

# **Joint Board of Directors' Meeting Minutes**

San Juan Water District (SJWD) and  
Sacramento Suburban Water District (SSWD)

**June 25, 2015 – 6:00 p.m.**

## **BOARD OF DIRECTORS**

Neil Schild	SSWD President (Chair)
Kevin Thomas	SSWD Vice President
Frederick Gayle	SSWD Director
Craig Locke	SSWD Director
Robert Wichert	SSWD Director
Ted Costa	SJWD President (Chair)
Pam Tobin	SJWD Vice President
Ken Miller	SJWD Director
Dan Rich	SJWD Director (absent)
Bob Walters	SJWD Director

## **MANAGEMENT AND STAFF**

Robert Roscoe	SSWD General Manager
Dan York	SSWD Assistant General Manager
Dan Bills	SSWD Finance Director
Christine Bosley	SSWD Executive Assistant (absent)
Shauna Lorance	SJWD General Manager (absent)
Keith Durkin	SJWD Assistant General Manager
Teri Hart	SJWD Board Secretary/Administrative Assistant

## **OTHER ATTENDEES**

Chris Nelson	Carmichael Water District
Ray Riehle	Citrus Heights Water District (CHWD) Director
Al Dains	CHWD Director
Bob Churchill	CHWD General Manager
Hilary Straus	CHWD Assistant General Manager
John O'Farrell	Consultant
Michelle Smira-Brattmiller	Consultant
Dale Amey	Customer
Helen Amey	Customer
Joseph Amey	Customer
Brenda Davis	Customer
Glenn R. Jorgensen	Customer
William Eubanks	Customer
Avery Wiseman	Customer
Mark Withey	Customer
Rebecca Withey	Customer
Rich Bolton	Del Paso Manor Water District
Mike McRae	Fair Oaks Water District (FOWD) Director

Dave Underwood	FOWD Director
Robert Adams	Not Specified
Jacklyn Bryant	Not Specified
Patricia Bryant	Not Specified
Joseph Darroush	Not Specified
Leslie Dulaney	Not Specified
Dan Easter	Not Specified
Jack A. Easter III	Not Specified
James Fedraw	Not Specified
Deanna Fields	Not Specified
Elizabeth Fredeen	Not Specified
MyKaRose Freeman	Not Specified
Amanda Mertz	Not Specified
Desiree Runsted	Not Specified
Aleisha Shearer	Not Specified
Breanna Shearer	Not Specified
Svetlana Shevchenko	Not Specified
Tabatha Strauch	Not Specified
Keenan Wishom	Not Specified
Mike Schaefer	Orange Vale Water Company (OVWC) Director
Dave Simpson	OVWC Director
Jason Mayorga	SJWD Employee
Jim Arenz	SSWD Employee
Todd Artrip	SSWD Employee
David Espinoza	SSWD Employee
Chantelle Garvin	SSWD Employee

## **AGENDA ITEMS**

**Call to Order and Roll Call – San Juan Water District**

**Call to Order and Roll Call – Sacramento Suburban Water District**

**Announcements**

**Public Comment**

**Consent Items**

- 1. Minutes of the December 16, 2014 Joint Board Meeting**

**Items for Discussion and Action – Joint Board**

- 2. Brief Chronology of Reorganization Discussions and Description of Phases of the Study**

- 3. Phase 2A Analysis and Final Report**

- 4. Proposed Phase 2B Analysis**

**Adjourn - San Juan Water District**

**Adjourn – Sacramento Suburban Water District**

## **CALL TO ORDER AND ROLL CALL – SAN JUAN WATER DISTRICT**

SJWD Chair Costa called the meeting to order at 6:00 pm and declared a quorum with four Directors present (Director Rich absent).

## **CALL TO ORDER AND ROLL CALL – SACRAMENTO SUBURBAN WATER DISTRICT**

SSWD Chair Schild called the meeting to order at 6:30 pm and declared a quorum with five Directors present.

## **ANNOUNCEMENTS**

There were no announcements.

## **PUBLIC COMMENT**

Mr. Glenn Jorgensen addressed the Joint Board and voiced his concern that a reorganization of the agencies is a bad idea and would only benefit SJWD as there would be no additional surface water for SSWD, and SSWD would be financially bailing out SJWD.

## **CONSENT ITEMS**

### **1. Minutes of the December 16, 2014 Joint Board Meeting**

*SSWD Vice President Thomas moved to approve the minutes of the December 16, 2014, Joint Board meeting by SSWD. SSWD Director Locke seconded the motion and it carried unanimously with 5 Aye votes.*

*SJWD Vice President Tobin moved to approve the minutes of the December 16, 2014, Joint Board meeting by SJWD. SJWD Director Walters seconded the motion and it carried with 4 Aye votes (Director Rich absent).*

## **ITEMS FOR DISCUSSION AND ACTION – JOINT BOARD**

### **2. Brief Chronology of Reorganization Discussions and Description of Phases of the Study**

Mr. Keith Durkin conducted a presentation regarding the *Brief Chronology of Reorganization Discussions and Description of Phases of the Study*. A copy of the presentation and staff report will be attached to the meeting minutes.

Mr. Durkin reviewed the background which led up to the study and the different phases of the study, including the addition of Phase 3. He explained that the Water Forum Agreement was signed in 2000 by water agencies in the region, including SSWD and SJWD. He commented that there were several key elements of the agreement such as increased surface water diversions during wet years, reduced diversions in drier years by utilizing groundwater supplies, and establishing more robust groundwater management efforts.

Mr. Durkin reviewed the Phase 1 Study and the options to be investigated under Phase 1. On April 28, 2014, the Joint Board accepted the Phase 1 Study and the recommendation to move forward into a Phase 2 Study of Option 3 – reorganizing the two districts. In addition, the Joint Board divided the Phase 2

Study into Phase 2A and Phase 2B, and instructed the 2x2 Water Management Ad Hoc Committee to manage Phase 2A with a shared \$100,000 budget.

Mr. Durkin explained that Phase 2A was to be a high level analysis of a potential merger, which summarized the findings and recommendations of Phase 1 while keeping to a methodical and transparent effort. He explained that two consultants were hired – one to conduct the study as the principal consultant and the other to conduct messaging and public outreach.

Mr. Durkin explained that should the Joint Board approve to move forward then Phase 2B would include a more detailed analysis and the final Phase 2 report. Phase 2B would include several issues such as individual customer outreach, financial analysis, human resource analysis, district operations, and water operation plans. He explained that once the final report was received the Joint Board would then decide on whether or not to move to Phase 3 which would incorporate the LAFCo application process.

Mr. Durkin reviewed the next items for discussion and introduced Mr. John O'Farrell.

In response to SSWD Director Gayle's question, Mr. Durkin responded that 600 people within SSWD and SJWD were reached out to for the poll and the results were considered to have a  $\pm 4\%$  accuracy level. Ms. Smira-Brattmiller informed the Joint Board that the results of the polling indicated that customers wanted more information. In addition, she commented that the next phase would include reaching out to the rate payers. Mr. Durkin commented that the amount of public outreach is a significant effort and a significant budget which the Joint Boards did not want to invest in during Phase 2A.

### **3. Phase 2A Analysis and Final Report**

Mr. John O'Farrell conducted a presentation regarding the *Interim Phase 2 Report: Final Phase 2A Analysis of Merging SJWD and SSWD*. A copy of the presentation and staff report will be attached to the meeting minutes.

Mr. O'Farrell informed the Joint Board that eighteen public comments were received by the June 5, 2015, deadline. He indicated that the vast majority of comments from respondents requested that more information be prepared so that there would be more information available to the public and Joint Board prior to making a decision to move forward.

Mr. O'Farrell informed the Joint Board that he and the management staff agree that the Final Phase 2A Report has validated the findings of the Municipal Consulting Group (MCG) Phase 1 report. It covers each and every one of the issues set forth in the original work program and outlined for the Phase 2A effort. In addition, he stated that the Final Phase 2A report concluded that there are no fatal flaws, that reorganization makes sense and recommends moving forward with Phase 2B. He commented that it is recommended that relevant

issues identified by staff and raised by commenters be addressed in a Phase 2B report. Ultimately, the Phase 2A and 2B reports will be combined into a Final Phase 2 report for review and consideration by the Joint Board. Should a decision to move forward be made, a future Phase 3 would involve the LAFCo application process.

Mr. O'Farrell reviewed the demographics for both agencies and the potential benefits of the merger pertaining to water rights, water assurance, water transfers, infrastructure, economies and efficiency, and external affairs. In addition, he reviewed the findings pertaining to state oversight and intervention, climate change and the environment, Sacramento County and the region, the culture of SSWD and SJWD, stakeholder interviews, synergies, and greater economy and efficiency of the combined organization.

Mr. O'Farrell reviewed the existing district governance structures, reviewed elements of possible restructuring and the type of restructured district, and described the potential model reorganized district's organizational structure. In addition, he mentioned that the recommendation from the Phase 1 report was for the process to be a reorganization whereby the service area of SSWD be annexed into SJWD with SSWD being dissolved and SJWD being the successor water district.

Mr. O'Farrell explained that should the merger occur, there would be three separate sets of financial books – one for SSWD, one for SJWD-Retail, and one for SJWD-Wholesale. Due to the debt covenants, the debt, reserves, and rates will remain separate for a considerable amount of time.

Mr. O'Farrell reviewed how reorganization could potentially affect customers and expects that there would be no change in the high standard of customer service enjoyed in each of the districts, there would be no change in rates due to the merger, and customer bills would be paid the same – in person, by mail or electronically to each of the district offices. In addition, the wholesale customer agencies would receive a higher level of water reliability, and retain financial and reliability benefit of pre-1914 water with contracts unaffected.

Mr. O'Farrell reviewed the recommendations which include:

1. Respond to relevant comments on Phase 2A Draft Report generally in the following areas: finance, budget, fiscal, rate structures; human resources principles, organizational structure, staffing, salary and benefits; water management and operations; customer service and operations. Prepare an Phase 2B Report to respond to relevant comments and questions raised on Draft Phase 2A Report and other issues as may be raised by Boards of Directors during the Phase 2B work program.
2. Develop and implement a customer outreach program that places greatest emphasis on actual consumers of water and ratepayers via neighborhood, community and town hall meetings, electronic and conventional "mailings".

3. Set a timeline for completed Phase 2B work, including milestone “check-in” dates for Joint Board of Director meetings for progress reports.
4. Approve a budget and scope of work for moving forward.

Mr. O’Farrell informed the Joint Board that moving to Phase 3 for the LAFCo application process would be decided by the Joint Board after Phase 2B was completed.

In response to SSWD Director Gayle’s question, Mr. O’Farrell defined stakeholders as all of the public agencies that overlay or touch SJWD or SSWD and receive water from either agency. Mr. O’Farrell explained that stakeholders were included in the public outreach in order to keep them informed as to what SJWD and SSWD are proposing to do.

