

**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  
January 10, 2014  
10:00 a.m.**

1. Phase 1 Evaluation of Water Management Alternatives - Update 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: Robert Roscoe, SSWD General Manager  
Shauna Lorance, SJWD General Manager

Date: January 7, 2014

Subject: Update on Phase I Study of Alternatives

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## **RECOMMENDED ACTION**

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 (Phase 1). The Municipal Consulting Group, LLP (MCG) was retained to conduct this analysis.

MCG will present an update regarding opportunities for increasing water supply availability through integrated, conjunctive use and beneficial use of the Districts' respective surface and groundwater resources and associated infrastructure. Discussion will focus on Option 3, consolidation of SSWD and SJWD, under Phase 1. Please see the attached report.



## File Memorandum

DATE: January 6, 2014

SUBJECT: Phase 1, High Level Water Supply Reliability Study: Option 3,  
Consolidation of SSWD and SJWD

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The primary interest by Sacramento Suburban Water District (SSWD) and San Juan Water District (SJWD) in pursuing the Phase 1 Evaluation is to identify opportunities for increasing certainty in water supply reliability in the long term through integrated, conjunctive and beneficial use of the Districts' respective surface water and groundwater resources and the associated infrastructure.

### Purpose

Consider a consolidation, focused under Option 3, and provide a preliminary assessment (Preliminary Assessment) of potential strategies identified with "Phase I Evaluation of Water Management Alternatives between San Juan Water District & Sacramento Suburban Water District" (Phase 1 Evaluation). Ultimately, Phase 1 Preliminary Assessment is intended to serve as a frame of reference in determining whether to proceed with Phase 2, a more detailed Evaluation Study.

### Approach:

Phase 1 analysis addresses, under Option 3, an option to consolidate SJWD and SSWD into a single entity configured similar to the existing SJWD wholesale/retail governance model.

### Water Supply Reliability Through Consolidation

The analysis supports the original objective identified by the Districts to study a water supply reliability framework through a consolidation of SJWD and SSWD. The two districts have complementary assets and needs that allow consideration of a merger. SJWD is a wholesale and retail water supplier with surface water rights and entitlements; SSWD has a significant groundwater supply, including an established groundwater bank. Utilizing these assets, in combination, provide a significant method for achieving water supply reliability for both Districts.

To achieve water supply reliability through a merger, the Districts must also demonstrate a finding of fact that merging the water districts will be in the public interest, in that the merger will meet the following objectives:

- a. Eliminate wasteful duplication of costs and efforts;
- b. Result in a sounder and more businesslike degree of management;
- c. Provide water supply reliability; and
- d. Ultimately result in greater economies in the form of less cost and a higher degree of service to the general public.

The major elements of the Phase 1 analysis are outlined as follows, and is based on the Sacramento Local Agency Formation Commission (LAFCo) requirements for considerations when changing, adjusting or modifying service boundaries.

## **1) Process**

- a) LAFCo

## **2) Water Service Issues and Prospects**

- (1) Water Supplies
  - i) Surface Water
  - ii) Groundwater
- (2) Groundwater Banking / In-Lieu
- (3) Water management Goals (Conservation, Water Quality, etc.)

## **2) Governance**

- (1) Composition of Directors
- (2) Divisions for Elections
- (3) Wholesale Customers

## **3) Operations**

- (1) Continuity of Service /
- (2) Management/Administration
- (3) Analysis of Water District Staffing and Costs
- (4) Operations and Maintenance Responsibilities
  - i) Condition Assessment Management
  - ii) Institutional knowledge

## **4) Fiscal Impacts**

- (1) Assets and Liabilities
- (2) Feasibility
  - i) Prop218 Issues for existing customers/merged customers
  - ii) Debt / Credit allocations

## **5) Potential Impacts & Benefits**

- (1) Water Supply Reliability
- (2) Offsets of future staffing needs
- (3) Institutional
  - i) BDCP/HCP/Climate Change/Shortage policy
  - ii) Folsom Operations/Reoperations

