

Agenda Item: 1

Date: July 30, 2024

Subject: Draft Minutes of the June 5, 2024, Del Paso Manor Water District and Sacramento Suburban Water District Joint Special Board Meeting

Staff Contact: Dan York, SSWD General Manager
Adam Coyan, DPMWD General Manager

Recommended Board Action:

Approve the Draft Minutes of the June 5, 2024, Del Paso Manor Water District and Sacramento Suburban Water District Joint Special Board Meeting.

Discussion:

The Draft Minutes of the June 5, 2024, Del Paso Manor Water District (DPMWD) and Sacramento Suburban Water District (SSWD) Joint Special Board Meeting were presented at the July 10, 2024, DPMWD and SSWD Joint Special Board Meeting. DPMWD Director Pratt inquired about a section in the Draft Minutes where SSWD Director Boatwright made a comment regarding rates. SSWD Director Boatwright was not present to answer the question. DPMWD Director Pratt was hoping to receive clarification on this comment before the Draft Minutes were approved.

The item was tabled until SSWD Director Boatwright could be present to clarify his comment.

Attachment:

1. Draft Minutes of the June 5, 2024, Del Paso Manor Water District and Sacramento Suburban Water District Joint Special Board Meeting.



Minutes

Del Paso Manor Water District and Sacramento Suburban Water District Joint Special Board Meeting

June 5, 2024

Location:

3701 Marconi Avenue, Sacramento, CA 95821, and Audio Conference at 1-669-900-6833, and Video Conference using Zoom at Meeting ID #883 4508 4378

SSWD Call to Order – Videoconference/Audioconference Meeting

Sacramento Suburban Water District (SSWD) Board President Kevin Thomas (Chair Thomas) called the meeting to order at 6:00 p.m.

Roll Call

SSWD Directors

Present: Jay Boatwright, Dave Jones, Craig Locke, and Kevin Thomas.

SSWD Directors

Absent: Robert Wichert.

DPMWD Directors

Present: Carl Dolk, Gwynne Pratt, David Ross, and Robert Matteoli.

DPMWD Directors

Absent: None.

SSWD Staff Present: General Manager Dan York, Assistant General Manager Matt Underwood, Jeff Ott, Erik Flaa, Julie Nemitz, and Heather Hernandez-Fort.

DPMWD Staff Present: General Manager Adam Coyan and Mike Jenner.

Public Present: SSWD Legal Counsel Josh Horowitz, Del Paso Manor Water District (DPMWD) Legal Counsel Lauren Bernadett, Bernadette Grimes, Jose Henriquez, Bill Rose, William Eubanks, Ted Costa, Paul Helliker, Sabrina Gulch, Trish Harrington, and Roy Wilson.

Public Comment

None.

Consent Items

- Draft Minutes of the May 22, 2024, Del Paso Manor Water District and Sacramento Suburban Water District Joint Board Meeting**
SSWD Director Boatwright moved to approve the Consent Item; SSWD Director Locke seconded.

The SSWD motion passed by unanimous vote.

SSWD Vote:

AYES:	Boatwright, Jones, Locke, and Thomas.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Wichert.		

The DPMWD motion failed by a 2 aye/2 abstained vote.

DPMWD Vote:

AYES:	Dolk and Pratt.	ABSTAINED:	Ross and Matteoli.
NOES:		RECUSED:	
ABSENT:			

Items for Discussion and/or Action

- Sacramento Suburban Water District and Del Paso Manor Water District – Potential Reorganization**
SSWD General Manager Dan York (SSWD GM York) summarized the staff report, noting a majority of the analysis information has already been collected from the previous combination discussions.

Discussion ensued regarding what water rates options are available for DPMWD.

DPMWD Director Matteoli expressed he would not want the SSWD ratepayers to be responsible for any improvements made to the DPMWD system, so he is in favor of proceeding with the Prop 218 rates that were approved for DPMWD.

SSWD GM York expressed the goal would be for the DPMWD customers to eventually have SSWD's rate structure that has the "pay as you go" rate structure for CIP programs.

SSWD Director Locke recommended that any funds collected by the DPMWD ratepayers be used towards the DPMWD service area.

SSWD GM York reminded the Boards that there is a potential for state grant funding for infrastructure improvement and replacement.

The Boards agreed to direct staff to develop a process for which to bring forth a vote to initiate reorganization tasks to dissolve DPMWD.

DPMWD Director Matteoli requested staff include beginning the process to apply for grant funding into the task list.

Both Boards agreed with DPMWD Director Matteoli's request.

3. **Reorganization Benefits, Advantages, and Disadvantages**

SSWD GM York presented the staff report and answered clarifying questions.

DPMWD Director Matteoli inquired if fluoridation equipment would be needed at DPMWD well sites, should the districts combine.

SSWD Assistant General Manager Matt Underwood explained that SSWD could either provide fluoride to DPMWD's existing wells to be optimally fluoridated, or notify the DPMWD customers as required by the Department of Drinking Water of sub-optimal levels.

SSWD GM York explained that SSWD preferred to provide optimal levels of fluoride to its South Service Area.

William Eubanks (Mr. Eubanks) expressed he was not interested in supporting DPMWD with their infrastructure improvement needs, and additionally inquired about the status of the DPMWD customers, noting that in the past they were against combination discussions.

DPMWD Director Dolk expressed that he believed DPMWD ratepayers had a better understanding of the situation DPMWD is in and were now more in favor of combination discussions. He noted that there will be an Open House meeting on July 16, 2024, and that DPMWD has been more active with customer outreach.

Discussion ensued over clarifying questions including rates, funding options, well status, metering, DPMWD infrastructure, and the status of DPMWD existing staff.

SSWD Legal Counsel Josh Horowitz confirmed that DPMWD would be required to be fully metered within 10 years of combining with SSWD, should that take place.

