

**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
November 21, 2013
10:00 a.m.**

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

STAFF REPORT

Date: November 18, 2013

To: 2X2 Water Management Ad Hoc Committee

From: Robert Roscoe, SSWD General Manager
Shauna Lorance, SJWD General Manager

Subject: Update on Phase I Study of Alternatives

Staff Recommendation

The information provided is for information only.

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. 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.

SSWD and SJWD entered into contract with Municipal Consultant Group (MCG) to analyze the three water management alternatives. The subject scope of work is anticipated to be completed and presented to the joint boards in January 2014. To date, MCG has remained on task in meeting the proposed deadline.



Memorandum

TO: Dan York, Sacramento Suburban Water District
Keith Durkin, San Juan Water District

FROM: Municipal Consulting Group, LLP
Derrick Whitehead, PE
Ken Payne, PE

DATE: 19 November 2013

SUBJECT: **Status Update and Planned Discussion with the 2x2 Ad Hoc Water Committee on the High Level Feasibility Analysis of the various Alternatives for Water Supply Reliability Identified in the Request for Proposals for Sacramento Suburban Water District and San Juan Water District.**

The Municipal Consulting Group, LLP (MCG) was retained by Sacramento Suburban Water District to conduct a High Level Feasibility Analysis to identify realistic and implementable Alternatives for Water Supply Reliability for both the Sacramento Suburban Water District and San Juan Water District.

The analysis approach includes four primary stages:

1. Data Collection
2. Analysis Description
3. Alternative Analysis
4. Report Preparations (Findings & Recommendations)

Because of the condensed timeframe to complete Phase 1, MCG is completing the four stages in a parallel. Thus, information is analyzed as it is received from the District or other sources. Findings and summaries are under development that will ultimately be incorporated into the draft report.

Purpose of Meeting 2x2 Ad Hoc Committee Meeting

As part of MCG's approach, several key meetings were identified to gather data; identify sensitive issues; identify (Board Member and Wholesale Agency Representative) perspectives; and, to validate information, when appropriate. MCG requested this 2x2 Ad Hoc Committee meeting to solicit information and discussion from committee members, agency staff, wholesale agency representatives and the public if present. The focus of the discussion should be on the three primary options (alternatives) identified in the request for proposal and the consultant contract. They are:

1. **Do Nothing.** Continue with existing political structures and continue to seek strategies for improved water resources management via agreements between separate entities (A Baseline for Comparison).

2. **Amend Service Area.** Amend the existing CVP contract service area to include SSWD's boundaries. (Activities that could be undertaken that would increase or protect water supplies held by both Entities.)
3. **Consolidation.** Consolidate into a single entity having one Board of Directors configured similar to the existing SJWD wholesale/retail governance model. (A combination of Activities and consolidating of resources that achieves the highest level of reliability and protection of the water supplies.)

Agenda & Discussion Points

The proposed agenda is attached. To facilitate discussion during the "data collection" stage, MCG has identified five (5) major categories with important sub-categories that will be included in the alternative analysis, when applicable:

- (1) Operations & Maintenance
 - a. Infrastructure Condition
 - b. Rehabilitation Reinvestment
 - c. Daily Operations
- (2) Fiscal
 - a. Operating and Facility Valuations
 - b. Debt
 - c. Rates and Charges
 - d. CIP Programs
- (3) Governance – Primarily Under Alternative 3, but
 - a. Policies & Procedures
 - b. Board Structure
 - c. Type of District
 - d. Contractual Arrangements
- (4) Water Supply
 - a. Reliability
 - b. Contractual Constraints / Opportunities
 - i. USBR
 - ii. PCWA
 - iii. State Board – Water Rights
- (5) Other Considerations

It is important to recall that the purpose of this High-Level Feasibility Analysis is to identify key elements for improved water management between the two districts. This analysis is in response to both the SJWD and SSWD Board requesting a high-level fatal flaw analysis regarding the feasibility of pursuing water additional management alternatives over what is being done today that addresses political, water resources and financial risks facing each district. These risks are important to address because of the continuous state and federal regulatory activities that could or will have significant impacts on both SJWD and SSWD stemming from the Bay Delta Conservation Plan; Operational Criteria and Plan (OCAP) - Biological Opinion Recommended and Prudent Actions; the State Water Resources Control Board (SWRCB) in stream flow proceedings; as well as a multiple other influences.