**2x2 Water Management Ad Hoc Committee Meeting Notes**  
**San Juan Water District**  
**December 13, 2013**  
**11:00 a.m.**

- Committee Members:** Ted Costa, SJWD Director  
Ken Miller, SJWD Director  
Neil Schild, SSWD Director  
Kevin Thomas, SSWD Director (absent)
- District Staff:** Shauna Lorance, SJWD General Manager  
Rob Roscoe, SSWD General Manager  
Teri Hart, Board Secretary/Administrative Assistant
- Members of the Public:** Al Dains, Citrus Heights Water District (CHWD)  
Joe Dion, CHWD  
Bob Churchill, CHWD  
Rich Allen, Del Paso Manor Water District  
Tom Gray, Fair Oaks Water District  
Ken Payne, Municipal Consulting Group  
Derrick Whitehead, Municipal Consulting Group  
Keoki Spaeth, Orange Vale Water Company (OVWC)  
Mike Schaefer, OVWC  
Sharon Wilcox, OVWC  
Dan York, Sacramento Suburban Water District (SSWD)  
William Eubanks, SSWD Customer  
Jason Mayorga, San Juan Water District

Director Miller chaired the meeting and opened the meeting at 11:00 a.m.

**Phase 1 Evaluation of Water Management Alternatives - Update and Discussion**

Mr. Roscoe informed the committee that the consultants, Municipal Consulting Group (MCG), will be giving an update on the Phase 1 Evaluation of Water Management Alternatives. He reminded the committee that at the last committee meeting the consultants were able to receive additional information from the committee members and through public comment which was helpful in better defining the alternatives. Mr. Roscoe informed the committee that the purpose of this meeting was to continue the discussion and view some draft information from the consultants. Ms. Lorance reminded the committee that this phase of the study is to include all alternatives, whether viable or not, so they will be recorded as being evaluated for future reference.

Mr. Payne informed the committee that the consultants have created a table which identifies several options based on discussions from the last meeting. In addition, the consultants have conducted a preliminary review of the financial implications working

with Public Financial Management, Inc. (PFM) which hasn't been written up yet. They are also looking at the LAFCo requirements under Alternative 3. The consultants met with the executive team on December 9<sup>th</sup> to review the table. A copy of the staff report, along with the consultant report and table, will be attached to the meeting minutes. In addition, the consultants will be meeting with the wholesale customer agencies on December 16, 2013, to review the table in detail and discuss any concerns and comments that the wholesale customer agencies may have. Furthermore, the consultants will be meeting with BKS (legal counsel for SJWD and SSWD) and the executive team on December 17, 2013, to review findings and some information that is not covered in the table. After that meeting, another meeting with the wholesale customer agencies will be set.

Mr. Payne reviewed the table with the committee and explained that the table has been broken down into nine contract-based options and two boundary-based options. These eleven strategies are benchmark strategies for the phase 1 study to help determine if any should be evaluated further under the phase 2 portion of the study. Director Schild suggested that the water supplies be identified in a summary format. In addition, Director Schild suggested that the difference between assignment and exchange be explained. Mr. Payne explained that these items will be included in the summary of the table in the report.

Mr. Payne explained that the strategies can be modified and adapted going forward. The strategies are classified under Water Transfers, Water Assignments, Water Exchanges, and Water Service Boundary. He explained that under each strategy there are options A-C, with option A being SJWD CVP contract and a transfer to SSWD, option B being SJWD PCWA contract and a transfer to SSWD and option C looking at SJWD's Pre-1914 Water Rights. He explained that the Pre-1914 Water Rights was listed on the table since it is one of SJWD's water supplies. Mr. Roscoe suggested that a footnote be added to the table stating that approval of the SJWD Board would be required for use of Pre-1914 Water Rights.

