

AGENDA
August 22, 2019
4:00 p.m.

**Sacramento Suburban Water District and San Juan
Water District**

**2x2 Water Management / Re-Organization Committee
Meeting**

Location:

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

1. Notes from the June 20, 2019 SSWD/SJWD Water Management/Re-organization Meeting
2. Sacramento Region Water Utility Collaboration/Integration Study Update
3. 2X2 Committee Structure / Participation
4. Discuss Agreement on Cost Sharing
5. Next Meeting

**Sacramento Suburban Water District and San Juan Water District
2x2 Water Management / Re-Organization Committee Meeting Notes**

**Sacramento Suburban Water District
3701 Marconi Avenue, Suite 100
Sacramento, CA 95821**

**Thursday, June 20, 2019
4:00 p.m.**

Call to Order

Director Jones called the meeting to order at 4:00 p.m.

Pledge of Allegiance

Director Jones led the Pledge of Allegiance.

Roll Call

Committee Members: Marty Hanneman, SJWD Director
Ted Costa, SJWD Director
Craig Locke, SSWD Director
Dave Jones, SSWD Director

Staff Present: Paul Helliker, SJWD General Manager
Mike Huot, SSWD Assistant General Manager

Public Present: Steve Nugent, CWD General Manager
Chris Nelson, CWD
Hilary Straus, CHWD General Manager
John Lenahan, DPMWD Director
Marissa Burt, DPMWD Director
Greg Zlotnick, SJWD
Kathleen McPherson, SSWD Director
Kevin Thomas, SSWD Director
Paul Olmstead
William Eubanks
Debra Sedwick

Public Comment

William Eubanks (Mr. Eubanks) inquired if the Phase 2B study was being reinstated from the original consolidation discussion.

Director Jones explained that the Phase 2B study objective was to accumulate information necessary to assist in making the most responsible decision, whether to move forward with consolidation discussions, or to review other options. He further noted the current plan was to complete the Phase 2B study with additional modifications.

Director Costa expressed that a few years ago, the San Juan Water District (SJWD) Board approved a resolution to work with any interested local water districts on merger discussions. He noted that SJWD requested letters of interest and the Sacramento Suburban Water District (SSWD) was the only district that submitted a letter.

Director Hanneman expressed that the SSWD Board never adopted the Phase 2A study like SJWD did in 2015. He further noted that the next anticipated steps were to provide the SSWD Board with the Phase 2A study, and to discuss the scope of work to potentially hire a consultant to conduct a Phase 2B study.

Director Locke explained that he believed the Phase 2A study was not accepted by the SSWD Board because they felt that it was not inclusive to the other local water purveyors. He explained that, at that time, the SSWD Board directed the General Manager to reach out to the other local water purveyors to discuss interest with their General Managers. He noted that it didn't appear that there was the same level of interest among the other local water purveyors.

Paul Helliker, SJWD General Manager (Mr. Helliker) explained that the current discussion was to make the present study a multi-agency project, so whether or not the original Phase 2A study was approved by the SSWD Board, each one of the boards would need to decide if they wanted to participate in a multi-agency study, which could include information from the original 2A study.

1. 2X2 Committee Structure/Participation

Director Costa inquired what the difference was between the steering committee and the current committee.

Mr. Helliker explained that based off the direction from the SSWD and SJWD 2x2 Water Management / Re-Organization Committee (the Committee) at the October meeting, the two General Managers were directed to work with the General Managers from the local water purveyors to come up with a scope of work, develop a project proposal, and then go to each board to find out if they were interested in participating. He further explained that a steering committee would be the group that made sure progress was happening. He additionally explained that the approach was that any agency that was interested in participating in the project was welcome, and anyone that did participate, would have one representative on the steering committee.

Director Costa requested to be placed on the steering committee to ensure that there was structure. He further explained that he was not confident that it was productive, and suggested having a Chair and Vice Chair for the SSWD/SJWD 2x2 Committee, or look into hiring an Executive Director for the Committee.

Director Locke agreed with having a President and Vice President to provide oversight to the Committee.

Mr. Helliker explained that the Committee was set up with two representatives from each board serving as an Ad Hoc Committee in an effort for the Directors to gain a more in-depth knowledge of the topic.

Director Jones expressed that he believed the steering committee should be comprised of the Board President and General Manager of each entity, with the President of the Committee being SSWD on even years, and SJWD on odd years.