4. **Del Paso Manor Water District and Sacramento Suburban Water District Board of Directors – Comments and/or Concerns**

SSWD GM York presented the staff report and answered clarifying questions.

Mr. Eubanks withdrew his comment.

Jose Henriquez (Mr. Henriquez) Executive Officer of Sacramento Local Agency Formation Commission (LAFCo) stated that on May 5, 2024, the LAFCo Commissioners voted unanimously to approve a resolution to attempt to dissolve DPMWD due to serious deficiencies and required infrastructure repairs, noting DPMWD had 12 months to correct the deficiencies or LAFCo would dissolve the district. He additionally noted that LAFCo would be holding an Open House for the

residents of DPMWD on July 16, 2024, in the El Camino High School Cafeteria, where they will go over what occurred in order for LAFCo to come to this decision, and what the process would be going forward. He noted that all of the calls he has received from DPMWD customers have been very supportive of this effort.

DPMWD Director Ross expressed concern over the possibility of DPMWD not being able to obtain the grant funding.

DPMWD Director Pratt expressed concern that SSWD staff would not have time to work on this effort.

Chair Thomas and SSWD GM York assured DPMWD Director Pratt that SSWD staff would not have an issue working on this combination effort.

SSWD Director Locke expressed his concern with the DPMWD Board's attendance at Joint Board meetings, noting he wanted to be sure that everyone was working toward the same goal, and wanted to make sure that time is not being wasted. He also expressed concern that DPMWD had three seats up for election in November, and it was unsettling to him that the majority of DPMWD's Board could change in just a few months.

DPMWD Director Pratt agreed with SSWD Director Locke and assured him that she was very interested in continuing to move forward with combination efforts.

SSWD Director Boatwright pointed out that if no efforts were made toward acquiring the grant funding, then nothing would be granted, urging the Boards to move quickly on it before it is gone.

SSWD Director Locke responded that it would be best to have something more formalized before November.

SSWD Director Boatwright additionally commented that he did not recommend DPMWD change their current rate plan, and additionally expressed that he would not be in support of additional interties with DPMWD, if there was not a plan to join the two districts together. He urged the Boards to move swiftly on the combination efforts.

Trish Harrington reminded the Boards of the assets that DPMWD has.

Mr. Eubanks withdrew his comment.

5. **Communications Plan**

SSWD GM York presented the staff report and answered clarifying questions.

SSWD Director Locke stated that he would like to get information out to the SSWD customers as soon as possible about the combination efforts currently in progress.

The Boards agreed that the joint communication will be similar for each district, and that the editorial content will be approved by the General Managers, who will bring all final communications materials to the Boards as information.

6. **Joint Board Meetings vs 2x2 Committee Meetings**

SSWD GM York presented the staff report and answered clarifying questions.

Both Boards agreed to hold all meetings going forward as Joint Board meetings.

7. **Future Meeting – Draft Agenda Topics**

SSWD GM York presented the staff report.

The Boards agreed to allow the two General Managers to draft the agenda of the next Joint Board meeting based on the discussion that took place at this meeting.

Adjournment

Chair Thomas adjourned the meeting at 7:15 p.m.

Dan York
General Manager/Secretary
Sacramento Suburban Water District

Agenda Item: 2

Date: July 30, 2024

Subject: Draft Minutes of the July 10, 2024, Del Paso Manor Water District and Sacramento Suburban Water District Joint Special Board Meeting

Staff Contact: Dan York, SSWD General Manager
Adam Coyan, DPMWD General Manager

Recommended Board Action:

Approve the Draft Minutes of the July 10, 2024, Del Paso Manor Water District and Sacramento Suburban Water District Joint Special Board Meeting.

Attachment:

1. Draft Minutes of the July 10, 2024, Del Paso Manor Water District and Sacramento Suburban Water District Joint Special Board Meeting.



Minutes

Del Paso Manor Water District and Sacramento Suburban Water District Joint Special Board Meeting

July 10, 2024

Location:

3701 Marconi Avenue, Sacramento, CA 95821, and Audio Conference at 1-669-900-6833, and Video Conference using Zoom at Meeting ID #886 8640 9642

SSWD Call to Order – Videoconference/Audioconference Meeting

Del Paso Manor Water District (DPMWD) Board Vice President Carl Dolk (Chair Dolk) called the meeting to order at 6:00 p.m.

Roll Call

SSWD Directors

Present: Dave Jones, Craig Locke, Kevin Thomas, and Robert Wichert.

SSWD Directors

Absent: Jay Boatwright.

DPMWD Directors

Present: Carl Dolk, Gwynne Pratt, David Ross, and Robert Matteoli.

DPMWD Directors

Absent: None.

SSWD Staff Present: Sacramento Suburban Water District (SSWD) General Manager Dan York, Jeff Ott, and Heather Hernandez-Fort.

DPMWD Staff Present: General Manager Adam Coyan, Mike Jenner, and Victoria Hoppe.

Public Present: SSWD Legal Counsel Josh Horowitz, DPMWD Legal Counsel Mona Ebrahimi, Jay Boatwright, Jose Henriquez, William Eubanks, Cindy Lidell, Stacey Lidell, Ted Costa, Eric Uppal, Berry Lou Beyer, Bill Rose, Marcy Hutchinson, Desirae Fox, Paul Helliker, Sabrina Gulch, Thomas Spencer, Kathy Lauer, Trish Harrington, and Roy Wilson.

Public Comment

Marcy Hutchinson announced that she was planning on running for the Board of Directors of the Del Paso Manor Water District.

Cindy Lidel expressed her desire for DPMWD to stay independent.

Stacey Lidel (Ms. Lidel) additionally expressed her desire for DPMWD to stay independent.

