and budget requirements.

To determine why there was a lack of response to the RFP, staff contacted each of the solicited consultants and consulting firms. The names of the consultants and consulting firms and responses for not submitting a RFP are listed below:

Ralph Anderson and Associates – Does not have the expertise to comply with the requirements of the RFP.

Dudeck and Associates – Does not have the expertise to comply with the requirements of the RFP.

Elliot Mulberg and Associates – Firm has time constraints due to current workload. Interested if re-solicited.

ESA Consulting – Does not have the expertise to comply with the requirements of the RFP.

Policy Consulting Associates – Left a voicemail. No response to date.

Brian Brady – Does not have the expertise to comply with the requirements of the RFP.

HDR Engineering Inc. – Does not have current staffing resources to conduct this particular scope of work. Feels the budgeted amount is not sufficient for the scope of work.

John O'Farrel – Firm has time constraints due to current workload. Interested if re-solicited.

Braitman & Associates – Firm has time constraints due to current workload. Interested if re-solicited.

West Yost Associates – Could not respond at this time. Interested in any future work.

Peter Detwiler – No longer performing consulting assignments (retired).

Staff feels the Scope of Work and the approved budget amount meets all criteria necessary to analyze the three water management alternatives outlined in the RFP.

**RECOMMENDED ACTION**

Based on the insufficient response to the RFP, staff recommends the following:

- Notify the consulting firm that responded to the RFP that their proposal is rejected and reasons for the rejection.
- Do not change the Scope of Work.
- Do not change the budget amount of \$50,000.00.
- Repeat the solicitation process for the RFP - Phase 1 Evaluation of Water Management Alternatives, including additional outreach to identify firms that may have qualifications and interest to respond to the RFP.

# EXHIBIT 1

Amended August 1, 2013

REQUEST FOR PROPOSALS (RFP)  
**SAN JUAN WATER DISTRICT &  
SACRAMENTO SUBURBAN WATER DISTRICT  
PHASE I EVALUATION OF WATER  
MANAGEMENT ALTERNATIVES**

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## **INTRODUCTION AND BACKGROUND**

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San Juan Water District (SJWD) and Sacramento Suburban Water District (SSWD) collectively referred to as "Districts") are seeking proposals from qualified firms to analyze three water management alternatives.

SJWD provides wholesale treated water supplies to Fair Oaks and Citrus Heights Water Districts, Orange Vale Water Company, the City of Folsom north of the American River (the Ashland area), and the San Juan Water District retail service area (collectively referred to as the San Juan Water District Wholesale Customer Agencies). The surface water delivered is from a combination of pre-1914 water rights, Central Valley Project contract supplies and SJWD's Placer County Water Agency (PCWA) contract supplies. The District also treats and conveys surface water from PCWA, when water treatment plant capacity is available and Folsom inflow is high enough, to the north service area of Sacramento Suburban Water District (SSWD). SSWD also receives treated surface water from the City of Sacramento for their south service area when American River flows are above Hodge criteria. When surface water is not available SSWD supplies 100% groundwater from roughly 90 production wells in the North American Groundwater subbasin.

SJWD and SSWD have a long history of working collaboratively on projects of mutual benefit. With the actions related to the Bay Delta Conservation Plan, OCAP Biological Opinion Recommended and Prudent Actions, and the SWRCB Flow proceedings, as well as multiple others, the need to implement a conjunctive use plan became apparent. With SSWD's groundwater facilities and transmission pipelines, and SJWD's treatment and surface water supply, the two agencies identified a possible collaborative approach in water management.

Three alternatives being considered are broadly described as follows:

- Option 1 – Do Nothing. Continue with existing political structures and continue to seek strategies for improved water resources management via agreements between separate entities
- Option 2 – Amend the existing contract between SJWD and the U.S. Bureau of Reclamation to expand the CVP contract service area to include SSWD's boundaries.
- Option 3 – Consolidate SJWD and SSWD into a single entity with one Board of Directors configured similar to the existing SJWD wholesale/retail governance model.

The primary goals identified for the project are a feasibility level report:

- Evaluate the feasibility of water management and conjunctive use for each of three alternatives.
- Evaluate if political issues (development of divisions for directors elections, concerns by other agencies, etc.) can be addressed successfully.
- Identify actions that will assure that financial concerns (customers not subsidizing others, etc) are addressed adequately?
- Evaluate benefits to customers of each agency (wholesale and retail)
  - Water supply reliability
  - Financial (avoidance of future costs, i.e. need for additional staffing, etc? Include future costs and water supply risks for do nothing alternative)
  - Political and institutional benefits
- Given the existing District structures (SJWD is formed as a Community Services District; SSWD is formed as a County Water District), are there advantages to either retain or change District structure?
- Analyze additional items for the initial phase of the analysis.
- Recommend one of the three alternatives.

The joint 2x2 Water Management Ad Hoc Committee will be ~~directing~~ overseeing this study. The contracting for this project will be with SSWD to allow one point of contact.

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## AVAILABLE INFORMATION

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Any and all information in the public records of both SJWD and SSWD is available to the selected consultant including:

- Surface water rights and contracts
- Groundwater production and banking records
- Master Plans and other planning documents including asset management plans
- Financial reports
- Information on current perceived risks to present water supply reliability

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## SCOPE OF WORK

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The consulting firm selected for this project will be required to provide equipment, materials, and labor to complete all tasks. A brief description of the required elements of anticipated work tasks are described below. These tasks are provided only as a guideline, and interested consultants are encouraged to develop a scope of work that addresses the District's needs and provides value and innovation. Additional tasks recommended by the consulting firm to enhance the work product should also be included in the proposal and shall be clearly identified as optional items. Identify information needs or work that the consultant expects to be completed by District staff. If there are no expectations of District staff effort listed for a task, the District will expect the task to be completed without any District staff time.

**Task 1 – Project Management**

The project shall include work plan submittal, progress reporting, scheduling, office administration, meetings, general correspondence, and invoicing. Regular contact with Executive staff shall be maintained to incorporate decisions and suggestions regarding the direction of the project.

**Task 2 – Meetings**

There will be numerous meetings related to this project. For the purpose of preparing your proposal, please assume that at a minimum the following meetings will be held:

Project Kick-Off Meeting	1
Information gathering Mtgs with Executive Staff	<u>24</u>
Information gathering with other agencies	<u>24</u>
Review Mtgs with 2x2 Water Mgmt Ad Hoc Comm.	2
Joint/District Board Meeting Presentations	1

Prospective consultants are advised that coordinating meetings with Executive Staff and boards of two separate agencies can require significant advance coordination.

**Task 3 – Analysis Description**

Develop a written description of water management, including availability of supply, for each of the alternatives in both the existing and future conditions.

**Task 4 – Data Collection and Review**

The consultant shall obtain information required from the two Districts to conduct a Phase I feasibility analysis of the alternatives described above. This task should include discussions with executive staff from both of the Districts.

**Task 5 – Evaluate Alternatives**

The consultant shall evaluate the alternatives to determine the overall feasibility of each alternative.

- Evaluate the feasibility of water management and conjunctive use for each of three alternatives. Include physical limitations, risk, such as fluoride, new infrastructure needs, shortage risks to each agency, etc.
- Evaluate if political issues (development of divisions for directors elections, concerns by other agencies, etc.) can be address successfully.
- Identify actions that will assure that financial fairness (customers not subsidizing others, etc) are addressed adequately
- identify adequate benefits to the customers of each agency (wholesale and retail) to proceed?
  - Water supply reliability
  - Financial
  - Political and institutional benefits
- Estimate the time it would take for completion of each alternative (feasibility level – months and years, not days!)
- Estimate a cost per completion of each major step of each alternative

- Estimate the value of benefits or costs for each District related to each alternative. It is anticipated that there might be avoidance of future costs. It is not anticipated that any staff would be reduced through implementation of any alternative, though additional future staffing might be reduced with one or more of the alternative(s). Other costs benefits could include items such as outside income from dry year water transfers, full use of facilities, etc. It is not expected that this cost-benefit analysis will include all cost benefits from each alternative, but will focus on the high level, high impact cost increases, cost reductions or cost avoidances.
- Include a recommendation on which alternative should be pursued, along with a list of actions and timeline to implement.

#### **Task 6 – Administrative Draft**

Provide a draft report for the 2x2 Water Management Committee to review and comment. It is anticipated that the report will be a direct document without a significant amount of boiler plate background information. Memorandum format is acceptable. An electronic copy of the administrative draft in Word format is adequate.

#### **Task 7 – Final Draft Report**

Incorporate comments received on the administrative draft report and provide a final draft report and presentations to the Joint Board of Directors for their comments. Fourteen copies of the final draft report, plus one electronic copy in Word will be required.

#### **Task 8 – Final Report**

Incorporate comments received on the final draft report and provide final report. Fourteen copies, plus one electronic copy in Word will be required.

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## **PROPOSAL REQUIREMENTS AND CONTENTS**

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Proposals submitted for this project are to follow the outline described below and must address all requested information. Any additional information that the firm wishes to include that is not specifically requested should be included in an appendix to the proposal. Firms are encouraged to keep the proposals brief (please limit pages to ten (10) plus biographies, excluding covers) and to the point, but sufficiently detailed to allow evaluation of the project approach.

#### **Section 1: Project Overview**

Provide a narrative description of the project based on the Scope of Work presented in the RFP. The 2x2 Water Management Committee will assess your understanding of all aspects of the project based on the overview.

#### **Section 2: Detailed Work Plan**

Provide a description of the required tasks and duties for preparation of the feasibility level evaluation of water management alternatives. The description shall include details to implement all tasks described in the Scope of Work and any recommended additions to the list of tasks. Include any assumptions used in development of the work tasks, including any work anticipated to be completed by District staff. Also identify any unique approaches to the work or strengths that your firm may have related to this project. All assumptions shall be clearly identified. Highlight tasks that are required, in the consultant's opinion, which were not specifically called out in this RFP.



**Section 3: Project Team**

The project team, including sub consultants, shall be identified. The geographic location of the firm and key personnel shall also be identified. Access to BKS is available to the selected consultant for factual legal information.

**Section 4: Experience**

Provide a description of the experience or past projects which make the personnel assigned to this project qualified. It is expected that experience/knowledge in the following areas is necessary:

- Understanding of California water rights, administration with SWRCB and Central Valley Project long term water supply contracts and rules for modifying places of use or areas of service
- Understanding of urban groundwater substitution transfers and associated regulations
- Understanding of political issues associated with water agency governance
- Experience with organizational consolidations

Please only include experience or knowledge related to the personnel specifically assigned to this project.

**Section 5: Project Schedule**

A schedule for completion of the project shall be submitted with the Proposal. Assumptions used in developing the schedule and other potential factors affecting timing should be identified.

**Section 6: Conflicts of Interest**

Firms submitting a Proposal in response to this RFP must disclose any actual, apparent, direct or indirect, or potential conflicts of interest that may exist with respect to the firm, management, or employees of the firm or other persons relative to the services to be provided under the Agreement for engineering services to be awarded pursuant to this RFP. If a firm has no conflicts of interests, a statement to that effect shall be included in the Proposal. Such disclosure(s) shall not necessarily serve as a reason to disqualify a firm's proposal, only to note that a relationship exists. Work with SSWD, SJWD, Citrus Heights Water District, Fair Oaks Water District, Orange Vale Water Company, the City of Folsom, PCWA, USBR, or any parties that could be opposed to a change in CVP place of use, in the past five years should be listed.

**Section 7: Cost Proposal**

The budget assigned for this project is up to \$50,000. It is the intent of the Districts to evaluate the proposals based on experience and knowledge, combined with the proposed approach for completion of work. It is desired for the proposals to be based on the consultant's knowledge and experience to provide the most appropriate level of analysis for a feasibility study and the appropriate budget, up to \$50,000.