Mr. Mike McRae, Fair Oaks Water District President, addressed the Joint Board and commented that the Phase 2A report was weak in explaining how the merger would protect customers. In addition, he suggested that SSWD remain a separate retail entity, similar to FOWD, CHWD and OVWC, instead of merging into SJWD-Retail, and that be addressed in the Phase 2B study. Furthermore, he stated that FOWD had definite concerns regarding the merger including protecting SJWD existing customers, increasing district size without increasing surface water, and compensation to wholesale customer agencies that paid for existing infrastructure. Mr. McRae voiced concern that SSWD’s \$100 million debt will be consolidated and existing SJWD rate payers would have to pay off that debt through wholesale water rates. Mr. McRae concluded that until there are solutions, such as contractual solutions on water delivery, property ownership, and compensation to protect SJWD constituents, FOWD will not be able to support the process and requests that a freeze or stop be placed on the merger.

Mr. William Eubanks addressed the Joint Board and expressed concern that the Phase 2A report contained conclusions that were predictable from day one and biased toward a merger. He commented that there has not been a definite answer to his question regarding how much water will be available for use by SSWD. SJWD Chair Costa responded that SJWD needs to show beneficial use for 25,000 AF of water. SJWD Chair Costa explained that SJWD would be able to bank water in SSWD for future use. In addition, Mr. Eubanks was glad to see the report revised to remove language that was categorical statements, but he still believes that the report conclusion was exactly what was asked for.

Mr. Jorgensen addressed the Joint Board and commented that he does not support a merger and that banking water does not require the districts to merge. In addition, he commented that the benefits listed in the presentation do not require that the districts merge in order to be accomplished. He also stated that the financial condition of SSWD is far better than that of SJWD. He voiced concern on the number of board members allowed in a community services district, which reduces the representation of the people.

In response to Mr. Jorgensen's and SJWD Director Walters' comments, Mr. Durkin explained that SSWD receives PCWA water which SJWD treats and delivers for PCWA when it is available. In addition, SJWD is not supplying SSWD with SJWD water at this time. SSWD Chair Schild commented that SSWD is conducting research on SJWD's water rights and the ability to provide water to SSWD.

In response to SSWD Director Wichert's comment, Mr. Roscoe explained that the Antelope Pump Back Project between SSWD and SJWD anticipates that groundwater can be moved from SSWD to SJWD during drought or emergency situations when requested by SJWD. In addition, prior to the project SSWD received PCWA water through the pipeline when it was available.

***SSWD Director Wichert moved to pay the consultant for the Phase 2A work but not accept the Phase 2A report because, as identified, there are numerous errors and omissions, misstatements, misleading statements, and did not achieve consensus amongst the wholesale customer agencies of SJWD and did not take an unbiased approach to evaluating the situation as it went in with the foregone conclusion that the merger was the right move. SSWD Director Gayle seconded the motion and it carried with 4 Aye votes and 1 No vote (Thomas).***

***SJWD Vice President Tobin moved to accept the Phase 2A report. SJWD Director Walters seconded the motion and it carried with 4 Aye votes (Director Rich absent).***

SJWD Vice President Tobin commented that some newer board members and the public may not know the history or have accurate knowledge as to how water actually flows, what water rights are all about, what the State will be doing with the water rights with possible changes, and the fact that SJWD has been actively working for their constituency. She added that the wholesale customer agencies are protected under the current water supply contracts for SJWD to deliver water to them. In addition, she added that the infrastructure that SJWD has put into place, such as the interties with other agencies, has been for the opportunity to protect the constituents by supplying water in dry years or emergencies.

SJWD Vice President Tobin mentioned that the water conserved from the recent 36 percent state mandate could be transferred and could generate revenue close to \$5 million which could be put back into infrastructure or offset drought rates. She commented that the studies are not conclusive yet and were meant to be completed in different phases so that the Joint Board could review the information along the way. She commented that, although there are some who do not support the studies, there is still further analysis that needs to be completed in order to provide the final report which will provide the off-ramps should there be fatal flaws in order to make an educated decision.

#### **4. Proposed Phase 2B Analysis**

Mr. Rob Roscoe conducted a brief presentation on the proposed Phase 2B study. A copy of the presentation will be attached to the meeting minutes. Mr. Roscoe informed the Joint Board that eighteen comments were received on the Phase 2A report. He explained that many of the questions posed were planned to be answered in the Phase 2B study. The recommendation from the Phase 2A report states that there were no fatal flaws indicated in order to proceed to Phase 2B for further analysis.

Mr. Roscoe informed the Joint Board that the scope of Phase 2B would respond to the comments received from Phase 2A; address financial, human resource, water operations, and operations issues; include customer outreach; and provide a final Phase 2 report. In addition, a budget of \$300,000 is recommended by staff to accomplish Phase 2B.

Mr. Roscoe reported that staff recommends proceeding with Phase 2B and amending the memorandum of agreement between SSWD and SJWD with the cost sharing aspect remaining the same at 50/50. He explained that at the end of Phase 2, the Joint Board would review and consider a draft resolution on the LAFCo application. He further explained that should the Joint Board want to move forward to Phase 3 then each individual Board would need to adopt separate but similar resolutions.

In response to SSWD Chair Schild's question, Mr. Roscoe responded that that as a county agency the contract does not have to go out for competitive bidding; however, SSWD has normally opened large contracts for competitive bidding unless there is a good and valid reason not to. SSWD Chair Schild commented that SSWD has a contract with a legal firm to review water rights and if water is available to SSWD and under what conditions. Mr. Roscoe commented that the SSWD Board has received a draft report from the attorney and he expects the Board to review the final report at the July Board meeting.

Mr. Bob Churchill, Citrus Heights Water District General Manager, addressed the Joint Board and thanked the Joint Board, staff and Mr. O'Farrell for accepting most of CHWD's comments on the Phase 2A study. In addition, CHWD submitted additional comments on the interim Phase 2a report. He commented that the CHWD Board of Directors has not taken a position on the proposed reorganization, and is waiting to receive responses on their comments. In addition, he commented that he agrees with the \$300,000 budget proposed for the Phase 2B study, and this RFP should receive more responses from consultants. He voiced concern on the public outreach allocation since valid polling was already completed and would like to see more funds allocated to the finance, human resource, and operations issues.

Mr. Jorgensen addressed the Joint Board and voiced concern that the comments from the Phase 2A report would be addressed in the Phase 2B



report when there has been sufficient time to review and respond to them. In addition, he voiced concern that the consultants were pre-biased which was evident in the reports.

Mr. Dale Amey addressed the Joint Board voicing his support and urging the Joint Boards to move forward into Phase 2B.

Mr. Eubanks addressed the Joint Board and commented that he does not agree with what a Board member expressed concerning if the merger takes place then the districts would be in a better position to deal with the State of California should additional cuts in water use occur. In addition, he commented that the 25,000 AF of SJWD water would only be available during wet years, while SSWD's groundwater would be severely depleted during dry years. He urged the SSWD Board to kill this process before the Joint Boards declare that they have already spent too much money on the project and that quitting is not an option.

Ms. Helen Amey addressed the Joint Board voicing her support and urging the Joint Boards to move forward into Phase 2B. She is concerned that we are running out of water and we need to protect ourselves.

Mr. Joseph Amey addressed the Joint Board voicing his support and urging the Joint Boards to move forward into Phase 2B, and he would like more questions answered as a result of the study. SSWD Director Wichert inquired if he ever attended a SSWD Board meeting, which Mr. Amey answered no.

Mr. James Fedraw addressed the Joint Board voicing his support and urging the Joint Boards to move forward with the merger. He commented that it is important and should be a top priority, and he supports long-term water sustainability and management.

Mr. Mark Withey addressed the Joint Board voicing his support and urging the Joint Boards to move forward into Phase 2B. He commented that it is time to move on this before the State takes the decision away from us. In addition, he suggested that any financial resources that are generated from this be used to support ways to conserve water such as water return systems, hot water demand systems, and artificial turf rebate programs. Mr. Roscoe commented that SSWD just approved a rebate program for hot water recirculation systems and authorized funding for a turf buyback program.

Ms. Rebecca Withey addressed the Joint Board voicing her support to move forward with the merger based on what she heard from both sides and reviewing the report. She commented that as a community we should pool our resources together and work as a whole.

Mr. Dan Easter addressed the Joint Board voicing his support and urging the Joint Boards to move forward into Phase 2B, stating that he is a home owner and concerned.

Ms. Amanda Mertz addressed the Joint Board voicing her support and urging the Joint Boards to move forward into Phase 2B and having additional community town hall meetings.

Mr. Jack Easter III addressed the Joint Board voicing his support and urging the Joint Boards to move forward into Phase 2B.

Ms. MyKaRose Freeman addressed the Joint Board voicing her support and urging the Joint Boards to move forward with the merger. SSWD Director Wichert inquired how she heard about the meeting. Ms. Freeman responded that she heard through friends.

Mr. Robert Adams addressed the Joint Board voicing his support of the merger. He voiced concerned that Folsom Lake is going down and groundwater is dropping.

SJWD Chair Costa commented that he was just informed that there is a Facebook post offering \$40 for people to attend this meeting and testify. SJWD Chair Costa inquired if Mr. Adams was paid to testify. Mr. Adams responded no. SJWD Chair Costa requested that if anyone was paid to testify then please do not testify.

Ms. Desiree Runsted addressed the Joint Board voicing her support and urging the Joint Boards to move forward into Phase 2B. She commented that this topic has been talked about in her college classes and is a top priority.

Ms. Breanna Shearer addressed the Joint Board voicing her support and urging the Joint Boards to move forward with the merger.

Ms. Jacklyn Bryant addressed the Joint Board voicing her support and urging the Joint Boards to move forward into Phase 2B.

Ms. Aleisha Shearer addressed the Joint Board voicing her support and urging the Joint Boards to move forward with a merger.

Ms. Tabatha Strauch addressed the Joint Board voicing her support and urging the Joint Boards to move forward into Phase 2B. She voiced concern with the water level at Folsom Lake and how long the water will last.

Mr. Keenan Wishom addressed the Joint Board voicing his support and urging the Joint Boards to move forward with the merger.

Mr. Joseph Darroush addressed the Joint Board voicing his support to move forward into Phase 2B and a merger.

Ms. Elizabeth Fredeen addressed the Joint Board stating that the daycare that she works at has been talking to the children about the water and drought. She commented that everything she heard tonight proves to her that more studies should be done and it could be a very good thing in the long run.

SSWD Chair called for Deanna Fields to address the Joint Board; however, Ms. Fields did not take the podium.

Ms. Leslie Dulaney addressed the Joint Board voicing her support and urging the Joint Boards to move forward into Phase 2B before merging the two entities. She commented that even though the report seemed a little biased there is still a lot of good items that need to be looked at.