Consent Items

1. **Draft Minutes of the June 5, 2024, Del Paso Manor Water District and Sacramento Suburban Water District Joint Board Meeting**

DPMWD Director Pratt inquired about a section in the Draft Minutes where SSWD Director Boatwright made a comment about the rates. She was hoping to get clarification on his comment.

SSWD Director Wichert suggested the item be tabled until SSWD Director Boatwright could be present to clarify his comment.

SSWD Director Wichert moved to table the Item; SSWD Director Jones seconded.

The SSWD motion passed by unanimous vote.

SSWD Vote:

AYES:	Jones, Locke, Thomas, and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Boatwright.		

DPMWD Director Matteoli moved to table the Item; DPMWD Director Ross seconded.

The DPMWD motion passed by unanimous vote.

DPMWD Vote:

AYES:	Dolk, Matteoli, Pratt, and Ross.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Items for Discussion and/or Action

2. **State Water Resources Control Board Grant Funding**

SSWD General Manager Dan York (SSWD GM York) presented the staff report and answered clarifying questions.

Eric Parmdeep, (Mr. Parmdeep) Senior Water Resources Control Engineer with the State Water Resources Control Board, answered several clarifying questions including that reimbursements for grant funding were made after complete approval, noting that payments were not made in advance; there would be a roughly 45-day period before the payments were disbursed; no loans would be eligible for reimbursement if they were taken out prior to the complete approval; complete applications take roughly 9-12 months to approve; a work start date would be established and any work performed after that date would be eligible for reimbursement consideration, noting that if any

construction work started before approval, it would not be eligible for reimbursement; and that there are different funding eligibility amounts per connection associated with the different community types of consolidation.

DPMWD Director Matteoli requested to meet with Mr. Parmdeep offline to ask additional questions.

Kathy Lauer expressed her appreciation for SSWD's assistance with DPMWD and asked additional clarifying questions.

Roy Wilson (Mr. Wilson) expressed he was not confident that DPMWD would be considered a "disadvantaged community" category with the grant funding.

3. **Board of Director Interest in the Reorganization of Del Paso Manor Water District into Sacramento Suburban Water District**

DPMWD General Manager Adam Coyan (DPMWD GM Coyan) presented the staff report and polled each Director on their interest in reorganization discussions going forward.

DPMWD Director Matteoli expressed he was interested in exploring potential partnership options with SSWD but that he was not interested in introducing fluoride into the DPMWD service area, and that ultimately, he wanted DPMWD to stay independent.

DPMWD Director Pratt expressed she was definitely in favor of reorganizing.

DPMWD Director Ross expressed he was interested in continuing with the process and collecting more information. He noted he was concerned about the current position of DPMWD and wanted to continue discussions.

Chair Dolk expressed he too was concerned about the current position of DPMWD and expressed his appreciation for SSWD, noting he felt SSWD was a great organization to combine with, and stated he was in favor of reorganization.

SSWD Director Locke noted he has always been in favor of consolidating water districts and that although there were no immediate advantages for SSWD to consider this consolidation, he felt it was what would be best for the region and expressed he was in favor of moving forward. He additionally pointed out that it would be imperative to be open and transparent with customer outreach and communication, and to clear up any misinformation as soon as possible. He stated he was not interested in a hybrid district, but that he would consider an advisory committee for DPMWD Directors.

SSWD Director Jones echoed what SSWD Director Locke stated, adding that he was also interested in reducing the number of water districts regionally. He stated he was in favor of reorganization discussions.

SSWD Director Wichert expressed his priority was the ratepayers of SSWD, and that he was most interested in providing the lowest bills and the best service possible. He expressed that he agreed with DPMWD Director Mattioli that there were potential funding opportunities available, but that he wanted to be sure SSWD ratepayers were not subsidizing the repairs needed in DPMWD.

SSWD President Thomas echoed what the other SSWD Directors stated, noting he wanted to stay productive.

Ms. Liden commented on the contaminates in the water.

Mr. Wilson commended SSWD for their support over the years with DPMWD and pointed out that the repairs needed in DPMWD were very costly and the longer they waited, the more costly they would become. He expressed his support for consolidation.

William Eubanks, a ratepayer in SSWD, expressed he was not in support of consolidation as he did not see a benefit to the SSWD ratepayers.

4. **Reorganization Tasks**

SSWD GM York presented the staff report and answered clarifying questions.

DPMWD GM Coyan expressed that communication should be the highest priority.

DPMWD Director Matteoli and DPMWD Director Pratt both agreed that communication is very important.

DPMWD Director Ross added that it is additionally important to correct any misinformation, as it is critical for the customers of both Districts to develop trust. He additionally agreed with the items on the task list.

Chair Dolk announced that there was a LAFCo meeting taking place on July 16, 2024, at 6:00 p.m., and encouraged the public to stay engaged in the process. He also agreed with the items on the task list.

Ms. Lidel commented that she felt there were inaccuracies in the LAFCo findings.

Mr. Wilson echoed that communication was critical and encouraged DPMWD to update their website with more accurate information.

5. **Communications Plan**

SSWD GM York presented the staff report and recommended holding Public Outreach Workshops for ratepayers to get further information about the combination discussions.

SSWD Director Wichert recommended including Key Messages and Frequently Asked Questions in the outreach materials.

SSWD GM York expressed that staff would provide an update at the August 14, 2024, DPMWD/SSWD Joint Special Board Meeting.

SSWD Director Wichert expressed that he was not in favor of splitting the outreach costs 50/50 long term, as he stated if the combination is successful, DPMWD should be more responsible for the outreach costs.

DPMWD Legal Counsel Mona Ebrahimi (Ms. Ebrahimi) reminded the Boards that there was an option to request reimbursement for outreach efforts through the grant funding under the “soft costs” category.