**Section 9: District Standard Contract**

The District uses the standard contract provided as an attachment. Please review and identify any changes that will be required by the consultant if selected. If no changes are required, make a statement that no changes will be required.

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## PROPOSAL SCHEDULE

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The following schedule is anticipated for awarding this project. If a change in this schedule becomes necessary, all recipients of the RFP will be notified.

RFP Approved for Release	July 24, 2013
RFP Mailed	July 30, 2013
Proposals Due (3:00 p.m.)	Thursday, September 5, 2013
Screening and Ranking	Sept 10-17, 2013
Water Mgmt Ad Hoc Comm. Approval	Around Sept 18, 2013

Questions regarding proposal requirements or the required scope of work must be directed to Rob Roscoe, General Manager of SSWD.

Robert Roscoe  
General Manager  
3701 Marconi Avenue, Suite 100  
Sacramento, CA 95821-5303  
(916) 972-7171  
[rroscoe@sswd.org](mailto:rroscoe@sswd.org)

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## SUBMITTAL OF PROPOSALS

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Interested firms should submit six (6) copies of their proposal to Rob Roscoe at SSWD.

The deadline for submittal is 3:00 PM on Thursday, September 5, 2013. Late proposals will not be accepted.

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## PROPOSAL TERMS

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The District will not pay any costs incurred by the firm in preparing or submitting the proposal. The District reserves the right to modify or cancel, in part or in its entirety, this RFP. The District reserves the right to reject any or all proposals, to waive defects or informalities, and to offer to contract with any firm in response to this RFP. This RFP does not constitute any form of offer to contract.

## EXHIBIT 2



September 5, 2013

Mr. Robert Roscoe  
General Manager  
3701 Marconi Avenue, Suite 100  
Sacramento, CA 95821-5303

**RE: Proposal for the Phase I Evaluation of Water Management Alternatives between San Juan Water District & Sacramento Suburban Water District**

Thank you for the opportunity to submit our proposal for support by the Phase I San Juan Water District and Sacramento Suburban Water District Evaluation of Water Management Alternatives. The Municipal Consulting Group, LLP (MCG) has teamed with MWH Global (MWH) and The PFM Group (PFM) to provide a highly innovative, experienced and diverse team. This team consists of individuals experienced in water management and related organizational management structures necessary to evaluate water supply portfolios, and related governmental structures that can maximize the benefits and sustainability of the District(s) ratepayers.

The region has recognized both SJWD and SSWD as having a long history of working proactively to maximize services and benefits for their ratepayers. Additionally, SJWD and SSWD are recognized leaders in building regional and inter-agency collaborative projects that provide mutually beneficial results for the ratepayer and community. For example, before potential threats to the regions water supply reliability resulting from various State and Federal actions (like the Bay Delta Conservation Plan, OCAP Biological Opinion Recommended and Prudent Actions, and the SWRCB Flow proceedings), both SJWD and SSWD were working diligently to develop and implement a conjunctive use plan in the region. SSWD's efforts have focused on groundwater facilities, transmission pipelines, and aquifer recharge and regulatory constraints; while SJWD focused on surface water treatment and surface water supplies. These combined efforts have lead the two agencies to a new collaborative approach in water management that maximizes water supply reliability for both agencies.

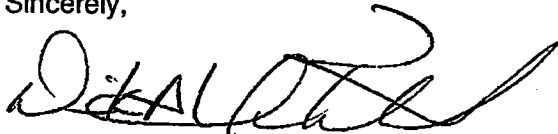
The MCG/MWH/PFM Team integrates key individuals with successful experience in managing regional infrastructure; they have worked to process changes in state and federal water contracts, and they have developed and implemented changes to government organization structures while communicating key messages to impacted communities and ratepayers.

The Team has the experience necessary to address the primary goals identified for the project and prepares a feasibility-level report that includes:

Concerns	MCG/MWH/PFM Experience
<b>Technical</b>	
Feasibility for water management and conjunctive use alternatives.	Whitehead, Payne
Evaluate financial concerns regarding fair and equitable cost of services as required under Prop 218.	Thomas, Payne
<b>Water Supply Reliability</b>	
Financial (avoidance of future costs, i.e. need for additional staffing, including future costs and water supply risks for do nothing alternative).	Thomas, Payne, Whitehead
<b>Political and Institutional Benefits</b>	
Evaluate internal and regional political issues.	Davert, Payne, Whitehead, Moyle
Evaluate advantages to either retain or change new-District structure.	Davert, Whitehead, Payne
Identify, evaluate, and communicate the benefits to customers of each agency.	Full Team

The MCG/MWH/PFM Team's experience provides both SJWD and SSWD the resources necessary to evaluate alternatives and work with each District's legal counsel regarding the appropriate water supply alternative, which is mutually beneficial for both District(s). Additionally, this Team provides the experience and knowledge of regional, state and federal issues and processes the skills necessary to evaluate any option to consolidate SJWD and SSWD into a single entity. We are looking forward to discussing our thoughts and ideas with you in the near future. If you have any questions, please don't hesitate to contact me at (916) 759-9061.

Sincerely,



Derrick H. Whitehead, P.E.  
Partner

## SECTION 1

## Project Overview

### Background

The Sacramento Region has more than 19 water purveyors and special districts of varying size, that provide water service to approximately 2 million people. Sacramento Suburban Water District (SSWD) and San Juan Water District (SJWD) have historically led the region in innovative thinking. Core issues have emerged from this thinking including: 1) how to foster regional sustainability through mutual action and collaborative project development; 2) initiating policies; 3) undertaking related actions on the Bay Delta Conservation Plan; 4) OCAP Biological Opinion Recommended and Prudent Actions; 5) responses to SWRCB Flow Proceedings; and 6) the need to implement an extensive conjunctive use program for the region.

To protect and promote the interests of their respective rate-payers SSWD and SJWD wish to perpetuate their innovative thinking by exploring and evaluating the consolidation of their two Districts into a single agency. Under joint Board action, the two Districts issued a request for proposals, titled "San Juan Water District & Sacramento Suburban Water District Phase 1 Evaluation of Water Management Alternatives". The Districts are asking that at a minimum, three alternatives be evaluated:

**Alternative 1 – Do Nothing.** Continue doing business as usual, keeping the same political structures and seek strategies for improved water resources management through agreements between the two agencies.

**Alternative 2 – Amend the existing contract between SJWD and the Bureau of Reclamation to expand their place of use to include SSWD's service area boundary.**

**Alternative 3 – Consolidate the Districts into a single agency with one Board of Directors.**

Each alternative must evaluate how it meets the following Primary Goals: 1) the feasibility of water management and conjunctive use opportunities; 2) whether political issues can be addressed successfully (other agency concerns, Board make up, Districts, etc.); 3) any actions that must be undertaken to assure that financial stability is maintained; 4) customer benefits for water supply, financial, risks and political / institutional benefits; 5) what is the most appropriate District structure (County Water Agency or Special District); and, 6) any other items of interest not identified in the request for proposal. Under the first phase of a broader study, the Districts are conducting a high-level feasibility analysis of consolidating the two Districts into a single agency. Based on the recommendations of the feasibility analysis, the Districts will undertake a more detailed evaluation of the various components of Consolidation.

### Discussion

The MWH Team has reviewed the RFP, held conversations with executive managers and officials and thought deeply about the subject Project. While we believe there is an imbalance in expectations between the RFP scope and budget (discussed in Section 2) we believe that balance can be restored with simplification and clarity. In the spirit of clarity, we have distilled the essential issues that currently need to be addressed as follows:

1. Describe the water management features (and benefits) for the preferred alternative.
2. Develop a plan to communicate these features (and benefits) to stakeholders and rate-payers.
3. Develop a roadmap for future implementation action (should the District's decide to proceed).

We believe also that part of the current challenge the District's have faced thus far is communicating within the range of global (big picture) to detailed (specific) issues and articulating common water industry knowledge into factual information suitable for the general public. Proposal brevity requirements prevent a fuller discussion of these issues and we look forward to discussing these, and other ideas to help advance this important Project.

Section 2

## Detailed Work Plan

MWH has reviewed the suggested Detailed Work Plan per the RFP and after much thought and deliberation, cannot commit to the suggested scope of work for the proposed budget considering the number of alternatives to be analyzed, the required number of meetings and the task/deliverables. We believe that meeting all stated requirements would dilute the depth of the work product and leave little of substance to show for the District's efforts. Stated plainly, MWH believes that either the scope of work needs to be reduced, or the budget increased to achieve a credible work product from this effort. In the event that the MWH team is deemed the most qualified team to serve the District we welcome the opportunity for discussing and reshaping the scope of work and budget.

As an example: in preparing for this proposal and brainstorming approaches to the work, we prepared the following matrix to assist in thinking about the alternatives and the range of issues to be considered:

	Opportunities							Threats				Recommendation
	Water Management	Political	Finance	Benefits			Other Considerations	BDCP	Climate Change	Loss of Institutional Knowledge	Folsom Operational Changes	
				Service Reliability	Political / Institutional	Legal Structures						
Option 1 – Do Nothing. Continue with existing political structures and continue to seek strategies for improved water resources management via agreements between separate entities	-	0	0	-	0	0	0	-	-	0	-	
Option 2 – Amend the existing CVP contract service area to include SSWD's boundaries.	0	0	0	0	0	0	-	0	0	0	0	
Option 3 – Consolidate into a single entity with one Board of Directors configured similar to the existing SJWD wholesale/retail governance model.	+	+	0	+	+	+	+	+	+	+	+	✓

It became apparent quickly that Option 3 was preferable compared relatively against the other Options. From this exercise, the scope of work in the RFP could be focused on 1) a reduced number of alternatives with a reduced number of Tasks (and meetings) within the stated budget. Again, our team stands ready to modify the scope as shown (or similarly) to achieve the District's key objectives. We present the following revised work plan in support of the discussion above:

### Task 1 Project Management

**Description:** This Task includes the submittal of a work plan after the kickoff meeting, monthly progress reporting with invoicing, scheduling, office administration and general correspondence.

**Deliverables:** Monthly progress reports and invoices.

### Task 2 Meetings and Data Collection

**Description:** As there is a great deal of interest in this Project with numerous stakeholders, there will be a number of public and private meetings during the course of this project. For the purpose of preparing this proposal, the following meetings are assumed by MWH. As meetings require substantial resources and time to prepare for, attend and follow

up, any additional meeting beyond those shown herein will require additional budget resources. Approximately 40 hours of support will be needed from BKS.

Project Kick-Off Meeting	1
Information gathering meetings with Executive Staff	1
Review meetings with 2x2 Water Management Ad Hoc Comm.	1
Joint District Board Meeting Presentations	1

**Deliverables:** List of data, sources and documented verbal conversations will be included in the Project Report, no separate deliverable. Meeting agenda and brief meeting summaries

### Task 3 Alternative Analysis

**Description:** MWH will evaluate Option 3 at a high level to determine the overall feasibility of the alternative. It is envisioned that a visual format will be used (matrix) in presenting information. Approximately 20 hours of support will be required from BKS.

- MWH will investigate the feasibility of water management and conjunctive use for Option 3, including physical limitations, risk, mixed water quality, new infrastructure needs and shortage risks to each agency.
- MWH will assess if developing divisions for director's elections can be addressed successfully.
- MWH will identify actions or systems that assist in maintaining financial fairness for customers of both districts, considering the given Option.
- MWH will identify communication strategies for customers of each district to support continued effort on the Project in the following topic areas: water supply reliability; financial; and political and institutional benefits.
- MWH will develop an actionable plan of future action (roadmap) for implementing the Option considering the issues, time and magnitude cost to implement the Option.

