

**JOINT BOARD MEETING  
OF THE  
SAN JUAN WATER DISTRICT AND SACRAMENTO SUBURBAN WATER DISTRICT  
BOARD OF DIRECTORS**

**June 18, 2013  
6:30 p.m.**

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

The Board may take action on any item on the agenda, including items listed on the agenda as information items. The Board may add an item to the agenda (1) upon a determination by at least three Board members that an emergency situation exists, or (2) upon a determination by at least four Board members (or by three Board members if there are only three Board members present) that the need to take action became apparent after the agenda was posted.

The public may address the Board concerning an agenda item either before or during the Board's consideration of that agenda item. Public comment on items within the jurisdiction of the Board is welcome, subject to reasonable time limitations for each speaker. Upon request, agenda items may be moved up to accommodate those in attendance wishing to address that item. Please inform the General Manager. Times on the agenda are estimates, and items may be discussed at a different time than listed.

In compliance with the American's with Disabilities Act, if you have a disability and need a disability-related modification or accommodation to participate in this meeting, please contact the SJWD Board Secretary at 916-791-6905 or SSWD Human Resources at 916-679-3972. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

**I. Joint Discussion on Water Management Opportunities**

*Opportunities for Improvements in Regional Water Management, Resource Sustainability, and Long Term Water Supply Reliability*

Board members of both San Juan Water District and Sacramento Suburban Water District are expected to review the progress of the joint 2x2 Water Management Ad Hoc Committee formed in 2011. Discussion of various options for continuing dialog between the two agencies ranging from "do nothing" to "increase interagency cooperation" to "consider organizational changes up to and including potential agency consolidation" is expected, including direction to staff on future steps.

1. Review of Alternatives
2. Discussions
3. Consider approval of Issuance of RFP for feasibility study of options
4. Consider approval of MOA for sharing of costs for the feasibility study of options

**II. Public Comment**

**III. Adjourn**

**UPCOMING JOINT BOARD MEETING DATES**

August 20, 2013  
October 15, 2013

I declare under penalty of perjury that the foregoing agenda for June 18, 2013, Joint Board Meeting of the Board of Directors of San Juan Water District and Sacramento Suburban Water District was posted Friday, June 14, 2013, on the outdoor bulletin boards at the District Office Buildings, 9935 Auburn Folsom Road, Granite Bay, California, and 3701 Marconi Avenue, Suite 100, Sacramento, California, and was freely accessible to the public.

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Teri Hart  
Board Secretary

## STAFF REPORT

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

**From:** Shauna Lorance, General Manager SJWD  
Rob Roscoe, General Manager SSWD

**Subject:** June 18, 2013 Joint Board Meeting

**Date:** June 10, 2013

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### **Recommended Action**

The 2x2 Water Management Ad Hoc Committee (“Committee”) recommends approval of staff issuing a Request for Proposal (RFP) for the Phase I feasibility analysis of the three alternatives.

The Committee recommends approval of the Memorandum of Agreement for cost sharing for the feasibility analysis.

### **Background**

At the March 21, 2013, Joint Board meeting, the Sacramento Suburban Water District (SSWD) and San Juan Water District (SJWD) Board of Directors directed staff to work with the Committee to develop a RFP for the Phase I feasibility analysis of the three alternatives:

1. Do Nothing Alternative
2. CVP Service Area Expansion
3. Consolidation

The RFP is to be brought back to the Joint Board meeting on June 18<sup>th</sup> for review by the Joint Boards and consideration of authorization to issue RFP.

### **Current Status**

The Committee met on May 21, 2013, and reviewed the process outline created by staff. The Committee members provided input from the individual Board of Director meetings held in May. The Committee discussed the benefits of each alternative and if any options should be added or removed. Ultimately, it was decided if any alternatives were to be added or removed, it should be done at a joint Board Meeting where all Board members are present.

Staff provided background on information obtained to date on efforts to conduct a Phase I feasibility analysis. Based on the elements listed in the process outline, it is estimated that a reasonable feasibility analysis should be able to be completed for \$40,000 to \$50,000. It was decided to provide an overview of the items to be analyzed, and the total budget available. This would provide the consultant with the ability to be creative on what could be accomplished and how it would be accomplished.

The Committee directed staff to develop the RFP, email the draft RFP to the Committee prior to sending out the Board Packet, and then include the RFP in the Board Packet for the joint Board Meeting. The Committee also directed staff to develop a cost share agreement for Phase I. Staff developed a Memorandum of Agreement for an equal cost split between the two agencies. Both documents are included with this staff report.

### **Financial Impact**

The budget for the Phase I Feasibility Analysis is \$50,000. An additional contingency of \$10,000 for any necessary additional work is also included for a total of \$60,000. Should the entire amount be used, the total cost to each agency would be \$30,000.

**REQUEST FOR PROPOSALS (RFP)**  
**SAN JUAN WATER DISTRICT &**  
**SACRAMENTO SUBURBAN WATER DISTRICT**  
**FEASIBILITY LEVEL EVALUATION OF WATER**  
**MANAGEMENT ALTERNATIVES**

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## **INTRODUCTION AND BACKGROUND**

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San Juan Water District (District) and Sacramento Suburban Water District (SSWD) are seeking proposals from qualified firms to analyze three water management alternatives.

SJWD provides wholesale treated water supplies to Fair Oaks and Citrus Heights Water Districts, Orange Vale Water Company, the City of Folsom north of the American River (the Ashland area), and the San Juan Water District retail service area (collectively referred to as the San Juan Water District Wholesale Customer Agencies). The surface water delivered is from a combination of pre-1914 water rights, Central Valley Project contract supplies and Placer County Water Agency (PCWA) contract supplies. The District also treats and conveys surface water from PCWA, when water treatment plant capacity is available and Folsom inflow is high enough, to the north service area of Sacramento Suburban Water District (SSWD). SSWD also receives treated surface water from the City of Sacramento for their south service area when American River flows are above Hodge criteria. When surface water is not available SSWD supplies 100% groundwater from roughly 90 production wells in the North American Groundwater subbasin.