SSWD Director Locke reinforced that transparency was critical, and that if there were any questions brought from members of the public up at meetings, that they be addressed as soon as possible. He additionally pointed out that 50/50 was not equitable, as SSWD was a lot larger of a District than DPMWD. He also expressed concern over the misconception that DPMWD would be able to remain independent, noting all of the current issues DPMWD was facing up to and including the LAFCo resolution.

Conversation ensued over the SSWD and Carmichael Water District (CWD) combination discussions.

Jose Henriquez, Executive Officer of LAFCo explained that from his perspective it was a lot easier to fail with a reorganization than to succeed, nothing that when people don't understand what a government is doing, they don't trust it. He emphasized the importance of communication and transparency.

Mr. Wilson recommended each District pay for their own postage when sending out mailings.

Kathy Lauer reminded the Boards that communication began with them.

DPMWD Director Pratt moved to approve the staff recommendation; DPMWD Director Ross seconded.

The DPMWD motion passed by 3/1 vote, DPMWD Director Matteoli opposed.

DPMWD Vote:

AYES:	Dolk, Pratt, and Ross.	ABSTAINED:	
NOES:	Matteoli.	RECUSED:	
ABSENT:			

SSWD Director Wichert move to approve the staff recommendation, adding that the cost needed to be included as a reimbursement from the grant funding, if consolidation moved forward, otherwise each agency split the cost 50/50, with each side paying for their own postage.

Ms. Ebrahimi reminded SSWD Director Wichert that the cost share agreement was the next Agenda item.

SSWD Director Wichert's motion died for a lack of a second.

SSWD Director Locke moved to approve the staff recommendation with the addition that some sort of immediate response to all comments made in Joint Board meetings be addressed, such as by postcard or District websites. SSWD Director Wichert seconded.

The SSWD motion passed by unanimous vote.

SSWD Vote:

AYES:	Jones, Locke, Thomas, and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Boatwright.		

DPMWD Director Ross moved to approve the staff recommendation with the addition that some sort of immediate response to all comments made in Joint Board meetings be addressed, such as by postcard or District websites. DPMWD Director Pratt seconded.

The DPMWD motion passed by 3/1 vote, DPMWD Director Matteoli opposed.

DPMWD Vote:

AYES:	Dolk, Pratt, and Ross.	ABSTAINED:	
NOES:	Matteoli.	RECUSED:	
ABSENT:			

6. Communications – Cost Share Agreement

SSWD GM York presented the staff report.

SSWD Director Wichert moved to work as a staff to have all of the costs paid for by the grant, but if the consolidation did not go forward, and the grant funding did not get approved, then each agency would split the cost 50/50, with each agency paying for their own postage.

Ms. Ebrahimi recommended she be able to make modifications to the Cost Share Agreement (Agreement), including that whatever work product is produced, that it become mutual property of both SSWD and DPMWD; and that the term of contract would end on December 31, 2024, not December 31, 2023 as written; and finally to include in the Agreement that staff would try to have all of the costs reimbursed through the grant funding and exhaust those funds before expending ratepayer funds, however, if that was not approved, each agency would split the cost 50/50, with each agency paying for their own postage.

SSWD Director Wichert agreed to include the modifications made by Ms. Ebrahimi into his motion; SSWD Director Locke seconded.

The SSWD motion passed by unanimous vote.

SSWD Vote:

AYES:	Jones, Locke, Thomas, and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Boatwright.		

DPMWD Director Matteoli moved the exact same motion as SSWD Director Wichert; DPMWD Director Pratt seconded.

DPMWD Director Ross pointed out that SSWD was a much larger agency and reminded the DPMWD Board that there would be an imbalance in cost per ratepayer, but that he was still in favor of it.

The DPMWD motion passed by unanimous vote.

DPMWD Vote:

AYES:	Dolk, Matteoli, Pratt, and Ross.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

7. **Governance – Final Number of Board of Directors**

SSWD GM York presented the staff report.

DPMWD Director Matteoli expressed that he was not interested in combining agencies until after the November 2024, election, and that he was in favor of having 5 Directors.

Mr. Henriquez reminded the Boards that the Boards designate how many seats they would want to have on the new combined Board, and that would be included in the application to LAFCo.

SSWD GM York added that the Boards have two separate election periods to ultimately get to the number of seats the Boards agreed upon.

DPMWD Director Matteoli recommended not going above 5 Director seats.

SSWD Director Locke pointed out that SSWD had 50,000 connections, and DPMWD had 1,800 connections, noting that the current ratepayers of DPMWD would have 4 times the voice that SSWD ratepayers would have, if the combined District kept all 5 DPMWD Director seats, and that he was not in support of that. He expressed that he wanted to make sure there would be equal representation.

DPMWD Director Ross suggested that a possible solution could be to create a Special Services District with an Advisory Committee specific to DPMWD that could assist in discussing DPMWD specific projects.

SSWD Director Locke agreed with DPMWD Director Ross's suggestion.

Discussion ensued over the process for reducing Director seats.

SSWD Director Locke requested to hold a DPMWD/SSWD Special Joint Board meeting to address the concerns over governance.

Both Boards agreed with SSWD Director Locke’s request.

8. Water Rate Comparison Analysis

Jeff Ott presented the staff report and answered clarifying questions.

It was determined that the SSWD average bill and the DPMWD average bill were very similar.

9. Condition Assessment

DPMWD GM Coyan presented the staff report and answered clarifying questions.

10. Contract Services Agreement Between Sacramento Suburban Water District and Del Paso Manor Water District for Operations Assistance

SSWD GM York presented the staff report.

SSWD Director Locke expressed he was in favor of assisting on a temporary basis, but that he wanted to be sure there was an end date.

