

Agenda
Sacramento Suburban Water District
Regular Board Meeting

3701 Marconi Avenue, Suite 100
Sacramento, California 95821

Monday, April 20, 2015
6:30 p.m.

Where appropriate or deemed necessary, the Board may take action on any item listed on the agenda, including items listed as information items. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the District's Administrative Office at the address listed above.

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

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please contact Sacramento Suburban Water District Human Resources at 679.3972. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Call to Order

Roll Call

Announcements

Public Comment

This is the opportunity for the public to comment on non-agenda items within the Board's jurisdiction. Comments are limited to 3 minutes.

Consent Items

The Board will be asked to approve all Consent Items at one time without discussion. Consent Items are expected to be routine and non-controversial. If any Board member, staff or interested person requests that an item be removed from the Consent Items, it will be considered with the action items.

1. Minutes of the March 16, 2015 Regular Board Meeting
Recommendation: Approve subject minutes.

2. Improvement Standards and Technical Specifications Policy (PL - Eng 001)
Recommendation: Adopt subject policy.

Items for Discussion and Action

3. 2014 Comprehensive Annual Financial Report and Annual Audit
Receive report from outside auditor and consider accepting the District's annual report and related documents.
4. Contract for Legal Counsel – Water Rights Review of San Juan Water District Water Rights and Contracts
Consider approving contract for review of SJWD water rights.
5. Project Agreements with RWA for Grant Management Services for 2014 USBR CalFed Meter Grant Project and 2014 USBR WaterSMART Meter Grant Project
Consider entering into subject agreement with RWA.
6. Resolution No. 15-04 Accepting Grant of Easement and Right of Way for 2163 Fulton Avenue
Consider adopting subject resolution to receive an easement and right of way for the subject site.
7. Resolution No. 15-05 Accepting Grant of Easement and Right of Way for 2600 Fulton Avenue
Consider adopting subject resolution to receive an easement and right of way for the subject site.
8. Water Meter Asset Management Plan Update
Receive updated plan and direct staff as appropriate.
9. California Special Districts Association Call for Nominations – Board of Directors, Sierra Network, Seat A
Consider nominating a Director for the CSDA Board of Directors, Seat A.
10. Resolution No. 15-06 Amending Regulation No. 15 of the Regulations Governing Water Service
Consider a resolution amending Regulation No. 15 of the District's Regulations Governing Water Service.
11. 2015 Water Conservation Stage Declaration
Consider declaring a Stage 3 – Water Crisis Water Supply year.

Information Items

12. District Activity Reports
 - a. Water Operations and Exceptions Report
 - b. Customer Service Report
 - c. Water Conservation and Regional Water Efficiency Program Report
 - d. Community Outreach Report
13. Engineering Report
 - a. Major Capital Improvement Projects
 - b. County and City Projects/Coordination
 - c. McClellan Business Park
 - d. Developer Projects
 - e. Other
14. Financial Report
 - a. Financial Statements – March 2015
 - b. Financial Activity – March 2015
 - c. Investments Outstanding and Activity – March 2015
 - d. Cash Expenditures – March 2015
 - e. Credit Card Expenditures – March 2015
 - f. Directors Compensation and Expense Accounting – Through February 2015
 - g. Market Report Yields – January 2010 through March 2015
 - h. District Reserve Balances – March 2015
 - i. Information Required by Bond Agreement

15. Upcoming Policy Review – Legislative Response Policy (PL - Adm 004)
16. Upcoming Policy Review – Employee Compensation Policy (PL - HR 002)
17. Upcoming Policy Review – Electronic Mail, Internet and Computer Use Policy (PL - IT 005)
18. Letter Of Credit Extension with Sumitomo Mitsui Banking Corporation Update
19. Financial Markets Quarterly Report
20. Year-to-Date Interest Expense Quarterly Report
21. Human Resources Quarterly Report
22. CIP Projects Quarterly Report
23. Proposition 84 Drought Grant for Enterprise Intertie Improvements - Update
24. Aerojet Rocketdyne – Notification of Groundwater Sampling Results and Proposed Response for New Monitoring Wells
25. 2015 Water Conservation Rebate Menu Program
26. Sacramento Metropolitan Air Quality Management District – Notice of Violation
27. CAL-Fire Operations at McClellan Business Park
28. 2736 Auburn Boulevard – Appraisal of District Property Update
29. Candidates for Election to the Executive Committee of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA)
30. 2014 Leak Detection Survey Report
31. Status of Phase 2A Reorganization Study
32. Report Back Items – General Manager’s Report
33. Legislative and Regulatory Update

General Counsel’s Report

34. A confidential written report regarding the status of the municipal derivatives litigation and municipal bond insurance litigation will be provided to the Directors.

Committee Reports

- 35. a. Facilities and Operations Committee (Director Wichert)
Notes from March 30, 2015 meeting and Agenda from April 20, 2015 meeting.
- b. Finance and Audit Committee (Director Locke)
Notes from the March 30, 2015 meeting.
- c. Government Affairs Committee (Director Wichert)
No report.
- d. 2x2 Water Management Ad Hoc Committee (Director Schild)
See separate agenda item – Status of Phase 2A Reorganization Study.
- e. Ad Hoc Water Banking and Transfer Committee (Director Locke)
No report.
- f. Ad Hoc Water Rights Review Committee (Director Schild)
Notes from March 24, 2015 meeting and March 31, 2015 meeting.

Director’s Reports (Per AB 1234, Directors will report on their meeting activities)

- 36. a. Regional Water Authority (Director Thomas)
No report.

Regional Water Authority Executive Committee (General Manager Roscoe)
Agenda from March 25, 2015 meeting.
- b. Sacramento Groundwater Authority (Director Schild)
Agenda from April 9, 2015 meeting.
- c. Water Forum Successor Effort (General Manager Roscoe)
Agenda from March 17, 2015 Water Forum Dry Year Conference.
- d. San Juan Water District Executive Committee (Assistant General Manager York)
No report.
- e. Other Reports

Miscellaneous Correspondence and General Information

- 37. Correspondence received by the District
- 38. General Information

Director’s Comments/Staff Statements and Requests

The Board and District staff may ask questions for clarification, and make brief announcements and comments, and Board members may request staff to report back on a matter, or direct staff to place a matter on a subsequent agenda.

Closed Session (Closed Session Items are not opened to the public)

- 39. Public employee performance evaluation involving the General Manager under Government Code section 54954.5(e) and 54957.
- 40. Conference with Board negotiating committee (including Directors Gayle and Schild) involving the General Manager under Government Code sections 54954.5(f) and 54957.6.

Adjournment

Upcoming Meetings

Monday, May 18, 2015 at 6:30 p.m., Regular Board Meeting

Monday, June 15, 2015 at 6:30 p.m., Regular Board Meeting

Monday, July 20, 2015 at 6:30 p.m., Regular Board Meeting

I certify that the foregoing agenda for the April 20, 2015 meeting of the Sacramento Suburban Water District Board of Directors was posted by April 16, 2015 in a publicly-accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Suite 100, Sacramento, California, and was freely available to the public.

Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District

Agenda Item: 1

Minutes

Sacramento Suburban Water District
Regular Board Meeting
Monday, March 16, 2015

Call to Order

President Schild called the meeting to order at 6:31 p.m. and announced Director Wichert’s absence. President Schild spoke regarding out-of-state travel for Board members during the April regular Board meeting and questioned if there would be enough Directors to have a quorum. He suggested possibly rescheduling the April Board meeting. Director Gayle confirmed he would be absent, Director Thomas is undecided.

Roll Call

Directors Present: Frederick Gayle, Craig Locke, Neil Schild and Kevin Thomas.

Directors Absent: Robert Wichert.

Staff Present: General Manager Robert Roscoe, Dan York, Dan Bills, Christine Bosley, Jim Arenz, Greg Bundesen, Annette O’Leary and John Valdes.

Public Present: Melissa Bohn, Ted Costa, Brenda Washington-Davis, Tom Gray, Sammi Hedges, Rob Swartz, William Eubanks, Paul Stanbrough, Robert Waldo and Avery Wiseman.

Announcements

- The State Water Resources Control Board (SWRCB) has issued its proposed text of emergency drought regulations calling for mandatory water restrictions. The action is expected to take place March 17, 2015. There will be a report at the next Facilities and Operations Committee Meeting.
- Staff self-reported an air quality violation. A full report will be provided at the April regular Board meeting.
- Handouts of the RWA press release titled Water Providers Urge Continued Conservation Amid Fourth Drought Year and a response letter from San Juan Water District (SJWD) to Fair Oaks and Citrus Heights Water Districts were provided at the dais and public copies counter.
- General Manager Roscoe reminded all assembled of the upcoming Ad Hoc Water Rights Review Committee meeting on March 24, 2015, the 2x2 Water Management Ad Hoc Committee meeting on March 26, 2015, the Finance and Audit Committee meeting and the Facilities and Operations Committee meetings both held on March 30, 2015.

Public Comment

Avery Wiseman voiced his concerns regarding a lack of information provided to the ratepayers regarding the potential merger. William Eubanks suggested submitting a “Letter to the Editor”. GM Roscoe commented that outreach had been discussed at the 2x2 Water Management Committee and the Committee chose to use the limited funds available to conduct a telephone

survey. It was decided that it would be more prudent to address outreach in the Phase 2B process so as not to expend the funds to provide outreach when the Committee may decide not to pursue a merger at the conclusion of the Phase 2A Study. Staff was directed to provide an information item regarding public outreach at the next regular Board meeting.

Consent Items

1. Minutes of the February 23, 2015 Regular Board Meeting
2. Resolution No. 15-02 Concurring in Nomination to the Executive Committee of the Association of California Water Agencies Joint Powers Insurance Authority (“ACWA/JPIA”)
3. New Debt Obligation Continuing Disclosure Policy (PL - Fin 013)
4. Electronic Mail Management and Retention Policy (PL - IT 003)

President Schild requested Item 3 be pulled from the Consent calendar for further discussion.

Director Thomas made a motion to approve Items 1, 2 and 4; Director Gayle seconded. The motion carried by unanimous vote.

AYES:	Gayle, Locke, Schild and Thomas.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Wichert.		

Regarding Item 3, President Schild inquired as to how bonds are purchased. Dan Bills provided a basic explanation of the process.

Director Thomas made a motion to approve Item 3; Director Gayle seconded. The motion carried by unanimous vote.

AYES:	Gayle, Locke, Schild and Thomas.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Wichert.		

Items for Discussion and Action

5. **Groundwater Update**
 President Schild introduced Rob Swartz of Sacramento Groundwater Authority. Mr. Swartz provided a presentation on recent trends in groundwater elevations and Hexavalent Chromium.

6. **Disposal of Surplus District Property at El Sutton/Fulton Well #11**

Assistant General Manager York provided a summary of the report.

Director Thomas moved to approve surplusung the subject property; Director Locke seconded. The motion carried by unanimous vote.

AYES:	Gayle, Locke, Schild and Thomas.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Wichert.		

7. **Surplusung of District Vehicle – Truck No. 33**

AGM York provided a summary of the report.

Director Thomas moved to approve surplusung the subject vehicle; Director Locke seconded. The motion carried by unanimous vote.

AYES:	Gayle, Locke, Schild and Thomas.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Wichert.		

8. **Facility Development Charges**

Finance Director Dan Bills provided an overview of the report. The new charges would become effective April 1, 2015. The report proposes an increase in FDC charges as well as new wording in the regulation to avoid paying for a consultant each year as the data is already available to the District. President Schild questioned the District's requirement for a separate metered irrigation service on all non-residential units. Staff will report back to the Board on the reasoning behind this requirement. Staff will be bringing all of the Regulations back to the Board at the next regular Board meeting.

Director Thomas moved to adopt the proposed 2015-2016 FDCs and amend Regulation No. 7, Part H.5., Facility Development Charge; Director Locke seconded. The motion carried by unanimous vote.

AYES:	Gayle, Locke, Schild and Thomas.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Wichert.		

9. **Resolution No. 15-03 Authorizing the Extension of a Letter of Credit in Connection with Its Outstanding 2009a Certificates of Participation, and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters**

Dan Bills summarized the report.

Director Locke moved to adopt the subject resolution, approve the letter of credit extension terms and authorize the Board President to execute the legal documents following counsel approval; Director Thomas seconded. The motion carried by unanimous vote.

AYES:	Gayle, Locke, Schild and Thomas.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Wichert.		

10. **California Special Districts Association Call for Nominations – Board of Directors, Sierra Network, Seat C**

This item was introduced as an information item at the February regular Board meeting. Director Gayle expressed interest in being nominated.

Director Thomas moved to nominate Director Gayle for the CSDA Board of Directors, Seat C; Director Locke seconded. The motion carried by unanimous vote.

AYES:	Gayle, Locke, Schild and Thomas.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Wichert.		

Information Items

11. **District Activity Reports**

A written report was provided.

a. *Water Operations and Exception Report*

A written report was provided.

b. *Customer Service Report*

A written report was provided.

c. *Water Conservation and Regional Water Efficiency Program Report*

A written report was provided. Mr. Eubanks commented that figures on conservation differed in the report as well as the website. Staff replied the figures could differ depending on what years the current conservation figures are being compared with. Staff will work to make the report more consistent.

d. *Community Outreach Report*

A written report was provided.

12. **Engineering Report**

A written report was provided.

a. *Major Capital Improvement Projects*

A written report was provided.

b. *County and City Projects/Coordination*

A written report was provided.

c. *McClellan Business Park*

A written report was provided. The next Restoration Advisory Board meeting may be cancelled. Staff will follow up to confirm.

d. *Developer Projects*
A written report was provided.

e. *Other*
A written report was provided.

13. **Financial Report**

A written report was provided. President Schild questioned why the District had paid \$100,000 on the Antelope Pump Back Project rather than SJWD. Staff responded that, per the agreement, the District would pay and then seek reimbursement from SJWD.

a. *DRAFT – Financial Statements – February 2015*
A written report was provided.

b. *Investments Outstanding and Activity – February 2015*
A written report was provided.

c. *Cash Expenditures – February 2015*
A written report was provided.

d. *Credit Card Expenditures – February 2015*
A written report was provided.

e. *Directors Compensation and Expense Accounting – Through February 2015*
A written report was provided.

f. *Market Report Yields – February 2010 through February 2015*
A written report was provided.

g. *DRAFT – District Reserve Balances – February 2015*
A written report was provided.

h. *DRAFT – Information Required by Bond Agreement*
A written report was provided.

14. **District Credit Rating**

A written report was provided. Mr. Bills provided an overview. GM Roscoe commented that, given the drought and the location of the District in the central valley of California, the District has done very well to achieve such a high rating.

15. **Upcoming Policy Review – Strategic Plan (PL - BOD 001)**

A written report was provided. Directors' comments are due by April 6, 2015. Staff has had difficulty finding a date for a Strategic Plan Workshop which works for all Directors' schedules but will continue to try and set up the Workshop.

16. **Upcoming Policy Review – Improvement Standards and Technical Specifications (PL - Eng 001)**
A written report was provided. Directors' comments are due by April 6, 2015.
17. **California Special Districts Association Call for Nominations - Board of Directors, Seat A**
A written report was provided. The CSDA seeks nominations for Seat A, as well as Seat C (see item 10).
18. **State Water Resources Control Board Emergency Drought Regulations**
A written report was provided. Mr. Eubanks commented the District's conservation Stage 2 was modified to two outdoor watering days per week but the website states 3 days per week. GM Roscoe responded staff will change the website should the Board vote to change the watering days back to two days per week.
19. **San Juan Unified School District Partnership**
A written report was provided. GM Roscoe introduced the report. Mr. David Burke of San Juan Unified School District (SJUSD) was present and spoke regarding SJUSD's mandate to provide safe educational facilities and explained that outdoor fields are educational facilities. He also spoke regarding the difficulty of complying with the various water schedules of the ten different water purveyors their district does business with. A proposal was made to lift the restriction of water days while SJUSD continues to meet the District BMP requirements and while committing to a reduction in water use of 25%.

Tom Gray of Fair Oaks Water District commented he expects difficulty with SWRCB if water days are not set. Mr. Burke replied SJUSD intends to use signage, have public outreach as well as provide information on their website.
20. **Antelope Pump Back Operation and Maintenance Agreement Update**
A written report was provided. GM Roscoe introduced the report. Staff will follow the principals of agreement as the Board previously directed.
21. **Statewide National Pollutant Discharge Elimination System (NPDES) Permit for Drinking Water Systems**
A written report was provided.
22. **CEQA Exemption for Loehmann's Plaza Waterline Upgrade Project**
A written report was provided. GM Roscoe summarized the report. President Schild stated his concern in doing this project before completing the relocation of backyard mains. President Schild requested staff provide a prioritized list of projects.
23. **Status of Phase 2A Reorganization Study**
A written report was provided. GM Roscoe provided a brief summary.
24. **Report Back Items**
A written report was provided. Regarding the easement request at 7031 Watt Avenue, President Schild noted the report stated the owner at 7035 was unwilling to grant an

easement without compensation. President Schild questioned staff as to the amount the owner was willing to accept. Staff responded they hadn't determined the amount as they have not paid for easements of this nature in the past. President Schild directed staff speak with owner again and determine an amount the owner would accept.

25. Legislative and Regulatory Update

A written report was provided. GM Roscoe introduced the report.

Committee Reports

26. a. *Facilities and Operations Committee*

No report.

b. *Finance and Audit Committee*

No report.

c. *Government Affairs Committee*

No report.

d. *2x2 Water Management Ad Hoc Committee*

See separate agenda item – Status of Phase 2A Reorganization Study.

e. *Ad Hoc Water Banking and Transfer Committee*

No report.

f. *Ad Hoc Water Rights Review Committee (Director Schild)*

President Schild provided an oral report regarding the March 4, 2015 meeting.

Director's Reports (Per AB 1234, Directors will report on their meeting activities)

27. a. *Regional Water Authority*

Director Thomas provided an oral report regarding the March 12, 2015 meeting.

Regional Water Authority Executive Committee

GM Roscoe provided an oral report regarding the February 25, 2015 meeting.

b. *Sacramento Groundwater Authority (Director Schild)*

No report.

c. *Water Forum Successor Effort*

Agendas from March 11, 2015 Water Caucus meeting and March 12, 2015 Water Forum Successor Effort Plenary meeting were provided.

d. *San Juan Water District Executive Committee*

No report.

e. *Other Reports*

President Schild and Director Gayle provided oral reports regarding the February 25, 2015 General Manager's evaluation meeting.

Director Locke provided an oral report regarding a February 6, 2015 meeting with District Auditor, a February 19, 2015 NPDES Potable Water Permitting Event, and a February 20, 2015 meeting with the Phase 2A consultant.

Director Thomas provided oral reports regarding the February 26, 2015 meeting with the General Manager, the March 4, 2015 ACWA 2015 Legislative Symposium and March 13, 2015 meeting with the General Manager.

Miscellaneous Correspondence and General Information

28. Certain correspondence received by the District was provided.
29. General Information related to District business was provided.

Director's Comments/Staff Statements and Requests

President Schild announced an upcoming WIFAA webinar and will forward the announcement to staff for distribution to the other Board members.

Closed Session (Closed Session Items are not opened to the public)

The Board convened in closed session at 9:03 to discuss the following:

30. Public employee performance evaluation involving the General Manager under Government Code section 54954.5(e) and 54957.

Return to Open Session

The Board reconvened in open session at 9:16 p.m. There was no reportable action.

Adjournment

President Schild adjourned the meeting at 9:17 p.m.

Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District



Agenda Item: 2

Date: April 6, 2015

Subject: Improvement Standards and Technical Specifications Policy (PL – Eng 001)

Staff Contact: John E. Valdes, Engineering Manager

Recommended Board Action:

Reaffirm the Improvement Standards and Technical Specifications Policy (PL – Eng 001) without changes.

Discussion:

Included with this report is the Improvement Standards and Technical Specifications Policy (PL – Eng 001) for the Board’s consideration. The current policy is attached as Exhibit 1. This policy is to be reviewed every two years. Staff is recommending that the Board reaffirm the policy with no changes.

The policy was submitted to the Board last month as an information item. Comments from Directors were requested by April 6, 2015; and none were received. Since no changes are being recommended by staff or Board members, the policy was not submitted to legal counsel for review.

Note that the Improvement Standards and Technical Specifications Policy (PL – Eng 001) was originally adopted by the Board on February 28, 2011, and was most recently reviewed in 2013

Fiscal Impact:

None.

Strategic Plan Alignment:

Facilities and Operations – 2.B: Monitor and improve the District’s efficiencies in operating and maintaining system infrastructure. By separating procedures from policy, the guiding documents necessary for clear direction to contractors and staff can be maintained thereby providing for efficient implementation and consistent improvements to the system.

Sacramento Suburban Water District

Improvement Standards and Technical Specifications PolicyAdopted: February 28, 2011

100.00 Purpose of the Policy

This document sets forth the policy of the Sacramento Suburban Water District concerning the establishment of Improvement Standards and Technical Specifications for the design and construction of improvements to the water works of the District. Improvement Standards and Technical Specifications are necessary to require minimum acceptable quality of design and construction of water infrastructure improvements. All improvements, modifications, and repairs to the District's water system will be planned, designed, and constructed in conformance with these Improvement Standards and Technical Specifications, any applicable District Regulations, and with any applicable special conditions that have been approved by the District.

200.00 Authority

In conformance with the California Water Code, Division 12, County Water Districts, the General Manager has the full responsibility and authority to set standards and specifications for the planning, design, construction, modification or repair of the water works system of the District. The Board of Directors recognizes this authority and through this document, acknowledges this as the policy of the District.

300.00 Responsibility

The General Manager shall be responsible for the establishment of the Improvement Standards and Technical Specifications of the District. He may, at his discretion, utilize District staff to update and maintain the Improvement Standards and Technical Specifications. The Improvement Standards and Technical Specifications will be maintained as a separate document and will be considered the procedures of this policy. The General Manager may review and change the Improvement Standards and Technical Specifications as necessary to meet the needs of the District.

400.00 Policy Review

This policy shall be reviewed at least biennially.



Agenda Item: 3

Date: April 3, 2015

Subject: 2014 Comprehensive Annual Financial Report and Annual Audit

Staff Contact: Daniel A. Bills, Finance Director

Recommended Board Action:

Accept the 2014 Comprehensive Annual Financial Report (CAFR), Federal Compliance Reports and related Auditor Letters.

Discussion:

The Auditor's will present the report, which is outlined in Exhibit 1 attached.

The District's Finance and Audit Committee met March 30, 2015 to review the CAFR, Federal Compliance Reports and related Auditor Letters. Richardson & Company, LLP, the District's new auditor, presented the results of the audit and answered Committee questions. Edits to the CAFR and one of the Auditor Letters were recommended by the Committee and have been incorporated in the attached versions.

Staff has prepared the District's CAFR for the year-ended December 31, 2014. The Auditors have performed their audit and rendered their opinion on the CAFR, which is found on pages 1 and 2 in the Financial Section of the CAFR (Exhibit 4). In addition to the Auditor's Opinion that is included in the CAFR, two letters are attached (Exhibits 2 and 3) wherein the auditors provide the results of their audit. In addition, the 2014 Compliance Report on Federal Grants is attached as Exhibit 4.

1. Letter to the Board (Exhibit 2 – this letter is a required communication as designated under generally accepted auditing standards. This letter reports to the Board significant audit findings, estimates used by the District in the Annual Report, and difficulties encountered during the audit and disagreements, if any, with management amongst other matters. The Auditors state there were no significant findings or difficulties encountered during the audit.

The auditors also report in this letter the additional procedures requested of them to be performed beyond the scope of work needed to audit the CAFR. They note there were "no significant deficiencies or material weaknesses noted as a result of the additional testing."

2. Letter to the Board and Management (Exhibit 3) – This letter is written to provide the District with information resulting from the audit on District internal controls. Internal

controls are the financially-related policies and procedures of the District. In this letter the auditors mention six items the District will want to note or make changes to in 2015 that will further strengthen the District's procedures.

3. Response to Letter to the Board and Management (Exhibit 4)
4. The CAFR (Exhibit 5) is presented in three sections:
 - a) Introductory – Provides readers with the background and organization of the District.
 - b) Financial – Begins with the Auditors Opinion, followed by Management's Discussion and Analysis of the financial results for 2014 and 2013, followed by the Financial Statements and Footnotes.
 - c) Statistical Information – Presents other financial information about the District and the community in which it operates and shows historical data for comparative purposes.
5. Attached as Exhibit 6 are the Federal Grant Compliance Reports, including the Auditor's Report on Internal Controls over Financial Reporting and the Auditor's Report on Major Program Compliance, related to District Federal Grant monies received in 2014 in accordance with Government Auditing Standards. The Auditor's Report on Internal Controls over Financial Reporting states that "we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses" (p. 1, last paragraph.) The Auditor's Report on Major Program Compliance states "In our opinion, the District complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The results of our auditing procedures, disclosed no instances of noncompliance that are required to be reported in accordance with OMB Circular A-133." (p. 3, last paragraph and first paragraph top of p. 4.)

Fiscal Impact:

\$41,900 – per Audit Engagement Letter with Richardson & Company, LLP - \$31,900 for the audit; \$4,000 for the Federal Single Audit, and \$6,000 for the additional procedures.

Strategic Plan Alignment:

Finance – 4.G. Produce annual financial statements and supporting documentation to allow outside auditors to provide the District with unqualified audit opinions.

SACRAMENTO SUBURBAN WATER DISTRICT

AUDIT PRESENTATION AGENDA

April 20, 2015

Presentation by Ingrid Shepline, Managing Partner of Richardson & Company, LLP of the Audit, including the following communications required by Generally Accepted Auditing Standards:

Reports issued

- Auditors' opinion on the financial statements
- Internal control and compliance reports
- Required communications letter
- Management letter with findings and recommendations

Independent Auditor's Report

- Unmodified (clean) opinion on basic financial statements
- Responsibility of management (District prepares the financial statement)
- Auditor's responsibility

Reports on Internal Control and Compliance

- Compliance with Federal Grant requirements (USBR regional water meter grant)
- No internal control weaknesses
- District complied with applicable laws, regulations

Required Communications Letter

- Significant adjusted audit differences
 - No misstatements noted requiring adjustments
 - Accounting records are clean
- Unadjusted differences noted (immaterial)
 - Well cleaning costs capitalized instead of expensed
 - Net impact is \$62,674 overstatement of net income
- No difficulties in performing the audit and no unusual accounting practices
- Additional procedures requested by management

Management Letter

- No material weaknesses in internal control
- Good controls in place
- Other items noted
 - Grant subrecipients audit reports to be requested timely
 - Capital asset list: Review for maintenance items, removal of items no longer in service
 - Discussion by Board, management and staff about risks of fraud
 - Document new billing and inventory systems
 - Detailed receipts for credit card charges
 - New pronouncement requiring accrual of unfunded pension obligation

Richardson & Company, LLP

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

To the Board of Directors
Sacramento Suburban Water District
Sacramento, California

We have audited the financial statements of the Sacramento Suburban Water District for the year ended December 31, 2014, and have issued our report thereon dated March 23, 2015. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transaction entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were: depreciable lives and method used to depreciate capital assets, the accrual for postemployment benefits, the estimate of uncollectible accounts receivables, the estimated interest payments on variable interest rate bonds, and the fair value of interest rate swaps. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The accrual for postemployment benefits was determined by an actuarial valuation, which is required to be performed every three years. The fair value of the interest rate swaps is based on a consultant's valuation based on market interest rates.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were the postemployment benefit disclosure in Note 13 and the interest rate swaps in Note 7 to the financial statement.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no material misstatements identified during the audit. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 23, 2015.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and Schedule of Funding Progress – Other Postemployment Benefits (OPEB), which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We are not engaged to report on introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Additional Procedures

The District requested us to increase the sample size of transactions reviewed as part of our internal control testing. Under generally accepted auditing standards, the auditor selects sample sizes based on their judgment to obtain reasonable assurance the financial statements are free of material misstatement. The requested procedures by the District resulted in the selection of additional transactions to be tested over the amounts required, in our judgment, for the audit. Our sample sizes, including the additional testing, included:

Cash Disbursements

We selected 25 transactions randomly from all disbursements made during the year. We also selected 15 transactions haphazardly from higher dollar disbursements. In addition, we scanned the list of petty cash disbursements made during the year and haphazardly selected 10 transactions for testing.

Wire and Bank Transfers

We haphazardly selected 10 wire and bank transfers during the year.

Credit Card Transactions

We reviewed all transactions charged to the District's credit cards during one month. We also haphazardly selected additional charges made during the year. A total 72 total credit card transactions were reviewed.

Board and Employee Reimbursements

We scanned the listings of all Board and employee reimbursements made during the year. We haphazardly selected 5 reimbursements made to Board members and 10 reimbursements made to employees from the listings.

Payroll Disbursements

We randomly selected 9 employees for payroll disbursement testing. We also selected 7 employees for testing that are part of senior management or involved in the finance and accounting function.

No significant deficiencies or material weaknesses were noted as a result of this additional testing.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company, LLP

March 23, 2015

SACRAMENTO SUBURBAN WATER DISTRICT
SUMMARY OF UNADJUSTED DIFFERENCES
YEAR ENDED DECEMBER 31, 2014

Description (Nature) of Audit Difference	Financial Statements Effect - Amount of Overstatement (Understatement) of:					
	Total Assets	Total Liabilities	Equity	Net Operating Income(Loss)	Net Non-operating Income(Loss)	Net Income(Loss)
Well cleaning (maintenance) recorded as CIP	\$ 62,674		\$ 62,674	\$ 62,674		\$ 62,674
Net Audit Differences	62,674	0	62,674	62,674	0	62,674
Financial Statement Caption Totals	319,705,676	108,666,805	220,321,926	12,049,165	(2,885,956)	9,163,209
Net Audit Differences as % of F/S Captions	0.02%	0.00%	0.03%	0.52%	0.00%	0.68%

Richardson & Company, LLP

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

To the Board of Directors and Management
Sacramento Suburban Water District
Sacramento, California

In planning and performing our audit of the financial statements of the Sacramento Suburban Water District (the District) as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given those limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we became aware of the following matters that have been included in this letter for your consideration:

Monitoring of Subrecipient Activity for Federal Grants

The District has served as the lead agency on federal grants in which a portion of the funds are passed through to other governmental agencies. The lead agency is responsible for monitoring the subrecipients for compliance with grant requirements and Single Audit regulations, such as verifying subrecipients have a Single Audit completed within nine months of year end if they have more than \$500,000 in expenditures from all federal awards during the year, monitoring findings on subrecipients audit reports, and ensuring subrecipients take corrective action on audit findings. The District has delegated much of the grant compliance responsibility to the Regional Water Authority. We noted the subrecipient audit reports had not been obtained prior to the start of the audit, but they were provided during the course of the audit. We recommend the District ensure that the Regional Water Authority is complying with the grant and Single Audit requirements for monitoring subrecipients.

Capital Assets

We recommend the construction in progress and fixed asset listings be reviewed periodically to ensure all amounts on the listings represent assets. We noted maintenance related costs for a well were included on the construction in progress listing that would more appropriately be recorded as expense. Also, during 2014, the District incurred costs for the demolition of wells but no wells were removed from the fixed asset listing. We recommend the District compare the list of wells in service to the fixed asset listing and remove wells that are no longer being used by the District.

We also noted the District replaced a meter at a well, which resulted in an asset addition, but no corresponding asset was removed. It appears the original meter was included as part of the cost of the well, which was fully depreciated, so the financial impact of not removing the asset is not significant. The District is currently recording assets based on their identifiable pieces so they are easier to remove when disposed, but this practice was not done in earlier years. As a result, the District's capital asset list may contain items that are no longer in service, but most of these items are likely fully depreciated. The District should consider reviewing the asset list for possible items that can be removed that may no longer be in service.

Discussion of the Risk of Fraud

We recommend the Board discuss the risk of fraud at least once a year and the results be documented in the Board minutes. This discussion could be based on an evaluation of specific risks identified and presented by management to address specific concerns of Directors. In addition, we recommend that management include the topic of fraud as a discussion item at a staff meeting at least once a year.

Documentation of the Billing and Inventory Systems

The District has indicated they plan to review and document the controls and procedures of their Customer Information and Inventory Systems. We encourage the District to complete these reviews.

Credit Card Charges

We did note a few instances in our review of credit card charges where the detail of a meal was not provided with the receipts. We recommend the District verify with the purchaser the expenditures are allowable under District policy if a detailed receipt is not provided by the restaurant. The District could request the employee or Board member to provide a certification that no prohibited items were purchased in cases when a detailed receipt is not provided.

New Pronouncements

In June 2012, the GASB approved Statement No. 68, "Accounting and Financial Reporting for Pensions." This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. Historically, GASB's pension standards viewed the obligation to provide benefits as belonging to the plan, rather than to the employer. As a result, employers disclosed the amount of unfunded pension liability in notes to their financial statements instead of recognizing a liability on the face of the statement of net position. As the District participates in a multi-employer cost-sharing plan, the District will be required to report a liability equivalent to their proportionate share of the net pension liability of the plan as well as the related pension expense and any deferred inflows or deferred outflow of resources. Historically, the District has only included their required contributions as an expense. Based on the June 30, 2013 actuarial evaluation, the District's share of the unfunded pension liability is \$5,473,000 as of June 30, 2013, which is the latest available actuarial

To the Board of Directors
Sacramento Suburban Water District
Page 3

study. The provisions of the Statement are effective beginning with the December 31, 2015 financial statements.

* * * * *

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the examination. This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than the specified parties.

Richardson & Company, LLP

March 23, 2015



To: Board of Directors

From: Daniel A. Bills, Finance Director

Date: April 6, 2015

RE: Response to Management Letter from Richardson & Company, LLP

The Auditors (Richardson & Company, LLP) have provided the Board with recommendations to improve District procedures in their Management Letter. Staff concurs with the recommendations and intends on implementing all of them in 2015 by amending District procedures as follows:

1. Monitoring of Subrecipient Activity for Federal Grants.

Auditor Comment:

The District has served as the lead agency on federal grants in which a portion of the funds are passed through to other governmental agencies. The lead agency is responsible for monitoring the subrecipients for compliance with grant requirements and Single Audit regulations, such as verifying subrecipients have a Single Audit completed within nine months of year end if they have more than \$500,000 in expenditures from all federal awards during the year, monitoring findings on subrecipients audit reports, and ensuring subrecipients take corrective action on audit findings. The District has delegated much of the grant compliance responsibility to the Regional Water Authority. We noted the subrecipient audit reports had not been obtained prior to the start of the audit, but they were provided during the course of the audit. We recommend the District ensure that the Regional Water Authority is complying with the grant and Single Audit requirements for monitoring subrecipients.

The District and the Auditors have contacted RWA and discussed the federal grant administration requirements with RWA staff. RWA understands and agrees with implementing the requirements. Staff will do a more thorough job of reviewing RWA tasks more fully going forward.

2. Capital Assets

Auditor Comment:

We recommend the construction in progress and fixed asset listings be reviewed periodically to ensure all amounts on the listings represent assets. We noted maintenance related costs for a well were included on the construction in progress listing that would more appropriately be recorded as expense. Also, during 2014, the District incurred costs for the demolition of wells but no wells were removed from the fixed asset listing. We recommend the District compare the list of wells in service to the fixed asset listing and remove wells that are no longer being used by the District.

We also noted the District replaced a meter at a well, which resulted in an asset addition, but no corresponding asset was removed. It appears the original meter was included as part of the cost of the well, which was fully depreciated, so the financial impact of not removing the asset is not significant. The District is currently recording assets based on their identifiable pieces so they are easier to remove when disposed, but this practice was not done in earlier years. As a result,

the District's capital asset list may contain items that are no longer in service, but most of these items are likely fully depreciated. The District should consider reviewing the asset list for possible items that can be removed that may no longer be in service.

The capital asset records prior to the formation of SSWD contain minimal information on the location or identity of specific capital assets. The records only indicate the type of asset constructed, e.g., wells, pipeline, etc. Additionally, each prior District depreciated capital assets over significantly different estimates of useful life. For example, Arcade depreciated pipelines over 80 years, Northridge over 150 years, while SSWD uses 80 years or less. Therefore, the auditor's recommendation becomes difficult to implement due to the inability to identify the specific asset and its related depreciation that was replaced when a new, replacement asset was constructed. Accordingly, the current Capital Asset Policy of the District states "If the existing asset's book value is determinable, then the existing asset should be removed from the books at the time the replacement is recorded. If the existing asset is not separately identifiable, then the replacement should still be capitalized as the existing asset's book value is assumed to be negligible."

Despite these issues, during 2015 staff and a consultant or student intern will go through all the capital asset records of the District, matching costs to specific assets currently held by the District to the extent possible and then develop a logical solution to apply remaining costs to remaining assets. Any remaining unidentified or unallocable costs and all fully depreciated capital assets will then be removed from the District's accounting records.

3. Discussion of the Risk of Fraud

Auditor Comment:

We recommend the Board discuss the risk of fraud at least once a year and the results be documented in the Board minutes. This discussion could be based on an evaluation of specific risks identified and presented by management to address specific concerns of Directors. In addition, we recommend that management include the topic of fraud as a discussion item at a staff meeting at least once a year.

The Finance Manager will update and review the District's Workplace Dishonesty Policy and Procedure with all District staff at the June Employee Monthly Meeting and with the Board at its July meeting.

4. Documentation of the Billing and Inventory Systems

Auditor Comment:

The District has indicated they plan to review and document the controls and procedures of their Customer Information and Inventory Systems. We encourage the District to complete these reviews.

Staff obtained a copy of the audit procedures applicable to accounts receivable and inventory from the auditors. During 2015, staff will use the audit procedures to validate/update current District operating procedures for billing and inventory. A copy of the completed audit procedures and updated operating procedure manuals will be provided to the auditors.

5. Credit Card Charges

Auditor Comment:

We did note a few instances in our review of credit card charges where the detail of a meal was not provided with the receipts. We recommend the District verify with the purchaser the expenditures are allowable under District policy if a detailed receipt is not provided by the restaurant. The District could request the employee or Board member to provide a certification that no prohibited items were purchased in cases when a detailed receipt is not provided.

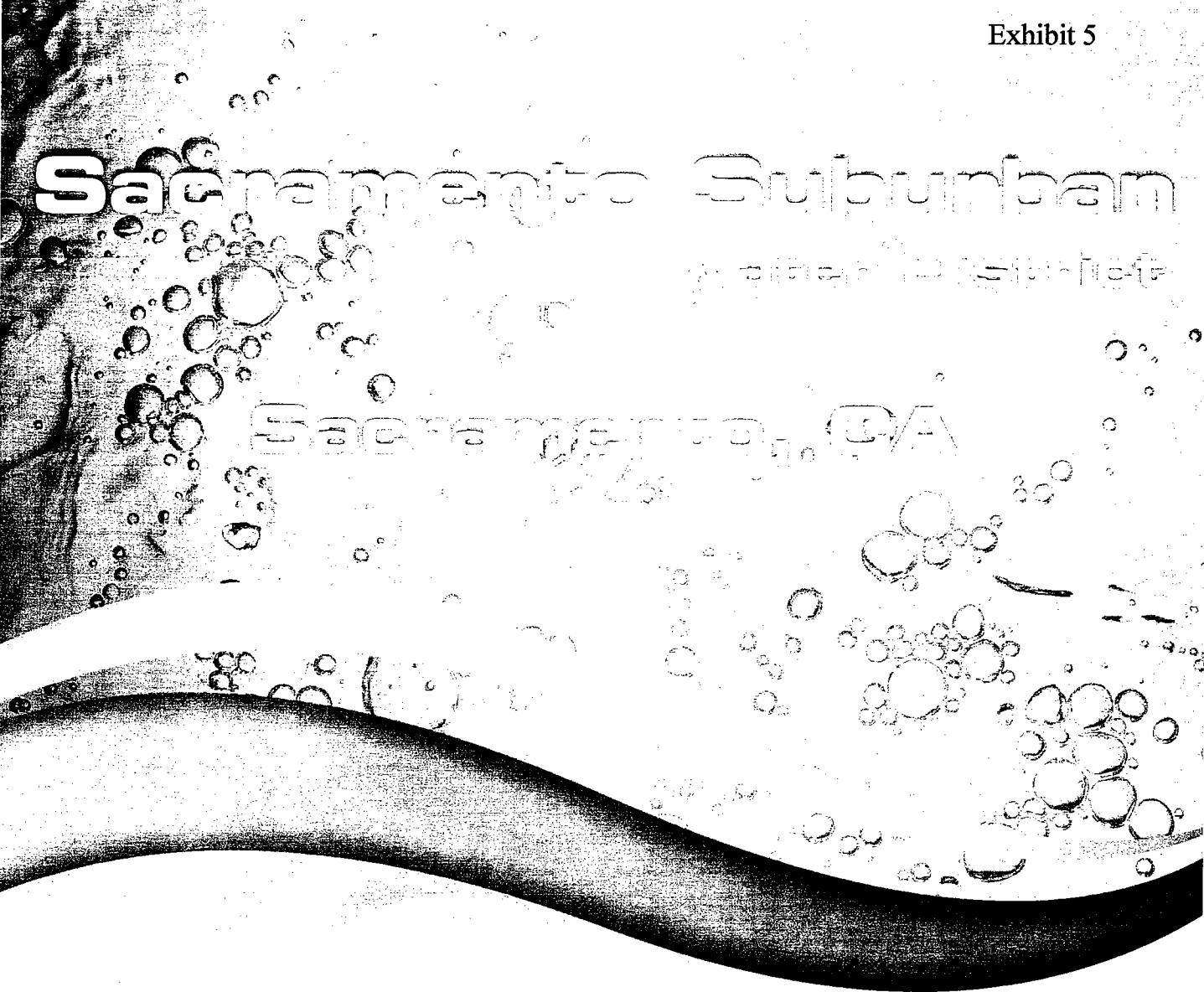
Finance staff will provide training to all District employees on appropriate support for reimbursement requests. Two finance staff will specifically review all meal reimbursement requests prior to reimbursement.

6. New Pronouncements

Auditor Comment:

In June 2012, the GASB approved Statement No. 68, "Accounting and Financial Reporting for Pensions." This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. Historically, GASB's pension standards viewed the obligation to provide benefits as belonging to the plan, rather than to the employer. As a result, employers disclosed the amount of unfunded pension liability in notes to their financial statements instead of recognizing a liability on the face of the statement of net position. As the District participates in a multi-employer cost-sharing plan, the District will be required to report a liability equivalent to their proportionate share of the net pension liability of the plan as well as the related pension expense and any deferred inflows or deferred outflow of resources. Historically, the District has only included their required contributions as an expense. Based on the June 30, 2013 actuarial evaluation, the District's share of the unfunded pension liability is \$5,473,000 as of June 30, 2013, which is the latest available actuarial study. The provisions of the Statement are effective beginning with the December 31, 2015 financial statements.

GASB 68 is a new footnote disclosure requirement for the District that will be effective for the 2015 Comprehensive Annual Report (CAFR). In the Fall of 2015 (when CalPERS releases the 2015 actuarial reports) staff will make a presentation to the Board on the impact of the new disclosure requirement.



Sacramento Suburban

Sacramento, CA

Comprehensive Annual Financial Report

For the Fiscal Years Ended December 31, 2014 and 2013

Comprehensive Annual Financial Report
For The Fiscal Years Ended December 31, 2014 and 2013



Sacramento Suburban Water District
Sacramento, California

Prepared by:
The Finance Department

TABLE OF CONTENTS

	<u>Page</u>
Introductory Section (Unaudited)	
Letter of Transmittal	I-VI
Certificate of Achievement in Financial Reporting	VII
Principal District Officials	VIII
Organization Chart	IX
District Service Area Map	X
Financial Section	
Independent Auditor's Report	1-2
Management's Discussion and Analysis (MD&A) (Unaudited)	3-12
Basic Financial Statements:	
Statements of Net Position	13
Statements of Revenues, Expenses and Changes in Net Position	14
Statements of Cash Flows	15-16
Notes to the Basic Financial Statements	17-47
Required Supplementary Information Other than MD&A (Unaudited):	
Schedule of Funding Progress - Other Postemployment Benefits (OPEB)	48
Statistical Section (Unaudited)	
Contents	49
Statements of Net Position	50
Changes in Net Position	51
Operating Revenues by Source	52
Retail Water Rates	53
Facility Development Charges (Connection Fees)	54
Principal Retail Rate Payers	55
Outstanding Debt by Type and Number of Connections	56
Schedule of Net Revenues	57
Demographic and Economic Statistics	58
Sacramento County Principal Employers	59
Annual Water Production	60
Wheeling Water Deliveries	61
Operating Activity	62-63
Full-Time Equivalent Employees	64

Introductory Section

General Manager

Robert S. Roscoe, P. E.



Board of Directors

President - Neil W. Schild
Vice President - Kevin M. Thomas
Frederick A. Gayle
Craig M. Locke
Robert P. Wichert

March 23, 2015

Board of Directors
Sacramento Suburban Water District
Sacramento, California

The Sacramento Suburban Water District (District) is required under State law to publish, within six months of the close of each fiscal year, a complete set of basic financial statements presented in conformity with generally accepted accounting principles (GAAP). These basic financial statements are required to be audited in accordance with generally accepted auditing standards, accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the State Controller's *Minimum Audit Requirements for California Special Districts*. Pursuant to these requirements, the District hereby issues this Comprehensive Annual Financial Report (CAFR) of the District for the years ended December 31, 2014 and 2013.

This CAFR consists of management's representations concerning the District's finances. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this CAFR. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect the District's assets from loss, theft, and misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this CAFR is complete and reliable in all material respects.

The District's basic financial statements have been audited by Richardson & Company, LLP, an independent firm of licensed certified public accountants. In their role as independent auditors, Richardson & Company, LLP worked directly for the Board of Directors and the Board's standing Finance and Audit committee. The goal of the independent audit is to provide reasonable assurance that the District's basic financial statements for the fiscal year ended December 31, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's basic financial statements for the fiscal year ended December 31, 2014 are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component in the Financial Section of this CAFR.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be

found immediately following the Independent Auditor's Report in the Financial Section of this CAFR.

District Profile

The District's mission is "to deliver a high quality, reliable supply of water and superior customer service at a reasonable price." District goals in support of this mission include: assure a safe and reliable supply of high quality water in an environmentally responsible and sustainable manner for District customers; plan, construct, operate and maintain the District water system facilities embracing sustainable practices to provide reliable delivery of high quality water; assure superior customer service; ensure effective and efficient management and public reporting of all District financial processes; and provide leadership on regional, statewide and national water management issues that affect the District.

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

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

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

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

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

Water Supplies and Management

California is beginning its fourth consecutive year of drought. While the District continues to enjoy an ample supply of water due to its investment in both surface water and groundwater infrastructure and supply sources, in response to two State Drought Emergency Declarations issued by the Governor in 2014, followed by the California State Water Resources Control Board issuing Emergency Regulations mandating California water agencies adopt a Water Shortage Contingency Plan wherein certain water use restrictions were required to be implemented, the District adopted a “Water Shortage Contingency Plan” by, amongst other actions, asking customers to voluntarily reduce their water consumption by 25%. As a result of these efforts, District water usage declined by 16% in 2014 compared to 2013.

The water supply of the District is a combination of both surface water and groundwater. Historically, the District had used groundwater as its water supply source; however, in 1998, the District initiated a conjunctive use program, supplementing its groundwater supply with surface water to address the declining groundwater table using in-lieu recharge. The District has made significant investments to put surface water supply and conjunctive use facilities in place, and as a result of these investments, groundwater levels have stabilized or improved.

The District pumps its groundwater from approximately 82 active wells. All of the wells pump directly into the distribution system and are generally between 210 and 1,260 feet deep. The wells of the District are located in the North American Groundwater Basin north of the American River. While groundwater levels fluctuate based on hydrological conditions, groundwater levels historically declined within the District over the 50 years prior to the millennium at an average rate of approximately 1.5 to 2.0 feet per year. Since 2000, however, groundwater levels in the portion of the North American Groundwater Basin from which the District pumps water have stabilized, in large part because of increasing surface water acquisitions by the District in addition to customer conservation practices. Total maximum daily production from the District’s wells is about 130.9 million gallons and is sufficient to supply 100% of water demand within the District with a reasonable factor of safety. There are currently no legal or regulatory restrictions on the amount of groundwater that can be pumped by the District. The District is part of the Sacramento Groundwater Authority, a regional entity formed to manage, stabilize and sustain the groundwater basin.

In addition to groundwater, the District currently imports surface water from three supply sources when available. The District purchases surface water from Placer County Water Agency (PCWA), supplied from the Middle Fork American River and delivered to Folsom Reservoir and Section 215 Central Valley Water Project water from the United States Bureau of Reclamation (USBR), when available. The PCWA and USBR water is treated by San Juan Water District at the Peterson Water Treatment Plant pursuant to contract and then conveyed through District-owned transmission pipelines or contracted pipeline capacity into the District’s water distribution system in the North Service Area. Commencing in 2007, the District also began receiving American River water purchased pursuant to a contract with the City of Sacramento (City). The City water is diverted and treated by the City at its E.A. Fairbairn Water Treatment Plant and conveyed through District-owned pipeline capacity for distribution to customers in the District’s South Service Area. All of these sources of surface water ultimately depend upon unimpaired inflow to Folsom Reservoir, or releases from Folsom Reservoir to the Lower American River, and are not available in all years or at all times. The District generally plans to increase surface water deliveries and reduce groundwater deliveries during wet hydrological years and to rely on groundwater deliveries and reduce surface water deliveries during dry hydrological years in a conjunctively managed fashion.

Revenue Sources

The District's annual revenues come primarily from water sales. Operating revenues segregate water sales into three components used by the District in setting its water rate structure: consumption charges, service charges and capital facility charges. In addition, the District receives operating revenues from treated water passed through its conveyance system to neighboring water districts as well as from fees charged for certain District services, including penalty charges. Periodically, the District also receives operating revenue from water transfer sales.

The District continues to be in a period of transition as water meters are installed on unmetered residential connections and customers are gradually converted from flat rate accounts to metered rate accounts. Presently, 75 percent of the District is metered, with all connections expected to be fully metered before the year 2025. Current flat rate accounts include a fixed monthly service charge with a "variable" charge based on parcel size. The fixed portion of the charge reflects the estimated fixed costs of service as well as a base water allotment considered sufficient for indoor usage. The portion of the service charge tied to parcel size is intended to reflect an estimate of water usage for irrigation purposes. A capital facility charge is applied based on connection size and is intended to cover pay-as-you-go capital improvements and debt service charges. The District offers a water meter and metered billing to any flat-rate customer on request.

Current residential metered rates include fixed service charges plus two-tier water usage rates as well as a capital facility charge based on connection size. The tier structure includes 10 cubic feet (CCF) per month at a lower initial rate with usage in excess of 10 CCF at a higher rate. 10 CCF is equivalent to roughly 250 gallons per day, and is intended to approximate typical indoor water usage for residential customers.

Non-residential customers are subject to fixed service charges plus a seasonal water usage rate structure as well as a capital facility charge based on connection size. Under the seasonal rates a higher rate applies to water usage during peak months (May through October) and a lower rate during non-peak months (November through April). All non-residential customers are on metered accounts.

The District's other routine sources of revenue come primarily from state and federal capital grants, developer contributions, rental income and investment income.

Local Economy¹

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates. Sacramento County (County) is the eighth most populous county in California with a population of roughly 1.46 million and is home to the state's capital. The County sits in the middle of the agriculturally rich 400-mile long Central Valley of California. Sacramento's four-county metropolitan statistical area (metro-area) is the largest metro-area in the Central Valley and is the fifth largest metro-area in the state. From 2008-2013, the population of Sacramento County grew at an annual average rate of 0.7%. Employment in the County consists of a labor force of 679,700 with an unemployment rate of 7.3% in 2014 down from 8.8% in 2013. Employment and population are projected to grow by an average 1.7% and 1.0% per annum, respectively, over the next five years in the County.

The County's economy is broadly based. Government, professional and business services are the largest sectors of employment in the area, while education, healthcare, wholesale and retail trade and leisure and hospitality follow. Because it contains the state capital, the County's economy is highly influenced by the public sector. Government

¹ Source: State of California, Department of Transportation, Socio Economic Files, Sacramento County Economic Forecast.

jobs account for almost 27% of total wage and salary employment. Healthcare providers such as UC Davis Health Systems, Sutter Health, Dignity Health, along with technology based Intel are large private employers in the county. Job creation over the next five years is expected to come predominantly from professional and business services, education, healthcare and government.

Long-Term Financial Planning

The District currently has several major construction projects underway. These projects involve rehabilitation or replacement of existing facilities to ensure system reliability, to enhance operational efficiency, to protect the environment and public health, and to comply with water quality regulations. With an aging infrastructure, over the past several years the District has dedicated significant resources to the development of a comprehensive infrastructure assessment and the establishment of specific asset management plans for the ultimate needs of its facilities (typically to the end of each asset's useful service life). These asset plans are intended to allow the District to better plan and budget for future capital facility needs, consisting primarily of capital replacements, which is one of the most significant challenges facing the District. As the future capital needs of the District are primarily repair and replacement projects, the District intends to fund such projects through pay-as-you-go financing rather than the issuance of additional debt.

Relevant Financial Policies and Controls

Key District Financial Policies include the Water Service Charges and Rate Setting Policy, Reserve Policy, Debt Management Policy and the Budget Policy. Such policies, when coupled with the District's Internal Control Structure, guide and protect the financial position of the District.

Water Service Charges and Rate Setting Policy

This policy serves to provide guidance and consistency in District financial planning and the rate setting decision-making process for the Board of Directors and staff. The policy also provides a foundation for the long-term financial sustainability of the District, while providing the outside financial community with a better understanding of the District's commitment to managing itself in a financially prudent and sustainable manner.

Reserve Policy

The purpose of this policy is: to establish a reserve fund level that is specific to the needs and risks of the District; to identify when and how reserve funds are utilized and replenished; and to recognize the long-term nature of such funds and their relationship to current and projected customer rates. The District's financial reserve fund comprises various funds established for specific purposes and to mitigate certain risks. Collectively, these funds enable the District to operate in a safe and prudent manner, with the Policy providing for appropriate oversight.

Debt Management Policy

The District recognizes the issuance of long-term debt is a valuable funding source. Used appropriately and prudently, long-term debt can minimize the District's water system charges and rates over time. However, to minimize dependency on debt financing for capital projects, the District strives to fund annual renewal and replacement capital projects from rates. The District intends to manage itself to at least meet, and potentially exceed, the minimum and target Debt Service Coverage (DSC) requirements imposed by bond covenants. The District will not issue long-term debt to support operating costs.

Budget Policy

The District's budget serves as the foundation for financial planning and control. The budget is a one year financial plan for operating and maintenance expenses and capital projects and is adopted by the Board of Directors prior to each new calendar year. The budget is based on certain policies set by the Board of Directors

and is reviewed monthly as part of the District's regular financial reporting process. The Board of Directors must approve all supplemental amendments to the budgets and transfers between budgets. The General Manager directs the Finance Director/District Treasurer in transfers between category levels within individual adopted budgets throughout the fiscal year with subsequent reporting to the Board of Directors.

Internal Controls

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse. The internal control composition also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles and other reporting, including regulatory reporting, in accordance with the requirements of such reporting. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Major Initiatives

Major initiatives the District is pursuing involve regional efforts concerning water supply and quality, including water conservation and water metering. Selected from the recently developed asset management plans, the 2015 budget calls for certain capital improvement projects totaling \$18.3 million. Major projects include: well rehabilitation and replacements of \$2.5 million; distribution main replacements and improvements of \$9.7 million; and water meter installations and replacements totaling \$1.7 million.

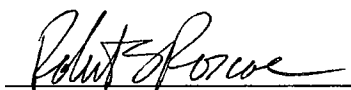
Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the year ended December 31, 2013. This was the third consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

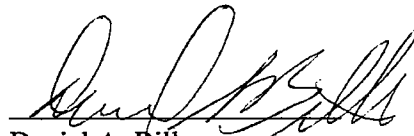
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this CAFR was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the Board of Directors for their continued support in the planning, implementation and oversight of the financial and internal control policies of the District.

Respectfully submitted,



Robert S. Roscoe
General Manager



Daniel A. Bills
Finance Director and
District Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Sacramento Suburban Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

Principal District Officials

Board of Directors - Elected Officials

<u>Title</u>	<u>Name</u>	<u>Division</u>	<u>Current Term</u>
President	Neil W. Schild	Division 2	12/2012-12/2016
Vice President	Kevin M. Thomas	Division 4	12/2014-12/2018
Director	Frederick A. Gayle	Division 1	12/2012-12/2016
Director	Craig M. Locke	Division 5	12/2014-12/2018
Director	Robert P. Wichert	Division 3	12/2014-12/2018

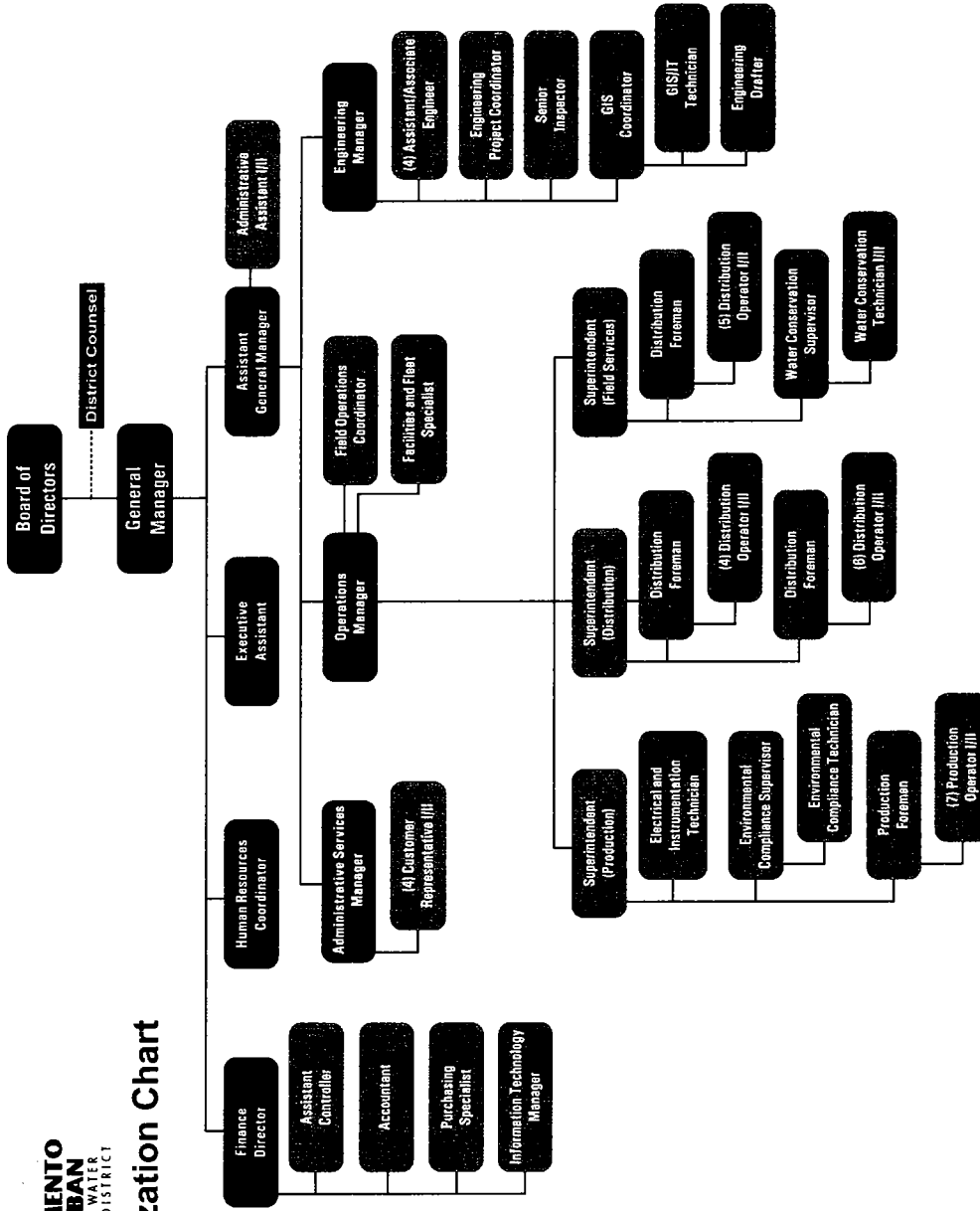
Staff - Appointed Officials

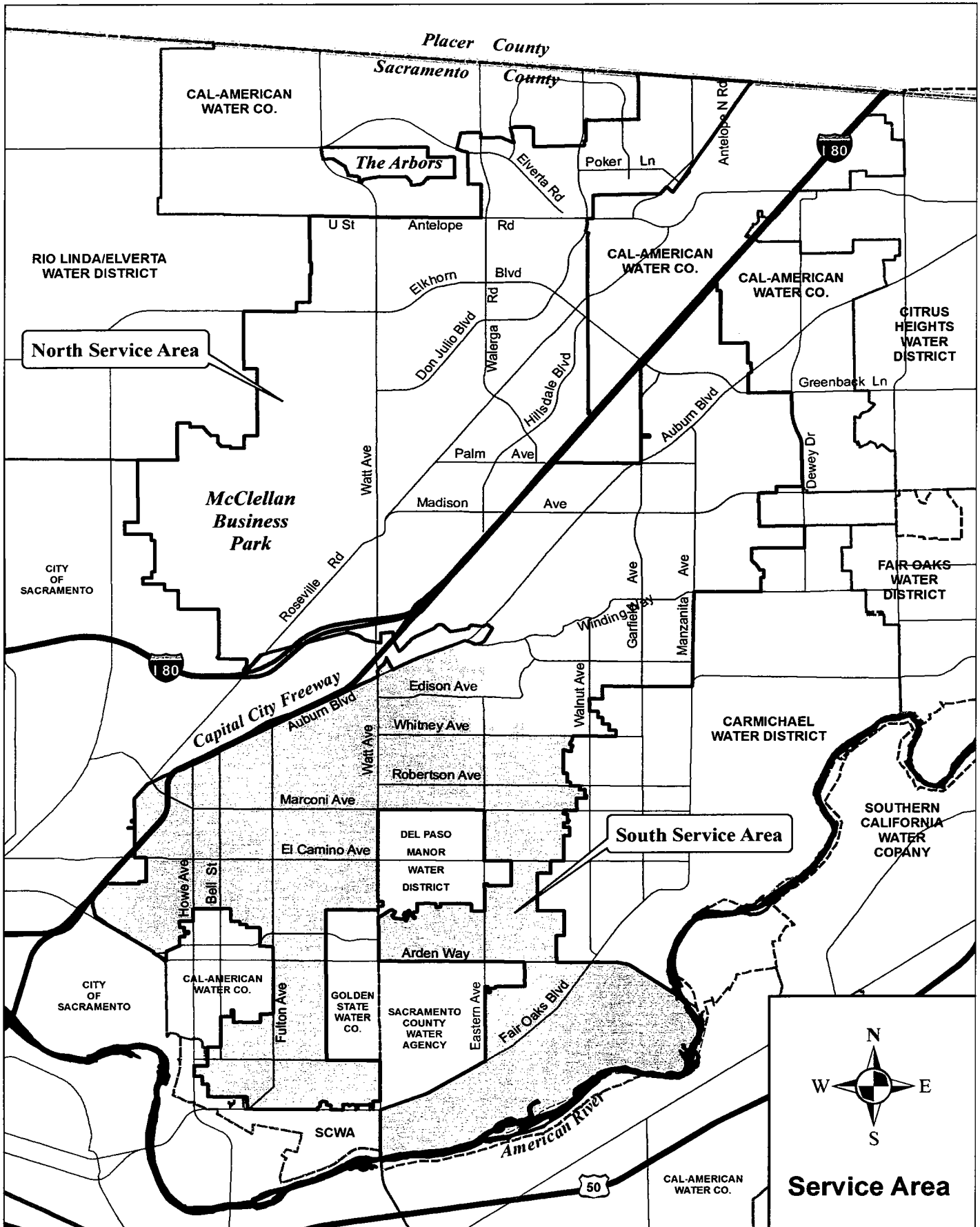
<u>Title</u>	<u>Name</u>
General Manager and Secretary	Robert S. Roscoe
Finance Director and District Treasurer	Daniel A. Bills
District Counsel	Bartkiewicz, Kronick & Shanahan, Joshua M. Horowitz

Additional Key Management Staff

<u>Title</u>	<u>Name</u>
Assistant General Manager	Daniel R. York
Operations Manager	James E. Arenz
Engineering Manager	John E. Valdes
Administrative Services Manager	Annette L. O'Leary

Organization Chart





Financial Section

Richardson & Company, LLP

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sacramento Suburban Water District
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of Sacramento Suburban Water District (the District), which comprise the statement of net position as of December 31, 2014, and the related statements of revenues, expenses, changes in net position, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Sacramento Suburban Water District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2014 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Prior Period Financial Statements

The financial statements of the District as of and for the year ended December 31, 2013 were audited by other auditors whose report dated April 4, 2014 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the Schedule of Funding Progress – Other Postemployment Benefits on pages 3 through 12 and 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

March 23, 2015

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2014 and 2013**

The following Management's Discussion and Analysis (MD&A) provides a general overview and analysis of the financial activities and performance of the District for the years ended December 31, 2014, and 2013. Readers are encouraged to consider the information presented here in conjunction with the Transmittal Letter and the Independent Auditor's Report which precedes this analysis, and the Basic Financial Statements and related Notes to the Basic Financial Statements (Notes), which follow.

Operational Activities and Highlights

Operating activity of the District varies, sometimes significantly, from year to year with the resulting changes affecting District revenues, expenses, capital project expenditures and overall cash flows. Those activities that tend to drive District costs most notably for the periods ending December 2014, 2013, and 2012, are highlighted below.

Water Activities and Highlights

- California is beginning its fourth consecutive year of drought. While the District continues to enjoy an ample supply of water due to its investment in both surface water and groundwater infrastructure and supply sources, in response to two State Drought Emergency Declarations issued by the Governor in 2014, followed by the California State Water Resources Control Board issuing Emergency Regulations mandating California water agencies adopt a Water Shortage Contingency Plan wherein certain water use restrictions were required to be implemented, the District adopted a "Water Shortage Contingency Plan" by, amongst other actions, asking customers to voluntarily reduce their water consumption by 25%. As a result of these efforts, District water usage declined by 16% in 2014 compared to 2013. Accordingly, water consumption sales declined by \$1.6 million (13%) in 2014 compared to 2013. When coupled with the corresponding \$0.3 million reduction in water supply and pumping expenses, the net effect to the District of the reduced water sales was \$1.3 million.
- In addition to the Drought Emergency Declarations of 2014, per state law, the District must reduce its per capita water consumption by 20 percent by the year 2020 when compared to a "baseline period," which for the District is the average per capita usage for the years 1997 to 2006. The District is on track to meet this mandate, utilizing various conservation measures such as water audits, outreach programs, water metering and monitoring during periods of peak demand.
- For the period ended December 31, 2014, the District supplied 32,676 acre-feet of water to 46,112 retail connections, compared to 38,902 acre-feet of water to 45,391 connections in 2013, and 38,731 acre-feet of water to 44,776 connections in 2012. Effectively, all of the water supplied for the periods ended December 31, 2014 and 2013, was pumped from the ground, compared to 72 percent for the period ended December 31, 2012.
- Water transfer sales and water wheeled to adjacent water-purveyors continue to provide the District with additional revenues. In 2013, the District sold 2,822 acre-feet of surface water to the State Water Contractors Association for net revenues of \$0.4 million. In 2014, the District wheeled 125 acre-feet of water to neighboring purveyors, compared to 348 acre-feet in 2013, and 642 acre-feet in 2012 for \$5,000, \$6,000 and \$170,000, respectively.

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2014 and 2013**

- The District continues to enjoy access to groundwater and, when available, surface water sources that meet drinking water requirements. Where the source water quality exceeds any regulated constituent, the source is removed from service or, treatment is provided that meets regulatory levels established by the USEPA and the State Water Resources Control Board's Division of Drinking Water. The District regularly tests for over 120 different constituents in its raw and treated water. The results of any detected constituents are published in the "Consumer Confidence Report" or, "Annual Water Quality Report" that is distributed each summer. Regulations governing drinking water quality require that the District comply with certain maximum contaminant levels established at the federal and state levels.