SJWD and SSWD have a long history of working collaboratively on projects of mutual benefit. With the actions related to the Bay Delta Conservation Plan, OCAP Biological Opinion Recommended and Prudent Actions, and the SWRCB Flow proceedings, as well as multiple others, the need to implement a conjunctive use plan became apparent. With SSWD's groundwater facilities and transmission pipelines, and SJWD's treatment and surface water supply, the two agencies identified a possible collaborative approach in water management.

Three alternatives being considered are broadly described as follows:

- Option 1 – Do Nothing. Continue with existing political structures and continue to seek strategies for improved water resources management via agreements between separate entities
- Option 2 – Amend the existing contract between SJWD and the U.S. Bureau of Reclamation to expand the CVP contract service area to include SSWD's boundaries.
- Option 3 – Consolidate SJWD and SSWD into a single entity with a single elected Board of Directors.

The primary goals identified for the project are a feasibility level report:

- Evaluate the feasibility of water management and conjunctive use for each of three alternatives.

- Evaluate if political issues (development of divisions for directors elections, concerns by other agencies, etc.) can be addressed successfully.
- Are there actions which will assure that financial concerns (customers not subsidizing others, etc) are addressed adequately?
- Are there adequate benefits to the customers of each agency (wholesale and retail) to proceed?
  - Water supply reliability
  - Financial (avoidance of future costs, i.e. need for additional staffing, etc? Include costs and water supply risks for do nothing alternative)
  - Political implications
- Given the existing District structures (SJWD is formed as a Community Services District; SSWD is formed as a County Water District), are there advantages to either retain or change District structure?
- Determine if additional items should be evaluated for the initial phase of the analysis.
- Recommend one of the three alternatives.

The joint 2x2 Water Management Ad Hoc Committee will be directing this study through the general managers of each agency. The contracting for this project will be with SSWD to allow one point of contact. Costs will be evenly split between the two Districts.

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## **AVAILABLE INFORMATION**

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Any and all information in the public records of both SJWD and SSWD is available to the selected consultant including:

- Surface water rights and contracts
- Groundwater production banking records
- Master Plans and other planning documents including asset management plans
- Financial reports
- Information on current perceived risks to present water supply reliability

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## **SCOPE OF WORK**

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The consulting firm selected for this project will be required to provide equipment, materials, and labor to complete all tasks. A brief description of the required elements of anticipated work tasks are described below. These tasks are provided only as a guideline, and interested consultants are encouraged to develop a scope of work that addresses the District's needs and provides value and innovation. Additional tasks recommended by the consulting firm to enhance the work product should also be included in the proposal and shall be clearly identified as optional items. Identify information needs or work that the consultant expects to be completed by District staff. If there are no expectations of District staff effort listed for a task, the District will expect the task to be completed without any District staff time.

### **Task 1 – Project Management**

The project shall include work plan submittal, progress reporting, scheduling, office administration, meetings, general correspondence, and invoicing. Regular contact with Executive staff shall be maintained to incorporate decisions and suggestions regarding the direction of the project.

### **Task 2 – Meetings**

There will be numerous meetings related to this project. For the purpose of preparing your proposal, please assume that at a minimum the following meetings will be held:

Project Kick-Off Meeting	1
Information gathering Mtgs with Executive Staff	2
Review Mtgs with 2x2 Water Mgmt Ad Hoc Comm.	2
Joint/District Board Meeting Presentations	1

Prospective consultants are advised that coordinating meetings with Executive Staff and boards of two separate agencies can require significant advance coordination.

### **Task 3 – Analysis Description**

Develop a written description of water management for each of the three alternatives in both the existing and future conditions.

### **Task 4 – Data Collection and Review**

The consultant shall obtain and review any information required from the two Districts to conduct a Phase I feasibility analysis of the three alternatives described above. This task should include discussions with executive staff from both of the Districts.

### **Task 5 – Evaluate Alternatives**

The consultant shall evaluate the three alternatives to determine the overall feasibility of each alternative.

- Evaluate the feasibility of water management and conjunctive use for each of three alternatives.
- Evaluate if political issues (development of divisions for directors elections, concerns by other agencies, etc.) can be address successfully.
- Are there actions which will assure that financial concerns (customers not subsidizing others, etc) are addressed adequately?
- Are there adequate benefits to the customers of each agency (wholesale and retail) to proceed?
  - Water supply reliability
  - Financial
  - Political
- Estimate the time it would take for completion of each alternative (feasibility level – months and years, not days!)
- Estimate a cost for completion of each alternative
- Estimate the value of benefits for each District related to each alternative. It is anticipated that there might be avoidance of future costs. It is not anticipated that

any staff would be reduced through implementation of any alternative, though additional future staffing might be reduced with one or more of the alternative(s). Other costs benefits could include items such as outside income from dry year water transfers, full use of facilities, etc. It is not expected that this cost-benefit analysis will include all cost benefits from each alternative, but will focus on the high level, high impact cost increases, cost reductions or cost avoidances.

- Include a recommendation on which alternative should be pursued.

#### **Task 6 – Administrative Draft**

Provide a draft report for executive staff to review and comment. An electronic copy of the administrative draft in Word format is adequate.

#### **Task 7 – Draft Report**

Incorporate comments received on the administrative draft report and provide a final draft report and presentations to the Joint Board of Directors for their comments. Fourteen bound copies of the final draft report, plus one electronic copy in Word will be required.

#### **Task 8 – Final Report**

Incorporate comments received on the final draft report and provide final report. Fourteen bound copies, plus one electronic copy in Word will be required.

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## **PROPOSAL REQUIREMENTS AND CONTENTS**

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Proposals submitted for this project are to follow the outline described below and must address all requested information. Any additional information that the firm wishes to include that is not specifically requested should be included in an appendix to the proposal. Firms are encouraged to keep the proposals brief and to the point, but sufficiently detailed to allow evaluation of the project approach.

#### **Section 1: Project Overview**

Provide a narrative description of the project based on the Scope of Work presented in the RFP. District executive staff will assess your understanding of all aspects of the project based on the overview.

#### **Section 2: Detailed Work Plan**

Provide a description of the required tasks and duties for preparation of the feasibility level evaluation of water management alternatives. The description shall include details to implement all tasks described in the Scope of Work and any recommended additions to the list of tasks. Include any assumptions used in development of the work tasks, including any work anticipated to be completed by District staff. Also identify any unique approaches to the work or strengths that your firm may have related to this project. All assumptions shall be clearly identified. Highlight tasks that are required, in the consultant's opinion, which were not specifically called out in this RFP.