**Deliverable:** Analysis, comparisons and other information developed in this Task will be included in the Project Report with no separate deliverable

### Task 4 Report Preparation

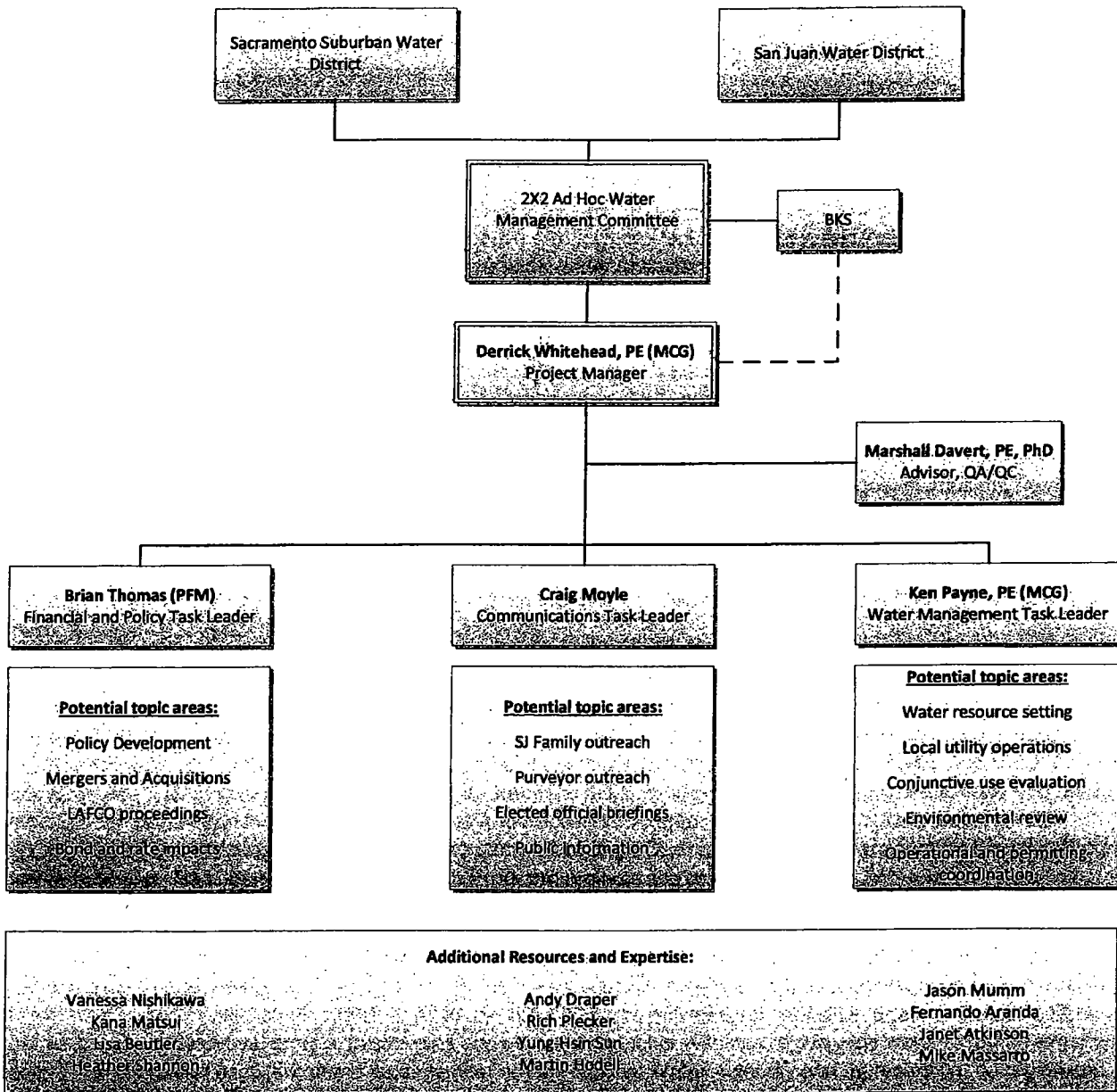
**Description:** MWH will prepare a draft report for district staff and the 2x2 Water Management Committee's review and comment. The report will be brief and succinct and presented in memorandum format. After receiving and incorporating comments MWH will produce and present the final report.

**Deliverable:** An electronic copy of the draft and final reports and presentation materials will be provided.

## SECTION 3

### Project Team

MWH presents the following team to complete the subject project for the first phase. MWH and the subconsultants listed are located in Sacramento, CA. Please note that additional resources in business consulting and water management are shown without a specific role should the project need or require their expertise and for future efforts if the project progresses to further stages.



The project team is led by Derrick Whitehead as Project Manager with Marshall Davert as Advisor. They will be supported by a Financial and Policy Task Leader, a Communications Task Leader, a Water Management Task Leader, and a team of Additional Resources and Expertise. The following section describes the roles and expertise of our team leadership.

## Team Leadership Highlights

**Derrick Whitehead, PE (MCG)** — Derrick will serve as the Project Manager for the SJWD&SSWD Phase I Evaluation of Water Management Alternatives. He is an experienced local government professional with a combination of technical expertise, municipal administrative understanding, and outstanding leadership and personnel management skills. Derrick has a history of developing constructive working relationships throughout the region as one of the original negotiators of the Water Forum Agreement, and continues to serve as an executive committee member for the Regional Water Authority. He has also coordinated the formation of the South Placer Wastewater Authority, partnered in the development of the original Integrated Regional Water Management Plan for the Sacramento region, and managed and implemented



Roseville's Aquifer Storage and Recovery program. Derrick's 25 years of experience also includes budgetary development and administration; strategic planning; policy/procedure development and implementation; labor relations; and customer-friendly public and community outreach/messaging.

**Marshall Davert, PE, PhD (MWH)** — Marshall will serve as an Advisor and QA/QC for the project team. He is currently the director of strategic business growth for Government and Infrastructure for MWH Americas. He brings key experience in mergers and acquisitions (M&A) and leading organizational change and growth, previously in Northern California and internationally in Asia Pacific. A natural strategist and visionary, he has integrated workforces across geographic and political boundaries. Marshall's 26 years of experience also includes technical, policy, and institutional aspects of water resources planning. He played an integral role in regional water resources planning in the Sacramento region as a program manager of American River Basin Cooperating Agencies Regional Water Master Plan and the initial groundwater management program of what is now the Sacramento Groundwater Authority.

**Brian Thomas (PFM)** — Brian will serve as the Financial and Policy Task Leader for the project team. Brian has over 30 years of experience in the public water sector. For the last ten and a half years, Brian was the Assistant General Manager and Chief Financial Officer for the Metropolitan Water District of Southern California, the nation's largest supplier of treated drinking water. He was responsible for all financial functions, including treasury and debt management, capital planning, financial reporting, the \$1.8 billion expenditure budget, and water rates and charges. In addition, he was an important participant in negotiations involving water transfers, water wheeling, and the development of local water resources, including work on Metropolitan's local resource program and groundwater conjunctive use projects. Brian has also served as the Assistant General Manager for Finance and Administration for the public utilities in the cities of Anaheim and Riverside. He is currently a managing director and co-head of the PFM Group's Los Angeles office, a national leader in providing independent financial advice.

**Craig Moyle (MWH)** — Craig will serve as the Communications Task Leader for the project team. Craig is a seasoned communications professional with more than 19 years of experience in the development, implementation, and management of outreach and information programs throughout California. He has extensive experience in public, stakeholder, and inter-government outreach; public relations; public affairs; media relations; crisis communication; risk management; and all forms of news media. He has been the public relations/public outreach/outreach and information manager for local (e.g., Roseville Aquifer Storage and Recovery Program; Western Placer County Groundwater Management Plan; Farmington Groundwater Program), state (e.g., Central Valley Flood Management Planning Program), and federal (e.g., San Joaquin River Restoration Program) projects and programs.

**Kenneth Payne, PE (MCG)** — Ken will serve as the Water Management Task Leader for the project team. He has 27 years of experience, including ten years as Utilities Director with the City of Folsom, where he streamlined and improved infrastructure and operations and maintenance efficiencies while still complying with permits and codes and maintaining or reducing rates. He also developed strategy to annex 3,500 acres with minimal opposition due to proactive collaboration with regional environmental groups, businesses and adjacent agencies. Ken has region-wide water resource experience as well, serving as an executive committee member of the Regional Water Authority and representing the region and facilitating regional collaboration to address water supply reliability issues.

## Resumes

The roles, responsibilities, and relevant experience of our proposed team leadership members are described in detailed resumes that are included in the Appendix.

### SECTION 4

## Experience

The proposed MWH team has the following skills arranged in matrix form in response to the RFP. Generally speaking, our team leaders have strong local experience in water management, finance, and communications. Additional resources

are listed in Section 3, Project Team for additional subject matter expertise in these and other likely needed content areas:

Team Member	Key Experiences								
	Administration with SWRCB	Experience with Water Rights and CVP Long Term Water Contracts	Conjunctive Use (Urban Groundwater Substitution)	Political Issues and Water Agency Governance/Institutional Structures	Organizational/Change Consolidations	Utility Finances and Budget	Rate and Connection Fee Setting	Communications and Outreach	Business Case Analysis
Derrick Whitehead	X	X	X	X	X	X	X	X	
Marshall Davert	X	X	X		X			X	X
Brian Thomas				X	X	X	X		X
Craig Moyle			X	X				X	
Ken Payne	X	X	X	X	X	X	X	X	

## Featured Experience Highlights

### *Regional Water Resources Planning Experience*

Project Team Members: Derrick Whitehead, Marshall Davert, Ken Payne

### *Formation of South Placer Wastewater Authority*

Project Team Members: Derrick Whitehead

### *Roseville Aquifer Storage and Recovery Program*

Project Team Members: Derrick Whitehead, Craig Moyle

### *Interactions with Reclamation on Central Valley Project (CVP/SWRCB)*

Project Team Members: Derrick Whitehead, Marshall Davert, Ken Payne

### *Financial Portfolio Services for South Placer Wastewater Authority*

Project Team Members: Brian Thomas

Section 5

## Project Schedule

The following schedule depicts major tasks, anticipated durations of activities and key milestones of the proposed scope of work. Revisions subject to discussion and scoping:

ID	Task Name	Start	Finish	Duration	Oct 2013				Nov 2013				Dec 2013				Jan 2014			
					9/29	10/6	10/13	10/20	10/27	11/3	11/10	11/17	11/24	12/1	12/8	12/15	12/22	12/29	1/5	
1	Task 1 Project Management	10/2/2013	1/10/2014	14.6w	[Gantt bar from 10/2/2013 to 1/10/2014]															
2	Task 2 Meetings and Data Collection	10/2/2013	11/1/2013	4.6w	[Gantt bar from 10/2/2013 to 11/1/2013]															
3	Task 3 Alternative Analysis	10/30/2013	11/29/2013	4.6w	[Gantt bar from 10/30/2013 to 11/29/2013]															
4	Task 4 Report Preparation	11/29/2013	1/10/2014	6.2w	[Gantt bar from 11/29/2013 to 1/10/2014]															

**Milestones:**

1. Project kickoff assumed Oct. 1, 2013
2. Meeting with Executive staff
3. Discussion/presentation with 2x2 Committee
4. ACWA Conference (SoCal)
5. Final presentation of findings
6. Draft Report
7. Final Report

**Section 6**

## Conflicts of Interest

As the MWH Team have actively supported for the District's and most of the regional water supply interests in Sacramento (and across California) for over the last decade, it is fair to say that our team has a relationship, directly or indirectly, with most if not all of the regional water agencies and/or their representatives. While none of the prior relationships and the envisioned Project (with noted mitigation) are technically grounds for conflict, MWH notes the following relationships:

- Sacramento Suburban Director and 2X2 Committee member Neil Schild is a senior advisor and part time employee of MWH. Accordingly, he will need to recuse himself and not participate in financial or management matters of the Project should MWH be selected for this Project.
- Former Fair Oaks Water District (FOWD) General Manager Richard Plecker is a vice president and employee of MWH. Disagreements in 2005 between FOWD and Mr. Plecker have been resolved.
- MCG is currently under contract to both SSWD and SJWD.
- PFM has worked for SSWD previously.
- MWH is and has been under contract to Reclamation.