Capital Project Activities and Highlights

- The District is continuously working on various major construction projects, most of which are related to the replacement of distribution system mainlines that are near the end of their useful service life and the installation of water meters meeting state law requirements as discussed more fully below. In 2014, approximately 10.6 miles of new pipeline and appurtenances were installed, compared to 9.1 miles in 2013 and 7.9 miles in 2012. Additionally, in 2014 five groundwater production wells were rehabilitated, one was abandoned and three were destroyed. Total expenditures for all capital projects in 2014, 2013, and 2012 were \$20.2 million, \$19.8 million and \$16.1 million, respectively.
- In accordance with state law, the District is continuing its progress to have all its connections on water meters by the year 2025. During 2014, 1,984 new meters were installed, compared to 2,590 in 2013 and 1,909 in 2012. The increase in 2013 was due to the receipt of additional federal and state grants to accelerate water meter installation in the amount of \$198,000 and \$274,000, respectively. With the additional grant funding, the District was able to install another 462 water meters at a reduced cost to its customers. As of December 31, 2014, approximately 75 percent of the District's connections are on water meters compared to 71 percent at the end of 2013 and 67 percent at the end of 2012. Accordingly, the District is on track to meet this mandate.

Description of the Basic Financial Statements

The Basic Financial Statements are designed to provide readers with a broad overview of the District's finances. Since the District's primary function is to deliver a high quality, reliable supply of water to its consumers and recover the associated costs through customer fees and charges, the Basic Financial Statements report activities in a manner similar to a private-sector business. The Basic Financial Statements are as follows:

The Statements of Net Position present information on all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position, some of which is restricted in accordance with debt covenants. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position present information showing how the District's net position changed during the years ended December 31, 2014 and 2013. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. In other words, the District reports expenses and revenues on an accrual basis rather than a cash basis.

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2014 and 2013**

The Statements of Cash Flows present information on the sources and uses of cash within the District throughout the year that serves to explain the change in the amount of the District's cash and cash equivalents that are on hand at the end of each year. Cash generation and/or usage from four different activity-types of the District are provided: operations, non-capital financing, capital and related financing, and investing.

The Notes to the Basic Financial Statements (Notes) provide additional information that is essential to a full understanding of the data provided in the Basic Financial Statements.

The Required Supplementary Information Section of this Comprehensive Annual Financial Report (CAFR) includes information describing the District's contributions to, and funding progress of, the postemployment benefits other than pensions for District employees.

The Statistical Section of this CAFR provides selected financial and operational data over the last ten years where available, which includes the Schedule of Net Revenues showing the District's debt service coverage ratio.

Condensed Statements of Net Position

(Dollars in Thousands)

Assets	2014	2013	Change	2012	Change
Current assets	\$ 4,611	\$ 9,632	\$ (5,021)	\$ 9,045	\$ 587
Non-current assets	43,456	44,416	(960)	43,299	1,117
Capital assets, net	271,639	260,118	11,521	248,784	11,334
Total assets	319,706	314,166	5,540	301,128	13,038
Deferred outflows	9,283	9,251	32	11,556	(2,305)
Liabilities					
Current liabilities	7,935	7,840	95	7,844	(4)
Non-current liabilities	100,732	104,334	(3,602)	110,403	(6,069)
Total liabilities	108,667	112,174	(3,507)	118,247	(6,073)
Deferred inflows	-	2,565	(2,565)	-	2,565
Net position					
Net investment in capital assets	176,717	161,531	15,186	146,682	14,849
Restricted for debt service fund	3,540	3,520	20	3,532	(12)
Unrestricted	40,065	43,627	(3,562)	44,223	(596)
Total net position	\$ 220,322	\$ 208,678	\$ 11,644	\$ 194,437	\$ 14,241

Referring to the table above, total assets increased by \$5.5 million compared to December 31, 2013, to \$319.7 million as of December 31, 2014. The principal reason for the increase continues to be investments in capital assets as the District replaces its aging infrastructure. The source of funds for capital projects is primarily customer "Capital Facility Charges" collected monthly, as well as state and federal grants when available.

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2014 and 2013**

Current assets decreased by \$5.0 million in 2014 compared to an increase of \$0.6 million in 2013. The 2014 decrease was primarily attributable to investing an additional \$1.0 million of cash (investments are classified as non-current assets) and a \$1.6 million reduction in water consumption sales revenues resulting primarily from drought related water conservation requirements as discussed more fully above. The 2013 increase was primarily attributable to the liquidation of certain investments to meet operating needs. Such decreases in current assets are planned decreases as the Board of Directors has approved annual budgets where expenses exceed expected revenues in order to reduce District reserve levels since 2010.

Non-current assets decreased by \$1.0 million in 2014, compared to an increase of \$1.1 million in 2013. The decrease in 2014 is primarily attributable to a decrease in the negative fair market value of the interest rate swap (swap) that hedges a portion of the Series 2009A COP obligation (see Notes 1 and 7 and the non-current liability analysis below). The increase in 2013 reflects an increase in the negative fair market value of the swap. Investments comprise the majority of non-current assets. The District continues to invest most of its available cash in the capital markets and maintains a minimal investment in the state's investment pool. The investment portfolio had an unrealized market value loss of \$0.3 million as of December 31, 2014 and 2013, compared to a \$0.2 million unrealized market value gain as of December 31, 2012, reflecting changes in market rates.

Capital assets, net, increased \$11.5 million in 2014 due primarily to the construction and replacement of a portion (10.6 miles) of the District's transmission and distribution system, the rehabilitation of five wells, the addition of water infrastructure appurtenances such as fire hydrants, pressure reduction valves and water valves, and the installation of 1,984 new water meters. Several other capital asset construction projects are in various stages of completion with costs incurred as of December 31, 2014 amounting to \$5.5 million (see Note 5).

As of December 31, 2014 and 2013, deferred outflows primarily include deferred gains and losses on advance debt refundings. As of December 31, 2014, deferred outflows of resources also includes the "on-market" portion of the negative fair market value of the swap (see Notes 1 and 7).

Total liabilities decreased by \$3.5 million to \$108.7 million as of December 31, 2014. The decrease in 2014 primarily reflects expected decreases in the amount of debt outstanding due to scheduled principal payments of \$3.7 million, partially offset by the decrease in the negative fair market value of the swap of \$0.7 million.

Non-current liabilities - As part of its debt management strategy, the \$93.4 million debt principal outstanding as of December 31, 2014 includes both fixed-rate debt - \$51.4 million, and variable-rate debt - \$42.0 million (as of December 31, 2013 and 2012, the District had debt principal outstanding of \$97.0 million and \$100.6 million, respectively). The variable-rate debt is supported by an irrevocable direct-pay Letter of Credit provided by an international bank that expires in June 2015, and is partially hedged by a pay-fixed, receive-variable interest rate swap with a notional amount of \$33.3 million as of December 31, 2014, 2013 and 2012. During 2012, the terms of the swap were changed resulting in an "imputed borrowing" equivalent to the negative fair market value of the "off-market" portion of the swap of \$6.7 million at the time of restructure, the unamortized portion of which is \$5.9 million, and is reported as a component of long-term debt in the Statements of Net Position. As of December 31, 2014, the negative fair market value of the swap decreased from negative \$4.2 million as of December 31, 2013 to negative \$7.4 million. Accordingly, the "on market" component of the swap moved from a non-current asset and deferred inflow of resources of \$2.6 million as of December 31, 2013 to a non-current liability and deferred outflow of resources of \$0.7 million as of December 31, 2014. The imputed borrowing "off-market" portion of the swap, which is amortized over the life of the swap, was \$5.9 million and \$6.2 million as of December 31, 2014 and 2013, respectively (see Note 7).

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2014 and 2013**

The District realized an overall increase in net position of \$11.6 million for the year ended December 31, 2014, compared to \$14.2 million and \$7.1 million for the years ended December 31, 2013 and 2012, respectively. The components of net position as of December 31, 2014 are:

- The largest component of District net position is the District's net investment in capital assets which includes total capital assets (net of accumulated depreciation) plus deferred outflows on long-term debt refundings less related long-term debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending. Such net position increased by \$15.2 million to \$176.7 million as of December 31, 2014.
- Restricted net position consists solely of debt reserves held in escrow for the District's debt obligations. Changes to this amount in any one year are minor and typically reflect interest earned or market value changes on debt reserves held in escrow.
- At the end of 2014, 2013 and 2012, the District showed a positive balance in its unrestricted net position of \$40.1 million, \$43.6 million, and \$44.2 million, respectively. The decrease of \$3.6 million in the unrestricted net position for 2014 reflects the District's commitment to its capital plan, and is an indicator that the financial condition of the District remains strong.

Condensed Statements of Revenues, Expenses and Changes in Net Position

(Dollars in Thousands)

	2014	2013	Change	2012	Change
Revenues					
Operating revenues	\$ 38,929	\$ 41,319	\$ (2,390)	\$ 40,211	\$ 1,108
Rental revenue	286	307	(21)	300	7
Interest and investment revenue	548	89	459	(3,889)	3,978
Grant revenue pass-through to sub recipients	948	-	948	-	-
Other non-operating revenues	82	92	(10)	61	31
Total revenues	40,793	41,807	(1,014)	36,683	5,124
Expenses					
Operating expenses	15,994	16,324	(330)	16,882	(558)
Depreciation and amortization	10,886	10,424	462	9,890	534
Interest expense	3,802	3,914	(112)	4,157	(243)
Sub recipient grant expense	948	-	948	-	-
Other non-operating expenses	-	-	-	418	(418)
Total expenses	31,630	30,662	968	31,347	(685)
Net revenue before capital contributions	9,163	11,145	(1,982)	5,336	5,809
Capital contributions	2,481	3,096	(615)	1,729	1,367
Change in net position	11,644	14,241	(2,597)	7,065	7,176
Net position, beginning of year	208,678	194,437	14,241	187,372	7,065
Net position, end of year	\$ 220,322	\$ 208,678	\$ 11,644	\$ 194,437	\$ 14,241

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2014 and 2013**

From the table above it can be seen that the District's net position increased by \$11.6 million for the period ended December 31, 2014 compared to \$14.2 million for 2013. The increase results from a variety of factors as described more fully below.

The District's operating revenues come primarily from its customers. The District charges a metered rate to its commercial customers and a metered or flat rate to residential customers depending on whether the service connections of such customers have a water meter. All District customers, regardless of the type of service, are charged an operation and maintenance charge (service charge) and a capital facilities charge based on the size of their respective service lines. Capital facility charges are established for the purpose of paying for capital project and debt service costs.

Further, as shown in the table above, and as more fully illustrated in the table below, operating revenues decreased by \$2.4 million (5.8 percent) compared to the year ended December 31, 2013, primarily due to a decrease in retail water consumption sales of \$1.6 million as retail water production was down 16 percent primarily due to drought related water conservation requirements as described more fully above in the section "Water Activities and Highlights." For 2013, the District sold 2,822 acre-feet of surface water entitlements to the State Water Contractors Association through its Transfer Program for \$0.5 million that did not recur in 2014.

Operating Revenues
(Dollars in Thousands)

	2014	2013	Change	2012	Change
Operating Revenues					
Water consumption sales	\$ 10,827	\$ 12,451	\$ (1,624)	\$ 11,656	\$ 795
Water consumption sales – transfers	-	536	(536)	-	536
Water service charge	6,306	6,608	(302)	6,820	(212)
Capital facilities charge	20,678	20,650	28	20,619	31
Wheeling water charge	5	6	(1)	170	(164)
Other charges for services	1,113	1,068	45	946	122
Total operating revenues	\$ 38,929	\$ 41,319	\$ (2,390)	\$ 40,211	\$ 1,108

Non-operating revenues consist primarily of rental revenue, interest and investment income, and grant revenue to be passed through to subrecipients as the District was the lead agency in securing the grant.

Interest and Investment Income - Nearly all of the District's unrestricted cash is invested in fixed-income marketable securities. The yield to maturity on the unrestricted market portfolio as of December 31, 2014, 2013, and 2012 was 1.02 percent, 0.88 percent, and 0.91 percent, respectively. The District also invested its restricted cash in fixed-income market securities. The yield to maturity on the restricted portfolio as of December 2014 was 0.76 percent.

In 2014, the District also received \$1.0 million of federal grant monies passed-through to four local water purveyors who joined with the District in receiving federal grant awards for the installation of water meters.

Grant Income - From time-to-time, the District also receives financial assistance from other governmental agencies in the form of grants. In the years ended December 31, 2014, 2013 and 2012, the District received

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2014 and 2013**

\$26,000, \$1.4 million and \$0.2 million, respectively, in federal and state grant funds for the purposes of promoting water conservation, installing a new well site and the installation of water meters to accelerate the District's Water Meter Replacement Plan that has been established to meet state law. As stated above, the District is required to have water meters on all of its connections by the year 2025.

Capital Contributions - The District receives revenue in the form of water system assets donated by developers that have been inspected by District staff and meet District standards. The District utilizes such assets to meet the needs of certain of its customers. After a one-year warranty period, the developer is no longer liable to the District. All such assets are accounted for at fair market value at the time of the donation. In 2014, the fair market value of such donated assets was \$1.9 million, compared to \$1.6 million in 2013 and \$1.2 million in 2012.

Operating Expenses

(Dollars in Thousands)

	2014	2013	Change	2012	Change
Operating Expenses					
Source of supply	\$ 67	\$ 279	\$ (212)	\$ 2,039	\$ (1,760)
Source of supply – transfers	-	127	(127)	-	127
Pumping	4,637	4,706	(69)	4,238	468
Transmission and distribution	3,651	3,886	(235)	3,596	290
Water conservation	400	321	79	295	26
Customer accounts	1,124	1,086	38	976	110
Administrative and general	6,115	5,919	195	5,738	181
Total operating expenses	\$ 15,994	\$ 16,324	\$ (331)	\$ 16,882	\$ (558)

Operating expenses are primarily comprised of purchased treated surface water, electrical and chemical treatment costs of well water, ongoing system repairs and maintenance, and employee salaries and benefits. The volatility of such expenses from one year to another is primarily driven by the amount of surface water purchased in that year compared to the previous year. As shown in the table above, operating expenses decreased in 2014 by \$0.3 million (2.1 percent) relative to 2013, primarily due to lower water costs. Due to the dry hydrological conditions in 2014 and 2013, the District was mostly unable to purchase surface water for delivery to its customers. In its place, groundwater was pumped at a cost that is less than the cost of purchasing and treating surface water. Transmission and distribution costs decreased by \$0.2 million in 2014 relative to 2013, due to a reduction in the cost of repairs on the District's distribution system. Administrative and general expenses increased by \$0.2 million in 2014 relative to 2013 due to biannual Board election costs and consulting expenses for various engineering studies.

Non-operating expenses consist primarily of interest expense on the District's debt and the pass-through of grant revenues to subrecipients on grants where the District was the lead agency in securing the grant. Interest expense decreased by \$0.1 million in 2014 relative to 2013, due primarily to reduced debt principal outstanding, as market rates were relatively stable in both years. In 2014, non-operating expenses also included \$1.0 million of grant monies passed through to subrecipients.

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2014 and 2013**

Capital Asset Administration

(Dollars in Thousands)

Changes in capital asset amounts for 2014 were as follows:

	Balance 2013	Additions/ Transfers	Deletions/ Transfers	Balance 2014
Capital assets:				
Non-depreciable assets	\$ 6,036	\$ 20,680	\$ (16,948)	\$ 9,768
Depreciable & amortizable assets	384,406	18,675	(89)	402,992
Accumulated depreciation & amortization	(130,324)	(10,886)	89	(141,121)
Total capital assets, net	\$ 260,118	\$ 28,469	\$ (16,948)	\$ 271,639

Changes in capital asset amounts for 2013 were as follows:

	Balance 2012	Additions/ Transfers	Deletions/ Transfers	Balance 2013
Capital assets:				
Non-depreciable assets	\$ 10,426	\$ 20,659	\$ (25,049)	\$ 6,036
Depreciable & amortizable assets	358,258	26,148	-	384,406
Accumulated depreciation & amortization	(119,900)	(10,424)	-	(130,324)
Total capital assets, net	\$ 248,784	\$ 36,383	\$ (25,049)	\$ 260,118

As the District is a water utility most of its assets and annual expenditures relate to the construction, repair and maintenance of its infrastructure. Repair and replacement of aging infrastructure is one of the most significant challenges facing the District and other water utilities throughout the United States. The District assesses and manages its infrastructure and other capital asset needs through prudent and cost focused planning taking into consideration both current and future water resource availability, consumer peak-demand needs, maximization of the use of existing facilities, consideration for climatic changes, and other such assessments that can be used to sustain service to both current and future consumers. Such planning includes assessing each asset's risk of failure and the consequences to District operations. The assessment of infrastructure asset needs have been thoroughly reviewed and assessed by District engineering staff and outside consultants. For each infrastructure asset group a long-term asset management plan has been developed. Infrastructure plans for all District assets are now in place. Despite such plans having a long-term focus, typically to the end of each asset's useful service life, each plan is reviewed and reassessed biannually. See Note 5 for more detailed information on capital asset activity.

Funding for capital projects comes primarily from District customers as they are billed a monthly "Capital Facilities Charge" levied by the District for the payment of capital projects and debt service costs. In addition to customer charges, the District also utilizes state and federal grant funds when available for funding capital projects. In 2014, the District received \$26,000 in grant funds, compared to \$1.4 million in 2013 and \$0.2 million in 2012. The District does not intend to issue additional debt to pay for capital asset projects. As of December 31, 2014, the District has \$6.2 million in financial obligations to contractors on its open construction contracts. See Note 15 for more information.

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2014 and 2013**

Long-Term Debt Administration

(Dollars in Thousands)

Changes in long-term debt amounts for 2014 were as follows:

	Balance 2013	Additions	Retirements	Balance 2014
Long-term debt:				
2009A Certificates of participation	\$ 42,000	\$ -	\$ -	\$ 42,000
2009B Certificates of participation	29,700	-	(1,785)	27,915
2012A Revenue bond	25,330	-	(1,890)	23,440
Other (1)	10,808	-	(634)	10,174
Total long-term debt	\$ 107,838	\$ -	\$ (7,984)	\$ 103,529

Changes in long-term debt amounts for 2013 were as follows:

	Balance 2012	Additions	Retirements	Balance 2013
Long-term debt:				
2009A Certificates of participation	\$ 42,000	\$ -	\$ -	\$ 42,000
2009B Certificates of participation	31,405	-	(1,705)	29,700
2012A Revenue bond	27,205	-	(1,875)	25,330
Other (1)	11,435	-	(627)	10,808
Total long-term debt	\$ 112,045	\$ -	\$ (4,207)	\$ 107,838

(1) Consists of unamortized long-term debt premiums and an imputed borrowing on an off-market interest rate swap (See Note 7.)

The issuance of long-term debt is a valuable funding resource for the District. Used appropriately and prudently, long-term debt can minimize the District's water system charges and rates over time. The District manages its debt portfolio so as to mitigate risks inherent in debt issuances within an acceptable tolerance level. By managing debt and its repayment, the District is able to reduce various debt-related risk exposures such as market risk, credit risk, renewal risk, basis risk and tax risk, yet all the while provide the District with options to be utilized in future periods if needed. The District considers managing such risks more beneficial than eliminating such risks.

As part of its debt management strategy, the District issues both fixed-rate debt and variable-rate debt. No new transactions involving long-term debt have been undertaken in 2014 and 2013. During 2012, however, the District issued a fixed-rate revenue refunding bond (Series 2012A) to current refund the variable-rate Series 2008A-2 COP obligation. Simultaneous with the refunding, the District amended its swap that now partially hedges the Series 2009A variable-rate COP obligation (the unmatched portion of the swap is hedged against interest rate risk through the use of certain District investments). The District has in place an irrevocable direct-pay Letter of Credit (LOC) on the Series 2009A COP that is set to expire in June 2015. See Note 7 for more information.

For both 2014 and 2013, the District's credit rating was AA+ and Aa2 as rated by Standard and Poor's Ratings Services, Inc. (S&P) and Moody's Investor Services, Inc. (Moody's), respectively.

**Sacramento Suburban Water District
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2014 and 2013**

2015 Budget

Annually, the District adopts non-appropriated budgets for planning and control purposes. The budgets are adopted on a cash basis. Budgetary controls are set at the department level. The General Manager has the discretion of reallocating budgeted funds between accounts/projects within each budget with subsequent reporting to the Board of Directors.

The District utilizes two primary budgets to manage its activities. One is an annual Capital Budget (divided into two parts - intermediate-term capital and long-term capital) and the other is an Operations and Maintenance Budget. The long-term capital budget is intended to cover all District infrastructure projects that incorporate significant costs or long lead times and planning to complete. The intermediate-term capital budget is intended to incorporate expenditures for operational capital items, such as vehicles, field equipment, back hoes, and computer equipment. The Operations and Maintenance budget covers all recurring operational costs, such as the purchase and treatment of water, repairs and maintenance, employee salaries and benefits and other such expenditures.

On October 20, 2014, the Board of Directors approved an \$18.3 million long-term capital budget, a \$1.1 million intermediate-term capital budget, a \$7.9 million debt service budget and an \$18.0 million Operations and Maintenance budget for calendar year 2015. Upon adoption of the long-term capital budget, the Board of Directors also approved certain capital projects as outlined in the District's asset- management plans developed for each infrastructure asset group as discussed previously.

Conditions Affecting Current Financial Position

On March 16, 2015, the District approved an amendment with its current LOC provider to extend the terms and provisions of its LOC on the Series 2009A COP from terminating on June 30, 2015 to June 30, 2018 and reduced its annual facility fee from 57.5 basis points to 45 basis points as long as it's credit rating remains above A+ as determined by S&P or above A1 as determined by Moody's. The District's current credit ratings are noted above.

The District and San Juan Water District (located in Granite Bay, CA) have been exploring the possibility of merging for purposes of improving long-term water management and reliability. In April 2014, both District Boards of Directors accepted an initial report prepared by a professional consulting firm showing certain benefits to each district from merging. Further analysis continues, delving into organizational and other issues related to combining the two districts.

Requests for Information

This report is designed to provide a general overview of the District's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to:

Finance Director
Sacramento Suburban Water District
3701 Marconi Avenue, Suite 100
Sacramento, CA 95821-5346

Basic Financial Statements

Sacramento Suburban Water District
Statements of Net Position
December 31, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,313,305	\$ 5,413,907
Restricted cash and cash equivalents (notes 2 and 3)	32,271	31,397
Receivables, net (note 4)	2,241,329	3,014,435
Inventory	570,864	581,685
Prepays and other current assets	453,270	590,561
Total current assets	4,611,039	9,631,985
Noncurrent assets:		
Investments (note 2)	39,959,090	38,373,316
Restricted investments (notes 2 and 3)	3,497,003	3,478,267
Fair value of interest rate swap (notes 1 and 7)	-	2,564,670
Capital assets not being depreciated (note 5)	9,768,292	6,036,482
Capital assets being depreciated and amortized, net (note 5)	261,870,252	254,081,176
Total noncurrent assets	315,094,637	304,533,911
Total assets	319,705,676	314,165,896
Deferred outflows of resources		
Deferred outflow of effective swap (notes 1 and 7)	675,593	-
Deferred amount on long-term debt refundings (note 1)	8,607,462	9,250,586
Total deferred outflows of resources	9,283,055	9,250,586
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	2,404,021	1,871,396
Accrued interest payable	458,417	474,503
Unearned revenue and customer deposits	677,961	1,189,233
Compensated absences, current portion (note 6)	600,000	630,000
Current portion of long-term debt (note 7)	3,795,000	3,675,000
Total current liabilities	7,935,399	7,840,132
Noncurrent liabilities:		
Compensated absences (note 6)	321,934	170,990
Long-term debt, net of current portion (note 7)	99,733,879	104,162,562
Fair value of interest rate swap (notes 1 and 7)	675,593	-
Total noncurrent liabilities	100,731,406	104,333,552
Total liabilities	108,666,805	112,173,684
Deferred inflows of resources		
Deferred inflow of effective swap (notes 1 and 7)	-	2,564,670
Total deferred inflows of resources	-	2,564,670
Net position		
Net investment in capital assets (note 8)	176,717,127	161,530,682
Restricted for debt service reserve fund (note 9)	3,540,082	3,520,472
Unrestricted (note 10)	40,064,717	43,626,974
Total net position	\$ 220,321,926	\$ 208,678,128

See accompanying notes to the basic financial statements

Sacramento Suburban Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2014 and 2013

	2014	2013
Operating Revenues:		
Water consumption sales	\$ 10,826,599	\$ 12,451,284
Water consumption sales – transfers	-	536,218
Water service charge	6,306,241	6,607,557
Capital facilities charge	20,677,853	20,650,099
Wheeling water charge	5,551	6,127
Other charges for services	1,113,268	1,067,869
Total operating revenues	<u>38,929,513</u>	<u>41,319,154</u>
Operating Expenses:		
Source of supply	66,844	278,758
Source of supply – transfers	-	127,155
Pumping	4,636,673	4,705,822
Transmission and distribution	3,651,454	3,885,987
Water conservation	400,092	321,564
Customer accounts	1,124,358	1,086,079
Administrative and general	6,114,517	5,919,127
Total operating expenses	<u>15,993,938</u>	<u>16,324,492</u>
Operating income before depreciation and amortization	<u>22,935,575</u>	<u>24,994,662</u>
Depreciation and amortization (note 5)	(10,886,410)	(10,423,858)
Operating income	<u>12,049,165</u>	<u>14,570,804</u>
Nonoperating revenues (expenses):		
Rental revenue	286,217	306,473
Interest and investment revenue	548,363	89,155
Interest expense (note 7)	(3,802,350)	(3,913,617)
Other non-operating revenues	61,029	92,346
Grant revenue pass-through to subrecipients	947,563	-
Other non-operating expenses	(149)	(55)
Subrecipient grant expenses	(947,563)	-
Gain on disposal of capital assets, net	20,934	-
Total nonoperating revenues (expenses), net	<u>(2,885,956)</u>	<u>(3,425,698)</u>
Income before capital contributions	<u>9,163,209</u>	<u>11,145,106</u>
Capital contributions:		
Facility development charges	560,784	187,246
Developer capital contributions	1,893,996	1,553,213
Federal, state and local capital grants	25,809	1,355,783
Total capital contributions	<u>2,480,589</u>	<u>3,096,242</u>
Increase in net position	<u>11,643,798</u>	<u>14,241,348</u>
Net position, beginning of year	<u>208,678,128</u>	<u>194,436,780</u>
Net position, end of year	<u>\$ 220,321,926</u>	<u>\$ 208,678,128</u>

See accompanying notes to the basic financial statements

Sacramento Suburban Water District
Statements of Cash Flows
For The Years End December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash receipts from customers	\$ 38,818,829	\$ 41,188,832
Cash paid to suppliers for goods and services	(10,685,853)	(12,004,370)
Cash paid to employees for services	(4,506,403)	(4,702,769)
Net cash provided by operating activities	<u>23,626,753</u>	<u>24,481,693</u>
Cash flows from non-capital financing activities:		
Other nonoperating receipts	347,097	398,764
Grant receipts	947,563	-
Pass-through to sub-recipients	(947,563)	-
Net cash provided by nonoperating financing activities	<u>347,097</u>	<u>398,764</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(20,513,301)	(20,203,921)
Proceeds from disposal of capital assets	20,934	-
Principal payments on long-term debt	(3,675,000)	(3,580,000)
Interest payments on long-term debt	(3,498,761)	(3,578,507)
Principal payments on interest rate swap borrowing payable	(310,234)	(303,884)
Facility development charges received	99,775	294,685
Capital contributions received	869,232	478,390
Net cash used by capital and related financing activities	<u>(27,007,355)</u>	<u>(26,893,237)</u>
Cash flows from investing activities:		
Purchase of investment securities	(27,893,029)	(30,578,973)
Proceeds from sales and maturities of investment securities	26,305,097	31,610,234
Interest received on investment securities	521,890	527,621
Net cash (used) provided by investing activities	<u>(1,066,042)</u>	<u>1,558,882</u>
Net decrease in cash and cash equivalents	<u>(4,099,727)</u>	<u>(453,898)</u>
Cash and cash equivalents at beginning of year	5,445,304	5,899,202
Cash and cash equivalents at end of year	<u>\$ 1,345,576</u>	<u>\$ 5,445,304</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	\$ 1,313,305	\$ 5,413,907
Restricted cash and cash equivalents	32,271	31,397
Total cash and cash equivalents	<u>\$ 1,345,576</u>	<u>\$ 5,445,304</u>

Continued on next page

See accompanying notes to the basic financial statements

Sacramento Suburban Water District
Statements of Cash Flows, Continued
For the Years Ended December 31, 2014 and 2013

	2014	2013
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 12,049,165	\$ 14,570,804
Adjustments to reconcile operating revenue to net cash provided by operating activities:		
Depreciation and amortization	10,886,409	10,423,858
Bad debt expense	(58,539)	(57,258)
Changes in operating assets and liabilities		
(Increase) decrease in operating assets:		
Accounts receivable	(51,653)	229
Other receivables	49,771	(66,778)
Inventory	10,821	7,617
Prepays and other current assets	137,291	(69,832)
Increase (decrease) in operating liabilities:		
Accounts payable	931,290	(826,919)
Unearned revenue	(50,262)	(6,515)
Accrued compensated absences	120,944	(98,144)
Accrued expenses	(398,664)	604,631
Total adjustments	11,577,408	9,910,889
Net cash provided by operating activities	\$ 23,626,573	\$ 24,481,693
Noncash investing, capital and financing transactions:		
Receipt of capital assets	\$ 1,893,996	\$ 1,553,213
Change in fair value of investments	2,397	(543,040)
Amortization of premium on long-term debt	(323,449)	(323,449)
Amortization of defeasance costs on long-term debt	643,124	691,595
Change in fair value of interest rate swap	(3,240,263)	4,178,560

See accompanying notes to the basic financial statements

Sacramento Suburban Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2014 and 2013

(1) Reporting Entity and Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting principles are described below.

A. Reporting Entity

The Sacramento Suburban Water District (District) provides water to residential, commercial and industrial customers with a total population of approximately 173,000 people within its boundaries. The water supply of the District is a combination of both surface water and groundwater. The District was formed on February 1, 2002 under the County Water District Law (California Water Code Sections 30000-33901) by the consolidation of the Northridge Water District and the Arcade Water District. The consolidation was approved and ordered by the Sacramento County Local District Formation Commission under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Sections 56000-57550). The District is located in northwest Sacramento County, California and includes a portion of the unincorporated area of Sacramento County, as well as portions of Antelope, Carmichael, Citrus Heights, Foothill Farms, North Highlands, the City of Sacramento, and all of McClellan Business Park (formerly McClellan Air Force Base). The District is currently governed by a five member Board of Directors elected by the voters within the District for staggered four year terms, every two years.

B. Component Unit

The Sacramento Suburban Water District Financing Corporation (Corporation), formerly known as the Arcade Water District Financing Corporation, was created to provide assistance in the issuance of debt. The Corporation is a nonprofit public benefit Corporation organized under the laws of the State of California. The Corporation is governed by a five member Board of Directors, each of whom must be a member of the District's Board of Director's. Although legally separate from the District, the Corporation is reported as if it were part of the District, because it shares a common Board of Directors with the District, and its sole purpose is to provide financing to the District. Debt issued by the Corporation is reflected as debt of the District in the basic financial statements. The Corporation has no other transactions and does not issue separate financial statements.

C. Jointly Governed Organization

The District is a signatory to the Regional Water Authority's (RWA) Joint Powers Agreement. The RWA was formed to address regional water issues with a mission to serve and represent the regional water supply interests of its 20 members in protecting and enhancing the reliability, availability, affordability and quality of water resources. RWA does not possess nor exercise governing or regulatory authority over its members. The District does not have an ongoing financial responsibility to RWA. The financial transactions between the District and RWA during the years ending December 31, 2014 and 2013, primarily involved the payment of annual membership dues and grant administration expenses, which were not material to the District's financial statements. Copies of RWA's annual financial reports and other pertinent information may be obtained from their office at 5620 Birdcage Street, Suite 180, Citrus Heights, CA 95610, from their website at www.rwah2o.org, or by calling (916) 967-7692.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Basis of Accounting and Principles of Presentation

The District is accounted for as an enterprise fund type of the proprietary fund group and therefore accounts for its operations in a manner similar to a private enterprise since it is the intent of the District to recover its cost of providing goods and services to the public on a continuing basis primarily through user charges.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The basic financial statements reflect the flow of economic resources measurement focus and the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred regardless of the timing of related cash flows.

The District distinguishes operating revenues and expenses from non-operating revenues and expenses based on the relationship of the revenue or expense to the production and delivery of water. Operating revenues and expenses generally result from providing and delivering water and water-related services to District customers. The principal operating revenues of the District are charges to customers for water sales and services. Operating expenses include the cost to purchase, pump, treat and deliver water, administrative expenses and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the basic financial statements and the reported changes in net position during the reporting period. Therefore, actual results may differ from those estimates.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Unrestricted and Restricted Cash and Cash Equivalents

For the purpose of the Statements of Cash Flows, the District considers all short-term debt securities (including those for restricted assets) purchased with an original maturity of three months or less at the date of purchase to be cash and cash equivalents. The District also invests funds with the Local Agency Investment Fund (LAIF). Due to the high liquidity of this investment, these funds are classified as a cash equivalent.

2. Receivables and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District goes through various steps to collect on the account. If uncollectible, the District adjusts its uncollectible accounts using the allowance method.

3. Inventory

Inventory consists primarily of water meters, pipe, valves and pipe-fittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using a first-in, first-out method. Inventory items are charged to expense at the time the individual items are withdrawn from inventory or consumed.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

4. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid current assets in the basic financial statements.

5. Investments and Investment Policy

In 2002, the District adopted an investment policy directing the District Treasurer/Finance Director to invest funds in various types of financial instruments. Investments are reported in the accompanying Statements of Net Position at fair value determined using closing market prices as of the last business day of the year as supplied by Interactive Data, Bloomberg or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value. Changes in fair value that occur during the year are recognized as Interest and Investment revenue reported for that year. Interest and Investment revenue includes interest earnings, unrealized changes in fair value, and any gains or losses realized upon the liquidation or maturity of investments.

6. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Donated assets are recorded at estimated fair market value at the date of donation. Maintenance and repairs are charged to operations when incurred. It is the District's policy to capitalize all capital assets with a cost of more than \$3,000 for water system infrastructure assets, \$500 for office furniture and computer and communication equipment, and \$1,000 for all other assets. As more fully explained under the caption "Interest Expense and Income Capitalized," net interest expense incurred during the construction phase of capital assets is included as part of the capitalized value of the constructed assets. Costs of capital assets sold or retired (and the related amounts of accumulated depreciation or amortization) are eliminated from the Statements of Net Position in the year of sale or retirement, and the resulting gain or loss is recognized in non-operating revenues (expenses). In cases where an improvement or replacement is made to an existing capital asset and the existing capital asset's book value is not separately identifiable, the cost of the new capital asset is fully capitalized as it is assumed the existing capital asset's book value is negligible. Depreciation/amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Pipelines, Reservoirs, and Pumping Stations 10 to 80 years
- Building and Building Improvements 10 to 40 years
- Vehicles and Equipment 5 to 10 years
- Furniture and Fixtures 4 to 7 years
- Construction-In-Progress None until placed in service

Intangible assets consist primarily of donated permanent property easements and purchased pipeline capacity in a transmission pipeline owned and operated by San Juan Water District, Granite Bay, California.

7. Interest Expense and Income Capitalized

In 2012, the District implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," (GASB 62) retroactively. Consistent with GASB 62, the District capitalizes interest expense as a component of the cost of construction in progress and offsets capitalized interest cost with interest income related to unspent bond proceeds. No interest cost or interest income was capitalized in the years ended December 31, 2014 or 2013, respectively.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

1) Reporting Entity and Summary of Significant Accounting Policies, continued

8. Deferred Outflows and Deferred Inflows of Resources – Effective Interest Rate Swap

The District entered into an interest rate swap agreement (swap) to manage interest rate risk and reduce debt service costs on variable-rate debt originally issued simultaneous with the swap. The swap is reported in the accompanying Statements of Net Position at fair value as of December 31, 2014 and 2013, determined using the zero-coupon measurement method, which calculates the future net settlement payments based on current forward rates implied by the yield curve. See Note 7 for a description of the reporting of the negative fair value of the swap at December 31, 2014 and 2013, as either a Deferred Outflow of Resources or a Deferred Inflow of Resources.

In 2010 the District implemented GASB Statement No. 53, “Accounting and Reporting for Derivative Instruments,” (GASB 53), which was further amended and clarified By GASB Statements No. 59 and 64. As more fully described in Note 7, in accordance with the provisions of these statements the swap has been determined to serve as an effective cash flow hedge of the District’s variable-rate COP obligations as determined using the synthetic instrument method.

9. Deferred Outflows of Resources - Long-Term Debt Refundings

Unamortized gains and losses resulting from advance debt refundings are classified as deferred outflows of resources.

10. Compensated Absences

Compensated absences are accrued and reported as a liability in the period earned. Amounts payable are included in the Statements of Net Position. The District’s policy provides vacation leave to employees at a rate of 12 days up to 25 days per year based on the number of years of employment and is considered earned on a pro-rata basis as of each payroll period throughout the year. Earned vacation leave is paid to employees upon separation from the District. Employees under age 55 are paid once a year for all earned vacation leave exceeding 400 hours at their current hourly rate of pay. Based upon meeting certain criteria, employees may be paid for earned vacation leave at any time. Sick leave accrues at the rate of 96 hours per year and is considered earned on a pro-rata basis as of each payroll period throughout the year. Earned sick leave is paid to employees who are age 55 and older upon retirement at their current hourly rate of pay or may be contributed to the District’s deferred compensation plan (See Note 11) or the California Public Employee Retirement System (CalPERS) defined benefit pension plan provided by the District for additional service credit (See Note 12). Employees under age 55 are paid once a year for all earned sick leave exceeding 240 hours at one-half of their current hourly rate of pay (See Note 6).

11. Long-Term Debt Discounts and Premiums

Long-term debt discounts and premiums are deferred and amortized over the life of the related debt using the straight-line method. Long-term debt is reported net of the applicable discounts or premiums.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

12. Net Position

GASB 63 requires that net position be reported as the difference between assets, plus deferred outflows of resources, less liabilities and less deferred inflows of resources. Net position is to be further classified into three components: net investment in capital assets, restricted, and unrestricted. In addition, the impact of deferred outflows or inflows of resources on net position must be explained.

- **Net Investment in Capital Assets** – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of long-term debt and deferred amounts related to debt refunding used to acquire such assets. These investments are considered non-expendable.
- **Restricted for Debt Service Reserve Fund** – This component consists of external legal constraints placed on District assets by long-term debt holders.
- **Unrestricted** – This component of net position consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that do not meet the definition of “net investment in capital assets” or “restricted for debt service reserve fund.” Amounts included as unrestricted are available for designation for specific purposes as established by the District’s Board of Directors. When an expense is incurred for which both restricted and unrestricted net position are available for use, it is the District’s policy to use restricted resources first then unrestricted resources as they are needed.
- **Effect on Net Position from Deferred Outflow of Effective Swap** – The unrestricted net position amount of \$40,064,717 and \$43,626,974 at December 31, 2014 and 2013, respectively, includes the effect of deferring the recognition of losses from the decline in market value of the District’s swap in 2014 and gains from the increase in market value of the District’s swap in 2013. The deferred outflows of resources related to the fair market value of the swap of \$675,593 at December 31, 2014 would be recognized as an investment loss upon early termination of the swap, while the deferred inflows of resources related to the fair value of the swap of \$2,564,670 at December 31, 2013, would be recognized as an investment gain upon early termination of the swap. The District currently has no intention of terminating its swap in advance of the contractual termination date. The deferred outflows would also be recognized as an investment loss and the deferred inflows an investment gain if the swap was determined to no longer be an effective hedge. Further, if the bond associated with the swap is refunded, the deferred outflows would be reduced and the deferred loss on refunding increased by the same amount. The deferred loss on refunding would be amortized as a component of interest expense over the life of the old debt or the new debt, whichever is shorter.
- **Effect on Net Position from Deferred amount on Long-Term Debt Refundings** – Long-term debt refundings involve the issuance of new debt whose proceeds are used to repay previously issued debt. For refundings resulting in defeasance of the prior debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources. The reacquisition price is the amount required to repay previously issued debt in a refunding transaction. Deferred outflows from long-term debt refundings are recognized as a component of interest expense over the life of the related debt using the straight-line method.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

F. Revenues

1. Water Consumption Sales, Service Charges and Capital Facility Charges (Water Sales)

The District's principal source of income is from water sales. Water rates are established by the Board of Directors and are supported by cost of service studies. Water rates are not subject to regulation by the California Public Utilities Commission or by any other local, state or federal agency. Water sales to District customers are billed on a monthly basis. Invoices for customers who pay on a set basis are billed in advance, while customers who pay based on a consumption basis are billed in arrears. Consumption amounts are determined on a weekly basis throughout a monthly period. Estimated unbilled water sales revenue for consumption use are accrued and recorded in the period the water was used. Capital facility charges are applied to all District customers based on their respective service size connection. Such charges are for the purpose of generating revenue for capital asset projects and debt service payments. Wheeling charges are revenues received from neighboring water purveyors who utilize the District's transmission and distribution system. Other charges for services consist of customer related revenues for various services provided by the District including penalty charges. All other revenues are considered non-operating revenues, which comprise primarily investment and grant revenues.

2. Capital Contributions

Capital contributions represent cash, easements, and capital assets contributed to the District by property owners or real estate developers desiring services that require capital expenditures or capacity commitment, and federal and state grant proceeds for certain capital projects and/or water conservation awareness programs.

G. Budgetary Policies

The District does not operate under any legal budgeting requirement. However, the District adopts an annual non-appropriated operating expense budget and two capital project budgets for planning, control, and evaluation purposes. The budgets are prepared on a cash basis. Budgetary control is maintained at various levels within the District and evaluation is effectuated by comparisons of actual operating expenses and capital project costs with budgeted operating expenses and capital project costs during the year. As required by certain debt covenants, the annual operating budget is also evaluated, along with anticipated revenues, such that net revenues, as defined by the various debt covenants, are equal to or exceed a minimum of 115 percent of the anticipated debt service for the budget year.

H. Future Accounting Pronouncements

Management has evaluated new accounting pronouncements and has determined that GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27," (GASB 68) and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68" (GASB 71), will have a significant impact on the District's financial statements. The provisions of these statements are required to be implemented retroactively in 2015, and require a restatement of beginning net position. These statements provide requirements for how pension costs and obligations are measured and reported in financial statements. When an organization's pension

**Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013**

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

liability exceeds the pension plan's net assets available for paying benefits, there is a net pension liability. Governments will now be required to report that amount as a liability in their financial statements.

In addition, GASB 68 and 71 require that projected benefit payments be discounted to their actuarial present value using a single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to achieve that rate, and (2) a tax-exempt, high-quality municipal bond rate to the extent that conditions under (1) are not met. See Note 12 for current information on the District's pension plan.

I. Reclassification

For the year ended December 31, 2014, certain classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the 2014 presentation.

(2) Cash, Cash Equivalents and Investments

As a public agency, the District's investment practices are prescribed by various provisions of the California Government Code, as well as by Board policy. The District's investment policy is reviewed at least biennially by the Board of Directors and describes the Finance Director/District Treasurer's investment authority, practices, and limitations. The basic investment policy objectives of the District, in order of importance are - safety of principal, liquidity, interest rate risk hedging, and return on investments.

Cash and investments as of December 31, 2014 and 2013 are classified in the Statements of Net Position as follows:

	2014	2013
Cash and cash equivalents	\$ 1,313,305	\$ 5,413,907
Restricted cash and cash equivalents	32,271	31,397
Investments	39,959,090	38,373,316
Restricted investments	3,497,003	3,478,267
Total	<u>\$ 44,801,669</u>	<u>\$ 47,296,887</u>

Restricted cash, cash equivalents and investments are amounts established by Trust Agreements per certain long-term debt covenants. See Note 3 for further details.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(2) Cash, Cash Equivalents and Investments, continued

Cash, cash equivalents, and investments by investment type as of December 31, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Cash on hand	\$ 3,050	\$ 2,200
Deposits with financial institutions	386,822	3,888,077
Total cash	<u>389,872</u>	<u>3,890,277</u>
California Local Agency Investment Fund (LAIF)	842,165	1,335,492
Money market funds	81,268	188,138
Held by bond trustee:		
Restricted money market funds	32,271	31,397
Total cash equivalents	<u>955,704</u>	<u>1,555,027</u>
Negotiable certificates of deposit	5,769,935	5,431,563
U.S. treasury notes/bonds	8,191,763	6,628,097
Federal agency securities	12,049,995	14,646,536
Municipal bonds	2,021,286	1,783,171
Corporate notes	11,926,111	9,883,949
Held by bond trustee:		
Restricted Federal agency securities	3,497,003	3,478,267
Total investments	<u>43,456,093</u>	<u>41,851,583</u>
Total	<u>\$ 44,801,669</u>	<u>\$ 47,296,887</u>

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized in accordance with the California Government Code or the District's investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(2) Cash, Cash Equivalents and Investments, continued

Authorized Investment Type	Maximum Maturity(1)	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
U.S. treasury notes/bonds	5 years	None	None
Federal agency securities	5 years	None	None
Municipal Obligations	5 years	None	None
Repurchase agreements	1 year	50%	None
Bankers acceptances	180 days	40%	5%
Commercial paper (2)	270 days	25%	5%
Negotiable certificates of deposit	5 years	30%	5%
Medium-term notes	5 years	30%	5%
Time deposits	1 year	None	None
Money market mutual funds	N/A	20%	10%
Local Government Investment Pools	N/A	None	None
Mortgage backed and asset backed securities	5 years	20%	None
LAIF	N/A	(3)	None

(1) The California Government Code provides authority to the Board to permit maturities beyond 5 years for certain investments. Current Board policy provides for maturities longer than 5 years for funds established by Indentures of Trust.

(2) Limited to funds invested in California Government Code authorized instruments.

(3) California Government Code limits the District's investment for operating and reserve funds in LAIF to \$50 million. There is no ceiling on bond proceeds invested in LAIF.

Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with trustees under the terms of certain long-term debt issuances. These funds are pledged reserves to be used if the District fails to meet its obligations under these debt issues. Investments of debt proceeds held in trust are governed by provisions of the debt agreements and California Government Code and not the District's investment policy.

Investment in LAIF

The District is a voluntary participant in LAIF that is regulated by the California Government Code under oversight by the Local Investment Advisory Board, which consists of five members, with the Treasurer of the State of California serving as chairman. The fair value of the District's investment in this pool is reported in the Statements of Net Position as a cash equivalent based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District's investment in LAIF at December 31, 2014 and 2013 was \$842,165 and \$1,335,492, respectively. The total fair value of all public agencies invested in LAIF at December 31, 2014 and 2013 was \$19,493,012,136 and \$19,894,495,635, respectively.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(2) Cash, Cash Equivalents and Investments, continued

Cash equivalents and investments contain certain risks. The District has implemented various provisions to address the following risks: interest rate risk, credit risk, concentration of credit risk, and custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates on investments with or without embedded options will adversely affect the fair value of an investment. The District generally manages this risk by holding investments to maturity or by adjusting the effective duration (a calculation for fixed-income instruments with an embedded option when the value is calculated to include the expected change in cash flows caused by the option as interest rates change. Effective duration measures the responsiveness of a bond's price to interest rate changes, and illustrates the fact that the embedded option will also affect the bond's price) of the investment portfolio against a nationally recognized benchmark index that most closely relates to the District's investment objectives. The District selected the "Merrill Lynch Zero-to-Five U.S. Treasury Index" as its benchmark index. The District's duration targets are reviewed quarterly and, dependent on the evaluation of various markets and non-market factors (such as cash-flow needs of the District), a duration goal is set. As of December 31, 2014 and 2013, the effective duration of the "Merrill Lynch Zero-to-Five U.S. Treasury Index" was 2.17.

Weighted-average effective duration of cash equivalents were as follows:

Cash Equivalent Type	December 31, 2014		December 31, 2013	
	Fair Value	Duration	Fair Value	Duration
LAIF	\$ 842,165	0.56	\$ 1,335,492	0.57
Money market mutual funds	113,539	-	219,535	-
Weighted average duration	\$ 955,704	0.49	\$ 1,555,027	0.49

Weighted-average effective duration on investments were as follows:

Investment Type	December 31, 2014		December 31, 2013	
	Fair Value	Duration	Fair Value	Duration
U.S. treasury notes/bonds	\$ 8,191,763	1.84	\$ 6,628,097	1.29
Federal agency securities	15,546,998	2.31	18,124,803	2.18
Municipal bonds	2,021,286	2.60	1,783,171	3.55
Corporate notes	11,926,111	2.58	9,883,949	3.32
Negotiable certificates of deposit	5,769,935	0.64	5,431,563	0.41
Weighted average duration	\$ 43,456,093	2.09	\$ 41,851,583	2.14

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(2) Cash, Cash Equivalents and Investments, continued

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District manages such risk by purchasing investments with nationally recognized credit ratings that meet or exceed District credit rating requirements at the time of purchase. Credit ratings utilized are those provided by Standard and Poor's or Moody's Ratings Services, where applicable. Additionally, regular monitoring of the credit ratings of purchased securities held in the portfolio is performed to evaluate individual securities for potential sale.

Cash equivalents credit ratings as of December 31, 2014, were as follows:

Cash Equivalent Type		Minimum Legal Rating	<u>Ratings as of Year-End</u>		
			Not Rated	AAA/AA	A/A-1
LAIF	\$ 842,165	-	\$ 842,165	\$ -	\$ -
Money market mutual funds	113,539	-	-	113,539	-
Total cash equivalents	\$ 1,555,027	-	\$ 1,335,492	\$ 113,539	\$ -

Investment credit ratings as of December 31, 2014 were as follows:

Investment Type		Minimum Legal Rating	<u>Ratings as of Year-End</u>		
			AAA	AA+/AA-	A+/A-1
U.S. treasury notes/bonds	\$ 8,191,763	-	\$ -	\$ 8,191,763	\$ -
Federal agency securities	15,546,998	-	-	15,546,998	-
Municipal bonds	2,021,286	-	-	703,222	1,318,064
Corporate notes	11,926,111	A	256,708	5,488,212	6,181,191
Negotiable certificates of deposit	5,769,935	A	-	-	5,769,935
Total investments	\$ 43,456,093	-	\$ 256,708	\$ 29,930,195	\$ 13,269,190

Cash equivalents credit ratings as of December 31, 2013, were as follows:

Cash Equivalent Type		Minimum Legal Rating	<u>Ratings as of Year-End</u>		
			Not Rated	AAA/AA	A/A-1
LAIF	\$ 1,335,492	-	\$ 1,335,492	\$ -	\$ -
Money market mutual funds	219,535	-	-	219,535	-
Total cash equivalents	\$ 1,555,027	-	\$ 1,335,492	\$ 219,535	\$ -

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(2) Cash, Cash Equivalents and Investments, continued

Investment credit ratings as of December 31, 2013, were as follows:

Investment Type		Minimum Legal Rating	Ratings as of Year-End		
			AAA	AA+/AA-	A+/A-
U.S. treasury notes/bonds	\$ 6,628,097	-	\$ -	\$ 6,628,097	\$ -
Federal agency securities	18,124,803	-	-	18,124,803	-
Municipal bonds	1,783,171	-	-	691,532	1,091,639
Corporate notes	9,883,949	A	253,649	5,510,246	4,120,055
Negotiable certificates of deposit	5,431,563	A	-	2,173,601	3,257,962
Total investments	\$ 41,851,583	-	\$ 253,649	\$33,128,279	\$ 8,469,655

Concentration of Credit Risk

At December 31, 2014 and 2013, the District had the following investments (obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government not listed) representing five percent or more of its investments:

Issuer	Investment Type	2014		2013	
Federal National Mortgage Association	Federal agency securities	\$ 7,458,014	17.16%	\$ 6,722,909	16.06%
Federal Home Loan Mortgage	Federal agency securities	\$ 4,206,973	9.68%	\$10,653,151	25.45%
Federal Home Loan Bank	Federal agency securities	\$ 3,882,011	8.93%	-	-

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2014 and 2013, \$2,499,623 and \$4,575,328, respectively, of the District's deposits were in excess of federal depository insurance (FDIC) limit of \$250,000. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit exposure to custodial credit risk for deposits or investments, other than the following provision: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013**

(3) Restricted Cash, Cash Equivalents and Investments

Restricted cash and cash equivalents are amounts established by debt covenants on certain long-term debt issuances.

Restricted cash and cash equivalents as of December 31 were as follows:

	2014	2013
2009B Certificates of participation reserve fund	\$ 32,257	\$ 31,391
2012A Revenue bond interest payment fund	14	6
Total	<u>\$ 32,271</u>	<u>\$ 31,397</u>

Restricted investments as of December 31 were as follows:

	2014	2013
2009B Certificates of participation reserve fund	<u>\$ 3,497,003</u>	<u>\$ 3,478,267</u>

(4) Receivables, Net and Restricted Receivable

Receivables as of December 31 consist of the following:

	2014	2013
Water sales and services receivable	\$ 2,272,525	\$ 2,220,871
Allowance for doubtful accounts	(244,612)	(303,151)
Accrued interest receivable	116,578	106,683
Receivable from OPEB trust	62,868	112,639
Grant receivable	33,970	877,393
Total	<u>\$ 2,241,329</u>	<u>\$ 3,014,435</u>

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(5) Capital Assets

Changes in capital assets for the year ended December 31, 2014, were as follows:

	Balance 2013	Additions/ Transfers	Deletions/ Transfers	Balance 2014
Non-depreciable assets:				
Land	\$ 1,634,815	\$ 46,000	\$ -	\$ 1,680,815
Permanent easements	2,094,212	463,430	-	2,557,642
Construction-in-progress	2,307,455	20,170,750	(16,948,370)	5,529,835
Total non-depreciable assets	6,036,482	20,680,180	(16,948,370)	9,768,292
Depreciable and amortizable assets:				
Land improvements	1,036,009	-	-	1,036,009
Pumping and wells	68,903,899	501,425	-	69,405,324
Hydrants, PRV stations, valves	121,162,406	4,318,510	-	125,480,916
Purchased trans & dist pipelines	135,468,905	10,542,415	-	146,011,320
Capacity entitlement	5,282,728	-	-	5,282,728
Storage facilities – reservoirs	13,673,880	-	-	13,673,880
Water meters	25,864,762	2,582,773	-	28,447,535
Buildings	2,756,891	-	-	2,756,891
Buildings improvements	3,614,196	53,439	-	3,667,635
Machinery and equipment	1,040,099	44,931	(25,618)	1,059,412
Fleet equipment	1,490,696	-	(63,803)	1,426,893
Office equipment	365,264	3,398	-	368,662
Computer software	2,577,377	487,742	-	3,065,119
Computer hardware & equipment	1,168,331	140,853	-	1,309,184
Total depreciable & amort. assets	384,405,443	18,675,486	(89,421)-	402,991,508
Accumulated depreciation and amortization:				
Land improvements	(759,445)	(30,846)	-	(790,291)
Pumping and wells	(28,605,674)	(2,515,060)	-	(31,119,733)
Hydrants, PRV stations, valves	(56,930,889)	(3,602,034)	-	(60,532,923)
Purchased trans & dist pipelines	(15,433,546)	(1,694,357)	-	(17,127,903)
Capacity entitlement	(2,777,830)	(174,195)	-	(2,952,025)
Storage facilities – reservoirs	(2,920,572)	(340,010)	-	(3,260,582)
Water meters	(12,967,454)	(2,041,008)	-	(15,008,462)
Buildings	(1,237,162)	(67,232)	-	(1,304,394)
Buildings improvements	(2,812,248)	(112,276)	-	(2,924,524)
Machinery and equipment	(853,833)	(66,375)	25,618	(894,590)
Fleet equipment	(1,311,424)	(61,954)	63,803	(1,309,575)
Office equipment	(298,365)	(23,223)	-	(321,588)
Computer software	(2,460,409)	(60,737)	-	(2,521,146)
Computer hardware & equipment	(955,416)	(98,104)	-	(1,053,520)
Total accumulated depr. & amort.	(130,324,267)	(10,886,410)	89,421	(141,121,256)
Total depr. & amort. assets, net	254,081,176	7,789,076	-	261,870,252
Total capital assets, net	\$ 260,117,658	\$ 28,469,256	\$ (16,948,370)	\$271,638,544

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(5) Capital Assets, continued

Changes in capital assets for the year ended December 31, 2013, were as follows:

	Balance 2012	Additions/ Transfers	Deletions/ Transfers	Balance 2013
Non-depreciable assets:				
Land	\$ 1,634,815	\$ -	\$ -	\$ 1,634,815
Permanent easements	1,280,848	813,364	-	2,094,212
Construction-in-progress	7,510,726	19,845,642	(25,048,913)	2,307,455
Total non-depreciable assets	10,426,389	20,659,006	(25,048,913)	6,036,482
Depreciable and amortizable assets:				
Land improvements	994,324	41,685	-	1,036,009
Pumping and wells	65,198,110	3,705,789	-	68,903,899
Hydrants, PRV stations, valves	114,910,241	6,252,165	-	121,162,406
Purchased trans & dist pipelines	122,284,529	13,184,376	-	135,468,905
Capacity entitlement	5,282,728	-	-	5,282,728
Storage facilities – reservoirs	13,673,880	-	-	13,673,880
Water meters	23,643,507	2,221,255	-	25,864,762
Buildings	2,432,232	324,659	-	2,756,891
Buildings improvements	3,373,323	240,873	-	3,614,196
Machinery and equipment	997,136	42,963	-	1,040,099
Fleet equipment	1,410,196	80,500	-	1,490,696
Office equipment	365,264	-	-	365,264
Computer software	2,577,377	-	-	2,577,377
Computer hardware & equipment	1,115,555	52,776	-	1,168,331
Total depreciable & amort. assets	358,258,402	26,147,041	-	384,405,443
Accumulated depreciation and amortization:				
Land improvements	(717,279)	(42,166)	-	(759,445)
Pumping and wells	(26,207,736)	(2,397,938)	-	(28,605,674)
Hydrants, PRV stations, valves	(53,477,320)	(3,453,569)	-	(56,930,889)
Purchased trans & dist pipelines	(13,904,546)	(1,529,000)	-	(15,433,546)
Capacity entitlement	(2,603,636)	(174,194)	-	(2,777,830)
Storage facilities – reservoirs	(2,580,562)	(340,010)	-	(2,920,572)
Water meters	(11,026,128)	(1,941,326)	-	(12,967,454)
Buildings	(1,177,965)	(59,197)	-	(1,237,162)
Buildings improvements	(2,712,119)	(100,129)	-	(2,812,248)
Machinery and equipment	(787,780)	(66,053)	-	(853,833)
Fleet equipment	(1,250,737)	(60,687)	-	(1,311,424)
Office equipment	(267,426)	(30,939)	-	(298,365)
Computer software	(2,330,230)	(130,179)	-	(2,460,409)
Computer hardware & equipment	(856,945)	(98,471)	-	(955,416)
Total accumulated depr. & amort.	(119,900,409)	(10,423,858)	-	(130,324,267)
Total depr. & amort. assets, net	238,357,993	15,723,183	-	254,081,176
Total capital assets, net	\$ 248,784,382	\$ 36,382,189	\$ (25,048,913)	\$ 260,117,658

**Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013**

(5) Capital Assets, continued

Major capital asset additions during 2014 and 2013 include construction and major upgrades to the transmission and distribution system, fire hydrants, valves, PRV stations, water meters, and wells. A significant portion of these additions were constructed by the District and transferred out of construction-in-progress upon completion of these various projects.

Construction-In-Progress

The District has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-progress balances at December 31 are as follows:

	2014	2013
Well rehabilitation/pump improvements	\$ 1,182,064	\$ 570,070
SCADA RTU panels improvements	880,645	436,745
Rutland well construction	324,529	-
North Country Club Estates – phase 4	963,254	-
Heatherdale main extension	388,756	-
Mckinney way main extension	200,211	-
Various other distribution main replacements	1,416,832	-
Arden Oaks main replacement – phase 2	-	1,043,477
Various other minor projects	173,544	257,163
Construction-in-progress	<u>\$5,529,835</u>	<u>\$ 2,307,455</u>

There was no impairment of District assets as defined by GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries” as of December 31, 2014 and 2013.

(6) Compensated Absences

Compensated absences are comprised of unpaid vacation and sick leave, which is accrued as earned, and accumulated unpaid overtime. The District’s liability for compensated absences is determined annually. The current portion of the compensated absences is estimated based on amounts used in the current year.

The changes to compensated absences balances at December 31 are as follows:

Balance 2013	Earned	Taken	Balance 2014	Due Within One Year
\$800,990	\$709,123	\$(588,179)	\$921,934	\$600,000

Balance 2012	Earned	Taken	Balance 2013	Due Within One Year
\$899,134	\$741,492	\$(839,636)	\$800,990	\$630,000

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(7) Long-Term Debt

Description of the District's Long-Term Debt

The District's long-term debt consists of Refunding Revenue Certificates of Participation (COP obligations) and Refunding Revenue Bonds (bonds) issued for the purpose of refunding debt originally issued to fund portions of the District's capital improvement program (CIP). The COP obligations and bonds are secured by a pledge of the District's net revenues. Such COP obligations and bonds contain certain restrictive covenants, with which the District has complied. All COP obligations and bonds contain call provisions. COP obligations and bonds maturing after the earliest applicable call date are subject to optional, mandatory or extraordinary redemption prior to maturity, without premium.

Long-term debt activities for the year ended December 31, 2014, are as follows:

	Balance			Balance	Current
	2013	Additions	Retirements	2014	Portion
2009A Certificates of participation	\$ 42,000,000	\$ -	\$ -	\$ 42,000,000	\$ -
2009B Certificates of participation	29,700,000	-	(1,785,000)	27,915,000	1,870,000
2012A Revenue bond	25,330,000	-	(1,890,000)	23,440,000	1,925,000
Total principal	97,030,000	-	(3,675,000)	93,355,000	\$3,795,000
Unamortized bond premium	4,558,158	-	(323,449)	4,234,709	
Imputed borrowing - off-market swap	6,249,404	-	(310,234)	5,939,170	
Total long-term debt	<u>\$107,837,562</u>	<u>\$ -</u>	<u>\$(4,308,683)</u>	<u>\$103,528,879</u>	

Long-term debt activities for the year ended December 31, 2013, are as follows:

	Balance			Balance	Current
	2012	Additions	Retirements	2013	Portion
2009A Certificates of participation	\$ 42,000,000	\$ -	\$ -	\$ 42,000,000	\$ -
2009B Certificates of participation	31,405,000	-	(1,705,000)	29,700,000	1,785,000
2012A Revenue bond	27,205,000	-	(1,875,000)	25,330,000	1,890,000
Total principal	100,610,000	-	(3,580,000)	97,030,000	\$3,675,000
Unamortized bond premium	4,881,608	-	(323,450)	4,558,158	
Imputed borrowing - off-market swap	6,553,288	-	(303,884)	6,249,404	
Total long-term debt	<u>\$112,044,896</u>	<u>\$ -</u>	<u>\$(4,207,334)</u>	<u>\$107,837,562</u>	

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(7) Long-Term Debt, continued

The future debt service schedule of all long-term debt as of December 31, 2014, is as follows:

Year	Principal	Interest ⁽¹⁾	Total
2015	\$ 3,795,000	\$ 3,661,669	\$ 7,456,669
2016	3,945,000	3,524,910	7,469,910
2017	4,060,000	3,362,960	7,422,960
2018	4,240,000	3,178,885	7,418,885
2019	4,390,000	2,991,306	7,381,306
2020-2024	21,690,000	11,875,029	33,565,029
2025-2029	24,825,000	7,011,061	31,836,061
2030-2034	26,410,000	2,394,262	28,804,262
Total	93,355,000	\$ 38,000,082	\$131,355,082
Less current portion	(3,795,000)		
Unamortized bond premium	4,234,709		
Imputed borrowing on off-market swap	5,939,170		
Total non-current long-term debt	\$ 99,733,879		

(1) Includes – 1) fixed-rate interest at scheduled payments, 2) variable-rate interest at an estimated rate of 0.73 percent as of December 31, 2014 (includes market rate plus facility and remarketing fees), and 3) swap payments based on a 3.283 percent fixed-rate per the amended and restated Swap Confirmation dated April 11, 2012, less the variable receive rate of 0.277 percent as of December 31, 2014.

2009 Series A COP

In June 2009, the District issued a \$42,000,000 COP obligation, Series 2009A at a variable interest rate, to current refund the \$41,275,000 COP obligation, Series 2004. The variable interest rate resets weekly. This COP obligation was issued with an irrevocable direct-pay letter-of-credit (LOC) which currently expires on June 30, 2015¹. This term debt's maturity is November 1, 2034 and is subject to optional, mandatory and extraordinary sinking fund prepayment and optional and mandatory tender redemption provisions, without premium. As discussed more fully under the caption "Interest Rate Swap" below, subsequent to its issuance, a swap was issued to hedge this COP obligation which itself was amended and restructured in 2012 to proportionately match the terms of this COP obligation. The swap has been determined to serve as an effective cash flow hedge in accordance with the provisions of GASB No. 53 as amended by GASB 59 and 64, even though the swap terms do not completely match those of this COP obligation.

¹ On March 16, 2015, the District approved an amendment with its current LOC provider to extend the terms and provisions of its LOC on the 2009 Series A COP from terminating on June 30, 2015 to June 30, 2018 and reduced its annual facility fee from 57.5 basis points to 45 basis points as long as it's credit rating remains above A+ as determined by Standard & Poor's Ratings Services or above A1 as determined by Moody's Investor Services.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(7) Long-Term Debt, continued

As of December 31, 2014, the future debt service schedule of the 2009 Series A COP obligation and associated swap payments are as follows:

Year	2009 Series A COP		Interest Rate ⁽¹⁾		Total
	Principal	Interest ⁽²⁾	Swap, Net		
2015	\$ -	\$ 306,600	\$ 1,000,885		\$ 1,307,485
2016	-	306,600	1,000,885		1,307,485
2017	-	306,600	1,000,885		1,307,485
2018	-	306,600	1,000,885		1,307,485
2019	-	306,600	1,000,885		1,307,485
2020-2024	2,390,000	1,521,734	4,967,579		8,879,313
2025-2029	13,200,000	1,309,291	4,274,549		18,783,840
2030-2034	26,410,000	561,285	1,832,977		28,804,262
Total	42,000,000	\$ 4,925,310	\$ 16,079,530		\$ 63,004,840
Less current portion	-				
Imputed borrowing- off-market swap		5,939,170			
Total non-current COP obligation	\$ 47,939,170				

(1) Based on a 3.283 percent fixed-rate per the amended and restated Swap Confirmation dated April 11, 2012, less the variable receive rate of 0.277percent as of December 31, 2014.

(2) Estimated at an assumed rate of 0.73 percent as of December 31, 2014 (includes market rate plus facility and remarketing fees).

2009 Series B COP

In June 2009, the District issued a \$36,155,000 COP obligation, Series 2009B at a true interest cost of 4.54 percent, to current refund the \$36,725,000 Series 2008A-1 COP obligation. This serial debt's maturity extends to November 1, 2028 and is subject to optional and extraordinary redemption provisions, without premium. The Debt Service Reserve Fund obligation on this COP obligation is \$3,517,500. As of December 31, 2014 and 2013, the fair market value of permitted investments in the reserve fund, including accrued interest, was \$3,540,082 and \$3,520,472, respectively, while the amortized cost was \$3,557,190 and \$3,556,316, respectively.

**Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013**

(7) Long-Term Debt, continued

As of December 31, 2014, the future debt service schedule of the 2009 Series B COP obligation is as follows:

Year	Principal	Interest	Total
2015	\$ 1,870,000	\$ 1,382,834	\$ 3,252,834
2016	1,950,000	1,307,500	3,257,500
2017	2,030,000	1,225,583	3,255,583
2018	2,135,000	1,123,208	3,258,208
2019	2,230,000	1,016,596	3,246,596
2020-2024	9,990,000	3,370,821	13,360,821
2025-2028	7,710,000	1,101,271	8,811,271
Total	27,915,000	\$ 10,527,813	\$ 38,442,813
Less current portion	(1,870,000)		
Unamortized bond premium	1,158,922		
Total non-current COP obligation	\$ 27,203,922		

2012 Series A Bond

On April 19, 2012, the District issued \$29,200,000 of Refunding Revenue Bonds Series 2012A (bonds) at a true interest cost of 3.66 percent, to current refund the Series 2008A-2 COP obligation with an outstanding balance of \$33,300,000. This serial bond's maturity extends to November 1, 2027 and is subject to optional and extraordinary redemption provisions, without premium. Proceeds of the bonds, less \$417,002 to pay the costs of issuing the bonds, were placed in escrow to immediately pay the outstanding principal plus accrued interest on the Series 2008A-2 COP obligation, without premium.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(7) Long-Term Debt, continued

As of December 31, 2014, the future debt service schedule of the 2012 Series A Revenue Bond is as follows:

Year	Principal	Interest	Total
2015	\$ 1,925,000	\$ 971,350	\$ 2,896,350
2016	1,995,000	909,925	2,904,925
2017	2,030,000	829,892	2,859,892
2018	2,105,000	748,192	2,853,192
2019	2,160,000	667,225	2,827,225
2020-2024	9,310,000	2,014,895	11,324,895
2025-2027	3,915,000	325,950	4,240,950
Total	23,440,000	\$ 6,467,429	\$ 29,907,429
Less current portion	(1,925,000)		
Unamortized bond premium	3,075,787		
Total non-current bond obligation	\$ 24,590,787		

Arbitrage Rebate Requirement

The federal Tax Reform Act of 1986 imposes an arbitrage rebate requirement that affects all tax-exempt debt issued by the District. The term arbitrage refers to the required payment to the U.S. Treasury of excess interest earnings received on applicable tax-exempt debt obligation proceeds which, for the District, is solely made up of debt service reserve funds (restricted cash, cash equivalents, and investments) that are invested in a higher yield than the yield of the tax-exempt debt obligation issue. The District's ultimate rebate of arbitrage earnings on these issues is contingent on various factors, including future yields on invested proceeds. As of December 31, 2014 and 2013, the District has no arbitrage rebate liability.

Interest Rate Swap

Objective and Terms

In order to take advantage of low interest rates in the marketplace, the District entered into a pay-fixed, receive-variable interest rate swap agreement (swap) with Citibank, N.A. upon issuance of the Series 2005A COP obligation at a cost that was less than what otherwise the District would have paid to issue fixed-rate debt. In April 2012, the swap agreement was subsequently amended and restructured with Citibank, N.A. to match the terms of the Series 2009A COP obligation, albeit at a reduced notional amount, after which the swap was novated to Wells Fargo Bank, N.A. The swap's notional amount amortizes in proportionately like amounts to the Series 2009A COP. The swap agreement requires that the District pay Wells Fargo Bank, N.A. a series of future fixed-rate payments monthly based on an annual rate of 3.283%; Wells Fargo Bank, N.A., in turn, is required to pay the District a series of future variable-rate payments equal to 60% of the 1-Month London Inter-bank Offered Rate (LIBOR) plus 0.18% monthly. At the time of restructuring the swap in 2012, the negative fair value of the swap was determined to be \$6,745,000, the unamortized amount of which is reported as an "imputed borrowing," a component of long-term debt in the Statements of Net Position.

**Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013**

(7) Long-Term Debt, continued

Fair Value

Based on existing market conditions as of December 31, 2014 and 2013, the swap had a negative fair value of \$7,420,593 and \$4,180,330 to the District, respectively. The fair value of the District's swap was a negative number due to the overall decline in interest rates for a comparable swap as of those dates. From the District's perspective, this is because the expected future variable-rate payments due from Wells Fargo Bank, N.A., as of those dates, are lower than when the swap was entered into. Pursuant to the requirements of GASB 53, as amended by GASB 59 and 64, as of December 31, 2014, the "on-market" portion of the swap's negative fair value is reported as a component of deferred outflows of resources and non-current liabilities on the Statements of Net Position. As of December 31, 2013, the "on-market" portion of the swap's negative fair value is reported as a component of deferred inflows of resources and non-current assets on the Statements of Net Position. The "on-market" portion of the swap is considered an effective hedging instrument as of December 31, 2014 and 2013.

	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Term Date	Counterparty Credit Rating (1)
Dec. 31, 2014	\$33,300,000	April 11, 2012	3.283%	60% LIBOR +.18%	\$ (7,420,593)	Nov. 1, 2034	Aa3/AA-/AA-
Dec. 31, 2013	\$33,300,000	April 11, 2012	3.283%	60% LIBOR +.18%	\$ (4,180,330)	Nov. 1, 2034	Aa3/AA-/AA-

(1) (Moody's Investor Services, Standard and Poor's Ratings Services, and Fitch IBCA, Inc.)

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(7) Long-Term Debt, continued

Swap Payments and Notional Amortization for the Period Ended December 31, 2014:

	Notional Amortization	Swap Payments, Net ⁽¹⁾	Total
2015	\$ -	\$ 1,000,885	\$ 1,000,885
2016	-	1,000,885	1,000,885
2017	-	1,000,885	1,000,885
2018	-	1,000,885	1,000,885
2019	-	1,000,885	1,000,885
2020-2024	1,895,000	4,967,579	6,862,579
2025-2029	10,460,000	4,274,549	14,734,549
2030-2034	20,945,000	1,832,977	22,777,977
Total	<u>\$ 33,300,000</u>	<u>\$ 16,079,530</u>	<u>\$ 49,379,530</u>

(1) Based on a 3.283 percent fixed-rate per the amended and restated Swap Confirmation dated April 11, 2012, less the variable receive rate of 0.277 percent as of December 31, 2014.

The swap is intended to hedge interest rate risk on a portion of the District's outstanding Series 2009A COP, which bears interest at a variable rate. The swap, however, contains certain risks. The District has implemented various provisions to address such risks that include, amongst other risks, credit risk, basis risk, termination risk, credit and extension risk, collateral posting and tax risk.

Credit Risk

Counterparty Credit Risk - The counterparty, Wells Fargo Bank, N.A. could be in default on swap payments owed to the District, or file for bankruptcy. This could result in a termination event, in which case the District could immediately owe (or be owed) the fair market value of the swap. Additionally, if the counterparty's credit rating falls below certain thresholds or is withdrawn, a termination event may result, in which case the District could immediately owe (or be owed) the fair market value of the swap.

District Credit Risk - If the District's credit rating on the Series 2009A COP falls below certain thresholds or is withdrawn, a termination event may result, in which case the District could immediately owe (or be owed) the fair market value of the swap.

Basis Risk

Basis risk is the risk that the interest rates paid by the District on its variable-rate Series 2009A COP obligation may differ from the variable interest rate received from Wells Fargo Bank, N.A. This could result from a general market disparity between weekly rates paid by the District compared to 1-month LIBOR received from Wells Fargo Bank, N.A. It could also result from higher relative rates on the District's Series 2009A COP compared to similar securities. This could be related to factors such as negative investor perception of the credit quality of the Series 2009A COP.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(7) Long-Term Debt, continued

Termination Risk

A number of events are specified in the swap agreement that could result in the District immediately owing (or owed) the swap's fair market value. These include, but are not limited to, downgrades to either the District's or Wells Fargo Bank, N.A.'s credit rating, events of default or bankruptcy of either party, and unscheduled redemptions of principal or modification to the amortization schedule of the District's Series 2009A COP.

Credit and Extension Risk

The District's Series 2009A COP is supported by Sumitomo Mitsui Banking Corporation through a direct-pay letter of credit facility. Such a facility is required for the Series 2009A COP to remain marketable and outstanding as variable rate securities. If Series 2009A COP investors perceive this facility negatively, the Series 2009A COP may bear higher rates than comparable securities (which may result in basis risk). In addition, the Certificate credit and liquidity facility must be extended periodically or replaced by a comparable provider. The current facility expires on June 30, 2015. To the extent the facility cannot be replaced or extended, various potential impacts of this, including accelerations of Series 2009A COP principal repayment, could result in a swap termination event.

Collateral Posting Risk

Based on certain thresholds of the fair market value of the swap and the ratings of the District or Wells Fargo Bank, N.A., either party may be required to post collateral (i.e. cash or certain allowable securities). For example, based on the District's current Moody's Investor Services rating of Aa2, the negative fair value of the swap would need to exceed \$20 million before the District would need to post \$1 million in cash or securities as collateral.

Tax Risk

The swap exposes the District to tax risk if a permanent mismatch occurs between the variable-rate received from the swap and the variable-rate paid on the Series 2009A COP due to tax law changes such that the federal or state tax exemption on municipal debt is eliminated or its value reduced.

(8) Net Investment in Capital Assets

The District's net investment in capital assets, net of related debt, at December 31, consists of the following:

	2014	2013
Capital assets not being depreciated	\$ 9,768,292	\$ 6,036,482
Capital assets being depreciated and amortized, net	261,870,252	254,081,176
Deferred outflows on long-term debt refundings	8,607,462	9,250,586
Long term debt	(103,528,879)	(107,837,562)
Net investment in capital assets, considered non-expendable	<u>\$176,717,127</u>	<u>\$161,530,682</u>

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(9) Restricted Net Position

Restricted net position balance as of December 31, consists of the following:

	2014	2013
2009B Certificates of participation reserve fund	\$ 3,540,068	\$ 3,520,466
2012A Revenue bond interest payment fund	14	6
Total restricted net position	\$ 3,540,082	\$ 3,520,472

This component of net position consists of external constraints placed on them by creditors.

(10) Unrestricted Net Position

Designations of unrestricted net position may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action at any time. Currently, the District's Reserve Policy calls for three fund classifications that collectively comprise the District's unrestricted net position: Committed funds, Assigned funds and remaining funds not otherwise restricted, committed or assigned. Committed funds are those financial assets set aside by the Board for specific purposes as determined by Board resolution or ordinance. As of December 31, 2014 and 2013 the District has one committed fund with a balance of \$28,378 and \$21,873, respectively. The committed fund is for developers required to install extension facilities (up-sized line or the extension of facilities beyond the frontage of a parcel) as a requirement for obtaining water service. This fund is utilized to reimburse the developer, in whole or in part, for the extension facility based on the proportion of funds collected from all developers for that calendar year. Assigned funds are those financial assets determined necessary to be retained for specific risk-mitigation purposes as determined by the Board annually or as needs arise. The Board has several classes of such assigned funds but is not bound legally or contractually on the retention of such funds and, as such, amounts in assigned funds are available to meet the general obligations of the District.

(11) Deferred Compensation Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide employees, who elect to participate, the opportunity to defer receipt of a portion of their compensation until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred compensation for income tax purposes. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants or their beneficiaries. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. The market value of all plan assets held in trust by the District for its deferred compensation program at December 31, 2014 and 2013, amounted to \$2,977,830 and \$3,055,090, respectively.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(12) Defined Benefit Pension Plan

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS) cost-sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. All permanent full and part-time District employees working at least 1,000 hours per year are eligible to participate in CalPERS. Under CalPERS, benefits vest after five years of service. The District has three levels of retirement groups: Miscellaneous 3 percent at 60 (Misc 3% @ 60), Miscellaneous 2 percent at 55 (Misc 2% @ 55), and Miscellaneous 2 percent at 62 (Misc 2% @ 62). Upon retirement, eligible participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor multiplied by their average full-time monthly salary for the highest twelve consecutive months of employment for participants in the Misc 3% @ 60 plan (thirty-six consecutive months for Misc 2% @ 55 and Misc 2% @ 62 participants). Benefit provisions, contribution requirements of participants and the District, and any and all other requirements are established by state statute. Copies of CalPERS annual financial report and pertinent past trend information may be obtained by contacting CalPERS at (888) 225-7377 or at their Executive Offices at 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in the CalPERS plans are required to contribute 8 percent for Misc 3% @ 60 (7 percent for Misc 2% @ 55 members) of their annual covered salary. Effective January 1, 2013, new active members are required to contribute 6.5 percent of their annual covered salary due to CalPERS's implementation of Public Employees' Pension Reform Act of 2013 (PEPRA). The District is required to contribute at an actuarially determined rate. The current rates are 17.822 percent for the Misc 3% @ 60 plan, 11.840 percent for the Misc 2% @ 55 plan, and 6.7 percent for the Misc 2% @ 62 plan. The District makes the contributions required of District employees on their behalf for the employees in the Misc 3% @ 60 and Misc 2% @ 55 plans, which amounted to \$295,491, \$316,721 and \$317,427 for the years ended December 31, 2014, 2013, and 2012, respectively. With the implementation of the Public Employees' Pension Reform Act (PEPRA) taking place on January 1, 2013, members in the Misc 2% @ 62 plan are required to make their own required contributions. The contribution requirements of plan members and the District are established and may be amended by CalPERS. The District's contributions for the years ended December 31, 2014, 2013, and 2012 were \$620,038, \$623,286 and \$606,773, respectively, which were equal to the annual required contribution (ARC) for each year. The ARC is an amount actuarially determined and represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's Miscellaneous 2 percent at 55 CalPERS plan was placed in a Risk Pool upon its inception in 2006.

(13) Postemployment Benefits

Plan Description

In addition to pension benefits, the District provides certain healthcare benefits through CalPERS, and dental and vision benefits through private insurance carriers (postemployment benefits) for retired employees, certain former Northridge Water District directors, and their survivor dependents, subject to certain conditions.

**Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013**

(13) Postemployment Benefits, continued

The District made the decision to establish an irrevocable trust to prefund postemployment benefits by participating in the “California Employers’ Retiree Benefit Trust (CERBT)”, which is an agent-multiple employer plan as defined in GASB Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” (GASB 43) and meets the requirements to qualify as a prefunding Trust as defined by Section 115 of the Internal Revenue Code. CERBT is run by CalPERS for investment purposes. Copies of the CERBT annual financial report may be obtained by contacting CalPERS at (888) 225-7377 or at their Executive Offices at 400 P Street, Sacramento, CA 95814. Prior to establishing the irrevocable trust with CERBT, the District expensed on a pay-as-you-go basis the direct costs of premiums paid on postemployment benefits for current retirees.

Eligibility

Substantially all of the District’s full-time employees may become eligible for postemployment benefits after age fifty, and after working for the District for five years if hired before January 1, 2003. If hired after January 1, 2003, eligibility for such benefits is based on a minimum of ten years of qualifying service working with an employer that is a CalPERS healthcare provider. Retirement from the District is also a condition of eligibility for postemployment benefits (the District must be the last employer prior to retirement). In addition, former Northridge Water District directors with twelve years of service are also eligible for postemployment benefits. At December 31, 2014, and 2013, 27 retired employees, directors, and their survivor dependents met those eligibility requirements, respectively.

Funding Policy

Employees are not required to make contributions to the plan in order to receive benefits. Contribution requirements of employees and the District are established and may be amended by the Board of Directors. During 2008, the District adopted a policy to fully fund the Annual Required Contribution (ARC) for postemployment benefits into CERBT. The ARC rate for 2014 and 2013 are 14.11 percent and 13.70 percent of annual covered payroll, respectively.

In accordance with the provisions of GASB 45, as the District is fully funding its ARC the Actuarial Accrued Liability (AAL) is not shown on the Statements of Net Position. The ARC was fully funded in both 2014 and 2013 in the amount of \$592,700 and \$576,300, respectively. The ARC amounts funded include the normal cost of \$346,800 in 2014 and \$319,300 in 2013, and \$245,900 and \$257,000 to amortize the Unfunded Actuarial Accrued Liability (UAAL) in 2014 and 2013, respectively.

Funded Status and Funding Progress of the Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	\$ 2,579,100	\$ 6,348,900	\$ 3,769,800	40.62%	\$ 4,200,000	89.76%

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(13) Postemployment Benefits, continued

The District's annual other postemployment benefit costs (OPEB) for the years ended December 31, 2014, 2013, and 2012, were equal to its ARC amounts for each year of \$592,700, \$576,300 and \$558,200, respectively. As the District fully funds its ARC, there is no reportable net OPEB obligation for each of the years so referenced.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits. The Schedule of Funding Progress, presented in the Required Supplementary Information section of this report, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Valuation date	July 1, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll amortization
Remaining amortization period – closed	24 years as of the valuation date
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return (discount rate)	7.50%
Projected salary increase	3.00%
Long-term inflation rate	3.00%
Projected medical increase	5.50%
Projected dental increase	5.00%
Projected vision increase	2.00%

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(14) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District and approximately 295 other municipalities (the Members) have entered into a joint powers agreement with the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) for the purpose of risk sharing to meet the needs of its Members for liability, property and workers' compensation insurance coverage. Each Member selects one representative to serve as a director, with nine directors serving staggered terms as an executive committee. The only transactions between the District and ACWA/JPIA during the years ending December 31, 2014 and 2013 were regularly scheduled premium payments which were not material to the District's financial statements. At December 31, 2014, the District participated in the following programs of the ACWA/JPIA:

- General and auto liability, public officials and errors and omissions: Total risk financing self-insurance limits of \$2,000,000, per occurrence. ACWA/JPIA purchased additional excess coverage layers: \$60 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Crime coverage up to \$100,000 per loss includes public employee dishonesty, forgery or alteration and theft, and computer fraud, subject to a \$1,000 deductible per loss.
- Property loss for buildings, fixed equipment or personal property is paid at the replacement cost, if replaced within two years after the loss, otherwise paid on an actual cash value basis; property loss for mobile equipment and vehicles is paid at actual cash value basis, subject to a \$2,500 deductible for buildings, fixed equipment and personal property, and a \$1,000 deductible for mobile equipment and vehicles per occurrence. The ACWA/JPIA self insures for the first \$100,000 and has purchased reinsurance up to \$100 million per loss.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance up to California statutory limits, and Employer's Liability of \$4,000,000 for all work related injuries/illnesses covered by California law. The ACWA/JPIA self insures for the first \$2 million and has purchased excess coverage.

Settled claims have not exceeded any of the coverage amounts in any of the last three years and there were no reductions in the District's insurance coverage during the years ending December 31, 2014 and 2013. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of December 31, 2014 and 2013.

Copies of ACWA/JPIA's annual financial reports and other pertinent information may be obtained from their office at 2100 Professional Drive, Roseville, CA 95661-3700, from their website at www.acwajpia.com, or by calling (800) 231-5742.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

(15) Commitments and Contingencies

Sacramento Regional County Sanitation District – Riverwalk Well Field Lease

The District is leasing a 5.5 acre parcel from the Sacramento Regional County Sanitation District for its Riverwalk Well Field. The effective date of the lease is June 1, 1987 to May 31, 2012. In 2012, the District exercised its option upon expiration of the initial term of the lease and extended the lease term to May 31, 2037. The original lease amount of \$12,750, paid in advance each year, is adjusted annually on the anniversary date of the lease to reflect any increase or decrease of the National Consumer Price Index of the preceding year. The annual lease costs for calendar years 2014 and 2013 were \$26,504 and \$26,051, respectively. Future estimated lease commitment costs for the period January 1, 2015, to May 31, 2037, are estimated to be \$579,365, as of December 31, 2014.

Placer County Water District/Folsom Lake Reservoir – Take-or-Pay Contract

In 1995 (and amended in 2000 & 2008), the District and the Placer County Water Agency (Agency) entered into a 25-year take-or-pay agreement whereby the Agency agreed to make available to the District, subject to water shortage provisions, the following amounts of untreated water at escalating water prices per year.

Year	Contract Requirement	Option to Buy Up to	
2000	7,000	-	acre feet
2001	11,000	-	acre feet
2002	12,000	-	acre feet
2003	14,000	-	acre feet
2004	16,000	-	acre feet
2005	18,000	-	acre feet
2006	20,000	-	acre feet
2007	22,000	-	acre feet
2008*	23,000	-	acre feet
2009	12,000	24,000	acre feet
2010	12,000	25,000	acre feet
2011	12,000	26,000	acre feet
2012	12,000	27,000	acre feet
2013	12,000	28,000	acre feet
2014 to 2025	12,000	29,000	acre feet

* Contract renegotiated in 2008, effective in 2010, requires 12,000 acre feet per year take-or-pay with the option to buy additional water.

Each year the District is required to pay for its annual entitlement or surrender a portion of its rights so that the Agency will be free to put the water to use elsewhere. In order to do this, if the District does not take-or-pay for its annual entitlement for any year, the District's annual entitlement for each year thereafter is reduced by 50% of the amount which the District did not take-or-pay for during the year. The District's annual entitlement is subject to certain temporary or permanent reduction or elimination whenever the Agency notifies the District that the Agency has determined that it will not have sufficient water under certain provisions of the contract. In this situation, the District is relieved of its take-or-pay obligation. The most common event that would trigger the Agency providing notification to the District would be a projection of unimpaired inflow to Folsom Lake reservoir dropping below 1.6 million acre feet.

Sacramento Suburban Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2014 and 2013

Each year the District is to pay the Agency for each acre-foot of the District's annual entitlement made available for use in the District's service area in order of the highest of the following three rates: (1) Thirty-five dollars

(15) Commitments and Contingencies, continued

(\$35); (2) One hundred seventy-five percent (175%) of the acre-foot price the Agency charges the City of Roseville and the San Juan Water District that year for water made available to them in the Folsom Lake reservoir for use within Placer County; or (3) One hundred fifty percent (150%) of the total amount, per acre-foot, including any restoration and other fees and charges, which the Agency is required to pay that year to the U.S. Bureau of Reclamation (Reclamation) for water to be used within the Agency pursuant to the Agency's September 18, 1970 contract with Reclamation as amended, supplemented or renewed.

Grant Awards

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such reviews or audits could generate expenditure disallowances under the terms of the grants, it is management's opinion that any required reimbursements would not be material.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition as of December 31, 2014.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is provided primarily by District's customers via a "Capital Facilities Charge" included in their monthly invoice. As of December 31, 2014, the District's commitment on open construction contracts is \$6,420,573:

Project Name	Approved Contract	Payments To Date	Remaining Commitment
Santa Anita Main Replacement	\$ 25,000	\$ (10,255)	\$ 14,745
Local Groundwater Monitoring & Modeling	87,640	(4,751)	82,889
Miscellaneous Main Repair Issues	91,795	(24,639)	67,156
Various Wells Rehabilitation	105,170	(78,040)	27,130
Arden Oaks Main Repl. Raising and Lowering	127,600	(32,340)	95,260
Arc Flash Design and Mitigation	141,770	(94,690)	47,080
McKinney Way Improvement	224,305	(179,380)	44,925
Belcot Road Improvements	268,838	(98,449)	170,389
Heatherdale Improvement	447,466	(368,686)	78,780
Rutland Well	645,168	(298,042)	347,126
North Country Club Estate Phase 4	1,248,838	(813,866)	434,972
2015 Meter Retrofit	1,418,275	-	1,418,275
Antelope pump back project	3,750,819	(158,973)	3,591,846
Total	\$ 8,582,684	\$ (2,162,111)	\$ 6,420,573

Required Supplementary Information

**Sacramento Suburban Water District
Schedule of Funding Progress (Unaudited)
Other Postemployment Benefits (OPEB)**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	\$2,579,100	\$ 6,348,900	\$ 3,769,800	40.62%	\$ 4,200,000	89.76%
7/1/2011	1,681,000	5,770,700	4,089,700	29.13%	4,073,600	100.40%
1/1/2010	729,000	4,787,000	4,058,000	15.23%	3,780,000	107.35%

Statistical Section (Unaudited)

Sacramento Suburban Water District Statistical Information (Unaudited)

Contents

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the basic financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

	<u>Page Number</u>
<u>Financial Trends</u>	50 - 51
These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	
<u>Revenue Capacity</u>	52 - 55
These schedules contain information to help the reader assess the District's most significant local revenue-sources: retail water sales.	
<u>Debt Capacity</u>	56 - 57
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
<u>Demographic and Economic Information</u>	58 - 59
This schedule offers demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
<u>Operating Information</u>	60 - 64
This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides and activities it performs.	

Sacramento Suburban Water District
Statistical Information (Unaudited)
Statements of Net Position
Last Ten Years
(Dollars in Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assets										
Current assets	\$ 27,762	\$ 22,948	\$ 25,229	\$ 29,194	\$ 18,554	\$ 17,056	\$ 12,711	\$ 9,045	\$ 9,632	\$ 4,611
Noncurrent assets	43,051	36,628	33,928	32,509	43,421	40,180	42,714	43,299	44,416	43,456
Capital assets:										
Nondepreciable assets	16,934	17,280	8,208	4,925	14,755	12,483	23,829	10,426	6,036	9,768
Depreciable assets	219,640	243,834	266,782	285,410	295,392	320,928	327,124	358,258	384,406	402,992
Accumulated depreciation	(64,623)	(70,249)	(74,711)	(83,006)	(91,246)	(100,380)	(110,084)	(119,900)	(130,324)	(141,121)
Capital assets, net	171,951	190,865	200,279	207,329	218,901	233,031	240,869	248,784	260,118	271,639
Total assets	242,764	250,441	259,436	269,032	280,876	290,267	296,294	301,128	314,166	319,706
Deferred outflows of resources	-	-	-	-	4,544	12,656	16,254	11,556	9,251	9,283
Liabilities										
Current liabilities	6,499	6,023	6,630	7,297	7,242	9,387	8,287	7,844	7,840	7,935
Noncurrent liabilities	125,159	122,883	120,811	109,622	111,368	116,508	116,889	110,403	104,334	100,732
Total liabilities	131,658	128,906	127,441	116,919	118,610	125,895	125,176	118,247	112,174	108,667
Deferred inflows of resources	-	-	-	-	-	-	-	-	2,565	-
Net position										
Net investment in capital assets	82,246	82,389	88,634	99,014	110,210	126,110	137,004	146,682	161,531	176,717
Restricted	7,250	8,469	9,467	6,310	6,762	6,642	6,643	3,532	3,520	3,540
Unrestricted	21,610	30,677	33,894	46,789	49,838	44,277	43,725	44,223	43,627	40,065
Total net position	\$ 111,106	\$ 121,535	\$ 131,995	\$ 152,113	\$ 166,810	\$ 177,029	\$ 187,372	\$ 194,437	\$ 208,678	\$ 220,322

Sacramento Suburban Water District
Statistical Information (Unaudited)

Changes in Net Position

Last Ten Years

(Dollars in Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenues										
Water sales	\$25,294	\$9,245	\$9,689	\$10,897	\$11,031	\$10,967	\$10,151	\$11,656	\$12,451	\$10,827
Water transfers	-	-	-	-	2,347	637	-	-	536	-
Water service charge	-	7,263	8,495	8,050	7,415	7,174	7,095	6,820	6,608	6,306
Capital facilities charge	-	9,066	12,545	16,436	19,977	20,493	20,448	20,619	20,650	20,678
Wheeling water charge	62	160	146	295	148	273	303	170	6	6
Other charges	471	387	733	1,129	971	991	960	946	1,068	1,113
Total operating revenues	25,827	26,121	31,608	36,807	41,889	40,535	38,957	40,211	41,319	38,930
Operating Expenses										
Source of supply	1,411	1,345	1,599	1,843	2,334	2,290	2,663	2,039	406	67
Pumping	2,715	2,614	3,582	3,253	3,461	3,265	3,341	4,238	4,706	4,637
Transmission and distribution	3,094	2,943	3,973	3,544	3,838	3,583	3,997	3,596	3,886	3,651
Water conservation	289	302	286	483	490	415	202	295	321	400
Customer accounts	643	635	726	918	960	968	1,003	976	1,086	1,124
Administrative and general	5,220	4,650	5,595	5,950	5,709	10,176	6,135	5,738	5,919	6,115
Total operating expenses	13,372	12,489	15,761	15,991	16,792	20,697	17,341	16,882	16,324	15,994
Operating income before depreciation	12,455	13,631	15,847	20,816	25,097	19,838	21,616	23,329	24,995	22,936
Depreciation	(6,346)	(5,880)	(7,465)	(8,295)	(8,792)	(9,171)	(9,705)	(9,890)	(10,424)	(10,886)
Operating income	6,109	7,751	8,382	12,521	16,305	10,667	11,911	13,439	14,571	12,049
Non-operating revenues	2,175	2,807	3,464	10,545	1,504	1,693	1,520	(3,540)	488	895
Interest expense	(4,592)	(4,430)	(5,321)	(6,266)	(5,183)	(5,133)	(4,773)	(4,157)	(3,914)	(3,802)
Other non-operating expenses	(1)	(14)	(2)	(132)	(103)	(117)	(7)	(418)	-	-
Gain (loss) on disposal of capital assets, net	-	(528)	(18)	-	(1)	243	-	12	-	21
Income before capital contributions	3,691	5,586	6,505	16,668	12,522	7,353	8,651	5,336	11,145	9,163
Capital contributions	6,390	4,843	3,955	3,450	2,175	2,405	1,692	1,729	3,096	2,481
Increase in net position	10,081	10,429	10,460	20,118	14,697	9,758	10,343	7,065	14,241	11,644
Net position, beginning of year	101,025	111,106	121,535	131,995	152,113	166,810	177,029	187,372	194,437	208,678
Adjustment	-	-	-	-	-	461	-	-	-	-
Net position, end of year	111,106	121,535	131,995	152,113	166,810	177,029	187,372	194,437	208,678	220,322

Sacramento Suburban Water District
Statistical Information (Unaudited)
 Operating Revenues by Source
 Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water Sales (Dollars in Thousands):										
Retail	\$25,294	\$25,574	\$30,730	\$35,383	\$38,423	\$38,634	\$37,694	\$39,095	\$39,709	\$37,811
Wheeling	62	160	146	295	149	273	303	170	6	6
Water Transfers	-	-	-	-	2,347	637	-	-	536	-
Total Water Sales	\$25,356	\$25,734	\$30,876	\$35,678	\$40,919	\$39,544	\$37,997	\$39,265	\$40,251	\$37,816

Water Production (Acre Feet):										
Retail	40,771	36,914	44,024	37,040	34,517	36,353	35,828	38,089	38,554	32,561
Wheeling	421	1,092	558	1,458	588	1,632	2,106	642	348	115
Water Transfers	-	-	-	-	8,462	2,712	-	-	2,822	-
Total Water Production	41,192	38,006	44,582	38,498	43,567	40,697	37,934	38,731	41,724	32,676

Water Sales/Acre Foot (Whole Dollars):										
Retail	\$620	\$693	\$698	\$955	\$1,113	\$1,062	\$1,052	\$1,026	\$1,030	\$1,161
Wheeling	\$147	\$147	\$262	\$202	\$251	\$168	\$144	\$265	\$17	\$52
Water Transfers	-	-	-	-	\$277	\$235	-	-	\$190	-

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)
Retail Water Rates
Last Eight Years*

	2007	2008	2009	2010	2011	2012	2013	2014
Flat Accounts								
Usage Charge (\$/1,000 per sq. foot)	\$ 0.70	\$ 0.80	\$ 0.91	\$ 0.91	\$ 0.91	\$ 0.91	\$ 0.91	\$ 0.91
Flat Service Charge (single unit)								
¾" connection	15.30	15.12	14.89	14.89	14.89	14.89	14.89	14.89
1" connection	22.82	22.23	21.55	21.55	21.55	21.55	21.55	21.55
1 ½" connection	43.62	42.24	40.69	40.69	40.69	40.69	40.69	40.69
2" connection	49.55	45.04	40.19	40.19	40.19	40.19	40.19	40.19
Metered Accounts								
Usage Charge (\$/100 cubic feet (CCF))								
Residential – 1st Tier (0-10 CCF)	0.66	0.73	0.80	0.80	0.80	0.80	0.80	0.80
Residential – 2nd Tier (11+ CCF)	0.83	0.91	1.00	1.00	1.00	1.00	1.00	1.00
Non-Resid–Off-Peak Rate (Nov-Apr)	0.69	0.75	0.81	0.81	0.81	0.81	0.81	0.81
Non-Resid.–Peak Rate (May-Oct)	0.86	0.94	1.01	1.01	1.01	1.01	1.01	1.01
Meter Service Charge (by Meter Size)								
5/8" meter	5.05	4.35	3.60	3.60	3.60	3.60	3.60	3.60
¾" meter	7.35	6.35	5.25	5.25	5.25	5.25	5.25	5.25
1" meter	12.05	10.35	8.50	8.50	8.50	8.50	8.50	8.50
1 ½" meter	23.75	20.30	16.60	16.60	16.60	16.60	16.60	16.60
2" meter	37.80	32.30	24.60	24.60	24.60	24.60	24.60	24.60
3" meter	70.60	60.25	49.20	49.20	49.20	49.20	49.20	49.20
4" meter	117.50	100.20	81.75	81.75	81.75	81.75	81.75	81.75
6" meter	234.55	200.05	163.15	163.15	163.15	163.15	163.15	163.15
8" meter	422.00	359.85	293.40	293.40	293.40	293.40	293.40	293.40
10" meter	679.70	579.55	472.50	472.50	472.50	472.50	472.50	472.50
12" meter	1,007.60	859.10	700.40	700.40	700.40	700.40	700.40	700.40
Flat and Metered Accounts								
Capital Facilities Charge								
5/8" meter	12.35	15.55	19.25	19.25	19.25	19.25	19.25	19.25
¾" meter or connection	18.40	23.20	28.70	28.70	28.70	28.70	28.70	28.70
1" meter or connection	30.75	38.75	48.00	48.00	48.00	48.00	48.00	48.00
1 ½" meter or connection	61.25	77.25	95.65	95.65	95.65	95.65	95.65	95.65
2" meter or connection	98.05	123.65	153.10	153.10	153.10	153.10	153.10	153.10
3" meter	184.00	232.05	287.30	287.30	287.30	287.30	287.30	287.30
4" meter	306.7	386.85	478.95	478.95	478.95	478.95	478.95	478.95
6" meter	613.20	773.40	957.60	957.60	957.60	957.60	957.60	957.60
8" meter	1,103.90	1,392.20	1,723.80	1,723.80	1,723.80	1,723.80	1,723.80	1,723.80
10" meter	1,778.60	2,243.25	2,777.45	2,777.45	2,777.45	2,777.45	2,777.45	2,777.45
12" meter	2,636.65	3,325.55	4,117.65	4,117.65	4,117.65	4,117.65	4,117.65	4,117.65

*Water rates prior to 2006 based on property location: North Service Area vs. South Service Area. No District-wide rates.

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)
Facility Development Charges (Connection Fees)
Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
5/8" service	N/A	\$ 2,417	\$ 2,510	\$ 2,773	\$ 2,874	\$ 2,996	\$ 3,338	\$ 3,544	\$ 3,826	\$ 2,762
¾" service	\$ 3,532	3,608	3,747	4,157	4,309	4,472	4,982	5,290	5,711	4,122
1" service	5,898	6,025	6,257	6,942	7,196	7,468	8,319	8,834	9,537	6,884
1 ½" service	11,762	12,015	12,477	13,843	14,350	14,891	16,589	17,616	19,017	13,726
2" service	18,825	19,230	19,971	22,157	22,968	23,835	26,552	28,196	30,439	21,970
3" service	35,520	36,080	37,469	41,570	43,092	44,718	49,817	52,901	57,108	41,220
4" service	58,878	60,145	62,460	69,297	71,834	74,545	83,045	88,185	95,199	68,714
6" service	117,722	120,254	124,883	138,553	143,625	149,046	166,040	176,318	190,341	137,386
8" service	211,290	216,478	224,812	249,420	258,551	268,309	298,902	317,403	342,648	219,826
10" service	341,438	348,782	362,210	401,857	416,569	432,291	481,581	511,390	552,063	316,034
12" service	353,200	517,130	537,038	595,835	617,648	640,946	714,028	758,225	818,529	463,725

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)
Principal Retail Rate Payers
Current Year and Ten Years Prior

Principal Retail Rate Payers	<u>December 31, 2014</u>			<u>December 31, 2004</u>		
	Revenues Collected	Rank	Percent of Retail Sales Revenue	Revenues Collected	Rank	Percent of Retail Sales Revenue
McClellan Business Park	\$ 384,395	1	1.02%	N/A	N/A	N/A
San Juan Unified School District	223,228	2	0.59%	N/A	N/A	N/A
Woodside Association, Inc.	184,397	3	0.49%	N/A	N/A	N/A
Carmel Partners, MS#3, The Arbors	145,547	4	0.38%	\$ 216,358	1	1.02%
Henson Gardens Eskaton	98,703	5	0.26%	N/A	N/A	N/A
Autumn Ridge Apartments	96,468	6	0.26%	48,908	2	0.23%
Twin Rivers Union School District	79,942	7	0.21%	N/A	N/A	N/A
Sunrise Recreation/Park District	79,548	8	0.21%	N/A	N/A	N/A
Eskaton Village	73,775	9	0.20%	N/A	N/A	N/A
Sacramento County (AFS/SCRSD)	72,965	10	0.19%	24,583	6	0.12%
Kaiser Permanente	-	-	-	31,361	3	0.15%
Sacramento Mercy Healthcare	-	-	-	27,164	4	0.13%
Hillsdale Mobile Home Park	-	-	-	26,772	5	0.13%
Arden Fair Mall	-	-	-	22,716	7	0.11%
Rio Americano High School	-	-	-	21,220	8	0.10%
Fairway Estates	-	-	-	19,845	9	0.09%
Red Lion's Sacramento	-	-	-	19,230	10	0.09%
Total Principal Retail Rate Payers	\$ 1,438,968	-	3.81%	\$ 458,157	-	2.16%
Total Annual Retail Water Sales Revenue	\$37,810,693	-	-	\$21,212,454	-	-

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)
 Outstanding Debt by Type and Number of Connections
 Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Long-Term Debt Principal:										
(Dollars in Thousands)										
Series 2004	\$41,275	\$41,275	\$41,275	\$41,275						
Series 2005A	78,225	76,675	75,075							
Series 2005B	7,165	5,860	4,505	3,110	\$ 1,645	\$ 125				
Series 2008A-1				36,725						
Series 2008A-2				36,725	35,860	34,960	\$33,300			
Series 2009A					42,000	42,000	42,000	\$42,000	\$42,000	\$42,000
Series 2009B					35,295	34,615	33,085	31,405	29,700	27,915
Series 2012A								27,205	25,330	23,440
Total Debt	126,665	123,810	120,855	117,835	114,800	111,700	108,385	100,610	97,030	93,355
No. of Connections	43,484	43,983	43,998	44,091	44,147	44,185	44,655	44,776	45,391	46,112
Debt Per Connection										
(Whole Dollars)										
	\$ 2,913	\$ 2,815	\$ 2,747	\$ 2,673	\$ 2,600	\$ 2,528	\$ 2,427	\$ 2,247	\$2,138	\$2,025

Source: District

Sacramento Suburban Water District
Statistical Information (Unaudited)
Schedule of Net Revenues
Last Ten Years
(Dollars in Thousands)

	2005	2006	2007	2008	2009	Restated 2010	Restated 2011	2012	2013	2014
Revenues										
Water sales	\$ 25,294	\$ 25,605	\$ 30,730	\$ 35,383	\$ 38,423	\$ 38,634	\$ 37,694	\$39,095	\$39,709	\$37,811
Water transfers	-	-	-	-	2,347	637	-	-	536	-
Wheeling charge	62	160	146	295	149	273	303	170	6	6
Water services	471	356	734	1,129	970	991	960	946	1,068	1,113
Facility development charges	1,390	1,035	487	1,660	424	121	161	380	187	561
Investment income	887	1,585	2,550	2,738	1,112	1,267	1,052	(3,888)	89	548
Other	7	135	341	557	392	669	468	360	399	368
Total revenues	28,111	28,876	34,988	41,762	43,817	42,592	40,638	37,063	41,994	40,407
Operating Expenses										
Transmission and distribution	3,094	2,943	3,973	3,544	3,838	3,583	3,997	3,596	3,886	3,651
Administrative and general*	4,866	4,267	5,225	6,082	5,813	10,293	6,142	6,156	5,919	6,115
Pumping	2,715	2,614	3,582	3,253	3,461	3,265	3,341	4,238	4,706	4,637
Water purchases	1,411	1,345	1,599	1,843	2,334	2,290	2,663	2,039	406	67
Customer accounts	643	635	726	919	959	968	1,003	976	1,086	1,124
Water conservation	290	316	286	483	490	415	202	295	321	400
Total expenses	13,019	12,120	15,391	16,124	16,895	20,814	17,348	17,300	16,324	15,994
Net revenue	15,092	16,756	19,597	25,638	26,922	21,778	23,290	19,763	25,670	24,413
Debt service	7,052	6,965	7,933	9,034	8,095	7,974	7,829	7,576	7,125	7,158
Coverage ratio	2.14	2.41	2.47	2.84	3.33	2.73	2.97	2.61	3.60	3.41
Revenues available for capital projects and other purposes	<u>\$ 8,040</u>	<u>\$ 9,791</u>	<u>\$ 11,664</u>	<u>\$ 16,604</u>	<u>\$ 18,827</u>	<u>\$ 13,804</u>	<u>\$ 15,460</u>	<u>\$ 12,187</u>	<u>\$ 18,545</u>	<u>\$ 17,255</u>

* Administrative and general operating expenses include "other non-operating expenses" as reported on the Statements of Revenues, Expenses and Changes in Net Position.

Source: District

**Sacramento Suburban Water District
Statistical Information (Unaudited)
Demographic and Economic Statistics
Sacramento County*
Last Ten Years**

Year	Population	Personal Income (\$ in 000s)	Per Capita Income	Labor Force	Number Employed	Number Unemployed	Unemployment Rate
2014	Information Not Currently Available			679,700	630,400	49,300	7.30%
2013	1,462,131	63,512,541	\$43,348	680,000	620,200	59,800	8.80%
2012	1,448,053	61,370,761	\$42,382	682,900	611,400	71,400	10.50%
2011	1,435,277	58,242,904	\$40,580	680,700	598,600	82,000	12.10%
2010	1,421,973	55,216,582	\$38,831	684,700	597,700	87,000	12.70%
2009	1,408,601	54,480,186	\$38,677	681,700	605,000	76,800	11.30%
2008	1,394,438	55,319,306	\$39,671	680,500	631,700	48,800	7.20%
2007	1,381,161	53,920,784	\$39,040	676,800	640,000	36,800	5.40%
2006	1,369,563	51,707,729	\$37,755	670,500	638,600	31,900	4.80%
2005	1,360,816	48,997,083	\$36,006	665,600	632,500	33,100	5.00%

* Information for Demographic and Economic Statistics is provided for the County of Sacramento since the District is located within the County and such information is not available solely for the District's service area.

Source:

Population and Income: U.S. Department of Commerce, Bureau of Economic Analysis.

Labor Force and Employment Data: Annual Averages; State of California, Employment Development Department.

**Sacramento Suburban Water District
Statistical Information (Unaudited)
Principal Employers
Sacramento County***

December 31, 2014

December 31, 2006**

Principal Employers	Employees	Rank	Percentage of Total Employed	Employees	Rank	Percentage of Total Employed
State of California	72,220	1	10.62%	67,467	1	10.06%
Sacramento County	10,700	2	1.57%	14,408	2	2.15%
U.S. Government	9,906	3	1.46%			
UC Davis Health System	9,905	4	1.46%	7,901	3	1.18%
Sutter Health Sacramento Sierra Region	7,352	5	1.08%	-	-	-
Dignity Health	6,212	6	0.91%	4,897	10	0.73%
Intel Corp.	6,000	7	0.88%	7,000	4	1.04%
Kaiser Permanente	5,421	8	0.80%	6,656	6	0.99%
Elk Grove Unified School District	5,410	9	0.80%	-	-	-
San Juan Unified School District	4,200	10	0.62%	5,775	8	0.86%
Sacramento City Unified School District	-	-	-	7,000	4	1.04%
Los Rios Community College	-	-	-	6,000	7	0.89%
City of Sacramento	-	-	-	5,105	9	0.76%
Total	137,326		20.20%	132,209		19.72%
Total Labor Force	679,700			670,500		

* Information for Principal Employers is provided for the County of Sacramento since the District is located within the County and such information is not available solely for the District's service area.

** Data for periods ended prior to December 31, 2006 not available.

Source:

Principal Employers: Sacramento Business Journal, Book of Lists 2014, Vol. 31, No. 44, p.21.

Total Labor Force: Annual Averages; State of California, Employment Development Department.

Sacramento Suburban Water District
Statistical Information (Unaudited)
Annual Water Production
Last Ten Years
(Reported in Acre Feet)

Year	<u>North Service Area</u>			<u>South Service Area</u>			Total Production
	Surface	Ground	Sub Total	Surface	Ground	Sub Total	
2014	0	18,801	18,801	0	13,875	13,875	32,676
2013	409	21,886	22,295	-	16,607	16,607	38,902
2012	4,738	17,697	22,435	6,463	9,833	16,296	38,731
2011	14,729	7,741	22,470	4,084	11,380	15,464	37,934
2010	15,518	6,522	22,040	2,289	13,656	15,945	37,985
2009	8,212	10,203	18,415	3,872	12,818	16,690	35,105
2008	12,239	6,985	19,224	2,743	16,531	19,274	38,498
2007	3,842	21,839	25,681	3,701	15,200	18,901	44,582
2006	12,642	5,480	18,122	-	19,884	19,884	38,006
2005	14,363	5,681	20,044	-	21,148	21,148	41,192

Source: District.

**Sacramento Suburban Water District
Statistical Information (Unaudited)**

Wheeling Water Deliveries

Last Ten Years

(Reported in Acre Feet)

Year	California American Water Company	Citrus Heights Water District	Rio Linda / Elverta Water District	City of Sacramento	County of Sacramento	Total Deliveries
2014			11	104		115
2013	-	17	-	331	-	348
2012	584	-	25	28	5	642
2011	2,103	1	2	-	-	2,106
2010	1,627	2	3	-	-	1,632
2009	567	10	11	-	-	588
2008	1,407	49	2	-	-	1,458
2007	430	19	109	-	-	558
2006	1,070	22	-	-	-	1,092
2005	421	-	-	-	-	421

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)
 Operating Activity
 Last Nine Years*

	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Production Department</u>									
<u>Service Orders</u>									
Preventive Maintenance:									
-- Work Orders Completed	8,769	16,896	16,338	15,012	15,130	16,580	15,364	15,427	11,988
Corrective Maintenance:									
-- Work Orders Completed	155	272	433	251	237	175	281	210	242
<u>Water Quality</u>									
Complaints	73	272	287	179	214	131	137	174	30
Inquiries	130	182	28	88	90	114	159	171	110
<u>Distribution Department</u>									
<u>Service Orders</u>									
Main Leaks	88	96	92	87	76	82	64	77	61
Service Line Leaks	222	217	171	147	199	232	268	242	125
Locate & Expose	235	401	311	375	507	320	332	253	353
Determine Responsibility	1101	1852	1512	1785	1346	1557	1770	1891	839
Water Main Shutdown:									
-- Emergency	46	67	69	99	85	83	99	110	86
-- Scheduled	13	91	90	84	76	125	160	170	100
<u>Preventive Maintenance Program</u>									
Fire Hydrants Inspected	-	6,038	45	-	-	437	1,248	1,237	1,255
Fire Hydrant Valves Inspected									1,202
Fire Hydrants Valves Exercised	-								975
Valves Inspected		1138	5287	2602	1235	442	1406	923	898
<u>Underground Service Alert</u>									
Reviewed	11,514	13,291	15,624	13,184	13,513	14,114	15,100	16,058	14,614
Marked	3,683	3,683	6,232	5,034	4,267	5,344	4,848	5,233	4,369
<u>After Hours Activity</u>									
Calls Received	888	1,117	966	857	810	925	1,012	1,012	1,024
Calls Responded	406	472	358	318	322	437	433	367	338
Average Call Time Hours									2
Overtime Hours									880

* Activity prior to 2005 not available on the same basis as above.

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)
 Operating Activity, continued
 Last Nine Years*

	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Field Services Department</u>									
<i>Meters</i>									
Preventive Maintenance – Meters Tested	2	155	190	197	142	53	150	135	57
Preventive Maintenance – Meters Replaced	104	150	166	258	804	268	189	644	143
Preventive Maintenance – Meter Re-Builds									67
<u>Customer Service</u>									
Shut Off (non-payment)	1,652	3,841	4,115	3,221	2,940	3,127	2,158	2,066	2,561
Restore Service	1,032	1,708	2,552	2,272	2,004	1,799	1,976	1,451	2,100
Customer Pressure Inquiries									121
<u>Field Operations Department</u>									
Service Requests Generated	965	12,921	17,804	17,963	15,761	21,221	23,026	18,641	22,736
Work Orders Generated	451	7,785	5,338	9,972	12,187	15,625	12,382	14,460	11,939

* Activity prior to 2005 not available on the same basis as above.

Source: District.

Sacramento Suburban Water District
Statistical Information (Unaudited)
 Full-Time Equivalent Employees
 Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration	8	8	8	8	8	8	8	8	8	10
Customer Service	5	5	6	6	6	6	6	6	6	5
Engineering	9	9	9	9	9	9	9	9	10	10
Production and Water Treatment	10	10	13	14	14	14	15	15	13	15
Distribution	21	21	23	23	23	23	23	23	22	22
Total	53	53	59	60	60	60	61	61	59	62

Source: District.

SACRAMENTO SUBURBAN WATER DISTRICT

COMPLIANCE REPORTS

December 31, 2014

SACRAMENTO SUBURBAN WATER DISTRICT

COMPLIANCE REPORTS

December 31, 2014

TABLE OF CONTENTS

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards..... 1

Independent Auditor’s Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards Required by with OMB Circular A-133 3

Schedule of Expenditures of Federal Awards 7

Notes to Schedule of Expenditures of Federal Awards 8

Richardson & Company, LLP

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Sacramento Suburban Water District
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sacramento Suburban Water District (the District), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency is a deficiency*, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Sacramento Suburban Water District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provision was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

March 23, 2015

Richardson & Company, LLP

550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Sacramento Suburban Water District
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited Sacramento Suburban Water District's (the District's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2014. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

To the Board of Directors
Sacramento Suburban Water District

The results of our auditing procedures disclosed no instances of noncompliance that are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the District as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated March 23, 2015 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

To the Board of Directors
Sacramento Suburban Water District

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Richardson & Company, LLP

March 23, 2015

SACRAMENTO SUBURBAN WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2014

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|---|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be considered to be material weaknesses? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|-------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be considered to be material weaknesses? | No |
| 2. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No |

4. Identification of major programs:

CFDA Number

15.533

Name of Federal Program

California Water Security and Environmental Enhancement

- | | |
|---|-----------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

FINDINGS – FINANCIAL STATEMENT AUDIT
None

FINDINGS AND QUESTIONED COSTS – MAJOR
FEDERAL AWARD PROGRAMS AUDIT
None

SACRAMENTO SUBURBAN WATER DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2014

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Grant Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
MAJOR FEDERAL AWARDS:			
<u>US Bureau of Reclamation</u>			
Water Meter Installation Program - Passed through to subrecipients			
2012 Meter Grant:			
City of Sacramento	R12AP20029	15.533	\$ 198,000
City of West Sacramento	R12AP20029	15.533	198,000
County of Sacramento	R12AP20029	15.533	396,000
2013 Meter Grant:			
County of Sacramento	R13AP20052	15.533	<u>155,563</u>
TOTAL MAJOR FEDERAL AWARDS			<u><u>\$ 947,563</u></u>

SACRAMENTO SUBURBAN WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



Agenda Item: 4

Date: April 14, 2015

Subject: Contract for Legal Counsel – Water Rights Review of San Juan Water District Water Rights and Contracts

Staff Contact: Robert S. Roscoe, General Manager

Recommended Board Action:

Approve the scope of work and authorize the General Manger to execute an agreement with The Davis Group for review of San Juan Water District (SJWD) water rights and water contracts.

Discussion:

The Ad Hoc Water Rights Review Committee selected Brenda Davis-Washington of The Davis Group as legal counsel for the purpose of reviewing SJWD's water rights and water contracts to obtain an independent legal opinion. The Committee directed staff to negotiate a scope of work with the selected firm.

A draft contract with The Davis Group is attached as Exhibit 1.

Fiscal Impact:

Estimated cost to render legal opinion is \$26,000.

Strategic Plan Alignment:

Water Supply – 1.B. Provide for the long-term future needs of the District through prudent planning that will ensure sufficient capacity to serve all customers.

Exhibit 1

**AGREEMENT BETWEEN SACRAMENTO SUBURBAN WATER DISTRICT
AND THE BRENDA DAVIS LAW GROUP FOR SERVICES RELATING TO
REVIEW OF AVAILABILITY OF AMERICAN RIVER WATER**

THIS AGREEMENT is made this April __, 2015, in Sacramento, California, between the Sacramento Suburban Water District ("District"), a California public agency, and The Brenda Davis Law Group, a California law firm and sole proprietorship ("Consultant"), concerning the ability of the San Juan Water District ("SJWD"), either with or without merging with District, to provide District with access to present surface water rights or contract water supplies. The parties agree as follows:

1. **Scope of Work.** Consultant shall perform the work described in Exhibit A attached hereto and incorporated herein, and described as follows: provision of legal advice relating to the ability of San Juan Water District (SJWD"), either with or without merging with District, to provide District with access to present surface water rights or contract water supplies (the "Work"). Consultant shall: (a) provide all labor, equipment, material and supplies required or necessary to properly, competently, and completely perform the Work under this Agreement; and (b) determine the method, details and means of doing the Work.

2. **Compensation.**

a. In exchange for the Work, District shall pay to Consultant a fee based on the fee arrangement described on Exhibit B attached hereto and incorporated herein.

b. Consultant and District agree that the total fee for the Work can only be estimated at this time. Consultant will provide 5 days' advance written notice and justification to District should it become necessary to request an increase in the amount budgeted for completion of the Work. There shall be no compensation for extra or additional work or services by Consultant unless approved in advance in writing by District. Consultant's fee shall include all of Consultant's costs and expenses related to the Work.

c. At the end of each month, Consultant shall submit to District an invoice for the Work performed during the preceding month. The invoice shall include a brief description of the Work performed, the dates of Work, number of hours worked and by whom (if payment is based on time), and an itemization of any reimbursable expenditures. If the Work is satisfactorily completed and the invoice is accurately computed, District shall pay the invoice within 30 days of its receipt.

3. **Term and Termination.**

a. This Agreement shall take effect on the above date and continue in effect until completion of the Work, unless sooner terminated as provided below. Time is of the essence in this Agreement. Consultant shall perform the Work diligently and as expeditiously as possible, consistent with the professional skill and care appropriate for the orderly progress of the Work.

b. Consultant agrees to provide such legal services as are reasonably required to represent District in the matter covered by this Agreement, to take reasonable steps to keep District informed of developments in such matter, and respond to District's reasonable inquiries. District agrees to cooperate with Consultant to keep us informed of developments, to abide by this Agreement and to pay Consultant's bills in a timely manner.

c. This Agreement may be terminated at any time by District upon 10 days' advance written notice to Consultant. In the event of such termination, Consultant shall be fairly compensated for all work performed to the date of termination as calculated by District based on the above fee and payment provisions. Compensation under this subsection shall not include any termination-related expenses, cancellation or demobilization charges, or lost profit associated with the expected completion of the Work or other such similar payments relating to Consultant's claimed benefit of the bargain.

d. Consultant may withdraw as District's counsel in this matter with District's consent for good cause. Good cause includes, but is not limited to, the following: District's breach of this Agreement; District's failure to pay Consultant's bills on time; District's refusal to cooperate with Consultant; District's refusal to follow Consultant's advice on a material matter; the development of an irreconcilable conflict between District and Consultant as to the conduct of a matter; or any fact or circumstance that would render Consultant's continuing representation contrary to law or the rules of professional ethics. If District discharges Consultant, or Consultant elects to withdraw, District agrees forthwith to secure other counsel of its own selection to represent it in this matter.

4. **Professional Ability of Consultant.** Consultant represents that it is specially trained and experienced, and possesses the skill, ability, knowledge and certification, to competently perform the Work provided by this Agreement. District has relied upon Consultant's training, experience, skill, ability, knowledge and certification as a material inducement to enter into this Agreement. All Work performed by Consultant shall meet the standard of care and quality ordinarily to be expected of competent professionals in Consultant's field.

5. **Conflict of Interest.** The parties agree that Consultant is not a designated employee within the meaning of the Political Reform Act and District's conflict of interest code because Consultant will perform the Work independent of the control and direction of the District or of any District official, other than normal contract monitoring, and Consultant possesses no authority with respect to any District decision beyond the rendition of information, advice, recommendation or counsel. Consultant shall not engage in any conduct or other employment or business that would be incompatible with or unreasonably interfere with its obligations under this Agreement, that would create a conflict of interest, or that would reflect unfavorably upon the interests of District.

6. **Consultant Records.**

a. Consultant shall keep and maintain all ledgers, books of account, invoices, vouchers, canceled checks, and other records and documents evidencing or relating to the Work and charges for services, expenditures and disbursements for the Work for a minimum period of three years (or for any longer period required by law) from the date of final payment to Consultant under this Agreement. District may inspect and audit such books and records, including source documents, to verify all charges, payments and reimbursable costs under this Agreement.

b. In accordance with California Government Code section 8546.7, the parties acknowledge that this Agreement, and performance and payments under it, are subject to examination and audit by the State Auditor General for three years following final payment under the Agreement.

7. **Ownership of Documents.**

a. Every report, study, spreadsheet, worksheet, plan, blueprint, specification, drawing, map, photograph, computer model, computer disk, magnetic tape, CAD data file, GIS data file, computer

software and any other document or thing prepared by Consultant under this Agreement and provided to District (“Work Product”) shall be the sole and exclusive property of District, and District shall have the perpetual, world-wide right to use, reuse, reproduce, publish, display, broadcast and distribute the Work Product and to prepare derivative and additional documents or works based on the Work Product without further compensation to Consultant or any other party. Consultant may retain a copy of any Work Product and use, reproduce, publish, display, broadcast and distribute any Work Product and prepare derivative and additional documents or works based on any Work Product; provided, however, that Consultant shall not provide any Work Product to any third party without District’s prior written approval, unless compelled to do so by legal process.

b. If any Work Product is copyrightable, Consultant may copyright the same, except that, as to any Work Product that is copyrighted by Consultant, District reserves a royalty-free, nonexclusive, world-wide, and irrevocable license to use, reuse, reproduce, publish, display, broadcast and distribute the Work Product and to prepare derivative and additional documents or works based on the Work Product. If District reuses or modifies any Work Product for a use or purpose other than that intended by the scope of work under this Agreement, then District shall hold Consultant harmless against all claims, damages, losses and expenses arising from such reuse or modification.

c. For Work Product provided to District in paper format, upon request by District, Consultant agrees to provide the Work Product to District in an appropriate and usable electronic format (e.g., Word file, Excel spreadsheet, Adobe pdf, AutoCAD file).

8. Compliance with Laws; Safety of Work. Consultant shall perform the Work in compliance with all applicable federal, California, and local laws and regulations, including applicable anti-discrimination and anti-harassment laws, and to give all notices required by any such law or regulation. Consultant also shall possess, maintain and comply with all federal, state and local permits, licenses, certificates, and approvals that may be required for it to perform the Work. In accordance with California Code of Regulations Title 13, section 2022.1(g), Consultant shall comply with all federal, state and local air pollution control laws and regulations applicable to the Consultant and its Work.

9. Confidentiality of Documents and Information. Consultant shall keep in strict confidence all Work Product and other documents and information provided to, shared with or created by Consultant in connection with the performance of the Work under this Agreement or during its time as a District consultant (collectively “Information”). Consultant shall not use any Information for any purpose other than the performance of the Work under this Agreement, unless otherwise authorized in writing by District. Consultant shall not disclose any Information to any person or entity not connected with the performance of the Work under this Agreement, unless otherwise authorized in advance in writing by District.

10. Professional Liability Insurance. Consultant shall maintain professional liability insurance as shall protect against claims based on alleged errors or negligent acts or omissions which may arise from the Work or from Consultant’s operations or performance under this Agreement, whether any such claim is made during or subsequent to the term of this Agreement, and whether such operations or performance be by Consultant or its employees, subcontractors, agents or anyone else employed by any of the foregoing. Coverage is to be endorsed to include contractual liability. The amount of this insurance shall not be less than \$1,000,000 per claim and \$1,000,000 aggregate. Said policy shall be continued in full force and effect during the term of this Agreement and for a period of five years following the completion of the Work. In the event of termination of said policy, new coverage shall be obtained for the required period to insure for the prior acts of Consultant during the course of

performing services under the terms of this Agreement. Consultant shall provide to District a certificate of insurance on a form acceptable to the District indicating the deductible or self-retention amounts and the expiration date of said policy, and shall provide renewal certificates within 10 days after expiration of each policy term. Any deductible or self-insured retention must not exceed \$50,000, unless authorized in writing by District prior to Consultant beginning the Work. The insurance is to be placed with insurers licensed to do business by and in good standing with the California Department of Insurance, with a current A.M. Best's rating of A:VII or better unless otherwise approved in advance by District.

11. Indemnification. Consultant shall indemnify, defend and hold harmless District and its officers, directors, members, agents, affiliates, contractors, and employees from and against any claim, suits, and actions for any loss, damage, or injury to persons or property that arise in connection with this Agreement, except to the extent caused by the negligent acts or omissions, or willful misconduct, of District. Without limiting the generality of the foregoing, Consultant shall be solely responsible for compliance with all requirements imposed on them under this Agreement and shall indemnify, defend and hold harmless District and its officers, directors, members, agents, affiliates, contractors, and employees from and against any non-compliance except to the extent caused by the negligent acts or omissions, or willful misconduct, of District.

12. Insurance. Consultant, at its sole cost and expense, will procure and maintain for the duration of this Agreement the following types and limits of insurance: commercial general liability, \$1,000,000 per occurrence; and professional liability, \$1,000,000 per claim. Upon request, Consultant will provide to District a certificate or certificates of insurance evidencing this insurance coverage.

13. Subcontractors. No subcontract shall be awarded nor any subcontractor engaged by Consultant without District's prior written approval. Consultant shall be responsible for requiring and confirming that each approved subcontractor meets the minimum insurance requirements specified in Sections 10 and 11 of this Agreement. Any approved subcontractor shall be covered by Consultant's insurance in accordance with the insurance requirements of Sections 10 and 11 of this Agreement or such subcontractor shall obtain the required insurance coverages and provide proof of same to District in the manner provided in Section 11 of this Agreement.

14. Independent Contractor. It is expressly understood and agreed by the parties that Consultant's relationship to District is that of an independent contractor. All persons hired by Consultant and performing the Work shall be Consultant's employees or agents. Consultant and its officers, employees, subcontractors, and agents are not District employees, and they are not entitled to District employment salary, wages or benefits. Consultant shall pay, and District shall not be responsible in any way for, the salary, wages, workers' compensation, unemployment insurance, disability insurance, tax withholding, and benefits to and on behalf of Consultant's employees. Consultant shall, to the fullest extent permitted by law, indemnify District, and its directors, officers, employees, authorized volunteers, and agents, from and against any and all liability, penalties, expenses and costs resulting from any adverse determination by the United States Internal Revenue Service, California Franchise Tax Board or other federal or state agency concerning Consultant's independent contractor status.

15. Entire Agreement. This Agreement and the attached exhibits represent the sole, final, complete, exclusive, and integrated expression and statement of the terms of the agreement between District and Consultant concerning the Work. There are no written or oral agreements, conditions,

representations, warranties, or promises with respect to the subject matter of this Agreement except those contained in or referred to in this writing. No modification of this Agreement shall be effective unless and until such modification is evidenced by a writing signed by both parties to this Agreement.

16. Successors and Assignment. This Agreement shall be binding on, and inure to the benefit of, the heirs, successors, and assigns of the parties. However, Consultant agrees that it will not subcontract, assign, transfer, convey, or otherwise dispose of this Agreement or any part thereof, or its rights, title or interest therein, or its power to execute the same without the prior written consent of District, which shall be given or refused in the District's sole discretion.

17. Severability. If any part of this Agreement is held to be void, invalid, illegal or unenforceable, then the remaining parts will continue in full force and effect and be fully binding, provided that each party still receives the benefits of this Agreement.

18. No Waiver of Rights. Any waiver at any time by either District or Consultant of its rights as to a breach or default of this Agreement shall not be deemed to be a waiver as to any other breach or default. No payment by District to Consultant shall be considered or construed to be an approval or acceptance of any Work or a waiver of any breach or default.

19. Interpretation. District and Consultant each had the opportunity to consult independent counsel in the negotiation and execution of this Agreement. For the purposes of interpretation of this Agreement, neither party will be deemed to have been its drafter.

20. Governing Law and Venue. This Agreement will be governed by and construed in accordance with the laws of the State of California. The state superior or federal district court where District's office is located shall be venue for any litigation concerning the enforcement or construction of this Agreement.

21. Notices. Any notice or other communication required or permitted to be given under this Agreement will be in writing and will be deemed to be properly given if delivered, mailed or sent by facsimile or e-mail in the manner provided in this Section 21, to the following persons:

District:

Sacramento Suburban Water District
Attn: Robert S. Roscoe
3701 Marconi Avenue, Suite 100
Sacramento, CA 95821-5346
Fax: (916) 972-7171
E-mail: rroscoe@sswd.org

Consultant:

The Brenda Davis Law Group
Attn: Brenda W. Davis
770 L Street, Suite 950
Sacramento, CA 95814-3361
Fax: (916) 449-3956
E-mail: bwashingtondavis@sbcglobal.net or
bdavis@bwdlawgroup.com

If sent by mail, any notice, delivery or other communication will be effective or deemed to have been given three days after it has been deposited in the United States mail, with postage prepaid, and addressed as set forth above. If sent by facsimile or e-mail, any notice, delivery or other communication will be deemed to have been given only after it has been confirmed in writing as received. If delivered personally or by commercial overnight delivery service, any such notice, delivery or other communication will be deemed to have been given on the date of delivery. Either

party may change that party's address or designated representative by giving written notice of the change to the other party in the manner provided in this Section 21.

21. Consultant represents that she (and any other attorneys who work on this matter) is licensed by the California State Bar, and that Consultant's license is in good standing and will be kept in good standing during the term of this Agreement.

IN WITNESS WHEREOF, the parties execute this Agreement on the day and year first above written.

SACRAMENTO SUBURBAN

THE BRENDA DAVIS LAW
GROUP:

WATER DISTRICT:

By: _____
Robert S. Roscoe, P.E.
General Manager

By: _____
Brenda W. Davis
Principal

EXHIBIT A

SCOPE OF WORK

Consultant will provide independent legal advice relative to the ability of the San Juan Water District ("SJWD"), either with or without merging with District, to provide District with access to present surface water rights or contract water supplies. Consultant will review and analyze existing SJWD water rights, contracts and entitlements as well as relevant legal opinions presented by Bartkiewicz, Kronick and Shanahan ("BKS"), General Counsel to SJWD and District. Consultant's Work also will include review of SJWD's contracts with wholesale water supply agencies: Citrus Heights Water District, Fair Oaks Water District, Orange Vale Water District, and the City of Folsom. Consultant also will respond to the following questions posed by the District:

A. Based on review of documents provided by District:

1. Did the United States agree to accept SJWD's pre-1914 and post-1914 appropriative water rights as the basis for providing SJWD with a specified quantity of water from the Central Valley Project ("CVP") in lieu of the amounts SJWD would have received under its state surface water right entitlements?
2. Did both SJWD and the U.S. Bureau of Reclamation ("Reclamation") agree to substitute a water supply from CVP water stored by Reclamation under its water rights filed for operation of the CVP in lieu of SJWD using its pre-1914 water right?
3. If a shortage occurred, would water stored in Folsom Reservoir under CVP water rights be used to supplement the water supply agreed upon under a water rights settlement contract to provide SJWD with the equivalent of its *pre-1914* water right?
4. If a shortage occurred, would water stored in Folsom Reservoir under CVP water rights be used to supplement the water supply agreed upon under a water rights settlement contract to provide SJWD with the equivalent of its *post-1914* water right?
5. Is the service area for SJWD water limited by settlement contract terms, or does the service area still encompass the place of use claimed by the original holder of the pre-1914 water right?
6. If a CVP water service contract limits the SJWD service area as described in an "Exhibit A" under that contract, can this service area be expanded without requiring amendment of the contract other than replacing "Exhibit A"?
7. Can water transferred or sold outside of the service area described in the water service contract's "Exhibit A" include water rights settlement contract water or CVP water service contract water?
8. What are the potential benefits to District ratepayers versus encumbrances that may limit the availability of surface water supplies, particularly with respect to growth of communities served by SJWD (e.g., potential growth south of the American River)?
9. Are there existing State Water Resources Control Board ("SWRCB") decisions or orders that could be used to evaluate the effect of a settlement contract between Reclamation and SJWD on SJWD's pre-1914 water right?