#### **Section 3: Project Team**

The project team, including sub consultants, shall be identified. The geographic location of the firm and key personnel shall also be identified.

#### **Section 4: Experience**

Provide a description of the experience or past projects which make the personnel assigned to this project qualified. It is expected that experience/knowledge in the following areas is necessary:

- Understanding of California water rights and Central Valley contracts and rules for modifying places of use or areas of service
- Understanding of urban groundwater substitution transfers and associated regulations
- Understanding of political issues associated with water agency governance
- Experience with organizational consolidations

Please only include experience or knowledge related to the personnel specifically assigned to this project.

#### **Section 5: Project Schedule**

A schedule for completion of the project shall be submitted with the Proposal. Assumptions used in developing the schedule and other potential factors affecting timing should be identified.

#### **Section 6: Conflicts of Interest**

Firms submitting a Proposal in response to this RFP must disclose any actual, apparent, direct or indirect, or potential conflicts of interest that may exist with respect to the firm, management, or employees of the firm or other persons relative to the services to be provided under the Agreement for engineering services to be awarded pursuant to this RFP. If a firm has no conflicts of interests, a statement to that effect shall be included in the Proposal. Such disclosure(s) shall not necessarily serve as a reason to disqualify a firm's proposal, only to note that a relationship exists. Work with SSWD, SJWD, Citrus Heights Water District, Fair Oaks Water District, Orange Vale Water Company or the City of Folsom in the past five years should be listed.

#### **Section 7: Cost Proposal**

The budget assigned for this project is up to \$50,000. It is the intent of the Districts to evaluate the proposals based on experience and knowledge, combined with the proposed approach for completion of work. It is desired for the proposals to be based on the consultant's knowledge and experience to provide the most appropriate level of analysis for a feasibility study and the appropriate budget, up to \$50,000.

#### **Section 9: District Standard Contract**

The District uses the standard contract provided as an attachment. Please review and identify any changes that will be required by the consultant if selected. If no changes are required, make a statement that no changes will be required.



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## PROPOSAL SCHEDULE

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The following schedule is anticipated for awarding this project. If a change in this schedule becomes necessary, all recipients of the RFP will be notified.

RFP approved for release	18 June 2013
RFP mailed	20 June 2013
Proposals Due (3:00 p.m.)	11 July 2013 (Thursday)
Screening and Ranking	15-19 July 2013
Water Mgmt Ad Hoc Comm. Approval	19 July 2013

Questions regarding proposal requirements or the required scope of work must be directed to Rob Roscoe, General Manager of SSWD.

Robert Roscoe  
General Manager  
3701 Marconi Avenue, Suite 100  
Sacramento, CA 95821-5303  
(916) 972-7171  
[rroscoe@sswd.org](mailto:rroscoe@sswd.org)

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## SUBMITTAL OF PROPOSALS

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Interested firms should submit six (6) copies of their proposal to Rob Roscoe at SSWD.

The deadline for submittal is 3:00 PM on Thursday, July 11, 2013. Late proposals will not be accepted.

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## PROPOSAL TERMS

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The District will not pay any costs incurred by the firm in preparing or submitting the proposal. The District reserves the right to modify or cancel, in part or in its entirety, this RFP. The District reserves the right to reject any or all proposals, to waive defects or informalities, and to offer to contract with any firm in response to this RFP. This RFP does not constitute any form of offer to contract.

**MEMORANDUM OF AGREEMENT BETWEEN  
SACRAMENTO SUBURBAN WATER DISTRICT  
AND  
SAN JUAN WATER DISTRICT WHOLESALE  
FOR COST SHARING FOR STUDY OF ALTERNATIVES  
FOR JOINT WATER MANAGEMENT**

THIS MEMORANDUM OF AGREEMENT (“MOA”) is entered into, effective June 18, 2013, by and between San Juan Water District (“SJWD”) and Sacramento Suburban Water District (“SSWD”).

**RECITALS**

**WHEREAS**, the above-named agencies (hereinafter referred to collectively as the “Parties,” or each individually as a “Party”) have worked together from time to time on many regional activities;

**WHEREAS**, the Parties believe that, in order to protect the interests of their respective ratepayers and of the region as a whole, it is important to study the opportunity of better groundwater and surface water management between the two agencies;

**WHEREAS**, SJWD Wholesale has access to surface water, water treatment facilities and treated water storage;

**WHEREAS**, SSWD has access to groundwater and transmission capacity;

**WHEREAS**, the Parties each appointed 2 members to a joint 2x2 Water Management Ad Hoc Committee (“Committee”) to further evaluate opportunities for joint water management;

**WHEREAS**, the Committee evaluated multiple alternatives to meet the water management goal, and narrowed that list down to three alternatives;

**WHEREAS**, the joint Board of Directors met on March 21, 2013, and directed the Committee to develop an RFP for consulting services to further analyze the three alternatives;

**WHEREAS**, the Committee met on May 21, 2013, and directed staff to develop an RFP for a feasibility analysis of the three alternatives; and