Director Hanneman expressed that the steering committee should be made up of two of the Directors from the existing Committee. He also stated that he saw no reason for the Committee to designate a president or vice-president, nor to hire an executive director.

Director Locke expressed that he was unsure how creating another committee would benefit the group. He further suggested meeting more regularly, which would perhaps satisfy Director Costa's concerns.

Director Costa moved for the current Committee to act as the steering committee and give guidance to the staff; Director Hanneman seconded. The motion passed by unanimous vote.

AYES:	Costa, Hanneman, Jones, and Locke.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Director Costa requested for any additional agencies that were interested in participating, to send a letter of interest.

The Committee agreed to meet at 4:00 p.m. on the third Thursday of every other month, starting in August, regardless if all committee members could attend or not.

They agreed that the August meeting would be at San Juan Water District, and alternate offices thereafter.

Director Jones stated that the title of the Committee would remain the original Ad Hoc title.

2. Notes from the December 10, 2018 SSWD/SJWD Water Management/Re-organization Meeting

Director Hanneman moved approve the minutes; Director Locke seconded. The motion passed by unanimous vote.

AYES:	Costa, Hanneman, Jones, and Locke.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

3. SSWD/SJWD Water Management/Re-organization Update

Mr. Helliker introduced the item and provided a summary of the staff report, including the scope of work, the proposed schedule and a potential cost allocations scheme. Mr. Helliker noted particularly that the steering committee for the project would be composed of a representative from each agency that participates in the project, and that the scope included four joint meetings of each participant’s full Board of Directors/City Council, during which the consultant would provide the results of each of the three components of the study, as well as the final results. Mr. Helliker stated that, if the participating agencies decided that an ad hoc subcommittee composed of one or two representatives of the Board or Council of each agency was necessary, such a structure could also be accommodated.

Director Costa requested SSWD staff to poll the SSWD Board, inquiring if any Director had any issues with the Phase 2A report.

Mike Huot, SSWD Assistant General Manager (Mr. Huot) expressed that staff could discuss Director Costa’s concern with the SSWD Board and report back to the group.

Steve Nugent, General Manager with the Carmichael Water District (Mr. Nugent) expressed that the Phase 2B study was not the direction that was desired from the General Manager’s group, and that most would not support that direction. He further stated that there would be much more support for the RFP as proposed in the staff report. He did not agree that the steering committee would be composed solely of representatives from SSWD and SJWD, and if that was the position taken by either SSWD or SJWD, his agency would not be interested in participating in the RFP and the project.

Hilary Straus, General Manager with the Citrus Heights Water District (Mr. Straus) echoed Mr. Nugent's statements, and further inquired if there was a commitment from the committee to look into all options equally, or if there was more emphasis on one specific direction. He also stated that the steering committee defined in the RFP was to include representatives from each participating agency.

Director Hanneman expressed that he was open to exploring all options.

Director Costa expressed that he believed the long term solution was ultimately consolidation.

Director Jones echoed Director Hanneman, and further stated that he believed that eventually all water districts would be consolidated into one. He further commented that they should collect all of the information possible to make the best decision for the region as a whole.

Director Locke agreed with continuing in the proposed direction and echoed Director Jones by stating he believed eventually there would be only one water agency in the region.

Mr. Straus stated he planned to bring the RFP and cost sharing documents to an upcoming regular Board meeting of the CHWD. He additionally expressed that he was in favor of a more broad steering committee.

Director Costa stated he believed any reorganization discussions between agencies should be on a voluntary basis.

The Committee agreed to work to have confirmation and any changes to the RFP completed by August, in order to be ready to issue in September 2019, with the intention of having a consultant by spring 2020.

Mr. Eubanks recommended for the Committee to spend the appropriate funds to hire a noteworthy consultant.

Director Locke requested for each agency to appoint alternates to the Committee.

4. Next Meeting

The Committee directed staff to schedule the next Committee meeting for either the third, or fourth Thursday in August, depending on availability.

The meeting was adjourned at 5:35 p.m.