Mr. Ray Riehle, Citrus Heights Water District Director, addressed the Joint Board commenting that he needs more information before making a decision on supporting or not supporting the merger. In addition, he commented that the City Manager of Citrus Heights forwarded a message to Hilary Straus, CHWD Assistant General Manager, which contained a Facebook post from Ricky Borba that read, "...come to this meeting and make \$40 if you speak on behalf..." Mr. Riehle commented that this was unsubstantiated and he cannot prove the information is correct nor is he trying, but he wanted the Board members to be aware that something went out since many people testified. In addition, he commented that if the Joint Board moves forward to Phase 2B then CHWD will receive answers to their questions and will be able to make a sound decision as to whether this is the appropriate action or not. SJWD Chair Costa commented that Mr. Riehle and Mr. Churchill informed him of the Facebook post and only one person did not testify after his announcement of such; therefore, SJWD Chair Costa inquired if either of them wanted to apologize to those who made public comments. Mr. Riehle commented that he was only relaying information that was brought to his attention. In response to SJWD Chair Costa's comment about getting paid or being intimidated to testify, Mr. Riehle responded that he encourages the public to attend board meetings and make comments and address issues.

SSWD Chair Schild thanked Mr. Riehle for his comments and stated that from the depth of the knowledge that some of the people have, it was pretty apparent that something was going on. Mr. Riehle commented that he would not say that of anyone and that he was just reporting what came from CHWD Assistant General Manager through the City Manager of Citrus Heights.

Mr. Dan Bills, SSWD Finance Director, addressed the Joint Board and commented that there is not a great depth of knowledge between attendees. He commented that FOWD President made a material misstatement in that the \$93 million in debt, that SSWD has, cannot and will not be distributed to other

rate payers of other districts. He informed the Joint Board that the debt is not controlled by the SSWD Board nor by LAFCo, but is controlled by the bond covenants with the bond holders. He commented that the agencies would have to maintain separate books.

SJWD Director Miller suggested that SSWD Chair Schild finish going through the names of those who requested to address the Joint Board before hearing from staff or other Board members as it is their right to be heard. SSWD Chair Schild agreed with SJWD Director Miller and inquired if any directors had questions or comments.

SSWD Director Locke voiced concern with the lack of support from the wholesale customer agencies and it is not addressed in the Phase 2B scope. He commented that there are concerns about the security of water supply, and as the process moves forward he fears that those concerns will manifest in lawsuits and drag the process out; therefore, if moving to Phase 2B then that needs to be one of the priorities to be investigated along with nullifying the concerns of the wholesale customer agencies.

***SSWD Director Wichert moved that Sacramento Suburban Water District suspend all work on the consolidation until SSWD can coordinate with the wholesale customers to ensure that this would be smooth and SSWD can evaluate the independent research that SSWD commissioned. SSWD Director Locke seconded the motion and it carried with 4 Aye votes and 1 No vote (Thomas).***

SSWD Vice President Thomas commented that it is important to have the town hall meetings and get more information out.

SSWD Chair Schild commented that there will not be a Phase 2B at this time, and SSWD will continue the work they have ongoing.

SJWD Chair Costa called for a motion. There were no motions.

SJWD Vice President Tobin commented that approximately 40 years ago when the State was suffering from droughts nothing was planned for at that time either, so she suggested that the public note down the names of those who don't want to do anything now so that in the future they will be better informed on how to vote for decision makers who have the public's best interest at heart. She thanked those who testified and commented that they should always have a voice and use it.

## **II. ADJOURN - SAN JUAN WATER DISTRICT**

SJWD Chair Costa adjourned the SJWD meeting at 8:27 p.m.

**III. ADJOURN – SACRAMENTO SUBURBAN WATER DISTRICT**  
SSWD Chair Schild adjourned the SSWD meeting at 8:27 p.m.

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EDWARD J. "TED" COSTA, President  
Board of Directors  
San Juan Water District

ATTEST:

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TERI HART  
Board Secretary

# AGENDA ITEM 2

## STAFF REPORT

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To: Sacramento Suburban Water District Board of Directors  
San Juan Water District Board of Directors

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

Date: June 25, 2015

Subject: Brief Chronology of Reorganization Discussions and Description of Phases

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### RECOMMENDED ACTION

Receive Information.

### BACKGROUND

In 2011, Sacramento Suburban Water District (SSWD) and San Juan Water District (SJWD), collectively Districts, mutually agreed to investigate opportunities to maximize the reliability of their water supplies. The Municipal Consulting Group, LLP (MCG) was retained to conduct a Phase 1 analysis. On April 28, 2014, MCG presented the final report of the Phase 1 analysis to the Joint Boards of Directors (Joint Boards). Based on the findings of Phase 1, MCG recommended to the Joint Boards that consolidation of the two Districts was preferable for providing increased water reliability benefits to customers of both Districts, and that a Phase 2 analysis of combining the two districts be performed. The individual Boards of both Districts accepted MCG's recommendation and directed the Water Management Ad Hoc Committee (2x2 Committee) to move forward with developing a Scope of Work and Budget for a Phase 2 Study, Further Analysis of Consolidating SSWD and SJWD.

Both Boards further directed the Phase 2 study be broken into two phases - 2A and 2B. Phase 2A would focus on key high level issues that Board members needed to evaluate in order to make a decision of whether or not to proceed with a Phase 2B analysis. Phase 2B would focus on other important issues or incomplete or unaddressed information needed to be prepared before applying to Local Agency Formation Commission (LAFCo) for merger consideration should the Boards decide to do so. In addition, the Boards directed that Phase 2A address major concerns of SJWD's wholesale customer agencies, including water supply reliability, as well as identify other potential benefits or impacts of consolidation such as cost saving opportunities and political influence. Full customer outreach was not anticipated as a component of the Phase 2A scope, instead a limited effort to obtain customer concerns by way of sampling 600 customers via a telephone survey was

conducted. Should the Boards decide to proceed to Phase 2B, a full outreach to all customer will be included in the scope.

### **CURRENT STATUS**

The Phase 2A report should not be considered a final report. Phase 2A was intended to accomplish as much work as possible within the \$100,000 budget allocated to the project. The completion of Phase 2A is effectively a milestone, not a completed report. After completion of the work effort for Phase 2A, the Boards are to consider whether or not to complete a final Phase 2 report that includes more detailed analysis and information that would be needed to make the decision whether or not to submit a resolution to LAFCo to initiate reorganization proceedings.

The Boards are now at the point of making the decision on whether or not to proceed and finish the Phase 2 analysis and develop a final Phase 2 report. If the Boards elect to proceed, the deliverable from the Phase 2B process will be a final report that includes all the subjects analyzed, evaluated, and reported on, including addressing and/or responding to the comments provided at the end of Phase 2A.

If the Boards elect to continue, any decisions on applying to LAFCo for the reorganization would not be made until after the completion of Phase 2. The process of applying to LAFCo would be Phase 3.

# Chronology of Reorganization and Descriptions of Phases

Keith Durkin  
SJWD Assistant General Manager

June 25, 2015



# Topics

- Background leading up to study
- Descriptions of Phases
  - Phase 1
  - Phases 2 A&B
  - Phase 3
- Items for Discussion Tonight

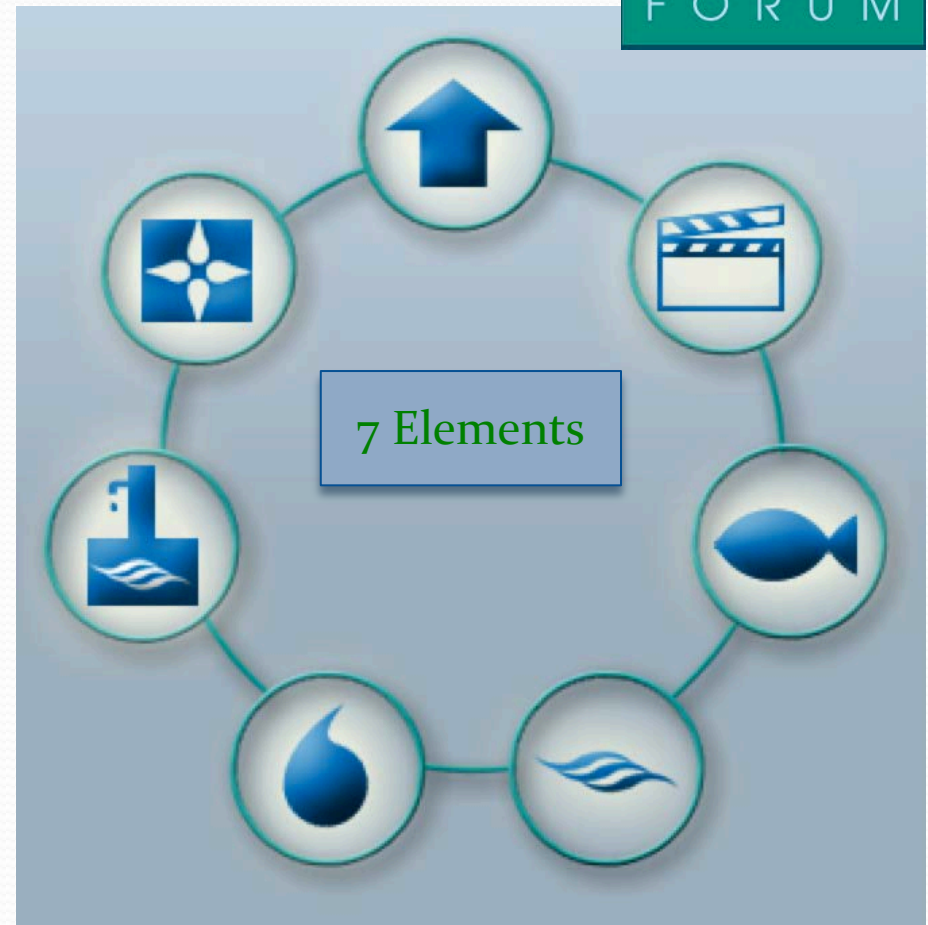
# Background

- SJWD and SSWD are considering Reorganizing the two agencies for better water management, potential efficiency in operations and more leverage on statewide issues
- To Date the Effort has Spanned Nearly 4 Years
- Regional Planning has been in place to encourage this activity for over a decade.....