**WHEREAS**, the Parties desire to share the costs of completing a study,

**NOW THEREFORE**, in consideration of the mutual obligations set forth herein, the Parties agree as follows:

1. Selection of Consultant. The Committee will review the proposals submitted in response to the issued RFP. The Committee will select a Consultant to proceed with the evaluation.
2. Cost-Sharing. SSWD will be responsible for administering the contracts for the services of all Consultants in accordance with SSWD procurement and contracting requirements and procedures. It is understood and agreed, however, that these contracts will in part be a pass-through agreement, and the Parties shall each pay 50% of all costs. It is also understood that the contracts will provide sufficient detail to identify and account for each party's separate requirements and responsibilities, as well as its portion of shared requirements and responsibilities. Upon receipt of invoices from the Consultants, SSWD will forward copies of the invoices to SJWD, who within thirty (30) days of the date of each invoice shall remit its percentage share of said invoice to SSWD for payment to the Consultants. In the event one or more parties believes an invoice should not be paid in whole or in part the reasons for not paying shall be documented by the requesting party and the disputed portion of the invoice payment shall be withheld. The Parties agree to exercise good faith and diligence in the resolution of any disputed invoice amounts; provided, however, that notwithstanding any provision contained herein, SSWD shall be reimbursed by SJWD for their respective percentage share of any and all money ultimately paid to the Consultant by SSWD.
3. Price Ceiling. In no case shall the total value of services procured pursuant to this MOA exceed \$60,000 (\$50,000 plus \$10,000 contingency), except by amendment to this MOA. The parties understand this cost is for the Phase I feasibility analysis only. If the Parties desire further analysis of one or more alternative, an amendment to this agreement for additional funding will be required.
4. Guidance to and Support for Consultant. The parties acknowledge that, from time to time, the Consultant may need one or more representatives of the Parties to assist in obtaining the information necessary to complete the work. The Parties agree that Rob Roscoe, SSWD, shall be the point of contact for the Consultant. Any significant direction to the Consultant shall be done in cooperation with the General Manager from the other agency.
5. Notices. Any invoice, payment, notice or written communication where required or permitted by this MOA will be provided by U.S. Mail, or by email to:

SAN JUAN WATER DISTRICT

Shauna Lorance  
General Manager  
9935 Auburn Folsom Road  
Granite Bay, CA 95746  
Fax: (916) 791-7361  
[slorance@sjwd.org](mailto:slorance@sjwd.org)

SACRAMENTO SUBURBAN WATER DISTRICT

Robert Roscoe  
General Manager  
3701 Marconi Avenue, Suite 100  
Sacramento, CA 95821-5303  
Fax: (916) 972-7194  
[rroscoe@sswd.org](mailto:rroscoe@sswd.org)

6. Amendments. Any amendments to this MOA must be in writing and executed by all Parties.
7. Counterparts. This MOA may be executed by the Parties in separate counterparts; each of which when so executed and delivered to SJWD shall constitute an original. All such counterparts shall together constitute one and the same instrument.
8. General Provisions. There is no agency relationship between the Parties. Furthermore, notwithstanding anything contained herein, the employees of each Party shall continue to be entirely and exclusively under the direction, supervision and control of the employing Party.

Any internal, in-house or administrative costs or expenses incurred by any Party related to such Party's obligations under this MOA shall be the sole responsibility of such Party incurring said costs and expenses.

This instrument and any attachments hereto constitute the entire agreement among the Parties concerning the subject matter hereof.

**WHEREFORE**, the Parties execute this Memorandum of Agreement effective the first date written above.

SAN JUAN WATER DISTRICT, a  
community services district

SACRAMENTO SUBURBAN WATER  
DISTRICT, a county water District

By: \_\_\_\_\_  
SHAUNA LORANCE  
General Manager

By: \_\_\_\_\_  
ROBERT ROSCOE  
General Manager

ATTEST:

ATTEST:

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**2x2 Ad Hoc Committee Meeting Notes**  
**San Juan Water District**  
**April 22, 2013**  
**10:00 a.m.**

**Committee Members:** Ted Costa, SJWD  
Ken Miller, SJWD  
Neil Schild, SSWD  
Kevin Thomas, SSWD

**District Staff:** Shauna Lorance, SJWD General Manager  
Rob Roscoe, SSWD General Manager

**Members of the Public:** Keith Durkin, SJWD  
Mike Schaffer, OVWC  
Sharon Wilcox, OVWC  
Rich Allen, DPMWD  
Steve Nugent, CWD  
Mark Emmerson, CWD  
William Eubanks, SSWD Rate Payer  
Tom R. Gray, FOWD  
Joe Dion, CHWD  
Bob Churchill, CHWD  
David Goforth, CHWD

The committee unanimously agreed that Director Miller chair the meeting. Director Miller opened the meeting at 10:00 a.m.

**Continuing Discussion of Alternatives Resulting from Joint Board Meeting and Providing Direction to Staff as Appropriate**

Ms. Lorance directed the committee to the staff report which was prepared by her, Rob Roscoe and Ed Formosa. A copy of the staff report will be attached to the meeting minutes. Ms. Lorance explained that the staff report was prepared for the committee at the request of the Boards to provide a fatal flaw analysis of the three alternatives which are:

1. Do Nothing Alternative
2. CVP Service Area Expansion
3. Consolidation

Ms. Lorance explained that the analysis was completed as a high level overview which would possibly be considered by the Boards for further analysis by an outside consultant. She anticipates that the committee would meet one more time prior to the

next Joint Board meeting in June. She informed the committee that the only written comments that have been received to date have been related to legal representation.

Mr. Roscoe explained that the definition of fatal flaw needs to be agreed upon by the committee. The staff report includes a recommendation for the definition. Director Schild commented that any action should be based on service to customers and water supply reliability not just economics. Mr. Roscoe commented that staff is looking for additional direction from the committee and defining what a fatal flaw is. Ms. Lorance explained that each alternative was broken down into the Political risk, the Water Resources risk, and the Financial risk. There were no objections to the suggested definition of a fatal flaw.

Director Miller explained that one of the driving forces for the formation of the 2x2 Ad Hoc Committee was better use of the existing water resources for SJWD. SJWD does not have access to groundwater supplies and receives all water supplies from Folsom Reservoir. He mentioned that operation planning by the Bureau shows the reservoir level to drop below SJWD's intake. This should be a concern for all of the retail customers and wholesale customer agencies.

In addition, there are possible pump back options that can be considered for use during emergency situations. He explained that there are three alternatives and the consolidation option is just one of them and all alternatives are being looked at. Ms. Lorance added that there is also concern that the assets of surface and ground water will be at risk if there is not any action taken to protect these assets. Director Miller also added that water rights need to be protected and reduction in available supply is possible if the water is not used per the contractual arrangement. Director Costa commented that another issue is the ability to send water to SSWD.

Director Miller called for Public Comment.

Mr. Mike Schaffer, Orange Vale Water Company, addressed the committee regarding not taking any of the three actions that would cause water rates to existing customers to increase. He agrees that it is important to preserve the water rights and that water rights could be lost in the future due to non-use. In addition, interchanging water with SSWD during dry years and wet years should involve the USBR in advance. He further indicated that OVWC will be watching this process carefully in an effort to keep the cost of water to OVWC from increasing and he requested that strong consideration be given to the wholesale customer agencies.