Mr. Payne explained that the table includes the Authority required for any possible approvals, Past Practice, Time Factors, Other Constraints, Agencies to be considered, and the Time Analysis. The Time Analysis is broken down into Administrative (internal), Negotiations (external) and Environmental Analysis. Mr. Whitehead mentioned that a Cost and a Risk column will be added to the table. The Risk column will identify the kind of risk or possible legal actions.

Mr. Payne commented that, subject to confirmation by legal counsel, there is probably sufficient authority to execute water transfers, assignments and exchanges within the current contracts that SJWD has. Director Schild pointed out that, under the Assignments strategy, there is nothing going to SJWD. Ms. Lorange confirmed that SJWD also noted this discrepancy. Mr. Payne explained that this is discussed in the memo that preceded the table.

Director Costa commented that the underground basin needs to be managed so that water supply is available fifty years from now. Director Schild commented that agencies that overlie the groundwater basin should organize and work towards conjunctive use opportunities, banking water and moving water within the area. Mr. Roscoe commented that, at a recent Sacramento Groundwater Authority meeting, West Placer presented their groundwater management plan. Mr. Roscoe suggested that any organization should include all users of the groundwater basin not just Sacramento County.

Mr. Payne reiterated that option A is CVP water, option B is PCWA water and option C is Pre-1914 water in the table. Mr. Whitehead requested that the committee inform the consultants of anything that might be missing in the table for Alternative 2. Director Costa commented that cost needs to be included and certain synergies need to be kept in mind. Director Schild commented that a description of the water supplies needs to be included and also a list of the agencies and what their roles are needs to be defined.

Mr. Roscoe summed up the discussion and stated that the following needs to be included:

- Transfers, assignments and exchanges need a better definition
- Options A, B and C need a description of CVP, PCWA and Pre-1914 water supplies
- Definitions needed under Authority, Past Practice, Other Constraints and Agencies

Director Miller reminded the consultants that the main reason to look into the Alternatives is to protect SJWD from losing CVP water supply and he would like to see the consultants focus on that issue. Mr. Roscoe explained that while a potential loss of CVP water is the main focus, the idea is to look at all options so that those options that won't work will be screened out. Mr. Roscoe explained that the environmental process for any Alternative will ask if other options were considered.

In response to Director Miller's question, Mr. Roscoe explained that the consultants are researching if there is a reason to merge based on a water resources argument, they are looking for better ways to manage water resources jointly as separate agencies under contract arrangements with outside approvals, and they are looking at what can be done or what will happen if the agencies don't change or merge.

Mr. Payne commented that the meeting today was to review the strategies that the consultants are moving forward with under Alternative 2, then the next meeting will be focused on Alternative 3. Director Schild commented that when researching water supply for SJWD Wholesale, the wholesale customer agencies should be checked as well. Mr. Payne explained that the table may get changed before the final version.

Mr. Payne informed the committee that a meeting with the wholesale customer agencies is scheduled for December 16, 2013. Mr. Whitehead commented that one

item that the consultants would like to receive from the wholesale customer agencies on Monday is a list of the production wells and volume of each well.

### **Other Matters**

Director Costa passed out an article regarding fracking in the Bakersfield area. He commented that at an ACWA meeting and at a Water Foundation meeting it was indicated that it takes approximately 6 AF of water to frack a well, while this article mentions that it takes 12 AF of water per well. The article mentions that there is a potential for as many as 30,000 wells with full-exploitation of the Monterey Shale and Director Costa is concerned that water from northern California will be used for these fracking efforts.

### **Next Meeting**

The next 2X2 committee meeting date was scheduled for January 10, 2014, at 10:00 am, at SJWD. In addition, January 31, 2014 at 10:00 am was tentatively scheduled and will be confirmed at the January 10<sup>th</sup> meeting. The next Joint Board meeting will be discussed at the January 10<sup>th</sup> meeting as well.