**Section 7**

## Cost Proposal

MCG has estimated the number of hours per Task from the proposed scope of work as follows. We are proposing a lump sum contract and fee with monthly progress payments based on percentage complete of the listed Tasks.

LEVEL OF EFFORT AND FEE ESTIMATE		Sr. VP, Managing Director	VP, Principal, or Partner	Supervising Prof.	Associate Prof.	Admin	Total Hours by Task	Other Direct Costs (e.g. mileage)
<b>Task No.</b>	<b>Task Name/ Hourly Rate</b>	<b>\$350</b>	<b>\$250</b>	<b>\$175</b>	<b>\$125</b>	<b>\$95</b>	<b>-</b>	
Task 1	Project Management	0	20	0	0	4	24	\$250
Task 2	Meetings and Data Collection	2	40	8	20	8	78	\$1,000
Task 3	Alternative Analysis	4	40	8	8	0	60	\$100
Task 4	Report Preparation	2	16	20	20	40	98	\$500
<i>Hours Distribution</i>		<b>8</b>	<b>116</b>	<b>36</b>	<b>48</b>	<b>52</b>	<b>260</b>	
<b>Fee Estimate</b>		<b>\$ 2,800</b>	<b>\$ 29,000</b>	<b>\$ 6,300</b>	<b>\$ 6,000</b>	<b>\$ 4,940</b>		<b>\$1,850</b>

Total Lump Sum: \$ 50,000

Section 8

## District Standard Contract

If selected for this assignment, MWH will request modifications/clarifications to the indemnification provisions of the standard contract.

APPENDIX

# Resumes

The roles, responsibilities, and relevant experience of each of our proposed team members are described in detailed resumes, included herein.

## Derrick Whitehead, PE



### EDUCATION

MS, Civil Engineering,  
Brigham Young  
University, UT

BS, Civil Engineering,  
Brigham Young  
University, UT

### LICENSES/ REGISTRATIONS

Professional Civil  
Engineer – CA

*Project Manager*

### Key Qualifications

- Local institutional knowledge on water management issues and water utility-specific challenges
- Proven experience in regional collaboration, forming multiagency authorities and strategically transitioning allocations and governance

**Mr. Whitehead is an experienced local government professional with 25 years of experience in outstanding leadership, personnel management, and municipal government administration. His approach has been to build strong working relationships, conduct assessments of existing policies and practices; gather necessary information; and accurately identify areas for improvement or change. He brings a history of strategic, collaborative issue-resolution for local and regional water resources planning and success working with regulatory agencies for compliance and permitting of local facilities. He has streamlined operational and maintenance activities, developed and administrated budgets, secured federal/state funding, played an integral role in regulatory/legislative changes for programs that impact local government, and developed customer friendly public and community outreach/messaging.**

### Relevant Experience

#### **South Placer Wastewater Master Plan and Formation of South Placer Wastewater Authority, Placer County, CA**

Mr. Whitehead coordinated the formation of and served as the Executive Director of the South Placer Wastewater Authority, which financed regional wastewater treatment and transmission facilities and managed the issuance of \$180 million in municipal bonds among joint powers authority (JPA) members. Mr. Whitehead was involved from the early stages of regional wastewater planning, which began with the South Placer Wastewater Master Plan and eventually the design and construction of the Pleasant Grove Wastewater Treatment Plant (WWTP). The master plan sized the regional infrastructure through build out of the service area, which included the 12 million-gallon-per-day WWTP, extension of the recycled water distribution system and regional transmission lines. Since the WWTP was completed, it has received California Water Environment Association recognition as plant of the year several times.

#### **Negotiations for the Water Forum Agreement and Continuing Leadership in Regional Water Resources Planning, Sacramento Area, CA**

Mr. Whitehead has been involved in collaborative, region-wide water planning for the past few decades, working with disputing agencies to develop common goals that involves meeting immediate and long-term water supply needs. He was one of the original negotiators of the Water Forum Agreement, which resulted in a strategy for achieving sustainable water supplies as well as meeting the ecologic needs of the lower American River. He has represented City of Roseville in the Regional Water Authority (RWA), a JPA of water agencies in the Sacramento area. Since 2003, Mr. Whitehead has been one of seven executive committee members of the RWA, responsible for reviewing inter-agency issues, policies, and fiscal and management activities. He has facilitated regional water management settlements and developed planning programs, such as the 2006 Integrated Regional Water Management Plan for the Sacramento region. He also developed a regional groundwater model to evaluate the impacts of storing treated drinking water in local aquifers. Additionally, Mr. Whitehead has represented the region on various state and federal water supply reliability issues before Congress and the state legislature, worked with legislative staff to develop and change proposed water management legislation, and has helped secure multi-million dollars for the regional infrastructure and management projects.

**City of Roseville Aquifer Storage and Recovery (ASR) Program, Roseville, CA**

Mr. Whitehead developed Roseville's ASR Program, the first ASR Program in Northern California, from initial inception to operation. The ASR Program involved permitting, pilot testing, environmental documentation and approvals. He worked directly with the Central Valley Regional Water Quality Control Board to develop a General Order for ASR, which was adopted by the State Water Resources Control Board in November 2012. Through this program, Roseville has been able to inject over 1,500 acre-feet of water per year, with the ability to expand the banking amount through the addition of additional wells. The ASR Program is an integral component of Roseville's water supply strategy, consisting of a diversified portfolio of surface water, groundwater and recycled water. Mr. Whitehead has presented a paper and served several times as a panelist showcasing the Roseville ASR Program.

**Water Management and Infrastructure Development for the City of Roseville, Roseville, CA**

Mr. Whitehead served 18 years as Environmental Utilities Director with Roseville, where he planned and implemented the backbone infrastructure (water, sewer and recycled water) for one of the fastest growing communities in California with an estimated asset value of \$1.3 billion dollars. He developed and implemented Roseville's infrastructure rehabilitation program, consisting of condition assessments and facility replacement programs; the recycled water capital-funding plan, including the inter-developer reimbursement strategy for the Sierra Vista Specific Plan; and the funding strategy for those programs. Mr. Whitehead played an integral role in developing an economic rate model to set water and sewer rates as well as annual budget monitoring. He also developed impact fees for water, sewer and solid waste utilities. He frequently conducted public outreach and presented rate options to the city council for adoption.

One of Mr. Whitehead's many successes at Roseville was the water meter retrofit program. Mr. Whitehead was responsible for developing and implementing Roseville's strategy and received federal funding over multiple years, reducing the cost of the program by \$1.7 million. Roseville is now 100 percent metered, and this program was recognized by U.S. Department of the Interior, Bureau of Reclamation as a model program to follow. City crews did the installation, resulting in very few complaints, and finished 6 months ahead of schedule.

**Marshall Davert, PhD, PE****EDUCATION**

PhD, Civil Engineering,  
University of California—  
Los Angeles, CA

MS, Civil Engineering,  
University of California—  
Los Angeles, CA

BS, Applied Mathematics,  
San Diego State  
University, CA

General Management  
Program, Harvard  
Business School, MA

**LICENSES/  
REGISTRATIONS**

Professional Civil  
Engineer – CA

*Advisor, Quality Assurance/Quality Control*

**Key Qualifications**

- Local institutional knowledge on regional water management issues and history of regional collaboration
- Proven experience in regional and international collaboration, supporting mergers and acquisitions and strategically transitioning business, management, and governance

**Dr. Davert is currently director of strategic business growth for Government & Infrastructure (G&I) Americas. He has an established 26-year track record in all technical aspects of water resources including conceptualization, planning, design, construction, implementation, and management of regional projects/programs in complex institutional and political environments involving multiple stakeholders. He has experience in all aspects of integrated watershed planning and management. His knowledge of institutional and regulatory policies has been acquired through extensive work with numerous federal, state and local agencies. He brings broad-based knowledge of program management and implementation, having directed large, multidisciplinary teams on major programs.**

**Relevant Experience****Executive Vice President North America Water, AECOM, Dallas, TX**

Dr. Davert was responsible for the 3,000-person, \$645 million/year Water Business Line for the Americas. He oversaw the performance, strategic direction, and growth of the Water Business Line, which included planning, design, and construction of water, wastewater, and water resources infrastructure in the municipal, oil and gas, and mining and minerals end markets.

**President, MWH Asia Pacific, Sydney, Australia**

As Operating Group President, Dr. Davert sat on the MWH Global Board of Directors. He had over-all executive management responsibility for a newly created 1500-person, US\$225 million (approximate, based on foreign exchange rate) operating group with offices in Australia, Brunei, China, India, New Zealand, Singapore, Taiwan, and Vietnam. Dr. Davert established an Asia Pacific Leadership Team focused on transforming the business from an aggregation of eight individual countries to an integrated Asia Pacific operating group. He also established the Asia Pacific Planning and Sales Office (PSO) in support of developing an integrated Asia Pacific strategy. Dr. Davert developed and created AP DESIGN in support of an integrated global work force by moving 25% of the work force from geographic control to a horizontal work stream across the Asia Pacific geography integrated with the MWH Indian design center in Pune, India (RNET). Furthermore, he established the Asia Pacific Operations Risk Committee for the evaluation of technical, legal, and commercial risk for all projects.

**Vice President, Northern California Regional Manager, MWH Americas, Sacramento, CA**

Dr. Davert managed a regional group of 160 people, and developed and implemented an integrated regional structure to leverage marketing/sales and technical resources across northern (and southern) California.

**Vice President, Director of Strategy and Marketing, MWH Americas, Broomfield, CO**

Dr. Davert developed and implemented national marketing and sales organizational structure for 1000-person operating group encompassing seven functional areas: Strategy Development, Marketing and Competitive Intelligence, Government Relations, Major Campaigns, Technical Directorate, Mergers and Acquisitions, and Strategic Hiring. "Reorganization"



included development and monitoring of key performance metrics. He conceived and implemented standardized business planning process for MSS network of regional offices focused on developing a full-service portfolio of offerings and leveraging resources of new marketing and sales organizational structure. Dr. Davert was charged as a member and leader of the MWH "Flat World Task Force" (an eight-person, international team) to evaluate knowledge capture and project execution on a global platform. Task force effort included travel and research throughout the US, China, and India. The task force made recommendations to the Global Executive Committee on the requirements for development of an integrated global work force, including the establishment of a low-cost design center in Pune, India.

**Program Manager, American River Basin Regional Water Master Plan (RWMP) and Conjunctive Use Program, Sacramento, CA**

Mr. Davert served as Program Manager for a long-term regional planning effort stemming from the RWMP developed by the American River Basin Cooperating Agencies (ARBCA), a group of 17 water purveyors within Sacramento and Placer counties. As Program Manager, he both served as staff to the ARBCA Executive Committee and Coordinating Committee and directed the efforts of a technical team comprised of water resources planners, design engineers, and groundwater/surface water modeling specialists from MWH and two subconsultants. He managed the project budget and schedule; oversaw the quality of the work; and coordinated communication between the Executive and Coordinating Committees and the technical consultant team.

Managing ARBCA work required extensive knowledge of water rights and their POU, including pre-1914 and other appropriative water rights, Central Valley Project contracts, and settlement agreements. In addition, the service areas of ARBCA overlaid productive groundwater aquifers and Dr. Davert led the development of the beginnings of the region-wide conjunctive use program. Mr. Davert was instrumental in developing a legal and institutional framework for ARBCA to implement, fund, and govern a regional water resource management program aimed to enhance water supply reliability and operational flexibility for the water users of the American River and the connected groundwater basin. The subsequent 2006 Integrated Regional Water Management Plan was one product of this effort.