Mr. Tom Gray, Fair Oaks Water District, addressed the committee and thanked Director Costa for his statement regarding written comments and inquired if the wholesale customer agencies will be given an opportunity to provide written comments. The committee agreed that written comments are always accepted.

Mr. David Goforth, Citrus Heights Water District, addressed the committee and inquired if there were any deadlines in the process and was adamant that a deadline needs to be

set. The committee informed the public that no deadlines have been set at this point in the process.

Mr. Steve Nugent, Carmichael Water District, addressed the committee and voiced interest in the process, the outcome, and how it might benefit CWD in the future.

Mr. Mark Emmerson, Carmichael Water District, addressed the committee stating that this is in the brainstorming stage to review the various alternatives and there might be additional alternatives that could be considered. In addition, he commented that once the alternative is selected then a project can be defined and a deadline established. He offered to provide ideas or comments as the alternative is analyzed.

Mr. Bob Churchill, Citrus Heights Water District, addressed the committee stating that there is an existing Family Water Shortage Plan in place and nothing has been communicated that this plan won't work when surface water isn't available. In addition, he commented that the intake issue can be fixed if the level of water falls below the intake. Furthermore, he voiced concern that pumping back from SSWD might not be a reliable source if there are any contamination issues.

Director Costa commented that a new factor that needs to be considered is that the Bureau is looking at altering water rights to take away what SJWD does not use. He suggested that the agencies submit comments on what SJWD can do to mitigate this while the Boards are investigating the alternatives.

Ms. Lorance reviewed the first alternative – Do Nothing Alternative. In addition to reviewing the staff report, Ms. Lorance commented that it is projected that Folsom Reservoir will drop below 200,000 AF in December of this year. A major concern is that during the drought years of 1976-77, the reservoir was at 400,000 AF going into the second drought year. Director Schild commented that the loss of water rights and the Delta issues go hand in hand along with paying for the Delta facilities.

Mr. Rich Allen, Del Paso Manor Water District, addressed the committee and inquired what SJWD would do with a worst case scenario of having absolutely no surface water available. Ms. Lorance commented that there is a limited amount of groundwater available from CHWD and FOWD, and although there is a shortage policy in place it wasn't set up to cover when there is not any surface water. Mr. Roscoe commented that the agencies have been getting more concerned with the recent modeling being considered by the Bureau to drive future operation of their facility. Historically, the Bureau would never draw Folsom Reservoir down as low as what is shown in the projected modeling. Past operations at Folsom are no longer considered indicators for future operations. The new biological opinions and other considerations being imposed on their operations are now dictating current release decisions.

Mr. Gray requested that the water shortage plan which SJWD has with the wholesale customer agencies be fully vetted when considering the alternatives.



Mr. Roscoe reviewed the second alternative – CVP Service Area Expansion. In addition to reviewing the staff report, Mr. Roscoe commented that they have met with the Bureau and have been informed that expanding a service area in a contract is a discretionary action that the Bureau would take and it would involve a NEPA environmental review process. In addition, there is concern that since the Bureau cannot currently meet present contract entitlements south of the Delta that there is a higher risk of not obtaining approval. Furthermore, it would be anticipated that once the environmental documents are submitted, CVP contractors, south of the Delta, would fight approval of the application. Mr. Roscoe commented that this could be a very long and very costly alternative with significant risk that it might not be successful.

Director Costa inquired if it was possible to bank water. Ms. Lorance responded that the SJWD contract allows for conjunctive use but at question is whether that conjunctive use could be used outside of the current service area. She mentioned that there is potential to do injection in the area, but that would require more wells to pump back out. Mr. Roscoe responded to Director Schild's question stating that Sacramento Groundwater Authority doesn't have a time constraint within their basin management rules so the water could stay and be pumped back at any time under present rules.

Ms. Lorance reviewed the third alternative – Consolidation. In addition to reviewing the staff report, Ms. Lorance explained that staff tried to list all reasonable concerns that they thought of, but might not have thought of them all. Some concerns might not be listed as fatal flaws since some concerns might be resolved once questions are addressed.

Director Costa voiced concern regarding revenue neutrality as it pertains to assessment districts and property tax revenue. Director Schild commented that during the Arcade/Northridge consolidation the rates were kept separate until debts were retired. Mr. Roscoe added that a LAFCo resolution would be expected, initially, to require separate financial records and separation of debt.

Ms. Lorance provided a suggested action for staff to return to the committee with a scope of work and an estimated cost to proceed to the next level. The committee would then take their recommendation to the next joint board meeting in June. Director Schild suggested that the committee members return to their individual boards with the information presented and inquire if any alternative should be dropped or added, then have staff provide the cost estimate to the committee prior to presenting to the joint board meeting.

Director Costa requested that if alternative 3 is looked into, he would like the property tax revenue to be looked at and what the impact is from the two current assessment districts. Ms. Lorance commented that there might be some resistance from other districts if SSWD received property tax revenue since it would cut into their share of the revenues from the county.

Mr. Churchill inquired if SJWD would become only a wholesale agency with SSWD having retail agencies for the east and west portions of the service area. Director Miller responded that when the boards decide if alternative 3 is the direction the agencies are headed then they will decide on the organization of the agencies. In addition, Director Miller added whichever alternative is selected then it should be one that has a potential to reduce costs to the rate payers, and improve water service and reliability.

The committee agreed that staff should begin working on a scope of work and cost estimate for the alternatives in order to prepare an RFP for the committee's review. In the meantime, the committee would report back to their boards to discuss the information which was presented at this meeting. At the next committee meeting, staff will provide the scope of work and cost estimates, along with the committee bringing back any board comments. The committee also recommends that any concerns or comments should be submitted in writing so that the committee can discuss.

#### **Other Matters**

The next meeting date was set for Tuesday, May 21, 2013, at 1:00 pm.

#### **Public Comment**

Mr. Goforth added that the agencies should consider the cost of complication when looking after the best interest of the rate payers.

The meeting was adjourned at 11:43 a.m.