Ms. Ebrahimi pointed out that there was a termination date of December 31, 2024, but noted that there was a term included in the agreement that SSWD could withdraw their resources within a 24-hour notice period.

SSWD Director Locke moved to extend the Contract Services Agreement to coincide with end of the LAFCo period or two months after termination of the combination discussions, whichever came first; SSWD Director Wichert seconded.

Chair Dolk inquired if the DPMWD Board had any issues with the 24-hour termination term, or if they would be more comfortable with including language that it would only be terminated in an emergency.

SSWD Director Locke amended his motion to include “only in an emergency” in reference to the 24-hour termination term. SSWD Director Wichert accepted the amendment to the motion.

The SSWD motion passed by unanimous vote.

SSWD Vote:

AYES:	Jones, Locke, Thomas, and Wichert.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:	Boatwright.		

DPMWD Director Ross moved the exact same motion as SSWD Director Locke; DPMWD Director Pratt seconded.

The DPMWD motion passed by unanimous vote.

DPMWD Vote:

AYES:	Dolk, Matteoli, Pratt, and Ross.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

11. **Future Meeting – Draft Agenda Topics**

The Boards agreed to include Reorganization Tasks and Communication Plan in the Agenda for the next SSWD/DPMWD Joint Special Board Meeting:

The Boards asked to be kept informed on the status of the grant funding application.

It was additionally determined that there will be an additional SSWD/DPMWD Joint Special Board Meeting to focus on Governance.

DPMWD Director Ross moved to adjourn the meeting; DPMWD Director Pratt seconded.

The DPMWD motion passed by unanimous vote.

DPMWD Vote:

AYES:	Dolk, Matteoli, Pratt, and Ross.	ABSTAINED:	
NOES:		RECUSED:	
ABSENT:			

Adjournment

Chair Dolk adjourned the meeting at 9:06 p.m.

Dan York
General Manager/Secretary
Sacramento Suburban Water District

Agenda Item: 3

Date: July 30, 2024

Subject: Official Vote to Combine Del Paso Manor Water District and Sacramento Suburban Water District

Staff Contact: Adam Coyan, DPMWD General Manager
Dan York, SSWD General Manager

Recommended Board Action:

Discuss, provide direction and/or possible action to vote to combine into one organization.

Background:

The Sacramento Local Area Formation Commission (LAFCo) has initiated the process to dissolve Del Paso Manor Water District (DPMWD), which includes a resolution providing DPMWD one year to correct their water system deficiencies. Currently, DPMWD and Sacramento Suburban Water District (SSWD) have re-initiated combination discussions due to LAFCo's resolution.

A Director from DPMWD requested to place an item on the July 10, 2024, Joint Board meeting agenda for the purpose of determining how each Director feels about combining the two agencies if a vote was placed on a future agenda to officially vote to combine. The result from the respective Boards was 5-0 from the SSWD Directors in favor of continuing combination efforts, and 3-1 from the DPMWD Directors in favor of continuing combination efforts.

Discussion:

In order to move forward in an efficient manner to complete necessary requirements to combine the two organizations, a DPMWD Director requested to place this item on the July 30th Joint Board meeting to conduct an official vote to combine the two organizations or provide direction to staff.

There are guidelines on the process, decisions, and timeline for making a final determination on whether to proceed with a reorganization of SSWD and DPMWD. A reorganization would involve the dissolution of DPMWD and the annexation of its territory and transfer of its assets to SSWD that would continue in existence. Please see Attachment 1, which is a memorandum from legal counsel that outlines specifics for each guideline:

The following are highlights of decisions, description of the process, and approximate timing:

Group 1 – Public Outreach and Initial Decision to Proceed with or Terminate Combination Proposal (Now to Completion of Public Outreach and Joint Board Meeting 1 – Estimated completion time, 2 months after end of outreach activities)

Group 2 – District Form and Governance Decisions (Assuming decision to proceed at Joint Meeting 1 to Joint Board Meeting 2 – Estimated completion time, 3-4 months)

Group 3 – Operational and Financial Decisions (After Group 2 governance decisions – Estimated completion time, continuing effort into implementation)

Group 4 – Final decision (Joint Board Meeting 3 – During course of Group 3 activities, but after those activities required to make decisions for LAFCO application requirements)

Group 5 – LAFCO Application and Approval Process (LAFCO estimates one year to complete from date of filing resolutions of application and application)

Group 6 – Post-Consolidation Actions to Implement New Agency (Complete as soon as possible after LAFCO records Certificate of Completion)

A memorandum provided by SSWD’s legal counsel is attached to this staff report regarding decisions required to make a final determination on whether to combine and the timelines for those decisions.

Attachment:

1. Memorandum - Decisions Required to Make Final Determination on Whether to Combine Districts and Timeline for Those Decisions

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MEMORANDUM

**TO: Sacramento Suburban Water District & Del Paso Manor Water District Boards of Directors
Dan York, General Manager, SSWD
Adam Coyan, General Manager, DPMWD**

From: Josh Horowitz

Date: July 24, 2024

Re: Decisions Required to Make Final Determination on Whether to Combine Districts and Timeline for Those Decisions

This memorandum provides guidance to the Boards of Directors of the Sacramento Suburban Water District (“SSWD”) and the Del Paso Manor Water District (“DPMWD”) on the process, decisions, and timeline for making a final determination on whether to proceed with a combination of SSWD and DPMWD either by reorganization or consolidation. A reorganization would involve the dissolution of DPMWD and the annexation of its territory and transfer of its assets to SSWD. A consolidation would dissolve both SSWD and DPMWD and form a new agency. Given the decision by the Sacramento Local Agency Formation Commission (“LAFCO”) to pursue a dissolution of DPMWD, this memorandum focuses on the reorganization process.