**2x2 Water Management Ad Hoc Committee Meeting Notes
San Juan Water District
September 17, 2013
1:00 p.m.**

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

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

Members of the Public: Bob Churchill, CHWD
Rich Allen, DPMWD
Tom Gray, FOWD
Ken Payne, Municipal Consulting Group
Derrick Whitehead, Municipal Consulting Group
Mike Schaffer, OVWC
Sharon Wilcox, OVWC
Keith Durkin, SJWD
Dan York, SSWD

Director Costa chaired the meeting and opened the meeting at 1:00 p.m.

Mr. Roscoe informed the committee that Director Schild informed the SSWD Board at their meeting Monday night that he will not be attending this 2x2 Water Management Ad Hoc Committee meeting due to a potential conflict of interest. The SSWD Board considered appointing an alternate but opted not to. Director Schild has a potential conflict of interest due to the fact that the proposal received from Municipal Consulting Group includes teaming up with MWH Global, which employs Director Schild.

Phase 1 Evaluation of Water Management Alternatives - Proposal Review and Discussion

Director Costa informed the committee that only one proposal, from Municipal Consulting Group (MCG), was received and he inquired if Mr. Whitehead of MCG wanted to address the committee. Mr. Whitehead addressed the committee and commented that MCG reviewed the staff report which concluded that the proposal was a non-responsive proposal and they respectfully disagree with staff's recommendation. Mr. Whitehead stated that the intent of the proposal was to provide the services that both districts wanted and they recommended an example of how to get to the point. In addition, Mr. Whitehead mentioned that the proposal inadvertently left one sentence out that would have made the proposal clearer.

Director Costa pointed out that the agencies want to see a report on all three alternatives, and not just Alternative Three as suggested in the proposal. Mr. Whitehead suggested that the committee look at three options to consider – reissue the RFP, work with MCG to make sure that scope of work is covered in proposal, or go straight to Alternative 3 of the RFP and make an analysis on that one alternative. Mr. Whitehead commented that he felt if the RFP was re-issued then his firm would be put at a competitive disadvantage since the MCG proposal was included in the packet and is available for other firms to look at. Mr. Whitehead offered to work with staff to make sure that the scope of work covers the agencies' needs within the proposed budget.

Mr. Roscoe commented that there were some items that were not addressed in the staff report such as the proposal's inclusion of modifications/clarifications to the indemnification provisions. Mr. Whitehead clarified that the modification would be so that the indemnity clause is more risk diverse.

The committee discussed the proposal with Mr. Whitehead. The committee stressed the importance of due diligence of the Boards to look at all three alternatives. Mr. Whitehead further explained that the proposal was not meant to omit any alternatives but rather give an example of one method. Mr. Payne of MCG agreed with the committee that due diligence is needed by reviewing all three alternatives; however, he doesn't believe that they precluded looking at all three, even though Alternative Three was given the focus.

Mr. Churchill commented that it was unfortunate that there was only one proposal and the committee might suggest to the Boards to raise the budget. Mr. Gray was also disappointed in the number of responses and suggested that if the RFP is issued again to send a request to Macaulay Water Resources and Tully & Young.

Mr. Schaffer commented that an adequate number of requests were sent out for the budget that is allowed in the RFP and no matter how many RFPs were sent, the result might have still been the same. He commented that the agencies should be able to negotiate with MCG, in order to make sure the scope of work is acceptable to each party. In addition, he commented that Alternative One and Two should also be evaluated so that everyone can respond to customer inquiries.

Mr. Roscoe explained some of the reasons for the staff recommendation, which included the proposal stating a need for a budget increase or scope of work reduction, matrix indicating Alternative Three preferred, reduced meetings from twelve to four, and specific reference to only completing a high level analysis of Alternative Three. A copy of the staff report will be attached to the meeting minutes. Mr. Roscoe commented that there may be a mismatch between the scope of work and the budget. In addition, he heard that the wording in parts of the RFP was not clear in regards to the level of effort expected and firms may have been hesitant to commit to an unclear scope. Mr. Roscoe commented that there seems to be two options that the committee could consider; 1)

negotiate with MCG so that both parties agree on the scope of work; or 2) reformat and re-issue the RFP.