# STAFF REPORT

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**To:** 2x2 Ad Hoc Committee

**From:** Shauna Lorance, General Manager SJWD  
Rob Roscoe, General Manager SSWD

**Subject:** Alternative Risk Analysis

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## **Executive Summary of Risks**

Each of the alternatives has some element of risks; some are perceived and can be addressed through the process. Others are out of the control of the two agencies. The determination of which risks are fatal flaws depends on the definition of Fatal Flaw. It is proposed that this definition be determined at this 2x2 Committee meeting.

The attached documents detail the political, water resource and financial risks for each of the three alternatives. Below is a very brief list of the significant risks; further descriptions are in the attached document.

### Do Nothing Alternative

- Political: continued relative political ineffectiveness
- Water Resources: unreliability of conjunctive use and ground and surface water, groundwater contamination
- Financial: stranded assets and loss of economic opportunities

### CVP Service Area Expansion

- Political: continued relative political ineffectiveness
- Water Resources: risk of not being successful, risk of contractual relationship
- Financial: risk of spending effort and dollars without guarantee of success, risk of inability to capitalize on one year water resource or economic benefits

### Consolidation

- Political: change in regional political balance and influence, change in SJWD wholesale customer agency influence, perceived threat of forced consolidation by other agencies, fear of unknown and questions unanswered, perhaps resistance from outside the region interests in this region becoming more political and unified.
- Water Resources: other regions could perceive use of water resources as a risk to their water resources
- Financial: perceived risk of consolidated water rates and one agency subsidizing another, risk of unfair allocation of existing assets.

### **Summary of Background Actions to Date**

SJWD and SSWD have been discussing potential alternatives for better water management and increased statewide political strength for about one year. Multiple alternatives have been evaluated. The committee reduced the alternatives for continued evaluation down to three alternatives. A joint board meeting was held with both the SJWD and SSWD Board of Directors to update the boards on recent discussions and receive direction on whether or not to continue the evaluations. The boards unanimously agreed to continue with the evaluations, with a commitment for the committee to bring back information on a high level fatal flaw analysis completed by staff. The joint boards would then discuss continuing with a more detailed analysis by an outside consultant.

### **Definition of Fatal Flaw/Risk**

The definition of a fatal flaw should be determined by the committee. A suggested starting point for the definition is:

An issue that is unsolvable with reasonable internal ability to control or mitigate by organization's rules under which an action occurs. An action that is not economically viable.

### **Attachments on Risk Analysis of Alternatives**

1. No Action
2. Expansion of CVP Service Area
3. Consolidation

## **NO ACTION ALTERNATIVE**

### **Do Nothing Alternative Description**

The no action alternative is defined as maintaining both agencies exactly as currently configured, governed and operated.

SJWD remains a wholesale agency providing surface water to the wholesale customer agencies, including SJWD retail service area. SJWD would continue to treat SSWD PCWA water when available on a wholesale basis. SJWD and SSWD would continue to pursue a potential pump back project along the CTP to provide emergency and shortage condition groundwater to SJWD wholesale customer agencies. SJWD and SSWD would both continue to participate in the SRWA for state lobbying and continue to individually follow statewide issues.

### **Risks of Do Nothing Alternative**

#### **Political**

##### **SSWD and SJWD**

Doing nothing would continue the existing relative ineffectiveness in statewide political issues due to the fractured nature of multiple small agencies. As individual agencies representing relatively small percentages of the regional population, less attention is provided by elected representatives at the state and federal level.

#### **Water Resources**

##### **SSWD**

The unreliable availability of surface water for conjunctive use will continue and possibly increase, making SSWD's conjunctive use program less affective in addressing the demands on the groundwater basin. Declining groundwater basin levels will increase costs of production while decreasing pumping capacity. The risk of pumping extraction exceeding the groundwater basin's safe yield and causing the groundwater basin level to decline will continue. Based on the historical 50 or 60 years of groundwater level records, the basin has been declining with the existing pumping levels prior to SSWD introducing conjunctive use.

The groundwater quality will continue to be at risk due to contamination plumes from multiple sources that could be drawn into the cone of depression by the downstream gradient. Continued lowering of Maximum Contaminant Levels (MCLs) for groundwater constituents by regulatory agencies, the reality that all groundwater wells in urban areas are at higher risk to contamination from urban sources, and the increased development of urban communities over groundwater recharge areas are also putting groundwater at risk.

### SJWD

The risk of an emergency or severe shortage condition causing reduction or elimination of access to surface water supply still remains. SJWD has one inlet from Folsom Dam, and one WTP. The risk of failure, though reduced by recent capital investments, still exists. The risk of contamination or a hazardous material spill in Folsom Reservoir remains. When Shasta Lake, a much bigger reservoir, had a spill, water intakes directly from Shasta were shut down. The changing operations of Folsom Reservoir by USBR due to delta flow requirements and endangered species, lower American River flow requirements, flood control, etc. show a real risk of reaching dead pool in Folsom Reservoir in some years.

### **Financial**

#### SSWD

Risk of stranding or underutilizing existing assets, such as well production capacity, CTP capacity, and to groundwater storage supply, would continue.

#### SJWD

Risk of stranding or underutilizing existing assets, such as WTP, CTP, water rights and contract entitlements would continue. Concern over threats to contract allocations and entitlements will remain.

#### SSWD and SJWD

The risk of loss of economic opportunity of utilizing economic assets remains.

## **CVP SERVICE AREA EXPANSION ALTERNATIVE**

### **CVP Service Area Expansion Alternative Description**

SJWD and SSWD would continue to operate separate agencies. The only change would be the expansion of SJWD CVP service area to include SSWD. This would allow the use of SJWD CVP water in the SSWD area by contract with SSWD. If SSWD was to provide groundwater to SJWD as part of a water shortage plan in dry years, for emergency outages, groundwater substitution transfers, or for some other use, it would be done by contractual agreement.

### **Risks of CVP Service Area Expansion Alternative**

#### **Political**

##### **SSWD and SJWD**

Similar to the do nothing alternative, this alternative would continue the existing relative ineffectiveness of local agencies in statewide political issues due to the fractured nature of multiple small agencies.

#### **Water Resources**

This alternative has a significant chance of not being successful. There is a real risk of not ever getting the expanded service area completed. Both agencies could invest a significant amount of time and dollars without a guarantee of ever achieving success. There is a risk of additional constraints being placed on the use of SJWD CVP water during the environmental process and submission to the Fish and Wildlife Service for compliance with the NEPA, ESA, and NHPA.