What follows is a list of decisions, description of the process, and approximate timing in a grouped format for reaching a decision on reorganizing DPMWD into SSWD.

Group 1 – Public Outreach and Initial Decision to Proceed with or Terminate Combination Proposal (Now to Completion of Public Outreach and Joint Board Meeting 1 – Estimated completion time, per communications plan)

- Completion of Public Outreach Process, including SSWD and DPMWD public workshops, briefing of public officials, interested agencies, customers, and other stakeholders, and public notification and receipt of comments -- schedule per Communications Plan approved at July 10, 2024 joint board meeting.

Group 2 – District Form and Governance Decisions (Assuming decision to proceed at 7/30 Joint Meeting – Estimated completion time, 3-4 months)

- Key decisions to be made in this phase include:
 - Pursue reorganization or consolidation?
 - Governance – 11-, 9-, 7, or 5-member board at LAFCO approval.
 - Ultimate size of Board by statute is 5 members, but can be larger (e.g., 7 or 9 members) upon request of SSWD and DPMWD and LAFCO approval.

- The County Water District Law contains a statute authorizing these options.
- Name of new agency – Optional for reorganization – default is surviving district keeps name, but a name change is authorized by statute and the two Boards may approve a new name if desired.
- Management structure – GM, department heads, and new positions.
- Main administrative office location.
- If two Boards still wish to have a five-member Board of Directors composed solely of SSWD Directors and for DPMWD Directors to sit as an advisory committee to oversee CIP and funding issues within the existing Del Paso service area, this could be specified to LAFCO as a condition of approving a reorganization.

The above issues would be included as conditions in the SSWD and DPMWD resolutions of application to LAFCO.

- Decision process – the Boards vet these issues with management and counsel support, and ultimately approve substantially similar conditions on these matters in resolutions of application filed with LAFCO.

Group 3 – Operational and Financial Decisions (After Group 2 governance decisions – Estimated completion time, continuing effort into implementation)

- Process: Many of these items are intended to be on-going activities and conducted mainly at the staff level with Board input and oversight and as due diligence matters under Group 5. However, other matters will need to be decided on by the SSWD and DPMWD Boards. If the decision is made to proceed with a reorganization, decisions on these items will need to be made and incorporated into the two “substantially similar” resolutions to be adopted by both Boards as the two Districts’ applications to LAFCO, together with the items noted above in Group 2. These specific items are denoted by double asterisks (**).
- Decide on employment-related matters:
 - Retention and assignment of existing employees and proposed org. chart. **
 - Review and coordinate DPMWD and SSWD salaries into single schedule. **
 - Review and coordinate DPMWD and SSWD benefits and formation of single unified plan. **
 - Retirement system – PERS contract(s); coordination of any supplemental plans. **
 - Review and coordinate DPMWD and SSWD employee manuals and policies.
- Agreements with consultants and vendors – Inventory agreements and determine which would be assigned or terminated.
 - Selection and retention of key consultants – Auditor, Consulting Engineers, Kirby, Legal Counsel.
- Disposition of real property – inventory of real property owned, leased, and rented by DPMWD and SSWD; easements and rights-of-way.
 - Plan for consolidating offices, corp. yards, and other property.
 - Inventorying and planning for any actions required to maintain easements and other non-fee interests.

- Plan for disposal of any surplus real property. **
- Determine how real property will transfer to the new District and be held for customers' benefit. **
- Disposition of personal property – inventorying, consolidating, and surplusing.
 - Disposition of leased and rented personal property.
 - Vehicle fleet inventory, consolidation, and surplus disposal planning.
 - How personal property will transfer to the new District and be held for customers' benefit. **
- Ordinances, resolutions, rules & regulations, policies – inventory, review, and select (post-combination readoption of retained items).
- Financial System.
 - Select accounting system and software, and financial reporting protocols.
 - Determine how Districts' cash, receivables, and liabilities will transfer to the new District and be held for customers' benefit. **
- Outstanding indebtedness – Combination must not affect bonded indebtedness. **
 - Notify bondholders of proposed combination, including analysis of no material effect.
 - Inventory all non-bonded loans and grants, and provide appropriate notices to lenders and grantors; make assignments to new District as required (post-consolidation).
- Software and operating systems.
 - Inventory and prepare plan for coordinating, transferring, and terminating systems as appropriate.
- Insurance, claims and litigation.
 - Identify outstanding claims and litigation; at appropriate time, notify adverse parties, insurers, and courts, and substitute in new District.
 - Notify ACWA-JPIA of proposed combination and obtain JPIA's input on coverage termination, determination of coverage for new agency, and issuance of new memorandum of coverage to new agency.
- Overall Due diligence plan – In addition to above items, determine scope of any additional due diligence reviews and investigations, including final audits of DPMWD and SSWD and other closing actions.
- Determine timing and scope of consultation on combination proposal with DDW and other regulatory agencies.
 - Determine how DDW permit will issue to new agency
 - Assignment and transfer of DPMWD and SSWD well permits.

Group 4 – Final decision (During course of Group 3 activities, but after those activities required to make decisions for LAFCO application requirements)

- Process would entail holding a joint board meeting to make a final decision on proceeding with a reorganization, or terminating the proposal and considering other

options – if the SSWD and DPMWD Boards decide to proceed, they would adopt “substantially similar” resolutions of application to LAFCO, which then prohibits LAFCO from denying the application and requires it to approve the application with or without conditions.