Mr. Durkin pointed out that, during the Joint Board meetings, the Joint Board, the wholesale customer agencies and the public voiced agreement that they wanted an analysis of all three alternatives. Mr. Durkin believes that regardless of whether the RFP is re-issued or not, the completion deadline of January/February 2014 should still be able to be met.

Director Costa suggested that staff negotiate with MCG regarding the proposal with the caveat that the conflict of interest for Director Schild be addressed in order for him to be allowed to vote at future Joint Board meetings. Director Miller voiced concern regarding the need to comply with what is required of a public agency. The committee discussed the issue including whether or not there would be a legal issue with not re-issuing the RFP, negotiating the scope of work with MCG, and the amount of meetings that the RFP included.

Mr. Gray commented that there is a perception that opting for Alternative Three has been pre-determined and he appreciated Mr. Durkin's comments that staff wanted to make sure that the perception doesn't continue by reviewing all alternatives. Ms. Lorance strongly believes that, when the work is performed, the risks or benefits should be shown for all alternatives at a high level.

Ms. Lorance and Mr. Roscoe agreed that if negotiations occurred with MCG then they would include having an overview completed of each evaluation point considered, looking briefly at the comparisons of costs with staffing, environmental impacts, and other issues, and a report and recommendation to determine which Alternative is studied further. In addition, Mr. Roscoe commented that he believes that going sole source with this consulting contract complies with SSWD standards since the contract amount per agency is \$25,000.

Director Miller moved to direct the General Managers to negotiate a different scope of work with the one firm that submitted the proposal with an amount not to exceed \$50,000, and if negotiations are unsuccessful, to the satisfaction of the General Managers, then staff would recommend re-issuing a RFP, and if negotiations are successful then staff is authorized to enter into the contract subject to legal approval. Director Thomas seconded the motion and the motion carried with 3 Aye votes and one Absent vote (Director Schild).

Ms. Lorance inquired if the committee was authorized to enter into the contract after reviewing the proposals. Director Costa responded that the committee was authorized to move forward. Ms. Lorance reviewed the minutes of the last Joint Board meeting and the minutes did not specify returning to the Joint Board for entering into the contract.

Mr. Churchill expressed concern that there was only one proposal. Director Thomas commented that this is for the Phase 1 analysis and won't be the only proposal to base

a decision on regarding acting on an Alternative. Director Costa commented that this firm submitted their proposal by the deadline and the others chose not to submit.

Mr. Roscoe requested some clarification on the motion regarding if staff is satisfied with the negotiation then are they authorized to enter a contract with the firm, or if not satisfied is staff authorized to re-issue the RFP or do they need to bring it back to the committee to discuss the results of the negotiation. Ms. Lorance requested that a motion be made to authorize staff to either enter into a contract with the one firm or issue a revised RFP. In addition, Mr. Roscoe requested another point of clarification, since there are two firms included in the one proposal, if one firm pulls out during the negotiations, is staff authorized to negotiate and enter into contract with the remaining firm.

Director Costa moved to authorize the General Managers to negotiate with Municipal Consulting Group or any entity within the group, in whole or part, which may remain. Director Thomas seconded the motion and the motion carried with 3 Aye votes and one Absent vote (Director Schild).

Director Costa moved to authorize the General Managers to enter into a contract with Municipal Consulting Group provided the negotiations are complete and successful, or re-issue the RFP if negotiations are unsuccessful. Director Thomas seconded the motion and the motion carried with 3 Aye votes and one Absent vote (Director Schild).

Director Costa suggested that they consider re-negotiating the number of meetings since twelve is too many meetings. In addition, he recommended that during negotiations that staff checks with Legal Counsel to determine if Director Schild's conflict of interest still exists after the report is received from MCG.

Other Matters

There were no other matters discussed.

Next Meeting

The next committee meeting date was not set.

Public Comment

There were no public comments.

The meeting was adjourned at 2:28 p.m.