B. Does Consultant's review under Part A of this Exhibit A of the Agreement result in concurrence with the BKS opinions? If not, why not?

EXHIBIT B

HOURLY RATES

Brenda W. Davis \$325

The foregoing hourly rates apply to all time spent on District's behalf, including, but not limited to, in-person and telephone conferences; preparing, analyzing and reviewing documents; correspondence; factual and legal research; agency appearances; and conducting negotiations.

Consultant will send District a statement for fees and costs incurred every month, except that when the fees and costs for a particular month are minimal, they may be carried over to the next month's statement. Upon District's request, Consultant will provide a statement within 10 days. District will pay Consultant's statements within 30 days after each statement's date. Consultant's statements will clearly state the basis of the charges, including the amount, rate and basis for calculation of Consultant's fees.

We will not charge District for word processing; overtime expenses associated with administrative personnel; local or long distance telephone charges; and we will not add a "handling" charge for costs and expenses incurred on District's behalf. We shall not be required to advance payment for major external expenses, which District shall pay directly. Without prior approval, we will not incur on District's behalf any such major external expenses. Messenger and other delivery services; photocopying and other reproduction services; and computerized legal research charges will not be charged unless they are major expenses.

While the total time for this assignment can only be estimated at this point, a reasonable estimate of the total billable hours to complete the scope of services is approximately 80.



Agenda Item: 5

Date: April 6, 2015

Subject: Project Agreements with RWA for Grant Management Services for 2014 USBR CalFed Meter Grant Project and 2014 USBR WaterSMART Meter Grant Project

Staff Contact: John E. Valdes, Engineering Manager

Recommended Board Action:

Authorize the General Manager to execute Project Agreements with the Regional Water Authority (RWA) for grant management services for the 2014 USBR CalFed Meter Grant project and the 2014 USBR WaterSMART Meter Grant project.

Discussion:

The Regional Water Authority (RWA) was successful in obtaining two separate grants from the United States Bureau of Reclamation (USBR) to accelerate meter retrofits for its member agencies. One grant is a USBR Bay-Delta Restoration Program CalFed Water Use Efficiency grant. The second grant is USBR WaterSMART Program Water and Energy Efficiency Grant. The District acted as the lead agency and was awarded the grants. However, RWA will serve as the grant manager on behalf of the participating agencies.

The CalFed grant is a collaborative project between three water supply agencies (City of Sacramento, City of West Sacramento and SSWD). The proposed project will install an estimated 1,850 residential water meters. Participants have committed \$5,116,775 in direct and in-kind funding to the project to be matched by \$300,000 in Reclamation grant funds. The project duration is to run from September 17, 2014 through September 30, 2016. The District intends to use this grant to partially fund its calendar year 2016 meter retrofit program.

As the grantee, the District will be subject to additional administrative expenses associated with processing and distributing payments to each of the collaborating agencies. The District has estimated the cost of its activities at \$7,240 over the term of the grant. The three participants have agreed to pay an equal share of the District's management expenses. Additionally, each participant will pay an equal share for the RWA project management costs that are estimated to be \$11,396. USBR has indicated that it will reduce the overall grant award to fund their internal project management expenses. USBR has estimated this fee at \$1,500 for environmental review.

The District's gross grant share is \$100,000. After expenses, the District's net estimated grant share is \$93,288.

The WaterSMART grant is a collaborative project between two water supply agencies (City of Sacramento and SSWD). The proposed project will install an estimated 3,665 residential water meters. Participants have committed \$3,643,168 in direct and in-kind funding to the project to be matched by \$300,000 in Reclamation grant funds. The project duration is to run from September 15, 2014 through September 30, 2016. Similar to the CalFed grant, the District intends to use this grant to partially fund its calendar year 2016 meter retrofit program.

As the grantee, the District will be subject to additional administrative expenses associated with processing and distributing payments to each of the collaborating agencies. Similar to the CalFed grant, the District has estimated the cost of its activities at \$7,240 over the term of the grant. The two participants have agreed to pay an equal share of the District's management expenses. Additionally, each participant will pay an equal share for the RWA project management costs that are estimated to be \$11,396. USBR has indicated that it will reduce the overall grant award to fund their internal project management expenses. USBR has estimated this fee at \$1,500 for environmental review.

The District's initial grant share is \$150,000. After expenses, the District's net estimated grant share is \$139,932.

The project agreements were prepared by RWA's legal counsel who is also the District's legal counsel.

The two Project Agreements are attached as Exhibit A (CalFed Grant) and Exhibit B (WaterSMART Grant), respectively.

Fiscal Impact:

After expenses, the net grant proceeds to the District are estimated at \$233,220 total (for both grants).

Strategic Plan Alignment:

Water Supply – 1.C. Continue to implement and support demand management strategies that comply with federal, state and regional programs; support Water Forum Agreement goals efficiently meet the needs of the District Customers.

With the addition of funds from these grants, the District will be to accelerate its meter retrofit program. Meter retrofit is an important program needed to meet the District's commitment to the Water Forum and to meet state law that requires all customers to be metered by January 1, 2025.

Leadership – 5.C. Participate in regional water management partnerships.

Because the District is the lead agency in the application and successful awarding of these grants, it is demonstrating its commitment to partnering with other agencies for the betterment of the environment and support of water conservation in the area.

**REGIONAL WATER AUTHORITY
PROJECT AGREEMENT**

2014 RECLAMATION CALFED METER GRANT PROJECT

This Agreement is made and entered into effective as of the ___ day of _____, 2015, by and between the Regional Water Authority (“RWA”), a joint exercise of powers authority formed under California Government Code section 6500, and following, and the Members and Contracting Entities of RWA listed in **Exhibit 1** to this Agreement, upon their execution of this Agreement (who are collectively referred to in this Agreement as “Participants”), to provide for carrying out a project or program that is within the authorized purposes of RWA, and sharing in the cost and benefits by the Participants.

RECITALS

A. RWA is a joint powers authority, formed to serve and represent regional water supply interests and to assist its members in protecting and enhancing the reliability, availability, affordability and quality of water resources.

B. The joint powers agreement (“RWA JPA”) pursuant to which RWA was formed and operates, authorizes RWA to enter into a “Project or Program Agreement,” which is defined in the RWA JPA as an agreement between RWA and two or more of its Members or Contracting Entities to provide for carrying out a project or program that is within the authorized purposes of RWA, and sharing in the cost and benefits by the parties to the Project or Program Agreement.

C. Article 21 of the RWA JPA states: “The Regional Authority’s projects are intended to facilitate and coordinate the development, design, construction, rehabilitation, acquisition or financing of water-related facilities (including sharing in the cost of federal, State or local projects) on behalf of Members and/or Contracting Entities. The Regional Authority may undertake the development, design, construction, rehabilitation, acquisition or funding of all or any portion of such projects on behalf of Members and/or Contracting Entities in the manner and to the extent authorized by such Members and/or Contracting Entities as provided in this Agreement, but shall not accomplish these functions, nor acquire or own water-related facilities in its own name.”

D. Article 22 of the RWA JPA states: “Prior to undertaking a project or program, the Members and/or Contracting Entities who elect to participate in a project or program shall enter into a Project or Program Agreement. Thereafter, all assets, benefits and obligations attributable to the project shall be assets, benefits and obligations of those Members and/or Contracting Entities that have entered into the Project or Program Agreement. Any debts, liabilities, obligations or indebtedness incurred by the Regional Authority in regard to a particular project or program, including startup costs advanced by the Regional Authority, shall be obligations of the participating Members and/or Contracting Entities, and shall not be the debts, liabilities, obligations and indebtedness of those Members and/or Contracting Entities who have not executed the Project or Program Agreement.”

E. RWA and the Participants desire to carry out a project and share in the costs and benefits of the project, as a Project or Program Agreement as provided for in Articles 21 and 22 of the RWA JPA.

In consideration of the promises, terms, conditions and covenants contained herein, the parties to this Agreement hereby agree as follows:

1. Recitals Incorporated. The foregoing recitals are hereby incorporated by reference.

2. Defined Terms. Terms defined in the RWA JPA will have the same meaning in this Agreement.

3. Description of the Project. This is a collaborative project between three water supply agencies (see **Exhibit 1** for a list of participants) in the Sacramento region to use a grant award from the U.S. Bureau of Reclamation (Reclamation) Bay-Delta Restoration Program: CALFED Water Use Efficiency Grants. Sacramento Suburban Water District (SSWD) acted as the lead agency and was awarded the grant. RWA will serve as the grant manager on behalf of the collaborating agencies.

The proposed project will install an estimated 1,850 residential water meters. Participants have committed \$5,116,775 in direct and in-kind funding to the project to be matched by \$300,000 in Reclamation grant funds. The project duration is to run from September 17, 2014 through September 30, 2016.

4. Project Committee. The Participants hereby form a Project Committee consisting of one representative (and one or more alternates) designated by each Participant. The Project Committee will meet as necessary from time to time to administer and implement this Agreement on behalf of the Participants. A majority of the members of the Project Committee will constitute a quorum, and a majority of the members of the Project Committee will be required for an affirmative vote to take action on behalf of the Participants. Actions that could result in fiscal changes will require unanimous consent of the Participants.

5. Sharing in Project Costs and Benefits. Subject to the provisions of Articles 9 and 11 of this Agreement, three RWA members will participate in the Project as listed in **Exhibit 1**. Each Participant will ensure that it meets its obligation for its identified local cost share portion.

As the grantee, SSWD will be subject to additional administrative expenses associated with processing and distributing payments to each of the collaborating agencies. SSWD estimates the cost of its activities at \$7,240 over the term of the grant. The SSWD cost estimate for required accounting and auditing functions are stated in **Exhibit 2**. The Participants agree to pay an equal share of SSWD's management expenses. Additionally, each Participant will pay an equal share for the RWA project management costs that are estimated to be \$11,396 identified in Article 8 of this Agreement.

Reclamation has indicated that it will reduce the overall grant award to fund Reclamation's internal project management expenses. Reclamation has estimated this fee at \$1,500 for

environmental review. The Participants agree to share in this expense by reducing their shares of the grant award in the same proportion as each Participant's share of the grant award. **Exhibit 3** provides the required local cost share of each Participant and an estimate of the grant benefit for each of the Participants. If Reclamation determines that additional project management expenses are required, the participants agree to reduce their grant awards using the same formula agreed to in this Article. At the time of execution of the Reclamation funding agreement on September 20, 2013, Reclamation obligated \$298,500.00 as the total estimated funding award available.

The Project Committee will determine the use of any surplus funds, including any excess project management fees charged in accordance with Article 8 of this Agreement. In accordance with the provisions of Articles 21 and 22 of the RWA JPA, any debts, liabilities, obligations or indebtedness incurred by RWA in regard to the Project will be the obligations of the Participants, and will not be the debts, liabilities, obligations and indebtedness of those Members and/or Contracting Entities who have not executed this Agreement.

6. Role of RWA. The Executive Director of RWA will ensure that the interests of Members and Contracting Entities of RWA who do not participate in this Project are not adversely affected in performing this Agreement. The RWA Project Manager will (a) provide information to the Participants on the status of implementation of the Project, (b) assist the Project Committee in carrying out its activities under this Agreement, and (c) administer the grant on behalf of the Participants consistent with the determinations of the Project Committee and the provisions of this Agreement.

7. Role of Participants. SSWD is considered the grantee, and is the only Participant to execute the funding agreement with Reclamation. However, all Participants must ensure that they implement their portions of the project consistent with the Reclamation funding agreement included as **Exhibit 4**. The Reclamation grant is a Federal award and is therefore subject to the Davis-Bacon Act for labor standards and other applicable federal "cross-cutter" requirements as more fully described and imposed on each Participant by their incorporation into this Agreement by **Exhibit 4**. Project participants agree to submit information associated with fulfilling the statement of work in a timely fashion to allow RWA and SSWD to meet reporting requirements and to notify RWA regarding any delays in the project that could result in meeting the overall goal of installing 1,850 meters in the region by September 30, 2016. No funds will be disbursed to any Participant that is not current with all compliance and reporting obligations.

8. RWA Project Management Fee. The RWA management fee to administer the Project is estimated to be \$11,396, and is itemized in **Exhibit 5**. **Exhibit 5** also shows the estimated SSWD management fee of \$7,240, bringing the total estimated fee to \$18,636. Each Participant will be assessed an equal portion of this fee. Project management activities include development of project agreements, project guidance, semi-annual reporting and semi-annual invoice processing, and interim and final project reports as required by the Reclamation funding agreement.

9. Authorization to Proceed with the Project. The Project is authorized to proceed upon the commitment of all Project Participants to fund Project costs by each Participant's approval and execution of this Agreement. Upon execution of this Agreement, the Participants

agree to make their payments to cover their shares of the management fees as required by Articles 5 and 8, respectively, which are estimated to total \$6,212 per Participant. This payment covers both the SSWD management fee and the RWA management fee. Payments will be due and payable upon RWA's presentation of an invoice to each Participant.

10. Term. This Agreement will remain in effect for so long as any obligations under this Agreement remain outstanding.

11. Withdrawal. A Participant may withdraw from this Agreement without requiring termination of this Agreement, effective upon ninety days' notice to RWA and the other Participants, provided that, the withdrawing Participant will remain responsible for any indebtedness incurred by the Participant under this Agreement prior to the effective date of withdrawal.

12. Amendments. This Agreement may be amended from time to time only with the written approval of all of the Participants and RWA.

13. General Provisions. The provisions of Articles 37 through 41, inclusive, of the RWA JPA, and the provisions of Article 13 ("General Provisions") of any Participation Agreement entered into between RWA and a Participant, will apply to this Agreement.

The foregoing 2014 Reclamation CalFed Meter Grant Project Agreement is hereby consented to and authorized by RWA and the Participants.

Dated: _____, 2015

Dated: _____, 2015

Signature

Signature

John K. Woodling

Name

Name

Regional Water Authority

Agency

EXHIBIT 1
REGIONAL WATER AUTHORITY
2014 RECLAMATION CALFED METER GRANT PROJECT
PROJECT PARTICIPANTS

Agency

City of Sacramento
City of West Sacramento
Sacramento Suburban Water District

EXHIBIT 2

REGIONAL WATER AUTHORITY

2014 RECLAMATION CALFED METER GRANT PROJECT

**ESTIMATE OF SSWD EXPENSES FOR ACCOUNTING AND AUDIT
REQUIREMENTS**

Descriptions	Quantity	Unit cost	Total
Setup Cost			
Banking Fee (separate bank account)	24 Months	60.00	\$ 1,440.00
Admin. Hours			
Review up to 4 reimbursement invoices	4 Hours	100.00	\$ 400.00
Prepare up to 4 grant disbursements to participants	4 Hours	100.00	\$ 400.00
Audit			
Conduct Single Audit as required by Federal funding agreement			\$ 5,000.00
Total Estimated Cost			\$ 7,240.00

EXHIBIT 3

REGIONAL WATER AUTHORITY

2014 RECLAMATION CALFED METER GRANT PROJECT

**LOCAL COST SHARE AND
ESTIMATED BENEFITS**

Agency	Local Share	Initial Grant Share	Reclamation Project Management Fee Deduction*	Net Estimated Grant Share
City of Sacramento	\$3,817,350	\$100,000	\$500	\$99,500
City of West Sacramento	\$618,550	\$100,000	\$500	\$99,500
Sacramento Suburban Water District	\$680,875	\$100,000	\$500	\$99,500
Total	\$5,116,775	\$300,000	\$1,500	\$298,500

*This was the project management deducted at the time of execution of the Reclamation funding agreement. It included environmental review. If additional deduction for Reclamation staff expenses are deducted, they will be prorated according to the current ratio of management fee deductions.

EXHIBIT 4

REGIONAL WATER AUTHORITY

2014 RECLAMATION CALFED METER GRANT PROJECT

**U.S. BUREAU OF RECLAMATION
FUNDING ASSISTANCE AGREEMENT**

EXHIBIT 5

REGIONAL WATER AUTHORITY

2014 RECLAMATION CALFED METER GRANT PROJECT

**ESTIMATE OF COMBINED RWA AND SSWD
PROJECT MANAGEMENT EXPENSES**

Exhibit 5		PROJECT MANAGEMENT COST ESTIMATE - 2014 Reclamation CalFed Grant Project (September 2014 - September 2016)			
Project Management Tasks	Staff	hrs	Rate	Total	
Grant Agreement Administration/Support and Project Agreement Development	Manager of Technical Services	20	140	\$2,800	
Conduct and Document Project Committee meetings (2 planned)	Manager of Technical Services	4	140	\$560	
Prepare up to 4 Invoices for Grant Reimbursement to Reclamation and Distribute to Participants	Manager of Technical Services	24	140	\$3,360	
Prepare up to 4 Semi-Annual Reports to Reclamation	Manager of Technical Services	12	140	\$1,680	
Prepare Interim Project Report	Manager of Technical Services	4	140	\$560	
Prepare Final Project Report	Manager of Technical Services	8	140	\$1,120	
Coordination meeting with Reclamation	Manager of Technical Services	2	140	\$280	
Total Estimated RWA Project Management Expenses				\$10,360	
Contingency - 10% of RWA Project Management Total Costs				\$1,036	
SSWD Direct Expenses (reimbursement, checking account, audit)				\$11,396	
Total Project Estimated Fees				\$7,240	
				\$18,636	

**REGIONAL WATER AUTHORITY
PROJECT AGREEMENT**

2014 RECLAMATION WATERSMART METER GRANT PROJECT

This Agreement is made and entered into effective as of the ___ day of _____, 2015, by and between the Regional Water Authority (“RWA”), a joint exercise of powers authority formed under California Government Code section 6500, and following, and the Members and Contracting Entities of RWA listed in **Exhibit 1** to this Agreement, upon their execution of this Agreement (who are collectively referred to in this Agreement as “Participants”), to provide for carrying out a project or program that is within the authorized purposes of RWA, and sharing in the cost and benefits by the Participants.

RECITALS

A. RWA is a joint powers authority, formed to serve and represent regional water supply interests and to assist its members in protecting and enhancing the reliability, availability, affordability and quality of water resources.

B. The joint powers agreement (“RWA JPA”) pursuant to which RWA was formed and operates, authorizes RWA to enter into a “Project or Program Agreement,” which is defined in the RWA JPA as an agreement between RWA and two or more of its Members or Contracting Entities to provide for carrying out a project or program that is within the authorized purposes of RWA, and sharing in the cost and benefits by the parties to the Project or Program Agreement.

C. Article 21 of the RWA JPA states: “The Regional Authority’s projects are intended to facilitate and coordinate the development, design, construction, rehabilitation, acquisition or financing of water-related facilities (including sharing in the cost of federal, State or local projects) on behalf of Members and/or Contracting Entities. The Regional Authority may undertake the development, design, construction, rehabilitation, acquisition or funding of all or any portion of such projects on behalf of Members and/or Contracting Entities in the manner and to the extent authorized by such Members and/or Contracting Entities as provided in this Agreement, but shall not accomplish these functions, nor acquire or own water-related facilities in its own name.”

D. Article 22 of the RWA JPA states: “Prior to undertaking a project or program, the Members and/or Contracting Entities who elect to participate in a project or program shall enter into a Project or Program Agreement. Thereafter, all assets, benefits and obligations attributable to the project shall be assets, benefits and obligations of those Members and/or Contracting Entities that have entered into the Project or Program Agreement. Any debts, liabilities, obligations or indebtedness incurred by the Regional Authority in regard to a particular project or program, including startup costs advanced by the Regional Authority, shall be obligations of the participating Members and/or Contracting Entities, and shall not be the debts, liabilities, obligations and indebtedness of those Members and/or Contracting Entities who have not executed the Project or Program Agreement.”

E. RWA and the Participants desire to carry out a project and share in the costs and benefits of the project, as a Project or Program Agreement as provided for in Articles 21 and 22 of the RWA JPA.

In consideration of the promises, terms, conditions and covenants contained herein, the parties to this Agreement hereby agree as follows:

1. **Recitals Incorporated.** The foregoing recitals are hereby incorporated by reference.
2. **Defined Terms.** Terms defined in the RWA JPA will have the same meaning in this Agreement.
3. **Description of the Project.** This is a collaborative project between two water supply agencies (see **Exhibit 1** for a list of participants) in the Sacramento region to use a grant award from the U.S. Bureau of Reclamation (Reclamation) WaterSMART Program: Water and Energy Efficiency Grants. Sacramento Suburban Water District (SSWD) acted as the lead agency and was awarded the grant. RWA will serve as the grant manager on behalf of the collaborating agencies.

The proposed project will install an estimated 3,665 residential water meters. Participants have committed \$3,643,168 in direct and in-kind funding to the project to be matched by \$300,000 in Reclamation grant funds. The project duration is to run from September 15, 2014 through September 30, 2016.

4. **Project Committee.** The Participants hereby form a Project Committee consisting of one representative (and one or more alternates) designated by each Participant. The Project Committee will meet as necessary from time to time to administer and implement this Agreement on behalf of the Participants. Both members of the Project Committee will be necessary constitute a quorum, and both members of the Project Committee will be required for an affirmative vote to take action on behalf of the Participants. Actions that could result in fiscal changes will also require unanimous consent of the Participants.

5. **Sharing in Project Costs and Benefits.** Subject to the provisions of Articles 9 and 11 of this Agreement, two RWA members will participate in the Project as listed in **Exhibit 1**. Each Participant will ensure that it meets its obligation for its identified local cost share portion.

As the grantee, SSWD will be subject to additional administrative expenses associated with processing and distributing payments to each of the collaborating agencies. SSWD estimates the cost of its activities at \$7,240 over the term of the grant. The SSWD cost estimate for required accounting and auditing functions are stated in **Exhibit 2**. The Participants agree to pay an equal share of SSWD's management expenses. Additionally, each Participant will pay an equal share for the RWA project management costs that are estimated to be \$11,396 identified in Article 8 of this Agreement.

Reclamation has indicated that it will reduce the overall grant award to fund Reclamation's internal project management expenses. Reclamation has estimated this fee at \$1,500 for

environmental review. The Participants agree to share in this expense by reducing their shares of the grant award in the same proportion as each Participant's share of the grant award. **Exhibit 3** provides the required local cost share of each Participant and an estimate of the grant benefit for each of the Participants. If Reclamation determines that additional project management expenses are required, the participants agree to reduce their grant awards using the same formula agreed to in this Article. At the time of execution of the Reclamation funding agreement on September 20, 2013, Reclamation obligated \$298,500.00 as the total estimated funding award available.

The Project Committee will determine the use of any surplus funds, including any excess project management fees charged in accordance with Article 8 of this Agreement. In accordance with the provisions of Articles 21 and 22 of the RWA JPA, any debts, liabilities, obligations or indebtedness incurred by RWA in regard to the Project will be the obligations of the Participants, and will not be the debts, liabilities, obligations and indebtedness of those Members and/or Contracting Entities who have not executed this Agreement.

6. Role of RWA. The Executive Director of RWA will ensure that the interests of Members and Contracting Entities of RWA who do not participate in this Project are not adversely affected in performing this Agreement. The RWA Project Manager will (a) provide information to the Participants on the status of implementation of the Project, (b) assist the Project Committee in carrying out its activities under this Agreement, and (c) administer the grant on behalf of the Participants consistent with the determinations of the Project Committee and the provisions of this Agreement.

7. Role of Participants. SSWD is considered the grantee, and is the only Participant to execute the funding agreement with Reclamation. However, all Participants must ensure that they implement their portions of the project consistent with the Reclamation funding agreement included as **Exhibit 4**. The Reclamation grant is a Federal award and is therefore subject to the Davis-Bacon Act for labor standards and other applicable federal "cross-cutter" requirements as more fully described and imposed on each Participant by their incorporation into this Agreement by **Exhibit 4**. Project participants agree to submit information associated with fulfilling the statement of work in a timely fashion to allow RWA and SSWD to meet reporting requirements and to notify RWA regarding any delays in the project that could result in meeting the overall goal of installing 3,665 meters in the region by September 30, 2016. No funds will be disbursed to any Participant that is not current with all compliance and reporting obligations.

8. RWA Project Management Fee. The RWA management fee to administer the Project is estimated to be \$11,396, and is itemized in **Exhibit 5**. **Exhibit 5** also shows the estimated SSWD management fee of \$7,240, bringing the total estimated fee to \$18,636. Each Participant will be assessed an equal portion of this fee. Project management activities include development of project agreements, project guidance, semi-annual reporting and semi-annual invoice processing, and interim and final project reports as required by the Reclamation funding agreement.

9. Authorization to Proceed with the Project. The Project is authorized to proceed upon the commitment of all Project Participants to fund Project costs by each Participant's approval and execution of this Agreement. Upon execution of this Agreement, the Participants

agree to make their payments to cover their shares of the management fees as required by Articles 5 and 8, respectively, which are estimated to total \$9,318 per Participant. This payment covers both the SSWD management fee and the RWA management fee. Payments will be due and payable upon RWA's presentation of an invoice to each Participant.

10. Term. This Agreement will remain in effect for so long as any obligations under this Agreement remain outstanding.

11. Withdrawal. A Participant may withdraw from this Agreement without requiring termination of this Agreement, effective upon ninety days' notice to RWA and the other Participants, provided that, the withdrawing Participant will remain responsible for any indebtedness incurred by the Participant under this Agreement prior to the effective date of withdrawal.

12. Amendments. This Agreement may be amended from time to time only with the written approval of all of the Participants and RWA.

13. General Provisions. The provisions of Articles 37 through 41, inclusive, of the RWA JPA, and the provisions of Article 13 ("General Provisions") of any Participation Agreement entered into between RWA and a Participant, will apply to this Agreement.

The foregoing 2014 Reclamation WaterSMART Meter Grant Project Agreement is hereby consented to and authorized by RWA and the Participants.

Dated: _____, 2015

Dated: _____, 2015

Signature

Signature

John K. Woodling

Name

Name

Regional Water Authority

Agency

EXHIBIT 1

REGIONAL WATER AUTHORITY

2014 RECLAMATION WATERSMART METER GRANT PROJECT

PROJECT PARTICIPANTS

Agency

City of Sacramento

Sacramento Suburban Water District

EXHIBIT 2

REGIONAL WATER AUTHORITY

2014 RECLAMATION WATERSMART METER GRANT PROJECT

**ESTIMATE OF SSWD EXPENSES FOR ACCOUNTING AND AUDIT
REQUIREMENTS**

Descriptions	Quantity	Unit cost	Total
Setup Cost			
Banking Fee (separate bank account)	24 Months	60.00	\$ 1,440.00
Admin. Hours			
Review up to 4 reimbursement invoices	4 Hours	100.00	\$ 400.00
Prepare up to 4 grant disbursements to participants	4 Hours	100.00	\$ 400.00
Audit			
Conduct Single Audit as required by Federal funding agreement			\$ 5,000.00
Total Estimated Cost			\$ 7,240.00

EXHIBIT 3

REGIONAL WATER AUTHORITY

2014 RECLAMATION WATERSMART METER GRANT PROJECT

**LOCAL COST SHARE AND
ESTIMATED BENEFITS**

Agency	Local Share	Initial Grant Share	Reclamation Project Management Fee Deduction*	Net Estimated Grant Share
City of Sacramento	\$2,581,333	\$150,000	\$750	\$149,250
Sacramento Suburban Water District	\$1,061,835	\$150,000	\$750	\$149,250
Total	\$3,643,168	\$300,000	\$1,500	\$298,500

*This was the project management deducted at the time of execution of the Reclamation funding agreement. It included environmental review. If additional deduction for Reclamation staff expenses are deducted, they will be prorated according to the current ratio of management fee deductions.

EXHIBIT 4

REGIONAL WATER AUTHORITY

2014 RECLAMATION WATERSMART METER GRANT PROJECT

**U.S. BUREAU OF RECLAMATION
FUNDING ASSISTANCE AGREEMENT**

EXHIBIT 5

REGIONAL WATER AUTHORITY

2014 RECLAMATION WATERSMART METER GRANT PROJECT

**ESTIMATE OF COMBINED RWA AND SSWD
PROJECT MANAGEMENT EXPENSES**

PROJECT MANAGEMENT COST ESTIMATE - 2014 Reclamation WaterSMART Grant Project (September 2014 - September 2016)					
Project Management Tasks	Staff	hrs	Rate	Total	
Grant Agreement Administration/Support and Project Agreement Development	Manager of Technical Services	20	140	\$2,800	
Conduct and Document Project Committee meetings (2 planned)	Manager of Technical Services	4	140	\$560	
Prepare up to 4 Invoices for Grant Reimbursement to Reclamation and Distribute to Participants	Manager of Technical Services	24	140	\$3,360	
Prepare up to 4 Semi-Annual Reports to Reclamation	Manager of Technical Services	12	140	\$1,680	
Prepare Interim Project Report	Manager of Technical Services	4	140	\$560	
Prepare Final Project Report	Manager of Technical Services	8	140	\$1,120	
Coordination meeting with Reclamation	Manager of Technical Services	2	140	\$280	
Total Estimated RWA Project Management Expenses				\$10,360	
Contingency - 10% of RWA Project Management Total Costs				\$1,036	
SSWD Direct Expenses (reimbursement, checking account, audit)				\$11,396	
Total Project Estimated Fees				\$7,240	
				\$18,636	



Agenda Item: 6

Date: April 6, 2015

Subject: Resolution No. 15-04 Accepting Grant of Easement and Right of Way for 2163 Fulton Avenue

Staff Contact: Dave Jones, Associate Engineer
John E. Valdes, Engineering Manager

Recommended Board Action:

Adopt Resolution No. 15-04 accepting Grant of Easement and Right of Way for 2163 Fulton Avenue as recommended by the Facilities and Operations Committee.

Discussion:

The District's process for acquisition of easements can be very time consuming and on occasion can hinder the installation/improvement of system infrastructure. Staff begins this process during the design phase, which is typically 12 months in advance of a project. The process is utilized for new development, re-development and District capital improvement projects. The number of steps necessary to acquire an easement are listed below:

- Determine if there is an existing easement (and if there are private water facilities)
- Determine the need for a new easement
- Determine fire flows on existing system and if fire hydrants and/or fire services are to be installed/upgraded
- Determine width parameters for potential easement
- Begin negotiations with property owner
- If monetary requirement, obtain property appraisal
- Receive verbal and/or written approval for easement from property owner
- Prepare Grant of Easement for new water facilities
- Legal description and plat map of new easement are prepared by licensed California Land Surveyor
- Grant of Easement is executed and notarized by property owner
- General Manager review/approval
- Board acceptance of easement
- Grant of Easement is recorded at County Clerk/Recorder's Office

- Begin installation of infrastructure

In addition to the easement acquisition process, where a customer development needs District approval, the District may require a minimum 20 feet wide easement. During design/construction of the Fulton/El Camino Right of Way Improvement Project (District Capital Improvement Project), staff discovered existing public water system facilities on private property without the benefit of an easement. In addition, staff determined an urgent need for a pipeline easement at 2163 Fulton Avenue due to a proposed County of Sacramento paving project. Staff proceeded to negotiate with the property owner to obtain a new easement. However, staff negotiated a 15-foot easement and not 20 feet as currently required by District standards. Because the project was not developer required, and because only a 15 foot easement was offered at no cost to the District, a wider easement would require eminent domain actions. To expedite the infrastructure installation, staff directed the District's contractor to install new water appurtenances within the dedicated easement before that easement had been officially accepted by the Board.

The property at 2163 Fulton Avenue is a commercial property with tenant occupied buildings owned by the Braley & Graham Properties. As originally designed, there were two fire services, one fire hydrant, and two water meters at this location that were owned and maintained by the District. Staff determined the water lines were installed in the late 1950's without obtaining a dedicated easement, as shown in Exhibit 1.

Staff felt there was an urgent need for an easement after determining the lack of an existing easement, insufficient fire flows per today's standards, the pending need to install new services to support the proposed Santa Anita Water Main Project (District Capital Improvement Project), and a proposed County of Sacramento paving project. Therefore, District engineering staff met with Mr. Graham (one of the property owners of 2163 Fulton Avenue) in October 2013 to discuss the new Santa Anita Water Main Project and the need for an easement.

Staff began negotiations with Mr. Graham for a 20 foot wide easement per District standards. However, Mr. Graham was not in favor of a 20 foot easement without some proposed concessions. Mr. Graham requested two future 2-inch water services at no cost, and routing water mains favorable to his future improvement plans in exchange for the 20 foot easement. He was, however, agreeable to a 15 foot easement if the one existing fire service serving two buildings could be split, each serving one building and the existing fire hydrant improved to current requirements. This concession to split the fire services had a corresponding cost of less than \$500, and therefore, it was accepted by staff. To improve the public fire hydrants to current requirements would be a function of the new water main and a responsibility of the District. Mr. Graham requested no compensation for the 15 foot easement.

The proposed easement allows the new water main to be connected to a proposed 12-inch water main in Brunton Way, allowing for improved fire flows and supporting the proposed Santa Anita Main Replacement Project. Furthermore, District design requirements call for a bisecting water line every 1,300 feet if available. The use of 2163 Fulton Avenue presents the best location for a bisecting main between Cottage Way and Hernando Road. This location is also one with least

cost to the District and least disruption to the private property owners in the area. The attached Exhibits 2 and 3 show the proposed easement and the new water system facilities inside the easement.

District staff felt the 15 foot easement, as offered, would be adequate for repair and maintenance of the new water system facilities, especially considering the time constraints associated with the upcoming paving project and the proposed Santa Anita Water Main Project.

Mr. Graham, with his partner in Portland, Oregon, agreed to the terms of the easement and signed the easement on August 12, 2014, just days before the construction was scheduled to begin. However, there was an error on Mr. Graham's part in the identification of how title was held and the papers had to be resigned. In an effort to keep the project moving, a decision was made to proceed with the installation of the new water main and appurtenances before a formal grant of easement was signed by the property owners and returned to the District. The signed and notarized easement documents were finally returned to the District in late-December 2014. While this decision saved the District significant money, and avoided a construction shutdown, the easement acquisition was not done in accordance with District procedures.

The property owner did request that they have an option noted in the easement agreement to relocate the 12-inch line in the future, at no cost to the District, should they choose to redevelop the land. All future improvements will require District approval and shall meet or exceed District's regulations and standards. This is an option available to all developers.

District management understands that no easement is legal until such time that it is approved by the Board of Directors. Proceeding with the installation of the infrastructure prior to the easement being approved by the Board, and properly recorded, was a major oversight on the part of staff. Under current District procedures, the practice of installing water facilities within a signed easement ready for recording, but not yet approved by the Board was an accepted practice by a predecessor district and was apparently selectively continued by SSWD. Those conditions include, but are not limited to, timing of project, property owner approving the easement conditions, and economic parameters.

With immediate direction from the General Manager, steps are now in place to ensure that no construction activity related to the installation of infrastructure is conducted on private property until such time that an easement is formally approved by the Board. For easements on the development side, a flow chart has been prepared to provide to owners/developers and their engineers that will clearly indicate that the project plans will not be approved until such time that any easements are approved by the Board. Likewise, for District CIP projects, a project planning/design checklist is being prepared that will not allow the project to proceed to construction until easements are approved by the Board.

Fiscal Impact:

There is no significant fiscal impact for acquiring and accepting the easement as it has been offered at no cost to the District.

Strategic Plan Alignment:

Facilities and Operations – 2.B. Monitor and improve the District’s efficiencies in operating and maintaining system infrastructure.

The proposed easement allows the District the right to access the new water main, insures water quality, improves fire flows, and allows for maintenance of the infrastructure and operation of the system.

RESOLUTION NO. 15-04

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SACRAMENTO SUBURBAN WATER DISTRICT
ACCEPT GRANT OF EASEMENT AND RIGHT OF WAY
FOR 2163 FULTON AVENUE**

WHEREAS, the below named Grantor, the owner of record of certain real property has conveyed to Sacramento Suburban Water District, a political subdivision of the State of California, the real property of interest therein which is more particularly described in the following instrument of conveyance:

GRANTOR: BRALEY & GRAHAM PROPERTIES OREG. LLC

INSTRUMENT: GRANT OF EASEMENT AND RIGHT OF WAY

EXECUTED AND DATED: APRIL 13, 2015

AND WHEREAS, it has been duly determined by the Board of Directors of Sacramento Suburban Water District that it is in the public interest for the District to acquire and accept the said real property or interest therein.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Board of Directors of the Sacramento Suburban Water District as follows:

1. The District General Manager is hereby authorized and empowered to consent to and accept on behalf of the District, as presented to the Board of Directors on April 20, 2015, the real property or interest therein conveyed by the aforementioned instrument of conveyance.
2. The property subject to this resolution is more fully described in the attached legal description and map, attached hereto and incorporated herein as though fully set forth.

PASSED AND ADOPTED by the Board of Directors of the Sacramento Suburban Water District on this 20th day of April, 2015 by the following vote:

AYES:
NOES:
ABSENT:

By: _____
Neil W. Schild
President, Board of Directors
Sacramento Suburban Water District

I hereby certify that the foregoing resolution was duly and regularly adopted and passed by the Board of Directors of Sacramento Suburban Water District at a regular meeting hereof held on the 20th day of April 2015.

(SEAL)

By: _____
Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District

CERTIFICATE OF ACCEPTANCE

This is to certify that SACRAMENTO SUBURBAN WATER DISTRICT, a political subdivision of the State of California, acting by and through its General Manager, hereby accepts for public purposes the real property, or interest therein, conveyed by the within document and consents to the recordation thereof pursuant to authority conferred by:

Resolution No. 15-04 adopted on the 20th day of April 2015.

By: _____
Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District

Dated: April 20, 2015

Recording Requested By, And When
Recorded, Please Mail Document To:

SACRAMENTO SUBURBAN WATER DISTRICT
Attn: General Manager
3701 MARCONI AVENUE, SUITE 100
SACRAMENTO, CA 95918

Official Document, Exempt from Recording
Fees Pursuant to Gov't Code §§ 6103 & 27383

No Document Transfer Tax
Per R&T Code § 11922

Assessor's Parcel No(s): 278-0164-011 &
278-0164-014

-- This Space for Recorder's Use Only --

GRANT OF EASEMENT AND RIGHT OF WAY

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, **BRALEY & GRAHAM PROPERTIES OREG. LLC, an Oregon Limited Liability Company successors by conversion to BRALEY & GRAHAM PROPERTIES, OREG. LTD., an Oregon limited partnership**, Grantor, hereby grants to **SACRAMENTO SUBURBAN WATER DISTRICT**, a political subdivision of the State of California, Grantee, a permanent non-exclusive fifteen foot wide easement and right of way, including the perpetual right to enter upon the real property described below at any time that Grantee may deem necessary to locate, construct, install, operate, maintain, repair, modify, replace and remove underground pipelines, water mains, and all necessary below- and above-ground appurtenances for the purpose of conveying water from Fulton Avenue to Brunton Way over, across, through, and under the lands hereinafter described, together with the right to excavate and refill ditches or trenches for the location of said pipelines, water mains and the further right to remove trees, bushes, undergrowth, ground covering pavement and any other obstructions interfering with the location, construction, installation, operation, maintenance, repair, modification, replacement and removal of said pipelines, water mains and appurtenances.

The land burdened by this Grant of Easement and Right of Way is located in the County of Sacramento, State of California and is more particularly described as follows ("Easement Area"):

See Exhibits "A" and "B"
attached to and made a part of this Grant of Easement and Right of Way.

As a condition of this Grant of Easement and Right of Way, Grantor reserves the right to use such land for purposes that will not interfere with Grantee's full enjoyment of the rights hereby granted; provided that Grantor shall not erect or construct any building, wall, fence, or other permanent structure, or drill or operate any well, or construct any reservoir or any other obstruction on said land, or to diminish or substantially add to the ground cover lying over the easement and right-of-way granted herein, except that Grantor reserves the right to replace existing paving in the Easement Area and to replace existing landscaping in the Easement Area. Notwithstanding the foregoing, Grantor, and its successors and assigns, shall have the right, with the approval of Grantee, which approval shall not be unreasonably withheld, and at Grantor's sole cost and expense, to relocate any of said underground pipelines, water mains, and below- and above-ground appurtenances to other portions of Grantor's Parcel 1, as that parcel is described in the Exhibits hereto, in order to accommodate the construction of improvements to be located on said Parcel 1. Grantor shall relocate and reconstruct any underground pipelines, water mains, and below- and above-ground appurtenances in accordance with Grantee's technical standards and specifications, and in consultation with Grantee's Engineer. In the event that any of said underground pipelines, water mains, and below- and above-ground appurtenances are relocated by Grantor to other portions of Grantor's Parcel 1, this Grant of Easement and Right of Way shall be amended so to incorporate the new location of the underground pipelines, water mains, and below- and above-ground appurtenances and to abandon the easement, or any portion thereof, as it relates to any of said

underground pipelines, water mains, and below- and above-ground appurtenances that have been removed. The amended easement will be recorded only after approval of the completed relocation work by Grantee's Engineer.

Grantee covenants and agrees, for itself, and its successors and assigns, as part of the consideration for this Grant of Easement, at all times after doing any work on or in connection with the Easement, to restore the Property and Easement Area to the same condition in which same was found before such work was undertaken, to re-pour any curbing disturbed by Grantee's work with rebar inside the extruded curb area, to replace any landscaping that is disturbed and to place fresh mulch in any landscape beds. Grantee further covenants and agrees that in the use of said rights and privileges herein granted, Grantee will avoid any unnecessary interference with Grantor's use of the Property or that of Grantor's tenants.

The provisions of this Grant of Easement shall run with the land and inure to the benefit of and bind the heirs, successors, and assigns of the Grantor and Grantee.

Executed this 13th day of APRIL, 2015.

BRALEY & GRAHAM PROPERTIES OREG. LLC, an Oregon Limited Liability Company

Signature: CR Graham Signature: _____

By: member By: _____

EXHIBIT A
WATERLINE EASEMENT
SACRAMENTO SUBURBAN WATER DISTRICT
APN: 278-0164-011 & 278-0164-014
31 MARCH 2015

ALL THAT PORTION OF PARCEL 1 AS DESCRIBED IN THAT DEED RECORDED IN BOOK 820813 AT PAGE 1237 OF OFFICAL RECORDS, RECORDS OF SACRAMENTO COUNTY, CALIFORNIA, MORE PARTICULARLY DESCRIBED AS FOLLOWS.

COMMENCING AT THE SOUTHEAST CORNER OF LOT 32 AS SHOWN ON THE SUBDIVISION MAP ENTITLED " PLAT OF SUBDIVISION OF SECTION 28 OF THE RANCHO DEL PASO", RECORDED IN BOOK 14 OF MAPS, AT PAGE 9, RECORDS OF SAID COUNTY, THENCE ALONG THE EAST LINE OF SAID LOT 32, NORTH 1° 46' 30" WEST, 454.45 FEET;

THENCE LEAVING SAID EAST LINE, SOUTH 89° 10' 31" WEST, 42.01 FEET TO THE 42 FOOT RIGHT OF WAY LINE AS DESCRIBED IN THAT DEED RECORDED IN BOOK 901029 AT PAGE 1132 OF OFFICAL RECORDS, RECORDS OF SAID COUNTY AND THE POINT OF BEGINNING.

THENCE FROM THE SAID POINT OF BEGINNING, SOUTH 89° 10' 31" WEST, 191.91 FEET;

THENCE SOUTH 1° 31' 24" EAST, 15.00 FEET;

THENCE SOUTH 88° 28' 36" WEST, 10.00 FEET;

THENCE NORTH 1° 31' 24" WEST, 10.62 FEET;

THENCE SOUTH 89° 10' 31" WEST, 5.00 FEET;

THENCE NORTH 1° 31' 24" WEST, 4.50 FEET;

THENCE SOUTH 89° 12' 20" WEST, 223.21 FEET;

THENCE SOUTH 1° 16' 59" EAST, 25.00 FEET;

THENCE SOUTH 88° 43' 01" WEST, 15.00 FEET;

THENCE NORTH 1° 16' 59" WEST, 25.00 FEET;

THENCE SOUTH 89° 10' 31" WEST, 8.82 FEET;

THENCE NORTH, 190.95 FEET TO THE RIGHT OF WAY LINE DESCRIBED IN THAT DEED RECORDED IN BOOK 830808 AT PAGE 962 OF OFFICAL RECORDS, RECORDS OF SAID COUNTY;

THENCE ALONG SAID RIGHT OF WAY LINE, ALONG A NON-TANGENT CURVE TO THE LEFT AND HAVING A RADIUS OF 10.00 FEET, THE RADIAL LINE TO SAID CURVE BEARS SOUTH 68° 50' 36" WEST, THROUGH A CENTRAL ANGLE OF 69° 48' 06" AND HAVING AN ARC LENGTH OF 12.18 FEET;

THENCE CONTINUING ALONG SAID RIGHT OF WAY LINE, NORTH 89° 02' 30" EAST, 5.51 FEET;

THENCE LEAVING SAID RIGHT OF WAY LINE, SOUTH, 169.31 FEET;

THENCE NORTH 89° 12' 20" EAST, 236.37 FEET;

THENCE NORTH 89° 10' 31" EAST, 202.10 FEET TO THE SAID 42 FOOT RIGHT OF WAY LINE;

THENCE ALONG THE SAID 42 FOOT RIGHT OF WAY LINE, SOUTH 1° 46' 30" EAST, 15.00 FEET TO THE POINT OF BEGINNING. SAID EASEMENT CONTAINING 9,912 SQUARE FEET (0.228 ACRES), MORE OR LESS.

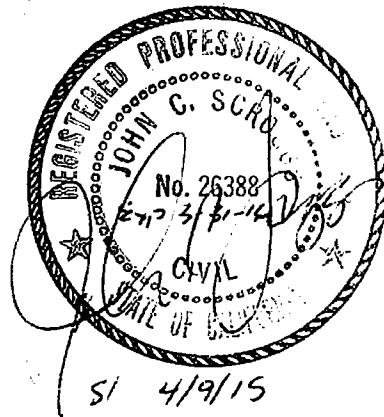


EXHIBIT "B"
SACRAMENTO SUBURBAN
WATER DISTRICT

APN: 278-0164-011 & APN: 278-0164-014
 COUNTY OF SACRAMENTO
 CALIFORNIA

PROPERTY OF BRALEY & GRAHAM
 PROPERTIES OREG. LLC,
 AN OREGON LIMITED LIABILITY COMPANY
 31 MARCH 2015

20' RIGHT OF WAY
 830808-OR-962

APN: 278-0164-012

PARCEL 1
820813-OR-1237

SACRAMENTO
SUBURBAN
WATER DISTRICT
EASEMENT
 9,912 SQ.FT.
 (0.228 ACRES)

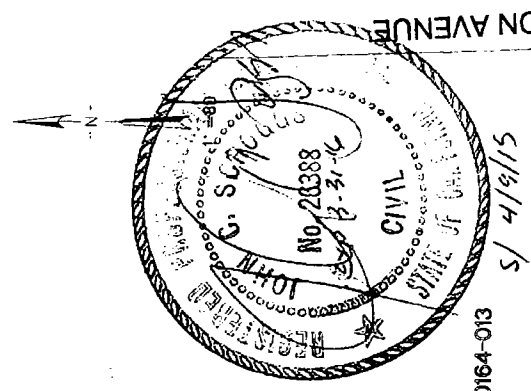
APN: 278-0164-030

APN: 278-0164-021

APN: 278-0164-032

APN: 278-0164-034

APN: 278-0164-013



BRUNTON WY

APN: 278-0136-008

APN:
 278-0164-001

APN:
 278-0164-002

APN: 278-0164-010

APN: 278-0164-009

APN: 278-0164-008

APN: 278-0164-007

42' ROW
 901029-OR-1132

POINT OF BEGINNING
 S89°10'31"W
 42.01'

N1°46'30"W
 454.45'

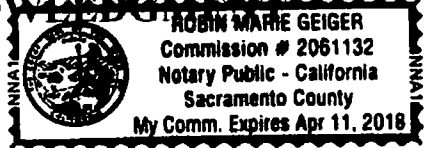
POINT OF COMMENCEMENT
 SOUTHEAST CORNER
 LOT 32
 14-MAPS-9

7777 Glenbrook Lane
 Suite 104
 Citrus Heights, CA 95610
 Tel: (916) 725-1800
 Fax: (916) 725-4325

KASL
 CONSULTING
 ENGINEERS

CIVIL - WATER RESOURCES - SURVEYING

CALIFORNIA ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT



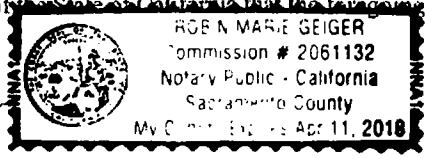
State of California
County of Sacramento

On 4/13/2015 before me, Robin Marie Geiger
(Here insert name and title of the officer)

personally appeared Clark Randolph Graham

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.



WITNESS my hand and official seal
Robin Marie Geiger
Signature of Notary Public

(Notary Seal)

ADDITIONAL OPTIONAL INFORMATION

INSTRUCTIONS FOR COMPLETING THIS FORM

Any acknowledgment completed in California must contain verbiage exactly as appears above in the notary section or a separate acknowledgment form must be properly completed and attached to that document. The only exception is if a document is to be recorded outside of California. In such instances, any alternative acknowledgment verbiage as may be printed on such a document so long as the verbiage does not require the notary to do something that is illegal for a notary in California (i.e. certifying the authorized capacity of the signer). Please check the document carefully for proper notarial wording and attach this form if required.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public for acknowledgment.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the acknowledgment is completed.
- The notary public must print his or her name as it appears within his or her commission followed by a comma and then your title (notary public).
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Indicate the correct singular or plural forms by crossing off incorrect forms (i.e. ~~he/she/they~~, is /are) or circling the correct forms. Failure to correctly indicate this information may lead to rejection of document recording.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different acknowledgment form.
- Signature of the notary public must match the signature on file with the office of the county clerk.
 - ✦ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document
 - ✦ Indicate title or type of attached document, number of pages and date
 - ✦ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document

DESCRIPTION OF THE ATTACHED DOCUMENT

(Title or description of attached document)

(Title or description of attached document continued)

Number of Pages _____ Document Date _____

(Additional information)

CAPACITY CLAIMED BY THE SIGNER

Individual (s)

Corporate Officer

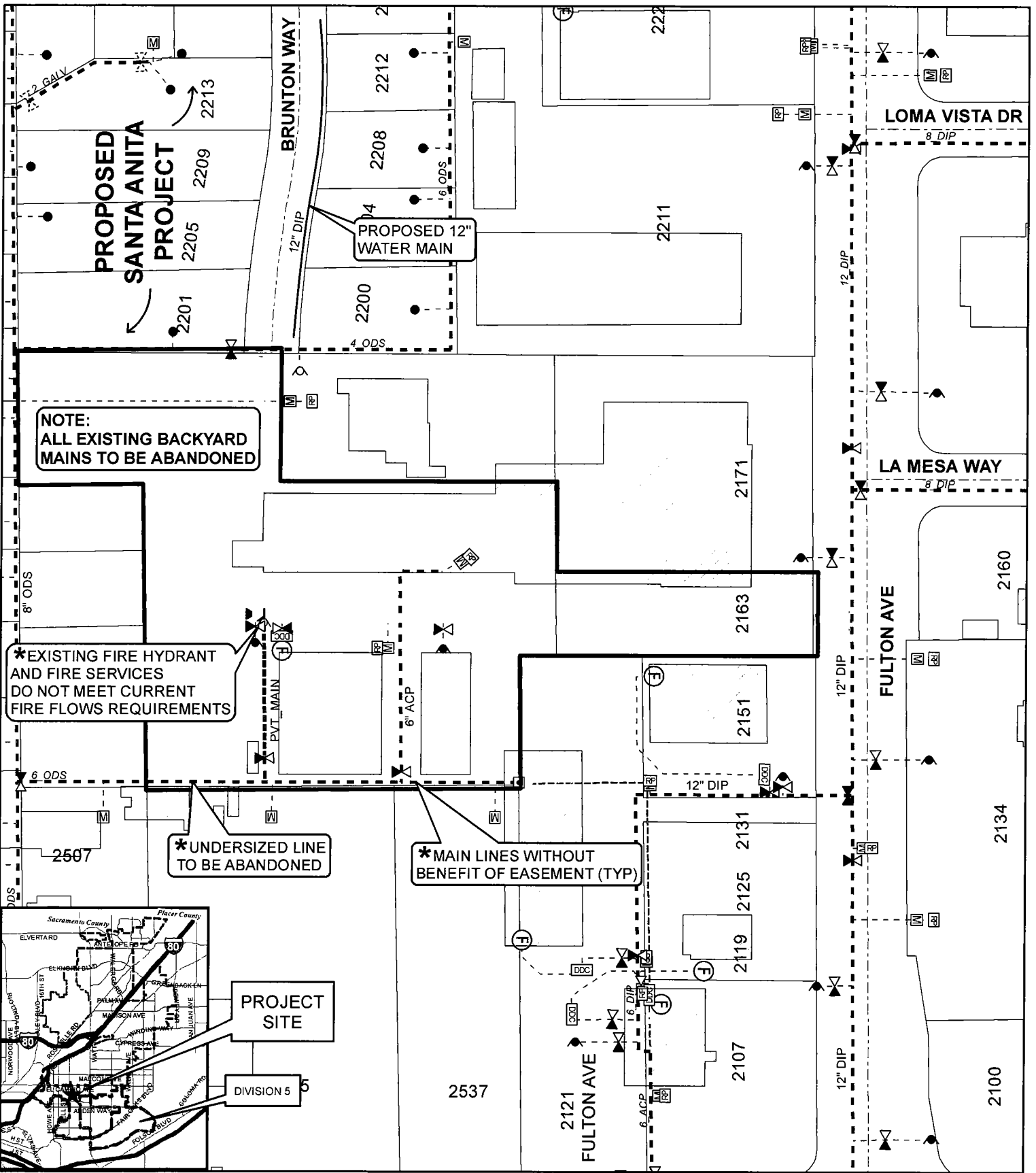
(Title)

Partner(s)

Attorney-in-Fact

Trustee(s)

Other

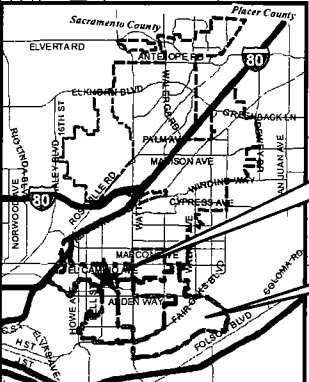


**NOTE:
ALL EXISTING BACKYARD
MAINS TO BE ABANDONED**

***EXISTING FIRE HYDRANT
AND FIRE SERVICES
DO NOT MEET CURRENT
FIRE FLOWS REQUIREMENTS**

***UNDERSIZED LINE
TO BE ABANDONED**

***MAIN LINES WITHOUT
BENEFIT OF EASEMENT (TYP)**



NOT TO SCALE



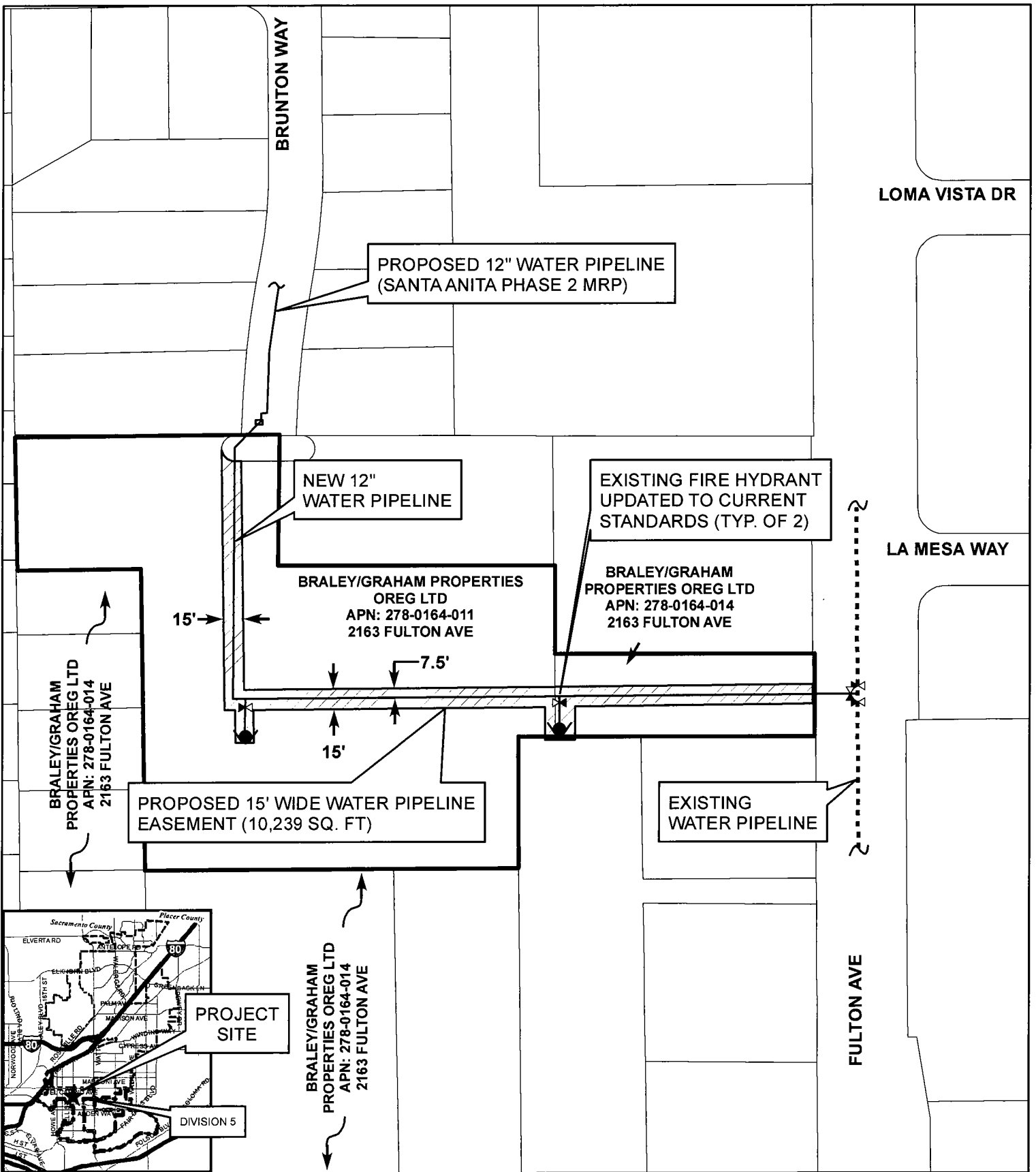
Portion of Sacramento Suburban Water District

EXHIBIT 1

NOT FOR RECORDING
***Condition Prior To New**
Waterline Facilities Installation
2163 FULTON AVE
 (Voting Div. 5)

Base Data: Sacramento County Gis Base Map
 Projection: CA State Plane 2, NAD83
 Scale: No Scale
 Prepared by: D.A.V., SSWD
 Sacramento, CA, Feb, 2015
 Fulton_2163_Exist.mxd





NOT TO SCALE

Portion of Sacramento Suburban Water District

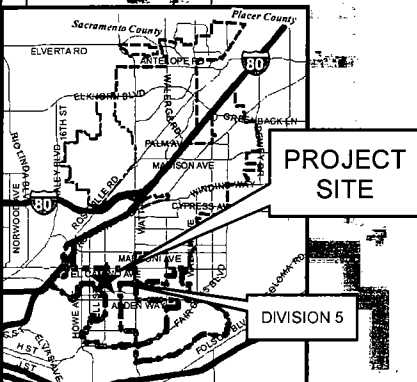
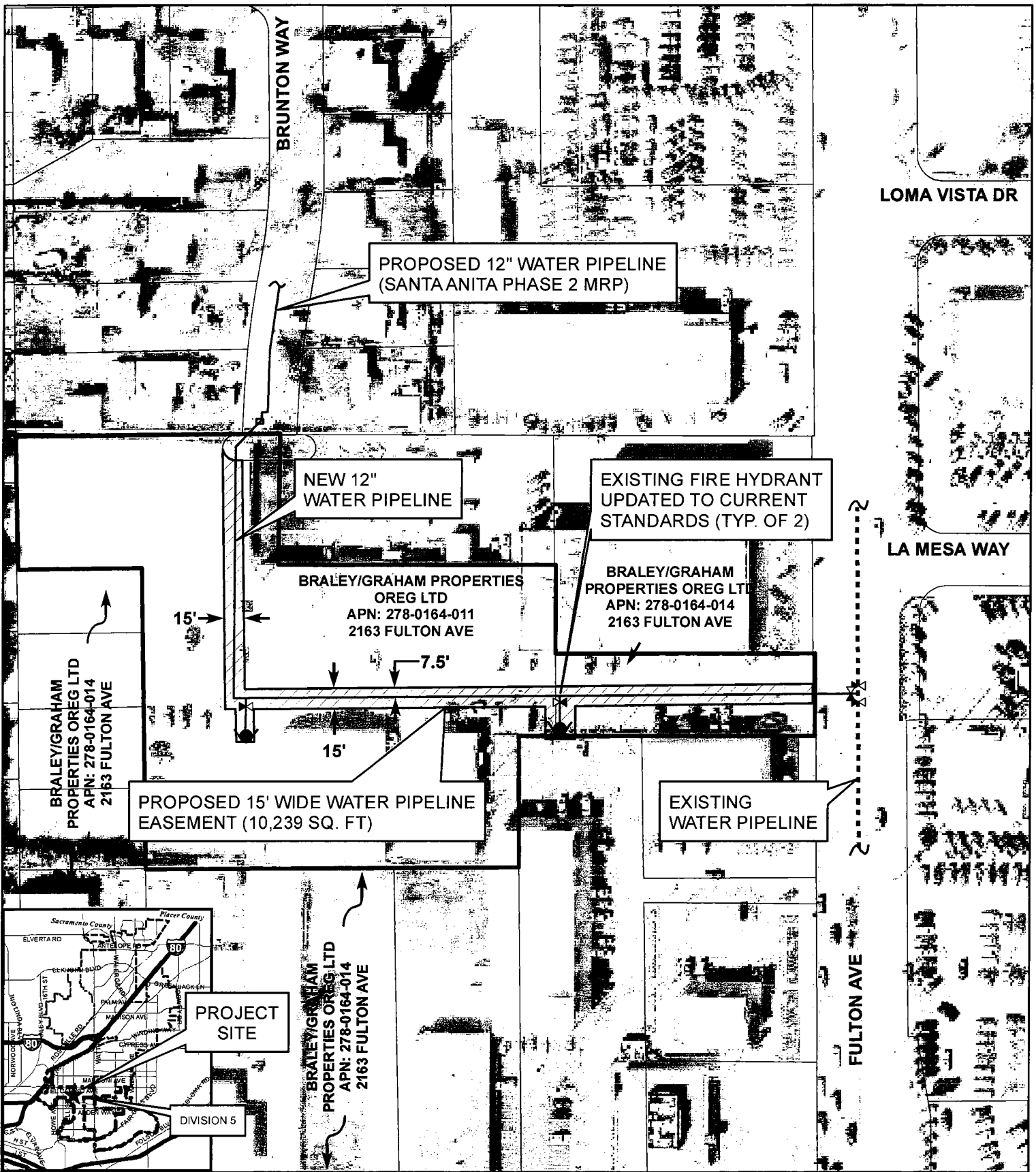
EXHIBIT 2



NOT FOR RECORDING
PROPOSED 15' WIDE EASEMENT
2163 FULTON AVE

(Voting Div. 5)

Base Data: Sacramento County Gis Base Map
Projection: CA State Plane 2, NAD83
Scale: No Scale
Prepared by: D.A.V., SSWD
Sacramento, CA, Feb. 2015
Fulton_2163.mxd



NOT TO SCALE

Portion of Sacramento Suburban Water District

EXHIBIT 3



NOT FOR RECORDING

**PROPOSED 15' WIDE EASEMENT
2163 FULTON AVE**

(Voting Div. 5)



Base Data: Sacramento County Gis Base Map
 Projection: CA State Plane 2, NAD83
 Scale: No Scale
 Prepared by: D.A.V., SSWD
 Sacramento, CA, Feb, 2015
 Fulton_2163_Aerial.mxd



Agenda Item: 7

Date: April 6, 2015

Subject: Resolution No. 15-05 Accepting Grant of Easement and Right of Way for 2600 Fulton Avenue

Staff Contact: Dave Jones, Associate Engineer
John E. Valdes, Engineering Manager

Recommended Committee Action:

Adopt Resolution No. 15-05 accepting Grant of Easement and Right of Way for 2600 Fulton Avenue as recommended by the Facilities and Operations Committee.

Discussion:

The District's process for acquisition of easements can be very time consuming and on occasion can hinder the installation/improvement of system infrastructure. Staff begins this process during the design phase, which is typically 12 months in advance of a project. The process is utilized for new development, re-development and District capital improvement projects. The number of steps necessary to acquire an easement are listed below:

- Determine if there is an existing easement (and if there are private water facilities)
- Determine the need for a new easement
- Determine fire flows on existing system and if fire hydrants or fire services are to be installed/upgraded
- Determine width parameters for potential easement
- Begin negotiations with property owner
- If monetary requirement, obtain property appraisal
- Receive verbal and/or written approval for easement from property owner
- Prepare Grant of Easement for new water facilities
- Legal description and plat map of new easement are prepared by licensed California Land Surveyor
- Grant of Easement is executed and notarized by property owner
- General Manager review/approval

- Board acceptance of easement
- Grant of Easement is recorded at County Clerk/Recorder's Office.
- Begin installation of infrastructure

In addition to the easement acquisition process, where a customer development needs District approval, the District may require a minimum 20 feet wide easement. During design/construction of the Fulton/El Camino Right of Way Improvement Project (District Capital Improvement Project) in 2014, staff discovered existing public water system facilities on private property without the benefit of an easement. Staff negotiated with the property owner to obtain a new easement. However, staff negotiated a 15-foot easement and not 20 feet as currently required by District standards. Because the project was not developer required, and because a 15 foot easement was offered at no cost to the District, a wider easement would require eminent domain actions. To expedite the infrastructure installation, staff directed the District's contractor to install new water appurtenances within the dedicated easement before that easement had been officially accepted by the Board.

The property at 2600 Fulton Avenue is a commercial property operated as a Lexus dealership owned by the Mr. Patrick Frink. As originally constructed, there was one public fire hydrant at the rear of the property that was owned and maintained by the District. The existing fire hydrant was supplied by a backyard 6-inch asbestos cement (AC) water main that runs south along the east property line towards El Camino Avenue. The water line was installed decades ago without the benefit of an easement as shown in Exhibit 1.

After the lack of an existing easement was discovered the fire flow was determined insufficient, the pending need to install new services to support the District's Drayton Heights Water Main Project, and provide improved fire flow for the public fire hydrant currently in use, District staff conversed over the phone with Mr. Frink (the owner of the property) early in 2014. District staff informed Mr. Frink of the new main replacement project, the installation of a new 8-inch water main serving the fire hydrant at the back of 2600 Fulton Avenue from Elvyra Drive, and the need for an easement. Mr. Frink was in agreement with providing an easement, but could only offer a 15 foot easement due to the fact that a portion of the existing dealership's building is only 15 feet from the east property line. The space between the building and the property line provides an alternate ingress and egress to the dealership's shop facility and varies from 25 feet to 40 feet, excluding the building portion that is 15 feet from the property line. Mr. Frink requested no compensation for the easement he was offering. The attached Exhibits 2 and 3 show the proposed easement and the new water system facilities inside the easement.

