



December 16, 2024

Via Email to tgrant@sjwd.org
San Juan Water District
9535 Auburn Folsom Road
Granite Bay, CA 95746

RE: SJWD 12/18/2024 Board Meeting Agenda Items VI(5) and VI(6)

Dear SJWD Board President Dan Rich and Members of the Board of Directors:

Citrus Heights Water District (CHWD) and Fair Oaks Water District (FOWD) have followed with interest recent discussions of the San Juan Water District (SJWD) Board of Directors regarding receipt of groundwater for SJWD-Retail and related topics. As we have shared with SJWD many times, our districts are ready and willing to embark on negotiations to achieve a comprehensive solution of the various issues confronting our three districts, including CHWD and FOWD providing groundwater supplies to SJWD-Retail in times of need, wholesale financial allocation issues, and water banking.

With those circumstances in mind, CHWD and FOWD remain concerned about SJWD discussions surrounding: (1) a potential SJWD consolidation with Sacramento Suburban Water District (SSWD); and (2) SJWD-Retail potentially constructing its own well (at a cost of \$8-9 million plus financing costs according to October 16, 2024 SJWD staff report) within the service area of CHWD, FOWD or Orange Vale Water Company. In our view, neither consolidation (with all the attendant expenses, difficulties and threats to water assets), nor expending millions of dollars to build one or more unneeded groundwater wells is in the best interest of customers within the SJWD wholesale service area.

Our understanding from various SJWD staff reports and discussions by the SJWD Board of Directors is that a primary driver of potential consolidation is to ensure SJWD-Retail receives groundwater, particularly in drier years. CHWD and FOWD stand ready to help provide such supplies to SJWD-Retail and other parts of the wholesale service area as required, provided reasonable financial and other agreements can be negotiated.

At the same time, we understand that there is significant opposition to the SSWD-SJWD proposed merger from SJWD's own Directors. And, the CHWD and FOWD Boards of Directors have adopted resolutions (attached as Exhibits A & B) opposing any merger, particularly given the risk to wholesale customer agencies' receipt of water rights water and the majority vote the

SSWD representatives would have on any consolidated agency. In light of this, we ask that the SJWD Board of Directors cease all consolidation studies, activities and expenses immediately.

As recognized in an October 16, 2024 SJWD staff report (Agenda Item IV-2, p. 3), the 33,000 acre feet of water rights water “could probably meet all of San Juan Wholesale’s demands during drought years, even without the delivery of PCWA water.” Assuming such demands can be met, in light of lowering customer demand due to State water efficiency requirements, and given CHWD and FOWD’s receptivity to provide groundwater to SJWD-Retail and other parts of the wholesale service area as required, our view is that any further SJWD expenditure or action on a potential consolidation with SSWD or on drilling an expensive groundwater well is patently unwarranted. To the extent SJWD moves forward on either the consolidation or well drilling efforts over CHWD and FOWD’s objections, SJWD must rigorously account for any related expenses, including staff time, to ensure that SJWD wholesale funds are not used or expended in support of those efforts, and that such accounting be provided to CHWD and FOWD on at least a semi-annual basis.

In closing, CHWD and FOWD request that the SJWD Board direct its resources to reach a settlement negotiation that is workable for all parties, CHWD, FOWD and SJWD, with a goal of reimagining the relationship from a one-way supply agreement to a multi-party surface water and groundwater supply partnership agreement for the long term.

Sincerely,

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CHWD Board President Caryl Sheehan

FOWD Board President Chris Peterson

cc: CHWD Board of Directors
FOWD Board of Directors

CITRUS HEIGHTS WATER DISTRICT

RESOLUTION NO. 12-2024

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
CITRUS HEIGHTS WATER DISTRICT**

**OPPOSING THE PROPOSED MERGER OF THE SAN JUAN WATER DISTRICT AND
SACRAMENTO SUBURBAN WATER DISTRICT**

WHEREAS, in 1954 the ratepayers of the Citrus Heights Water District (CHWD) and Fair Oaks Water District (FOWD) helped form the San Juan Water District (SJWD) and purchase the water rights and existing water facilities of the North Fork Ditch Company for the benefit of the SJWD service area; and

WHEREAS, the entire CHWD and FOWD service areas are within the boundaries of the SJWD service area; and

WHEREAS, the CHWD and FOWD represent a majority of SJWD wholesale customers; and

WHEREAS, the combination of the surface water rights obtained from the purchase of North Fork Ditch Company assets and groundwater assets within the SJWD service area are sufficient to meet the ultimate water demands of the existing SJWD service area; and

WHEREAS, the CHWD and FOWD see access and protection of access to SJWD "Water Right Water" (WRW) as a top priority for its ratepayers; and

WHEREAS, multiple studies and reports completed analyzing the merger of the SJWD and Sacramento Suburban Water District (SSWD) have not demonstrated significant benefit to the FOWD and CHWD.