### **Public Comment**

Mr. Gray commented that the direction of the Board seems straight forward, covering a lot of analysis on SJWD water supply. He commented that SJWD Board has a policy of treating all the wholesale customer agencies (family agencies) the same and contracts are not currently assigned to retail agencies. He requested that if there is any change from the current situation, that the family agencies would receive assignments of water first. Mr. Gray clarified that if the consultants are looking at contract assignments and are specifically assigning water to SSWD, then water should be specifically assigned to the family agencies first.

Mr. Gray commented that all nine of the options under the strategies indicate what SSWD would receive from SJWD; however, there was no indication of what SJWD would receive relative to groundwater specifically showing SSWD's aging infrastructure, well conditions, well contamination, water quality, and water availability.

The meeting was adjourned at 11:58 a.m.



# STAFF REPORT

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**Date:** December 10, 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

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## **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. The Municipal Consulting Group, LLP (MCG) was retained to conduct this analysis.

MCG will present an update regarding opportunities for increasing water supply availability through integrated, conjunctive use and beneficial use of the Districts' respective surface and groundwater resources and associated infrastructure. Please see the attached report.

## File Memorandum

DATE: December 10, 2013

SUBJECT: Phase 1, High Level Water Supply Reliability Study: Option 2,  
Alternatives Based on Existing Water Supply Contracts

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The primary interest by Sacramento Suburban Water District (SSWD) and San Juan Water District (SJWD) in pursuing the Phase 1 Evaluation is to identify opportunities for increasing certainty in water supply reliability in the long term through integrated, conjunctive and beneficial use of the Districts' respective surface water and groundwater resources and the associated infrastructure.

### Purpose

Using existing water supply contracts, this summary focused on Option 2 and provides a preliminary assessment (Preliminary Assessment) of potential strategies identified with "Phase I Evaluation of Water Management Alternatives between San Juan Water District & Sacramento Suburban Water District" (Phase 1 Evaluation). Ultimately, Phase 1 Preliminary Assessment is intended to serve as a frame of reference in determining whether to proceed with Phase 2, a more detailed Evaluation Study.

### Approach:

Phase 1 analysis identified two major categories to develop strategies, under Option 2, for increasing reliability of water supplies for both SSWD and SJWD. Eleven benchmark strategies are identified in Category 1 and 2, which individually or in combination, could potentially meet the Districts' primary interest.

### Water Supply Reliability Through Collaborative Water Management

The analysis supports the original objective identified by the Districts to establish a water supply reliability framework through a collaborative use of SSWD's groundwater facilities and transmission pipelines, and SJWD's treatment and surface water supplies. Conceptually, SJWD could provide surface water to SSWD during normal and wet years establishing in-lieu banking of groundwater. During the drier/driest years, SSWD could use the groundwater system to serve areas where surface water may not be accessible or may be needed to supplement surface water deliveries. This framework supports state and federal objectives for maximizing regional self-sustainability and conjunctive-use programs, and provides for potential rate relief or program funding through access by using SJWD's surface water supplies for water supply transfers, assignments or exchanges with SSWD to provide a means to potentially secure funds for infrastructure necessary to allow SJWD to achieve water supply reliability through conjunctive use.

**Option 2-Category 1:** Category 1 includes nine benchmark strategies that individually, or in combination, could potentially meet the Districts' primary interest. Category 1 assumed the following definitions:

1. No changes to Board structure, service area boundaries, assets, liabilities, permits, contracts or other formal instruments that together legally authorize and define the two Districts respectively; and

2. Within this context, pursue strategies for advancing or meeting the Districts primary interest through a range of available authorities, agreements, contracts, and processes.
3. Each benchmark strategy was assessed as a water transfer, an assignment, or a water exchange.