- Note that Sacramento LAFCO Executive Officer José Henriquez recommends SSWD and DPMWD combine by reorganization because the Cortese-Know-Hertzberg Local Government Reorganization Act of 2000 (the “LAFCO Law”) permits LAFCO to approve the application without an election unless it is successfully protested. If the Board of DPMWD adopts the resolution for dissolution unanimously, then LAFCO may waive the conducting authority hearing for the dissolution only. LAFCO also may waive the conducting authority hearing for the annexation of the DPMWD’s territory and assets and liabilities if it follows certain steps. (For further information, see Step 4 under the bullet point in Group 5 below describing the LAFCO approval process).
- The resolutions should include at least the following information:
 - The actions and conditions of approval that SSWD and DPMWD request from LAFCO;
 - Each District’s designated agent authorized to sign on the Board’s behalf and who will act as the primary contact with LAFCO;
 - A map of the territory affected by the proposal;
 - Specify what should be done with zones of benefit and/or benefit assessments – since neither DPMWD or SSWD have such zones, this should be confirmed;
 - Specify fiscal and operational considerations and requirements, including any proposal to form a new assessment district within the existing DPMWD service area to finance new and improved infrastructure;
 - Specify governance requirements such as directors being elected by division and the composition of the first board of the combined district; and
 - Specify any other conditions of approval requested of LAFCO.
- Approve CEQA document for proposed reorganization.
 - The proposal appears to be exempt from CEQA review under a Class 20 categorical exemption.
 - Review for the probable exemption should be performed by management and counsel and, if exemption eligibility confirmed, a Notice of Exemption prepared for approval by both Boards.
- If approved, direct staff to prepare and file application with Sacramento LAFCO. If not approved, proposal terminates unless Boards desire to explore other options.

Group 5 – LAFCO Application and Approval Process (LAFCO estimates up to one year to complete from date of filing resolutions of application and application)

- Staff prepares and files application with the Sacramento LAFCO.
 - Application must be on LAFCO forms (Except for resolutions of application).
 - There is a substantial amount of information which must be attached to the application, including an outer boundary survey and related maps, plan of service, possible municipal service review updates for DPMWD and/or SSWD.

- Property tax negotiation under Revenue & Taxation Code section 99 with Sacramento County.
 - This is a requirement of the LAFCO Law, but strictly a “check the box” action because neither DPMWD nor SSWD receive a property tax increment from the County.

- The following is a summary of the approval process LAFCO would conduct under the LAFCO Law after DPMWD and SSWD file their application and property tax agreement:
 - Step 1 -- LAFCo staff analysis: Upon receipt of the complete application packet, LAFCO staff will analyze the documents and follow up with the Districts to ensure there is sufficient information to address the LAFCO Law’s information requirements. Once those requirements are satisfied, LAFCo staff will issue a Certificate of Filing, stating the approval hearing date for the proposal. The approval hearing is typically scheduled for the first LAFCO meeting for which at least 21-days’ advance notice can be posted.

 - Step 2 -- Approval Hearing: LAFCO considers the facts of the proposal as shown in the application and supporting materials, the staff report, written and oral testimony, the environmental review, the context and setting of the proposal, and any other pertinent information necessary to permit LAFCO to decide on the proposal. The Commission’s discretionary decision could be unconditional approval, approval with conditions, or denial. A denial can be prohibited if the dissolving District’s Board adopts the resolution of application unanimously. If a denial is authorized and is made, the project is terminated and LAFCO issues a Certificate of Termination. If the application is approved with or without conditions, then the proposal moves to Step 3.

 - Step 3 -- 30-day reconsideration period: The LAFCO Law permits anyone within Sacramento County to request that LAFCO reconsider its approval of an application within 30 days after that approval. The requirements for reconsideration are strict and the Commission decides whether to grant reconsideration. A request for reconsideration rarely succeeds because of the high standard for granting them and the substantial record usually developed to support the application and approval.

 - Step 4 -- Conducting Authority Hearings: If an application has less than 100% landowner consent, a “conducting authority” (also called a protest) hearing must be scheduled, also subject to a minimum 21-day advance notice. This hearing provides an opportunity for landowners and registered voters to protest the approval. The result of the hearing depends on the number of protests received and not withdrawn:
 - If less than 25% of registered voters or 25% of landowners who own at least 25% of the total assessed value of the land protest, then LAFCO’s approval (with or without conditions) stands;
 - If more than 50% of registered voters or landowners protest, then LAFCO’s decision is overturned and the proposal fails; or
 - If the number of protests by registered voters or landowners is between 25% and 50%, then the proposal goes to an election.

As noted previously, a reorganization or consolidation of agencies is generally subject to an election. But if the conducting authority hearing step is used, it is the mechanism to determine if an election is held, and only if the number of submitted (and not withdrawn) protests is between 25% and 50% of landowners or registered voters. If DPMWD and SSWD apply for a reorganization, then the conducting authority hearing step for the dissolution can be bypassed if the resolution of application for the dissolving District is approved unanimously by its Board. If LAFCo staff ensures that the 21-day notice for the LAFO approval hearing is timely given to landowners and registered voters within the affected territory and (1) the notice discloses to the registered voters and landowners that, unless written opposition to the proposal is received before the conclusion of the Commission's proceedings on the proposal, LAFCo will waive the conducting authority (protest) proceedings; (2) the notice discloses that SSWD may extend or continue any previously authorized charge, fee, assessment, or tax in the affected territory; and (3) no landowners or registered voters within the affected territory file written opposition to the proposal before LAFCo concludes its proceedings on the proposal (which LAFCo EO Henriquez said he would ensure), then this step also can be eliminated for the annexation portion, thus eliminating the conducting authority step altogether.

- Assuming LAFCo approves DPMWD's and SSWD's application, one of the following occurs:
 - If LAFCo approves the application without conditions, it will record a Certificate of Completion and the consolidation or reorganization will be completed.
 - If LAFCo approves with conditions, DPMWD and SSWD must satisfy those conditions and then LAFCo will record the Certificate of Completion. DPMWD and SSWD would have one year to satisfy any conditions imposed by LAFCo.