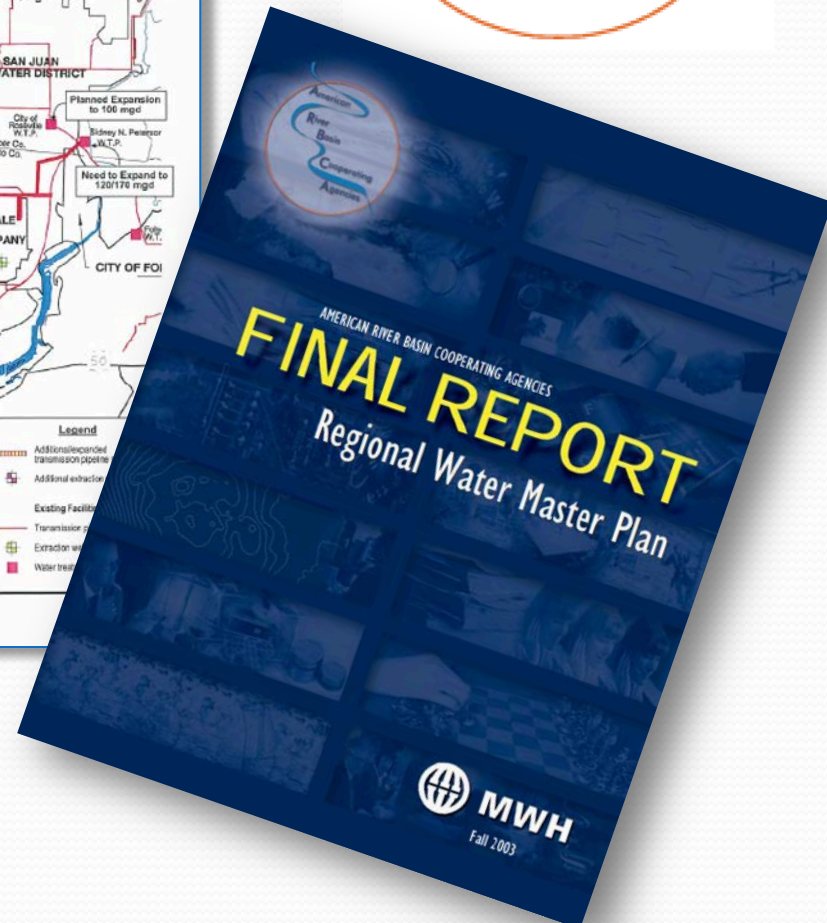
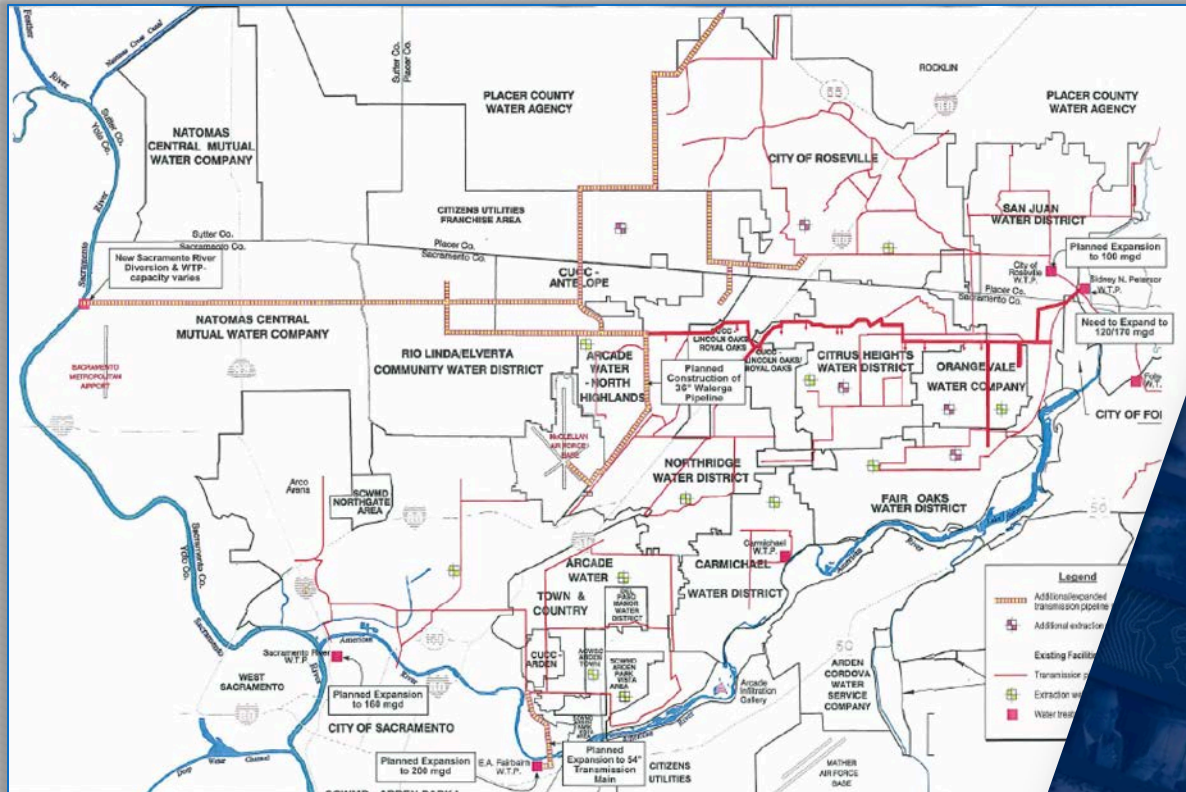
# 2000 Water Forum Agreement



1. **Increased Surface Water Diversions;**
2. Actions to meet customer needs while **reducing diversion impacts in drier years;**
3. Support for Improved pattern of fishery flow releases from Folsom Reservoir;
4. Lower American River habitat management;
5. Water conservation;
6. **Groundwater management;** and
7. Water Forum Successor Effort



# The 2003 Regional Plan



# Phase 1

- SJWD and SSWD initiated conversations to identify possible functional reorganizations in 2011:
  - increase efficiency and effectiveness
  - functional items, such as purchasing, outsourcing, sharing of staff, etc.
- Joint Board meeting in March 2013 to discuss opportunities for improvements in regional water management, resource sustainability, and long-term water supply reliability:
  - Do nothing
  - Increase interagency cooperation
  - Consider organizational changes up to and including potential agency reorganization
- Initiated a Phase 1 Study

# Phase I Study

- Very high level study focused on water resource management
- Three options for BETTER WATER MANAGEMENT identified and studied:
  - Option 1 – continue as separate agencies without changes to water supply or outside agency approvals
  - Option 2 – remain separate agencies, but share resources through agreements that require outside agency approvals
  - Option 3 – Reorganizing the two districts



# Phase I Recommendation

- Option 3 – Reorganization
  - Best For Water Management Between Agencies
  - Districts Have Complementary Assets
  - Using Assets Provide Significant Method For Achieving Water Supply Reliability For Both Districts
  - No Fatal Flaws Identified
- Joint Board Meeting – April 28, 2014
  - Phase 1 Study Accepted
  - Phase 2 Study Approved

# Phase 2

- Joint Board Meeting – April 28, 2014
  - Phase 2 Study Divided into Part A and B
  - 2x2 Committee Instructed To Manage Phase 2A
  - End of 2A is a milestone; Go/No Go Decision
  - Phase 2 report at end of Phase 2B
- 2x2 Committee developed the Phase 2A Study Process:
  - Scope-of-Work
  - Budget \$100,000
  - Equal Cost Sharing MOA
  - Hired Mr. John O'Farrell as Principal Consultant
  - Hired MMS Strategies to Conduct Messaging/Outreach



# Phase 2A Study

- Scope of Work Included:
  - Focused, methodical, and transparent effort
  - Summarize findings, recommendations of Phase 1
  - High level analysis of merger
    - Formation
    - Governance
    - Board of Directors
    - Administration
    - Staffing
    - Customer Assurance
    - Stakeholder outreach and customer polling

# Phase 2A Analysis (continued)

- Scope of Work did not have budget to include:
  - Customer Outreach
  - Performa Financial Analysis
  - Human Resource Analysis
  - District Operations
  - Water Operation Plans
- This Scope to be covered if Phase 2B Go Decision is made

# Phase 2A Results

- Phase 2A results:
  - Summary of Phase 1 benefits
  - Identification of stakeholder issues and concerns
  - Description of existing districts structure and data
  - Elements of possible restructuring
  - Type of restructured district
  - Potential model reorganized district organizational structure
  - Possible water management strategies
  - Affect on customers

# Summary of Phases

- Years of Planning
- Initial Discussions for efficiency
- Phase 1 Water Management
- Phase 2 Study of Reorganization
  - Phase 2A – first milestone
  - Phase 2B (if approved) –
    - completion of more detail analysis
    - Phase 2 Report
    - Very detailed Resolutions of Application to LAFCO
- Phase 3 LAFCO Application

# Next Items for Discussion

Description of process up through Phase 2A milestone

- Consultant Report
  - Milestone draft report content
  - Comments
- Staff Presentation/Report
  - Comments received
  - addressing and/or responses to the comments provided at the end of Phase 2A included in Phase 2B
- Public Comment
- Boards consideration of motion to accept milestone draft report back document

# Next Items for Discussion (2/2)

## Description of Proposed Phase 2B Analysis

- Scope of Work
- Budget
- Amendment to Memorandum of Agreement on Cost Sharing (MOA)
- Public Comment
- Consider Motion to Approve Phase 2B Scope of Work, Budget and MOA
- If Necessary, Consider Setting Future Joint Board Meetings on the Following Dates:



Questions?

# Brief Chronology and Description of Phases

Shauna Lorance  
SJWD General Manager

June 25, 2015



# What Am I Talking About?

- Background leading up to study
- Descriptions of Phases
  - Phase 1
  - Phase 2 A&B
  - Phase 3
- Remaining Items for Discussion Tonight

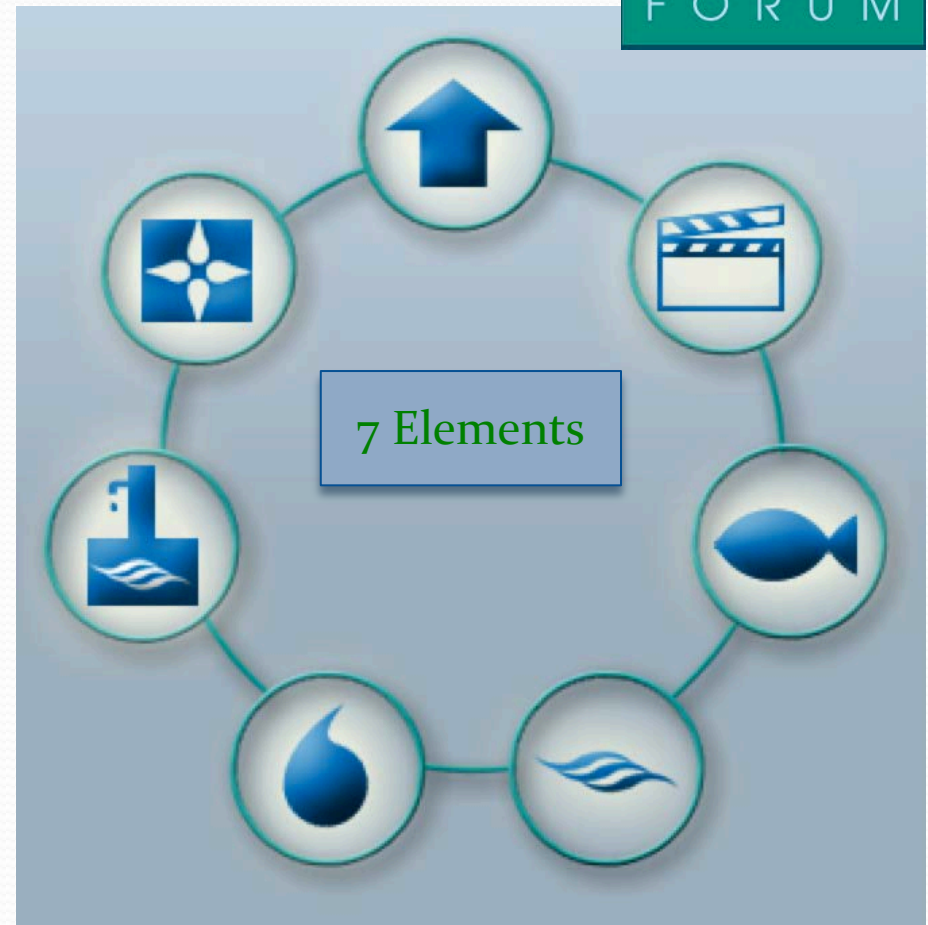
# Background

- SJWD and SSWD are considering Reorganizing the two agencies for better water management, potential efficiency in operations and more leverage on statewide issues
- To Date the Effort has Spanned Nearly 4 Years
- Regional Planning has been in place to encourage this activity for over a decade.....