The need for this project was driven by the Sacramento Metropolitan Fire District's requirement to keep the public fire hydrant in service, the District's Drayton Heights Main Replacement

Project (one year out) and the impending County of Sacramento's paving overlay of Fulton Avenue. Staff determined that the existing fire hydrant could not produce the current fire flow required by today's standards.

District staff believes the 15 foot easement as offered is adequate for repair and maintenance of the new water system facilities, especially considering the time constraints associated with the upcoming paving project and the Drayton Heights project. Mr. Frink noted that the dealership would be redeveloping the parcel in the future which could require additional fire demands that would change the placement of fire hydrants, and could result in new easements being drawn up that would meet all regulatory agency requirements. This possible future development also hindered the possibility of acquiring a 20 foot wide water line easement from Fulton Avenue to the current hydrant location.

In an effort to keep the project moving, a field decision was made to proceed with the installation of the new water main and fire hydrant before a formal grant of easement was approved by the Board. The proposed easement allows the new water main to be connected to a proposed 12-inch water main in Elvyra Drive, allowing for acceptable fire flows. While this decision saved the District significant money, and avoided a construction shutdown, the easement acquisition was not done in accordance with District procedures.

District management understands that no easement is legal until it is approved by the Board of Directors. Proceeding with the installation of the infrastructure prior to the easement being approved by the Board and properly recorded was a major oversight on the part of staff. Under current District procedures, the practice of installing water facilities within a signed easement ready for recording, but not approved by the Board, was an accepted practice by a predecessor District and apparently selectively continued by SSWD. Those conditions include, but are not limited to, timing of project, property owner approving the easement conditions, and economic parameters.

With immediate direction from the General Manager, steps are now in place to ensure that no work is constructed on private property until such time that an existing easement is approved by the Board and recorded by the County Clerk Recorder's Office. For easements on the development side, a flow chart is being prepared to provide to owner(s) and/or their engineers that will clearly show that the project plans will not be approved until any easements are approved by the Board. Likewise, for District CIP projects, a project planning/design checklist is being prepared that will not allow the project to proceed to construction until easements are approved by the Board.

Fiscal Impact:

There is no significant fiscal impact for acquiring and accepting the easement as it has been offered at no cost to the District.

Strategic Plan Alignment:

Facilities and Operations – 2.B. Monitor and improve the District’s efficiencies in operating and maintaining system infrastructure.

The proposed easement allows the District the right to access the new water main, insures water quality, improves fire flows, and allows for maintenance of the infrastructure and operation of the system.

RESOLUTION NO. 15-05

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SACRAMENTO SUBURBAN WATER DISTRICT
ACCEPT GRANT OF EASEMENT AND RIGHT OF WAY
FOR 2600 FULTON AVENUE**

WHEREAS, the below named Grantor, the owner of record of certain real property has conveyed to Sacramento Suburban Water District, a political subdivision of the State of California, the real property of interest therein which is more particularly described in the following instrument of conveyance:

GRANTOR: PATRICK R. FRINK

INSTRUMENT: GRANT OF EASEMENT AND RIGHT OF WAY

EXECUTED AND DATED: JULY 17, 2014

AND WHEREAS, it has been duly determined by the Board of Directors of Sacramento Suburban Water District that it is in the public interest for the District to acquire and accept the said real property or interest therein.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Board of Directors of the Sacramento Suburban Water District as follows:

1. The District General Manager is hereby authorized and empowered to consent to and accept on behalf of the District, as presented to the Board of Directors on April 20, 2015, the real property or interest therein conveyed by the aforementioned instrument of conveyance.
2. The property subject to this resolution is more fully described in the attached legal description and map, attached hereto and incorporated herein as though fully set forth.

PASSED AND ADOPTED by the Board of Directors of the Sacramento Suburban Water District on this 20th day of April, 2015 by the following vote:

AYES:
NOES:
ABSENT:

By: _____
Neil W. Schild
President, Board of Directors
Sacramento Suburban Water District

I hereby certify that the foregoing resolution was duly and regularly adopted and passed by the Board of Directors of Sacramento Suburban Water District at a regular meeting hereof held on the 20th day of April, 2015.

(SEAL)

By: _____
Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District

CERTIFICATE OF ACCEPTANCE

This is to certify that SACRAMENTO SUBURBAN WATER DISTRICT, a political subdivision of the State of California, acting by and through its General Manager, hereby accepts for public purposes the real property, or interest therein, conveyed by the within document and consents to the recordation thereof pursuant to authority conferred by:

Resolution No. 15-05 adopted on the 20th day of April, 2015.

By: _____
Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District

Dated: April 20, 2015

Recording Requested By, And When
Recorded, Please Mail Document To:

SACRAMENTO SUBURBAN WATER DISTRICT
Attn: General Manager
3701 MARCONI AVENUE, SUITE 100
SACRAMENTO, CA 95918

Official Document, Exempt from Recording
Fees Pursuant to Gov't Code §§ 6103 & 27383

No Document Transfer Tax
Per R&T Code § 11922

Assessor's Parcel No(s): 268-0280-073

-- This Space for Recorder's Use Only --

GRANT OF EASEMENT AND RIGHT OF WAY

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, **PATRICK R. FRINK, a married man as his sole and separate property**, Grantor, hereby grants to **Sacramento Suburban Water District**, a political subdivision of the State of California, Grantee, a permanent easement and right of way, including the perpetual right to enter upon the real property described below at any time that Grantee may deem necessary, to locate, construct, install, operate, maintain, repair, modify, replace and remove underground pipelines, water mains and all necessary below- and above-ground appurtenances for the purpose of conveying water over, across, through, and under the lands hereinafter described, together with the right to excavate and refill ditches or trenches for the location of said pipelines, water mains and appurtenances, and the further right to remove trees, bushes, undergrowth, ground covering, pavement, and any other obstructions interfering with the location, construction, installation, operation, maintenance, repair, modification, replacement and removal of said pipelines, water mains and appurtenances.

The land burdened by this Grant of Easement and Right of Way is located in the County of Sacramento, State of California, and is more particularly described as follows:

See Exhibits 'A' and 'B'

Attached hereto and made a part hereof this Grant of Easement and Right of Way

As a condition of this Grant of Easement and Right of Way, Grantor reserves the right to use such land for purposes that will not interfere with Grantee's full enjoyment of the rights hereby granted; provided that Grantor shall not erect or construct any building, wall, fence, or other permanent structure, or drill or operate any well, or construct any reservoir or any other obstruction on said land, or to diminish or substantially add to the ground cover lying over the easement and right-of-way granted herein.

The provisions of this Grant of Easement shall run with the land and inure to the benefit of and bind the heirs, successors, and assigns of the Grantor and Grantee.

Executed this 17th day of July, 2014.

PATRICK R. FRINK, a married man as his sole and separate property

Signature: 
By: PATRICK R. FRINK

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF California

COUNTY OF Sacramento

On: July 17, 2014 before me, Mary Sayer, Notary Public
date name of notary officer

personally appeared Patrick R. Frink
name(s) of signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Mary Sayer
 Signature of Notary



-----OPTIONAL SECTION-----

CAPACITY CLAIMED BY SIGNER

Though statute does not require the Notary to fill in the data below, doing so may prove invaluable to persons relying on the document.

- INDIVIDUAL
 CORPORATE OFFICER(S)

- Title(s)
 PARTNER(S) LIMITED
 GENERAL

- ATTORNEY-IN-FACT
 TRUSTEE(S)
 GUARDIAN/CONSERVATOR
 OTHER:

SIGNER IS REPRESENTING:
 Name of Person(s) or entity(ies)

Self

OPTIONAL SECTION:

DATA REQUESTED HERE IS NOT REQUIRED BY LAW.

TITLE OR TYPE OF DOCUMENT: Grant of Easement + Right of Way
 NUMBER OF PAGES _____ DATE July 17, 2014
 SIGNER(S) OTHER THAN NAMED ABOVE _____

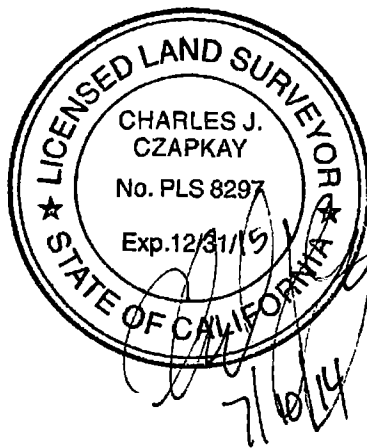
EXHIBIT 'A'
15 Foot Wide Water Pipeline and Access Easement
APN: 268-0280-073

The North 433.00 feet of the East 15.00 feet of the North 637.50 feet of the South 850.00 feet of the West 265.25 feet of Lot 209 as shown on the map entitled "Del Paso Park View Tract No. 2". Filed in Book 14 of Maps, Page 33, Sacramento County Records, State of California.

EXCEPTING THEREFROM any portion of the above described easement lying within the public right of way of Elvyra Way.

Containing 6,106 square feet, more or less.

End description.



FULTON AVENUE

ELVYRA WAY

FRINK
20040202 OR 1734
APN: 268-0280-073

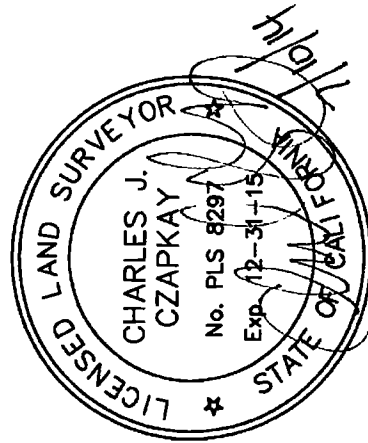
265.25'

637.50'

433.00'

15.00' WIDE WATER PIPELINE
& ACCESS EASEMENT
6,106 SQ.FT.

NORTH
AREA WEST ENGINEERS, INC.



AREA WEST ENGINEERS, INC.
ENGINEERING - SURVEYING - PLANNING
7478 SANDALWOOD DRIVE, SUITE 400
CITRUS HEIGHTS, CA 95621
(916) 725-5551 (916) 725-5808 (FAX)
AW@AREAWESTENG.COM

EXHIBIT 'B'
WATER PIPELINE & ACCESS EASEMENT
2600 FULTON AVENUE
APN: 268-0280-073
COUNTY OF SACRAMENTO
STATE OF CALIFORNIA

SCALE

HORIZ.: 1" = 80'

VERT.: NONE

DATE: JULY, 2014

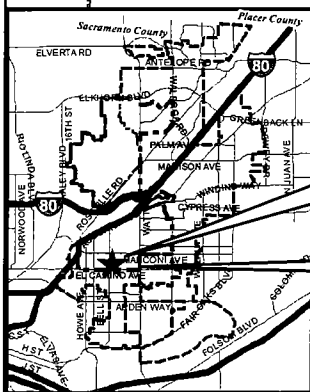
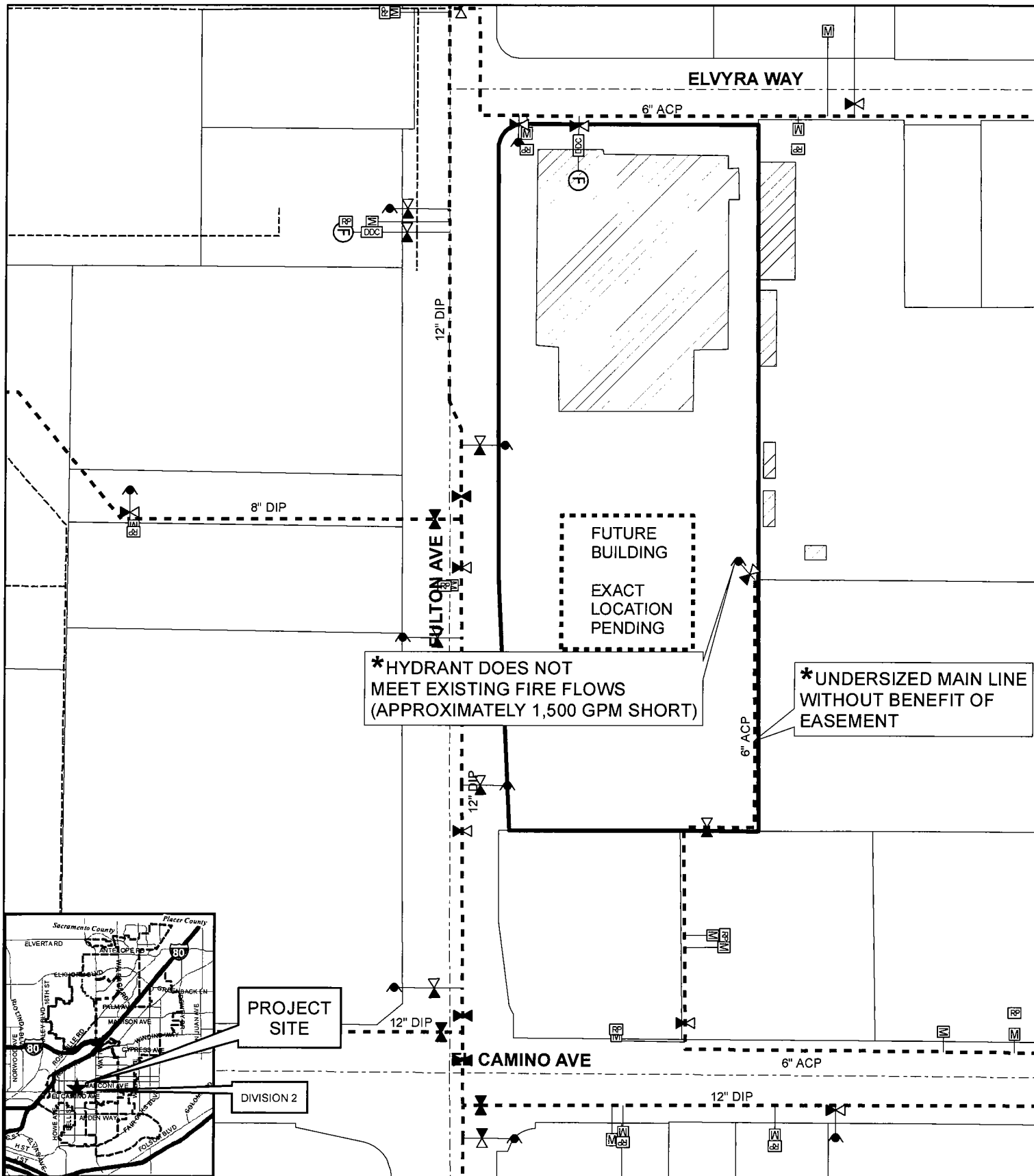
14009

SHEET

1

OF

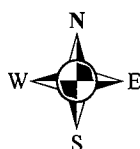
1



PROJECT SITE

DIVISION 2

NOT TO SCALE



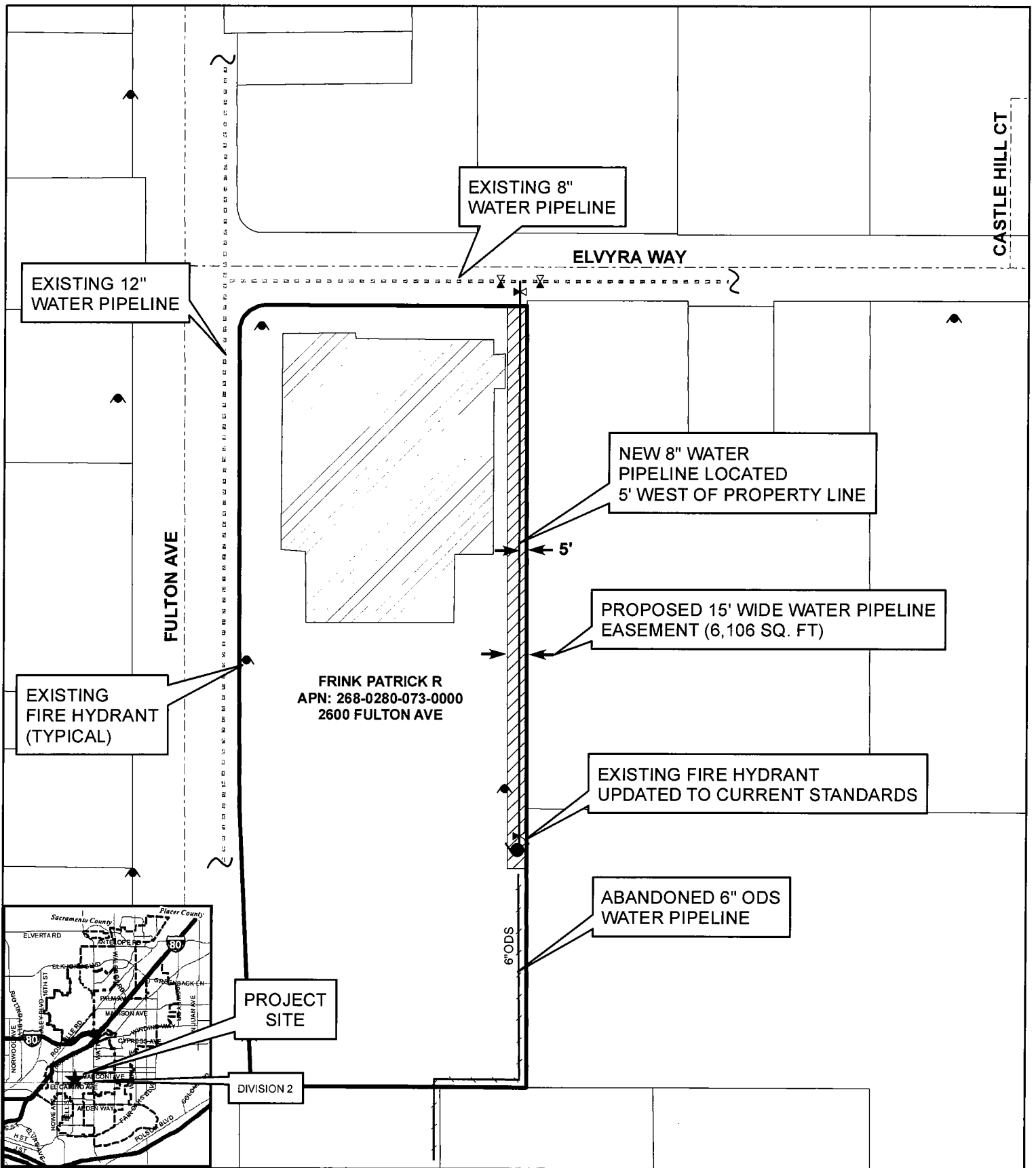
Portion of Sacramento Suburban Water District

NOT FOR RECORDING
 * Condition Prior To New
 Waterline Facilities Installation
 2600 FULTON AVE

(Voting Div. 2)

EXHIBIT 1

Base Data: Sacramento County Gis Base Map
 Projection: CA State Plane 2, NAD83
 Scale: No Scale
 Prepared by: D.A.V., SSWD
 Sacramento, CA, Feb, 2015
 Fulton_2600_Exist.mxd



NOT TO SCALE

Portion of Sacramento Suburban Water District



EXHIBIT 2

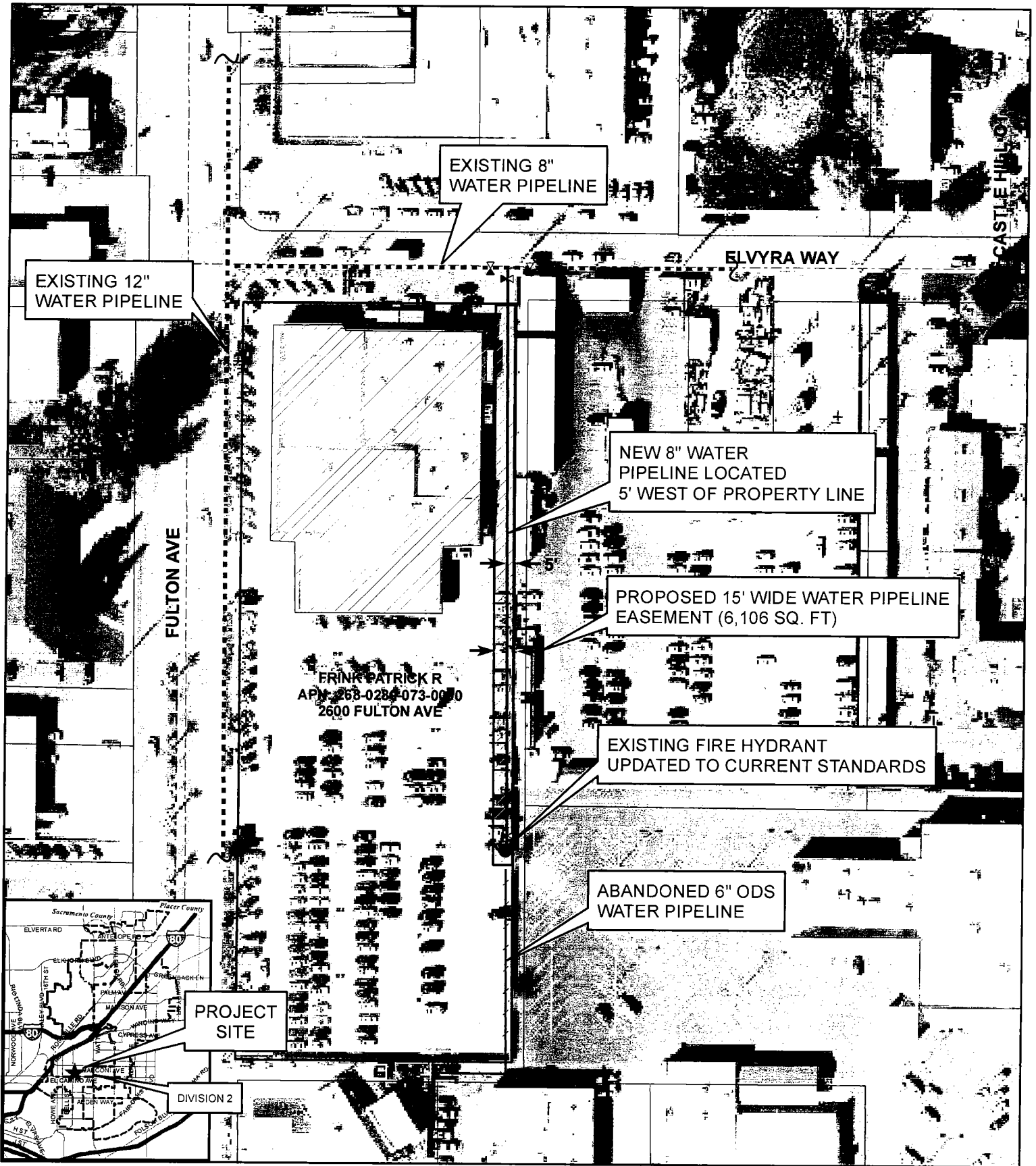
NOT FOR RECORDING

PROPOSED 15' WIDE EASEMENT
2600 FULTON AVE

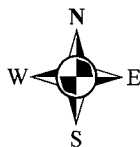
(Voting Div. 2)

Base Data: Sacramento County Gis Base Map
 Projection: CA State Plane 2, NAD83
 Scale: No Scale
 Prepared by: D.A.V., SSWD
 Sacramento, CA, Feb, 2015
 Fulton_Elvyra.mxd



NOT TO SCALE



Portion of Sacramento Suburban Water District

NOT FOR RECORDING

PROPOSED 15' WIDE EASEMENT
2600 FULTON AVE

(Voting Div. 2)

EXHIBIT 3

Base Data: Sacramento County Gis Base Map
 Projection: CA State Plane 2, NAD83
 Scale: No Scale
 Prepared by: D.A.V., SSWD
 Sacramento, CA, Feb, 2015
 Fulton_2600_Aerial.mxd



Agenda Item: 8

Date: April 9, 2015

Subject: Water Meter Asset Management Plan Update

Staff Contact: David Espinoza, Associate Engineer

Recommended Board Action:

Adopt the updated Water Meter Asset Management Plan as prepared by District staff, direct staff to update this plan periodically as additional information becomes available, and use the plan to inform annual capital budget discussions with the Board.

Background:

The updated Plan was presented to the Facilities & Operations Committee at their meetings on January 21, 2015 and March 30, 2015. The Committee unanimously recommended adoption of the Plan and directed staff to present the Plan to the full Board of Directors at the April 20, 2015 regular Board meeting.

An earlier draft "Water Meter Retrofit Plan" ("Plan") update was presented to the Facilities & Operations Committee at their meeting on January 21, 2015. Chair Wichert requested that staff make the maps, particularly Figure 10 - Table of Meter Retrofit Plan/Projected Scheduling, a little more legible in the updated report to the full Board. Director Thomas acknowledged the discrepancy between what the projected cost is to complete the meter retrofit program as compared to costs estimated in the District's 2009 *Water System Master Plan*. The estimated remaining cost per the Master Plan is approximately \$22 million. However, staff believes the actual cost is closer to roughly \$18 million. Director Thomas recommended that staff readjust the total project completion budget closer to \$20 million. Chair Wichert agreed and recommended that staff review the budget again at the end of 2015. Staff informed the Committee that the budget discrepancy was due to the projected increase in costs associated with purchasing materials (meters, meter setters, etc.), and that each year staff monitors and makes any necessary budget adjustments. General Manager Roscoe requested to the Committee that the "Water Meter Retrofit Plan" change to the "Water Meter Asset Management Plan" by adding discussion on meter replacement. Chair Wichert agreed, and an update version was presented as described above.

Discussion:

Upon receiving direction from the Committee at the January 2015 meeting, staff updated the Plan and brought it before the Committee for final review on March 30, 2015.

This 2015 Plan update provides a plan and strategy for retrofitting the District's remaining existing flat rate residential customers with water meters. The updated Plan includes revised and updated information on the number of metered and unmetered customers, updated maps, an updated schedule showing planned meter retrofits for the next eight years (through 2022) and updated cost information.

The purpose and goals of this 2015 Plan are:

- To comply with Assembly Bill 2572 (AB2572), which requires metering in California to be completed by January 1, 2025.
- To promote water conservation in compliance with Water Forum objectives.
- To comply with Water Forum requirements for Best Management Practices (BMP's), including BMP # 4 on residential meter retrofits.
- To prioritize areas to be metered based on objective and defensible criteria.
- To develop a realistic and phased approach to meter retrofits.
- To coordinate with the District's long-term Capital Improvement Program, including the Main Replacement Program.
- To provide customer outreach on meter retrofits and conserving water use.
- To provide for an organized transition from meter retrofits to meter replacements.
- To comply with the California Urban Water Conservation Council Water Conservation Element Best Management Practices.

Currently, at the end of 2014, out of a total of 46,174 services, 34,702 services are metered, or approximately 75 percent of all services. There are approximately 11,472 residential services within the District's service area that are not metered. However, the majority of the District's commercial and multi-family housing accounts are metered and have been for several years. In 2004, the District proposed to implement a 20-year installation program to complete meter retrofits in advance of the Water Forum commitment. Fortunately, this schedule also meets AB2572 requirements. This 20-year schedule also coincides with the expected life of a typical residential meter, allowing the Meter Retrofit Program to smoothly transition into a meter replacement program over the long term. The 2015 Plan updates the District's effort for the remaining eight years of the Meter Retrofit Program.

Obviously, with such a long program, there will be some customers metered well in advance of others. The 2015 Plan provides a basis for prioritizing the sequence in which remaining residential services will be metered. However, some flat rate residential customers will receive meters for reasons other than this 2015 Plan. Such reasons include voluntary metering, when a customer requests a new larger water service, and when a customer requests downsizing a service, and for excessive and repeated water waste.

The 2015 Plan also proposes that water meters be installed when backyard water mains (located primarily in the District's South Service Area) are replaced with new water mains located in the street or public right-of-way fronting the customer's homes. Included with the installation of the new mains, new fire hydrants, etc., new water services are also installed, which includes water

meters. Due to the large number of residential flat rate accounts (approximately 9,578) that are currently served by backyard water mains, and the length of time that it will take to replace these backyard mains, water meters will need to be installed on backyard water services over the course of completing the meter retrofit program. However, all backyard Outside Diameter Steel (ODS) water mains, which are the most maintenance intensive in terms of leak repair, will be replaced in the next few years and, as a result, no water meters will be installed on backyard ODS mains. Note: On October 20, 2014, the District's Board adopted an updated "Distribution Main Asset Management Plan" that prioritizes areas with backyard water mains receiving new water mains.

Several criteria were developed that are considered important in determining the priority for metering, including: (1) average water consumption, (2) front yard water mains, (3) backyard water mains, (4) size of lot, and (5) water main material type. To prioritize the areas remaining to be metered, the areas with flat rate customers were divided up into smaller regions, or service area "blocks," based on various commonalities (i.e., large percentage of larger lot sizes, etc.). The criteria applied to the selected blocks were used to develop a metering prioritization list that is objective and defensible.

In 2009 a new Water System Master Plan was developed to lead the District into developing capital improvements for the next 15 years beginning in 2010. The 2015 Plan should be reviewed and/or revised as necessary to align with future revenue available for funding both meter retrofits and main replacement projects. As the District completes the meter retrofit program over the next 8 years, by 2023, there will be transition to a meter replacement program. This program is addressed in a new, additional section of the Water Meter Asset Management Plan.

Fiscal Impact:

The updated 2015 Plan does not constitute a financial commitment on behalf of the District. However, the District is obligated by AB2572 to meter all remaining customers by January 1, 2025. The Meter Retrofit Program retrofits approximately 950 front yard services, at an approximate cost of \$1.6 annually. This cost includes locating, retrofitting the existing service, labor and materials. Note that this does not include the cost of additional meters that are routinely installed as part of the District's Main Replacement Program. It is somewhat unknown how this cost will be affected as the District begins to install water meters in backyard easements starting in 2016.

The District's 2009 *Water System Master Plan* includes a summary of recommended capital improvements for the next 15 years beginning in 2010. Based on the average of the remaining balance of meters to be retrofitted as of the end of 2014 and past District experience, the total remaining cost of the Meter Retrofit Program is estimated at roughly \$20 million. Note that this total is based on current cost for meter retrofits and does not include the cost of new-metered services installed on main replacement projects.

Strategic Plan Alignment:

Water Supply 1.B. - Provide for the long-term future needs of the District through prudent planning that will ensure sufficient capacity to serve all customers.

Water Supply 1.C. - Continue to implement and support demand management strategies and water conservation that comply with federal, state and regional programs; support Water Forum Agreement goals and efficiently meet the needs of the District customers.

Water Supply 1.D. - Manage the District's water supplies to ensure its quality and quantity.

The installation of water meters will allow customers the opportunity to conserve water, which will reduce groundwater pumping demand.

Customer Service – 3.D. Provide effective customer and community relations by communicating, educating, and providing information on District operations, drinking water issues, resource sustainability and environmental stewardship.

FINAL DRAFT

Water Meter Asset Management Plan

Updated April 2015

(Updated September 2007 as “Water Meter Retrofit Plan”)

(Adopted February 2004 as “Water Meter Retrofit Plan”)

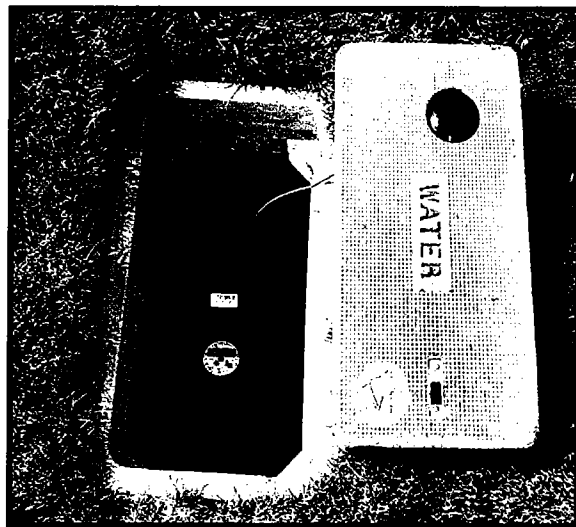


TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	1
INTRODUCTION / BACKGROUND.....	4
CURRENT METERING COMMITMENTS.....	6
<i>Water Forum Agreement</i>	6
<i>California Urban Water Conservation Council</i>	8
<i>Legislation</i>	9
TYPES OF METER RETROFITS AND COST FACTORS.....	9
<i>Type A. Front Yard Meter “Drop-Ins”</i>	11
<i>Type B. Front Yard Main, No Meter Box or Idler, All Service Line Types</i>	12
<i>Type C. Backyard, Known or Unknown Service Location, Copper or Plastic Service</i>	15
METER REPLACEMENT	16
METER RETROFIT PLAN.....	19
<i>Analysis of District to Identify Areas of “Predominance”</i>	19
<i>Identified Areas with “Predominance” of Criteria</i>	25
PUBLIC OUTREACH.....	27
CONCLUSIONS AND RECOMMENDATIONS.....	27
APPENDICES.....	30

LIST OF FIGURES

Figure 1. Residential Metering Requirement per Water Forum Agreement.....	7
Figure 2. Front Yard Drop-In Meter Installation.....	12
Figure 3. Front Yard Meter Retrofit Installation.....	14
Figure 4. Backyard Meter Retrofit Installation.....	16
Figure 5. Cross-Section of Nutating Disk Type Water Meter.....	17
Figure 6. District-Wide Metering Status.....	20
Figure 7. Location of Non-Metered Residential Services with Front or Back Yard Mains.....	21
Figure 8. Water Mains Within District (by type).....	22
Figure 9. Lot Sizes Within District.....	23
Figure 10. Water Meter Retrofit Plan Areas.....	24
Figure 11. Meter Retrofit Plan / Projected Scheduling.....	29

LIST OF APPENDICES

Appendix A. Water Forum Purveyor Specific Agreement (PSA)	
Appendix B. SSWD Water Forum Water Conservation Plan - Best Management Practices	
Appendix C. Best Management Practice 1.3 – Metering with Commodity Rates for all New Connections and Retrofit of Existing Connections	
Appendix D. Assembly Bill No. 2572	
Appendix E. SSWD Standard Detail No. 13 – Typical ¾” & 1” Metered Residential Water Service	
Appendix F. Badger Meter Recordall Disc Meters Specifications Sheet for ¾” and 1” Meters	

EXECUTIVE SUMMARY

The Sacramento Suburban Water District (District) Board of Director's adopted a "Water Meter Retrofit Plan" in principle on February 23, 2004. Then, in September 2007, the Board adopted an updated plan. This Water Meter Asset Management Plan ("Plan") is an updated version of the adopted 2007 plan. This 2015 Plan provides a plan and strategy for retrofitting the District's remaining existing flat rate residential customers with water meters. The purpose and goals of this Plan are:

- To comply with Assembly Bill 2572 (AB2572), which requires metering in California to be completed by January 1, 2025.
- To promote water conservation in compliance with Water Forum objectives.
- To comply with Water Forum requirements for Best Management Practices (BMP's), including BMP # 4 on residential meter retrofits.
- To prioritize areas to be metered based on objective and defensible criteria.
- To develop a realistic and phased approach to meter retrofits.
- To coordinate with the District's long-term Capital Improvement Program, including the Main Replacement Program.
- To provide customer outreach on meter retrofits and conserving water use.
- To comply with the California Urban Water Conservation Council (CUWCC) Water Conservation Element Best Management Practices.

Through execution of the Water Forum Agreement in 2003, the District agreed to install meters on all remaining residential services by 2030, or over the next 27 years. However, in 2005, Governor Arnold Schwarzenegger signed AB2572 which requires metering in California to be completed by January 1, 2025.

Currently, at the end of 2014, out of a total of 46,174 services, 34,702 services are metered or approximately 75 percent of all services. There are approximately 11,472 residential services within the District's service area that are not metered. However, the majority of the District's commercial and multi-family housing accounts are metered and have been for several years. In

2004, the District proposed to implement a 20-year installation program to complete meter retrofits in advance of the Water Forum commitment. Fortunately, this schedule also meets AB2572 requirements. This 20-year schedule also coincides with the expected life of a typical residential meter, allowing the meter retrofit program to smoothly transition into a meter replacement program over the long term. This 2015 Plan updates the District's effort for the remaining eight years of the meter retrofit program.

Obviously, with such a long program, there will be some customers metered well in advance of others. This Plan provides a basis for prioritizing the sequence in which remaining residential services will be metered. However, some flat rate residential customers will receive meters for reasons other than this Plan. Such reasons include: voluntary metering, when a customer requests a new larger water service, and when a customer requests downsizing a service.

This Plan also proposes that water meters be installed when backyard water mains (located primarily in the District's South Service Area (SSA)) are replaced with new water mains located in the street or public right-of-way fronting the customer's homes. Included with the installation of the new mains, new fire hydrants, etc., new water services would also be installed, which would include water meters. However, because of the large number of residential flat rate accounts (approximately 9,578) that are currently served by backyard water mains, and the length of time that it will take to replace these backyard mains, water meters will need to be installed on backyard water services over the course of completing the meter retrofit program. However, all backyard Outside Diameter Steel (ODS) water mains, which are the most maintenance intensive in terms of leak repair, will be replaced in the next few years and, as a result, no water meters will be installed on backyard ODS mains. Note: On October 20, 2014, the District's Board adopted an updated "Distribution Main Asset Management Plan" that prioritizes areas with backyard water mains receiving new water mains.

Several criteria were developed that are considered important in determining the priority for metering, including: (1) average water consumption, (2) front yard water mains, (3) back yard water mains, (4) size of lot, and (5) water main material type. To prioritize the areas remaining to be metered, the areas with flat rate customers were divided up into smaller regions, or service

area “blocks,” based on various commonalities (i.e., large percentage of larger lot sizes, etc.). The criteria applied to the selected blocks were used to develop a metering prioritization list that is objective and defensible. Since dividing the flat rate customers into blocks, further division of the areas into smaller sub-blocks (sub-regions) was required to obtain areas that equal the target number of customers to be metered each year. Based on the blocks and sub-blocks, the total regions now equal 183. As of the end of 2014, 124 sub-regions will have been metered. Note that some of these sub-regions are very small (i.e., less than 10 lots) due to carving out main replacement areas and areas that are already metered.

The number of meters installed in any one year will be made up first of meters that are installed for reasons other than the meter retrofit plan (i.e., voluntary metering, etc.). In addition, a certain number of meters will be installed each year as a result of planned distribution main replacement projects. Finally, the remaining meters needed to meet the District’s target will come from the prioritization list included in this Plan (see Figure 11). Due to uncertainties in the number of services located within the main replacement projects, smaller blocks (sub-blocks) will be used to combine with service replacement totals to reach target counts for the annual meter retrofit program.

In 2009 a new Water System Master Plan was developed to lead the District into developing capital improvements for the next 15 years beginning in 2010. The Water System Mater Plan estimated a cost of \$22.2 million to retrofit the remaining balance of meters as of the end of 2014. Based on past experience, District staff believes that the actual cost may be closer to \$20 million (approximately \$1,750 per service) for the remaining 11,472 services yet to be metered. Note that this total is based on current cost for meter retrofits and does not include the cost of new-metered services installed on main replacement projects.

INTRODUCTION / BACKGROUND

Prior to consolidation on February 1, 2002, the former Northridge Water District (NWD) had executed the Water Forum Agreement, and began a program to meter residential customers. Non-residential customers in NWD were previously already metered. The former Arcade Water District (AWD) had not executed the Water Forum Agreement and, therefore, had not initiated a formal residential metering program. However, AWD had metered all known non-residential customers (commercial and multi-family) prior to the consolidation.

On June 5, 2003, the District executed the Sacramento Water Forum Agreement, which includes a Purveyor Specific Agreement (PSA) for the District. With this agreement, the District agreed to meter all remaining residential customers by 2030, or within 27 years, to comply with Best Management Practice (BMP) No. 4 in the agreement. This Plan outlines a strategic plan for the metering of all residential customers within the District's service area by 2023. All known commercial and multi-family accounts within the District are metered.

In 2005, Governor Arnold Schwarzenegger signed AB2572, which requires metering in California to be completed by January 1, 2025. This legislation supersedes the Sacramento Water Forum Agreement.

In December 2008, the California Urban Water Conservation Council (CUWCC) accepted the District for membership. The CUWCC is comprised of all signatories to the memorandum of understanding. The signatories represent urban water suppliers, public advocacy organizations and other interested groups. Joining CUWCC required the District to implement a water conservation program that is consistent with the Council's Memorandum of Understanding (Council MOU). The MOU:

- Recognizes California's economy, quality of life and environment.
- Recognizes the need to provide reliable urban water supplies and to protect the environment.
- Are intended to reduce long-term urban demands from what they would have been without implementation of these practices.

- Is to conserve water, which could be used for the protection of streams, wetlands and estuaries and/or urban water supply reliability.
- Intent is to have the individual signatory water suppliers develop comprehensive conservation BMP programs using sound economic criteria and consider water conservation on an equal basis with other water management options.
- Recognized that present urban water use throughout the State varies according to many factors including, but not limited to, climate, types of housing and landscaping, amounts and kinds of commercial, industrial and recreational development and the extent to which conservation measures have already been implemented.
- Recognized that many of the BMPs identified in this MOU have already been implemented in some areas and that even with broader employment of BMPs, future urban water use will continue to vary from area to area.
- Recognized that projections of future water demand should include estimates of anticipated demand reductions due to changes in the real price of water.

The Council MOU sets the guidelines for the bylaws, Best Management Practices (BMP), role of the Council and outlines the agencies BMP goals.

With a long-term program, the District's residential customers will receive water meters at varying stages in the program. This Plan was prepared to allow for an objective prioritization of areas to be metered. By analyzing and prioritizing certain defined criteria and factors, staff will be able to answer questions from customers as to why they are being metered in advance of others. Note, however, that this has become less and less of an issue since approximately 75% of the District's customers are already metered. The program considers such factors as ease of installation, average water consumption by system, front-yard versus back-yard water mains, lot size, etc. This Plan also includes a schedule/plan for completing meter installation and an estimated total cost.

CURRENT METERING COMMITMENTS

Water Forum Agreement

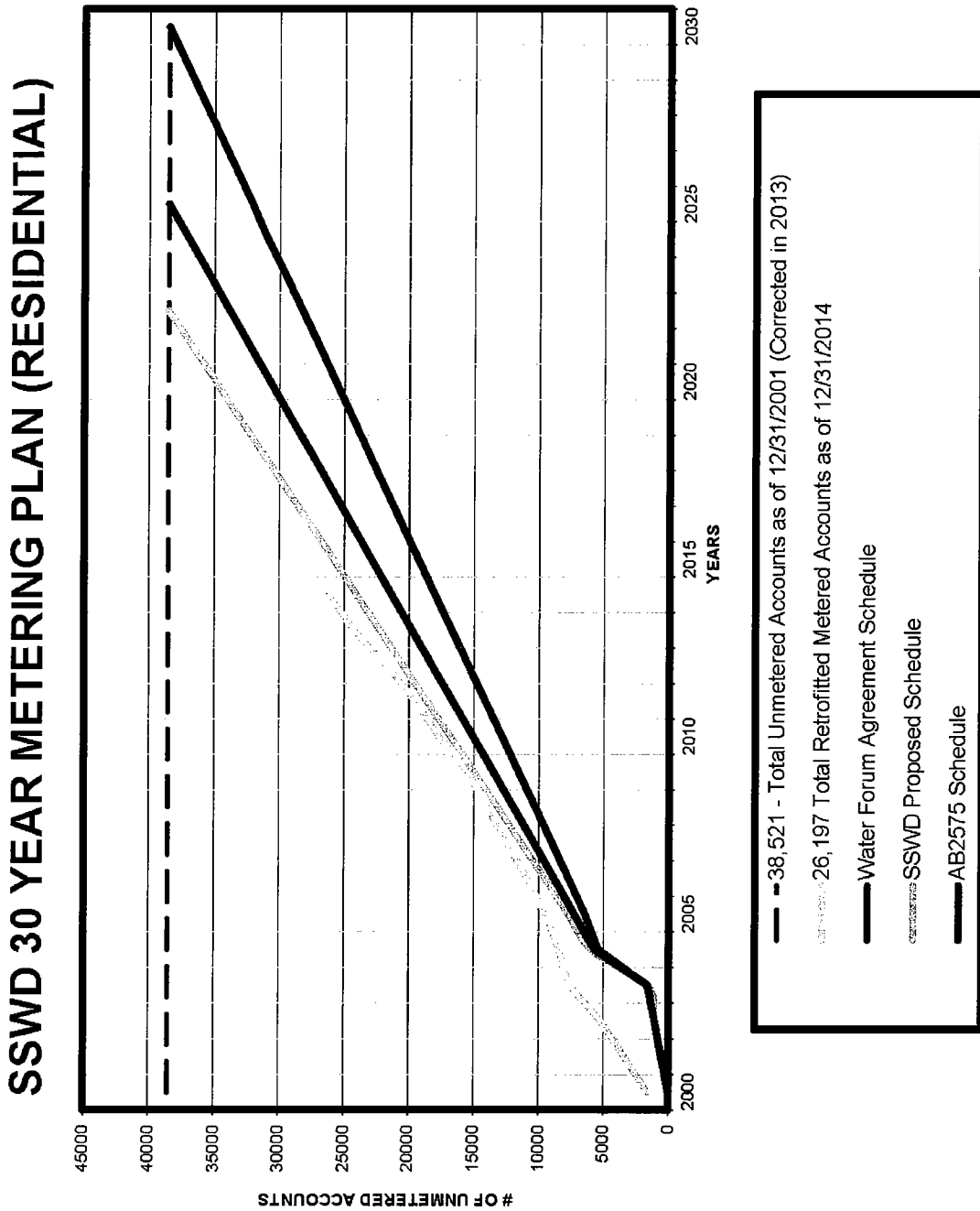
The District's Water Forum Purveyor Specific Agreement (PSA) is included in Appendix A of this report. This PSA includes a water conservation element that consists of the implementation of various BMP's. BMP No. 4 is a residential meter retrofit program that requires the District to retrofit existing residential services by the year 2030 (see Appendix B). Figure No. 1 below shows the current number of unmetered customers in the District at the signing of the Water Forum Agreement. As indicated, approximately 33,715 residential accounts were un-metered at signing of the Water Forum Agreement. Accordingly the Water Forum Agreement mandated that a yearly progression of metering be no less than 3.3% of the total number of un-metered residential accounts at signing of the Water Forum Agreement. Figure 1 shows several items of information. The figure shows:

- The rate of meters to be installed as per the Water Forum Agreement.
- The rate of meters to be installed per the District's accelerated Meter Retrofit Plan.
- The rate and number of meters the District has installed to date.

Based on Figure 1, the District is comfortably ahead of the required 3.3% schedule per the Water Forum Agreement with an accelerated schedule for completion by the end of calendar year 2022. Note however, that there is the possibility of having some remaining services to be metered in 2023 (or 2024) due to difficult field conditions.

Per this plan, the District is targeting completion of residential meter retrofits in eight years, or by 2023. This is seven years ahead of the Water Forum deadline and two years ahead of the AB2572 deadline. Providing a "safety factor," this schedule will assure that meters installed at the beginning of the meter retrofit program will continue to be in operation at the end of the program, as the life expectancy of a meter is typically 20 years. This self-imposed, expedited deadline will prevent the District from having to replace meters installed in 2004 before the retrofits are completed in 2023.

Figure 1 - Residential Metering Requirement per Water Forum Agreement



In 2009, Water Forum signatories agreed to replace previous water conservation policies with the CUWCC's MOU including its BMPs, schedules, targets, procedures, and requirements.

The new element allows purveyors to defer BMPs that are not locally cost-effective and invest an equivalent level of funding into other water conservation activities. Also under the updated element, signatories agreed to changes and modifications of Council processes and BMPs as they evolve over time, including the 2008 revisions and subsequent revisions.

California Urban Water Conservation Council

According to the CUWCC BMP 1.3, Metering with Commodity Rates for All New Connections and Retrofit of Existing Connections (Appendix C), the District would continue metering service connections similar to the previous Water Forum Agreement PSA. The CUWCC BMP 1.3 and the Water Forum BMP 4 are basically the same. Both BMP's require the metering of all new construction of which the District implemented in 1991 as well as retrofitting existing services with water meters, reading and billing customers by volume of use. The difference between the two BMP's is the term for metering. The Water Forum BMP requires metering to be completed 30 years after signing the agreement. The CUWCC's BMP 1.3 requires the metering of all services connections no later than July 1, 2012 or within 6 years of signing the MOU, but in no case later than one year prior to the requirements of state law. Per CUWCC BMP 1.3 metering in the District would need to be completed by 2018. The District's current schedule will complete metering prior to State law, which is 2025. The CUWCC MOU does allow agencies to exempt themselves from BMP compliance. The MOU states: "A signatory water supplier will be exempt from the implementation of specific BMPs for as long as the supplier substantiates each reporting period that based on the prevailing local conditions, one or more of the following applies: (part (b)) Adequate funds are not and cannot reasonably be made available from sources accessible to the water supplier including fund from other entities. However, this exemption cannot be used if a new, less cost-effective water management option would be implemented instead of the BMP for with the water supplier is seeking this exemption" (Section 4.5 (b), Exemptions, page 9). The District submitted BMP reports for 2011 & 2012 and were found to be "On Track" and in compliance with the CUWCC's BMP 1.3 requirements.

Legislation

Current State law requires that homes built after January 1, 1992, have a water meter installed on their service connection. It is also District's practice to bill these customers using a metered rate schedule. In 2005, Governor Arnold Schwarzenegger signed Assembly Bill 2572 requiring all cities in California to install water meters on all homes by 2025. A copy of AB 2572 is provided in Appendix D. The District's accelerated schedule meets this deadline.

TYPES OF METER RETROFITS AND COST FACTORS

The District's current standard detail for a ¾-inch or 1-inch residential meter is shown in Appendix E. The majority of the District's residential customers have either a ¾-inch or 1-inch service. As indicated, the detail shows a meter box, water meter location and a meter setter with a copper service line. On new developments, the District supplies water meters to the contractor for installation; however, the developer pays a furnished only fee for the water meter. The District currently utilizes meters equipped with radio read transponders. Product Data Sheets are shown in Appendix F for meter equipment used in the District.

In June 2010, the District selected a meter reading system that would allow meters to be read at greater distances. The selection was made after preview and testing of six different systems (Badger, Sensus, Alclara, Mosiac and KP). One system (Itron) decline to participate. After testing and discussion the KP system was selected. The KP system uses a 2-watt system with a larger area of coverage. Various reasons were recognized, some of which included; 3 mile coverage versus 1 mile for some of the other systems, cost of infrastructure and ability to read multiple meter manufacture types. The benefits allowed the District more purchasing flexibility and competitive bidding, reliability, billing and software interface, customer service tools, conservation features and product support.

The current meter reading system consists of antennas placed throughout the District boundary that are used as repeater stations that collect transmitted meter reads within their coverage area and relays the meter read to the central station. Approximately 14 antennas were installed

throughout the District at a cost of \$115,000. To date approximately 5,200 existing metered services have been changed out with the KP units costing about \$130/each. The District has experienced the following benefits; hourly meter reads versus one monthly read, reduced operational costs associated with staff and vehicles, improved customer satisfaction by providing more up-to-date billing data, automatic detection of equipment tampering, theft of water and equipment malfunction.

Since 2005, the District has found the existing water services in the SSA are of mixed sizes of $\frac{3}{4}$ -inch, 1-inch, $1\frac{1}{4}$ -inch and $1\frac{1}{2}$ -inch services lines. The plumbing systems were previously sized to handle the particular demands of the homes and the landscaping for each lot. To assure that ample pressures and flows are available for the plumbing systems, the services were modified for water meters as the same sizes and not reduced to the standard $\frac{3}{4}$ -inch or 1-inch size. Meter sizes are being placed according to the billing for each house. On $1\frac{1}{4}$ -inch water services, these are being replaced to a standard size of $1\frac{1}{2}$ -inch (unless the customer requests a reduction in meter size). If the found service size is $1\frac{1}{4}$ -inch, a new $1\frac{1}{2}$ -inch water service, meter setter, and meter is installed that would match the billing for that home. The District does not have a rate for a $1\frac{1}{4}$ -inch water service, therefore on these occasions the larger meter is installed.

There are numerous ways a meter may be installed on a home other than outlined in this Plan. These situations are described below.

- Voluntary Metering—the District has a voluntary metering program where any residential customer can request a meter and have it installed at their residence. It is noted that once the customer volunteers for a meter, the water service cannot return to a flat rate.
- New Water Service—when a customer requests a new water service, a meter is installed on that service.
- Remodels—when a customer remodels an existing home; a meter is installed on the service.
- Water Waste—the District has a policy of installing a water meter on a customer's service when there have been a high number of water waste complaints.

- Change of Size—when a customer requests a larger or smaller water service a meter is installed on that service. When a customer requests a larger service than what is presently installed at their residence, additional applicable connection fees will be applied and must be paid prior to upsizing the water service.

For the purpose of this Plan, there are three basic types of installation situations that will be encountered. These are described in detail below.

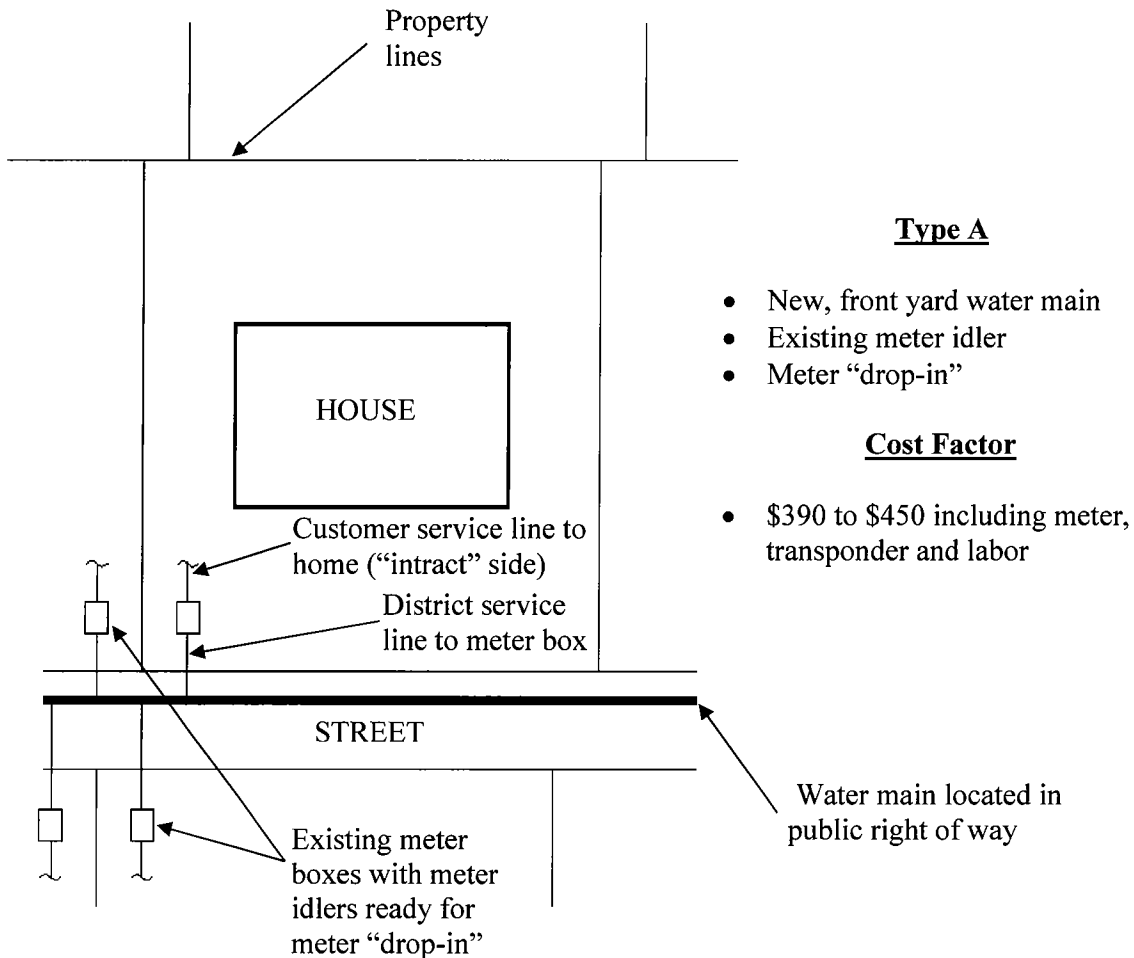
Type A. Front Yard Meter “Drop-Ins”

Since 1993, 86 miles of aging ODS water mains located in back or side-yard easements in the SSA have been replaced. These mains were replaced by new water mains constructed in public right of ways fronting customer’s homes. When these new mains were installed, new District service lines, meter boxes and water meters. In some instances, meter idlers, instead of meters, were installed to allow water meters to be added at a later date. Those services with meter idlers were called “drop-in” meters. Drop-in meters will continue to be installed as situations are found.

The drop-in type of retrofit requires only removal of the existing idler and the installation of a standard water meter into the meter box. This can be performed in approximately 30 to 60 minutes each with the primary costs being for the meter and labor. Figure 2 shows the typical layout for the “drop in” metering scenario.

The estimated construction cost based on past projects for meter drop-ins is \$390 to \$450 per service. This price includes the cost of the standard ¾-inch or 1-inch residential meter and a radio read transponder, for a total approximate material cost of \$300 to \$360. The price of labor is approximately \$90.

Figure 2 - Front Yard Drop-In Meter Installation



Type B. Front Yard Main, No Meter Box or Idler, All Service Line Types

This type is very convenient for retrofitting, provided an existing water main in the public right of way is fronting the home, with a readily accessible curb stop, see Figure 3. The retrofit will consist of replacing the curb stop and installing a meter setter and meter box. All disturbed hardscape and landscaping will be restored to its existing condition. In some areas District service lines are constructed of non-compliant materials, such as plastic or galvanized pipes, which do not meet District specifications and have a tendency to leak over time. If non-compliant lines are found, they are replaced per District specifications with a more durable poly

wrapped copper pipe. Placement of the new meter box is located to within one-foot of the back of sidewalk. In all cases, landscaping and hardscape will be restored as closely as possible to the previous condition. Photographs are being taken prior to work to verify existing conditions.

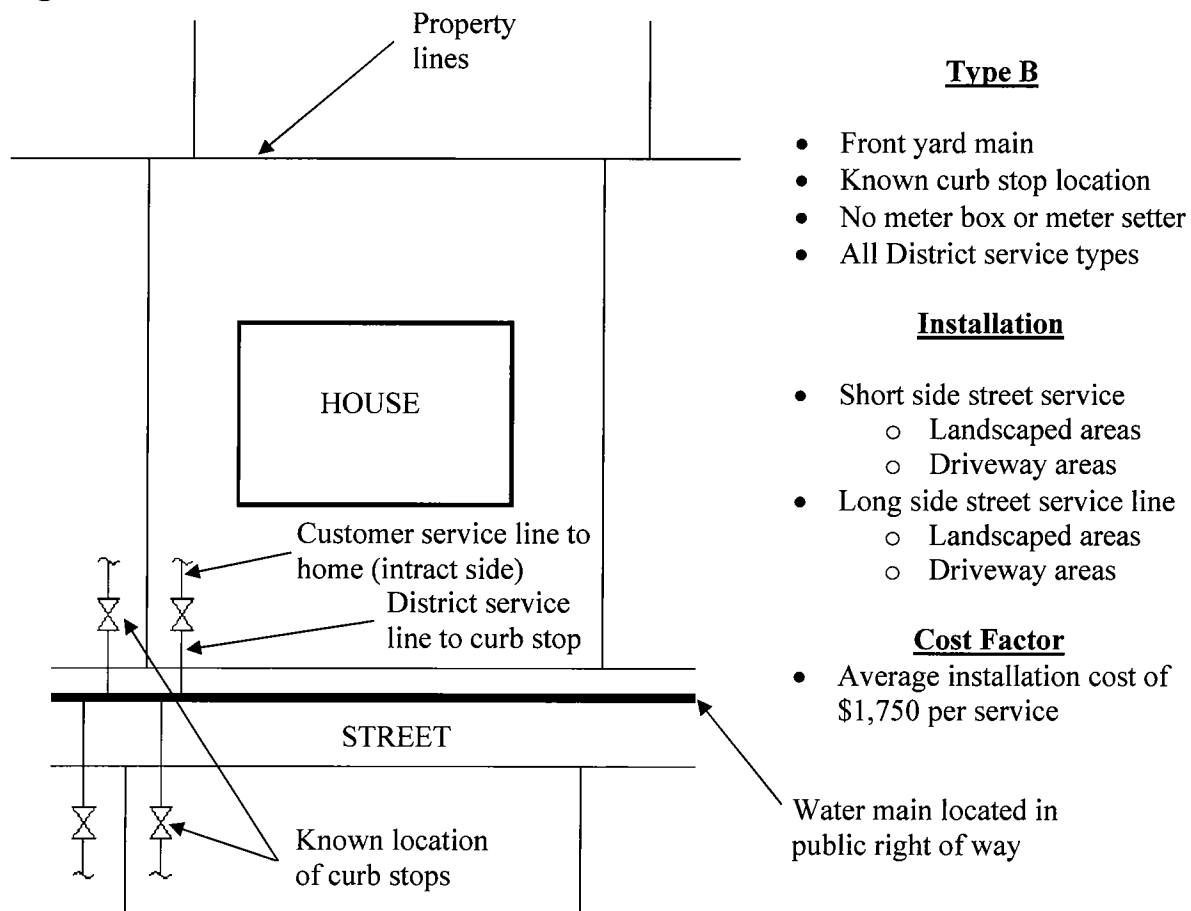
The average cost for these meter retrofits is estimated to be \$1,750 per service assuming a ¾-inch meter and no unusual above-ground conditions (such as unique landscaping concrete, etc.). This includes the cost for materials and labor including items furnished by the District to install a meter setter, meter box and a ¾-inch meter with a radio read transponder.

Several problems governing front yard meter retrofit installation have developed during the implementation of the program. These problems have impacted the cost to retrofit and increased customer outreach. The problems encountered are:

1. On streets where water mains are located at 3 to 5 feet from back of side walk or back of curb, the existing curb stop valve has been located at an additional 3 to 5 feet beyond the water main. The distance from the back of walk has been found to be 6 to 10 feet into the customer's yard. For these services additional piping is added to relocate the new water meter and box to one-foot back walk or curb with a new service line extended to re-connect the customer side service line.
2. The locations of curb stop valves are not uniformly located. Curb stop valves have been found all over the customer's yard ranging from the middle of the yard, under trees, under hardscape such as stamped concrete driveways and under sculptured evergreen bushes. Locations are being marked with white paint and/or with a blue flag and the customers are notified that the proposed location of the meter may be in conflict with existing facilities in the yard. The District requests that the homeowner look at the proposed location and if there are any problems or concerns to please call the District prior to installation so that the District can discuss an alternative location that is not as obtrusive. In these cases, the District will meet with each homeowner to discuss the requirement for placing the meter box at the existing curb stop location and possible alternative locations that could be made to avoid the conflict.

3. After the completion of a meter retrofit some customers have requested a relocation of the meter due to the location being aesthetically unpleasing to the customer. In these cases staff meets with the homeowner to discuss possible alternative locations including relocating the meter. However, the cost to relocate after the meter has been installed is to be paid by the homeowner.
4. After installation of the water meter customers have requested possible downsizing or upsizing of the water meter based on their current situation and use. In either case the homeowner is informed that increasing the size of the water meter will increase the monthly billing and subsequently reducing the size of the meter would reduce the monthly billing of the water service.

Figure 3 - Front Yard Meter Retrofit Installation



Type C. Backyard, Known or Unknown Service Location, Copper or Plastic Service

Having the water main in the backyard makes retrofitting meters more complicated. The backyard mains are the oldest in the District and the rear location is non-optimal for service and repairs. Installing a meter on backyard piping is more difficult and time consuming than a front yard main as more items may need to be replaced and/or repaired. Ideally, the District would like to replace all backyard mains with new mains relocated in public right of way fronting the homes and then install meters as per the “drop in” program. In 2016 the current distribution main replacement program will fall short and water meters will need to be installed in backyards to meet the AB2752 obligations.

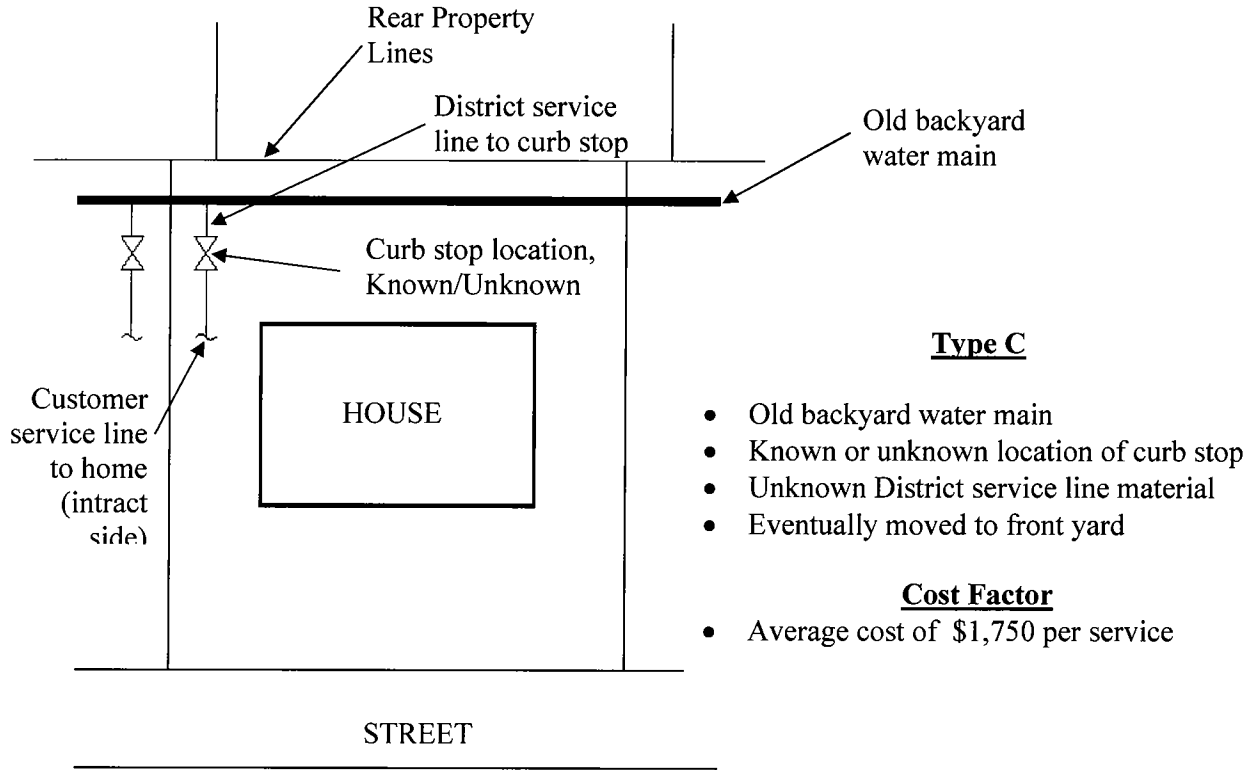
The Type “C” backyard installation, shown in Figure 4, is recognized as having either a known or unknown curb stop or shutoff valve location. Knowing the location of the existing curb stop is beneficial. If the location is unknown, it may prove to be difficult to locate and access. Another concern may be the type of existing District side service line material. If non-compliant, the service may require replacement prior to the installation of a water meter. If suitable then the service line could be retrofitted with a water meter. Only after excavating can the service line be inspected for adequacy.

Meters installed in backyards will be reused in the front yard as the water main relocation program catches up to that neighborhood. On those occasions where the water main is located in the side yard, the new water meter would be relocated to the front yard connected to the side yard water main at a location that matches the District’s specifications. At that time, along with a new main, a new copper service line will also be installed to connect into the relocated water meter.

Although the District has limited experience with metering back yard water services, for the purpose of this report, it is estimated that the cost of these meter retrofits will average approximately \$1,750 per service with a ¾-inch meter (similar to a front yard meter retrofit). This includes the cost for materials and labor to install a meter box and ¾-inch meter with a

radio read transponder. This assumes that the existing service line is adequate to retrofit and provide water to the customer.