**Project Manager, Groundwater Management Program, Sacramento Metropolitan Water Authority, Sacramento, CA**

Mr. Davert assisted the 17 member agencies of the Sacramento Metropolitan Water Authority (SMWA) in the development of a Sacramento area-wide groundwater management program (GMP). The work included the development of a legal and institutional framework which would enable the SMWA and its members to implement, fund, and govern a regional groundwater management program which satisfies the water management objectives of the area water purveyors, users, and stakeholders, while recognizing the physical, institutional, and political setting within which the GMP must operate. Mr. Davert formulated and evaluated a number of potential institutional and governance frameworks for the SMWA. As a result, although the initial focus of the SMWA was on the implementation of an AB 3030 GMP, the framework adopted by the SMWA was a joint powers authority (now the Sacramento North Area Groundwater Management Authority) formed with other regional partners including the City of Sacramento and Sacramento County.

**Project Manager, Off-Stream Reservoir Storage Project, Yuba County Water Agency, Yuba County, CA**

Mr. Davert managed a team of 10 hydrologists, design engineers, and environmental specialists in completion of a feasibility investigation for an off-stream storage reservoir adjacent to the Yuba River. Mr. Davert completed alternative conceptual designs of these project elements to determine both the engineering and economic feasibility of the project. He conducted hydrologic analyses to evaluate the long-term yield including: 1) development of unimpaired runoff for the entire Yuba River watershed; 2) development of a HEC-5 model to evaluate impacts of proposed project operations on hydroelectric power production, near-term and long-term water supply availability, and in-stream fishery flow requirements; and 3) integration of the modeling effort with statutory and institutional considerations related to the Central Valley Project, the State Water Project, Bay-Delta conditions, and FERC licensing requirements. Environmental review of the project included a fatal flaw analysis of impacts on biological, cultural, and recreational resources, and development of an environmental documentation and permitting strategy. Results of the study were favorable and the project was included the Agency's the long-term water supply and flood control planning strategy.

**Craig Moyle, PMP****EDUCATION**

BA, Journalism News-  
Editorial, California State  
University—Fresno, CA

AA, General Education,  
Fresno Community  
College, CA

**LICENSES/  
REGISTRATIONS**

Project Management  
Professional (PMP)

*Communications Task Leader***Key Qualifications**

- Experience in communication and facilitation to support internal organizational change and learning
- Significant experience in communication and outreach to external agencies, stakeholders, and the public to develop common understanding, acceptance, and a long-term solution

**Mr. Moyle excels in public affairs, mediation, negotiation, and facilitation related to water resources planning and management in the Mid-Pacific Region. He has led and coordinated public and stakeholder outreach activities for a wide variety of projects, assisted in negotiating/mediating large, complex, and highly controversial water supply and resource issues. Drawing from his two decades in journalism, public relations, and government relations, Mr. Moyle has extensive experience in public, stakeholder, and inter-government outreach; public affairs; media relations; crisis communication; risk management; mediation; negotiation; and meeting facilitation. He has a comprehensive background producing news releases, brochures, media kits, fact sheets, newsletters, executive summaries, and Web-based media platforms. Mr. Moyle is also experienced in providing meeting management services, communicating risks related to specific water resources projects, and completing public outreach and communication activities for environmental documents.**

**Relevant Experience****Public Relations Manager, Aquifer Storage and Recovery (ASR) Program, City of Roseville, Roseville, CA**

Mr. Moyle developed and implemented successful dedication ceremony for the completion of Roseville's first phase of the ASR Program. This included management of media relations on behalf of the city and coordination of all meeting logistics for a daytime dedication ceremony with key city and community officials, and an evening event to inform and educate area residents to the water supply reliability benefits of the ASR Program. Mr. Moyle further supported Environmental Utilities Department staff in response to neighborhood complaints triggered when an unexpected pressure differential caused high total dissolved solids (TDS) groundwater to be delivered.

**Public Relations Manager, Purified Water Feasibility Project, Confidential California Municipal Agency, CA**

Mr. Moyle was responsible for research and development of a strategic public and stakeholder communication plan as part of a feasibility study to evaluate the potential implementation of a project to purify tertiary level wastewater to near distilled water quality and inject into the groundwater basin for later reuse. Research included development of a series of case studies that analyzed the public outreach processes implemented for similar projects implemented or considered globally. This research contributed to development of a public and stakeholder outreach plan tailored to the existing communication processes of the client's Environmental Utilities Department. This activity further supported technical analyses provided by MWH Americas projected water supplies and demands, groundwater injection and extraction capability, purified water facilities, environmental and regulatory considerations, potential purified water supply, opinions of probable cost, and future reassessment of purified water. Feasibility study was successfully completed and submitted to the client.

**Public Relations Manager, Western Placer County Groundwater Management Plan (WPCGMP), Various Partnering Agencies, CA**

As public relations manager for the WPCGMP, Mr. Moyle developed and implemented stakeholder and public outreach and involvement activities that contributed to the successful adoption of the plan by the partnering agencies: City of

Roseville, City of Lincoln, Placer County Water Agency, and California American Water. This included development of a program website, program collateral materials, facilitation of public workshops and agency briefings, and other communication services. The GMP was successfully adopted by the plan sponsors and constructed several groundwater monitoring wells in 2011 via a Proposition 50 grant authored by MWH for the WPCGMP sponsors. Mr. Moyle provided outreach support for successful construction of monitoring wells in neighborhoods and roadways. Mr. Moyle developed the outreach and information section of the GMP.

**Outreach and Information Manager, Farmington Groundwater Program, U.S. Army Corps of Engineers/Stockton East Water District, Stanislaus County, CA**

Mr. Moyle is the outreach and information manager and webmaster for the Farmington Groundwater Replenishment Program, a joint effort of the U.S. Army Corps of Engineers and Stockton East Water District (SEWD). In this capacity, he helped establish the program's brand identity and indicial recruitment of approximately 35,000 acres of farmland as candidate recharge sites. He developed extensive collateral materials, a newsletter and manages the program website ([www.farmingtonprogram.org](http://www.farmingtonprogram.org)). His recent support to the program was coordination and consultation with private property owners for the performance of environmental surveys as part of a water right petition by SEWD. Additionally, he developed and managed the program website, information materials, meeting facilitation and speakers bureau. Work on the Farmington Program continues in the design of a regional recharge basin network and system conveyance as part of a water rights application for surplus flood and wet weather flows in Calaveras and Stanislaus rivers, and Little Johns Creek.

**Public Affairs Program Manager, Central Valley Flood Management Planning (CVFMP) Program, California Department of Water Resources (DWR), Central Valley, CA**

Since 2009, Mr. Moyle has served as Public Affairs Program Manager for the CVFMP Program, a key feature of the FloodSAFE California initiative. In his capacity, he provides management, oversight and strategic direction of a multi-disciplinary team of public relations, public affairs and stakeholder facilitation necessary for successful completion of the 2012 Central Valley Flood Protection Plan (CVFPP), a legislatively directed deliverable for DWR. This multi-year effort includes internal and external communication and engagement processes for the CVFMP Program and other FloodSAFE programs and projects. This effort has included development and oversight of numerous workshops and work groups, each separated into five Central Valley regions. To date, more than 200 stakeholder organizations have participated 2012 CVFPP plan development processes. Other elements include a Web site, public education videos, newsletters and fact sheets. This multi-year, \$10M effort includes internal and external communication and engagement processes for the Central Valley Flood Management Planning Program, the FloodSAFE California Initiative and the Central Valley Flood Protection Board.

**Outreach/Public Affairs Team Member/Landowner Coordinator, San Joaquin River Restoration Program PEIS/R, Bureau of Reclamation, San Joaquin Valley, CA**

Mr. Moyle is the landowner coordinator and public affairs team member for this multi-agency effort to restore the San Joaquin River from Friant Dam to the Merced River confluence. He is the primary point of contact for all landowner communication and is responsible for securing access to private property for program surveys and investigations through a multi-agency Temporary Entry Permit. Mr. Moyle serves as the program's representative on landowner coordination issues before various subject-matter experts and third-party stakeholders such as the San Joaquin River Resource Management Coalition.

**Public Outreach Manager, Groundwater Replenishment System, Orange County Water District/Orange County Sanitation District, CA**

As part of outreach and information activities for the Groundwater Replenishment (GWR) System, Mr. Moyle developed and placed a variety of technical and non-technical articles in a range of trade publications for the GWR System program. He also wrote and produced a video on the GWR System for various public outreach activities. The video was hosted by Huell Howser, host of Public Broadcasting System show California's Gold.

## Kenneth Payne, PE



### EDUCATION

BS, Civil Engineering,  
University of the Pacific,  
Stockton, CA

### LICENSES/ REGISTRATIONS

Professional Civil  
Engineer – CA, Guam

*Water Management Task Leader*

### Key Qualifications

- Local institutional knowledge on regional and local management issues and water utility-specific challenges
- Proven experience in improving efficiencies of local utility operations, including infrastructure, financial, and permitting considerations

Mr. Payne brings 27 years of experience in local government, including 10 years as Utilities Director with the City of Folsom. Previously, Mr. Payne provided organizational and infrastructure consulting to public agencies throughout the western United States. His areas of expertise include region-wide and local water resources planning, local utility operations, conjunctive use evaluations, and coordination with permitting state and federal agencies. Mr. Payne also has experience in budgetary development/administration; infrastructure planning; design, operations and construction standards for projects and program implementation; personnel management; labor relations; and general government administration.

### Relevant Experience

#### Director Environmental/Water Resources and Director of Utilities, City of Folsom, CA

As Director Environmental/Water Resources, Mr. Payne oversaw the policy and strategy development in environmental and water resource programs; managed a program that proposed a 3,600-acre annexation area; and participated in state/federal legislative advocacy with the city council. Mr. Payne also worked with planning and public works departments to update and develop new construction and design standards to reflect then-recent regulatory changes and field construction input.

Previously, as the Director of Utilities, Mr. Payne oversaw the solid waste, wastewater collections and water divisions within Folsom. The primary objectives of the department had been to develop and establish operational and management practices within each division to eliminate non-compliance orders and implement efficiency and preventive maintenance practices that help to control costs within the established rates and funding structures. Under Mr. Payne's lead, Folsom received outstanding medium-size city recognition for its operational practices for two consecutive years. He successfully improved efficiencies and saved ratepayer money throughout Folsom's numerous operations, some of which were under the water infrastructure capital program. Mr. Payne renegotiated a power agreement for a water treatment and pumping facility; redeveloped a water metering implementation plan, which reduced bidding costs by 25 percent, completed implementation 18 months early, and reduced water demands by 20 percent; and redesigned and automated processes at Folsom's treatment plant which reduced operational staff while maintaining compliance with state. To fund these efforts, Mr. Payne secured multi-million dollars in federal and state grants for infrastructure rehabilitation and water management projects.

#### Facilitator and Collaborator, Regional Water Planning, Sacramento Area, CA

Throughout his career, Mr. Payne has served as facilitator for regional water management settlements, planning programs, and legislative advocacy. He represented City of Folsom at the Regional Water Authority (RWA), Sacramento Central Groundwater Authority, and Sacramento Groundwater Authority, which are joint power authorities that manage regional water supplies. For several years, Mr. Payne served as an Executive Committee Member of the RWA to review interagency issues, policies, and fiscal and management activities. Serving in these regional roles, he facilitated numerous regional water agencies to address economic, environmental, and local land-use issues resulting from state and federal Delta Plan efforts. Mr. Payne has been instrumental in developing regional goals to meet not only immediate but also long-term water resources needs.

**Project Manager as a Senior Associate, Malcolm Pirnie**

Prior to his work in public utilities, Mr. Payne served as a Malcolm Pirnie Project Manager for various water and wastewater treatment, conveyance, and organizational management projects in northern California and Nevada. He conducted an operational and process assessment of the San Jose Wastewater Plant to expand treatment capacity from 270 million-gallons-per-day (mgd) to up to 400 mgd; managed construction of San Francisco Public Utilities Commission's 300 mgd Third Avenue Pump Station; and designed and constructed City of Folsom Water Treatment Plant Expansion. Mr. Payne also worked with the U.S. Environmental Protection Agency, California Regional Water Quality Control Board, and California Water Environment Association to negotiate and develop the National Pollutant Discharge Elimination System (NPDES) permit that eventually led to the California General Permit for wastewater collection systems. He successfully obtained NPDES permits and addressed non-compliance orders for cities of Folsom, CA and Sparks, NV Wastewater Collections Systems.