**Group 6 – Post-Consolidation Actions to Implement Reorganized Agency
(Complete as soon as possible after LAFCo records Certificate of Completion)**

- Initial meeting of reorganized agency's board – actions to continue or adopt amended or new ordinances, resolutions, and policies, elect board officers and appoint secretary, treasurer, auditor, and legal counsel.
- Roster of Public Agencies filings with the Secretary of State for new agency and DPMWD and SSWD.
- Complete Group 3 actions as appropriate.
- If the Boards agree with the plan to form an assessment district within the existing DPMWD service area, the reorganized board (with assistance from the advisory board) must initiate a Proposition 218 proceeding to form the new assessment district and levy and collect any assessment approved by the voters.
 - Formation by reorganization would avoid a Proposition 218 proceeding because the surviving district's rates and charges would remain in effect and extend to the annexed area of the dissolved district.

- The same would apply to connection/capacity fees.
- Record notice of transfer of real property interests, if deemed appropriate by management and counsel.

Agenda Item: 4

Date: July 30, 2024

Subject: Governance – Final Number of Board of Directors

Staff Contact: Dan York, SSWD General Manager
Adam Coyan, DPMWD General Manager

Recommended Board Action:

The Del Paso Manor Water District and Sacramento Suburban Water District Board of Directors determines the final number of Directors if the two districts combine into one organization.

Background:

At the July 10, 2024, Del Paso Manor Water District (DPMWD) and Sacramento Suburban Water District (SSWD) Joint Board meeting, the Directors were provided the necessary process to get to the final number of Board of Directors if the two districts were to combine into one organization.

Discussion ensued regarding the final number of Directors with both Boards agreeing that the ultimate size would be five Board of Directors. Several Directors made comments that due to the size of constituents in the SSWD service area, it made sense that the final makeup of the Board would consist of SSWD Directors. There was also discussion regarding implementing an Advisory Committee that would consist of DPMWD Directors.

Due to the importance of this topic, an SSWD Director requested that a Special Board meeting be scheduled to continue the discussion in order to come to an agreement on the final number of Directors as well as continuing the discussion on implementing an Advisory Committee. This would allow the DPMWD Directors of the combined district to remain involved with their communities as well as regional water organizations.

If an Advisory Committee is approved by the respective Boards, a policy would need to be developed to outline the responsibilities and function, but most importantly, the key points documenting that an Advisory Committee does not have binding decision making authority similar to the Board of Directors.

Agenda Item: 5

Date: July 30, 2024

Subject: Sacramento Local Area Formation Commission Resolution

Staff Contact: Adam Coyan, DPMWD General Manager
Dan York, SSWD General Manager

Recommended Board Action:

No action. Discuss and provide direction to staff on the desired conditions to be included in each District's resolution of application for submittal of resolutions to the Sacramento Local Area Formation Commission.

Discussion:

If Del Paso Manor Water District (DPMWD) and Sacramento Suburban Water District (SSWD) choose to move forward in combining the two districts, it is necessary to submit a resolution of application to Sacramento Local Area Formation Commission (LAFCo). The adopted resolutions should be substantially similar for each district. If the DPMWD and SSWD Boards make the decision to adopt substantially similar resolutions for the purpose of submitting to LAFCo, staff is seeking direction on the desired conditions within each resolution as well as a timeline to submit the resolutions to LAFCo.

If the respective Boards direct staff to draft similar resolutions, they should include at least the following information:

- The actions and conditions of approval that SSWD and DPMWD request from LAFCO
- Each District's designated agent authorized to sign on the Board's behalf and who will act as the primary contact with LAFCO
- A map of the territory affected by the proposal
- Specify what should be done with zones of benefit and/or benefit assessments – since neither DPMWD or SSWD have such zones, this should be confirmed
- Specify fiscal and operational considerations and requirements, including any proposal to form a new assessment district within the existing DPMWD service area to finance new and improved infrastructure
- Specify governance requirements such as Directors being elected by division and the composition of the first Board of the combined district
- Specify any other conditions of approval requested of LAFCO

Note: The above information is only examples, there could be other information desired/required in the subject resolutions. Based on the results of direction provided to staff, a draft resolution can be brought to the respective Boards at the August 14, 2024, Joint Board Meeting.

Agenda Item: 6

Date: July 30, 2024

Subject: Reorganization Tasks Update

Staff Contact: Dan York, SSWD General Manager
Adam Coyan, DPMWD General Manager

Recommended Board Action:

No action. Receive an update on reorganization tasks and direct staff as appropriate.

Discussion:

At the July 10, 2024, Joint Board Meeting of Del Paso Manor Water District (DPMWD) and Sacramento Suburban Water District (SSWD) the respective Boards directed staff to begin conducting particular tasks associated for the purpose of combining the two organizations. Below is an update on each particular task:

- Commence communication and outreach to DPMWD and SSWD customers and stakeholders – Communications agreement was reviewed and approved by legal counsel from each district and executed by the General Managers.
- Draft Local Area Formation Commission Resolution – This item has been placed on the July 30th agenda for direction from the respective Boards.
- Draft Board of Director Division Map – Not yet initiated. Waiting for further direction from the respective Boards.
- Finalize Condition Assessment of DPMWD’s water system infrastructure – In process for submittal regarding grant funding requirements.
- Initiate Water System Permit Amendments, Division of Drinking Water – Staff met with Division of Drinking Water (DDW) staff on July 22nd. DDW informed staff that they would prefer to receive an application request to amend the Water System Permits directly following a resolution application to LAFCo. DDW stated that the Water System Permit amendment process is typically 3-6 months.
- Contract Services Agreement – Agreement was reviewed and approved by legal counsel from each district and executed by the General Managers.