Figure 4 - Backyard Meter Retrofit Installation



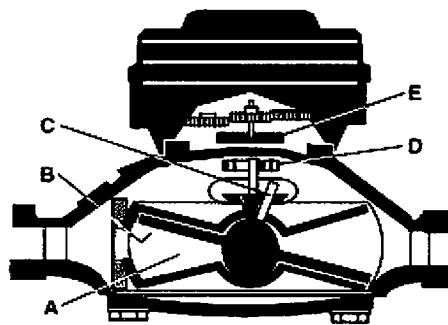
METER REPLACEMENT

For the District’s smaller water meters (5/8-inch through 1-inch in size), staff selects what is known as a “displacement” type of water meter. This type of water meter is most often used in residential and small commercial applications. Displacement meters are commonly referred to as positive displacement or "PD" meters. Two common types of PD meters are oscillating piston meters and “nutating” disk meters. The District has had success with nutating disk type meters which is the type currently specified for 5/8-inch, 3/4-inch and 1-inch meters. The District specifies Badger meters, See Appendix F, which comply with AWWA Standard C700. The nutating disk type of meter relies on the water to physically displace a moving measuring element in direct proportion to the amount of water that passes through the meter. Figure 5

below shows how this type of meter works in measuring the amount of water that passes through the meter. This type of meter is generally very accurate at the low-to-moderate flow rates typical of residential and small commercial users. The nutating disk meter has a built-in strainer to protect the measuring element from small rocks or other debris that could stop or break the measuring element. These meters normally have bronze, brass or plastic bodies with internal measuring chambers made of molded plastics and stainless steel.

As the District finishes the Meter Retrofit Program over the next eight to ten years (by January 1, 2025) there will be a transition to a Meter Replacement Program. In fact, meter replacement is already underway within the District. There are various reasons why a water meter would need to be replaced such as age, use, malfunction, etc. District staff and other field professionals have found that the quantity of water that passes through the meter is more important than age. For meters 5/8-inch through 1-inch in size, the meter is typically ready for replacement when 4 to 5 million gallons (MG) of water have passed through the meter.

Figure 5. Cross-Section of Nutating Disk Type Water Meter



Liquid flowing through the meter chamber (A) causes a disc (B) to nutate or wobble. This motion, in turn, results in the rotation of a spindle (C) and drive magnet (D). Rotation is transmitted through the wall of the meter to a second magnet (E) which operates the transmitter.

The District's current Meter Replacement Program is described below.

1. Meter Replacement Criteria:

District staff is currently preparing a specific procedure for the preventative maintenance of distribution system meters. It is planned to have this procedure finalized and implemented starting in 2016. The procedure will provide specific guidelines for the replacement, repair and testing of all meter sizes. The basic premise is:

- 5/8", 3/4" and 1" meters will be replaced on a 20 year schedule or sooner if an excessive volume (typically 4 to 5 MG) has registered on the meter (estimated 2,100 meters per year)
- 1.5" and 2" meters will be rebuilt every ten years (estimated 100 meters per year)
- 3" and 4" meters will be tested every 5 years and rebuilt if the meters are operating outside AWWA standards (estimated 80 meters per year)
- 6" or larger meters will be tested annually and rebuilt if the meters are operating outside AWWA standards (currently 34 in our system)

2. Schedule for Meter Replacement:

The 2009 *Water System Master Plan* (Master Plan) included a 15-year schedule for meter replacement. The District has opted to take a slightly more conservative approach with a 20-year replacement schedule as noted above, but will randomly test 3% of the oldest meters based on the installation date. The results of this testing will be used to determine if the 20-year life cycle should be adjusted.

The meter replacement schedule will be updated when the Master Plan is updated in 2015.

3. Meter Replacement Budget

The Master Plan also included a recommended annual meter replacement budget. However, staff prepares its own independent annual budget based on the meter replacement criteria described above. For CY2015, the District's approved Capital Improvement Program budget includes \$100,000 for meter rebuilding or replacement (2"

meters and smaller). An additional \$140,000 is included for the repair and/or replacement of the District's larger meters (3" and larger in size). In most cases, it is unnecessary to replace the meters; instead the large meters are rebuilt. As a result, this account is generally used to upgrade the service to current District standards with a bypass to allow for future testing and maintenance without interrupting water service to the customer.

4. Staffing Needs:

Over the next eight to ten years, the number of meters in service in the District will be increasing from approximately 34,000 to 45,000 at which point the District would be fully metered. Based on the schedule as outlined in Item 1 above, the District would need an estimated additional 3,000 man-hours per year. This would require two additional operators to provide meter replacement/rebuilds, reactive repair for broken meters, non-read meters, and transponder issues.

METER RETROFIT PLAN

Analysis of District to Identify Areas of "Predominance"

To define multiple distinct areas or "blocks" for the meter retrofit project, information about the entire District regarding metering status, average water use, water main location, water main type and lot sizes were used to produce maps showing a general grouping of areas of predominance. All areas have been separated by front and back yard main locations, as these two types require different installation methods. General lot size groupings, divisions by major streets, locations of current meter "drop in" areas further determine boundaries between these sections, and areas already planned for water main replacement projects. Figure 6 shows current residential and commercial metering status throughout the District. Figure 7 denotes updated un-metered residential areas separated into front and back yard main locations. Figure 8 shows existing water main types throughout the District. Figure 9 shows existing lot sizes throughout the District. Figure 10 shows the areas or blocks sequentially numbered from north to south.

Figure 6 - District-Wide Metering Status

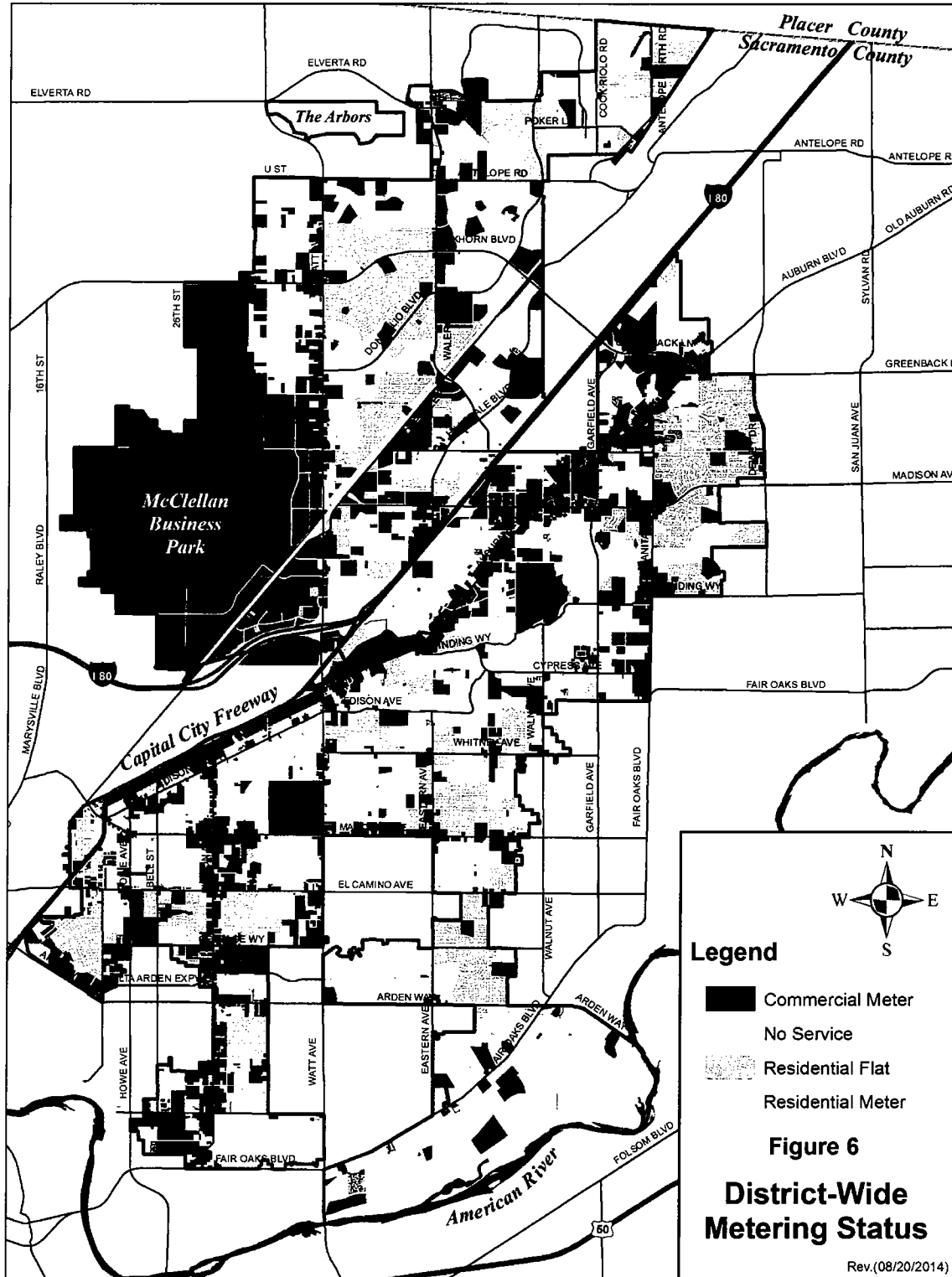


Figure 7 - Location of Non-Metered Residential Services with Front or Back Yard Mains

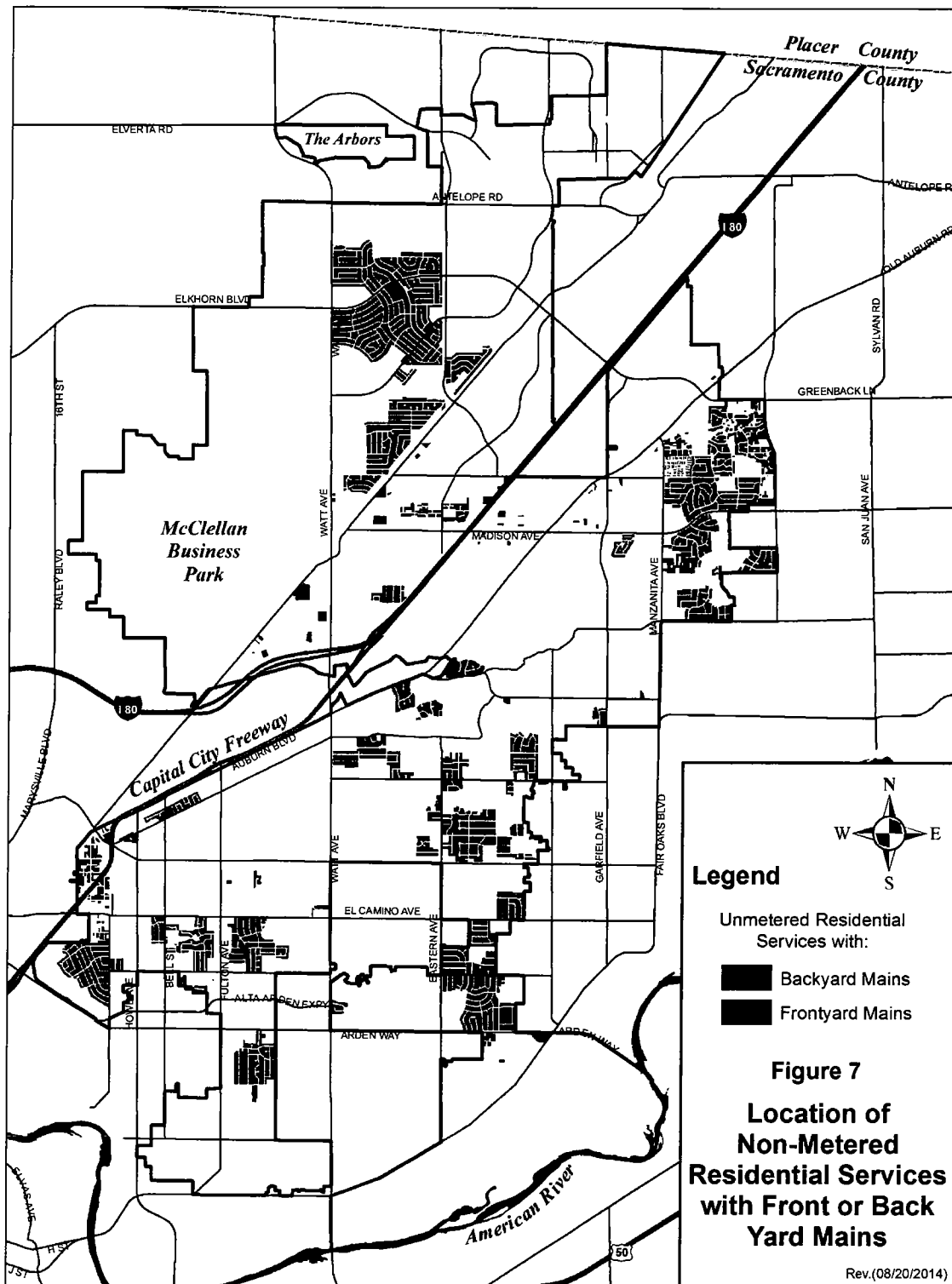


Figure 8 - Water Mains within District (by type)

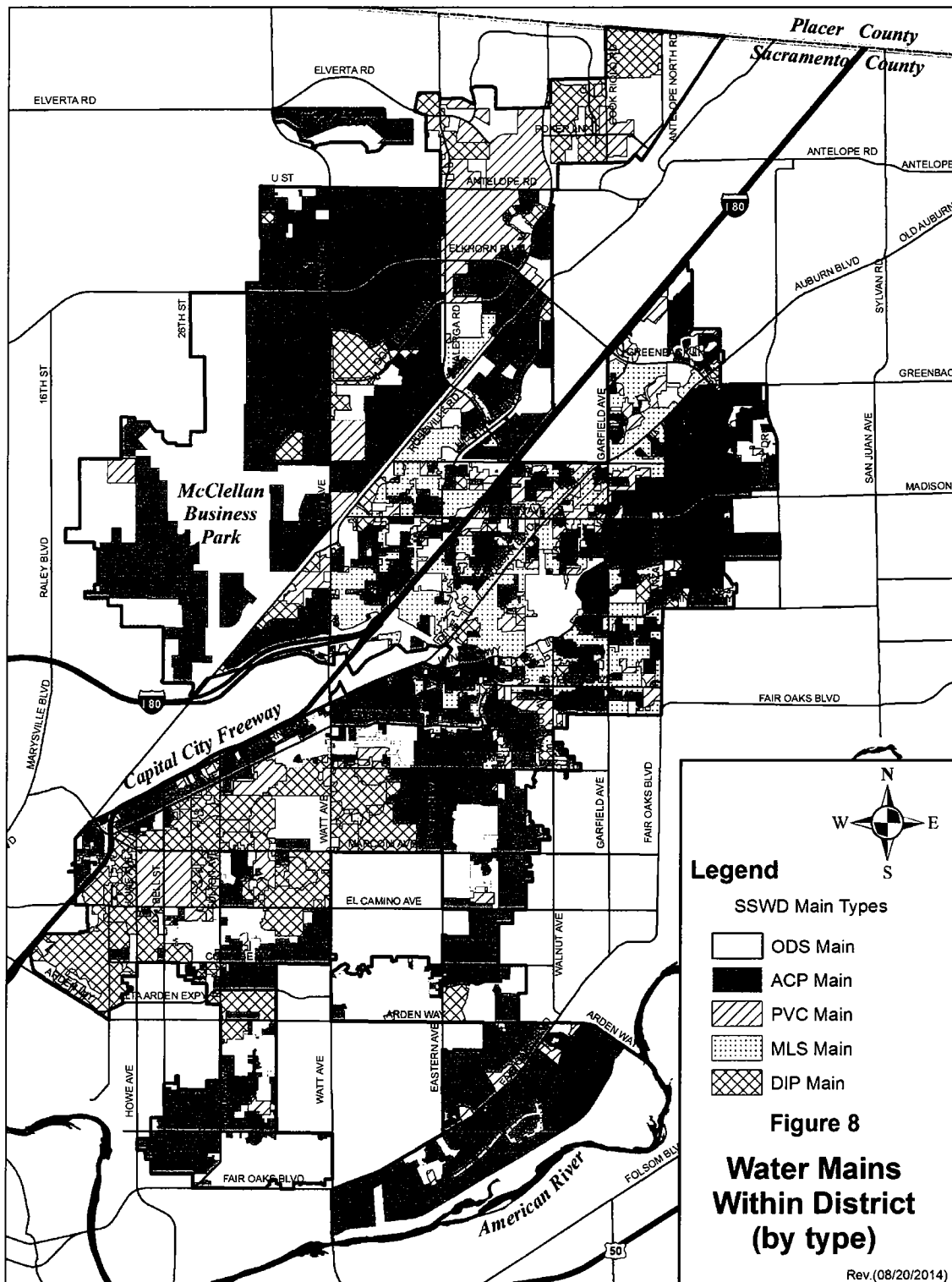


Figure 9 - Lot Sizes within District

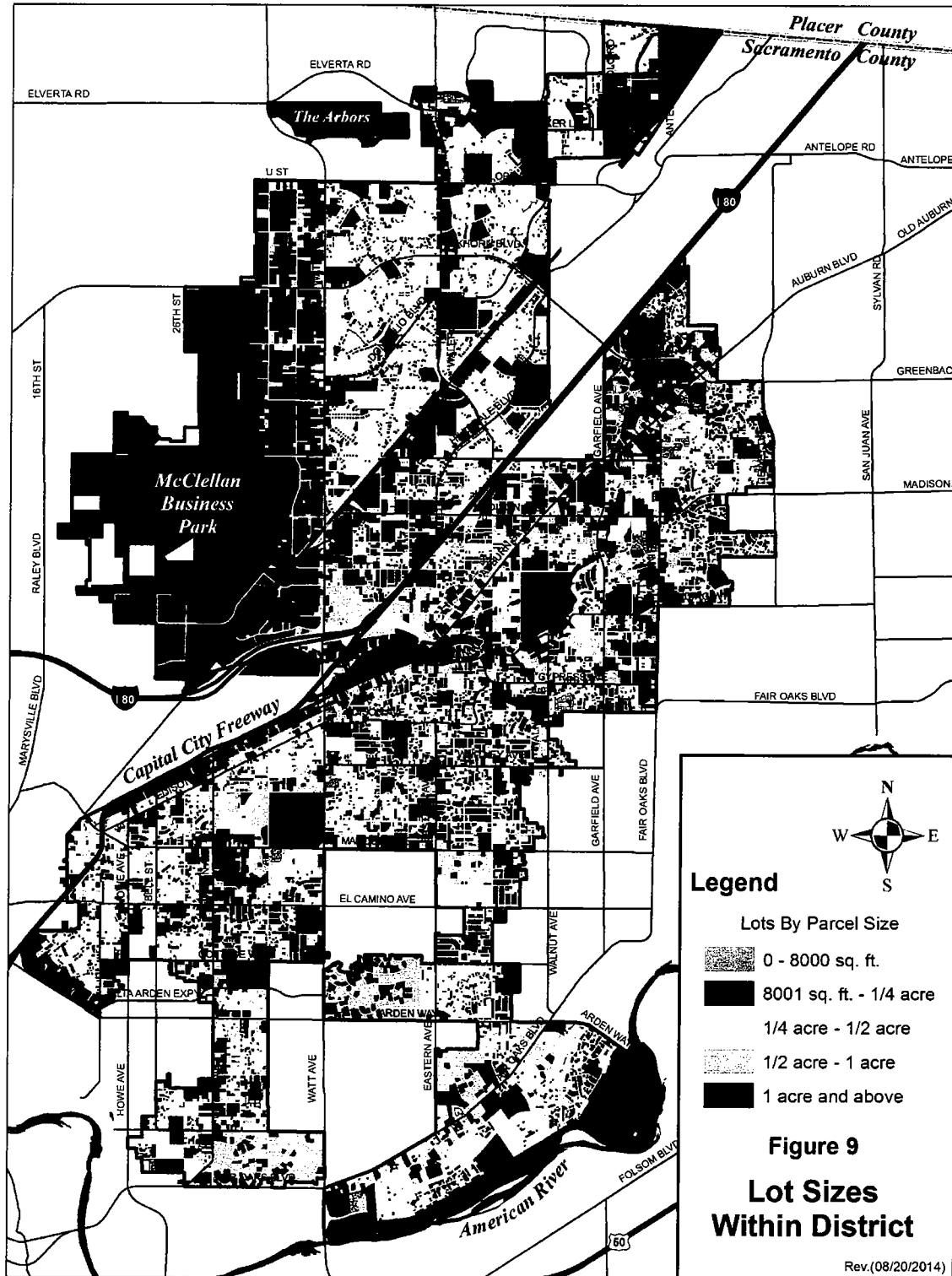
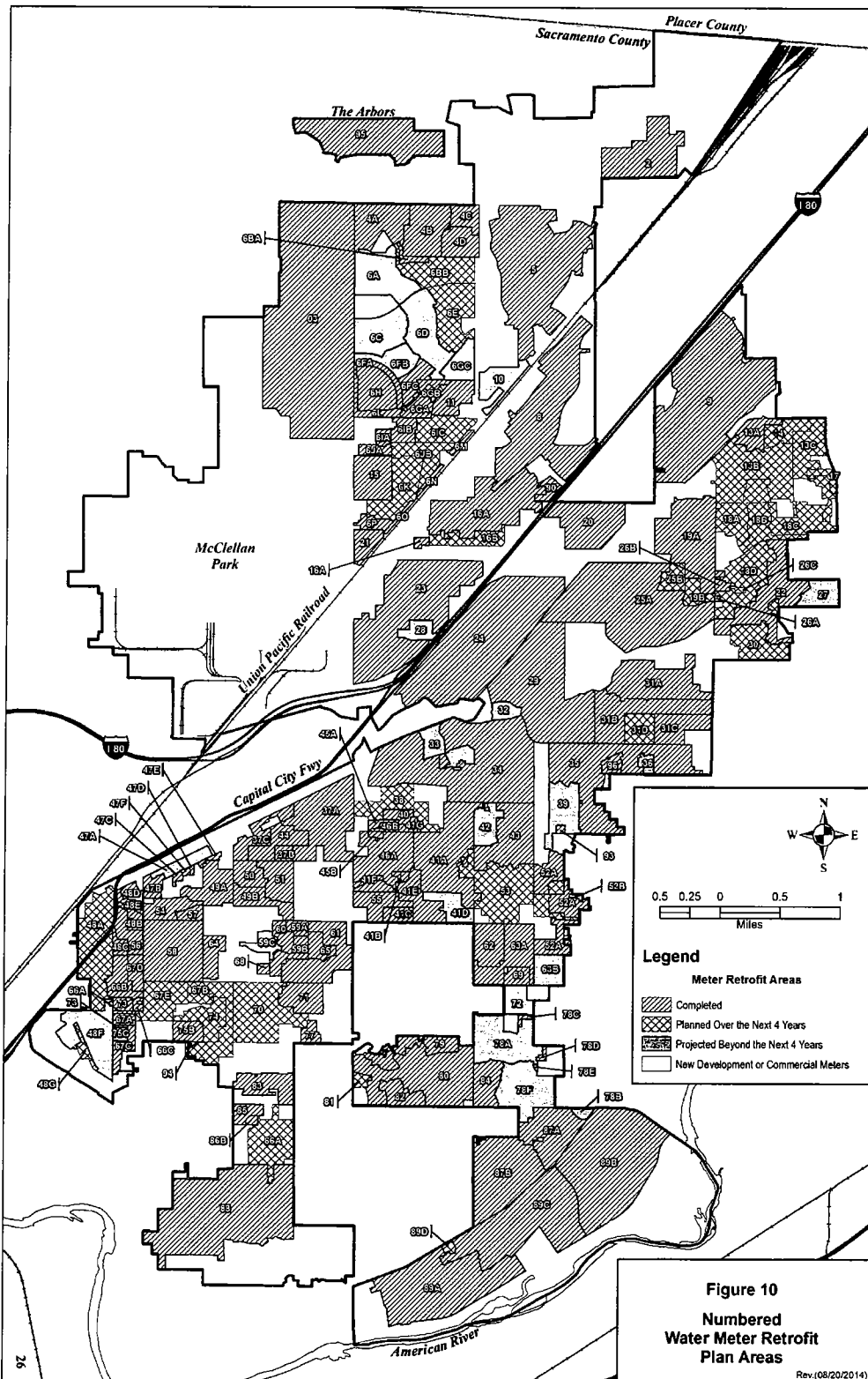


Figure 10 - Water Meter Retrofit Plan Areas



Identified Areas with “Predominance” of Criteria

Areas 15, 21, 40, 44, 58, 60, and 69

There are seven separate areas within the SSA where main replacement projects were completed prior to consolidation of the former NWD and AWD. All seven of these areas have been completed with meters.

Problem Areas 12, 50, 51, 54, 62, 65, 71, 73, 76, 83, 84, and 85

There were 12 “problem” areas in the SSA (formerly Arcade Service Area). The 12 areas were determined by the former AWD due to tremendous yearly maintenance required for repairs on the backyard water facilities. The areas were established based on leak history, age of facility, location of facilities and required excessive maintenance. They include a total of 1,112 homes. Water mains in all twelve of these problem areas have been replaced with new water mains in the public right of ways including fire hydrants and front yard water services. New water meters have also been installed as part of the completion of these areas.

Areas 48A, 48F, 48G and 48H (Formerly Area 48)

The District currently serves a portion of the City of Sacramento known as “Swanston Estates” which is within the SSA. A small portion of the unmetered services in this area have been retrofitted with meters under distribution main replacement projects. The remaining meter retrofit areas within “Swanston Estates” are broken into areas with front yard services, areas 48A and 48G, which will be metered in 2016 and Areas 48F and 48H both of which have services currently in the backyard. Area 48F is scheduled for installation of meters in the backyard in 2020, and Area 48H is scheduled for installation of meters in the backyard in 2019. There are a total of 720 services within these four Meter Retrofit Areas.

Area 3

Area 3 is located west of Watt Avenue in North Highlands, which consists mainly of front yard mains with an average parcel size of 1.39 acres. The services in this area were retrofitted with meters in 2010.

Areas 13B, 13C, 14, 17, 18A, 18B, 18C, 18D, 22B, 26C, 27 and 30

The Arvin Area consists of 2,762 residences with both front yard and backyard water mains. Areas 13B and 13C have front yard water mains and total approximately 697 services and are scheduled for meter retrofit in 2015. The remaining areas have backyard mains totaling approximately 2,065 services to be retrofitted. These backyard services are scheduled for retrofitted in 2016, 2017 and 2018. The services in Area 22B will be retrofitted under a main replacement project scheduled for 2016.

All Remaining Areas with Front Yard Mains

Areas 16B, 25B, 31D, 67B and 81 are scheduled for meter retrofit in 2015, while Area 19B is scheduled for 2020.

All Remaining Areas with Backyard Mains

The remaining residences with water mains in the backyard can be divided into two groups: 1) services with meter retrofits under the Meter Retrofit Program and 2) services with meter retrofits to be completed under the District's main replacement program in accordance with the Distribution Main Asset Management Plan.

- Meter Retrofit Program – the Meter Retrofit Areas in this group include 6BB, 6E, 6GB, 6IC, 6JB, 6K, 10, 28, 32, 33B, 36, 39, 41D, 42, 47A, 52B, 53B, 59C, 63B, 71, 67E, 75C, 78A, 78B, 87C and 89D.
- Distribution Main Replacement Program – the Meter Retrofit Areas in this group include 6A, 6C, 6D, 6FB, 6GC, 38, 53A, 70, 74, 78F and 86A. These areas have been designated by the Distribution Main Asset Management Plan as being those areas with the most critical need to have water mains relocated to the front yards. Water main replacement, and meter retrofit, is scheduled for the period between 2015 and 2022.

PUBLIC OUTREACH

Public outreach is planned for each area as they are scheduled for meter retrofits. The District intends to prepare a detailed outreach plan that would include, at a minimum:

- Information in newsletters.
- Direct mailed letters to affected customers detailing the work that will be performed on the customer's property including a map of the affected area, contact phone numbers and a description of the meter box that will be placed in the front yard. Currently this is performed several times during the course of construction. The initial period is at the beginning of the year to each resident involved in present year's project and individual letters to each lot two weeks prior to actual meter retrofit.
- A "knock on every door" to provide door hangers notifying of pending work or placement of door hangers if no one is home.
- Water meter brochures explaining the reason for the water meter, the District's proposed plan for metering and a "most frequently asked questions" on metering.
- Water conservation information including an offer to perform a water audit.
- Information about billing, how it is calculated, when meter billing will go into effect and contact number for more information.
- Contact personnel for questions.
- Information on District website.

CONCLUSIONS AND RECOMMENDATIONS

- This Water Meter Asset Management Plan update provides a reasonable plan and strategy for retrofitting the District's remaining flat rate residential customers (approximately 11,472 services as of December 31, 2014) with water meters.
- Water meters will be installed when backyard water mains are replaced with new mains installed in the street at the front of customer's homes.
- Because of the large number of residential flat rate accounts (approximately 9,578) that are currently served by backyard water mains, and the length of time that it will take to

replace these backyard mains, water meters will need to be installed on back yard water services over the course of the proposed 20-year meter retrofit program. However, all of the most maintenance intensive backyard ODS mains will be replaced in the next few years and, therefore, no backyard meters will be installed on ODS mains.

- A prioritization list has been established of the remaining areas/blocks to be metered that is objective and defensible to our customers.
- The number of meters to be installed in any one year will be made up first of meters that are installed for reasons other than the meter retrofit plan (i.e., voluntary metering, etc). In addition, a certain number of meters will be installed each year as a result of planned main replacement projects. Finally, the remaining meters needed to meet our annual obligation will come from the prioritization list included in this report (see Figure 11).

Figure 11 - Table of Meter Retrofit Plan/Projected Scheduling

Meter Retrofit Plan / Projected Scheduling
Updated December 31, 2014

Project Description	FY 04	FY 05	FY 06	CY06	CY07	CY08	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	Total	
20 Year Schedule	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		
Distribution Main Asset Management			96	560	607	544	359	587	525	802	699	380	247	702	328	374	416	199	810	656		
Meter Retrofit Program - Backyard														1282	1216	1215	1258	1110				
Meter Retrofit Program - Front Yard		829	953	906	969	698	938	2144	1234	1139	1406	1269	1198	188				195				
Totals		829	1031	1496	1576	1242	1297	2731	1759	1941	2213	1657	1445	2172	1544	1589	1674	1504	810	656	29156	
Meter Retrofit Areas Affected By Proposed Distribution Asset Management Projects			65	75B / 83 / 85 / 96B / 50 / 51 / 54 / 57 / 71 / 66C / 67A / 73 / 75A	62 / 63A / 34 / 48B / 49B / 73 / 75A	47D / 47E / 47F / 49A / 48C / 48C / 48E / 36 / 66B / 67D	64 / 59B / 61 / 68	61 / 45B / 46A / 46B	61 / 45B / 46A / 46B	61 / 45B / 46A / 46B	61 / 45B / 46A / 46B	61 / 45B / 46A / 46B										
Meter Retrofit Program - Backyard														14 / 17 / 18A / 18B / 18C / 18D / 26C / 87C / 89D	6E / 66B / 66C / 66D / 30 / 52B	6BB / 6K / 10 / 27	28 / 32 / 33B / 36 / 39 / 41D / 42 / 47A / 48F / 47E / 75C / 48H / 78A / 33B / 59C / 63B / 71	6FB	6C / 6D	6A / 6G		
Meter Retrofit Program - Front Yard		2 / 15 / 21 / 40 / 44 / 87A	43 / 58 / 60 / 69 / 87B	51 / 71 / 88 / 89A	89B / 89C	34 / 47B / 47C / 59A / 59C / 79	37 / 13A / 24 / 31A / 31B / 37B / 35 / 52A	60 / 25A / 31C / 31E / 37E / 41A / 90 / 82	31 / 69A / 26B / 33A / 41B / 41E / 45A / 78C / 78D / 78E / 69 / 95	64 / 6P / 8 / 9 / 164 / 26B / 33A / 41B / 41E / 45A / 78C / 78D / 78E / 69 / 95	4A / 4B / 4C / 4D / 22A / 22B / 19A / 20 / 23 / 25A / 31G / 96 / 97C	19A / 20 / 23 / 25A / 31G / 96 / 97C	13B / 13C / 16B / 25B / 31D / 67B / 81	48A / 48G				19B				

*Number of replacement meters not known presently; to be determined yearly pending available annual report.

Meter Retrofit Areas Completed To Date

Meter Retrofit Areas Planned Over Next 4 Years

Meter Retrofit Areas Projected Beyond Next 4 Years

LIST OF APPENDIX

- Appendix A. Water Forum Purveyor Specific Agreement (PSA)
- Appendix B. SSWD Water Forum Water Conservation Plan - Best Management Practices
- Appendix C. Best Management Practice 1.3 – Metering with Commodity Rates for all New Connections and Retrofit of Existing Connections
- Appendix D. Assembly Bill No. 2572
- Appendix E. SSWD Standard Detail No. 13 – Typical ¾” & 1” Metered Residential Water Service
- Appendix F. Badger Meter Recordall Disc Meters Specifications Sheet for ¾” and 1” Meters

Appendix A

Water Forum Purveyor Specific Agreement

**SACRAMENTO SUBURBAN WATER DISTRICT
(JUNE 5, 2003)**

A. INTRODUCTION

Sacramento Suburban Water District (SSWD) was organized on February 1, 2002, through consolidation of the former Arcade Water District (AWD) and the former Northridge Water District (NWD).

The initial *Water Forum Agreement* recorded agreements among stakeholder organizations that could be entered into as the effective date of the initial *Water Forum Agreement*, April 24, 2000. However, it was also recognized that there were some stakeholder organizations that had remaining issues that could not be resolved by that time.

The NWD Purveyor Specific Agreement (PSA) was completed and is included in the *Water Forum Agreement*. The AWD signed a Procedural Agreement because there remained some unresolved issues between AWD and other stakeholder organizations.

SSWD's two former Water Districts are referred to hereinafter as the Arcade Service Area (ASA) and the Northridge Service Area (NSA). See page 2 for map of service areas.

NORTHRIDGE SERVICE AREA (NSA)

The NSA is located in the north central part of Sacramento County. A portion of this service area is contiguous with Placer County. The NSA currently encompasses 22,538 customers, of which 20,049 are residential customers.

Historically, the NSA principally extracted and delivered groundwater to meet its customer demands. Since 1998, however, the NSA has delivered treated surface water to its customers on an intermittent basis through the Cooperative Transmission Pipeline (CTP) and the Northridge Transmission Pipeline (NTP).

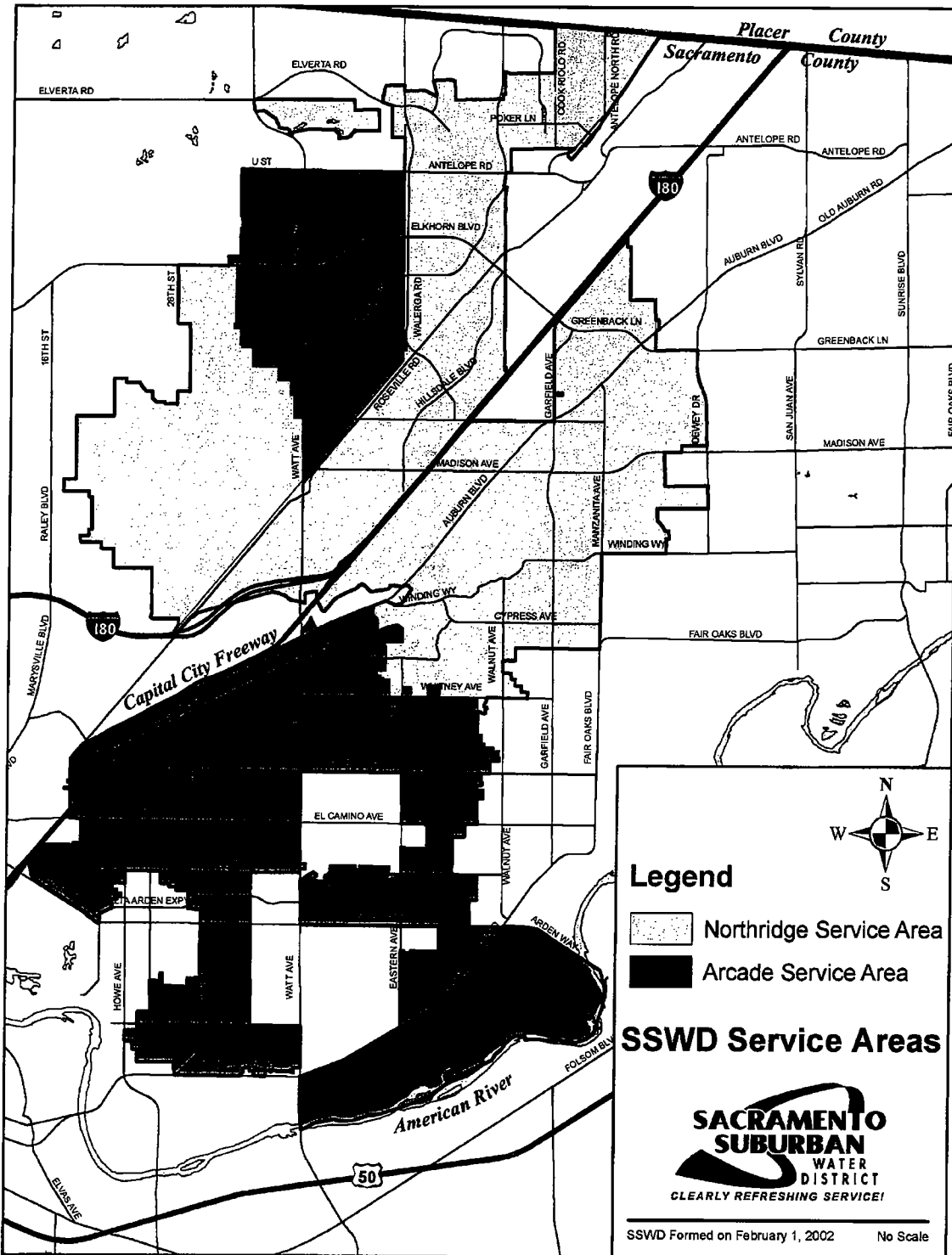
The former NWD and the Placer County Water Agency (PCWA) entered into an agreement for delivery of up to 29,000 acre-feet per year (AF/year) under PCWA's water right as part of a groundwater stabilization program. This agreement is referred to hereinafter as the "SSWD-PCWA Agreement." Surface water has been delivered within the NSA under this agreement since June 1, 2000.

ARCADE SERVICE AREA (ASA)

The ASA currently has about 22,775 connections, of which 20,117 are residential customers. The ASA is divided into the Town & Country and North Highlands sub-areas.

Town & Country Sub-area

The Town & Country sub-area is currently entirely dependent upon groundwater. However, this area lies within the place of use (POU) of the City of Sacramento's American River water rights.



The former AWD had an agreement with the City of Sacramento (City) for diversion of up to 26,064 AF/year of raw water under the City's American River water rights. This agreement provides for a floating point of diversion from the American River from below Nimbus Dam to the confluence of the American River with the Sacramento River. Current established points of diversion for this entitlement include the City's E.A. Fairbairn Water Treatment Plant (FWTP) and a site referred to as the "American River Wells." This agreement was assigned to SSWD under the consolidation. SSWD is working on an agreement with the City for diversion and treatment of this water supply at the FWTP.

North Highlands Sub-area

The North Highlands sub-area is within the North Central Group of water purveyors (as defined by the Water Forum) in Sacramento County. This sub-area is currently entirely dependent upon groundwater. SSWD anticipates, however, that in the future the North Highlands sub-area will utilize a combination of groundwater and surface water supplies as part of the aforementioned groundwater stabilization program. Surface water supplies delivered to the North Highlands sub-area will likely come from the American River pursuant to the "SSWD-PCWA Agreement" or Section 215 water made available by the U.S. Bureau of Reclamation (Reclamation). These supplies will be delivered to North Highlands via the CTP and the NTP. The North Highlands sub-area lies within the POU of PCWA.

B. SEVEN ELEMENTS OF THE *WATER FORUM AGREEMENT*: INTEGRATED PACKAGE

In order to achieve the Water Forum's two coequal objectives, providing a safe reliable water supply and preserving the values of the Lower American River, all signatories to the *Water Forum Agreement* need to endorse and, where appropriate, participate in each of seven complementary actions.

- X Increased Surface Water Diversions
- X Actions to Meet Customers' Needs While Reducing Diversion Impacts in Drier Years
- X Support for an Improved Pattern of Fishery Flow Releases from Folsom Reservoir
- X Lower American River Habitat Management Element
- X Water Conservation Element
- X Groundwater Management Element
- X Water Forum Successor Effort

For each interest to get its needs met, it has to endorse all seven elements. Based on this linkage, signatories agree to endorse and, where appropriate, participate in all seven of these elements.

C. BASELINE DIVERSIONS

Baseline diversions represent the historic maximum amount of water diverted annually from the American River through the year 1995.

NORTHRIDGE SERVICE AREA (NSA)

No American River diversion was included in the baseline for the NSA.

ARCADE SERVICE AREA (ASA)

Town & Country Sub-area

Because of operational and economic considerations, the Town & Country sub-area has limited its historical maximum amount of water diverted from the American River at the American River Wells to about 3,500 AF/year. [NOTE: The historical (and existing) nominal capacity of the American River Wells is about 10 million gallons per day (MGD) or about 15.5 cubic feet per second (CFS). On a continuous basis, such a diversion is equivalent to an annual volume of water of about 11,200 AF/year.]

North Highlands Sub-area

No American River diversion was included in the baseline for the North Highlands sub-area.

D. AGREEMENT FOR MEETING SSWD'S WATER SUPPLY NEEDS TO THE YEAR 2030

NORTHRIDGE SERVICE AREA (NSA)

TEXT OF FORMER NORTHRIDGE WATER DISTRICT AGREEMENT NOW NORTHRIDGE SERVICE AREA (NSA):

INTRODUCTION

Some signatories to the *Water Forum Agreement* have differing perspectives on the conditions under which Northridge Water District ("Northridge") should divert water from Folsom Reservoir. These differing perspectives are important for understanding the context in which the following agreement has been entered into. The perspectives of Northridge and the environmental organizations signatory to the *Water Forum Agreement* are also set forth below.

In the interest of coming to an agreement, signatories to the *Water Forum Agreement* agree to the compromise set forth in the agreement below.

Agreement

All signatories will support a project to divert, treat and convey Sacramento River water in a pipeline that would connect to the Northridge pipeline ("Sacramento River Pipeline"). They will support a Warren Act contract with the U.S. Bureau of Reclamation for diversion of 29,000 acre feet of Placer County Water Agency ("PCWA") water from Folsom Reservoir. They will also support the PCWA petition to the SWRCB for change in its place of use for water to be used in north central Sacramento County ("Expanded POU"), with the following conditions included in the SWRCB order:

1. For the first ten years that water is available for diversion by Northridge from Folsom Reservoir under the Northridge-PCWA agreement, but not more than twelve years from the effective date of the *Water Forum Agreement*, whichever occurs first,¹ Northridge's diversions under the Northridge - PCWA agreement, for its own use or delivery to other purveyors, will be subject to the following restrictions:

a. Northridge will be able to divert PCWA water only in years when the projected March through November unimpaired inflow into Folsom Reservoir is greater than 950,000 acre feet.

b. In December, January and February following a March through November period when the unimpaired inflow into Folsom Reservoir was less than 950,000 acre feet, Northridge will not divert PCWA water until such time as or after water is being released from Folsom Reservoir for flood protection.

c. In addition to the foregoing, Northridge's diversions of PCWA water will be limited during the ten year period pursuant to the water use schedule in the Northridge-PCWA agreement, which allows annually-increasing diversions of up to 24,000 acre feet per year during the first ten years of water deliveries under that agreement.

d. Nothing in this agreement is intended to restrict Northridge's ability to take delivery of Section 215 water from Folsom Reservoir from the U.S. Bureau of Reclamation whenever it may be available.

2. If Northridge is able to take delivery of Sacramento River water through the Sacramento River pipeline, Northridge will thereafter divert water from Folsom Reservoir under the Northridge-PCWA agreement, for its own use or delivery to other purveyors, only in years when the projected March through November unimpaired inflow into Folsom Reservoir is greater than 1,600,000 acre feet (i.e., "above-Hodge").

3. If Northridge is not able to take delivery of Sacramento River water through the Sacramento River Pipeline within the ten-year period, the SWRCB would hold a hearing ("SWRCB Hearing") if requested by Northridge, the City of Sacramento, County of Sacramento, Friends of the River, Sierra Club or Save the American River Association. The purpose of the SWRCB Hearing will be to determine whether to add or revise conditions to PCWA's water rights for diversion of water from Folsom Reservoir under the Northridge-PCWA agreement that are necessary to mitigate impacts from such diversions and/or prevent such diversions from adversely impacting diversion of American River water under the City of Sacramento's prior water rights. Nothing in this agreement determines the relative priority of the water rights of the City of Sacramento and PCWA. If Northridge is not able to take delivery of Sacramento River water through the Sacramento River Pipeline within the ten-year period, Northridge would thereafter divert water from Folsom Reservoir under the Northridge-PCWA agreement, for its

¹This time period is hereafter referred to as the "ten-year period," and it may be extended for a period of up to two additional years by agreement of the parties to this agreement.

own use or delivery to other purveyors, only in years when the projected March through November unimpaired inflow into Folsom Reservoir was greater than 1,600,000 acre feet (i.e., "above-Hodge") and under the conditions referred to in Section 1.b. of this agreement unless these conditions are revised by a SWRCB order issued following the SWRCB Hearing. In addition, Northridge could divert water under the conditions referred to in section 1.d. of this agreement.

The diversion restrictions set forth in this agreement reflect a compromise by the Water Forum parties in order to settle a dispute among them. If there is a SWRCB Hearing, the parties do not intend that the SWRCB consider the existence of this compromise as evidence of appropriate diversion conditions after the conclusion of the ten-year period. It is the intention of the parties that the SWRCB's determination following the SWRCB Hearing be based upon the best available scientific and other evidence available at the time of the SWRCB Hearing. Nothing in this agreement shall affect the right of PCWA to terminate the Northridge-PCWA agreement if PCWA reasonably determines that any term of the SWRCB order resulting from the SWRCB Hearing is unacceptable.

4. Northridge will neither divert nor accept diversions of PCWA water from Folsom Reservoir or the American River under the Northridge-PCWA agreement, for its own use or delivery to other purveyors, whenever such diversions alone or in conjunction with other diversions would limit or impair diversions from the American River by the City of Sacramento under its prior water rights.

Northridge's delivery to other purveyors of water diverted from the American River under the Northridge-PCWA agreement is subject to those purveyors signing and implementing their commitments under the *Water Forum Agreement*.

[End of provisions to be included in SWRCB order.]

In addition, the *Water Forum Agreement* specifies that:

a. With the support of all Water Forum signatories, Northridge will continue to work with other interested parties to pursue a project involving a diversion on the Sacramento River, a new water treatment plant and water conveyance facilities that connect to the Northridge pipeline for use of Sacramento River water within the area served by the Northridge pipeline.

b. In determining the amount of surface water available for growth in the north part of Sacramento County within the ten-year period referred to in this agreement, the parties agree that the long-term annual average yield of water diverted from Folsom Reservoir under the Northridge-PCWA agreement would be not more than 17,400 acre feet, which is the projected average annual water supply that would be available if diversions were restricted to above-Hodge conditions.

PERSPECTIVES OF THE PARTIES REGARDING DIVERSIONS BY NORTHRIDGE WATER DISTRICT OF AMERICAN RIVER WATER UNDER THE NORTHRIDGE-PCWA AGREEMENT

Some signatories to the *Water Forum Agreement* have differing perspectives on the conditions under which Northridge Water District should divert water from Folsom Reservoir. These differing perspectives are important for understanding the context in which the attached agreement has been entered. The perspectives of Northridge Water District and the environmental organizations signatory to the *Water Forum Agreement* are set forth below.

It is the position of the environmental organizations signatory to the *Water Forum Agreement* that:

1. For purposes of a settlement, diversions by Northridge Water District of American River water under the Northridge-PCWA agreement in years when the projected March through November unimpaired inflow into Folsom Reservoir is greater than 950,000 acre feet are acceptable to members of the Environmental Caucus during the ten-year period following the effective date of the *Water Forum Agreement*. This is acceptable because other purveyors that divert upstream of the Lower American River who have fewer alternatives will not be substantially increasing their diversions under the *Water Forum Agreement* during the ten-year period.
2. After the ten-year period following the signing of the *Water Forum Agreement*, Northridge Water District should divert American River water under the Northridge-PCWA agreement only when the unimpaired March through November inflow into Folsom Reservoir is greater than 1,600,000 acre feet (i.e., "above Hodge"). This reflects the Environmental Caucus' belief that the north Sacramento County area groundwater basin could be stabilized at an acceptable level with Northridge diverting American River water under the Northridge-PCWA agreement in only above Hodge years.
3. Diversions of American River water under the Northridge-PCWA agreement below the Hodge threshold after the initial ten-year period would unreasonably affect the instream, wildlife, recreational and aesthetic values of the Lower American River. Such diversion below the Hodge threshold would also unreasonably affect the availability of water for instream uses downstream of the mouth of the American River.

It is the position of the Northridge Water District that:

1. Northridge believes that its dry year diversion restrictions under the *Water Forum Agreement* should be comparable to the requirements of other purveyors who divert water from Folsom Reservoir.
2. Northridge believes that diversions of PCWA water from Folsom Reservoir in below-Hodge years after the conclusion of the ten-year period referred to in the agreement need not be prohibited to avoid significant impacts to instream uses of the lower American River and downstream.

ARCADE SERVICE AREA (ASA)

Town & Country Sub-area

SSWD is pursuing a contract with the City of Sacramento for delivery of surface water from the Fairbairn Water Treatment Plant. Water delivered to SSWD by the City will be subject to (1) this Purveyor Specific Agreement, (2) the contract between SSWD and the City, and (3) the maximum diversion rates from the Fairbairn Water Treatment Plant agreed to by the City of Sacramento in its Purveyor Specific Agreement to the *Water Forum Agreement*.

1. MOST YEARS: As applied to the Town & Country sub-area and the agreement between SSWD and the City for raw surface water from the American River, Most Years are defined as time periods when the flow bypassing the City's diversion at the FWTP exceeds the Hodge Flow Criteria (see Appendix C).

In Most Years, SSWD may use up to 26,064 AF/year of surface water diverted from the American River to meet water demands within the Town & Country sub-area and for other conjunctive use purposes consistent with the groundwater management policies of the Sacramento Groundwater Authority. Operational considerations (e.g., peak demands during summer months) may require SSWD to use surface water diverted from the American River at an instantaneous rate of diversion up to 30 MGD, or 46.4 CFS. SSWD may also use groundwater to meet a portion of demands within the Town & Country sub-area. (see "4. Additional Considerations" below)

2. DRIER YEARS: As applied to the Town & Country sub-area and the agreement between SSWD and the City for raw surface water from the American River, Drier Years are defined as time periods when the flow bypassing the City's diversion at the FWTP does not exceed the Hodge Flow Criteria (see Appendix C).

In Drier Years, SSWD will use groundwater to meet the demands within the Town & Country sub-area subject to **Additional Considerations**" (No. 4) below.

3. DRIEST YEARS (i.e. CONFERENCE YEARS): Defined for purposes of the *Water Forum Agreement* as follows: Years when the projected March through November Unimpaired Inflow to Folsom Reservoir is less than 400,000 acre feet.

In Driest Years, SSWD will use groundwater to meet the demands within the Town & Country sub-area subject to **Additional Considerations**" (No. 4) below.

It is recognized that in years when the projected unimpaired inflow to Folsom Reservoir is less than 400,000 AF there may not be sufficient water available to provide the purveyors with the driest years quantities specified in their agreements and provide the expected driest years flows to the mouth of the American River. In those years, SSWD will participate in a conference with

other stakeholders on how the available water should be managed. The conferees will be guided by the Conference Year Principles described in Section Four, I. of the *Water Forum Agreement*.

4. ADDITIONAL CONSIDERATIONS

Signatories to the *Water Forum Agreement* acknowledge and agree that SSWD shall not relinquish control of or otherwise abandon the right to any quantity of water that it has foregone delivery and/or diversion of under this agreement, and that SSWD intends to pursue the potential diversion of these quantities of water from a point of diversion on the Sacramento River.

Signatories to the *Water Forum Agreement* also acknowledge and agree that if SSWD for any reason is not able to enter into a contract with the City for surface water delivery, SSWD is expected pursue a “project” for resuming the diversion from the American River Well System (including construction of a surface water treatment plant) or from another point of diversion on the American River below Nimbus Dam established pursuant to SSWD’s contract assignment from the City. If SSWD develops a specific proposal (“project”), SSWD will discuss it with other signatories to the Water Forum Agreement in the context of both the Water Forum’s two coequal objectives. Water Forum signatories retain their ability to support or oppose such a future proposal.

Recognizing SSWD’s diversion points on the American River, and that diversions lower on the river will increase flows in the river between the diversions points, SSWD will, taking into consideration economic factors, distribution capacity and legal constraints, make reasonable efforts to divert from the lower diversion point when SSWD has a choice of where to divert water.

North Highlands Sub-area

As discussed in the introduction, SSWD anticipates that in the future the North Highlands sub-area will utilize a combination of groundwater and surface water supplies as part of the groundwater stabilization program. Surface water supplies delivered to the North Highlands sub-area will come from the American River pursuant to the “SSWD-PCWA Agreement” or Section 215 water made available by Reclamation. These supplies will be delivered to North Highlands via the CTP and the NTP and will be subject to the same conditions described for the NSA (including the potential for delivery of surface water diverted from the Sacramento River).

E. SPECIFIC AGREEMENTS FOR COMPLYING WITH THE SEVEN ELEMENTS *(Agreements in italics are common in all Specific Agreements.)*

1. All signatories to the *Water Forum Agreement* will endorse all water entitlements needed for the diversions specified in each Purveyor Specific Agreement.
2. *All signatories will endorse construction of facilities to divert, treat and distribute water consistent with this Purveyor Specific Agreement and the Water Forum Agreement including diversion structures, treatment plants, pumping stations, wells, storage facilities, and major transmission piping. Endorsement is also to be provided for necessary rights-of-ways, permits, and other endorsements which may be needed, in the context of the following five points:*

- a. *All signatories agree that implementation of the Water Forum Agreement including an Improved Pattern of Fishery Flow Releases, the Updated Lower American River flow standard, the Lower American River Habitat Management Element, Actions to Meet Customers' Needs While Reducing Diversion Impacts in Drier Years, and the Water Conservation Element constitute reasonable and feasible mitigation for any cumulative impacts on the Lower American River caused by diversions included in the Water Forum Agreement.*
 - b. *Environmental impacts of facilities to divert, treat and distribute water will be subject to site-specific environmental review. It is understood that signatories may provide comments on site specific impacts. All signatories will work in good faith to agree on reasonable and feasible mitigation for any site-specific impacts.*
 - c. *To the extent that the water facilities are consistent with the Water Forum Agreement, signatories agree that they will not object to those water facilities based on the cumulative impacts to the Lower American River. Nor will signatories object to water facilities consistent with the Water Forum Agreement based on the planned growth to be served by those water facilities. (See Section Four IV, Relationship of Water Forum Agreement to Land Use Decision Making.)*
 - d. *In the planning for new water diversion, treatment, and distribution facilities identified in the Water Forum Agreement, water purveyors signatory to the Agreement will either provide for a public participation process, such as meeting with already established citizen advisory committees, or other appropriate means to help design and implement these projects.*
 - e. *All signatories retain their existing ability to provide input on specific details of facility design, financing, and construction.*
3. *Endorsement of the water entitlements and related facilities in the Water Forum Agreement means that signatories will expend reasonable efforts to:*
- a. *Speak before stakeholder boards and regulatory bodies,*
 - b. *Provide letters of endorsement,*
 - c. *Provide supportive comments to the media,*
 - d. *Advocate the Water Forum Agreement to other organizations, including environmental organizations that are not signatory to the Water Forum Agreement, and*
 - e. *Otherwise respond to requests from other signatories to make public their endorsement of the Water Forum Agreement.*
4. *All signatories agree that participation in the Water Forum and the Successor Effort is in the best interests of water consumers and the region as a whole. Participation in the Water*

Forum is the most economically feasible method of ensuring that water demands of the future will be met. Furthermore, provisions for groundwater management, conjunctive use, conservation programs, improved pattern of fishery flow releases from Folsom Reservoir, habitat management, and a reliable dry year supply are in the public interest, and represent reasonable and beneficial use of the water resource.

5. *All signatories will not oppose and will endorse where appropriate needed rates and fees applied equitably. This includes endorsement at the California Public Utilities Commission for investor owned utilities' ability to recover all costs of conservation programs, including residential meter retrofit, through rates.*

6. *All signatories will endorse an Improved Pattern of Fishery Flow Releases from Folsom Reservoir and reduced daily flow fluctuations for the Lower American River. (Reference Section Three, III.)*

7. *All signatories will endorse formal assurances that the diversions will be consistent with the conditions in the Water Forum Agreement and that an Improved Pattern of Fishery Flow Releases from Folsom Reservoir will be implemented.*

8. *All signatories will endorse and participate where appropriate in all provisions of the Water Forum Agreement, including all agreements pertaining to other signatories and executed as part of this agreement.*

9. *All signatories will participate in education efforts and advocate the Water Forum Agreement to regulatory bodies and signatory stakeholder boards as appropriate.*

10. *All signatories will participate in the Water Forum Successor Effort to oversee, monitor and report on the implementation of the Water Forum Agreement. (Reference Section Three, VII., Water Forum Successor Effort). This includes participating with other signatories in carrying out procedural agreements as identified in the Water Forum Agreement. To the extent that conditions change in the future, all signatories will work together in good faith to identify ways to ensure that the two coequal goals of the Water Forum will still be met.*

11. *All signatories will endorse and, where appropriate, financially participate in the Lower American River Habitat Management Element (Reference Section Three, IV., Lower American River Habitat Management Element).*

12. *All signatories will endorse and, where appropriate, implement the Water Conservation Element of the Agreement (Reference Section Three, V., Water Conservation Element). This purveyor's implementation of water conservation will be as specified in its Water Conservation Plan which is incorporated as Appendix J to the Water Forum Agreement. The signatories acknowledge that a portion of SSWD's Arcade service area is within the boundaries of the City of Sacramento.*

13. *All signatories will endorse and, where appropriate, participate in implementation of the Sacramento North Area Groundwater Management Authority to maintain a North Area estimated average annual sustainable yield of 131,000 acre feet.*
14. *All signatories will endorse development of a groundwater management arrangement for the South Area and where appropriate participate in its development, to maintain a South Area estimated average annual sustainable yield of 273,000 acre feet.*
15. *All signatories will endorse development of a groundwater management arrangement for the Galt Area and where appropriate participate in its development, to maintain a Galt Area estimated average annual sustainable yield of 115,000 acre feet.*
16. *Signatories authorizing individuals to represent them in matters included within the Water Forum Agreement will ensure that representations made by those individuals are consistent with the Water Forum Agreement and are upheld by the signatories.*
17. *This Agreement is in force and effect for all signatories for the term of the Memorandum of Understanding, December 31, 2030.*
18. *Any solution that provides for future needs will have costs. New diversion, treatment, and distribution facilities, wells, conservation programs, and required environmental mitigation will be needed. This Agreement identifies that these solutions must be equitable, fiscally responsible, and make the most efficient use of the public's money.*

Water suppliers have both capital costs for facilities and operations and maintenance costs. This Agreement recommends that charges imposed to recover capital costs associated with water acquisition, treatment, or delivery be equitable. Any costs for facilities funded through bonds will be recovered as provided by law. In addition, signatories to the Water Forum Agreement agree that operational, maintenance and replacement costs should be recovered from beneficiaries of the system in accordance with California Government Code Sections 53720 to 53730 (Proposition 62) and California Constitution, Articles XIII, C and XIII, D (Proposition 218) and other laws to the extent they are applicable.
19. *All signatories agree to endorse, and where appropriate, participate in Sacramento River Supply for North Sacramento County and Placer County (Reference Section Four, III).*
20. *All signatories will endorse, and where appropriate, participate in the section of the Water Forum Agreement entitled "Relationship of Water Forum Agreement to Land Use Decision Making" (Reference Four, IV).*
21. *All signatories will endorse, and where appropriate, participate in the Folsom Reservoir Recreation Program (Reference Section Four, V).*
22. *Purveyors signatory to the Water Forum Agreement will reference the Water Forum Agreement, including agreed upon estimated average annual sustainable yields of each of the three subareas of the groundwater basin in Sacramento County and limits to diversions from the*

American River in their water master plans and urban water management plans, which are used in providing information to cities and counties as required under Chapter 881 of the Statutes of 1995.

23. *Any transfers of American River water by signatories will be delivered in a manner consistent with an Improved Pattern of Fishery Flow Releases as referenced in the Water Forum Agreement.*

F. ASSURANCES AND CAVEATS

Because the *Water Forum Agreement* is a comprehensive set of linked elements, it is absolutely essential that adequate assurances be secured for every element. In an agreement that will extend over three decades, the timing of these assurances is critical. Full implementation of all seven elements cannot occur simultaneously. Therefore all signatories agree with the provisions in the Assurances and Caveats Section of this *Water Forum Agreement*.

Two particularly important assurances are the updated Lower American River Flow Standard and Upstream American River Diversion Agreements.

All signatories agree they will recommend to the State Water Resources Control Board an updated American River flow standard and updated Declaration of Full Appropriation to protect the fishery, wildlife, recreational and aesthetic values of the Lower American River. The recommendation will include requirements for U.S. Bureau of Reclamation releases to the Lower American River. In addition, the City of Sacramento's Fairbairn diversion will be required to comply with the diversion limitations of the City's Purveyor Specific Agreement. The *Water Forum Agreement* also includes agreed upon dry year reductions by purveyors upstream of Nimbus Dam. The recommendation for an updated Lower American River standard will be consistent with:

Water Forum Agreement provisions on water diversions including dry year diversions,
and
Implementation of the Improved Pattern of Fishery Flow Releases which optimizes the release of water for the fisheries.

The recommendation will also address related issues such as principles to guide water management in the driest years, flexibility in the standard to allow adaptive management, and amending the existing "Declaration of Full Appropriation for the American River."

Purveyors signatory to the *Water Forum Agreement* who divert from upstream of Nimbus Dam agree they will enter into contract with the Bureau that will provide assurances that the upstream diverters will divert only the agreed upon amounts, which include provisions for reductions in dry year and/or other equivalent measures.

In order to have a durable agreement it is necessary to include the following caveats. These are statements describing actions or conditions that must exist for the *Agreement* to be operative.

1. As specified below, each purveyor's commitment to implementing all provisions of the *Water Forum Agreement* is contingent on it successfully obtaining its water supply entitlements and facilities.

a. If a purveyor receives support from the other signatories to the *Agreement* for all of its facilities and entitlements as shown on the chart in Section Three, I., of the *Water Forum Agreement*, "*Major Water Supply Projects that Will Receive Support Upon Signing the Water Forum Agreement*" and if it receives all necessary approvals for some or all of those facilities and entitlements, then the purveyor will fully support and participate in the following provisions of the *Water Forum Agreement*:

- (1) Support for the Improved Pattern of Fishery Flow Releases
- (2) Water Forum Successor Effort
- (3) Water Conservation Element
- (4) Lower American River Habitat Management Element
- (5) Support for the Updated Lower American River flow standard
- (6) Restriction of diversions or implementation of other actions to reduce diversion impacts in drier years as specified in its Purveyor Specific Agreement.

and

b. If a purveyor is not successful in obtaining all necessary approvals for all of its facilities and entitlements as shown on the chart in Section Three, I., of the *Water Forum Agreement*, "*Major Water Supply Projects that will Receive Support Upon Signing the Water Forum Agreement*," that would constitute a changed condition that would be considered by the Water Forum Successor Effort.

2. All signatories agree that business, citizens, and environmental signatories' obligation to support, and where specified, implement all provisions of the *Water Forum Agreement* is contingent on implementation of those provisions of the *Agreement* that meet their interests.

3. A stakeholder's support for water supply entitlements and facilities is contingent on:

a. Project-specific compliance with the California Environmental Quality Act, and where applicable, the National Environmental Policy Act, federal Endangered Species Act and California Endangered Species Act.

b. Purveyors' commitment in their project-specific EIRs and CEQA findings to: all seven elements of the *Water Forum Agreement*; support for updating the Lower American River flow standard; commitment by those purveyors that divert from upstream of Nimbus Dam to entering into signed diversion agreements with the U.S. Bureau of Reclamation; commitment by the City of Sacramento to inclusion of the terms of the diversion provisions of its Purveyor Specific Agreement into its water rights.

c. Signed diversion agreements between purveyors that divert upstream of Nimbus Dam and the U.S. Bureau of Reclamation. Other signatories to the *Water Forum*

Agreement shall be third party beneficiaries to the diversion agreements solely for the purpose of seeking specific performance of the diversion agreements relating to reductions in surface water deliveries and/or diversions if Reclamation fails to enforce any of those provisions. The status of a signatory to the *Water Forum Agreement* as a third party beneficiary to the diversion agreements is dependent on that signatory complying with all the terms of the *Water Forum Agreement*, including support for the purveyor specific agreement for the purveyor's project. This is not to intend to create any other third party beneficiaries to the diversion agreements, and expressly denies the creation of any third party beneficiary rights hereunder for any other person or entity.

- d. Adequate progress on the updated Lower American River standard. The schedule for obtaining the updated standard is in Section Four, I., of the *Water Forum Agreement*.
- e. Adequate progress in construction of the Temperature Control Device.
- f. Adequate progress in addressing the Sacramento River and Bay-Delta conditions associated with implementation of the *Water Forum Agreement*.

4. Environmental stakeholders' support for facilities and entitlements is dependent upon the future environmental conditions in the Lower American River being substantially equivalent to or better than the conditions projected in the Water Forum EIR. If the future environmental conditions in Lower American River environment are significantly worse than the conditions projected in the EIR, this would constitute a changed condition that would be considered by the Water Forum Successor Effort. Significant new information on the needs of the Lower American River fisheries, which was not known at the time of execution of the *Water Forum Agreement*, would also constitute a changed condition that would be considered by the Water Forum Successor Effort.

G. REMAINING ISSUES

None.

This page intentionally left blank

Appendix B

SSWD Water Forum Water Conservation Plan – Best Management Practices

BMP 4 RESIDENTIAL METER RETROFIT

- A. In the first two years after the *Water Forum Agreement* is signed, the Sacramento Suburban Water District would plan for, budget, and prepare the public for a residential meter retrofit program. Beginning no later than the start of the fourth year after the *Water Forum Agreement* is signed, the Sacramento Suburban Water District would annually retrofit at least 3.3% - 5% of their total number of unmetered residential connections as of the date of the *Water Forum Agreement*.

SACRAMENTO SUBURBAN WATER DISTRICT WATER FORUM WATER CONSERVATION PLAN

BMP 1 INTERIOR AND EXTERIOR WATER AUDITS AND INCENTIVE PROGRAMS FOR SINGLE FAMILY RESIDENTIAL, MULTI-FAMILY RESIDENTIAL, AND INSTITUTIONAL CUSTOMERS

- A. Within three years of agreement signing, Sacramento Suburban Water District's will:
1. contract for trained water auditors;
 2. prepare and make available, as needed, multi-lingual interior and exterior water audit materials for customers;
 3. prepare and make available to customers seasonal climate-appropriate irrigation information; and
 4. investigate opportunities for community based organizations (CBOs) to receive the training and financial incentives necessary for them to implement this BMP for their constituents.
- B. Sacramento Suburban Water District's contractor will annually:
1. offer audits to all SF, MF and Institutional customers beginning metered billing;
 2. offer, through bill inserts or other means, water-use reviews to all customers receiving a meter; and
 3. survey past program participants to determine if audit recommendations were implemented.
- C. The water-use review program contractor will:
1. provide audits conducted by trained auditors;
 2. provide audits that may include device installation by contractor or customer (showerheads, faucet aerators, etc.), identification of water-use problems, recommend repairs, instruction in landscape principles (hydrozones, ET, etc.), irrigation timer use and, when appropriate, meter reading;
 3. provide program participants with seasonal irrigation schedules by hydrozone and/or station; and
 4. provide incentives to achieve 12% annual participation of the targeted 20% of customers.
- D. Sacramento Suburban Water District will be fully implementing the program described above no later than the beginning of the fourth year after agreement signing.