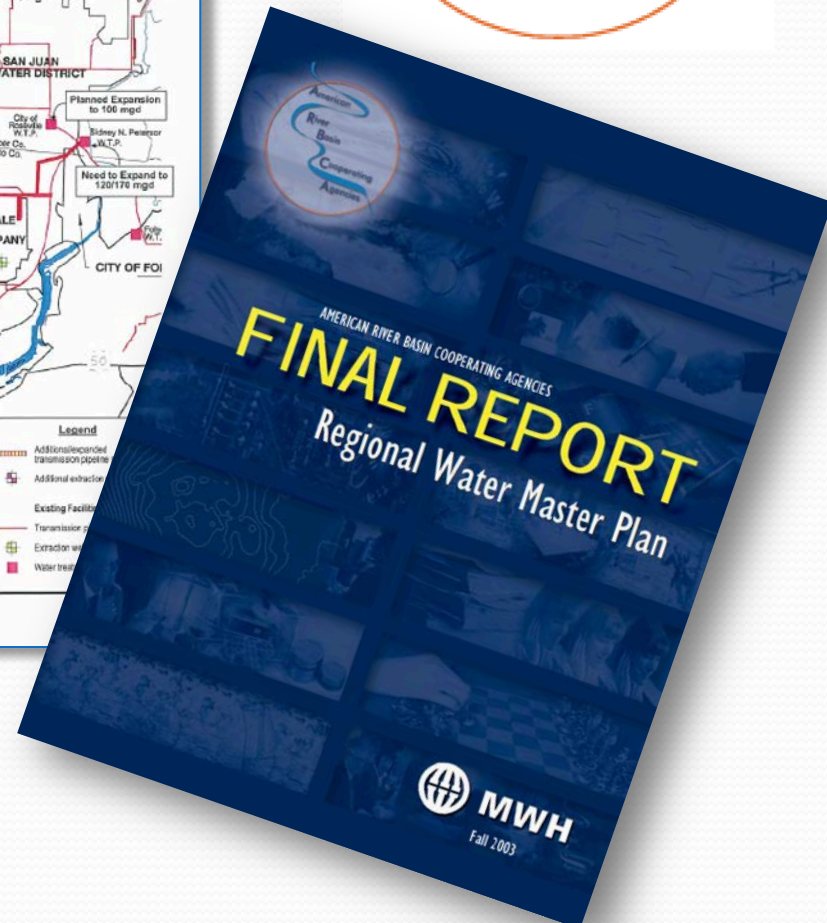
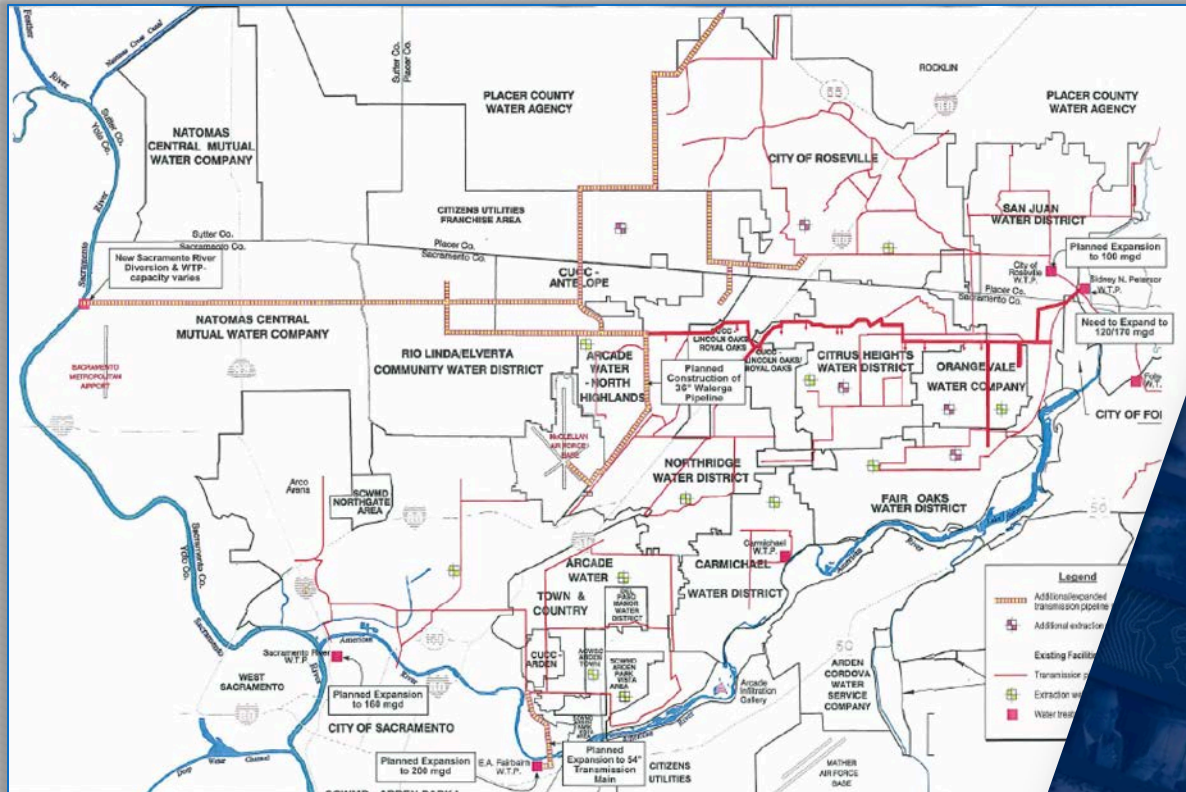
# 2000 Water Forum Agreement



1. **Increased Surface Water Diversions;**
2. Actions to meet customer needs while **reducing diversion impacts in drier years;**
3. Support for Improved pattern of fishery flow releases from Folsom Reservoir;
4. Lower American River habitat management;
5. Water conservation;
6. **Groundwater management;** and
7. Water Forum Successor Effort



# The 2003 Regional Plan



# Phase 1

- SJWD and SSWD initiated conversations to identify possible functional reorganizations in 2011:
  - increase efficiency and effectiveness
  - functional items, such as purchasing, outsourcing, sharing of staff, etc.
- Joint Board meeting in March 2013 to discuss opportunities for improvements in regional water management, resource sustainability, and long-term water supply reliability:
  - Do nothing
  - Increase interagency cooperation
  - Consider organizational changes up to and including potential agency reorganization
- Initiated a Phase 1 Study

# Phase I Study

- Three options for better water management and improved water supply reliability identified and studied:
  - Option 1 – continue as separate agencies without changes to water supply or outside agency approvals
  - Option 2 – remain separate agencies, but share resources through agreements that require outside agency approvals
  - Option 3 – Reorganizing the two districts



# Phase I Recommendation

- Option 3 – Reorganization
  - Best For Water Management Between Agencies
  - Districts Have Complementary Assets
  - Using Assets Provide Significant Method For Achieving Water Supply Reliability For Both Districts
  - No Fatal Flaws Identified
- Joint Board Meeting – April 28, 2014
  - Phase 1 Study Accepted
  - Phase 2 Study Approved

# Phase 2

- Joint Board Meeting – April 28, 2014 (continued)
  - Phase 2 Study Divided into Part A and B
  - 2x2 Committee Instructed To Manage Phase 2A
  - End of 2A is a milestone, an opportunity to review issues to-date, and a possible off-ramp; Phase 2 report at end of Phase 2B
- 2x2 Committee developed the Phase 2A Study Process:
  - Scope-of-Work
  - Budget \$100,000
  - Equal Cost Sharing MOA
  - Hired Mr. John O'Farrell as Principal Consultant
  - Hired MMS Strategies to Conduct Messaging/Outreach



# Phase 2A Study

- Scope of Work Focused Available Funding on:
  - Methodical, and transparent effort
  - Summarize findings and recommendations of Phase 1
  - High level analysis of a potential merger
    - Formation
    - Governance
    - Board of Directors
    - Administration
    - Staffing
    - Customer Assurance
    - Stakeholder outreach and customer polling

# Phase 2A Analysis (continued)

- Scope of Work for Phase 2A Deferred Several Issues to Phase 2B, Should Both Boards Elect to Continue. These Included:
  - Individual Customer Outreach
  - Performa Financial Analysis
  - Human Resource Analysis
  - District Operations
  - Water Operation Plans

# Phase 2A Results

- Phase 2A results:
  - Summary of Phase 1 benefits
  - Identification of stakeholder issues and concerns
  - Description of existing districts structure and data
  - Elements of possible restructuring
  - Type of restructured district
  - Potential model reorganized district organizational structure
    - Initial
    - Transitional
    - New

# Summary of Phases

- Years of Planning
- Initial Discussions for efficiency
- Phase 1 Water Management
- Phase 2 Study of Reorganization
  - Phase 2A – first milestone
  - Phase 2B (if approved) – completion of more detail analysis and final Phase 2 report
- Phase 3 (if approved) LAFCO Application

# Next Items for Discussion

Description of process up through Phase 2A milestone

- Consultant Report
  - Milestone report content
  - Comments
- Staff Report
  - Comments received
  - addressing and/or responses to the comments provided at the end of Phase 2A used to form the scope for Phase 2B
- Public Comment
- Boards consideration of motion to accept milestone report back document

# Next Items for Discussion (cont.)

## Description of Proposed Phase 2B Analysis

- Scope of Work
- Budget
- Amendment to Memorandum of Agreement on Cost Sharing (MOA)
- Public Comment
- Consider Motion to Approve Phase 2B Scope of Work, Budget and MOA
- If Necessary, Consider Setting Future Joint Board Meetings on the Following Dates:



Questions?

# AGENDA ITEM 3

## STAFF REPORT

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To: San Juan Water District Board of Directors  
Sacramento Suburban Water District Board of Directors

From: John O'Farrell, John O'Farrell & Associates  
Michelle Smira-Brattmiller, MMS Strategies  
Robert Roscoe, SSWD General Manager  
Shauna Lorange, SJWD General Manager

Date: June 25, 2015

Subject: Interim Phase 2 Report: Final Phase 2A Analysis

---

### RECOMMENDED ACTION

Accept John O'Farrell & Associates Phase 2A Report.

### BACKGROUND

At the December 16, 2014 Joint Board meeting, the Board's reviewed a preliminary draft of the Phase 2A Report. Subsequent to the Joint Board meeting, and under the direction of the Water Management Ad Hoc Committee (2x2 Committee), John O'Farrell & Associates, MMS Strategies, and SSWD and SJWD staff continued to finalize the report within the budget the Joint Board's had established. In addition, over 50 meetings were held with stakeholders and a telephone survey was conducted of 600 customers (300 from each district) for the purpose of obtaining customer concerns on water and district issues.