**2x2 Water Management Ad Hoc Committee Meeting Notes  
San Juan Water District  
July 12, 2013  
11:30 a.m.**

**Committee Members:** Ted Costa, SJWD  
Ken Miller, SJWD  
Neil Schild, SSWD  
Kevin Thomas, SSWD (via phone)

**District Staff:** Shauna Lorance, SJWD General Manager  
Rob Roscoe, SSWD General Manager  
Teri Hart, Board Secretary/Administrative Assistant

**Members of the Public:** Joshua Horowitz, Legal Counsel  
Joe Dion, CHWD  
Debra Sedwick, DPMWD  
Mike Schaffer, OVWC  
Sharon Wilcox, OVWC  
Rick Hydrick, SJWD  
Jason Mayorga, SJWD

Director Schild chaired the meeting and opened the meeting at 11:30 a.m.

Director Schild asked for Public Comment and there was no public comment at this time.

The committee started to discuss agenda item 1 "Discussion of Alternatives" then decided to discuss agenda item 2 "Statement of Facts..." first. The meeting minutes will reflect the new order of discussions.

**Statement of Facts in Response to Questions from Joint Board Meeting**

Mr. Roscoe explained that, at the last Joint Board Meeting, staff was requested to ask Legal Counsel to reply to three specific questions with statements of facts in order to avoid any conflict of interest issues. Legal Counsel's response document will be attached to the meeting minutes. In addition, a copy of the staff report will be attached to the meeting minutes. Mr. Roscoe requested that Mr. Horowitz review the document with the committee.

Mr. Horowitz reviewed the document which answered the following questions:

- A. What are the differences in the powers and authority of a county water district and a community services district and the advantages and disadvantages of each?

- B. What are the options and process if SSWD's and SJWD's Boards decide to consider combining the two Districts?
- C. What are the water rights and entitlements held by the Sacramento Suburban Water District and the San Juan Water District and what are their limitations?

The committee discussed the differences in the composition of boards based on CSD and County Water District, the different ways for combining the districts, and the water rights issues associated with the districts. Mr. Horowitz explained that alternative 3 with SSWD dissolving and merging into SJWD would provide the least risk by protecting SJWD's existing water rights and contractual entitlements. Under this alternative, SJWD's pre-1914 water rights could be used within the new service area which would include SSWD without undergoing environmental review. He further explained that the CVP and PCWA water would be used in the pre-merger service area along with pre-1914 water.

#### **Discussion of Alternatives**

The committee discussed consideration to include an additional alternative to annex SSWD into SJWD as a wholesale customer agency.

***The committee unanimously agreed not to include annexation as part of the alternatives in the Phase I Study.***

The committee discussed consideration to include an additional alternative to consolidate SJWD and SSWD as a separate retail customer agency.

***The committee unanimously agreed not to include an additional alternative to consolidate SJWD and SSWD as a separate retail customer agency in the Phase I Study.***

The committee agreed that the existing three alternatives remain in the Phase I Study.

Ms. Sedwick addressed the committee for clarification on dissolution of SSWD for the protection of water rights. Ms. Lorance provided clarification.

#### **Request for Proposal**

The committee reviewed the Request for Proposal (RFP) and Director Miller suggested that the RFP include a request for a breakdown of the costs of each alternative to include such items as the cost of special elections and environmental process costs. Mr. Roscoe suggested that the bullet be expanded to say "estimate a cost per completion of each major step of each alternative." In addition, Mr. Roscoe mentioned the change on the bottom of page 1 under Option 3 and requested the committee revise that sentence. The committee discussed and agreed that it should read, "...Consolidate SJWD and SSWD into a single entity with one elected Board of Directors."

***The committee unanimously agreed to recommend to the Joint Boards that the revised RFP be considered for issuance.***

Director Costa suggested that the RFP and MOA be brought before the Boards on July 24<sup>th</sup> with the option to attend via conference call for those out of town. The committee discussed and agreed that July 24<sup>th</sup> should be considered for the next meeting date and if this date doesn't work then the August 20<sup>th</sup> date will be maintained.

### **Memorandum of Agreement on Cost Sharing**

Ms. Lorange informed the committee that no comments were received regarding the Memorandum of Agreement (MOA). Director Schild commented that the MOA does not include any legal fees. Ms. Lorange explained that the legal fees are split in the invoicing by BKS when they work with more than one agency. Mr. Horowitz explained that a sub-account has already been established at BKS and a full accounting of legal fees associated with this project is available at any time. The committee discussed the title of the MOA and decided to leave it as is.

***The committee unanimously agreed to recommend to the Joint Boards that the MOA for cost sharing for the Study of Alternatives for Joint Water Management be considered for approval.***

### **Process Scheduling**

The committee recommendations will be reviewed at the next Joint Board meeting which will be scheduled for either July 24<sup>th</sup> or August 20<sup>th</sup>. If the Joint Board meets on July 24<sup>th</sup> then the August 20<sup>th</sup> date will be held until it is determined if it needs to be canceled. Ms. Lorange explained that, once the RFP is approved for release, the dates will be revised on the RFP to allow at least four weeks for receipt of the proposal with the other dates being revised accordingly. In addition, another committee meeting will be scheduled to occur after receipt of the proposals in order for the committee to review.

### **Other Matters**

Director Miller suggested that the chair of the Joint Board and committee meetings alternate between agencies. The committee agreed that the chair of the Joint Board meetings will rotate between the SJWD President and SSWD President and the chair of the committee meetings will rotate between the SJWD committee members and SSWD committee members.

### **Next Meeting**

The next committee meeting date was not set.

### **Public Comment**

There were no public comments.

The meeting was adjourned at 1:04 p.m.



# STAFF REPORT

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**To:** 2x2 Water Management Ad Hoc Committee

**From:** Shauna Lorance, General Manager SJWD  
Rob Roscoe, General Manager SSWD

**Subject:** July 12, 2013 2x2 Water Management Ad Hoc Committee Meeting

**Date:** July 8, 2013

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## Background

The joint board meeting on June 18, 2013, reviewed the Request for Proposal and Memorandum of Agreement for cost sharing for the hiring of a consultant to evaluate the alternatives for better water management between SSWD and SJWD.

At the joint meeting, additional alternatives were discussed and the Boards requested answers to specific questions from Legal Counsel. This information is being provided to the 2x2 Water Management Ad Hoc Committee for further direction to staff on the next steps.

## Discussion of Alternatives

Two additional alternatives have been requested to be included in the evaluation of water management alternatives, as well as review of existing alternatives:

- a. Consider inclusion of additional alternative to annex SSWD into SJWD as a wholesale customer agency

In this alternative, SSWD would remain exactly as organized today. SSWD would be annexed into SJWD and would be included in SJWD wholesale service area.

This alternative would not provide any additional benefit to water management. SJWD would still have to change the CVP place of use in their CVP contract with USBR to utilize CVP water in SSWD. SJWD would not be able to use water rights water in SSWD without a contract for usage of water rights to another agency, and this is not recommended. Groundwater usage during dry years would still be by contract with SSWD. There would be minimal, if any, benefit from this alternative.

*Action: Consider including alternative "a" as an additional alternative.*

- b. Consider inclusion of additional alternative to consolidate SJWD and SSWD as a separate retail customer agency within SJWD wholesale.

In this alternative, SSWD and SJWD would be consolidated into one retail agency which would be a separate agency from SJWD wholesale (similar to CHWD, OVWD, and FOWD).

This alternative would not provide any additional benefit to water management. SJWD would still have to change the CVP place of use in their CVP contract with USBR to utilize CVP water in SSWD. SJWD would not be able to use water rights water in SSWD without a contract for usage of water rights to another agency, and this is not recommended. Groundwater usage during dry years would still be by contract with SSWD. There would be minimal, if any, benefit from this alternative.

Action: Consider including alternative "b" as an additional alternative.

- c. Consider existing alternatives

This item is for any discussions that may be desired related to the existing alternatives.

### **Statement of Facts in Response to Questions from Joint Board Meeting**

Josh Horowitz will provide responses to each of the questions from the Board meeting.

### **Request for Proposal**

Comments on the request for proposal for a Phase I Evaluation of Water Management Alternatives have been received and are included in strike-out mode for your consideration. Any revisions in the alternatives from the discussion of alternatives above will be included in the final version of the RFP.

Action: Consider recommending approval for issuance of the RFP for Phase 1 of Evaluation of Water Management Alternatives at the next joint Board meeting.

### **Memorandum of Agreement on Cost Sharing**

There were no comments received on the MOA for cost sharing for a study to evaluate water management alternatives.

Action: Consider recommending approval of the Memorandum of Agreement at the next joint Board meeting.

### **Process Scheduling**

The next joint board meeting is scheduled for August 20, 2013. Is this meeting acceptable for the next step, or should another meeting be scheduled?



**Bartkiewicz, Kronick & Shanahan**  
A Professional Corporation

**MEMORANDUM**

**TO: SACRAMENTO SUBURBAN WATER DISTRICT & SAN JUAN WATER DISTRICT 2x2 COMMITTEE MEMBERS  
ROB ROSCOE, GENERAL MANAGER, SSWD  
SHAUNA LORANCE, GENERAL MANAGER, SJWD**

**CC: ED FORMOSA, ASSISTANT GENERAL MANAGER, SSWD  
KEITH DURKIN, ASSISTANT GENERAL MANAGER, SJWD**

**FROM: JOSH HOROWITZ**

**DATE: JULY 11, 2013**

**RE: JOINT WATER MANAGEMENT OPPORTUNITIES – RESPONSES TO BOARDS’ REQUEST FOR INFORMATION ON DISTRICT COMBINATION AND WATER RIGHTS ISSUES**

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At their June 18, 2013 joint meeting, the Boards of Directors of the Sacramento Suburban Water District (“SSWD”) and the San Juan Water District (“SJWD”) requested that we provide the 2x2 Committee formed by the SSWD and SJWD Boards with information regarding three issues related to a potential combination of SSWD and SJWD and related water right and water supply issues. This memorandum provides the requested information to assist in the Boards’ further discussion of potential joint SSWD and SJWD water management and operational opportunities.

**I. QUESTIONS ASKED:**

- A. What are the differences in the powers and authority of a county water district and a community services district and the advantages and disadvantages of each?
- B. What are the options and process if SSWD’s and SJWD’s Boards decide to consider combining the two Districts?
- C. What are the water rights and entitlements held by the Sacramento Suburban Water District and the San Juan Water District and what are their limitations?

**II. RESPONSES TO THE BOARDS’ QUESTIONS:**

**A. The Differences in the Powers and Authority of County Water Districts and Community Services Districts and Advantages and Disadvantages of Each**

SSWD was formed under the County Water District Law, Water Code sections 30000 through 33901, and SJWD was formed under the Community Services District Law, Government Code sections 61000 through 61226.5. The different “enabling acts” under which

each District was formed provide for somewhat different scopes of authority, although they share many powers in common as will be outlined below.

### ***1. Summary of Powers and Authority of Each Form of District***

Under the County Water District Law, SSWD is authorized to provide water service and to take associated actions to develop water rights and resources, to build, operate, maintain and upgrade necessary infrastructure, and to engage on related activities to ensure its authority to supply water to its customers. County water districts also may provide wastewater, fire protection, solid waste, and limited electrical generation and recreational services. SSWD, however, exercises none of these additional powers.