BMP 2 PLUMBING RETROFIT OF EXISTING RESIDENTIAL ACCOUNTS

- A. Within three years of agreement signing, Sacramento Suburban Water District will:
1. provide high quality low-flow showerheads, faucet aerators and toilet leak detection tablets, as appropriate at time of audit, to customers without efficient fixtures;
 2. offer toilet leak test kits to all change of account customers who visit the signatory's office;
 3. work with the local "Welcome Wagon" or equivalent organization to provide water conservation materials to new residents;
 4. work with local hardware/home stores to offer free water conservation information and toilet leak test kits at the check-out counters; and
 5. investigate partnership programs with local energy utilities to provide water conservation audits, materials and devices.
- B. Sacramento Suburban Water District and its contractor will be fully implementing the program described above no later than the beginning of the fourth year after agreement signing.

BMP 3 DISTRIBUTION SYSTEM WATER AUDITS, LEAK DETECTION AND REPAIR

- A. Within three years of agreement signing, Sacramento Suburban Water District will complete and be maintaining:
1. an annually updated 'system map' of type, size and age of pipes; pressures; leak history; and historic data;
 2. installation, where appropriate, of devices (such as pressure recorders) or use of other methods designed to identify area with greater than 10% losses;
 3. an ongoing meter calibration and replacement program for all production and distribution meters;
 4. an ongoing leak detection & repair program (as defined in the manual) focused on high probability leak areas identified by the system map; and
 5. a complete system-wide leak detection program when Sacramento Suburban Water District is completely metered.
- B. Sacramento Suburban Water District will be fully implementing the program described above no later than the beginning of the fourth year after agreement signing.

BMP 4 NON-RESIDENTIAL METER RETROFIT

- A. Within three years of agreement signing, Sacramento Suburban Water District will:
1. identify all non-residential unmetered customers;
 2. provisionally identify any non-residential unmetered customers whom may be very difficult and expensive to retrofit;

3. adopt a plan to meter at least 20 percent of unmetered non-residential accounts yearly so that within five years of becoming a signatory 85-90 percent of non-residential customers are metered; and
 4. begin installation of meters at non-residential unmetered customer locations, with consideration of separate landscape meters.
- B. Within 60 days of meter installation, Sacramento Suburban Water District will provide newly metered non-residential customers with:
1. information on how to read their meter and a consumption-based water bill; and
 2. information on Sacramento Suburban Water District-provided water conservation programs and services.
- C. Sacramento Suburban Water District will be fully implementing the program described above no later than the beginning of the fourth year after agreement signing.

BMP 4 RESIDENTIAL METER RETROFIT

- A. In the first two years after the *Water Forum Agreement* is signed, the Sacramento Suburban Water District would plan for, budget, and prepare the public for a residential meter retrofit program. Beginning no later than the start of the fourth year after the *Water Forum Agreement* is signed, the Sacramento Suburban Water District would annually retrofit at least 3.3% - 5% of their total number of unmetered residential connections as of the date of the *Water Forum Agreement*.

BMP 5 LARGE LANDSCAPE WATER AUDITS AND INCENTIVES FOR COMMERCIAL, INDUSTRIAL, INSTITUTIONAL (CII), AND IRRIGATION ACCOUNTS

- A. Within three years of agreement signing, Sacramento Suburban Water District's will:
1. identify all Irrigation accounts and CII accounts with landscapes of one acre and larger and record that information in the customer database;
 2. contract for certified and/or trained landscape water auditors;
 3. prepare and distribute multi-lingual (as appropriate) irrigation system materials, seasonal climate-appropriate information on irrigation scheduling and offer training for customers and landscape workers;
 4. develop seasonal climate-appropriate information to determine irrigation schedules, for the three basic hydrozones identified in the DWR *Landscape Water Management Handbook*, and provided that information to the customers with one acre or larger landscapes; and
 5. begin installation of climate appropriate water efficient landscaping at landscaped Sacramento Suburban Water District facilities, phased in over the five years following agreement signing.

- B. Sacramento Suburban Water District's contractor will annually:
 - 1. directly contact all Irrigation accounts and CII accounts with one acre and larger landscapes, not previously audited, and offer them landscape water-use reviews (audits);
 - 2. offer, through bill inserts or other means, landscape water-use reviews to all customers;
 - 3. survey past program participants to determine if audit recommendations were implemented; and
 - 4. offer program participants with separate irrigation meters information showing the relationship between actual consumption and their ET-based water demand.

- C. The Sacramento Suburban Water District landscape water-use review program contractor will:
 - 1. provide audits conducted by certified landscape water auditors;
 - 2. provide audits that consist of a system review, to identify necessary irrigation system repairs, and, once repairs have been completed, a water-use review including measurement of landscaped area;
 - 3. provide program participants with seasonal irrigation schedules by hydrozone and/or station;
 - 4. provide program participants with regular reminders to adjust irrigation timer settings; and
 - 5. provide incentives to achieve at least 12 percent annual participation of targeted customers.

- D. Sacramento Suburban Water District will be fully implementing the program described above no later than the beginning of the fourth year after agreement signing.

BMP 6 LANDSCAPE WATER CONSERVATION REQUIREMENTS FOR NEW AND EXISTING COMMERCIAL, INDUSTRIAL, INSTITUTIONAL AND MULTI-FAMILY DEVELOPMENTS

- A. Sacramento Suburban Water District will:
 - 1. attend a landscape task force with other local governments and water purveyors, the building and green industries and environmental / public interest groups to review the existing ordinance to determine if it is at least as effective as the Model Water Efficient Landscape Ordinance, and to monitor, and revise, when applicable, the ordinance;
 - 2. participate in the landscape task force's review of the implementation of the ordinance, including the landscape plan review and final inspection/certification process; and
 - 3. participate in the landscape task force's determination if program effectiveness is diminished by city/county staff time constraints, budget or lack of landscape knowledge/expertise.

- B. Sacramento Suburban Water District will publicly support the county's actions to enact and/or revise and then fully implement a landscape water efficiency ordinance.
- C. Sacramento Suburban Water District will be fully implementing the program described above no later than the beginning of the fourth year after agreement signing.

BMP 7 PUBLIC INFORMATION

- A. Within three years of agreement signing, Sacramento Suburban Water District's program will include:
 - 1. a combination of a Sacramento Suburban Water District specific program in conjunction with full participation by the Sacramento Suburban Water District in the Sacramento Area Water Works Association (SAWWA) Conservation Committee's Public Outreach Program or other equivalent regional program. This program includes programs such as: media advertising campaigns, commercial consumer outreach, promotional materials, community events and fairs, evapotranspiration data availability, a Web site, and allied organizations outreach;
 - 2. elements implemented directly by the Sacramento Suburban Water District will include:
 - a. using utility bill inserts or messages on payment notices; and
 - b. providing information on residential metered customers' bills showing use in gallons per day for the last billing period compared to the same period the year before.

BMP 8 SCHOOL EDUCATION

- A. Within three years of agreement signing, Sacramento Suburban Water District's program will include:
 - 1. A combination of a Sacramento Suburban Water District specific program in conjunction with full participation by the Sacramento Suburban Water District in the Sacramento Area Water Works Association (SAWWA) Conservation Committee's Public Outreach Program or other equivalent regional program. This program includes programs such as: school outreach, promotional materials, community events and fairs, a Web site, and allied organizations outreach;
 - 2. Elements implemented directly by the Sacramento Suburban Water District include:
 - a. offering tours of Sacramento Suburban Water District xeriscape gardens to elementary schools in the Sacramento Suburban Water District service area; and
 - b. working with schools served by the Sacramento Suburban Water District to promote school audits, reduced water bills, and innovative funding for equipment upgrades.

BMP 9 COMMERCIAL AND INDUSTRIAL (CI) WATER CONSERVATION

- A. Within three years of agreement signing, Sacramento Suburban Water District's will have:
1. contracted for trained commercial/industrial water auditors;
 2. the DWR Commercial / Industrial (CI) water-use materials available for CI customers;
 3. established, if possible, cooperative CI audit programs with other utilities; and
 4. a list of available CI water-use consultants.
- B. Sacramento Suburban Water District's contractor will annually:
1. identify the top 10% of commercial water users and top 10% of industrial water users, not previously audited, and directly contact them or the appropriate customer's representative and offer them water-use reviews (audits). Provide these customers with data on their current water-related costs (supply, wastewater, energy, on-site treatment, etc.);
 - a. (for metered customers) annually determine the top 10% of commercial customers and of industrial customers based on water use, and when appropriate, special water-use factors (high water use, high wastewater flows, poor quality wastewater, high-energy use, etc.); and
 - b. (for unmetered customers) annually determine the top 10% of commercial customers and of industrial customers based on special water-use factors such as wastewater flows, poor quality wastewater, and high-energy use. etc.
 2. offer, through bill inserts or other means, CI water-use reviews to all CI customers; and
 3. survey past program participants to determine if audit recommendations were implemented
- C. The Sacramento Suburban Water District water-use review program contractor will:
1. provide audits conducted by trained commercial/industrial water auditors;
 2. provide incentives to achieve at least 20% annual participation of the targeted 10% of existing customers; and
 3. contact past program participants for a follow-up audit at least every fifth year.
- D. Within three years of agreement signing, Sacramento Suburban Water District will:
1. promote the use of efficient water-use technologies by commercial and industrial customers by offering incentives related to the benefits gained by the water and sewer service providers;
 2. coordinate with the city or county during the permitting of new, modified or change-of-water-use CI projects within the Sacramento Suburban Water District's service area to ensure that the submitted findings are reviewed by the Sacramento Suburban Water District to identify incentive program opportunities;
 3. consider separate landscape water meter(s) when the combined service would require a 1 1/2" or larger meter; and
 4. require efficient cooling systems, recirculating pumps for fountains and ponds, and water recycling systems for vehicle washing as a condition of service.

E. Sacramento Suburban Water District will be fully implementing the program described above no later than the beginning of the fourth year after agreement signing.

BMP 11 CONSERVATION PRICING FOR METERED ACCOUNTS

- A. Within three years of agreement signing, Sacramento Suburban Water District will:
1. identify all metered customers by account type (single family, multi-residential, commercial, industrial, institutional, landscape irrigation, reclaimed, wholesale);
 2. establish quantity-based rates for each account type;
 3. begin educating all customers about the quantity-based rate structure; and
 4. provide metered customers with monthly or bi-monthly information which shows current flat-rate charges, actual water use in ccf (hundred cubic feet), and what charges would have been if based on actual use.
- B. Sacramento Suburban Water District will, within six years of agreement signing, bill all metered customers utilizing rates designed to recover the cost of providing service as well as on quantity of water used.

BMP 12 LANDSCAPE WATER CONSERVATION FOR NEW/EXISTING SINGLE FAMILY HOMES

- A. Sacramento Suburban Water District's contractor will implement a program, which includes:
1. information on climate-appropriate landscape design, plants and efficient irrigation equipment/management provided to change-of-customer accounts and, in cooperation with the Building Industry Association of Superior California, to new customers. The availability of this information will be publicized to all existing Single Family Homes in the Sacramento Suburban Water District's service area on an annual basis;
 2. landscape audit/water-use survey program actively marketed to all SF customers at the beginning of metered billing; and
 3. annual pre-irrigation season notification to Single Family Homes served by the Sacramento Suburban Water District of Sacramento Suburban Water District-provided landscape assistance (audits/surveys, materials, special offers, etc.).
- B. Sacramento Suburban Water District's on-going program, in cooperation with the California Landscape Contractors Association, Sacramento Area Water Works Association, other purveyors, etc., will include:
1. participation in the development/maintenance of a local demonstration garden within five years following agreement signing (does not have to be located within Sacramento Suburban Water District's service area but should be convenient to the Sacramento Suburban Water District's customers);
 2. annual participation at local and regional landscape fairs and garden shows;
 3. annual cooperative education and marketing campaigns with local nurseries;
 4. annual irrigation season landscape media campaign; and
 5. annual post-irrigation season notification, to all customers, of the importance of timer resets/ sprinkler shut-offs.

C. Sacramento Suburban Water District will:

1. attend a landscape task force with other local governments and water purveyors, the building and green industries and environmental / public interest groups to review the existing ordinance to determine if it is at least as effective as the Model Water Efficient Landscape Ordinance as pertains to single family homes, and to monitor, and revise, when applicable, the ordinance;
2. participate in the landscape task force's review of the implementation of the ordinance, including builder compliance, landscape plan review, and final inspection/certification process; and
3. participate in the landscape task force's determination if program effectiveness is diminished by city/county staff time constraints, budget or lack of landscape knowledge/expertise.

D. Sacramento Suburban Water District will publicly support the county's actions to enact and/or revise and fully implement a landscape water efficiency ordinance.

E. Sacramento Suburban Water District will be fully implementing the program described above no later than the beginning of the fourth year after agreement signing.

BMP 13 WATER WASTE PROHIBITION

Sacramento Suburban Water District has a water waste prohibition ordinance which includes measures and enforcement mechanisms.

A. The water waste prohibition measures include:

1. irrigation water shall not be allowed to run off to adjoining property or to a roadside ditch or gutter;
2. leaking pipes, fixtures, or sprinklers shall be repaired promptly;
3. open hoses not permitted - automatic shut-off nozzles are required; and
4. swimming pools, ponds and fountains shall be equipped with recirculating pumps. Pool draining and refilling only for health, maintenance or structural reasons - requires agency approval.

B. Other measures, such as the following, will be considered and may be permanent, seasonal or related to water shortage:

1. restricting irrigation hours or days;
2. use of a hose to clean sidewalks, driveways, patios, streets and commercial parking lots is not permitted, except for health and safety;
3. restaurants serving water only on request;
4. restricting the use of potable water for compaction, dust control or other construction purposes when non-potable water is available; and
5. limiting the flushing of sewers or fire hydrants, except for health and safety (may be permanent, seasonal or related to water shortage).

- C. The waste prohibition enforcement mechanisms are a graduated series of responses, which include: personal notification, monetary fees, and service termination.
- D. Within three years of agreement signing Sacramento Suburban Water District will:
1. notify all customers at least annually of the waste prohibitions (by newspaper, public notice, mailings, utility billings or a combination of such) prior to the irrigation season;
 2. have staff will respond to reports of water waste in a timely manner;
 3. will have water waste patrols at least during water shortages; and
 4. will cooperate with the city or county in their program enforcement efforts.

BMP 14 WATER CONSERVATION COORDINATOR

Sacramento Suburban Water District's water conservation coordinator is Warren Jung, who will be responsible for preparing, implementing and monitoring the Plan.

Within three years of agreement signing, at least one Sacramento Suburban Water District staff member or employee of the Sacramento Suburban Water District's conservation program contractor will be an AWWA Certified Water Conservation Practitioner (Level II), if the program becomes an industry standard, or will pass equivalent training.

BMP 16. ULTRA-LOW FLUSH TOILET REPLACEMENT PROGRAM FOR NON-RESIDENTIAL CUSTOMERS

- A. Within three years of agreement signing, Sacramento Suburban Water District's contractor will:
1. identify all non-residential customers, estimate the approximate number of non-ULF toilets at each account, and rank them by high, medium or low use (e.g., restaurant toilets are high use, warehouse toilets are low use); and
 2. if possible, established a cooperative district / sanitation district ULF rebate program.
- B. If a regional program is established, Sacramento Suburban Water District's contractor will annually:
1. offer, through direct mail or other direct communication, ULF rebates to all non-residential accounts which do not yet have ULF toilets, with special focus on those with the highest number of high-use non ULF-toilets.
- C. The regional retrofit program will:
1. offer the necessary incentive (which may include rebates, no interest loans, vouchers, billing surcharges/rebates, etc.) to insure that at least 10 percent of non-residential non-ULF toilets are replaced with ULF toilets each year, with a final installation target of 90 percent of all non-residential toilets being ULFs within ten years;
 2. consider larger rebates for the more expensive high-use flushometer-type ULF installations;

3. investigate opportunities for community based organizations (CBOs) to receive the training and financial incentives necessary for them to implement this BMP for their constituents; and
4. consider monitoring the change in water use at metered-accounts that install ULF toilets.

D. Sacramento Suburban Water District will be fully implementing the program described above no later than the beginning of the fourth year after agreement signing.

CITIZEN INVOLVEMENT PROGRAM

The Sacramento Suburban Water District is investigating ways to implement this aspect of the *Water Forum Agreement* by using existing citizen groups such as perhaps the various CPAC's (County Planning Advisory Committees such as the North Highlands – Foothill Farms Area CPAC, the Carmichael CPAC, and the Antelope CPAC) in their service area.

Appendix C

Best Management Practice 1.3 – Metering with Commodity Rates for all New Connections and Retrofit of Existing Connections

EXHIBIT 1

As Amended June 9, 2010

1.3 METERING WITH COMMODITY RATES FOR ALL NEW CONNECTIONS AND RETROFIT OF EXISTING CONNECTIONS

(formerly BMP 4) As Amended March 14, 2007

A. Implementation

For consistency with California Water Code (Section 525b), this BMP refers to potable water systems. A water meter is defined as a device that measures the actual volume of water delivered to an account in conformance with the guidelines of the American Water Works Association. Implementation shall consist of at least the following actions:

- 1) Require meters for all new service connections.
- 2) Establish a program for retrofitting existing unmetered service connections.
- 3) Read meters and bill customers by volume of use.
 - a) Establish and maintain billing intervals that are no greater than bi-monthly (every two months) for all customers.
 - b) For each metered connection, perform at least five actual meter readings (including remotely sensed) per twelve month period.
- 4) Prepare a written plan, policy or program that includes:
 - a) A census of all meters, by size, type, year installed, customer class served and manufacturer's warranty accuracy when new;
 - b) A currently approved schedule of meter testing and repair, by size, type and customer class;
 - c) A currently approved schedule of meter replacement, by size, type, and customer class; and
- 5) Identifying intra- and inter-agency disincentives or barriers to retrofitting mixed use commercial accounts with dedicated landscape meters, and conducting a feasibility study(s) to assess the merits of a program to provide incentives to switch mixed use accounts to dedicated landscape meters.

EXHIBIT 1

As Amended June 9, 2010

B. Implementation Schedule

- 1) Agencies signing the MOU prior to December 31, 1997, shall:
 - a) Initiate volumetric billing for all metered customers no later than July 1, 2008; and
 - b) Complete meter installation for all connections no later than July 1, 2009.
- 2) Agencies signing the MOU after December 31, 1997, shall:
 - a) Initiate volumetric billing for all metered customers no later than July 1, 2008 or within one year of signing the MOU if later than July 1, 2008; and
 - b) Complete meter installation for all service connections no later than July 1, 2012 or within six years of signing MOU, but in no case later than one year prior to the requirements of state law.
- 3) For unmetered service areas newly acquired or newly operated by otherwise metered agencies, meter installation shall be completed in these service areas within six years of the acquisition or operational agreement.
- 4) A feasibility study examining incentive programs to move landscape water uses on mixed-use meters to dedicated landscape meters to be completed by the end of Year Four following the date implementation was to commence.
- 5) A written plan, policy or program to test, repair and replace meters [see Section A(4) above] shall be completed and submitted electronically by July 1, 2008 or within one year of signing the MOU if later than July 1, 2008, whichever is later.

C. Coverage Requirements

100% of existing unmetered accounts to be metered and billed by volume of use within above specified time periods. Service lines dedicated to fire suppression systems are exempt from this requirement.

D. Requirements for Documenting BMP Implementation

- 1) Confirmation that all new service connections are metered and are being billed by volume of use and provide:
 - a) Number of metered accounts;
 - b) Number of metered accounts read;
 - c) Number of metered accounts billed by volume of use;

EXHIBIT 1

As Amended June 9, 2010

- d) Frequency of billing (i.e. six or twelve times per year) by type of metered customer (e.g. single family residential, multiple family residential, commercial, industrial, and landscape irrigation); and
 - e) Number of estimated bills per year by type of metered customer (e.g. single family residential, multiple family residential, commercial, industrial, and landscape irrigation) vs. actual meter readings.
- 2) Number of unmetered accounts in the service area. For the purposes of evaluation, this shall be defined as the baseline meter retrofit target, and shall be used to calculate the agency's minimum annual retrofit requirement.
 - 3) Number of unmetered service connections retrofitted during the reporting period.
 - 4) Estimated number of CII accounts with mixed-use meters.
 - 5) Number of CII accounts with mixed-use meters retrofitted with dedicated irrigation meters during reporting period.

E. Criteria to Determine BMP Implementation Status

- 1) Agency with existing unmetered service connections has completed a meter retrofit plan by the end of Year Two following the date implementation was to commence.
- 2) Agency has completed a feasibility study examining incentive programs to move landscape water uses on mixed-use meters to dedicated landscape meters by the end of Year Two following the date implementation was to commence.
- 3) Agency with existing unmetered service connections is on track to meter these connections during the schedule shown in Section B. An agency will be considered on track if the percent of unmetered accounts retrofitted with meters equals or exceeds the following:

Target Dates for "On Track" Compliance with BMP 4	
Percent of unmetered accounts retrofitted	Agency signed the MOU prior to December 31, 1997
10 percent	December 31, 2000
24 percent	December 31, 2002
42 percent	December 31, 2004
64 percent	December 31, 2006
90 percent	December 31, 2008

EXHIBIT 1

As Amended June 9, 2010

100 percent	July 1, 2009
-------------	--------------

Target Dates for "On Track" Compliance with BMP 4	
Percent of unmetered accounts retrofitted	All agencies signing the MOU after 1997
20 percent	December 31, 2004
40 percent	December 31, 2006
60 percent	December 31, 2008
80 percent	December 31, 2010
100 percent	July 1, 2012

- 4) Agency bills metered customers at least as often as bimonthly within four years.
- 5) Agency reads meters and bills metered customers using volumetric rates.
- 6) Agency has completed a written plan, policy or program to test, repair and replace meters.

F. Water Savings Assumptions

Assume meter retrofits and volumetric rates combined will result in a 20% reduction in demand for retrofitted accounts.

G. Commitment to Further Review

Within three years from the date this BMP revision is adopted, the CUWCC will complete an evaluation of the potential water use efficiency impacts and cost-effectiveness of the following for consideration as future BMP revision(s):

- 1) Criteria for meter testing, repair, replacement and accuracy;
- 2) Transition to installing automated meter reading (AMR) technologies; and
- 3) Transition to monthly billing schedules for all accounts.

Appendix D

Assembly Bill No. 2572

Assembly Bill No. 2572

CHAPTER 884

An act to amend Section 521 of, to amend and renumber Sections 110 and 111 of, to add Sections 527, 528, 529, and 529.5 to, and to add the heading of Article 3.5 (commencing with Section 525) to Chapter 8 of Division 1 of, the Water Code, relating to water.

[Approved by Governor September 29, 2004. Filed with Secretary of State September 29, 2004.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2572, Kehoe. Water meters.

Existing law generally requires the installation of a water meter as a condition of water service provided pursuant to a connection installed on or after January 1, 1992. Existing law declares that the state goal for measurement of water use is the achievement, on or before January 1, 1992, of the installation of water meters on all new water service connections after that date to systems owned or operated by a water purveyor.

This bill, with certain exceptions, would require an urban water supplier, as defined, on or before January 1, 2025, to install water meters on all municipal and industrial water service connections that are located in its service area.

The bill would require an urban water supplier, beginning on or before January 1, 2010, but subject to certain exceptions, to charge each customer that has a service connection for which a water meter has been installed, based on the actual volume of deliveries, as measured by a water meter.

The bill would require a water purveyor that becomes an urban water supplier on or after January 1, 2005, to install water meters on all municipal and industrial water service connections within 10 years of becoming an urban water supplier, and, with a certain exception, to charge each customer for which a meter has been installed, based on the actual volume of water delivered, as measured by the water meter, within 5 years of becoming an urban water supplier.

The bill would provide that these provisions supersede and preempt all enactments, including charter provisions and amendments thereto, and other local action of cities and counties, including charter cities and charter counties, and other local public agencies that conflict with these provisions, other than enactments or local action that impose additional or more stringent requirements regarding matters set forth in the bill.

The bill, on and after January 1, 2010, would require an urban water supplier that applies for financial assistance from the state for a wastewater treatment project, drinking water treatment project, or water use efficiency project, or a permit for a new or expanded water supply, to demonstrate that the applicant meets certain requirements.

The bill would authorize a water purveyor, including an urban water supplier, to recover the cost of providing services related to the purchase, installation, and operation of a water meter from rates, fees, or charges.

The people of the State of California do enact as follows:

SECTION 1. Section 110 of the Water Code is amended and renumbered to read:

525. (a) Notwithstanding any other provision of law, every water purveyor who sells, leases, rents, furnishes, or delivers water service to any person shall require, as a condition of new water service on and after January 1, 1992, that a suitable water meter to measure the water service shall be installed on the water service facilities in accordance with this chapter. The cost of installation of the meter shall be paid by the user of the water, and any water purveyor may impose and collect charges for those costs.

(b) Subdivision (a) applies only to potable water.

(c) Subdivision (a) does not apply to a community water system which serves less than 15 service connections used by yearlong residents or regularly serves less than 25 yearlong residents, or a single well which services the water supply of a single-family residential home.

SEC. 2. Section 111 of the Water Code is amended and renumbered to read:

526. (a) Notwithstanding any other provision of law, an urban water supplier that, on or after January 1, 2004, receives water from the federal Central Valley Project under a water service contract or subcontract executed pursuant to Section 485h(c) of Title 43 of the United States Code with the Bureau of Reclamation of the United States Department of the Interior shall do both of the following:

(1) On or before January 1, 2013, install water meters on all service connections to residential and nonagricultural commercial buildings constructed prior to January 1, 1992, located within its service area.

(2) On and after March 1, 2013, or according to the terms of the Central Valley Project water contract in operation, charge customers for water based on the actual volume of deliveries, as measured by a water meter.

(b) An urban water supplier that receives water from the federal Central Valley Project under a water service contract or subcontract



described in subdivision (a) may recover the cost of providing services related to the purchase, installation, and operation and maintenance of water meters from rates, fees, or charges.

SEC. 3. Section 521 of the Water Code is amended to read:

521. The Legislature further finds and declares all of the following:

(a) Water furnished or used without any method of determination of the quantities of water used by the person to whom the water is furnished has caused, and will continue to cause, waste and unreasonable use of water, and that this waste and unreasonable use should be identified, isolated, and eliminated.

(b) Water metering and volumetric pricing are among the most efficient conservation tools, providing information on how much water is being used and pricing to encourage conservation.

(c) Without water meters, it is impossible for homeowners and businesses to know how much water they are using, thereby inhibiting conservation, punishing those who conserve, and rewarding those who waste water.

(d) Existing law requires the installation of a water meter as a condition of water service provided pursuant to a connection installed on or after January 1, 1992, but the continuing widespread absence of water meters and the lack of volumetric pricing could result in the inefficient use of water for municipal and industrial uses.

(e) The benefits to be gained from metering infrastructure are not recovered if urban water suppliers do not use this infrastructure.

(f) This chapter addresses a subject matter of statewide concern. It is the intent of the Legislature that this chapter supersede and preempt all enactments and other local action of cities and counties, including charter cities and charter counties, and other local public agencies that conflict with this chapter, other than enactments or local action that impose additional or more stringent requirements regarding matters set forth in this chapter.

(g) An urban water supplier should take any available necessary step consistent with state law to ensure that the implementation of this chapter does not place an unreasonable burden on low-income families.

SEC. 4. The heading of Article 3.5 (commencing with Section 525) is added to Chapter 8 of Division 1 of the Water Code, to read:

Article 3.5. Metered Service

SEC. 5. Section 527 is added to the Water Code, to read:

527. (a) An urban water supplier that is not subject to Section 526 shall do both the following:

(1) Install water meters on all municipal and industrial service connections located within its service area on or before January 1, 2025.

(2) (A) Charge each customer that has a service connection for which a water meter has been installed, based on the actual volume of deliveries, as measured by the water meter, beginning on or before January 1, 2010.

(B) Notwithstanding subparagraph (A), in order to provide customers with experience in volume-based water service charges, an urban water supplier that is subject to this subdivision may delay, for one annual seasonal cycle of water use, the use of meter-based charges for service connections that are being converted from nonvolume-based billing to volume-based billing.

(b) A water purveyor, including an urban water supplier, may recover the cost of providing services related to the purchase, installation, and operation of a water meter from rates, fees, or charges.

SEC. 6. Section 528 is added to the Water Code, to read:

528. Notwithstanding Sections 526 and 527, any water purveyor that becomes an urban water supplier on or after January 1, 2005, shall do both the following:

(a) Install water meters on all municipal and industrial service connections located within its service area within 10 years of meeting the definition of urban water supplier.

(b) (1) Charge each customer for which a water meter has been installed, based on the actual volume of water delivered, as measured by the water meter, within five years of meeting the definition of urban water supplier.

(2) Notwithstanding paragraph (1), in order to provide customers with experience in volume-based water service charges, an urban water supplier that is subject to this subdivision may delay, for one annual seasonal cycle of water use, the use of meter-based charges for service connections that are being converted from nonvolume-based billing to volume-based billing.

(c) For the purposes of this article, an “urban water supplier” has the same meaning as that set forth in Section 10617.

SEC. 7. Section 529 is added to the Water Code, to read:

529. (a) This article addresses a subject matter of statewide concern.

(b) Subject to subdivision (c), this article supersedes and preempts all enactments, including charter provisions and amendments thereto, and other local action of cities and counties, including charter cities and charter counties, and other local public agencies that conflict with this article.



(c) This article does not supersede or preempt any enactment or other local action that imposes additional or more stringent requirements regarding matters set forth in this article.

SEC. 8. Section 529.5 is added to the Water Code, to read:

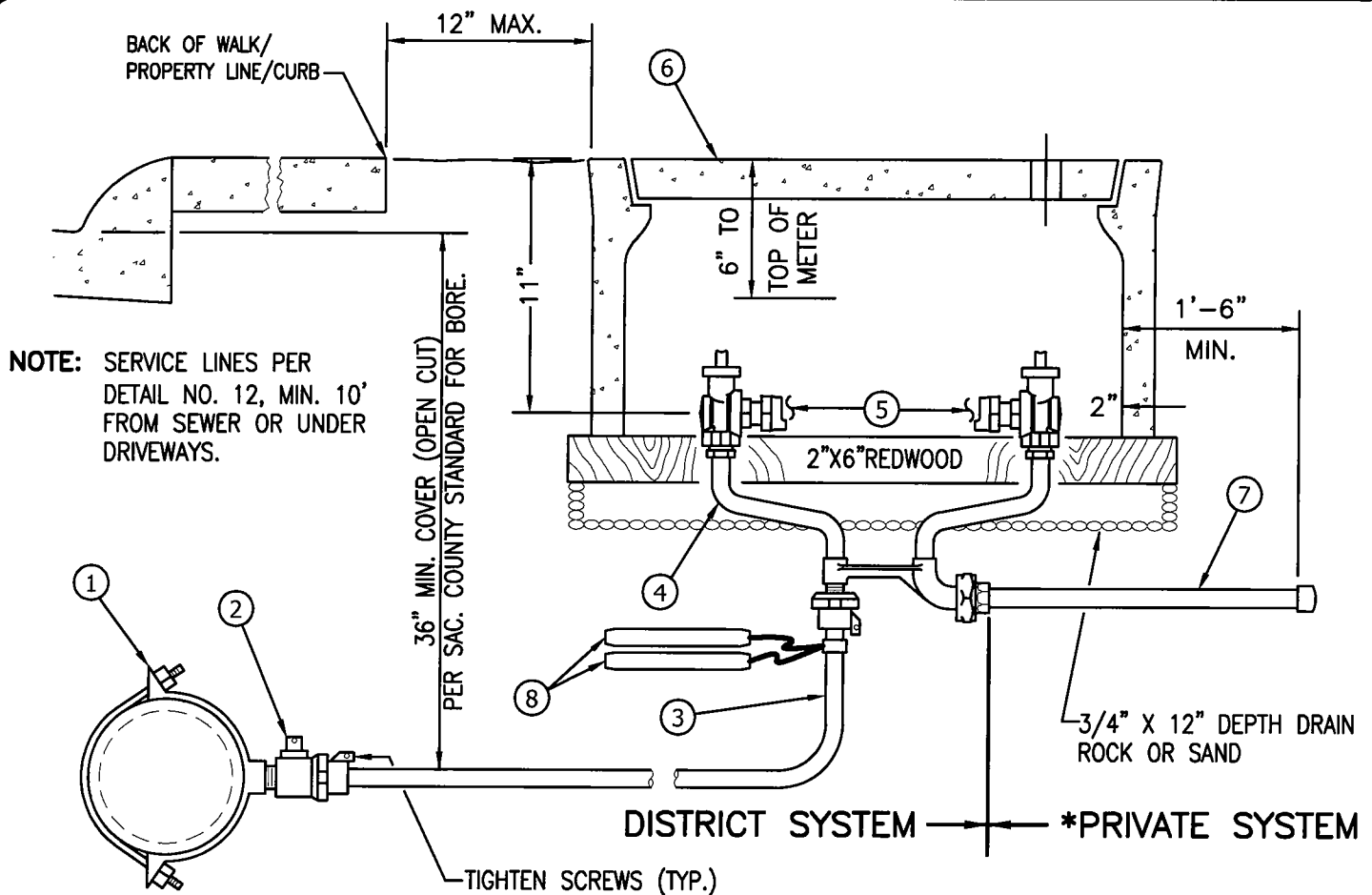
529.5. On and after January 1, 2010, any urban water supplier that applies for financial assistance from the state for a wastewater treatment project, a water use efficiency project, or a drinking water treatment project, or for a permit for a new or expanded water supply, shall demonstrate that the applicant meets the requirements of this article.



This page intentionally left blank

Appendix E

SSWD Standard Detail No. 13 –
Typical $\frac{3}{4}$ " & 1" Metered
Residential Water Service



NOTE: SERVICE LINES PER
DETAIL NO. 12, MIN. 10'
FROM SEWER OR UNDER
DRIVEWAYS.

1. 1" SERVICE SADDLE, FIP AS PER SEC. 2-1.08 (a), STD. SPECS.
2. 1" CORP. COCK, MIP X COMP., AS PER SECTION 2-1.08 (b), STD. SPECS.
3. 1" TYPE K POLYETHYLENE-COATED COPPER TUBING, AS PER SEC. 2-1.08 (c) STD. SPECS.
4. 1" COPPER SETTER: W/CT PACK JOINT INLET AND FIP OUTLET AS PER SECTION 2-1.08 (d), STD. SPECS.
5. WATER METER TO BE INSTALLED BY CONTRACTOR, PAID FOR BY DEVELOPER AT FURNISH ONLY FEE.
6. 1" CONCRETE METER BOX (MARKED "WATER"): AS PER SECTION 2-1.08 (d).
7. BRASS NIPPLE - 18" LONG, FIP CAP (1" MINIMUM).
8. 2 - 4# HIGH PURITY COPPER SERVICE LINE ANODES WITH INSULATED SOLID CORE COPPER WIRE 10 FEET LONG AND BRASS CABLE TO PIPE CLAMP. ANODES TO BE USED ONLY ON EXISTING COPPER SERVICE LINES, AS PER SECTION 2-2.11 STD. SPECS.

NOTES:

POLYETHYLENE ENCASUREMENT WILL BE REQUIRED FOR ALL COPPER PIPE
INSTALLATION. ENCASUREMENT MATERIAL AND INSTALLATION METHODS SHALL
CONFORM TO AWWA STANDARD C-105.

***PRIVATE SYSTEM TO CONFORM WITH SACRAMENTO CO. STANDARDS
DISTRICT SYSTEM SHALL INCLUDE METER BOX**



PHONE (916) 972-7171
3701 MARCONI AVENUE
SUITE 100
SACRAMENTO, CA
95821-5346

STANDARD DETAIL

**TYPICAL 3/4" & 1" METERED
RESIDENTIAL WATER SERVICE**

DATE: DECEMBER 2008 | STD. DET. NO. 13

This page intentionally left blank

Appendix F

Badger Meter Recordall Disc Meters Specifications Sheet for $\frac{3}{4}$ " and 1" Meters



Badger Meter

Recordall® Disc Meters

Model 35, Lead-Free Bronze Alloy, Size 3/4" (DN 20 mm)
NSF/ANSI Standards 61 and 372 Certified

DESCRIPTION

The Recordall Model 35 Disc Series meters meet or exceed the most recent revision of AWWA Standard C700 and are available in a lead-free bronze alloy. The Model 35 meters comply with the lead-free provisions of the Safe Drinking Water Act, are certified to NSF/ANSI Standards 61 and 372 (Trade Designation: M35-LL) and carry the NSF-61 mark on the housing. All components of the lead-free bronze alloy meter (housing, measuring element, seals, and so on) comprise the certified system.

Applications: For use in measurement of potable cold water in residential, commercial and industrial services where flow is in one direction only.

Operation: Water flows through the meter's strainer and into the measuring chamber where it causes the disc to nutate. The disc, which moves freely, nutates on its own ball, guided by a thrust roller. A drive magnet transmits the motion of the disc to a follower magnet located within the permanently sealed register. The follower magnet is connected to the register gear train. The gear train reduces the disc nutations into volume totalization units displayed on the register or encoder face.

Operating Performance: The Recordall Disc Series meters meet or exceed registration accuracy for the low flow rates (95%), normal operating flow rates ($100 \pm 1.5\%$), and maximum continuous operation flow rates as specifically stated in AWWA Standard C700.

Construction: Recordall Disc meter construction, which complies with ANSI/AWWA standard C700, consists of three basic components: meter housing, measuring chamber, and permanently sealed register. The water meter is available in a lead-free bronze alloy with externally-threaded spuds. A corrosion-resistant engineered polymer material is used for the measuring chamber.

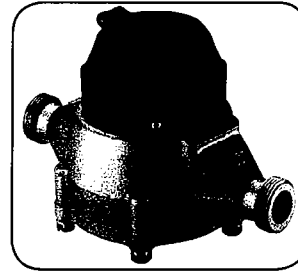
Magnetic Drive: Direct magnetic drive, through the use of high-strength magnets, provides positive, reliable and dependable register coupling for straight-reading or AMR/AMI meter reading options.

Tamper-Proof Features: Unauthorized removal of the register or encoder is inhibited by the option of a tamper detection seal wire screw, TORX® tamper-resistant seal screw or the proprietary tamper-resistant keyed seal screw. Each can be installed at the meter site or at the factory.

Maintenance: Badger Meter Recordall Disc Series meters are designed and manufactured to provide long-term service with minimal maintenance. When maintenance is required, it can be performed easily either at the meter installation or at any other convenient location.

To simplify maintenance, the register, measuring chamber, and strainer can be replaced without removing the meter housing from the installation. No change gears are required for accuracy calibration. Interchangeability of parts among like-sized meters also minimizes spare parts inventory investment. The built-in strainer has an effective straining area of twice the inlet size.

Connections: Tailpieces/Unions for installations of meters on various pipe types and sizes, including misaligned pipes, are available as an option.



SPECIFICATIONS

Model 35 Disc Series Meter

Typical Operating Range (100% ± 1.5%)	3/4...35 gpm (0.17...7.9 m ³ /hr)
Low Flow (Min. 97%)	3/8 gpm (0.085 m ³ /hr)
Maximum Continuous Operation	25 gpm (5.7 m ³ /hr)
Pressure Loss at Maximum Continuous Operation	5 psi at 25 gpm (0.37 bar at 5.7 m ³ /hr)
Maximum Operating Temperature	80° F (26° C)
Maximum Operating Pressure	150 psi (10 bar)
Measuring Element	Nutating disc, positive displacement
Meter Connections	Available in NL bronze and engineered polymer to fit 3/4" (DN 20 mm) spud thread bore diameter sizes.

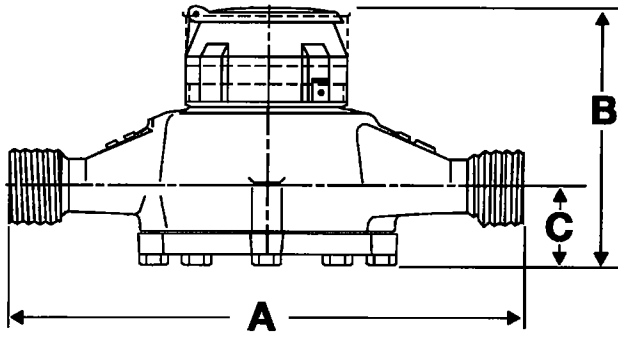
Meter Spud and Connection Sizes

Size Designation	x	"L" Laying Length	"B" Bore Dia.	Coupling Nut and Spud Thread	Tailpiece Pipe Thread (NPT)
3/4"	x	7-1/2"	3/4"	1" (3/4")	3/4"
3/4"	x	9"	3/4"	1" (3/4")	3/4"
3/4" x 1"	x	9"	3/4"	1-1/4" (1")	1"

Materials

Meter Housing	Lead-free bronze alloy
Housing Bottom Plates	Lead-free bronze alloy
Measuring Chamber	Engineered polymer
Disc	Engineered polymer
Trim	Stainless steel
Strainer	Engineered polymer
Disc Spindle	Stainless steel
Magnet	Ceramic
Magnet Spindle	Stainless steel
Register Lid and Shroud	Engineered polymer, bronze

DIMENSIONS

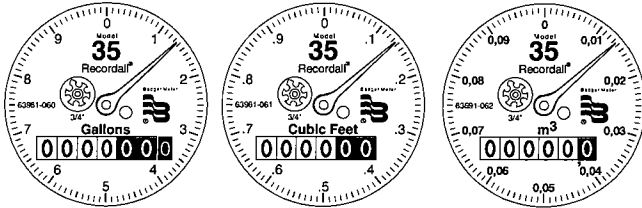


Meter Size	Meter Model	A Laying Length	B Height Reg.	C Centerline Base	Width	Approx. Shipping Weight
3/4" (20 mm)	35	7-1/2" (190 mm)	5-1/4" (133 mm)	1-5/8" (41 mm)	5" (127 mm)	5-1/2 lb (2.5 kg)
3/4" (20 mm)	35	9" (229 mm)	5-1/4" (133 mm)	1-5/8" (41 mm)	5" (127 mm)	5-3/4 lb (2.6 kg)
3/4" x 1" (20 mm)	35	9" (229 mm)	5-1/4" (133 mm)	1-5/8" (41 mm)	5" (127 mm)	6 lb (2.7 kg)

REGISTERS / ENCODERS

Standard—Sweep-Hand Registration

The standard register is a straight-reading, permanently sealed magnetic drive register. Dirt, moisture, tampering and lens fogging problems are eliminated. The register has a six-odometer wheel totalization display, 360° test circle with center sweep hand, and flow finder to detect leaks. Register gearing is made of self-lubricating engineered polymer, which minimizes friction and provides long life. The multi-position register simplifies meter installation and reading. The register capacity is 10,000,000 gallons (1,000,000 ft³, 100,000 m³).



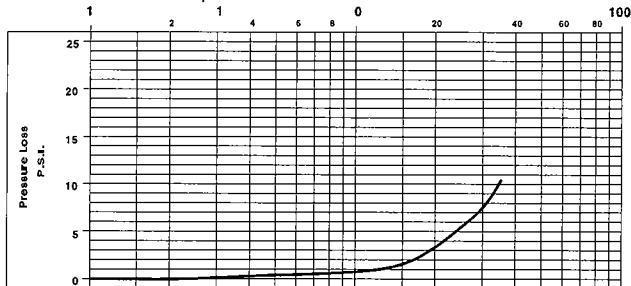
Meter Model	Gallon	Cubic Feet	Cubic Meter
35	10	1	0.1

Optional—Encoders for AMR/AMI Reading Solutions

AMR/AMI solutions are available for all Recordall Disc Series meters. All reading options can be removed from the meter without disrupting water service. Badger Meter encoders provide years of reliable, accurate readings for a variety of applications and are also available pre-wired to Badger Meter approved AMR/AMI solutions. See details at www.badgermeter.com.

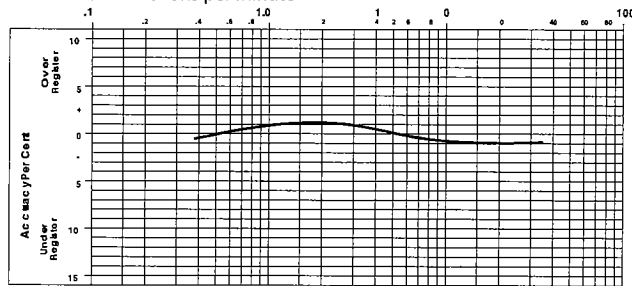
PRESSURE LOSS CHART

Rate of Flow in Gallons per Minute



ACCURACY CHART

Rate of Flow in Gallons per Minute



Recordall is a registered trademark of Badger Meter, Inc. Other trademarks appearing in this document are the property of their respective entities.

Due to continuous research, product improvements and enhancements, Badger Meter reserves the right to change product or system specifications without notice, except to the extent an outstanding contractual obligation exists. © 2013 Badger Meter, Inc. All rights reserved.

www.badgermeter.com

The Americas | Badger Meter | 4545 West Brown Deer Rd | PO Box 245036 | Milwaukee, WI 53224-9536 | 800-876-3837 | 414-355-0400
 México | Badger Meter de las Americas, S.A. de C.V. | Pedro Luis Ogazón N°32 | Esq. Angelina N°24 | Colonia Guadalupe Inn | CP 01050 | México, DF | México | +52-55-5662-0882
 Europe, Middle East and Africa | Badger Meter Europa GmbH | Nürtinger Str 76 | 72639 Neuffen | Germany | +49-7025-9208-0
 Czech Republic | Badger Meter Czech Republic s.r.o. | Maříkova 2082/26 | 621 00 Brno, Czech Republic | +420-5-41420411
 Slovakia | Badger Meter Slovakia s.r.o. | Racianska 109/B | 831 02 Bratislava, Slovakia | +421-2-44 63 83 01
 Asia Pacific | Badger Meter | 80 Marine Parade Rd | 21-04 Parkway Parade | Singapore 449269 | +65-63464836
 China | Badger Meter | 7-1202 | 99 Hangzhong Road | Minhang District | Shanghai | China 201101 | +86-21-5763 5412

Legacy Document Number: RD-T-3/4



Badger Meter

Recordall® Disc Meters

Model 70, Lead-Free Bronze Alloy, Size 1" (DN 25 mm)
NSF/ANSI Standards 61 and 372 Certified

DESCRIPTION

The Recordall Model 70 Disc Series meters meet or exceed the most recent revision of AWWA Standard C700 and are available in a lead-free bronze alloy. The Model 70 meters comply with the lead-free provisions of the Safe Drinking Water Act, are certified to NSF/ANSI Standards 61 and 372 (Trade Designation: M70-LL) and carry the NSF-61 mark on the housing. All components of the lead-free bronze alloy meter (housing, measuring element, seals, and so on) comprise the certified system.

Applications: For use in measurement of potable cold water in residential, commercial and industrial services where flow is in one direction only.

Operation: Water flows through the meter's strainer and into the measuring chamber where it causes the disc to nutate. The disc, which moves freely, nutates on its own ball, guided by a thrust roller. A drive magnet transmits the motion of the disc to a follower magnet located within the permanently sealed register. The follower magnet is connected to the register gear train. The gear train reduces the disc nutations into volume totalization units displayed on the register or encoder face.

Operating Performance: The Recordall Disc Series meters meet or exceed registration accuracy for the low flow rates (95%), normal operating flow rates (100 ± 1.5%), and maximum continuous operation flow rates as specifically stated in AWWA Standard C700.

Construction: Recordall Disc meter construction, which complies with ANSI/AWWA standard C700, consists of three basic components: meter housing, measuring chamber, and permanently sealed register. The water meter is available in a lead-free bronze alloy with externally-threaded spuds. A corrosion-resistant engineered polymer material is used for the measuring chamber.

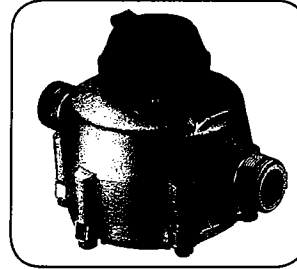
Magnetic Drive: Direct magnetic drive, through the use of high-strength magnets, provides positive, reliable and dependable register coupling for straight-reading or AMR/AMI meter reading options.

Tamper-Proof Features: Unauthorized removal of the register or encoder is inhibited by the option of a tamper detection seal wire screw, TORX® tamper-resistant seal screw or the proprietary tamper-resistant keyed seal screw. Each can be installed at the meter site or at the factory.

Maintenance: Badger Meter Recordall Disc Series meters are designed and manufactured to provide long-term service with minimal maintenance. When maintenance is required, it can be performed easily either at the meter installation or at any other convenient location.

To simplify maintenance, the register, measuring chamber, and strainer can be replaced without removing the meter housing from the installation. No change gears are required for accuracy calibration. Interchangeability of parts among like-sized meters also minimizes spare parts inventory investment. The built-in strainer has an effective straining area of twice the inlet size.

Connections: Tailpieces/Unions for installations of meters on various pipe types and sizes, including misaligned pipes, are available as an option.



SPECIFICATIONS

Model 70 Disc Series Meter

Typical Operating Range (100% ± 1.5%)	1-1/4...70 gpm (0.28...16 m ³ /hr)
Low Flow (Min. 95%)	3/4 gpm (0.17 m ³ /hr)
Maximum Continuous Operation	50 gpm (11.3 m ³ /hr)
Pressure Loss at Maximum Continuous Operation	6.5 psi at 50 gpm (0.45 bar at 11.3 m ³ /hr)
Maximum Operating Temperature	80° F (26° C)
Maximum Operating Pressure	150 psi (10 bar)
Measuring Element	Nutating disc, positive displacement
Meter Connections	Available in NL bronze and engineered polymer to fit 1" (DN 25 mm) spud thread bore diameter sizes.

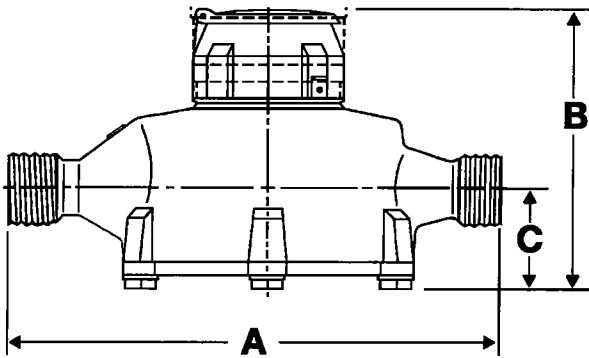
Meter Spud and Connection Sizes

Size Designation	x	"L" Laying Length	"B" Bore Dia.	Coupling Nut and Spud Thread	Tailpiece Pipe Thread (NPT)
1"	x	10-3/4"	1"	1-1/4" (1")	1"

Materials

Meter Housing	Lead-free bronze alloy
Housing Bottom Plates	Cast iron, lead-free bronze alloy
Measuring Chamber	Engineered polymer
Disc	Engineered polymer
Trim	Stainless steel
Strainer	Engineered polymer
Disc Spindle	Stainless steel
Magnet	Ceramic
Magnet Spindle	Stainless steel
Register Lid and Shroud	Engineered polymer, bronze

DIMENSIONS

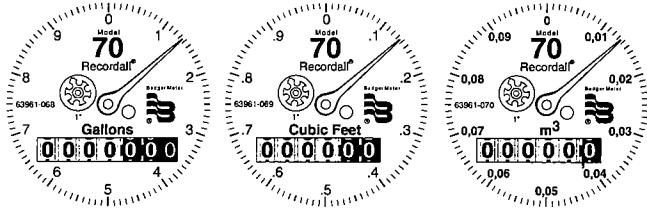


Meter Size	Meter Model	A Laying Length	B Height Reg.	C Centerline Base	Width	Approx. Shipping Weight
1" (25 mm)	70	10-3/4" (273 mm)	6-1/2" (165 mm)	2-5/16" (59 mm)	7-3/4" (197 mm)	11-1/2 lb (5.2 kg)

REGISTERS / ENCODERS

Standard—Sweep-Hand Registration

The standard register is a straight-reading, permanently sealed magnetic drive register. Dirt, moisture, tampering and lens fogging problems are eliminated. The register has a six-odometer wheel totalization display, 360° test circle with center sweep hand, and flow finder to detect leaks. Register gearing is made of self-lubricating engineered polymer, which minimizes friction and provides long life. The multi-position register simplifies meter installation and reading. The register capacity is 10,000,000 gallons (1,000,000 ft³, 100,000 m³).



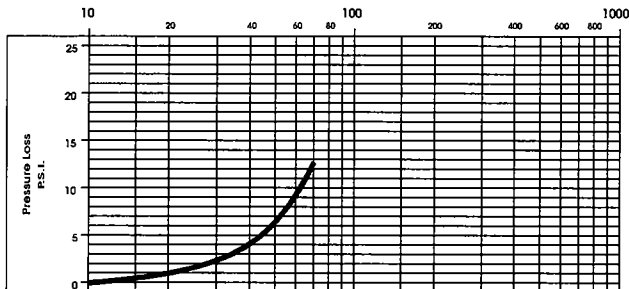
Meter Model	Gallon	Cubic Feet	Cubic Meter
70	10	1	0.1

Optional—Encoders for AMR/AMI Reading Solutions

AMR/AMI solutions are available for all Recordall Disc Series meters. All reading options can be removed from the meter without disrupting water service. Badger Meter encoders provide years of reliable, accurate readings for a variety of applications and are also available pre-wired to Badger Meter approved AMR/AMI solutions. See details at www.badgermeter.com.

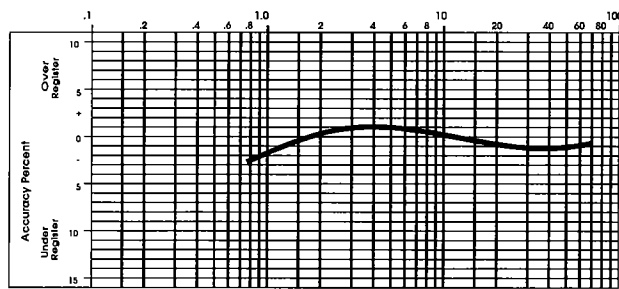
PRESSURE LOSS CHART

Rate of Flow in Gallons per Minute



ACCURACY CHART

Rate of Flow in Gallons per Minute



Recordall is a registered trademark of Badger Meter, Inc. Other trademarks appearing in this document are the property of their respective entities.

Due to continuous research, product improvements and enhancements, Badger Meter reserves the right to change product or system specifications without notice, except to the extent an outstanding contractual obligation exists. © 2013 Badger Meter, Inc. All rights reserved.

www.badgermeter.com

The Americas | Badger Meter | 4545 West Brown Deer Rd | PO Box 245036 | Milwaukee, WI 53224-9536 | 800-876-3857 | 414-355-0400
 México | Badger Meter de las Americas, S.A. de C.V. | Pedro Luis Ogazon N°32 | Esq. Angelina N°24 | Colonia Guadalupe Inn | CP 01050 | México, DF | México | +52-55-5662-0882
 Europe, Middle East and Africa | Badger Meter Europa GmbH | Nurtlinger Str 76 | 72639 Neuffen | Germany | +49-7025-9208-0
 Czech Republic | Badger Meter Czech Republic s.r.o. | Maříkova 2082/26 | 621 00 Brno, Czech Republic | +420-5-41420411
 Slovakia | Badger Meter Slovakia s.r.o. | Racianska 109/B | 831 02 Bratislava, Slovakia | +421-2-44 63 83 01
 Asia Pacific | Badger Meter | 80 Marine Parade Rd | 21-04 Parkway Parade | Singapore 449269 | +65-63464836
 China | Badger Meter | 7-1202 | 99 Hangzhong Road | Minhang District | Shanghai | China 201101 | +86-21-5763 5412

Legacy Document Number: RD-T-1



Agenda Item: 9

Date: April 3, 2015

Subject: California Special Districts Association Call for Nominations – Board of Directors, Sierra Network, Seat A

Staff Contact: Christine Bosley, Executive Assistant to the General Manager

Recommended Board Action:

Direct the Secretary of the Board to submit in writing the Board’s nomination of a Director for the CSDA Board of Directors – Seat A.

Discussion:

Recently the District received a call for nominations for Seat A from the California Special Districts Association (CSDA) for the 2016-2018 term. The information was provided to the Board at the March 16, 2015 regular Board meeting.

Director Gayle has expressed his interest in being nominated for the CSDA Board of Directors in the past, and is currently running for Seat C. If any other Directors are interested, they may be nominated by the Board. If none others are interested at this time, Director Gayle may be nominated for Seat A as well. Should he be elected to Seat C, he would be taken out of the running for Seat A.

The CSDA Board of Directors is responsible for all policy decisions affecting CSDA’s member services, legislative advocacy, education and resources. Board members are involved in responding to pending legislation and other public policy documents that may impact the operations of special districts.

CSDA has six regional divisions (SSWD is in Region 2). Each division has three seats on the Board. Seat A term expires in 2018 (a three year term).

Directors are nominated and elected by region by regular members. Any special district with current CSDA membership is eligible to designate one person, such as a board member or managerial employee, as a nominee for the position of CSDA director. A copy of the District’s resolution or minute action must accompany the nomination form. The deadline for submitting nominations is Friday, May 22, 2015.

Ballots are scheduled to be mailed by June 5, 2015 and returned by mail to CSDA by August 7, 2015. Successful candidates will be announced at CSDA’s Annual Conference, in Monterey in September.

Time commitment for the CSDA Board includes the following:

1. Board meetings. Usually held the second Friday every other month in Sacramento. One board meeting is typically held during the annual conference (locations vary).
2. Committee meetings. Board members are on at least one committee which typically meets 3-5 times a year in Sacramento. CSDA reimburses directors for their related expenses for Board and Committee meetings per CSDA policy.
3. Annual events. Mandatory attendance at the annual fall conference (locations vary) and the Special Districts Legislative Days (held in the spring). Expenses for these events are not reimbursed by CSDA.
4. CSDA's Special District Leadership Academy. Mandatory completion of all four modules within 2 years.

The CSDA call for nomination information is included with this report; CSDA's memo calling for nominations for Sierra Network Seat A, nomination form and 2015 region map.

Fiscal Impact:

None related to this nomination. If elected, minor travel, meeting and conference costs will be incurred by the District as some, but not all, CSDA Board member costs are reimbursed by CSDA.

Strategic Plan Alignment:

Leadership – 5.D. Interact with the community in a positive and progressive manner for the mutual benefit of the area (service groups, adjacent water purveyors, county/city/local government).

By nominating an individual(s), the District is actively participating and advancing the District's position by support of a candidate.

Received

FEB 23 2015

SSWD



**California Special
Districts Association**

Districts Stronger Together

DATE: February 20, 2015

TO: CSDA Voting Member Presidents and General Managers

FROM: CSDA Elections and Bylaws Committee

**SUBJECT: CSDA BOARD OF DIRECTORS CALL FOR NOMINATIONS
SEAT A**

The Elections and Bylaws Committee is looking for Independent Special District Board Members or their General Managers who are interested in leading the direction of the California Special Districts Association for the 2016 - 2018 term.

The leadership of CSDA is elected from its six geographical networks. Each of the six networks has three seats on the Board with staggered 3-year terms. Candidates must be affiliated with an independent special district that is a CSDA regular member located within the geographic network that they seek to represent. (See attached Network Map)

The CSDA Board of Directors is the governing body responsible for all policy decisions related to CSDA's member services, legislative advocacy, education and resources. The Board of Directors is crucial to the operation of the Association and to the representation of the common interests of all California's special districts before the Legislature and the State Administration. Serving on the Board requires one's interest in the issues confronting special districts statewide.

Commitment and Expectations:

- Attend all Board meetings, held every other month at the CSDA office in Sacramento.
- Participate on at least one committee, meets 3-5 times a year at the CSDA office in Sacramento.
(CSDA reimburses Directors for their related expenses for Board and committee meetings as outlined in Board policy).
- Attend CSDA's two annual events: Special District Legislative Days (held in the spring) and the CSDA Annual Conference (held in the fall).
- **Complete all four modules of CSDA's Special District Leadership Academy within 2 years.**
(CSDA does not reimburse for expenses for the two conferences or the Academy classes even if a Board or committee meeting is held in conjunction with the events).

Nomination Procedures: Any Regular Member is eligible to nominate one person, a board member or managerial employee (as defined by that district's Board of Directors), for election to the CSDA Board of Directors. **A copy of the member district's resolution or minute action and Candidate Information Sheet must accompany the nomination. The deadline for receiving nominations is May 22, 2015.** Nominations and supporting documentation may be mailed or faxed.

Nominees will receive a Candidate's Packet in the mail. The packet will include campaign guidelines.

CSDA will mail ballots on June 5th. The ballots must be received by CSDA no later than 5:00 p.m. August 7, 2015 and must be the original ballot (no faxes or e-mails). The successful candidates will be notified no later than August 10th. All selected Board Members will be introduced at the Annual Conference in Monterey, CA in September.

Expiring Terms

(See enclosed map for regional breakdown)

Northern Network	Seat A John Woolley, Manila Community Services District
Sierra Network	Seat A Noelle Mattock, El Dorado Hills Community Services District*
Bay Area Network	Seat A <i>Currently vacant</i>
Central Network	Seat A Joel Bauer, West Side Cemetery District*
Coastal Network	Seat A Elaine Freeman, Rancho Simi Recreation & Park District
Southern Network	Seat A Jo MacKenzie, Vista Irrigation District*

(* = Incumbent is running for re-election)

If you have any questions, please contact Charlotte Lowe at 877-924-CSDA or charlottel@csda.net.



**California Special
Districts Association**
Districts Stronger Together

BOARD OF DIRECTORS NOMINATION FORM

Name of Candidate: _____

District: _____

Mailing Address: _____

Network: _____ (see map on back)

Telephone: _____

(PLEASE BE SURE THE PHONE NUMBER IS ONE WHERE WE CAN REACH THE CANDIDATE)

Fax: _____

E-mail: _____

Nominated by (optional): _____

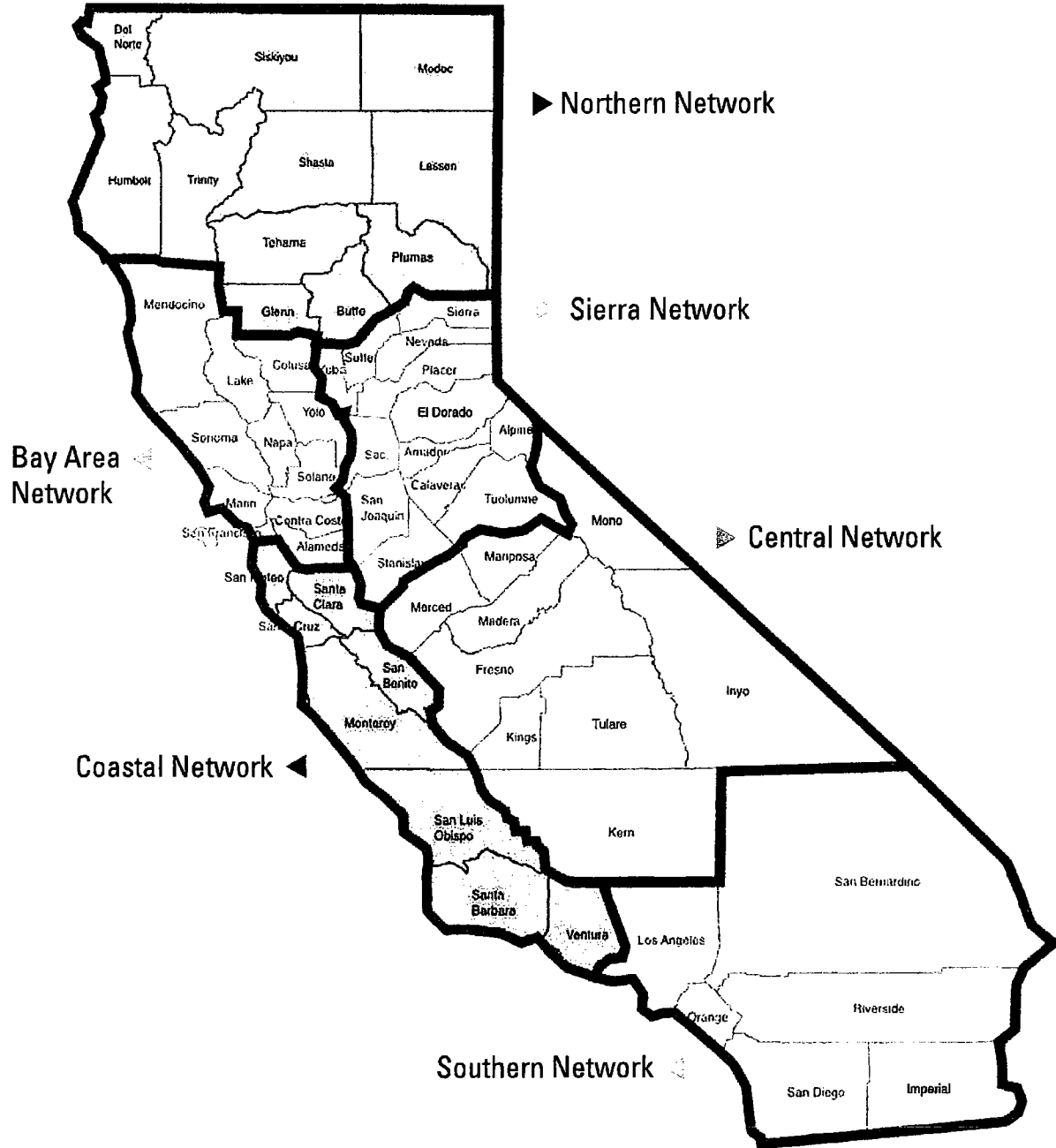
Return this form and a Board resolution/minute action supporting the candidate
and Candidate Information Sheet by fax or mail to:

CSDA
Attn: Charlotte Lowe
1112 I Street, Suite 200
Sacramento, CA 95814
(877) 924-2732 (916) 442-7889 fax

DEADLINE FOR RECEIVING NOMINATIONS – May 22, 2015



California Special Districts Association
DISTRICT NETWORKS





**California Special
Districts Association**
Districts Stronger Together

CSDA BOARD CANDIDATE INFORMATION SHEET

The following information **MUST** accompany your nomination form and Resolution/minute order:

Name: _____

District/Company: _____

Title: _____

Elected/Appointed/Staff: _____

Length of Service with District: _____

1. Do you have current involvement with CSDA (such as committees, events, workshops, conferences, Governance Academy, etc.):

2. Have you ever been associated with any other state-wide associations (CSAC, ACWA, League, etc.):

3. List local government involvement (such as LAFCo, Association of Governments, etc.):

4. List civic organization involvement:

****Candidate Statement** – Although it is not required, each candidate is requested to submit a candidate statement of no more than 300 words in length. **Any statements received in the CSDA office after June 4, 2015 will not be included with the ballot mailing.**



Agenda Item: 10

Date: April 9, 2015

Subject: Resolution No. 15-06 Amending Regulation No. 15 of the Regulations Governing Water Service

Staff Contact: Dan York, Assistant General Manager

Recommended Board Action:

Adopt Resolution No. 15-06 Amending Regulation No. 15 of the Regulations Governing Water Service. Direct staff to not change enforcement provisions (remain at Stage 2, three days per week exterior watering) until the Board considers the 2015 stage declaration in May.

Discussion:

The Regulations Governing Water Service is a District Ordinance that provides the direction for governance of the business related functions necessary to operate the various processes performed to serve water to our customers. Each year, staff reviews the ordinance and recommends changes for Board review and approval. These changes typically reflect updated information, clarity edits, updates to fees and rates, and incorporation of policy changes enacted by the Board. The proposed changes to the regulations have been reviewed by Legal Counsel. A clean version is shown as Exhibit 1.