If change in place of use is successful, contract relations are unknown. There are various issues that could arise from interpretation, following through on contract provisions, etc. In a contract relationship, litigation to resolve disagreements could be required in extreme cases.

#### **Financial**

The cost of getting to an approved revision of SJWD CVP contract would be significant, possibly costing millions of dollars; there would be no guarantees of success. In addition, risk would be incurred related to the existing provisions and terms of the contract. There is a potential risk of reduction in use of assets and less control over the process.

Opportunities for one year changes in operation that provide an economic or water supply reliability benefit may not be feasible with two agencies and required contracts, etc.

The management will be more complex and will take additional time to deal with issues and opportunities. A financial risk also occurs related to the unknown associated with contract relations.



## **CONSOLIDATION ALTERNATIVE**

### **Consolidation Alternative Description**

SJWD continues to operate as a wholesale agency providing water supply to the wholesale customer agencies. SJWD retail service area and SSWD consolidate into a single retail service area. SJWD wholesale and retail boundaries change to include the area now served by SSWD.

SJWD would provide surface water to the SSWD area when surface water is available. The wells in the SSWD service area would be turned off to allow the groundwater to recharge naturally. During dry years, the SSWD wells would be turned on to allow the usage of surface water by the wholesale customer agencies that do not have access to groundwater or need additional water supply above their available groundwater capacity. This process would allow a conjunctive use approach that maintains a healthy groundwater basin and utilizes surface water when available.

The groundwater capacity combined with surface water entitlements could provide a potential for assisting with the solution to the statewide water supply concerns during dry years by freeing up additional surface water. This in turn could be a potential revenue source by accessing the transfer market which would provide rate relief for all SJWD wholesale and retail customers.

### **Risks of Consolidation Alternative**

#### **Political**

There appears to be other agencies within the region, outside the SJWD family of agencies and SSWD that have concerns regarding the possibility of change in regional water political balance and influence. Smaller agencies may feel threatened by a consolidation of other agencies and how that impacts their influence in regional matters. This could reduce local representation; “bigger is not necessarily better” concerns.

There is a perceived threat of forced consolidation by neighboring agencies. They are concerned a consolidation by SJWD and SSWD could be a threat to their sovereignty as individual agencies. There is a perceived threat of forced or political pressure to consolidate.

SJWD existing wholesale customers are concerned that including SSWD area in SJWD would reduce their influence in the actions by the SJWD board. A bigger agency would dilute their representation and decrease their ability to control those things of importance to them (i.e. rates, costs, etc.).

There is a significant fear of the unknown. Most of the questions related to the consolidation proposal have not been asked or answered; until the opportunity to study

the proposal in depth is completed and stakeholders have had the opportunity to review and comment on the concept, the fear of what is unknown will continue to be considered a significant risk by other agencies that could be impacted.

There could be resistance from out of the region interests concerned about the increased influence and representation at the state level. Currently it is relatively easy to roll this region with many little fractured agencies.

### **Water Resources**

Other agencies, both regional and statewide, could perceive consolidation as a risk to surface water supply. If SJWD were able to fully utilize its water rights and contract entitlements, less water would be available for use by the USBR for mitigation of environmental impacts to the lower American River and the Delta. Further, this water would not be available for export by the USBR. Currently, any unused water entitlement in the Folsom Reservoir is considered abandoned and available for use elsewhere.

### **Financial**

There is a perceived concern of the possibility for inequity by the current ratepayers resulting from a consolidation of rates, etc. The concern is related to whether one agency's ratepayers would be subsidizing another agency's debt, cost of service, and need for capital replacement.

There are concerns of inequity related to access to physical assets, such as WTP, wells, ground and surface water supplies, etc. Some of these concerns stem from historical perspectives of the founders of the currently configured agencies and the origins of historical actions taken to mitigate the need to provide a water supply.

There are concerns related to distribution of existing reserves, property tax revenues, etc. The county will likely require a revenue neutral agreement to make sure SJWD would not receive property tax revenues from the existing SSWD service area.

**2x2 Water Management Ad Hoc Committee Meeting Notes**  
**San Juan Water District**  
**May 21, 2013**  
**1:00 p.m.**

**Committee Members:** Ted Costa, SJWD  
Ken Miller, SJWD  
Neil Schild, SSWD  
Kevin Thomas, SSWD

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

**Members of the Public:** Dave Kane, CHWD  
Debra Sedwick, DPMWD  
Rich Allen, DPMWD  
Tom R. Gray, FOWD  
Lori Prusio, Katz & Associates  
Alma Murphy, Katz & Associates  
Keri Dent, Katz & Associates  
Mike Schaffer, OVWC  
Sharon Wilcox, OVWC  
Keith Durkin, SJWD  
Jason Mayorga, SJWD  
Ed Formosa, SSWD

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

**Continuing Discussion of Alternatives Resulting from Joint Board Meeting and Providing Direction to Staff as Appropriate**

Ms. Lorance explained that this agenda topic was left very general in order to cover all aspects of the discussions. Ms. Lorance and Director Schild confirmed that each Board discussed the 2x2 Ad Hoc Committee at their last Board meetings, and that no further comments have been received.

Ms. Lorance reviewed the background, current status, scope of work and cost estimate, process outline and potential committee decisions. A copy of the staff report will be attached to the meeting minutes. The three alternatives analyzed were:

1. Do Nothing Alternative
2. CVP Service Area Expansion
3. Consolidation

Ms. Lorance informed the committee that the SJWD Board of Directors discussed the high level fatal flaw analysis and discussed if there were any alternatives that should be removed or added. The SJWD Board discussed the potential to remove the second alternative based on the limited possibility of success. The SJWD Board ultimately decided that a decision on whether to remove an alternative should be made at the next joint board meeting scheduled in June. In addition, Bob Churchill, Citrus Heights Water District General Manager, requested the consideration of another alternative. Mr. Churchill suggested evaluating whether merging the SJWD retail agency and SSWD into a single retail agency and retaining SJWD as a wholesale agency only would meet the goals of the discussions. Director Miller clarified that Mr. Churchill's suggestion was not a SJWD Board suggestion and the SJWD Board did not discuss his suggestion.