Under the Community Services District Law, SJWD also is authorized to take all necessary actions to provide water service to its customers. The Community Services District Law, because it was designed by the Legislature to permit community services districts to act as the local municipality in more undeveloped areas, also authorizes such districts to provide a broad range of services such as law enforcement, animal control, street lighting, recreation, and many other municipal-level services. Like SSWD, however, SJWD only provides water supply services. Unlike SSWD, however, SJWD provides wholesale as well as retail water service.

It should be noted that wholesale water service is not specifically called out or authorized in either SSWD's or SJWD's enabling act. SJWD's provision of that service comes within the scope of the Community Services District Law's general authorization to community services districts to provide water supply services. Likewise, there is no prohibition or limitation in the County Water District Law that would prevent SSWD from providing wholesale water supply service.

Under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (called here the "LAFCO Law"), neither District may exercise any power that it is not actively exercising now unless and until that District applies to LAFCO to exercise the proposed latent power and LAFCO approves the application. It is my understanding that the Boards' joint discussions do not include a proposal to expand the services provided by either SSWD or SJWD beyond the water supply services that each currently provides.

### ***2. Differences and Advantages and Disadvantages of Each Form of District***

As noted above, SSWD's and SJWD's authority under their respective enabling acts are more similar than different. Because the current discussions between SSWD and SJWD concern opportunities for joint management of water resources and services and do not involve any proposal to expand the scope of services offered by either District or a combined district, one of the key advantages of a community services district, i.e., the availability of broader powers, is not relevant to the discussion.

For purposes of the two Boards' discussion, there are two key advantages that a county water district holds over a community services district. First, a county water district, such as SSWD, is not subject to the requirements and limitations imposed by the public contracting laws.

However, this advantage is somewhat blunted because county water districts are still subject to the prevailing wage laws and still have a common law duty to ensure that they construct public works projects at contract prices that provide value to customers and that do not result in any on-discrimination against contractors or that result in any potential for corruption in contracting.

The second key advantage of a county water district versus a community services district involves the composition of a Board of Directors if a combination of existing agencies results in the formation of a new county water district. Under the County Water District Law, a LAFCO may approve a permanent board of directors that is larger than five members. Under the Community Services District Law, if the new district is a community services district, the ultimate size of the board can be no greater than five members. Note that regardless of which form of agency is selected, the initial board of a new district may be 11, 9 or 7 members, with reductions occurring over several election cycles until the permanent size is reached.

As will be discussed in more detail in the following sections of this memorandum, the advantages and disadvantages that will present the greatest challenges to the two Boards' are connected to each District's specific water supplies, operations, and policy considerations.

## **B. Options and Process for a Potential Combination of SSWD and SJWD**

There are a variety of options that the two Boards could pursue if they later determine that combining SSWD and SJWD would be advantageous for the public and the agencies. I intentionally have used the words "combine" and "combination" in this memorandum because the Boards have several options for how they might proceed in joining SSWD and SJWD. The process for a proposed combination of the two Districts will be dictated by the type of combination desired and whether it is directly negotiated between SSWD and SJWD or supervised and conducted by LAFCO.

### ***1. Options for a Potential Combination of SSWD and SJWD***

One of the options that the Board has under consideration is a "functional" combination that would leave each existing District intact and independent while seeking opportunities to participate in joint projects and operations where feasible. If the SSWD and SJWD Boards choose this option, generally speaking no outside approvals would be required and the Districts could arrange for joint projects and operations by agreement.

The one significant exception to this general rule, however, would occur if the Districts decide to request that the United States Bureau of Reclamation ("Reclamation") expand the place of use of SJWD's Central Valley Project ("CVP") contract water supplies. In that case, the Districts would need to submit a request that Reclamation expand the place of use and engage in environmental review of the proposed change. (See Part II.C for additional discussion of this issue.)

If the SSWD and SJWD Boards decide to pursue a legal combination of the two Districts, there are several options. As an initial matter, before January 1, 2005, the LAFCO Law prohibited the consolidation of districts formed under different enabling acts. Since that date,

however, Government Code section 56826.5 of the LAFCO Law permits districts formed under different enabling acts to combine. Thus, there is no prohibition against a combination of SSWD and SJWD conducted under the LAFCO Law.

The first option, as mentioned above, would be for SSWD and SJWD to combine under Government Code section 56826.5. There are two options for proceeding under Section 56826.5. The first option would be for SSWD and SJWD to “consolidate,” which means that the two existing Districts would be dissolved and all of their assets and liabilities would be combined into a single new district. The new district could be a county water district or a community services district. The second option would be to nominate either SSWD or SJWD as the “successor agency” and to dissolve the other District and to transfer all of its assets and liabilities to the “successor” district. As discussed below, if the Boards decide to combine SJWD and SSWD, choosing option two would be preferable because it would avoid providing Reclamation or other agencies with a way to attack SJWD’s CVP water entitlement.

## ***2. Annexing SSWD into SJWD as a New Wholesale Customer Agency***

The two Boards specifically asked if it would be possible to annex SSWD into SJWD’s wholesale territory as a separate retail agency with an independent Board similar to existing SJWD wholesale agencies SJWD-Retail, Citrus Heights Water District, Fair Oaks Water District, the City of Folsom north of the American River, and Orange Vale Water Company (collectively the “Wholesale Agencies”). The LAFCO Law permits SSWD to apply to LAFCO to be annexed into SJWD’s wholesale service area. There is, however, an important distinction that probably would make this option ineffective. Under SJWD’s existing system, each of the Wholesale Agencies are independent and the only legal relationship between those agencies and SJWD is the contractual relationship formed between SJWD and each Wholesale Agency under their respective wholesale water supply agreements.

In addition, Reclamation recognizes the combined service areas of the Wholesale Agencies as the SJWD service area in SJWD’s CVP water supply agreement. Unfortunately, SSWD’s service area is not recognized as part of the SJWD service area in the CVP contract. Under that contract, annexing SSWD into SJWD would not automatically include SSWD’s service area into SJWD’s CVP service area. Under Sections 1(f) and 35 of the CVP water supply contract between SJWD and Reclamation, SJWD may not expand the place of use of its CVP water supplies without Reclamation’s prior written consent even if the change occurs under the LAFCO Law or other laws.

My understanding is that Reclamation has already advised SJWD General Manager Shauna Lorange that Reclamation will not consent to such a service area expansion without a public and environmental review process that would expose SJWD’s existing contractual entitlement to public review and possible attack because SJWD has not fully used that entitlement. In any case, pursuing an annexation would not result in any advantage that a “functional” combination would not provide because SSWD would still be an independent agency. Using the annexation option, however, would most likely result in increased water supply, financial, time, and political costs that would be avoided in a functional combination.

### ***3. Process for Combining SSWD and SJWD***

The Boards asked for a summary of the process for each option if they decide to combine SSWD and SJWD. As discussed above, a “functional” combination has no set process and would be a matter of studying possible ways to effectively share resources and then negotiating agreements to implement any desired arrangements between the two Districts. As to the consolidation and dissolution options, they would require SSWD and SJWD to make an application to LAFCO. If an application to LAFCO is necessary, the process would be substantially similar.<sup>1</sup>

The LAFCO application process for a “legal combination” can be summarized as follows:

- The proceedings for a legal combination would be conducted by the Sacramento LAFCO because majority of the total assessed valuations of property in both Districts is located in Sacramento County.
- SSWD and SJWD first would be required to conduct appropriate CEQA review, a consolidation study, and hold pre-application meetings with LAFCO staff.
- Once CEQA proceedings and the study are final and issues worked out between the Districts’ and LAFCO’s staffs, the SJWD and SSWD Boards would initiate the formal LAFCO application process by adopting a substantially similar resolution of application with the supporting documentation required by the LAFCO (maps, demographic and financial data, etc.).
- LAFCO staff then would review the application and work with the two Districts’ Boards and staffs on additional information requests and other issues such as hearings.
- If the Districts’ application is not protested, LAFCO would process and tentatively approve the application, LAFCO and the Districts would hold hearings, and then LAFCO would give its final approval to the combination.
- The final step in an uncontested application would be LAFCO’s recording in both Sacramento and Placer Counties of a Notice of Completion finalizing the combination.
- If the application is protested, the LAFCO would be required to hold additional proceedings and require the Districts to hold an election to permit their voters to approve or disapprove the proposed combination. A successful protest would require that at least 25% of landowners of property assessed at 25% or more of total assessed value, or 25% of all registered voters within the two Districts, sign a protest petition and timely submit it to LAFCO.

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<sup>1</sup> The annexation process is similar, but with some differences. Because annexation does not appear to provide any advantage to SSWD and SJWD and could result in negative impacts, this memorandum will not detail those differences. If SSWD and SJWD decided to pursue an annexation, we can provide a more detailed explanation of LAFCO’s annexation process at that time.

- If required, a protest election would be held within both Districts. If the proposal is disapproved by a majority of voters, LAFCO must immediately terminate proceedings. If a majority of voters approve the proposal, then LAFCO may complete the proceedings and record the Notice of Completion finalizing the combination.
- The combination would become effective on the day that LAFCO records the Notice of Completion.

Finally, the two Boards should keep in mind that the LAFCO Law provides for a “cookie cutter” process. A legal combination of SSWD and SJWD, however, is not a cookie cutter situation because of issues such as how to integrate a solely retail water agency into an agency that provides both retail and wholesale water service and political issues like Board composition. Because of such considerations, one option that the SSWD and SJWD Boards may wish to consider, if they decide to pursue a legal combination, is to pursue special legislation. Special legislation may be desirable in terms of resource conservation, avoidance of LAFCO proceedings and potential of a protest, and to accommodate the unique circumstances that a combination of SSWD and SJWD present as discussed below.

#### ***4. A SSWD and SJWD Combination Present Unique Issues the Boards Must Consider***

In deciding which type of combination and process of combining would be most effective, the SSWD and SJWD Boards and staff also should bear in mind some of the unique issues that a proposed combination of these two agencies present. This list is not intended to be exhaustive, but includes:

- SJWD’s role as a wholesale and retail water supplier. The Peterson Water Treatment Plant is a unique asset, as is SSWD’s significant groundwater supply, including banked water. The Boards will need to evaluate the value of each agency’s unique assets carefully to ensure that those assets would be properly valued and utilized in a combination.
- A related issue is SJWD’s relationship and history with the Wholesale Agencies. The integration and treatment of SSWD into SJWD in light of the existing Wholesale Agencies’ rights and obligations will require careful analysis. While SJWD has no legal obligations to the existing Wholesale Agencies beyond the terms of each wholesale water supply agreement, the historical fact that the Wholesale Agencies banded together to form SJWD to act as the owner of the water rights those agencies traditionally relied upon for their supplies and to treat and serve that water cannot be ignored.
- Which form of District should be chosen? Because of the issues connected with SJWD’s water rights and entitlements (see Part C below for more detailed discussion), it appears that SJWD should be the successor district, but there are additional legal and policy considerations that the two Boards will need to consider if they decide to pursue a legal combination.



- If the SSWD and SJWD Boards would like to pursue a legal combination, they will need to decide how large the successor district’s permanent Board of Directors should be. As discussed above, a community services district’s permanent board size is a maximum of five, while LAFCO may approve a board of directors larger than five for a county water district. In addition, SSWD customers currently elect their Directors “by division” (i.e., the Director must live in the division and is voted for only by that division’s voters), while SJWD’s customers elect their Directors at large. How to make the two voting systems consistent also will need to be addressed before any legal combination could occur. The resolution of this issue may involve an election to change the voting system by at least one District’s voters, although this is not entirely clear and will require additional research if the Boards decide to pursue a legal combination. An alternative would be to effectuate the selected changes by special legislation.

### **C. Description of SSWD’s and SJWD’s Water Rights and Entitlements and the Limitations of Each**

Finally, the Boards asked me to provide a summary of each District’s water rights and entitlements and to also identify any limitations on the use of each water right or entitlement within both SSWD and SJWD. In summary, SSWD has significant rights to groundwater and two contractual entitlements and SJWD has significant surface water rights and contractual entitlements, but no direct right to groundwater.<sup>2</sup> While many pages could be written about all of the issues and nuances involved in each District’s water rights and entitlements, this memorandum presents only a summary of the nature and key issues involved in each right or entitlement.