On March 26, 2015 a Public Comment Version of the Draft Phase 2A Report was submitted to the 2x2 Committee for review and approval for soliciting public comments thereon. The 2x2 Committee approved releasing the Draft Report for public comment, which was publicized with press releases, website displays and copies made available at all local libraries. Comments were received until June 5, 2015.

A total of eighteen (18) responses were received from the public (see either District's website for the full text of comments received). Eleven (11) were from SSWD customers, including one director, four (4) from SJWD customers (including Citrus Heights Water District, City of Folsom and Fair Oaks Water District), two (2) from neighboring water agencies (Del Paso Manor Water District and Carmichael Water District) and one (1) from a water industry professional. The vast majority of comments from respondents pertained to issues not addressed by the study as opposed to necessary or recommended changes to the report itself. Comments received ranged from a thorough and comprehensive editorial



review with suggested annotated changes to the entire document, to valid questions that need further review, to simple critiques of the report as the commenters did not agree with the basis of authors' findings and conclusions.

The Final Phase 2A Report has validated the findings of the Municipal Consulting Group (MCG) Phase 1 report. It covers each and every one of the issues set forth in the original work program and outlined for the Phase 2A effort. The Phase 2A report provides a snapshot of the two districts and how they operate and are structured today, their history, water sources and water rights, contractual obligations, staffing, governance, and enabling legislation. If the districts combine, some of these needs and costs can be deferred or spread over a large base. Phase 2A analyzes how the districts might complement one another through shared resources and synergies created by the larger district.

The Draft Phase 2A report contained preliminary findings, recommendations, including next steps. The official release of the Draft Phase 2A report was designed to inform the various stakeholders of the preliminary findings and provide an opportunity for review and comment. Since the release of the report on March 26, 2015, a number of local and state actions have placed more emphasis on the importance of water conservation and management and the need for effective conjunctive use. State legislative action is also being considered to remove the fifty year old process of reorganizing water agencies from local control through county Local Agency Formation Commissions and placing authority to force consolidation of water system with the State Water Resources Control Board.

The Final Phase 2A report concluded: no fatal flaws, reorganization makes sense and recommends moving forward, toward a future decision point on proceeding to the Sacramento LAFCo for a third level of review and analysis before a reorganization could be approved. I believe reorganization of the Sacramento Suburban and San Juan water districts remains the proper and responsible recommendation, but, before that occurs, there are a number of issues remaining to be clarified resulting from comments received. That would be the focus of a Phase 2B as was originally envisioned when Phase 2 was bifurcated into a Phase 2A and a Phase 2B.

There are also some areas of inquiry that are not within the purview of additional analysis at this time. If a future reorganized Board of Directors is desirous of pursuing various additional lines of inquiry, they may choose to do so. Therefore, it is recommended that relevant issues identified by staff and raised by commenters can be addressed in a Phase 2B report. Ultimately, the Phase 2A and 2B reports will be combined into a Final Phase 2 report with a recommendation to move forward to Sacramento LAFCo or not.

# INTERIM PHASE 2 REPORT: FINAL PHASE 2A ANALYSIS OF MERGING SJWD AND SSWD

John O'Farrell  
Consultant  
June 25, 2015

# Folsom Lake - 2011



# Folsom Lake – January 2014



# EXECUTIVE SUMMARY

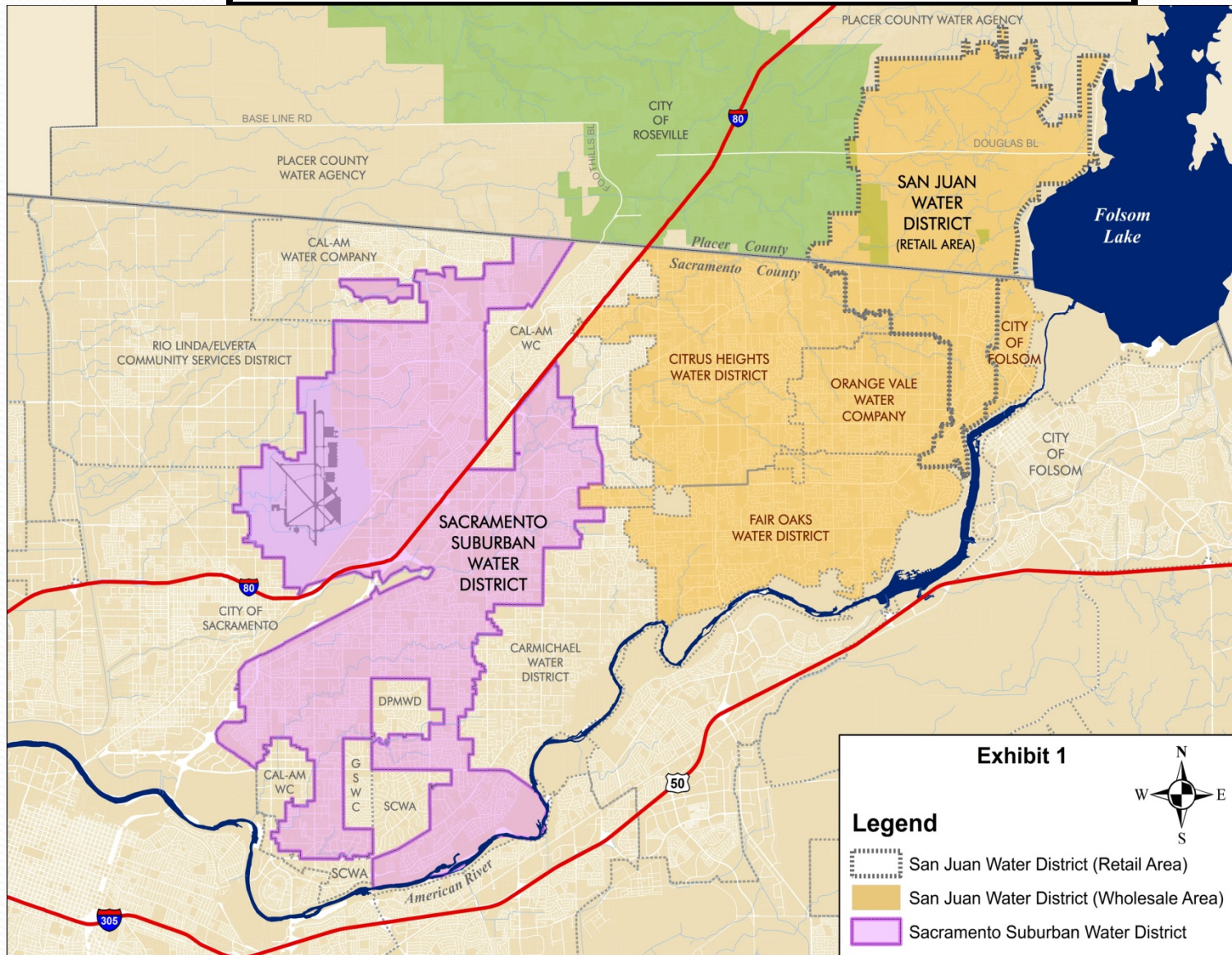
1. Introduction
2. Setting
3. Benefits of the Reorganization
4. Findings
5. Conclusions
6. Recommendations



# Introduction

1. Phase 2A Review Directed by District Boards on April 28, 2014
2. Purpose of Phase 2A review:
  - a. Vet and Validate findings, recommendations of Phase 1 technical analysis
  - b. Provide sufficient information to Ad Hoc 2x2 Committee, Executive Team and Joint Boards
  - c. John O'Farrell & Associates retained to lead and guide the effort
  - d. Michelle Smira-Brattmiller and Marilyn Wright of MMS Strategies retained to help formulate communication strategy

# Setting Existing District Boundaries



# Setting (cont)

## SAN JUAN WATER DISTRICT

	RETAIL		WHOLESALE CUSTOMER AGENCIES					
	SJWD RETAIL	CHWD	FOLSOM ASHLAND AREA	FOWD	OVWC	TOTAL WHOLESALE AGENCIES		TOTAL
<b>Population (1)</b>	<b>31,009</b>	<b>67,333</b>	<b>4,100</b>	<b>38,449</b>	<b>18,154</b>	<b>128,036</b>		<b>159,045</b>
<b>Connections</b>	<b>10,500</b>	<b>19,591</b>	<b>981</b>	<b>13,737</b>	<b>5,545</b>	<b>39,854</b>		<b>50,354</b>
<b>Total Homes (1)</b>	<b>12,136</b>	<b>25,268</b>	<b>2,165</b>	<b>16,702</b>	<b>7,219</b>	<b>51,354</b>		<b>63,490</b>
<b>Registered Voters</b>	<b>20,179</b>	<b>31,294</b>	<b>2,672</b>	<b>22,889</b>	<b>9,217</b>	<b>66,072</b>		<b>86,251</b>
<b>Placer County</b>	<b>14,572</b>							
<b>Sacramento County</b>	<b>5,607</b>							
<b>Annual Operating Budget</b>	<b>\$12.7 M</b>							
<b>Annual Capital Projects Budget</b>	<b>\$13.4 M</b>							
<b>Full-Time Employees</b>	<b>45</b>							
<b>Miles of Pipeline</b>	<b>214</b>							
<b>Water Treatment Plant</b>	<b>150 MGD</b>							
<b>Wells</b>	<b>-0-</b>							

1) Population and Housing numbers are from 2010 Census per SACOG



# Setting (cont)

<b>SACRAMENTO SUBURBAN WATER DISTRICT</b>	
	<b>TOTAL</b>
Population (1)	173,012
Connections	46,112
Total homes (1)	74,575
Registered Voters	79,001
Annual Operating Budget	\$18.0 M
Annual Capital Projects Budget	\$19.4 M
Full-Time Employees	62
Miles of Pipeline	698
Wells	82

1) Population and Housing numbers are from 2010 Census per SACOG

# Benefits of the Merger

1. Water Rights
  - Perfecting Beneficial Use
2. Water Assurance
  - More Effective Water Management and Reliability
3. Water Transfers
  - Improved Conjunctive Use; Value of Unused Asset
4. Infrastructure
  - Maximize Potential of Existing and Future Infrastructure Planning
5. Economies and Efficiency
  - Stronger Organization Top-To-Bottom
6. External Affairs
  - Stronger Voice and Influence Regionally and Statewide

# Findings

1. State Oversight and Intervention
  - Heightened Interest in Water Rights, Contracts
  - State Assumption of Water Utility Reorganizations
2. Climate Change and the Environment
  - 20<sup>th</sup> Century Weather an Anomaly?
3. Sacramento County and the Region
  - 21 Different Agencies Responsible for Water in Sacramento County
4. Culture of SSWD and SJWD
  - SSWD and SJWD are Taking a Broad View – Looking Beyond Historic Boundaries
5. Stakeholder Interviews
  - Questions, Observations, Impressions

# Findings (cont)

## 6. Synergies

- Perfecting Beneficial Use, More Effective Management of Contractual Water, Maximize Value of Unused Asset, Ability to Comprehensively Plan for Needed Improvements and Infrastructure

