

Agenda Item: 1

Date: August 14, 2024

Subject: Draft Minutes of the July 30, 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 30, 2024, Del Paso Manor Water District and Sacramento Suburban Water District Joint Special Board Meeting.

Attachment:

1. Draft Minutes of the July 30, 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 30, 2024

Location:

3701 Marconi Avenue, Sacramento, CA 95821, and Audio Conference at 1-669-900-6833, and Video Conference using Zoom at Meeting ID #840 5975 1669

SSWD Call to Order – Videoconference/Audioconference Meeting

Sacramento Suburban Water District (SSWD) Board President Kevin Thomas (Chair Thomas) called the meeting to order at 6:02 p.m.

Pledge of Allegiance

President Thomas led the Pledge of Allegiance.

Roll Call

SSWD Directors

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

SSWD Directors

Absent: None.

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, Dane Westvik, Julie Nemitz, Susan Schinnerer, and Heather Hernandez-Fort.

DPMWD Staff

Present: General Manager Adam Coyan.

Public Present:

SSWD Legal Counsel Josh Horowitz, Del Paso Manor Water District (DPMWD) Legal Counsel Mona Ebrahimi, Jose Henriquez, Bernadette Grimes, Ted Costa, Victoria Hoppe, Paul Helliker, Trish Harrington, Roy Wilson, Carol Allen, Anne Hart, Christine Kohn, Ken Fowler, Kirsten

Fowler, Casey Fowler, Curt Johnson, James Hall, Jan Hall, Judy Bittingon, Kirsten Seifikar, Mary Hutchinson, Ruth Arthur, Cindey Leidehl, Sondra Paschal, Paul Souza, and John Hoffman.

Public Comment

None.

Consent Items

1. **Draft Minutes of the June 5, 2024, Del Paso Manor Water District and Sacramento Suburban Water District Joint Special Board Meeting**
2. **Draft Minutes of the July 10, 2024, Del Paso Manor Water District and Sacramento Suburban Water District Joint Special Board Meeting**

DPMWD Director Pratt expressed that in the Draft Minutes of the June 5, 2024, DPMWD and SSWD Joint Special Board Meeting, on Item 4, SSWD Director Boatwright commented that he did not recommend DPMWD change their current rate plan. DPMWD Director Pratt requested clarification on that comment.

SSWD Director Boatwright clarified that what he meant was that he personally did not advise DPMWD to delay their rate increase that was approved through their Prop 218 process.

DPMWD General Manager Adam Coyan (DPMWD GM Coyan) added that the minutes should be updated to reflect that Mike Jenner and Victoria Hoppe were both there as members of the public, not DPMWD staff.

SSWD Director Boatwright moved to approve the Consent Items with the above stated amendments; SSWD Director Jones seconded.

The SSWD motion passed by unanimous vote.

SSWD Vote:

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

DPMWD Director Ross moved to approve the Consent Items with the above stated amendments; DPMWD Director Matteoli 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

3. Official Vote to Combine Del Paso Manor Water District and Sacramento Suburban Water District

DPMWD GM Cohan presented the staff report.

SSWD Director Wichert expressed he felt the item was premature; however, he noted that if it were to be voted on, he would like to add a modification that the ratepayers of SSWD were not financially responsible for any of the DPMWD expenses, and that those expenses be requested to be reimbursed as part of the grant funding.

DPMWD Director Dolk stated he felt time was of the essence, and that he was interested in showing LAFCo that DPMWD was serious about moving ahead with this process.

DPMWD Director Pratt agreed with DPMWD Director Dolk and SSWD Director Wichert, noting she felt it was very important.

DPMWD Director Matteoli expressed there were several reasons that he did not support moving forward with combination, including that he also felt it was premature, it was not needed, he wanted to see a pros and cons list, and that he felt more discussion was needed before a vote took place.

DPMWD Director Pratt expressed she was concerned for the rate payers of DPMWD and most interested in working collaboratively with SSWD than to have LAFCo involuntary dissolve them. She pointed out that DPMWD was not able to financially support the improvements needed in DPMWD and that she was in full support of combination.

DPMWD Director Ross expressed that he felt consolidation offered a clear benefit to both districts and that voting to move forward would be indicative of proceeding more efficiently and allow the Boards to begin working on projects collaboratively. He expressed that if the vote was in favor of not combining with SSWD there would be no need for additional discussions.

DPMWD Director Dolk recommended for anyone that was opposed to a combination to show the Boards their recommendations to keep DPMWD independent. He noted the reason he was in support of combination was for the safety of the DPMWD ratepayers, so they have adequate fire flows, good working infrastructure, for the future generations of DPMWD. He expressed they needed certainty, and he felt that would be with SSWD.

DPMWD Director Matteoli expressed he felt there was a fire flow fear factor being spread and that DPMWD could fix the fire flow issues.

DPMWD GM Coyan pointed out that in addition to the fire flow and hydrant issues, there were issues that still needed to be identified with their water mains.

SSWD Director Wichert pointed out that a lot of information was presented at the July 16, 2024, Open House that LAFCo held. He pointed out that LAFCo has been very clear that DPMWD is in need of help and that there was an opportunity for DPMWD to acquire around 20 million dollars in grant funding to support their system if they reorganize with another water agency.