Staff is presenting Regulation No. 15 for public comment and Board approval. The Ordinance was adopted on July 19, 2004. In November 2014 the Regional Water Authority (RWA) hosted a workshop with 14 Sacramento Region water agencies regarding the alignment of regional Water Shortage Contingency Plan Stages. The group created a suggested Water Shortage Stage Workshop Summary Report as a guideline for agencies to use when updating their Water Shortage Contingency Plans. Regulations requiring amendments to correct spelling, punctuation and grammatical errors are not included. To save paper, a clean version is available upon request.

The following provides a summary of the edits to regulation:

Regulation 15 is amended to add language related to the District's Water Shortage Contingency Plan:

- Title – Water Shortage Contingency Plan added.
- Part A – Language added to define a water year as October 1 through September 30 of the following year.

- Normal Water Supply Stage updated as follows:
 - Part 2 – removed “(less than 3 gallons is considered minimal)”.
 - Part 3 – removed “except for health, sanitary or fire protection purposes”.
 - Part 7 added to restrict the time of day irrigation can occur.
 - Part 9 – removed “May 1 – October 30” time restriction to make pool draining and refilling authorization mandatory year round.
 - Part 11 added to restrict the use of hydrant water without District consent.
 - Part 13 added to include customers enrolled in the LISC program.
- Normal Water Supply Recommendations updated as follows:
 - Part 1 removed and replaced with recommended watering schedule and to state “watering on Mondays is not recommended”.
 - Part 3 added to encourage customers to wash only full loads or dishes and clothes.
 - Part 4 added to encourage restaurants to only serve water upon request.
- Stage 1 – Water Alert updated as follows:
 - Water Alert District wide consumption reduction goal adjusted to “up to 20%”.
 - 1.a removed and replaced with odd/even watering schedule definition.
 - 1.b added to require restaurants to serve water only upon request.
- Stage 1 – Water Alert Recommendations updated as follows:
 - Part 1 – language added stating “unless modified to mandatory requirements”.
 - Part 4 removed.
- Stage 2 – Water Warning updated as follows:
 - Water Warning District wide consumption reduction goal adjusted to “up to 30%”.
 - Part 3 removed and replaced with language regarding the use of fire hydrants water for construction purposes.
 - Part 4 updated to add language regarding the verification of a health or safety situation to use potable water for washing purposes.
 - Part 6 added to restrict the use of potable water in decorative water fountains.
- Stage 3 – Water Crisis updated as follows:
 - Part 4 added to revoke exemptions for new/expanded turf or hydro-seed projects.
 - Part 5 added to cease irrigation of large landscape customers.
 - Part 6 added restricting the washing of cars to only commercial facilities that recycle water.
- Stage 4 – Water Emergency updated as follows:
 - Title – the word “Public” added to the title before Health.
 - “and/or Water Shortage Contingency Plan” removed.
 - Part 2 updated to include language regarding health and/or safety conditions for using potable water for the washing of sidewalks and driveways.
- Enforcement
 - Added language defining Notice of Violations.
 - Added language defining Warning Notice of Violation
 - First Violation – language added stating when the violation process resets.
 - First Violation – language added regarding the use of a Water-Wise House Call to remove a First Violation from a customer’s record.

Fiscal Impact:

Fiscal impacts will depend on which Water Conservation Stage is declared in a particular year. Staff anticipates recommending a stage declaration at the May regular meeting.

Strategic Plan Alignment:

Water Supply – 1.C. Continue to implement and support demand management strategies and water conservation that comply with federal, state and regional⁴ programs; support Water Forum Agreement goals and efficiently meet the needs of the District customers.

Facilities and Operations – 1.H. Implement water conservation programs that efficiently utilize potable water supplies.

Customer Service – 3.D. Provide effective customer and community relations by communicating, educating, and providing information on District operations, drinking water issues, resource sustainability and environmental stewardship.

RESOLUTION NO. 15-06

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SACRAMENTO SUBURBAN WATER DISTRICT AMENDING REGULATIONS NO. 15 OF THE REGULATIONS GOVERNING WATER SERVICE

WHEREAS, on July 19, 2004, the Board enacted Ordinance 2004-03, entitled “An Ordinance of the Board of Directors of Sacramento Suburban Water District Adopting Regulations Governing Water Service”;

WHEREAS, the Board now desires to amend Regulation No. 15 of the Regulations Governing Water Service as described in this Resolution; and

WHEREAS, none of the described amendments to Regulation No. 15 are subject to Proposition 218’s notice and hearing requirements as provided in Article XIII D, section 6 of the California Constitution.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Sacramento Suburban Water District as follows:

1. Regulation No. 15 is hereby amended as shown in Exhibit 1, which is attached to and made a part of this Resolution.
2. The Board authorizes and directs the General Manager and staff to take all actions necessary to amend Regulation No. 15 and to enforce such amended regulation in accordance with the authority granted by this Resolution.
3. Except as modified by the terms of this Resolution, the provisions of the existing District Regulations Governing Water Service shall remain in full force and effect. Any provisions in the existing regulations that conflict with the amendments set forth in this Resolution are deemed superseded and of no further effect.
4. This Resolution shall take effect immediately.

PASSED AND ADOPTED by the Board of Directors of the Sacramento Suburban Water District on the 18th day of May 2015, by the following vote:

AYES:

NOES:

ABSENT:

By: _____
Neil W. Schild
President, Board of Directors
Sacramento Suburban Water District

I hereby certify that the foregoing resolution was duly and regularly adopted and passed by the Board of Directors of Sacramento Suburban Water District at a regular meeting hereof held on the 18th day of May 2015.

(SEAL)

By: _____
Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District

Exhibit 1

Regulation No. 15 Water Conservation Water Shortage Contingency Plan

Adopted: July 19, 2004

Amended: November 17, 2008; March 16, 2009; April 20, 2009;
December 21, 2009; April 19, 2010; December 20, 2010

A. Water Conservation Stage Declaration

Each year, the District Board of Directors shall determine, based on data in the California Department of Water Resource's (DWR) Bulletin #120 and present water conditions, the water stage applicable to the District. The declaration shall consist of "normal water supply", or one of the four (4) stages of varying water conservation measures. The applicable stage determined by the District shall be effective upon adoption by the Board of Directors each water year and shall remain in effect until changed by the Board based on updated data from DWR, past water usage within the District, and existing water supply and use conditions. The water year shall be defined as the period starting October 1 and lasting until September 30 of the following year.

Regardless of water supply availability or service conditions within the District, the Board of Directors reserves the right to set water conservation goals and modify stage declarations as necessary to align with regional or state water conservation policies, agreements or declarations, or legal requirements. All wasteful practices or unreasonable uses of District water, whether willful or negligent, are always prohibited. The General Manager, following the guidelines set forth in this Regulation and other relevant Board policies, state laws and regulations, shall determine what constitutes a wasteful practice or unreasonable use of water.

In addition to Normal Water Supply Conditions, the following four stages, including their conservation requirements, shall be observed by all water users within the District:

NORMAL WATER SUPPLY

Water supply conditions are adequate to meet the demands of the District's Customers. The goal of this stage is the use of water efficiently in conformance with the water conservation Best Management Practices (BMPs) specified in the District's Urban Water Management Plan. Requirements specified in this stage are applicable to and in force at all times and in all other stages of this regulation. The following requirements shall be in force during Normal Water Supply and in all subsequent stage declarations unless the Board modifies or adds to these restrictions:

1. Water must not be permitted to discharge, flow, or run to waste into any gutter, sanitary sewer, water course, or storm drain, or to any adjacent lot, from any tap, hose, faucet, pipe, sprinkler, or nozzle. In the case of irrigation, "discharge," "flow," or "run to waste" means that the earth intended to be irrigated has been saturated

with water to the point that excess water flows over the earth to waste. In the case of washing, “discharge,” “flow,” or “run to waste” means the water in excess of that which is necessary to wash, wet or clean the dirty or dusty object, such as an automobile or boat, flows to waste.

2. Washing of vehicles is permitted only with the use of a water saver nozzle equipped with automatic shut-off and bucket, provided minimal runoff occurs on sidewalks or street.
3. The use of water for washing down sidewalks, walkways, driveways, parking lots or buildings, except as necessary for health, sanitary, or fire protection purposes, is prohibited. When used for these exceptions, high-pressure washers shall be used.
4. All water hoses or filling apparatus shall be equipped with a control nozzle capable of completely shutting off the flow of water except when positive pressure to the nozzle is applied.
5. All water fixtures or heating or cooling devices must not be allowed to leak or discharge. All known leaks must be repaired within seven (7) days or less depending on the severity of the leak.
6. The operation of an irrigation system that applies water to an impervious surface (example: concrete or asphalt) or that is in disrepair is prohibited.
7. Water during cooler morning and evening hours to reduce evaporation and avoid peak energy demand times. Outdoor watering from 12:00 noon to 8:00 p.m. during the months of May - August is prohibited; & watering from 12:00 noon to 6:00 p.m. during the months of September – April is prohibited.
8. Irrigation of landscaping during rainfall is prohibited.
9. Backwashing or overfilling, so as to discharge water to waste, swimming pools, decorative basins, or ponds in excess of the frequency reasonably necessary to maintain the clarity or cleanliness of the water is prohibited. Pool draining and refilling will be allowed only for health, maintenance, or structural considerations upon submittal of a written report by a health official or pool consultant and approval provided by the District.
10. All pools, spas, decorative or ornamental fountains, ponds and waterways must be equipped with a recirculation pump and must be constructed to be leak-proof.
11. The use of water from a fire hydrant without the expressed written permission from the District is prohibited.
12. The use of water in new conveyer car washes and new commercial laundry systems that do not use a recirculation system shall be prohibited.
13. Customers enrolled in the Large Irrigation Services Customer (LISC) program will adhere to the LISC Agreement, as signed by both the customer and the District.

The following are recommended practices for this stage:

1. Watering three (3) days or less per week is encouraged. Customers whose address ends with an odd number are encouraged to only water on Tuesdays, Thursdays and Saturdays. Customers whose address ends with an even number are encouraged to only water on Sundays, Wednesdays and Fridays. Watering on Mondays is not recommended.
2. Pool covers for swimming pools and spas are recommended to reduce evaporation.
3. Customers are encouraged to wash only full loads of laundry and dishes.

4. Restaurants are encouraged to service water only upon customer request.
5. District Customers are encouraged to take advantage of the District's conservation programs and rebates.

STAGE 1 – WATER ALERT

Water supply conditions may be impeded by lack of available sources including surface water supplies conjunctively used by the District, regional circumstances or statewide climate influences. The goal of this stage is to reduce District-wide consumption of water by up to 20% in order to meet the needs of District Customers, comply with State mandates, cooperate with regional programs and/or comply with County regulations declaring water shortages. The following requirements shall be in force during Stage 1 and all subsequent increases in stage declarations:

1. All requirements of Normal Water Supply Conditions except that the District will make mandatory and will enforce the following:
 - a. Three (3) day per week Odd/Even outdoor watering shall be followed.
 - a. Odd addresses water on Tuesday, Thursday, and Saturday.
 - b. Even addresses water on Wednesday, Friday, and Sunday.
 - c. Watering on Monday is prohibited.
 - b. Restaurants shall serve water only upon customer request.

The following are recommended practices for this stage:

1. All recommendations of Normal Water Supply Conditions unless modified to mandatory requirements.
2. District Customers with “smart” irrigation timers are encouraged to set their controllers to achieve watering efficiency equal to no more than 80% of the evapotranspiration (ET) rate for the Sacramento area.
3. New or expanded landscaping should be limited to drought tolerant trees, shrubs and ground cover. The planting of new turf or grass, whether hydro-seeded or laid, is discouraged.

STAGE 2 – WATER WARNING

Water supply conditions may be impeded by lack of available sources including surface water supplies conjunctively used by the District, regional circumstances or statewide climate influences. The goal of this stage is to reduce District-wide consumption of water by up to 30% in order to meet the needs of District Customers, comply with State mandates, cooperate with regional programs and/or comply with County regulations declaring water shortages. The following requirements shall be in force during Stage 2 and all subsequent increases in stage declarations:

1. All requirements of the previous stages unless further modified below.
2. Outdoor watering shall be limited to no more than two days per week, as determined by the Board of Directors at the time of a Stage 2 declaration.
3. Hydrant permits for construction water will be issued only with the approval of the General Manager. A construction water use plan must be submitted to the District for review that addresses how impacts to existing water users will be mitigated (such as dust control).

4. A County or State health official must verify all health and emergency conditions requiring potable water use for the purpose of any washing of sidewalks, walkways, streets, parking lots, driveways. An industry professional must verify all health and emergency conditions requiring potable water use for the purpose of any washing of buildings.
5. New or expanded landscaping shall be limited to drought tolerant trees, shrubs and ground cover. No new turf or grass shall be planted, hydro-seeded or laid without prior approval of the General Manager.
6. Decorative fountains that use potable water will be drained and kept dry.

The following are recommended practices for this stage:

1. All recommendations of the previous stages unless modified to requirements.
2. District Customers with “smart” irrigation timers are encouraged to set their controllers to achieve watering efficiency equal to no more than 75% of the evapotranspiration (ET) rate for the Sacramento area.
3. Washing of vehicles and other mobile equipment should be conducted at commercial establishments that use fully recycled water.

STAGE 3 – WATER CRISIS

Water supply conditions are significantly impeded by interruption of available sources, a regional emergency, a county emergency or state mandates. The goal of this stage is to reduce District-wide consumption of water by up to 40% in order to meet the needs of District Customers. A declaration of this stage will be in conformance with the activation of the District’s Emergency Response Plan and/or Water Shortage Contingency Plan. The following requirements shall be in force during Stage 3 and any subsequent increase in stage declaration:

1. All requirements of the previous stages unless further modified below.
2. Outdoor landscape irrigation shall be limited to one day, as determined by the Board of Directors at the time of a Stage 3 declaration.
3. The planting of new or expanded landscaping is prohibited, unless it is demonstrated that the new landscaping will result in a decrease in water use.
4. Watering restriction exemptions for new turf or hydro-seed will be revoked.
5. Except where non-potable water is used, all Large Landscape Irrigation Customers (CII) must cease all turf irrigation. Non-ornamental turf, such as active playing surfaces of sports fields, may be irrigated provided the overall system water use is reduced by 40%.
6. Car washing is only permitted using a commercial carwash that recirculates water or by high pressure/low volume wash systems.

The following are recommended practices for this stage:

1. All recommendations of the previous stages unless modified to requirements.
2. District Customers with “smart” irrigation timers are encouraged to set their controllers to achieve watering efficiency equal to no more than 70% of the evapotranspiration (ET) rate for the Sacramento area.

STAGE 4 – WATER EMERGENCY (Public Health and Safety Only)

Water supply conditions are significantly impeded by interruption of available sources, a regional emergency, a county emergency or state mandates. The goal of this stage is to reduce District-wide consumption of water by greater than 50% in order to meet the needs of District Customers. A declaration of this stage will be in conformance with the activation of the District’s Emergency Response Plan. The following requirements shall be in force during Stage 4:

1. All requirements of the previous stages unless further modified below.
2. Any use of water for washing down sidewalks and driveways is prohibited. Unless a condition of health and/or safety is verified by a Sacramento County Health Official.
3. Use of District water is prohibited for filling pools, ponds or spas.
4. Outdoor landscape irrigation is prohibited.
5. All washing of vehicles and other mobile equipment is prohibited unless conducted at a commercial establishment that uses fully recycled water.
6. All metered services will be subject to additional tiered rates approved by the District Board of Directors.
7. No commitments will be provided for new water service connections until the District has returned, at a minimum, to Stage 3 restrictions. The District reserves the right to limit or refuse new service connections until Stage 2 conditions exist.

Recommended practices identified in previous stages are not applicable in Stage 4.

WATER USE PERMITTED

Water used for the following purposes is considered essential for public health and safety and is therefore permitted during all stage declarations:

- A. Water use for firefighting or routine inspection of fire hydrants or from fire training activities.
- B. Water applied to abate spills of flammable or other hazardous materials, where water is an appropriate abatement methodology.
- C. Water applied to prevent or abate imminent health, safety, or accident hazards when alternate methods are not available.

B. ENFORCEMENT

Enforcement of any violation of the water conservation requirements provided in this Regulation No. 15, as they may be amended from time to time by the District Board of Directors, is provided in this section. Service charges will be assessed for a violation of the District’s conservation rules in accordance with the following provisions. A Customer will be notified when violations may result in service charges. The service charges that may be assessed are provided in Section L of Regulation No. 3. In cases of tenant occupancy, landowners retain full responsibility for the use of water by their tenants, including payment of any service charges imposed for violations of this Regulation 15.

Enforcement of the requirements of each water conservation stage will be conducted in a progressive manner and may ultimately lead to termination of service in cases where a violator refuses to discontinue activities constituting water waste. The enforcement steps are as follows:

Notice of Violation: Upon observation by authorized District personnel, or demonstrated to the District's satisfaction, of the existence of a violation, the District shall request Customer compliance with this Regulation via a notice of violation delivered in person.

Warning Notice of Violation: Upon observation by authorized District personnel, or demonstrated to the District's satisfaction, of the existence of a violation, the District shall request Customer compliance with this Regulation via a Warning Notice of Violation delivered in person.

First Violation: Upon observation by authorized District personnel, or demonstrated to the District's satisfaction, of the existence of the next violation after a Warning was issued, the District shall request Customer compliance with this Regulation via a notice delivered in person by District personnel, and/or by certified mail to the billing address of the Parcel upon which the 1st violation has occurred.

The first violation charged to a Parcel will begin the District's monitoring of that Parcel for water waste. Should there be no additional violations on the Parcel prior to the conclusion of the current water year, then that Parcel's violation from the previous year will be expunged and the Parcel will be deemed to be free of violations and the counting of any violations incurred in the new water year will begin on a clean record. The District shall keep on file copies of all violations of the District's water conservation requirements that were incurred in the same water year.

For one time only, and upon request, a Customer may participate in a Water-Wise House Call to remove a first violation from the customer's record for the current water year.

Second Violation: Upon observation by authorized District personnel, or demonstrated to the District's satisfaction, of a second water conservation violation of any kind on the same Parcel, the Customer and Landowner shall be notified of the 2nd violation in writing at the established billing address by District personnel and/or via certified mail. The District will assess a service charge for the violation, which will be added to the Customer's next bill. The second violation service charge will be billed in accordance with Regulation 3, Section L.1.

If a second violation occurs at a Stage 2 or higher water conservation stage in this Regulation on any non-metered service, the District shall install a permanent water meter on any existing Service Connection on the Parcel where the violation occurred and/or the District may impose an additional service charge as approved by the District Board of Directors. Metered rate billing will be initiated on the account at the next billing period following the meter installation.

A Customer may avoid paying a service charge for a second violation by attending a water conservation awareness workshop, at the customer's expense, and participating in a Water-Wise House Call if not completed following the first violation.

Third Violation: Upon observation by authorized District personnel, or demonstrated to the District's satisfaction, of a third water conservation violation of any kind on the same Parcel, the Customer and Landowner shall be notified of the violation in writing at the established billing address by District personnel and/or via certified mail. The District will assess a service charge for the violation, which will be added to Customer's next bill in accordance to Regulation 3, Section L.2. The notice of violation also will state that a subsequent violation may result in disconnection or reduction of service.

Fourth Violation: Upon observation by authorized District personnel, or demonstrated to the District's satisfaction, of a fourth water conservation violation of any kind on the same Parcel, the Customer and Landowner shall be notified of the violation in writing at the established billing address by District personnel or via certified mail. The District will assess a charge for the fourth violation as follows:

Flat Rate Services: Upon the fourth water conservation violation of a non-metered account, the District may discontinue or reduce the water supply to the Parcel where the violation occurred. The District shall, in its sole discretion, decide whether to terminate or reduce service based on all of the facts and circumstances of the violation and the Customer's past water use history. The Landowner shall be notified in writing by District personnel and/or via certified mail of the violation that a water meter shall be installed on that Parcel. The Landowner shall bear the cost of installing the meter, which shall be based on the cost of the District's time and materials. The installation of this meter shall cause the billing for the Parcel to be changed from a flat rate to a metered rate. The monthly charge for a metered service will be computed on the current metered rate as more specifically set forth in the District's Regulation No. 3 and any additional tiered water conservation rates adopted by the Board. The installation of this Meter shall be deemed permanent.

Metered Services: Upon the fourth water conservation violation on an existing metered service, the District will notify the Landowner of the violation in writing at the established billing address by District personnel and/or via certified mail. The Landowner will be informed that an additional charge for servicing the violation will be included in his/her next billing. The amount of the charge is as follows:

- (i) 1-inch or smaller service: 25% of the amount of the water bill for the month in which the violation occurs.
- (ii) 1½ inch or larger service: 50% of the amount of the water bill for the month in which the violation occurs.

In addition, the District may discontinue or reduce the water supply to the Parcel where the violation occurred. The District shall, in its sole discretion, decide whether to terminate or reduce service based on all of the facts and circumstances of the violation and the Customer's past water use history. To restore service or full flow capabilities, the affected Customer will be required to request a hearing of the

District Board of Directors, where the Customer may present evidence to the Board concerning the violation and request the restoration of water service. At its next regular meeting after the hearing, the District Board shall enter into the record its findings and decision concerning the service restoration request and each issue there under. The Board's decision will be final. The Secretary of the Board will mail the Board's written findings and decision to the Customer within thirty days (30) after the date that the Board renders its decision.

Where compliance with the requirements of this Regulation 15 are beyond the control of the Customer or Landowner and written justification and supporting evidence has been provided by the Customer or Landowner and verified by a District representative, the General Manager may excuse the violation. Approval of such a variance by the General Manager shall be conditioned on the Customer's or Landowner's cooperation with the District in resolving the violation.

Where a water conservation violation occurs on a Parcel improved with multiple family units, and it is not practical to determine which unit is responsible for the violation, the District will assess the service charge described above for existing metered rates.

Where water is wastefully or negligently used on a water user's premises to the extent that the violation seriously affects the District's general service capability, the District may discontinue service to the premises if the water waste conditions causing the general service disruption are not corrected within twenty-four (24) hours after the District provides the water user with the violation notice. A door hanger (notice) shall be deemed sufficient written notice for this purpose.

When encountered in the course of routine daily activity, District personnel have the responsibility and authority to control leaks on any Premises at the point of connection or at the valve controlling the Customer's System. When water is shut off for control of a leak, the District will provide the Customer with notice of the condition.



Agenda Item: 11

Date: April 9, 2015

Subject: 2015 Water Conservation Stage Declaration

Staff Contact: Greg Bundesen, Water Conservation Supervisor

Recommended Board Action:

If the Board adopted Resolution 15-06 Amending Regulation No. 15 of the Regulations Governing Water Service, staff is requesting direction regarding the pending 35% mandatory reduction in water use proposed by the State Water Resources Control Board (SWRCB).

A mandatory 35% reduction in water use would initiate a Stage 3 – Water Crisis in accordance with Sacramento Suburban Water District's (District) newly defined Regulation No. 15. Staff has provided the following report outlining the water use restrictions from declaring a Stage 3 – Water Crisis (including staff's recommendations for Stage 3 amendments) and adopting the additional mandatory restrictions required by the SWRCB and the Governor's Executive Order B-29-15.

Staff has included information regarding an increase in Water Conservation Representatives along with the associated costs of declaring a Stage – 3 Water Crisis.

The SWRCB will be adopting new regulations on May 5 or 6, 2015. Based on the final SWRCB action, staff will recommend a Water Conservation Stage Declaration for the May Regular Board Meeting.

Discussion:

On March 17, 2015, the State Water Resources Control Board (SWRCB) voted on and passed additional emergency water conservation regulations in response to California's ongoing drought conditions (see Exhibit 1). The regulations will require urban water suppliers to trigger water conservation actions in their Urban Water Management Plan's Water Shortage Contingency Plan that call for stricter actions that will affect the District's enforcement of the declared 2015 Water Stage Declaration. The regulations would also extend urban water supplier reporting requirements, as well as impose additional statewide restrictions on all water users.

The newly adopted regulations restrict the public from:

1. Washing down sidewalks and driveways;
2. Watering outdoor landscape in a manner that causes excess runoff;
3. Watering a motor vehicle with a hose, unless the hose is fitted with a shut-off nozzle;

2015 Water Conservation Stage Declaration

April 9, 2015

Page 2 of 9

4. Operating a fountain or decorative water feature, unless the water is part of a recirculating system;
5. Irrigating turf or ornamental landscapes during and 48 hours following measurable precipitation;
6. Restricts restaurants from serving water unless requested;
7. Mandates that hotel and motel operators provide guests with the option of choosing not to have towels and linens laundered daily and prominently display notice of the option.

The newly adopted regulations require urban water suppliers to limit the number of days per week that customers can irrigate outdoors. Urban water suppliers will be required to adopt a stage in their water shortage contingency plan (the District's Water Shortage Contingency Plan is its Regulation No. 15) that restricts watering days. Urban water suppliers will also be required to notify their customers about possible leaks on their property. The SWRCB will also be expanding their monthly reporting requirements to include the number of watering days allowed, and a description of compliance and enforcement efforts (i.e. number of water waste notifications received from the public, number of water waste notifications given out to customers during a particular month, etc.). Urban water suppliers will have 45 days to implement the new regulations after review by the Office of Administrative Law.

In response to a record low snow pack in the Sierra Nevada Mountains, on April 1, 2015 the Governor of the State of California released Executive Order B-29-15 (see Exhibit 2) which calls upon the SWRCB to impose restrictions on urban water supplies that require them to reduce their water usage by 25% by February 28, 2016. The Executive Order imposes additional restrictions on outdoor water use on top of the SWRCB's March 17, 2015 additional emergency water restrictions.

On April 8, 2015 the SWRCB released their draft "Mandatory Conservation Proposed Regulatory Framework" (Framework) for meeting the States mandated 25% reduction in R-GPCD by February 28, 2016 (see Exhibit 3). The Framework outlines how the SWRCB will attempt to achieve the 25% reduction in R-GPCD by assigning steeper water reduction percentages to agencies with higher R-GPCDs. The SWRCB is using September 2014 as their baseline metric for assigning water conservation tiers. As noted in Exhibit 4, agencies with a September 2014 R-GPCD less than 55 will be required to achieve a 10% reduction, agencies with R-GPCDs from 55-110 will be required to achieve a 20% reduction, agencies with a September 2014 R-GPCD range of 110-165 will be required to achieve a 25% reduction in water use and agencies with a September 2014 R-GPCD over 165 will be required to achieve a 35% reduction in water use. The District's R-GPCD in September 2014 was 212.9; therefore, the District will be required to achieve a 35% reduction in water use by February 28, 2016. The District's target R-GPCD for the February 28, 2016 deadline is approximately 138.4. As part of the Framework, agencies will now be required to report on their Commercial, Industrial, Institutional, and Landscape customer water usage. The SWRCB intends to enforce this new Framework with warning letters and/or Cease and Desist Orders which could result in fines up to \$10,000 per day. Agencies may receive a violation if they fail to:

- File reports as required by the regulation;

- Implement the prohibitions and restrictions as described in the Governor's Executive Orders and the emergency regulations; and
- Meet the assigned water use reduction target.

According to the SWRCB Fact Sheet (see Exhibit 4) the SWRCB will be releasing a draft of the new regulations on April 17, 2015 and holding a Board hearing to adopt the new regulations on May 5 or 6, 2015.

Stage 3 – Water Crisis, State Water Recourses Control Board & Governor's Executive Order

Declaring a Stage 3 – Water Crisis would impose the following mandatory restrictions on District Customers:

1. Outdoor watering will be limited to 1 day per week. Staff Suggests the following irrigation schedule:
 - a. Odd numbered addresses water on Saturdays.
 - b. Even numbered addresses water on Sundays.
 - c. Watering is prohibited Monday – Friday.
 - d. **Staff is recommending the following irrigation schedule be adopted:**
 - i. **Watering turf or grass shall be allowed only 1 day per week following the above schedule.**
 - ii. **Customer's utilizing a drip or low-volume irrigation system that is watering non-turf areas (bushes, trees, native plants, etc.) are allowed to water 3 days per week with odd addresses watering on Tuesday, Thursday, and Saturday and even number addresses watering on Wednesday, Friday, and Sunday.**
2. Planting of new or expanded landscape is prohibited, unless it is demonstrated that the new landscaping will result in a decrease in water use.
3. Watering restriction exemptions for new turf or hydro-seed will be revoked.
4. Except where non-potable water is used, all Large Landscape Irrigation Customers (CII) must cease all turf irrigation. Non-ornamental turf, such as the active playing surfaces of sports fields, may be irrigated provided the overall system water use is reduced by 40%.
5. Hydrant permits for construction water will be issued only with the approval of the General Manager. A construction water use plan must be submitted to the District for review that addresses how impacts to existing water users will be mitigated (such as dust control). Potable water must not be used for construction site street cleaning or dust control.
6. A County or State health official must verify all health and emergency conditions requiring potable water use for the purpose of any washing of sidewalks, walkways, streets, parking lots, driveways. An industry professional must verify all health and emergency conditions requiring potable water use for the purpose of any washing of buildings.
7. Car washing is only permitted using a commercial carwash that recirculates water or by high pressure/low volume wash systems.
8. Decretive fountains that use potable water will be drained and kept dry.
9. Restaurants will serve water only on request.
10. Water must not be permitted to discharge, flow, or run to waste into any gutter, sanitary sewer, water course, or storm drain, or to any adjacent lot, from any tap, hose, faucet,

- pipe, sprinkler, or nozzle. In the case of irrigation, “discharge,” “flow,” or “run to waste” means that the earth intended to be irrigated has been saturated with water to the point that excess water flows over the earth to waste. In the case of washing, “discharge,” “flow,” or “run to waste” means the water in excess of that which is necessary to wash, wet or clean the dirty or dusty object, such as an automobile or boat, flows to waste.
11. All water hoses or filling apparatus shall be equipped with a control nozzle capable of completely shutting off the flow of water except when positive pressure to the nozzle is applied.
 12. All water fixtures or heating or cooling devices must not be allowed to leak or discharge. All known leaks must be repaired within seven (7) days or less depending on the severity of the leak.
 13. The operation of an irrigation system that applies water to an impervious surface (example: concrete or asphalt) or that is in disrepair is prohibited.
 14. Water during cooler morning and evening hours to reduce evaporation and avoid peak energy demand times. Outdoor watering from 12:00 noon to 8:00 p.m. during the months of May - August is prohibited; & watering from 12:00 noon to 6:00 p.m. during the months of September – April is prohibited.
 15. Irrigation of landscaping during rainfall is prohibited.
 16. Backwashing or overfilling, so as to discharge water to waste, swimming pools, or ponds in excess of the frequency reasonably necessary to maintain the clarity or cleanliness of the water is prohibited. Pool draining and refilling will be allowed only for health, maintenance, or structural considerations upon submittal of a written report by a health official or pool consultant and approval provided by the District.
 17. All pools, spas, decorative or ornamental fountains, ponds and waterways must be equipped with a recirculation pump and must be constructed to be leak-proof.
 18. The use of water from a fire hydrant without the expressed written permission from the District is prohibited.
 19. The use of water in new conveyer car washes and new commercial laundry systems that do not use a recirculation system shall be prohibited.

The SWRCB mandate imposes the following restrictions (not listed in Regulation 15) on District customers:

1. Irrigating turf or ornamental landscapes during and 48 hours following measurable precipitation.
2. Mandates that hotel and motel operators provide guests with the option of choosing not to have towels and linens laundered daily and prominently display notice of the option.

Staff suggests adding these restrictions should they be included in the final SWRCB order.

The Governor’s Executive Order will impose the following restrictions (not listed in Regulation No. 15) on District customers:

1. The Water Board shall prohibit irrigation with potable water of ornamental turf on street medians.
2. The Water Board shall prohibit irrigation with potable water outside of newly constructed homes and buildings that is not delivered by drip or micro-spray systems.

Staff recommends adding these restrictions to comply with the Executive Order.

Enforcement of the District's Water Stage Declaration is recommended to proceed as follows:

1. Customers found in violation of any of the above watering restrictions will be subject to:
 - a. **Warning Notice of Violation.** Upon observation by authorized District personnel, or demonstrated to the District's satisfaction, of the existence of a violation, the District shall request Customer compliance with this Regulation via a Warning Notice of Violation delivered in person. **Staff is recommending suspending Regulation No. 15 Notice of Violation and moving straight to the Warning Notice of Violation.**
 - b. **First Violation:** Upon observation by authorized District personnel, or demonstrated to the District's satisfaction, of the existence of the next violation after a Warning was issued, the District shall request Customer compliance with this Regulation via a notice delivered in person by District personnel, and/or by certified mail to the billing address of the Parcel upon which the 1st violation has occurred. The first violation charged to a Parcel will begin the District's monitoring of that Parcel for water waste. Should there be no additional violations on the Parcel prior to the conclusion of the current water year, then that Parcel's violation from the previous year will be expunged and the Parcel will be deemed to be free of violations and the counting of any violations incurred in the new water year will begin on a clean record. The District shall keep on file copies of all violations of the District's water conservation requirements that were incurred in the same water year. For one time only, and upon request, a Customer may participate in a Water-Wise House Call to remove a first violation from the customer's record for the current water year
 - c. **Second Violation:** Upon observation by authorized District personnel, or demonstrated to the District's satisfaction, of a second water conservation violation of any kind on the same Parcel, the Customer and Landowner shall be notified of the 2nd violation in writing at the established billing address by District personnel and/or via certified mail. The District will assess a service charge for the violation, which will be added to the Customer's next bill. The second violation service charge will be billed in accordance with Regulation 3, Section L.1. If a second violation occurs at a Stage 2 or higher water conservation stage in this Regulation on any non-metered service, the District shall install a permanent water meter on any existing Service Connection on the Parcel where the violation occurred and/or the District may impose an additional service charge as approved by the District Board of Directors. Metered rate billing will be initiated on the account at the next billing period following the meter installation. A Customer may avoid paying a service charge for a second violation by attending a water conservation awareness workshop, at the customer's expense, and participating in a Water-Wise House Call if not completed following the first violation.
 - d. **Third Violation:** Upon observation by authorized District personnel, or demonstrated to the District's satisfaction, of a third water conservation violation of any kind on the same Parcel, the Customer and Landowner shall be notified of the violation in writing at the established billing address by District personnel and/or via certified mail. The District will assess a service charge for the

violation, which will be added to Customer's next bill in accordance to Regulation 3, Section L.2. The notice of violation also will state that a subsequent violation may result in disconnection or reduction of service.

- e. **Fourth Violation:** Upon observation by authorized District personnel, or demonstrated to the District's satisfaction, of a fourth water conservation violation of any kind on the same Parcel, the Customer and Landowner shall be notified of the violation in writing at the established billing address by District personnel or via certified mail. The District will assess a charge for the fourth violation as follows:

Flat Rate Services: Upon the fourth water conservation violation of a non-metered account, the District may discontinue or reduce the water supply to the Parcel where the violation occurred. The District shall, in its sole discretion, decide whether to terminate or reduce service based on all of the facts and circumstances of the violation and the Customer's past water use history. The Landowner shall be notified in writing by District personnel and/or via certified mail of the violation that a water meter shall be installed on that Parcel. The Landowner shall bear the cost of installing the meter, which shall be based on the cost of the District's time and materials. The installation of this meter shall cause the billing for the Parcel to be changed from a flat rate to a metered rate. The monthly charge for a metered service will be computed on the current metered rate as more specifically set forth in the District's Regulation No. 3 and any additional tiered water conservation rates adopted by the Board. The installation of this Meter shall be deemed permanent.

Metered Services: Upon the fourth water conservation violation on an existing metered service, the District will notify the Landowner of the violation in writing at the established billing address by District personnel and/or via certified mail. The Landowner will be informed that an additional charge for servicing the violation will be included in his/her next billing. The amount of the charge is as follows:

(i) 1-inch or smaller service: 25% of the amount of the water bill for the month in which the violation occurs.

(ii) 1½ inch or larger service: 50% of the amount of the water bill for the month in which the violation occurs.

- f. In addition, the District may discontinue or reduce the water supply to the Parcel where the violation occurred. The District shall, in its sole discretion, decide whether to terminate or reduce service based on all of the facts and circumstances of the violation and the Customer's past water use history. To restore service or full flow capabilities, the affected Customer will be required to request a hearing of the District Board of Directors, where the Customer may present evidence to the Board concerning the violation and request the restoration of water service.

At its next regular meeting after the hearing, the District Board shall enter into the record its findings and decision concerning the service restoration request and each issue there under. The Board's decision will be final. The Secretary of the Board will mail the Board's written findings and decision to the Customer within thirty days (30) after the date that the Board renders its decision

Conservation Community Outreach Efforts

The focus of the 2015 Community Outreach will continue to be water conservation messaging with an emphasis on where customers use their water. Staff has developed a new outreach theme of "Water Stats" that will be promoted in the monthly bill inserts and newsletters throughout the year. While the 2015 peak water season has just begun, staff continues to expand the promotion of water conservation in the following ways:

- Provide customers with 2 Water Efficient Landscape classes (Spring/Fall).
- Developing a special Water Use Efficiency post card relaying the Water Stage Declaration, the water use restrictions of the declared stage, and ways to use water more efficiently inside and outside the home.

Possible mechanisms to expand the existing outreach, which are not budgeted for 2015, are as follows:

1. Target customers with direct mail piece(s). Highlight that landscape irrigation is the largest use of water at the home and offer Water-Wise House Calls. Post cards, letters, mailers, etc. are possibilities.
2. Bill inserts. Additional inserts which would also be displayed in the Marconi Office lobby and mailed to customers several times as a double insert.
3. Newspapers. Provide print ads with our water conservation messaging to additional neighborhood newspapers.
4. Schools and presentations. Increase the effort to provide the opportunity for Staff to speak to schools, civic organizations, community groups and clubs.
5. Home Owners Association / Neighborhood Associations. Contact these groups and offer a presentation and/or water conservation information/devices.
6. Website updates. The District's website will be updated frequently to inform customers about the benefits of water conservation and how to conserve more water indoors and outdoors. A Water-Wise House Call page will be added to allow District customers to sign up for Water-Wise House Calls via the website.

7. Along with the District's Water Conservation public outreach program, the RWA's Public Outreach program will also focus on dry year messaging. RWA activities include:
 - a. Dry Year key messaging for newspapers, TV, and radio (including indoor & outdoor water use efficiency recommendations).
 - b. Water Spots Video Contest for high school students (January – February).
 - c. Save Our Water campaign updates (all year).
 - d. Project WET (Water Education for Teachers) offerings (training occurs at various times during calendar year).
 - e. Water Awareness month promotion (May).
 - f. Earth Day promotion (April)

Staff will pursue additional outreach for water conservation and will present a rebate menu program for Board consideration in May. See Agenda item 25.

Conservation Monitoring and Enforcement

Each year staff budgets for the minimum increase in summertime water conservation enforcement for Normal Water Supply. However, due to the ongoing drought situation, staff budgeted approximately \$50,000 for CY2015. Labor consists of 3 part-time, temporary Water Conservation Representatives (WCR) and materials for conservation awareness and Water-Wise House Call handouts. The District has pool vehicles that are utilized for the Summer Water Conservation Program. Labor typically consists of \$13,000 per WCR for a 10 month period. Material handouts are approximately \$8,000.

Due to the increase in Water Waste reporting and citations in 2014 (the District experienced a 125% increase in the number of water waste reports received from the public and a 144% increase in the number of water waste notification given out when compared to 2013) staff is requesting an additional level of enforcement for 2015. Labor would consist of 5 Water Conservation Representatives (2 additional WCRs to the current budgeted amount) and materials consisting of conservation related messaging handouts. Two additional WCRs would add a cost of approximately \$26,000 in labor costs, vehicle rental would add a cost of approximately \$11,000, and additional outreach materials would cost approximately \$2,000. The total cost for two additional WCRs would be approximately \$39,000. Additional WCRs will assist the District in reaching the State mandated 35% reduction in water consumption goal by February 28, 2016.

Fiscal Impact:

Fiscal impacts of declaring a Stage 3 – Water Crisis:

1. A 35% reduction in water consumption (when compared to 2013) is estimated to have a net affect of \$3,806,250.
2. Additional revenue from water bill assessments to a customer's water bill if they do not comply with mandatory water conservation stage regulations is not known at this time.
3. WCRs and additional water conservation related material will cost approximately \$50,000.
4. Two additional WCRs will cost approximately \$35,000. Funds for increased WCRs and related materials are available in the Operations and Maintenance Budget.

Strategic Plan Alignment:

Water Supply – 1.C. Continue to implement and support demand management strategies and water conservation that comply with federal, state and regional⁴ programs; support Water Forum Agreements goals and efficiently meet the needs of the District customers.

Facilities and Operations – 1.H. Implement water conservation programs that efficiently utilize potable water supplies.

Customer Service – 3.D. Provide effective customer and community relations by communicating, educating, and providing information on District operations, drinking water issues, resource sustainability and environmental stewardship.



Media Release

State Water Board Expands and Extends Emergency Water Conservation Regulation

For Immediate Release
March 17, 2015

Contact: George Kostyrko
gkostyrko@waterboards.ca.gov

SACRAMENTO -- As California enters a fourth year of severe drought, the State Water Resources Control Board Tuesday adopted an expanded emergency regulation to safeguard the state's remaining water supplies.

"We are experiencing the lowest snowpack and the driest January in recorded history, and communities around the state are already suffering severely from the prior three years of drought," said State Water Board Chair Felicia Marcus. "If the drought continues through next winter and we do not conserve more -- the consequences could be even more catastrophic than they already are. Today's action is just a tune-up and a reminder to act, and we will consider more significant actions in the weeks to come."

While communities and water suppliers have saved substantial amounts of water since the water conservation emergency regulation was first adopted in July 2014, there are many more opportunities for Californians to conserve in even greater amounts. The expanded emergency regulation captures some of these opportunities while continuing to give urban water suppliers flexibility to take actions that reflect their local conditions as long as they meet the minimum requirements. The State Water Board strongly encourages water suppliers to do much more than the minimum required by the regulation.

Today's action incorporates lessons learned from implementation of the emergency regulation approved in 2014 and feedback from urban water suppliers and the public.

Prohibited Water Use

Under today's action, the prohibitions on potable water use, first adopted in 2014, will continue, and new prohibitions will go into effect. All Californian's are now prohibited from:

- washing down sidewalks and driveways;
- watering outdoor landscapes in a manner that causes excess runoff;
- washing a motor vehicle with a hose, unless the hose is fitted with a shut-off nozzle;
- operating a fountain or decorative water feature, unless the water is part of a recirculating system; and





Media Release

- irrigating turf or ornamental landscapes during and 48 hours following measurable precipitation (new).

(New) Prohibitions affecting commercial businesses include:

- restaurants and other food service establishments can only serve water to customers on request; and
- operators of hotels and motels must provide guests with the option of choosing not to have towels and linens laundered daily and prominently display notice of this option.

Water Agency Requirements

The biggest change for urban water suppliers is the creation of a floor, or minimum standard, for outdoor irrigation restrictions. Urban water suppliers must now limit the number of days per week that customers can irrigate outdoors. The limit must either be specified in their drought contingency plans; or if their plan contains no specific limit, irrigation is limited to no more than two days per week.

Water agencies will also be required to notify customers when they are aware of leaks that are within the customer's control. Finally, monthly reporting requirements will be expanded to include the limit on days for outdoor irrigation and a description of compliance and enforcement efforts.

For smaller water suppliers, the expanded regulation clarifies that if they choose to implement alternate mandatory measures, in lieu of limiting outdoor irrigation to twice a week, those measures should be designed to achieve a 20 percent reduction in water consumption.

Local agencies can fine property owners up to \$500 a day for failure to implement conservation requirements and the State Water Board can issue cease and desist orders against water agencies that don't impose mandatory conservation measures upon their retail customers. Water agencies that violate cease and desist orders are subject to civil liability of up to \$10,000 a day.

"In a drought this severe, we need to think differently about our daily water use, and need to sacrifice emerald green lawns and other water use luxuries," Marcus said. "At a time when hundreds of thousands of acres of farmland lie fallow, thousands are out of work, communities are running out of water, and fish and wildlife are devastated, and when locally stored urban water supplies are shrinking, we need to step up the pace of conservation. Water agencies should be motivating customers to take even more responsibility for the amount of water used in homes, backyards, businesses, parks and everywhere else."

Following Board adoption, the regulation will be submitted to the Office of Administrative Law, which has 10 days to approve or deny the regulation. If approved by the Office of Administrative Law, the regulation will take effect immediately and remain in effect for 270 days from that date.



Media Release

For more information, please visit the [Emergency Water Conservation](#) website.

Governor Brown has called on all Californians to reduce their water use by 20 percent and prevent water waste – visit [SaveOurH2O.org](#) and [SaveOurWater.com](#) to find out how everyone can do their part, and visit [Drought.CA.Gov](#) to learn more about how California is dealing with the effects of the drought.

###

Exhibit 2

Executive Department

State of California

EXECUTIVE ORDER B-29-15

WHEREAS on January 17, 2014, I proclaimed a State of Emergency to exist throughout the State of California due to severe drought conditions; and

WHEREAS on April 25, 2014, I proclaimed a Continued State of Emergency to exist throughout the State of California due to the ongoing drought; and

WHEREAS California's water supplies continue to be severely depleted despite a limited amount of rain and snowfall this winter, with record low snowpack in the Sierra Nevada mountains, decreased water levels in most of California's reservoirs, reduced flows in the state's rivers and shrinking supplies in underground water basins; and

WHEREAS the severe drought conditions continue to present urgent challenges including: drinking water shortages in communities across the state, diminished water for agricultural production, degraded habitat for many fish and wildlife species, increased wildfire risk, and the threat of saltwater contamination to fresh water supplies in the Sacramento-San Joaquin Bay Delta; and

WHEREAS a distinct possibility exists that the current drought will stretch into a fifth straight year in 2016 and beyond; and

WHEREAS new expedited actions are needed to reduce the harmful impacts from water shortages and other impacts of the drought; and

WHEREAS the magnitude of the severe drought conditions continues to present threats beyond the control of the services, personnel, equipment, and facilities of any single local government and require the combined forces of a mutual aid region or regions to combat; and

WHEREAS under the provisions of section 8558(b) of the Government Code, I find that conditions of extreme peril to the safety of persons and property continue to exist in California due to water shortage and drought conditions with which local authority is unable to cope; and

WHEREAS under the provisions of section 8571 of the California Government Code, I find that strict compliance with various statutes and regulations specified in this order would prevent, hinder, or delay the mitigation of the effects of the drought.

NOW, THEREFORE, I, EDMUND G. BROWN JR., Governor of the State of California, in accordance with the authority vested in me by the Constitution and statutes of the State of California, in particular Government Code sections 8567 and 8571 of the California Government Code, do hereby issue this Executive Order, effective immediately.

IT IS HEREBY ORDERED THAT:

1. The orders and provisions contained in my January 17, 2014 Proclamation, my April 25, 2014 Proclamation, and Executive Orders B-26-14 and B-28-14 remain in full force and effect except as modified herein.

SAVE WATER

2. The State Water Resources Control Board (Water Board) shall impose restrictions to achieve a statewide 25% reduction in potable urban water usage through February 28, 2016. These restrictions will require water suppliers to California's cities and towns to reduce usage as compared to the amount used in 2013. These restrictions should consider the relative per capita water usage of each water suppliers' service area, and require that those areas with high per capita use achieve proportionally greater reductions than those with low use. The California Public Utilities Commission is requested to take similar action with respect to investor-owned utilities providing water services.
3. The Department of Water Resources (the Department) shall lead a statewide initiative, in partnership with local agencies, to collectively replace 50 million square feet of lawns and ornamental turf with drought tolerant landscapes. The Department shall provide funding to allow for lawn replacement programs in underserved communities, which will complement local programs already underway across the state.
4. The California Energy Commission, jointly with the Department and the Water Board, shall implement a time-limited statewide appliance rebate program to provide monetary incentives for the replacement of inefficient household devices.
5. The Water Board shall impose restrictions to require that commercial, industrial, and institutional properties, such as campuses, golf courses, and cemeteries, immediately implement water efficiency measures to reduce potable water usage in an amount consistent with the reduction targets mandated by Directive 2 of this Executive Order.
6. The Water Board shall prohibit irrigation with potable water of ornamental turf on public street medians.
7. The Water Board shall prohibit irrigation with potable water outside of newly constructed homes and buildings that is not delivered by drip or microspray systems.

8. The Water Board shall direct urban water suppliers to develop rate structures and other pricing mechanisms, including but not limited to surcharges, fees, and penalties, to maximize water conservation consistent with statewide water restrictions. The Water Board is directed to adopt emergency regulations, as it deems necessary, pursuant to Water Code section 1058.5 to implement this directive. The Water Board is further directed to work with state agencies and water suppliers to identify mechanisms that would encourage and facilitate the adoption of rate structures and other pricing mechanisms that promote water conservation. The California Public Utilities Commission is requested to take similar action with respect to investor-owned utilities providing water services.

INCREASE ENFORCEMENT AGAINST WATER WASTE

9. The Water Board shall require urban water suppliers to provide monthly information on water usage, conservation, and enforcement on a permanent basis.
10. The Water Board shall require frequent reporting of water diversion and use by water right holders, conduct inspections to determine whether illegal diversions or wasteful and unreasonable use of water are occurring, and bring enforcement actions against illegal diverters and those engaging in the wasteful and unreasonable use of water. Pursuant to Government Code sections 8570 and 8627, the Water Board is granted authority to inspect property or diversion facilities to ascertain compliance with water rights laws and regulations where there is cause to believe such laws and regulations have been violated. When access is not granted by a property owner, the Water Board may obtain an inspection warrant pursuant to the procedures set forth in Title 13 (commencing with section 1822.50) of Part 3 of the Code of Civil Procedure for the purposes of conducting an inspection pursuant to this directive.
11. The Department shall update the State Model Water Efficient Landscape Ordinance through expedited regulation. This updated Ordinance shall increase water efficiency standards for new and existing landscapes through more efficient irrigation systems, greywater usage, onsite storm water capture, and by limiting the portion of landscapes that can be covered in turf. It will also require reporting on the implementation and enforcement of local ordinances, with required reports due by December 31, 2015. The Department shall provide information on local compliance to the Water Board, which shall consider adopting regulations or taking appropriate enforcement actions to promote compliance. The Department shall provide technical assistance and give priority in grant funding to public agencies for actions necessary to comply with local ordinances.
12. Agricultural water suppliers that supply water to more than 25,000 acres shall include in their required 2015 Agricultural Water Management Plans a detailed drought management plan that describes the actions and measures the supplier will take to manage water demand during drought. The Department shall require those plans to include quantification of water supplies and demands for 2013, 2014, and 2015 to the extent data is available. The Department will provide technical assistance to water suppliers in preparing the plans.

13. Agricultural water suppliers that supply water to 10,000 to 25,000 acres of irrigated lands shall develop Agricultural Water Management Plans and submit the plans to the Department by July 1, 2016. These plans shall include a detailed drought management plan and quantification of water supplies and demands in 2013, 2014, and 2015, to the extent that data is available. The Department shall give priority in grant funding to agricultural water suppliers that supply water to 10,000 to 25,000 acres of land for development and implementation of Agricultural Water Management Plans.
14. The Department shall report to Water Board on the status of the Agricultural Water Management Plan submittals within one month of receipt of those reports.
15. Local water agencies in high and medium priority groundwater basins shall immediately implement all requirements of the California Statewide Groundwater Elevation Monitoring Program pursuant to Water Code section 10933. The Department shall refer noncompliant local water agencies within high and medium priority groundwater basins to the Water Board by December 31, 2015, which shall consider adopting regulations or taking appropriate enforcement to promote compliance.
16. The California Energy Commission shall adopt emergency regulations establishing standards that improve the efficiency of water appliances, including toilets, urinals, and faucets available for sale and installation in new and existing buildings.

INVEST IN NEW TECHNOLOGIES

17. The California Energy Commission, jointly with the Department and the Water Board, shall implement a Water Energy Technology (WET) program to deploy innovative water management technologies for businesses, residents, industries, and agriculture. This program will achieve water and energy savings and greenhouse gas reductions by accelerating use of cutting-edge technologies such as renewable energy-powered desalination, integrated on-site reuse systems, water-use monitoring software, irrigation system timing and precision technology, and on-farm precision technology.

STREAMLINE GOVERNMENT RESPONSE

18. The Office of Emergency Services and the Department of Housing and Community Development shall work jointly with counties to provide temporary assistance for persons moving from housing units due to a lack of potable water who are served by a private well or water utility with less than 15 connections, and where all reasonable attempts to find a potable water source have been exhausted.
19. State permitting agencies shall prioritize review and approval of water infrastructure projects and programs that increase local water supplies, including water recycling facilities, reservoir improvement projects, surface water treatment plants, desalination plants, stormwater capture, and greywater systems. Agencies shall report to the Governor's Office on applications that have been pending for longer than 90 days.

20. The Department shall take actions required to plan and, if necessary, implement Emergency Drought Salinity Barriers in coordination and consultation with the Water Board and the Department of Fish and Wildlife at locations within the Sacramento - San Joaquin delta estuary. These barriers will be designed to conserve water for use later in the year to meet state and federal Endangered Species Act requirements, preserve to the extent possible water quality in the Delta, and retain water supply for essential human health and safety uses in 2015 and in the future.
21. The Water Board and the Department of Fish and Wildlife shall immediately consider any necessary regulatory approvals for the purpose of installation of the Emergency Drought Salinity Barriers.
22. The Department shall immediately consider voluntary crop idling water transfer and water exchange proposals of one year or less in duration that are initiated by local public agencies and approved in 2015 by the Department subject to the criteria set forth in Water Code section 1810.
23. The Water Board will prioritize new and amended safe drinking water permits that enhance water supply and reliability for community water systems facing water shortages or that expand service connections to include existing residences facing water shortages. As the Department of Public Health's drinking water program was transferred to the Water Board, any reference to the Department of Public Health in any prior Proclamation or Executive Order listed in Paragraph 1 is deemed to refer to the Water Board.
24. The California Department of Forestry and Fire Protection shall launch a public information campaign to educate the public on actions they can take to help to prevent wildfires including the proper treatment of dead and dying trees. Pursuant to Government Code section 8645, \$1.2 million from the State Responsibility Area Fire Prevention Fund (Fund 3063) shall be allocated to the California Department of Forestry and Fire Protection to carry out this directive.
25. The Energy Commission shall expedite the processing of all applications or petitions for amendments to power plant certifications issued by the Energy Commission for the purpose of securing alternate water supply necessary for continued power plant operation. Title 20, section 1769 of the California Code of Regulations is hereby waived for any such petition, and the Energy Commission is authorized to create and implement an alternative process to consider such petitions. This process may delegate amendment approval authority, as appropriate, to the Energy Commission Executive Director. The Energy Commission shall give timely notice to all relevant local, regional, and state agencies of any petition subject to this directive, and shall post on its website any such petition.

26. For purposes of carrying out directives 2–9, 11, 16–17, 20–23, and 25, Division 13 (commencing with section 21000) of the Public Resources Code and regulations adopted pursuant to that Division are hereby suspended. This suspension applies to any actions taken by state agencies, and for actions taken by local agencies where the state agency with primary responsibility for implementing the directive concurs that local action is required, as well as for any necessary permits or approvals required to complete these actions. This suspension, and those specified in paragraph 9 of the January 17, 2014 Proclamation, paragraph 19 of the April 25, 2014 proclamation, and paragraph 4 of Executive Order B-26-14, shall remain in effect until May 31, 2016. Drought relief actions taken pursuant to these paragraphs that are started prior to May 31, 2016, but not completed, shall not be subject to Division 13 (commencing with section 21000) of the Public Resources Code for the time required to complete them.
27. For purposes of carrying out directives 20 and 21, section 13247 and Chapter 3 of Part 3 (commencing with section 85225) of the Water Code are suspended.
28. For actions called for in this proclamation in directive 20, the Department shall exercise any authority vested in the Central Valley Flood Protection Board, as codified in Water Code section 8521, et seq., that is necessary to enable these urgent actions to be taken more quickly than otherwise possible. The Director of the Department of Water Resources is specifically authorized, on behalf of the State of California, to request that the Secretary of the Army, on the recommendation of the Chief of Engineers of the Army Corps of Engineers, grant any permission required pursuant to section 14 of the Rivers and Harbors Act of 1899 and codified in section 48 of title 33 of the United States Code.
29. The Department is directed to enter into agreements with landowners for the purposes of planning and installation of the Emergency Drought Barriers in 2015 to the extent necessary to accommodate access to barrier locations, land-side and water-side construction, and materials staging in proximity to barrier locations. Where the Department is unable to reach an agreement with landowners, the Department may exercise the full authority of Government Code section 8572.
30. For purposes of this Executive Order, chapter 3.5 (commencing with section 11340) of part 1 of division 3 of the Government Code and chapter 5 (commencing with section 25400) of division 15 of the Public Resources Code are suspended for the development and adoption of regulations or guidelines needed to carry out the provisions in this Order. Any entity issuing regulations or guidelines pursuant to this directive shall conduct a public meeting on the regulations and guidelines prior to adopting them.

31. In order to ensure that equipment and services necessary for drought response can be procured quickly, the provisions of the Government Code and the Public Contract Code applicable to state contracts, including, but not limited to, advertising and competitive bidding requirements, are hereby suspended for directives 17, 20, and 24. Approval by the Department of Finance is required prior to the execution of any contract entered into pursuant to these directives.

This Executive Order is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

I **FURTHER DIRECT** that as soon as hereafter possible, this Order be filed in the Office of the Secretary of State and that widespread publicity and notice be given to this Order.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 1st day of April 2015.

EDMUND G. BROWN JR.
Governor of California

ATTEST:

ALEX PADILLA
Secretary of State

MANDATORY CONSERVATION PROPOSED REGULATORY FRAMEWORK

The Governor's April 1, 2015 Executive Order directs the State Water Board to impose restrictions to achieve an aggregate statewide 25% reduction in potable urban water use through February 2016. The Executive Order stipulates the 25% reduction in water use as compared to 2013, but proposes flexibility in how to achieve this reduction in recognition of the level of conservation already achieved by many communities around the State.

Input Requested: The State Water Board is interested in receiving feedback on these regulatory concepts as well as other ideas on how a 25% reduction could be structured. Please submit comments and ideas on the proposed framework by email to Jessica Bean at Jessica.Bean@waterboards.ca.gov by April 13, 2015.

Urban Water Suppliers

- I. **Apportioning Water Supplier Reductions:** The Executive Order directs the State Water Board to consider the relative per capita water usage of each water suppliers' service area, and have those areas with high per capita use achieve proportionally greater reductions than those with low use. Reporting on residential per capita (R-GPCD) water use began in October 2014 for the September 2014 reporting period. Residential per capita water use is highest during the summer months when outdoor irrigation demand is high. Reported summertime water use is also generally more consistent because the weather varies less from year to year than during the winter. Accordingly, September 2014 R-GPCD serves as a reasonable basis for placement of the 411 urban water suppliers into five categories as follows:

R-GPCD Range (Sept 2014)	# of Suppliers within Range	Conservation Standard
Under 55	18	10%
55-110	126	20%
110-165	132	25%
Over 165	135	35%

The proposed breakdown of water suppliers into R-GPCD groupings with corresponding conservation standards is intended to equitably and effectively achieve a 25% aggregate statewide reduction in potable urban water use.

- II. **New Reporting Requirements:** To assess compliance by commercial, industrial, and institutional (CII) sector customers and actions taken by urban water suppliers to reduce CII sector use, the following additional reporting requirements are proposed:
- Monthly commercial sector use;
 - Monthly large landscape commercial customer use (e.g. golf courses, amusement parks);
 - Monthly industrial sector use;
 - Monthly institutional sector use; and
 - Monthly large landscape institutional customer use (e.g. cemeteries, college campuses).

Reporting requirements under the existing Emergency Regulation that took effect March 27, 2015, will remain in effect.

- III. **Compliance Assessment:** To determine if urban water suppliers are meeting required use reductions, water production data, as reported by each individual water supplier for the months of June 2015 through February 2016, will be compared to the same period(s) in 2013. Given the severity of the current drought, the State Water Board will assess suppliers' compliance for both monthly and cumulative water usage reductions.

IV. **Enforcement:**

The State Water Board has a variety of tools available to enforce its regulations:

- Informal enforcement, such as warning letters, can provide a clear reminder to water suppliers of the requirements and an alert that their conservation programs are not achieving the desired water savings. Warning letters would generally not be accompanied by monetary penalties
- Formal enforcement actions include Cease and Desist Orders (CDO) to stop non-compliant activity. These Orders generally contain a description of the specific actions, and a timeline for implementing them, required for the recipient to return to compliance. Non-compliance with a CDO during a drought emergency, such as the current one, can result in a complaint to assess Administrative Civil Liabilities of up to \$10,000 for each day of non-compliance.

In addition to these existing tools, other tools may be needed to ensure compliance for the short duration of the regulations. These tools would be developed through the emergency rulemaking and would remain in effect for its duration (270 days unless extended by the State Water Board). The tools include:

- Informational Orders that would enable the Board to require specific data and other facts on conservation practices if conservation targets are not being met.
- Conservation Orders that would go into effect immediately upon receipt, as opposed to CDOs that can only be issued and enforced after the State Water Board holds an evidentiary hearing, if one is requested. A conservation order would describe the specific actions required for the recipient to come into compliance with the requirements of the regulation. Issuance of a conservation order would be subject to reconsideration by the Board and violation of a conservation order would not be subject to the enhanced penalties associated with violation of a CDO during a drought emergency.

The tools will be used alone, or in combination, to address the following compliance problems:

- Failure of water suppliers to file reports as required by the regulation;
- Failure to implement prohibitions and restrictions as described in the Governor's Executive Orders and the emergency regulation; and
- Failure of water suppliers to meet the assigned water use reduction target.

Small Water Suppliers

There are over 2,600 small water suppliers (those with fewer than 3,000 service connections) that provide water to over 1.5 million Californians. Under the existing Emergency Regulation that took effect March 27, 2015, these suppliers are required to either limit outdoor irrigation to no more than two times per week or to institute measures that achieve a 20% reduction in use. Small suppliers are not required to report their water production to the Board, but are expected to have the data available on request. Small suppliers will need to contribute to achieving the statewide 25% potable urban water use reduction called for in the Executive Order.

- i. **Apportioning Water Supplier Reductions:** Up until the release of the April 1, 2015 Executive Order, all water suppliers were being asked to achieve a voluntary 20% reduction in water use. The existing emergency regulation assigns responsibilities to both larger urban water suppliers and small suppliers to restrict irrigation to achieve the 20% reduction target. Under this proposal, small water suppliers would be required to achieve a 25% water savings as compared to their 2013 water use under the new regulation.

- II. **Reporting Requirements:** To date, small water suppliers have not been required to report on their water use or conservation measures. Small suppliers would now be directed to provide a one-time report to the State Water Board, 180 days after the effective date of the new emergency regulation, addressing at a minimum:
- Potable water production from June-November 2013 and June-November 2015;
 - The number of days per week outdoor irrigation is allowed and other restrictions implemented to achieve a 25% water use reduction; and
 - Specific restrictions on CII sector use.
- III. **Compliance Assessment:** Compliance would be based upon whether small suppliers submitted the required data and met the 25% water use reduction requirement.
- IV. **Enforcement:** The State Water Board may use any of the tools discussed above, as appropriate.

Additional Prohibitions and End-User Requirements

The State Water Board's existing emergency regulation includes a number of water use prohibitions that apply to all Californians and end-user restrictions that apply to specific water users, such as restaurants and hotels. These existing restrictions will remain in effect, and consistent with the Executive Order, the following new prohibitions will be put in place:

- The use of potable water outside of newly constructed homes and buildings that is not delivered by drip or micro-spray systems will be prohibited; and
- The use of potable water to irrigate ornamental turf on public street medians will be prohibited.

The State Water Board will also consider adding requirements for large landscape users (e.g. commercial, industrial, institutional) not served by either type of water supplier discussed above to achieve the 25% statewide reduction in potable urban water use.

Exhibit 4

MANDATORY CONSERVATION ACHIEVING A 25% STATEWIDE REDUCTION IN POTABLE URBAN WATER USE FACT SHEET

Background

With California facing one of the most severe droughts on record, Governor Brown declared a drought State of Emergency in January 2014. Since that time, the Governor has issued three additional Executive Orders directing actions to prepare for water shortages. For the first time in state history, the Governor, in his April 1, 2015 Executive Order, directed the State Water Board to implement mandatory water reductions in cities and towns across California to reduce potable urban water usage by 25 percent statewide. This savings amounts to approximately 1.3 million acre-feet of water over the next nine months, or nearly as much water as is currently in Lake Oroville. To achieve these savings, the State Water Board is expediting emergency regulations to set usage targets for communities around the State.

Applicability

The mandatory water reductions, along with specific restrictions on commercial, industrial and institutional irrigation uses, apply to urban water suppliers as defined in water code section 10617, excluding wholesalers. Generally, urban water suppliers serve more than 3,000 customers or deliver more than 3,000 acre feet of water per year. Suppliers regulated by the Public Utilities Commission are included in the mandatory water restrictions. The Executive Order requests that the Public Utilities Commission require investor-owned water utilities to implement reductions consistent with the State Water Board requirements for all other urban water suppliers. The specific restrictions and prohibitions on water use in the Executive Order apply to all Californians and are in addition to the specific restrictions and prohibitions contained in the emergency conservation regulation approved by the Office of Administrative Law (OAL) on March 27, 2015.

Proposed Schedule

The State Water Board is expediting the development and adoption of additional regulations to implement the new restrictions and prohibitions contained in the Executive Order. There will be several opportunities for stakeholder involvement prior to the release of the formal notice of emergency rulemaking. The first opportunity follows the release of a Proposed Regulatory Framework and the second will follow the release of draft a regulation, as follows:

- Governor issues Drought Executive Order **April 1, 2015**
- Notice announcing release of draft regulatory framework and request for public comment **April 7, 2015**
- Notice announcing release of draft regulation for informal public comment **April 17, 2015**
- Emergency rulemaking formal notice **April 28, 2015**
- Board hearing and adoption **May 5 or 6, 2015**

Content of Emergency Rulemaking Package

This rulemaking package will address the following provisions of the April 1, 2015 Executive Order:

- Ordering Provision 2: Mandatory 25% reduction in potable urban water use;
- Ordering Provision 5: Commercial, industrial and institutional potable water use reductions;
- Ordering Provision 6: Prohibition on using potable water for irrigation of ornamental turf in street medians; and
- Ordering Provision 7: Prohibition on using potable water for irrigation outside of new home construction without drip or micro-spray systems.

Rate structures and other pricing mechanisms, which are very important tools for reducing water use, will be taken up in the coming weeks as required by Ordering Provision 8.

How You Can Help

To meet a mid-May to June 1 timeline for implementation of the emergency regulation, interested persons and organizations will be requested to provide input within one week of a document's release. To assist the Board in most thoughtfully addressing this dire situation, please consider the following general questions as you prepare your comments:

1. Are there other approaches to achieve a 25% statewide reduction in potable urban water use that would also impose a greater responsibility on water suppliers with higher per capita water use than those that use less?
2. How should the regulation differentiate between tiers of high, medium and low per capita water users?
3. Should water suppliers disclose their list of actions to achieve the required water reductions?
4. Should these actions detail specific plans for potable water use reductions in the commercial, industrial, and institutional (CII) sectors?
5. Should additional information be required in the monthly conservation reports for urban water suppliers to demonstrate progress towards achieving the required water reductions?
6. How and when should compliance with the required water reductions be assessed?
7. What enforcement response should be considered if water suppliers fail to achieve their required water use reductions?

How to Provide Input

Information including discussion drafts, draft regulations and related materials will be available on the State Water Board's website at:

http://www.waterboards.ca.gov/waterrights/water_issues/programs/drought/emergency_mandatory_regulations.shtml . Clear and concise written comment and questions can be sent to Jessica Bean at jessica.bean@waterboards.ca.gov.