## 7. Greater Economy and Efficiency of the Combined Organization

- Stronger Management, Depth, Specialization, Ability to Defer Some or Mitigate Cost of New Personnel, Sharing of Facilities, Greater Ease of Rate Stabilization

# Phases of Review

1. Phase 1: Technical
2. Phase 2A: Organizational
3. Phase 2B: Additional Organizational and Issue Analysis
4. Phase 3: Statutory/LAFCo Consideration

# Communication and Outreach

## 1. Identification of Issues

- Water Cost, Quality, Dependability, Access, Organization and Governance, Debt, Reserves, Rates

## 2. Stakeholders

- Customers, Public, State, and Federal Agencies, Boards of Directors, Executive Staff, Employees

### a. Interviews

- 2x2 Ad Hoc Committee, Boards, Wholesale Agencies, Cities, Counties

### b. Comments and Questions

- Phase 1, Phase 2A, Hypothetical District, Political and Organizational Structure, Cost, Rates, Contracts, Budget, Finance

## 3. Summary of Concerns from Initial Outreach and Interviews

- Pages 25 – 31, All in Alignment with Original Issues Identified in Phase 1 and Questions Raised During Phase 2A

# Districts – Current Structure

## 1. SJWD

a. Executive Management

b. History

- Formed in 1954 as a CSD by Citizens of Citrus Heights, Fair Oaks, Orangevale, Folsom and South Placer County

c. Water Rights

- Pre 1914, From North Fork Ditch Company (1854)

d. Wholesale Service Area

- CHWD, FOWD, OVWC and North Folsom

e. Retail Service Area

- North Folsom, Orange Vale, Granite Bay and East Roseville

# Districts – Current Structure (cont)

## 1. SSWD

a. Executive Management

b. History

- Formed in 2002 by Merger of AWD and NWD

c. Water Supply

- Ground Water Drawn from 82 Wells, Contracts for Surface Water – PCWA and City of Sacramento

d. Retail Service Area

- Antelope, North Highlands, Arden-Arcade, Citrus Heights



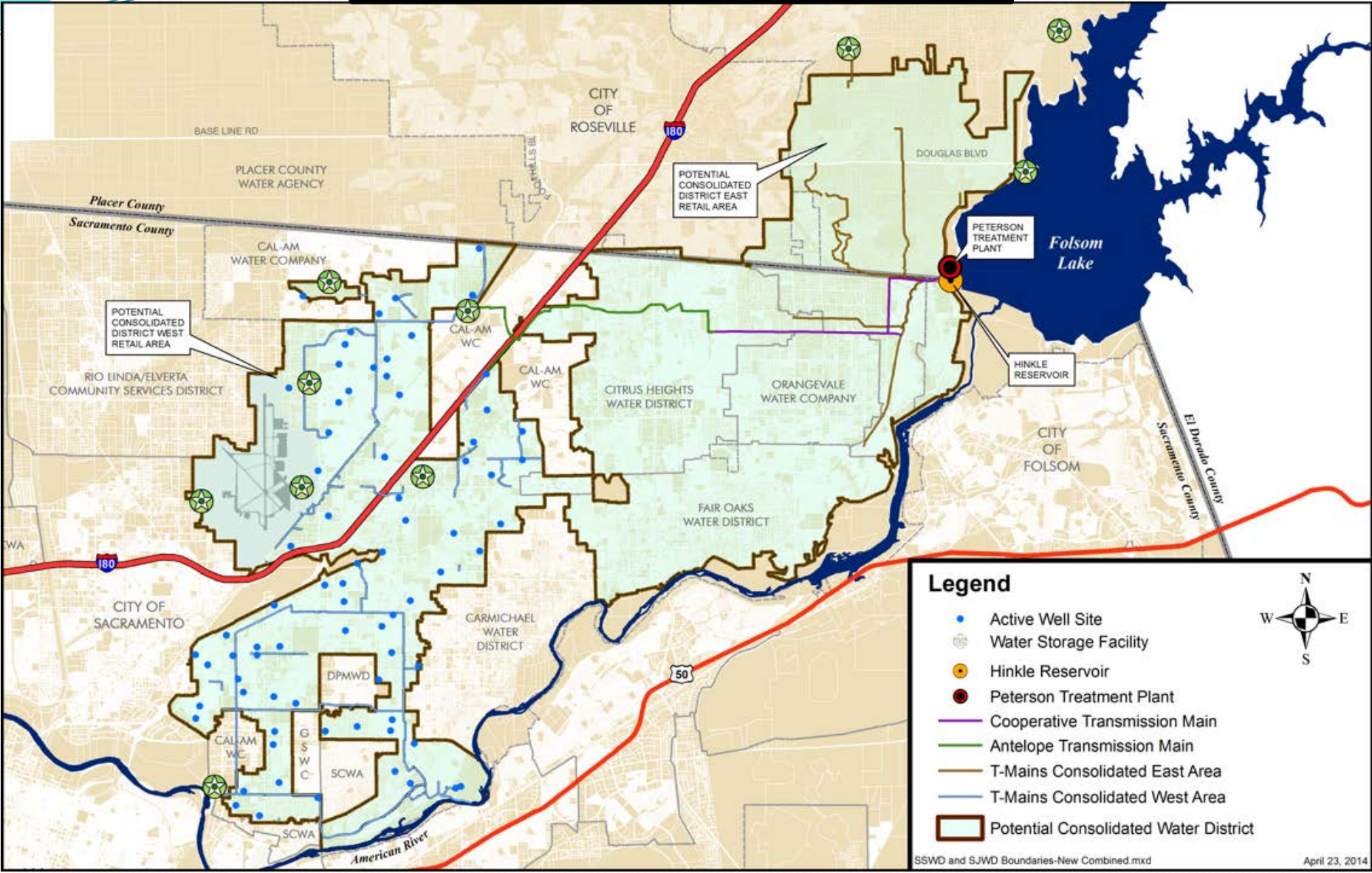
# Governmental Restructuring

1. Consolidation Vs. Reorganization
  - Why Reorganization?
2. Community Services District Vs. County Water District
  - Advantages/Disadvantages
3. Successor Agency
  - San Juan Suburban Water District Community Services District

# Governmental Restructuring (cont)

1. Hypothetical Model Reorganized District
  - Communities, Population, Customers Served, Demographics
2. Board of Directors
3. Organizational Charts
  - Transitional Structure
  - Executive Management

# Water Supply Sources



**Legend**

- Active Well Site
- ★ Water Storage Facility
- Hinkle Reservoir
- Peterson Treatment Plant
- Cooperative Transmission Main
- Antelope Transmission Main
- T-Mains Consolidated East Area
- T-Mains Consolidated West Area
- ▭ Potential Consolidated Water District



# Model Reorganized District

## RETAIL

	SSWD	SJWD*	TOTAL RETAIL
Population (1)	173,012	31,009	204,021
Connections	46,112	10,500	56,612
Total homes (2)	74,575	12,136	86,711
Registered Voters	79,001	20,179	99,180
Population Density (per square mile)	4,676	1,887	3,798
* SJWD Retail is also a wholesale customer agency.			
** SJWD Retail excluded for presentation purposes.			
*** FOWD confirmed number of connections only.			

## WHOLESALE CUSTOMER AGENCIES

CHWD ****	FOLSOM ASHLAND AREA	FOWD ***	OVWC	TOTAL WHOLESALE AGENCIES **
67,333	4,100	38,449	18,154	128,036
19,591	981	13,737	5,545	39,854
25,268	2,165	16,702	7,219	51,354
31,294	2,672	22,889	9,217	66,072
5,673	2,622	4,065	3,778	4,606
**** Population and connections per CHWD.				

### SOURCE: SACOG

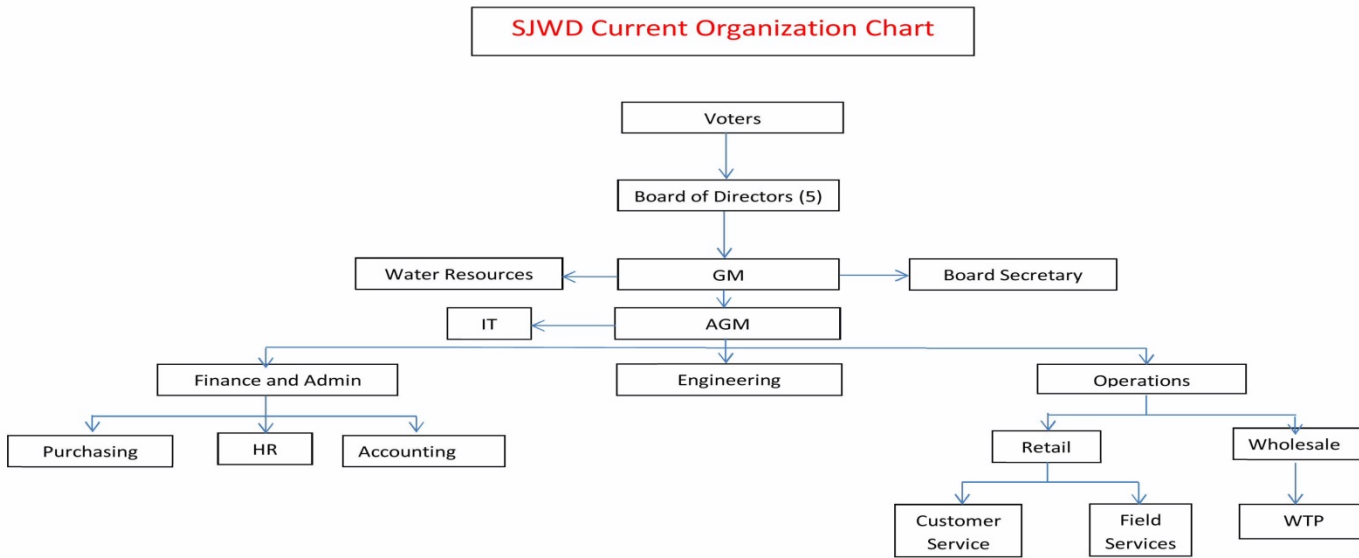
(1) Population numbers are from 2010 Census, calculated using blocks for best fit to water agency boundaries. Population density is calculated from this total using the total square miles of each agency.

(2) Housing numbers are from 2010 Census, calculated using blocks for best fit to water agency boundaries. "Homeowners represent those who own the dwelling they occupy, either with a mortgage or free and clear.

# Governance and Directors

1. Transition Board
  - Between LAFCo Approval and Effective Date
2. Interim Board
  - LAFCo Authority and Temporarily Expanded Board (GC 61030)
3. Final Board
  - Legislation to Change Number and Serve By Division (5, 7, 9, ?)