The nine-benchmark strategies include:

Strategy	Description
Water Transfers	<u>WT-A</u> : Transfer a portion of SJWD Central Valley Project (CVP) contract water supply to SSWD.
	<u>WT-B</u> : Transfer a portion of Placer County Water Agency (PCWA) Middle Fork Project (MFP) water supply to SSWD.
	<u>WT-C</u> : Transfer a portion of SJWD Pre-1914 Water Rights supply to SSWD.
Contract Assignments	<u>CA-A</u> : Assign a portion of SJWD CVP contract water supply to SSWD.
	<u>CA-B</u> : Assign a portion of SJWD Pre-1914 water rights entitlement to SSWD.
	<u>CA-C</u> : Assign a portion of SJWD Pre-1914 Water Rights supply to SSWD.
Water Exchanges	<u>WE-A</u> : Exchange a portion of SJWD’s CVP contract water supply for groundwater supply extracted and conveyed by SSWD to SJWD.
	<u>WE-B</u> : Exchange a portion of SJWD’s MFP water supply for groundwater supply extracted and delivered by SSWD to SJWD.
	<u>WE-C</u> : Exchange a portion of SJWD’s Pre-1914 water rights entitlement for groundwater supply extracted and delivered by SSWD.

**Option 2-Category 2.** Category 2 includes two benchmark strategies that focus on a service area boundary changes that would amend or apply to SJWD’s long-term water service contract with Reclamation or with PCWA. The service boundary strategies include:

Strategy	Description
Boundary Amendments	<u>BA-A</u> : Amend or apply SJWD’s long-term water service contract with <b>Reclamation</b> (Contract No. 6-07-20-W1373-LTR1, dated February 28, 2006) to allow delivery by SJWD of a portion of their <b>CVP</b> water supply beyond the SJWD service boundaries defined by the Reclamation contract to SSWD.
	<u>BA-B</u> : Amend or apply SJWD’s Long-Term Water Supply Contract with <b>PCWA</b> dated December 7, 2000 ( <b>PCWA Contract</b> ) to allow delivery by SJWD of a portion of their Middle Fork Project (MFP) water supply beyond the SJWD service boundaries defined by the PCWA Contract to SSWD.