Director Schild informed the committee that SSWD Board of Directors discussed Mr. Churchill's proposal, along with discussions on Alternative 2's use of CVP water supply, and use of pre-1914 water rights, and CVP water in its current place of use. Ms. Lorance informed the committee that use of pre-1914 water rights outside the SJWD's service area would not be an alternative. She explained that it was looked at previously but Legal Council recommended that those rights not be contracted outside the District.

The committee discussed Mr. Churchill's suggested alternative and Director Peterson's suggestion to remove Alternative 2 and decided that the decision to add or remove an alternative to the list would have to come from the joint board meeting in June. Director Schild commented that the USBR is going through changes and to not be too hasty in removing Alternative 2.

Director Miller commented that the agencies need to establish the priorities related to what they desire to accomplish. His opinion is that the biggest risk and biggest threat to the agencies are water rights and the control of those rights in order to supply water to the public. The committee discussed the amount of time that Alternative 2 or 3 will take to complete and looks forward to more analysis of the Alternatives.

Ms. Lorance reported that staff has made contact with consulting firms to request information on potential scopes and budget estimates. Staff is waiting for additional information prior to summarizing the proposed scope of work and cost estimate range. It is staff's assumption that a reasonable first phase could be accomplished within a \$50,000 budget.

In addition, staff has drafted a Process Outline for consideration by the committee. This could assist in explaining when various elements and details will be evaluated as part of the process, and hopefully relieve related concerns. Ms. Lorance reviewed the Process Outline and a copy will be attached to the meeting minutes.

The committee discussed some issues of the alternatives including estimated amount of time they might take to complete, district governance, discussions with USBR regarding change of CVP area of use, environmental issues, LAFCo, and the budget for the RFP.

The committee agreed that staff should develop the RFP and email it to the committee prior to sending it in the board packet for review at the June 18<sup>th</sup> joint board meeting.

**Other Matters**

There were no other items discussed.

**Next Meeting**

The next meeting date was not set.

**Public Comment**

Mr. Gray commented that he sent out a paper from ACWA regarding ACWA commissioning the University of Southern California with a peer review from Stanford to look at consolidations and associated impacts. Ms. Lorance responded that she recalled that when that paper came out in the 1990s, that the paper was commissioned to fight the mandatory consolidation in Orange County, which was only used to show why not to consolidate and fight legislation requiring mandatory consolidation of Orange County water agencies. Ms. Lorance and Director Miller agreed that there are issues and comments in the paper that are still valid today.

Mr. Gray asked that the cost share for the RFP be defined prior to issuing a contract. In addition, he commented that he thought that Mr. Churchill's proposal was presented as a consolidation between SJWD Retail and SSWD.

The committee explained to the public that Granite Bay is included in SJWD's Retail Service Area and that SJWD was established as one entity which provides both wholesale and retail services. In addition, they clarified that there are only 3 alternatives that are being looked at, and the suggestion from Mr. Churchill was not one of the alternatives at this time.

The meeting was adjourned at 2:10 p.m.

# STAFF REPORT

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**To:** 2x2 Ad Hoc Committee

**From:** Shauna Lorance, General Manager SJWD  
Rob Roscoe, General Manager SSWD

**Subject:** May 21, 2013 2x2 Ad Hoc committee meeting

**Date:** May 17, 2013

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## **Background**

At the last committee meeting, April 22 2013, the committee reviewed a high level fatal flaw analysis prepared by staff. The three alternatives analyzed were:

1. Do Nothing Alternative
2. CVP Service Area Expansion
3. Consolidation

The committee requested that the committee members return to their individual boards with the information presented and inquire if any alternative should be dropped or added. Staff was charged to begin working on a scope of work and cost estimate for the alternatives in order to prepare an RFP for the committee's review. The committee would report back to their boards to discuss the information which was presented at this meeting.

At the next meeting, staff was to bring back information related to the scope of work and cost estimates, along with the committee bringing back any board comments. The committee also recommended that any concerns or comments be submitted in writing so that the committee can discuss.

The meeting minutes from the last meeting are attached to this staff report for the committee's convenience.

## **Current Status**

### Report back from Board Meetings

The SJWD Board of Director's met on May 15, 2013. The Board was provided with a copy of the notes from the April 2x2 Ad Hoc committee meeting in the Board packet for review. As requested, the Board discussed the high level fatal flaw analysis and discussed if there were any alternatives that should be removed or added. The Board discussed the potential to remove the second alternative based on the limited possibility

of success. The board ultimately decided that a decision to remove an alternative should be made at the next board meeting through discussions with both boards, and requested that this discussion occur at the June joint board meeting.

Bob Churchill, Citrus Heights Water District general manager, requested the consideration of another alternative. Mr. Churchill suggested evaluating whether merging the SJWD retail agency and SSWD into a single retail agency and retaining SJWD as a wholesale agency only would meet the goals of the discussions.

SSWD Board of Directors is scheduled to meet on Monday, May 20, 2012. A verbal report from their meeting will be provided at the committee meeting.

#### Scope of Work and Cost Estimate

Staff has made contact with consulting firms to request information on potential scopes and budget estimates. Staff is waiting for additional information prior to summarizing the proposed scope of work and cost estimate range. It is staff's assumption that a reasonable first phase could be accomplished within a \$50,000 budget (Consultants will develop a scope within this budget if it is listed as the maximum allowed.)

#### Process Outline

Staff and the committee have received many questions related to the process to be followed to evaluate the alternatives and come to an ultimate decision on whether or not to proceed with any of the alternatives. To address the concerns related to the process, and provide a map for future discussions, staff has drafted a process outline for consideration by the committee. This could assist in explaining when various elements and details will be evaluated as part of the process, and hopefully relieve related concerns.

#### **Decisions for Committee**

The committee should consider discussing the following items during this meeting:

1. Should the additional alternative recommended by Bob Churchill be included?
2. Does the process outline summarize the intent of the committee adequately?
3. Estimating that the first phase could be accomplished within a \$50,000 budget, staff is proceeding with collecting information to complete a draft RFP. Is this still the intent of the committee?
4. Should another committee meeting be set prior to the joint board meeting on June 18<sup>th</sup>?