NOW, THEREFORE, the Board of Directors of the Citrus Heights Water District hereby finds, determines, declares, and resolves as follows:

1. A merger between SJWD and SSWD will result in a loss of governance/local control of the wholesale agency, including its water supply and other assets, by communities within the existing SJWD due to SSWD's service area population being larger than the existing SJWD service area population.
2. Existing water supply agreements between SJWD Wholesale Customer Service Agencies (WCAs) may be insufficient to protect WRW in perpetuity for the WCAs in the event of a merger between SJWD and SSWD.
3. The significant components of a potential merger of the SJWD and SSWD are known, and additional analysis is not necessary; and

4. It will benefit all SJWD customers to immediately stop spending SJWD resources on additional analysis of a merger with SSWD and other merger-related activities; and
5. The potential benefits of a merger between the SJWD and SSWD are not worth the long-term impacts of sharing existing WRW with SSWD; and
6. The potential benefits of a merger between the SJWD and SSWD for all SJWD customers can be obtained through collaborative operations and agreements among WCAs; and
7. The CHWD Board of Directors and FOWD Board of Directors, representing a majority of SJWD wholesale customers, agree with and support the content of this resolution.

I certify that the foregoing Resolution was adopted by the Board of Directors of the Citrus Heights Water District at a special meeting held on the 29th day of November 2024, by the following vote:

AYES: Directors: Riehle, Wheaton, Sheehan

NOES:

ABSTAIN:

ABSENT:

SEAL



Caryl F. Sheehan

CARYL SHEEHAN, President
Board of Directors
Citrus Heights Water District

ATTEST:

Brittney Moore

BRITTNEY MOORE, Chief Board Clerk

RESOLUTION NO. 24-03

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
FAIR OAKS WATER DISTRICT**

**OPPOSING THE PROPOSED MERGER OF THE SAN JUAN WATER DISTRICT AND
SACRAMENTO SUBURBAN WATER DISTRICT**

WHEREAS, in 1954 the ratepayers of the Fair Oaks Water District (FOWD) and Citrus Heights Water District (CHWD) helped form the San Juan Water District (SJWD) and purchase the water rights and existing water facilities of the North Fork Ditch Company for the benefit of the SJWD service area; and

WHEREAS, the entire FOWD service area and entire CHWD service area are within the boundaries of the SJWD service area; and

WHEREAS, the FOWD and CHWD represent a majority of SJWD customers; and

WHEREAS, the combination of the surface water rights obtained from the purchase of North Fork Ditch Company assets and groundwater assets within the SJWD service area are sufficient to meet the ultimate water demands of the existing SJWD service area; and

WHEREAS, the FOWD and CHWD see access and protection to access to SJWD "Water Right Water" (WRW) as a top priority for its ratepayers; and

WHEREAS, multiple studies and reports completed analyzing the merger of the SJWD and Sacramento Suburban Water District (SSWD) have not demonstrated significant benefit to the FOWD and CHWD.

NOW, THEREFORE, the Board of Directors of the Fair Oaks Water District hereby finds, determines, declares, and resolves as follows:

1. The significant components of a potential merger of the SJWD and SSWD are known, and additional analysis is not necessary; and
2. It will benefit all SJWD customers to immediately stop spending SJWD resources on additional analysis of a merger with SSWD and other merger related activities; and
3. A merger between SJWD and SSWD will result in a loss of governance/local control of the wholesale agency, including its water supply and other assets, by communities within the existing SJWD due to SSWD's service area population being larger than the existing SJWD service area population; and
4. Existing water supply agreements between SJWD Wholesale Customer Agencies (WCAs) may be insufficient to protect WRW in perpetuity for the WCAs in the event of a merger between SJWD and SSWD; and

5. The potential benefits of a merger between the SJWD and SSWD are not worth the long-term impacts of sharing existing WRW with SSWD; and
6. The potential benefits of a merger between the SJWD and SSWD for all SJWD customers can be obtained through collaborative operations and agreements; and
7. The FOWD Board of Directors and CHWD Board of Directors, representing a majority of SJWD customers, agree with and support the content of this resolution.

I certify that the foregoing Resolution was adopted by the Board of Directors of the Fair Oaks Water District at a regular meeting held on the 18th day of November 2024, by the following vote:

AYES: Directors Dolby, Marx, McRae, Petersen and Sarkovich

NOES:

ABSTAIN:

ABSENT:



A handwritten signature in blue ink, appearing to read "Chris Petersen", written over a horizontal line.

Chris Petersen, President
Board of Directors

ATTEST:

A handwritten signature in blue ink, appearing to read "Tom R. Gray", written over a horizontal line.

Tom R. Gray, General Manager / Secretary