STRATEGIES		Authority	Past Practice	Time Factors	Other Constraints	PCWA	Roseville	Wholesale	DWR	SWRBB	NFMS	FWS	USBR	Assuming no protest and litigation										TOTAL ESTIMATED TIME
														Board Actions (Budgets, Contracts, Policy Direction)	Analysis	Inter-Agency Framework	Pre-Application Framework	Process/PD Development	Inter-Agency Agreements	Regional Agreements/Outreach	Pre-consultations (Federal agencies; ESA; etc.)	ESA / CESA Consultation	Enviro. Analysis	
														Administrative			Negotiations			Environmental Analysis			TOTAL	
<b>Water Transfers</b>																								
WT-	A	SJWD's CVP Supply to SSWD	Regional Manager or delegated to Area Manager	Yes	LOA; Negotiations Environmental Anal; Cult Res.; ESA Consult.									x	TBD	TBD	TBD	TBD	TBD	TBD	TBD			
	B	SJWD's PCWA Supply to SSWD	SJWD/PCWA Contract	No	Dependent on ESA/CESA requirements Subject to CA state water code Negotiations Environmental Anal; Cult Res.; ESA Consult. Before PWTP - subject to LTWAC After PWTP - subject to State Water Code	4,000 af contract with Roseville PCWA Approval Subject to PCWA water rights	X	O		X	O	O			TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD		
	C	SJWD's Pre 1914 Water Right	State Board, Water Right	Yes	Dependent on ESA/CESA requirements Subject to CA state water code Negotiations Environmental Anal; Cult Res.; ESA Consult. Influence from BDCP	Assignment of pre-1914 water rights will be controversial.				O	X	O	O		TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD		
<b>Assignments</b>																								
	A	SJWD's CVP Supply to SSWD	Reclamation Law	Yes	LOA Negotiations Environmental Anal Cult Res ESA Consult	NEPA-FONSI Current Remand Process Incidental Take Permit - BDCP Requirements of transfer GL								X	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD		
	B	SJWD's PCWA Supply to SSWD	State Board, Water Right	TBD	Dependent on ESA/CESA requirements Subject to CA state water code Negotiations Environmental Anal; Cult Res.; ESA Consult. Before PWTP - subject to LTWAC After PWTP - subject to State Water Code Additional time may be required to secure Water Board approval, depending upon the terms of SJWD's water rights permits.	4,000 af contract with Roseville PCWA Approval Subject to PCWA water rights	X	O		O	X	O	O		TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	
	C	SJWD's Pre 1914 Water Right	State Board, Water Right	TBD	Dependent on ESA/CESA requirements Subject to CA state water code Negotiations Environmental Anal; Cult Res.; ESA Consult. Influence from BDCP	Assignment of pre-1914 water rights will be controversial.				O	X	O	O		TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	
<b>Water Exchanges</b>																								
	A	SJWD's CVP water supply for groundwater supply extracted and conveyed by SSWD to SJWD.	No formal definition. Section 14 of the Reclamation Project Act of 1939: Typically requires "convey CVP water in return for a like amount from another source"	Yes	See WT-A, considerations for additional time required to address requirements for the groundwater extraction and conveyance component of any potential SJWD/SSWD Water Exchange Agreement.	Comparable to WT-A, plus necessary to provide detailed PD for groundwater component of exchange.	O	O	X			O	O	X	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	
	B	Exchange some quantity of SJWD PCWA MFP water supply for groundwater supply extracted and delivered by SSWD to SJWD.	State Board, Water Code	Yes	Comparable to Strategy WT-B, except additional time required for requirements associated with the groundwater extraction and conveyance component of any potential SJWD/SSWD Water Exchange Agreement.	Comparable to Strategy WE-B. Assumes the LTWAC with Reclamation imposes no constraint on SJWD's use of the 2000 Water once water is delivered at the PWTP. Assume to convey water, there is no further use of Reclamation facilities to SSWD. Thus, neither NEPA nor ESA would apply.	X	O	X	X	O	O			TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	
	C	SJWD's Pre 1914 Water Right for GW Extraction/Delivery	State Board, Water Right	TBD	Comparable to Strategy WT-B, except additional time required for requirements associated with the groundwater extraction and conveyance component of any potential SJWD/SSWD Water Exchange Agreement.		O	O	X	X	O	O			TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	
<b>Water Service Boundary</b>																								
	A	Amend or apply SJWD's 2006 long-term water service contract with Reclamation (Contract No. 6-07-20-W1373-LTR1) to allow delivery by SJWD of their CVP water supply beyond the SJWD service boundaries defined by the Reclamation contract to SSWD.	Regional Manager or delegated to Area Manager	Yes	LOA Negotiations Environmental Anal Cult Res ESA Consult	NEPA-FONSI Preliminary review of publicly available records, most service area requests are accomplished through an Environmental Assessment (EA)/Finding of No Significant Impact (FONSI).	O	O	X			O	O	X	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	
	B	Amend or apply SJWD's 2000 Long-Term Water Supply Contract with PCWA to allow delivery by SJWD of their Middle Fork Project (MFP) water supply beyond the SJWD service boundaries defined by the PCWA Contract to SSWD.	Article 19 of the Contract provides the potential for SJWD to deliver the PCWA contract water outside Placer County and portions of Sacramento County within SJWD boundaries, subject to approval by PCWA.	No	Dependent on ESA/CESA requirements Subject to CA state water code Same requirements as A Before PWTP - subject to LTWAC After PWTP - subject to State Water Code	4,000 af contract with Roseville PCWA Approval Subject to PCWA water rights	X	O	X	X	O	O	X		TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	

Index: x - Primary Involvement  
o - Indirect Involvement