REQUEST FOR PROPOSAL**CONSULTANT SERVICES FOR
A SACRAMENTO REGION WATER UTILITY COLLABORATION/INTEGRATION
STUDY****A. INTRODUCTION:**

A consortium of nine water supply agencies in the Sacramento Region is seeking a consultant for professional services to assist with the preparation of a Sacramento Region Water Utility Collaboration/Integration Study (Study). The nine agencies consist of Carmichael Water District, Citrus Heights Water District, City of Folsom, Del Paso Manor Water District, Fair Oaks Water District, Orange Vale Water Company, Rio Linda/Elverta Community Water District, Sacramento Suburban Water District (SSWD) and San Juan Water District (SJWD) (Agencies). For organizational purposes, SSWD will serve as the lead or coordinating agency for an evaluation of collaboration/integration opportunities considered in this feasibility and planning study.

STUDY OBJECTIVE: Identify ways the Agencies can become more efficient in working together to minimize cost to their customers and optimize the use of their water supplies, personnel, equipment, infrastructure and other resources, as well as improve their ability to influence state and federal policies. As part of the Study, the selected consultant should identify opportunities for coordinating or integrating policies, programs, services, projects and activities to create efficiencies, improve results and achieve an overall cost benefit to the Agencies' customers. The Scope of Work is a threshold study of the range of alternatives, which include potential integration of selected projects, programs and services, up to and including integration or consolidation of two or more of the Agencies into a single organization.

Background

In 2013, SSWD and San Juan Water District entered into an agreement to begin identifying opportunities to improve collaboration and potentially merge operations into one consolidated district. A Phase 1 Study, focused on high-level evaluation of three options, was completed in 2014. A Phase 2A Study, focused on governance and organizational design of one alternative, was completed in 2015.

At the June 2015 Joint Board Meeting, the SSWD Board of Directors made a decision to suspend all work on the consolidation analysis until SSWD coordinated with the SJWD Wholesale Customer Agencies (Citrus Heights Water District, Fair Oaks Water Districts, Orange Vale Water Company, and City of Folsom) to ensure that a process be developed whereby Wholesale Customer Agencies' issues and concerns can be addressed, and evaluate the independent research on SJWD water rights that SSWD commissioned. SSWD has determined that the design of this proposed Study will address these concerns, and SSWD is ready to move forward with further analysis as proposed in this RFP.

In March 2018, SSWD received correspondence from the SJWD General Manager, on behalf of the Board of Directors of SJWD, inquiring about the status of the merger discussions previously conducted by SSWD and SJWD. At SSWD's March 2018 regular Board meeting, the Board approved implementation of a 2X2 Committee to meet with SSWD's General Manager and develop goals and discussion points.

Due to interests of other local water agencies to move forward in discussions pertaining to collaboration/integration opportunities, it has now evolved into a broader level of involvement in the Sacramento Region.

Structure and Meetings

As noted, SSWD will be responsible for administration of the project, and will be the primary contact for the consultant. The project will be overseen by a Steering Committee, composed of at least one executive from each of the Agencies. The consultant will meet with the Steering Committee as necessary, but at least once to initiate the project, and then at the end of each Activity phase. In addition, during the analysis phase of the consultant's work, the consultant will need to communicate with each agency's subject matter expert staff as required.

The consultant will also need to plan to present the results of each Activity phase to a facilitated joint meeting of the Boards of Directors/City Councils of the Agencies (a maximum of 4 meetings total for the Boards/Councils).

The consultant needs to identify in the proposal the intersection points with Agency personnel throughout the Study.

B. REQUESTED SCOPE OF WORK:

1. SERVICES DESIRED:

The following is a requested scope of work to be utilized in submitting a response.

Scope of Work Activity 1: Describe the current environment

(a) Describe the utilities, background

Document the operational responsibilities of the various Agencies related to water services. Document the service standards, policies, procedures and organizational staffing for each agency. Provide an overview of how customers receive their water supplies in the areas served by the Agencies.

(b) Inventory services offered by each Agency

Create a template to be completed by the Agencies to identify the services offered by each Agency (i.e. water treatment and distribution, meter reading and billing, water efficiency on system and per customer basis, budgeting and accounting, etc.) Identify program/service operating goals, operating costs, water supply costs, performance data and key projects that are either planned or in execution.

Inventory Agency Capital Improvement Programs and Advanced Planning Efforts for Infrastructure and Significant Asset Management, including expected future costs.

(c) Inventory current collaborations

Create an inventory of current collaborations between/among the Agencies

(d) Describe existing financial approaches

Prepare a description of the current financial environment of the Agencies, including debt capacity and obligations, credit ratings, rate structure, financial policies, asset base, reserve levels, number of customers, annual revenues, property tax receipts, operating rates and connection fees and other relevant factors. Create a template to be completed by the Agencies to obtain information.