#### ***1. SSWD Water Rights and Entitlements***

SSWD has three water sources, including established rights to pump groundwater to supply all customer demands and two contractual entitlements to surface water, one from the City of Sacramento and one from the Placer County Water Agency (“PCWA”). A brief summary of each of SSWD’s water sources follows.

##### ***a. Groundwater***

SSWD has established rights to pump groundwater to supply the entire needs of District customers in any one year. Under California law, SSWD is not required to obtain a permit or other approval from the State of California, Sacramento County or another agency to establish its right to pump this groundwater supply (although SSWD must comply with all applicable state water quality and drinking water standards, and County well construction requirements). SSWD has almost 90 wells to pump groundwater and has the ability to turn wells on and off depending upon demand and availability of surface water. SSWD pumps from the North American

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<sup>2</sup> In about 2006-2006, SJWD and the Wholesale Agencies discussed a potential dry year water supply plan that would utilize Citrus Heights Water District’s and Fair Oaks Water District wells to provide at least a supplemental water supply to SJWD-Retail if Folsom Reservoir surface water supplies are unavailable or significantly reduced. It is unclear at this time if this plan is effective, although the issue is currently under investigation.

Groundwater Basin, which is managed by the Sacramento Groundwater Authority under a groundwater management plan adopted consistent with state law.

In addition, SSWD has operated an active conjunctive use program since 1998. Under this program, SSWD supplies treated surface water to its customers under its City of Sacramento and PCWA contractual entitlements (discussed below), which permits its groundwater supplies to be naturally recharged by wet season rains and other water sources. This operation is referred to as “in-lieu recharge.” SSWD’s in-lieu recharge program has resulted in the banking of over 200,000 acre-feet of groundwater since 1998. SSWD’s Board has adopted a resolution that asserts SSWD’s right to recover and use this banked groundwater. SSWD also files periodic reports with the State Water Resources Control Board to document its banked water.

*b. City of Sacramento Wholesale Water Supply Agreement*

SSWD’s predecessor, Arcade Water District (“AWD”), entered into an agreement with the City of Sacramento to reserve a supply of “Area D Water.” That agreement committed a portion of the City’s surface water supplies for future use by AWD, subject to annual payments. After SSWD was formed in 2002, it continued AWD’s payments to the City for the Area D Water and also continued AWD’s planning and design of facilities that would enable SSWD to receive treated water from the City of Sacramento’s E.A. Fairbairn Water Treatment Plant.

In 2004, SSWD and the City of Sacramento entered into a Wholesale Water Supply Agreement under which the City agreed to supply up to 20 million gallons per day (“mgd”) of treated surface water to SSWD. The Wholesale Water Supply Agreement, however, contains three significant limitations. First, SSWD may use treated surface water received from the City only in Area D, which covers most, but not all of the District’s South Service Area (most of the former AWD territory), and none of SSWD’s North Service Area (the former NWD territory). Second, SSWD may only obtain surface water from the City when flows in the American River exceed the “Hodge Flow Limitations,” which generally means that City surface water is available for limited times in wetter water years. Third, the City has complete discretion to set the price of treated surface water supplied to SSWD, which has become prohibitively expensive because of City wholesale pricing practices. In sum, SSWD’s City water supplies are not very reliable and when available, are very expensive. SSWD’s best use of these supplies has been for water transfers to buyers south of the Delta.

*c. Placer County Water Agency Contract for up to 25,000 Acre Feet Per Year*

In 2000, SSWD’s predecessor, Northridge Water District (“NWD”), entered into an agreement to purchase water from PCWA. When it was formed in 2002, SSWD assumed this contract. The PCWA water supply contract provides that SSWD would buy an increasing amount of surface water each year from PCWA until the maximum contract amount of 29,000 acre-feet per year was reached in 2014 through the expiration of the contract in 2025. SSWD’s PCWA water supply contract has a “take or pay” provision that requires SSWD to pay for its entire annual allocation of PCWA water regardless of whether SSWD is able to take delivery of the entire amount that is made available by PCWA.

PCWA may not deliver water to SSWD in any year when the March through November unimpaired inflow into Folsom Reservoir is less than 1,600,000 acre-feet, although SSWD may take water in the following December through February when water is being spilled from the reservoir for flood protection. The contract also is subject to cutback if PCWA needs any portion of the SSWD entitlement to serve PCWA customers in Placer County, SJWD under its PCWA water supply contract (see below), or to meet PCWA's Middle Fork Project power generation obligations to PG&E. SSWD may use the PCWA water in PCWA's expanded place of use that covers the portion of SSWD comprising the former NWD (North) service area. SSWD also may sell or transfer any portion of its available PCWA entitlement. In 2009, SSWD transferred a portion of its PCWA entitlement to DWR's Drought Water Bank.

In 2008, SSWD and PCWA amended the PCWA water supply contract to reduce SSWD's annual "take or pay" entitlement to 12,000 acre-feet per year, although if PCWA is able to make additional water available to SSWD in any one year, SSWD has the right to take up to 17,000 acre-feet of additional water on a "pay-go" basis. The 2008 amendment makes no other changes to the 2000 contract.

## ***2. SJWD Water Rights and Entitlements***

SJWD owns a Pre-1914 appropriative water right and has two contractual entitlements to surface water supplied by Reclamation and PCWA. A brief summary of each of SJWD's surface water supplies follows.

### ***a. Pre-1914 Appropriative (Settlement) Water Right***

San Juan is the owner, as the successor of the North Fork Ditch Company, of the right to divert 26,400 acre feet per year from the American River at a rate of up to 60 cubic feet per second under a pre-1914 appropriative water right with a priority date of 1853. It is one of the most senior water rights in the state and one of the two oldest on the American River. As part of the construction of Folsom Dam and Reservoir and to settle a dispute with other American River water right applicants, including the Wholesale Agencies, the United States agreed in a 1954 settlement contract to deliver to SJWD in perpetuity a total of 33,000 acre feet of water per year (at a rate not to exceed 75 cfs) from Folsom Reservoir without charge or reduction in supply.

The additional 6,600 acre-feet of water added to SJWD's original Pre-1914 water right under the settlement contract was provided in settlement of a dispute between the North Fork Ditch Company and the United States regarding the interference of the company's facilities with the operation of Folsom Dam and Reservoir. After its formation in early 1954, SJWD acquired all of the North Fork Ditch Company's water system and water rights, including the rights under the 1954 settlement agreement with the United States. Reclamation also recognizes SJWD's Pre-1914 water rights in the District's CVP water supply contract.

### ***b. Central Valley Project Water Supply Contract for 24,200 Acre Feet Per Year***

Over the years, SJWD has been party to several Central Valley project ("CVP") water supply contracts with the United States through Reclamation. The existing CVP water supply

contract was renewed in 2006 for a total annual entitlement of 24,200 acre feet. SJWD's 2006 CVP water supply contract expires on February 28, 2045, but includes the right for a renewal for successive periods of up to 40 years each. As discussed previously, SJWD's right to use water diverted under its CVP entitlement is limited to its existing wholesale service area. That place of use cannot be changed without Reclamation's approval. As also discussed previously, Reclamation has indicated that it will not approve a change in SJWD's CVP place of use without an environmental review, which would likely require an EIR/EIS. In addition, SJWD uses its CVP entitlement as the water source of last resort because of the take or pay provisions in its PCWA water supply contract. SJWD has generally used just a portion of the 24,200 acre-feet of CVP entitlement. This last issue is of concern because there may be others that would like to see SJWD's entitlement reduced.

c. Placer County Water Agency Contract for 25,000 Acre Feet Per Year

On December 7, 2000, San Juan entered into a water supply contract with PCWA for the delivery to Folsom Reservoir of 25,000 acre feet per year. The PCWA water supply contract expires on December 31, 2021. Under the PCWA water supply contract, SJWD is permitted to use the PCWA water supply in Placer County (including, on certain conditions, in areas of Placer County outside of San Juan's boundaries), and within SJWD's present wholesale boundaries in Sacramento County. Like SSWD's PCWA contract, SJWD's PCWA water supply contract is a "take or pay" agreement that requires SJWD to pay for the annual 25,000 acre feet water entitlement regardless of whether SJWD takes delivery of the entire amount. If PCWA has insufficient water supplies to serve its customers in Placer County, it may reduce the quantity of water made available to SJWD for use outside of SJWD's Placer County service area. Under the PCWA water supply contract, SJWD pays a higher rate for water supplies that SJWD diverts and conveys to customers within Sacramento County.

PCWA delivers water requested by SJWD to Folsom Reservoir. In order to obtain conveyance of that water, SJWD entered into a "Warren Act" contract with Reclamation. The Warren Act contract provides that the PCWA water conveyed under the contract can be used only in Placer County, unless the place of use of PCWA's water rights is changed, and Reclamation agrees in writing to convey PCWA water to the expanded place of use. Although PCWA expanded the place of use of its water supplies in 2000, San Juan has not yet requested that Reclamation provide its approval. SJWD therefore accounts for the use of all PCWA water supplies by its customers in Placer County.

3. Limitations on Use of SSWD and SJWD Water Rights and Entitlements

There are some limitation on the use of SSWD's groundwater supplies, although those limitations probably are more theoretical than real. Sacramento County has adopted an ordinance that prohibits the export of groundwater out of the County, but the County probably would not object to SSWD moving groundwater within the SGA membership's area in emergency conditions. Also, SSWD could claim that it was transmitting banked water to Placer County, which would not require the County's permission. The other limitations would be SSWD's injury to another pumper from over-extraction or pumping above its share of the safe yield of the groundwater basin as established by SGA. Again, SSWD could backstop these

issues by claiming it was pumping and using banked water, but there also is a low likelihood that an injury of this kind would occur if SSWD temporarily pumped additional groundwater to assist SJWD in an emergency or shortage situation.

As discussed above in the summary of SSWD's surface water rights, its City of Sacramento entitlement is limited by the Hodge Flow Limitations, the cost of that supply, and the Area D place of use limitation. Both SSWD's and SJWD's PCWA water entitlements also are limited as described above. But it should be recognized that the potential total supply of PCWA water to SSWD and SJWD is up to 54,000 acre-feet annually and that some combination of that supply can be used in most years in at least part of each District's service area and thus combined probably would provide some increase in water supply reliability if a combined district retained both contracts.

The SSWD and SJWD Boards specifically asked that, if SSWD could be annexed into SJWD wholesale as a separate retail agency, would this resolve the issues involved with using the SJWD CVP Entitlement in SSWD's service area? This question is answered in the negative in Section II.B.2, page 4 of this memorandum. However, SJWD's Pre-1914 water rights do provide potential flexibility for making more SJWD surface water available in SSWD's service area.

Under Water Code section 1706, the owner of a Pre-1914 water right may change the place of use, purpose of use or point of diversion as long as no other water users are injured. Thus, SJWD could serve water diverted and treated under its Pre-1914 right to SSWD subject to this "no injury rule." The likelihood that another water user could demonstrate an injury from serving this water to SSWD would be low because SJWD has diverted and used its entire Pre-1914 water supply for many years and would continue to divert that supply from Folsom, treat it at the Peterson Water Treatment Plant, and transmit it through the Cooperative Transmission Pipeline.

Regardless of above limitations, SSWD's groundwater and banked water supplies and SJWD's Pre-1914 water right water supplies would form a backbone supply that could be used flexibly in a combined District. The concept would be to push a significant portion of SJWD's Pre-1914 water right water supply into SSWD and for SJWD to use its PCWA and CVP entitlements within SJWD's existing service area. This concept also would enhance the reliability of the two District's water supplies because if SJWD's surface water supplies were reduced in drier years, SSWD could push groundwater and banked water into SJWD's service area to supplement SJWD's reduced surface water supplies.