# Organizational Chart - SJWD

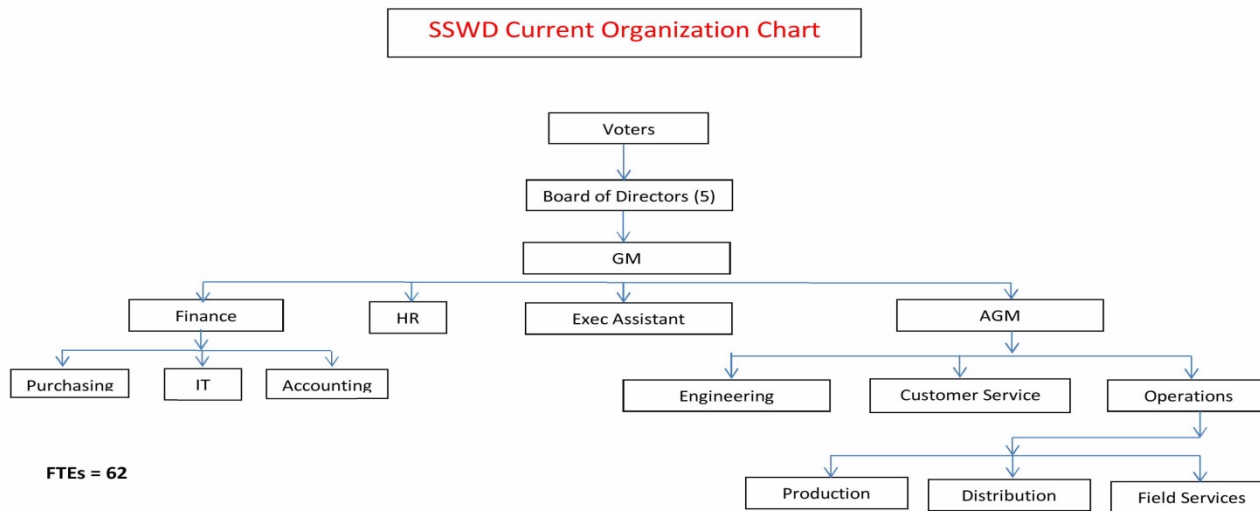


**FTES = 45**

June 25, 2015

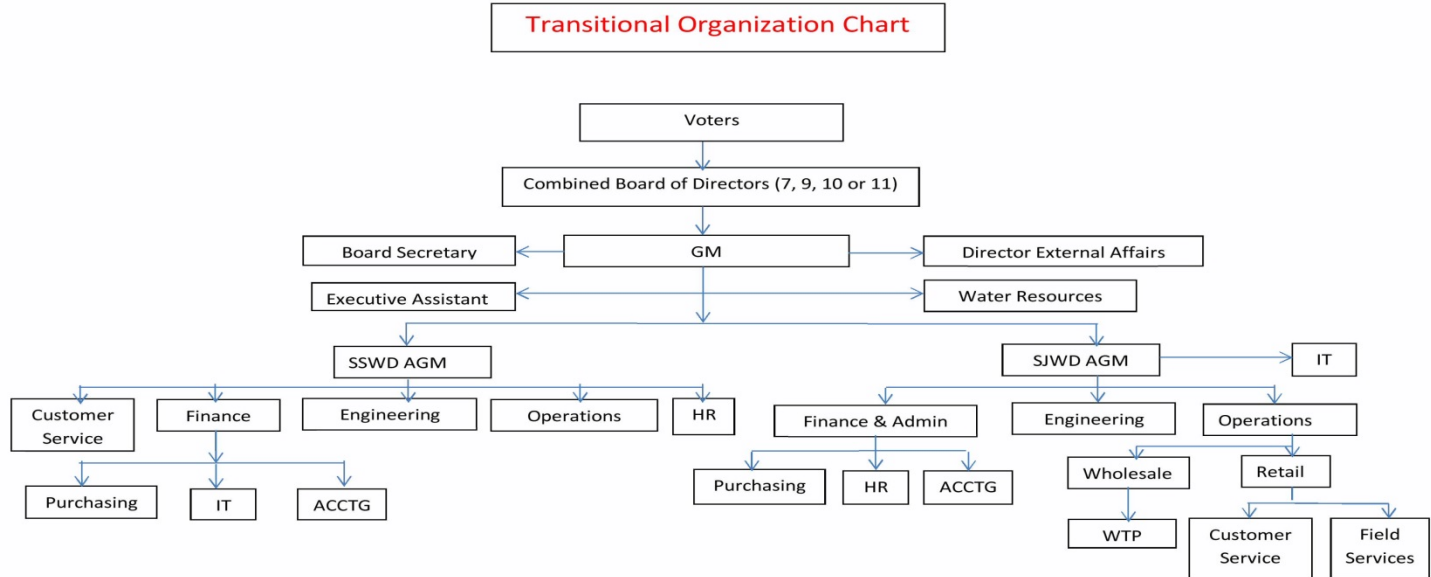


# Organizational Chart - SSWD



June 25, 2015

# Org Chart - Transitional



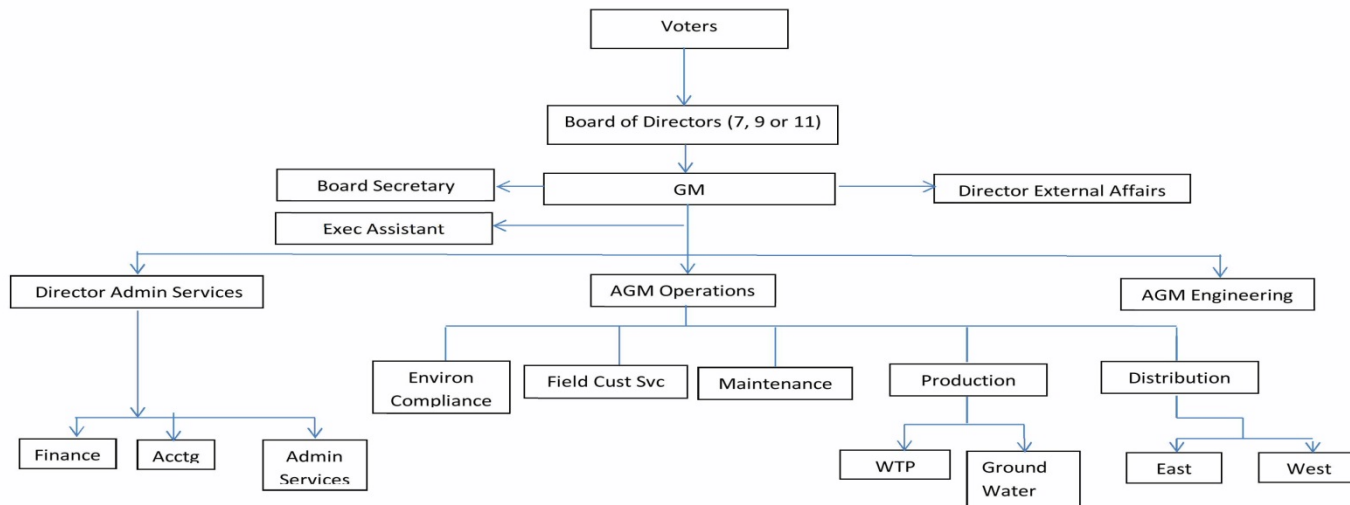
FTEs = 107

June 25, 2015



# Org Chart – After Reorganization

Reorganized District Organization Chart



FTEs = 107

June 25, 2015

# Financial Picture

## 1. Comparative Financial Information:

\$ in Millions		
	SJWD	SSWD
Assets	\$121.1	\$319.7
Deferred Outflows	0.3	9.3
Liabilities	46.8	108.7
Net Position	74.6	220.3
Operating Revenue	\$15.9	\$38.9
Operating Expenses	17.7	26.9
Change in Net Position	\$(0.6)	\$11.6

2. Until Debt Refinanced, 3 Separate Sets of Books
3. Current Debt and Reserves Attributed to Existing Service Areas

# How Reorganization will affect Customers

1. There Will No Change In The High Standard Of Customer Service Enjoyed In Each Of The Districts Today
2. Districts - Water Reliability
  - Use of Pre 1914, CVP Water, Conjunctive Use Plan
3. Residential and Business Customers
  - How Merger Will Affect Residential Customers: there will no change in rates, bills will be paid the same, in person, by mail or electronically to each of the district offices
4. Wholesale Agencies
  - Retain Financial and Reliability Benefit of Pre 1914 Water
  - Contracts Unaffected
5. Impact on Other Agencies
  - Reorganization Confined to SJWD and SSWD.
  - Does not Include any Other Special Districts
6. Employees
  - Principles will be Developed to During Phase 2B to Address Job Status, Salaries and Benefits

# External Affairs

1. Expanded and Strengthened
  - Voice and Influence Locally, Regionally, Statewide
2. Legislative Issues
3. Regulatory Issues

# Lessons Learned from AWD/NWD

1. Conduct Evaluation Prior to Merger Decision
  - a. Analyze Combined Finances
  - b. Analyze Impact to Customers
  - c. Analyze Employee Salaries and Benefits
  - d. Analyze Impact to Other Agencies
2. Do not prescribe decisions of future Boards

# Recommendations

1. Respond to relevant comments on Phase 2A Draft Report generally in the following areas: finance, budget, fiscal, rate structures; human resources principles, organizational structure, staffing, salary and benefits; water management and operations; customer service and operations. Prepare an addendum Phase 2B Report to respond to relevant comments and questions raised on Draft Phase 2A Report and other issues as may be raised by Boards of Directors during the Phase 2B work program.
2. Develop and implement a customer outreach program that places greatest emphasis on actual consumers of water and ratepayers via neighborhood, community and town hall meetings, electronic and conventional “mailings”
3. Set a timeline for completed Phase 2B work, including milestone “check-in” dates for Joint Board of Director meetings for progress reports.
4. Approve a budget and scope of work for moving forward.

# Phase 3

(Future Steps will Occur One-At-A-Time; With Opportunity for Review, Comment and Direction)

1. Major Steps
  - a. Apply to LAFCo to Reorganize
2. Necessary Tasks
  - a. Submit Supporting Material to Further Need to Reorganize (phase 1, phase 2a reports, updated MSR, requested terms and conditions of reorganization)
3. Approval Process
  - a. LAFCo Staff Review and Recommendation, Public Hearing, LAFCo Approval with Necessary Conditions

# Proposed Phase 2B Analysis and Budget

Rob Roscoe  
SSWD General Manager

June 25, 2015



# Proposed Phase 2B Scope

- Respond to Comments Received from Phase 2A
- Financial Issues
- Human Resource Issues
- Water Operation Issues
- Operations Issues
- Customer Outreach
- Phase 2 Report

# Proposed Phase 2B Scope (cont)

- Directed by Joint Boards of Directors
- Termination:
  - Similarly Worded Resolutions
  - ~ October 31, 2015
- Use of Outside Consultants:
  - Program Manager
  - Public Outreach
  - Financial
  - Human Resources
  - Operations
  - Legal
  - Report Preparation and Administrative

# Proposed Phase 2B Budget

Consultant/Task	Proposed Cost
Program Manager	\$30,000
Public Outreach	120,000
Financial Issues	30,000
Human Resource Issues	20,000
Operations Issues	50,000
Legal (1)	10,000
Report & Administrative	<u>40,000</u>
<b>TOTAL</b>	<b><u>\$300,000</u></b>

(1) For preparation of LAFCo Application Resolutions. Does not include individual District's legal review of consolidation process.



Questions?