(e) Identify stakeholders

Identify current stakeholders of the Agencies and their interests (including customers (particularly those in Disadvantaged Communities), developers, employees and other stakeholders).

(f) Review and Revise Problem Statements

Evaluate the problem statements defined by the Agencies and recommend any additions or edits. The problem statements will help inform the scope of the Study. The draft list of problem statements accompanies this RFP as Attachment C.

Scope of Work Activity 2: Conduct benchmarking

(a) Conduct peer benchmarking

Conduct a peer benchmarking study to compare key indicators for the Agencies, such as staffing, functions provided, organization structure, and collaborative efforts. Consult with the Agencies in establishing criteria for choosing the peer agencies.

(b) Identify and performance measures to evaluate collaboration/integration alternatives/options

Ascertain evaluative benchmarks for the peer agencies and compare with the Agencies. At a minimum, benchmarks need to cover the following aspects of the projects/programs/organizations being assessed: 1) Legal; 2) Financial; 3) Management/Governance; and 4) Operational.

Scope of Work Activity 3: Identify opportunities for the future

(a) Identify economies of scale

Identify services or purchases that are amenable to savings due to scale. Describe the potential benefits and challenges of combining such services.

(b) Identify opportunities and challenges for service integration

Identify opportunities and challenges for integrating services within the Agencies. Specify which services could be integrated, the associated costs and benefits, and key factors that would need to be addressed. Recognize that there will be a growth in service connections in the future. Provide a framework for next steps and phasing of implementation.

(c) Identify opportunities and challenges for facilities integration

Identify opportunities and challenges for combining or integrating facilities (i.e., buildings and grounds, but not water treatment and distribution) that would create cost savings to the Agencies and their customers. Describe the potential benefit and the factors that would need to be addressed in integrating such facilities. Recognize that there will be a growth in service connections in the future. Provide a framework for next steps and phasing of implementation.

Deliverables

It is understood that the consultant will begin the Study by completing the scope of work activity #1, followed by activity #2 and finish with activity #3. The consultant shall provide to the Steering Committee a report at the completion of each of the three activities in the scope of work, detailing the information collected, the analysis conducted and any results or recommendations. The consultant shall also provide the Steering Committee a final report, integrating the results of the three activities and a summary of the complete project.

2. MINIMUM QUALIFICATIONS OF CONSULTANT:

It is expected that the proposer will have experience with public sector projects of similar nature and scope, including the ability (whether directly or through a subconsultant) to address relevant legal, financial, management/governance and operational issues. The successful proposer will demonstrate experience with a minimum of three municipally-directed projects pertaining specifically to evaluation of utility services.

3. INSURANCE REQUIREMENTS:

The firm or individual selected to perform the work will be required to provide with the contract insurance and indemnification in the amount shown in Exhibit B within Attachment A.

Attachments: A – Professional Services Agreement
B – Conflict of Interest form
C – Initial list of Problem Statements

Attachment C Initial List of Problem Statements

Problem Statements

1. Water supplies in the American River basin are becoming more variable and likely less reliable than in the past, due in part to climate change, environmental regulatory requirements and competing demands.
2. The areas served by the participating agencies were extensively developed during the second half of the last century and the water supply infrastructure installed at that time is in need of repair and replacement.
3. During normal to wet years, various water agencies in the Sacramento region have more water available under their water rights and contracts than necessary to meet customer demands, and use of this surplus water is not optimized.
4. Water supply infrastructure among the agencies in this analysis has varying levels of underutilized collection, treatment, storage and delivery capacity.
5. The agencies in this analysis face various financial and operational challenges in providing services to their customers and performing business functions.
6. The agencies in this analysis face increasing operational costs.
7. The sizes of the agencies in this analysis limit their ability to dedicate staff time to legislative, policy and regulatory issues.

Goals

The participating agencies will collaborate to:

1. Enhance water supply reliability by optimizing the use of surface water and groundwater supplies. Plan for and develop resilient responses to changes in water supplies that result from climate change and new regulatory requirements.
2. Repair, replace and improve water supply infrastructure and related agency assets in the most efficient and cost-effective manner possible.
3. Provide excellent service and the best value to customers.
4. Achieve more effective advocacy and the best outcomes possible on legislation and regulations in both Sacramento and Washington, D.C.