SSWD Director Wichert moved to table the item until the Boards have made decisions and by doing that, it would allow the ratepayers to gain confidence that what the Boards are doing was the right thing.

The motion died for a lack of a second.

SSWD Director Locke pointed out that DPMWD only had two staff and that SSWD was operating their system until the Operational Service Agreement concluded in May 2025.

DPMWD Director Ross moved to take a vote to either move forward or drop the issue, with the original modifications from SSWD Director Wichert that the ratepayers of SSWD were not financially responsible for any of the DPMWD expenses, and that those expenses be requested as reimbursement as part of the grant funding. DPMWD Director Pratt seconded.

SSWD Director Boatwright moved the same motion as DPMWD Director Ross; SSWD Director Jones seconded.

DPMWD Director Matteoli clarified that his opposition to the item was not in opposition to continuing discussions with SSWD as previously planned.

Several members of the public spoke in opposition of the combination. Some of those comments were:

- Not opposed to the merger but would like more information provided to the public.
- Further information about the potential grant funding, including if it was necessary to combine in order to obtain the grant funding.
- Would like to see all possibilities and options before agreeing to consolidate.
- AeroJet plume and McClellan Park contaminants and their impact on SSWD water.
- Current SSWD pending litigation.
- SSWD's financial position.
- Clarification on fluoride.

SSWD Director Locke addressed a few of the comments from the public noting that SSWD has \$44 million dollars in reserves and will be debt free in the year 2032, that the AeroJet plume was an issue that all regional water purveyors, including DPMWD, would eventually need to address, that SSWD was currently in litigation and seeking renumeration from the Federal Government where SSWD is claiming that the former McClellan Air Force Base is believed to have contributed to the contamination of Chrom 6 in the groundwater wells, and that he was in support of fluoridation.

SSWD Director Wichert recommended the Board address customer concerns and questions in a communication document.

Chair Thomas pointed out that combination discussions have been taking place for years and supported additional outreach including an FAQ document.

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

DPMWD Vote:

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

The SSWD motion passed by unanimous vote.

SSWD Vote:

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

4. Governance – Final Number of Board of Directors

SSWD GM York presented the staff report.

DPMWD Director Matteoli expressed his opposition to creating a special advisory committee of the DPMWD Directors, noting he felt SSWD Directors were capable of overseeing what goes on with DPMWD.

SSWD Director Locke pointed out that it appeared the majority of the Directors of each District were in favor of a five-member Board, noting that it would not be an equal representation if the combined Board included all 10 Directors, as DPMWD Directors had significantly less constituents than SSWD Directors. He pointed out that the DPMWD bills should remain the responsibility of the DPMWD customers, and same for SSWD. He recommended there be an advisory committee comprised of DPMWD Directors so they have representation and a voice to guide how the grant money would be spent.

SSWD Director Wichert moved to start with the current 9 Board members and then reduce to 7 Board members.

The motion died for a lack of a second.

DPMWD Director Dolk agreed with SSWD Director Locke expressing that DPMWD Directors should not be overseeing SSWD noting it would dilute the ability for SSWD Directors to advocate for their constituents. He agreed with the idea of a special advisory committee comprised of the DPMWD Directors.

DPMWD Director Matteoli agreed with SSWD Director Locke noting that DPMWD would still be responsible for paying for their infrastructure improvements.

DPMWD Director Ross moved for SSWD Board to remain as the 5-member Board with a special advisory committee made up of the current 5 DPMWD Directors who could advise SSWD of the CIP and water quality issues in DPMWD. DPMWD Director Pratt seconded.

SSWD Director Wichert moved the same motion as DPMWD Director Ross. SSWD Director Boatwright seconded.

Several members of the public commented; some of those comments were:

- If there was a possibility of obtaining the grant funding without combination.
- How the November elections affected this vote.
- A member of the public expressed a desire to not have surface water or fluoridated water.

The Boards agreed to include fluoride on a future agenda topic.

The SSWD motion passed by unanimous vote.

SSWD Vote:

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

The DPMWD motion passed by unanimous vote.

DPMWD Vote:

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

SSWD Director Locke added some of the details would still need to be worked out, and that eventually there could be a sunset date for the advisory committee, which could become a part of the resolution to LAFCo.

5. **Sacramento Local Area Formation Commission Resolution**

SSWD GM York presented the staff report.

Legal Counsel Josh Horowitz recommended for the Boards to give staff direction to start working on the draft resolutions. He recommended for the Boards to communicate their recommendations for the resolutions to their General Managers.

SSWD Director Wichert pointed out that the list provided in the attachment to the staff report for item 3 would be a good starting point for the draft resolutions.

The Boards agreed to look at the Carmichael Water District and SSWD draft resolution to use as a starting point.

SSWD Director Locke recommended to additionally include a project list from the list included in DPMWD's Prop 218 project list. He additionally recommended to include addressing the DPMWD staff to ensure they are taken care of.

The Boards agreed with SSWD Director Locke's additions.

The Boards agreed to bring the draft resolutions to a future Special Joint Board Meeting.

6. **Reorganization Tasks Update**

SSWD GM York presented the staff report.

The Boards agreed to hold a Special Joint Board meeting for a Public Information Workshop. Staff was directed to schedule this workshop.

SSWD Director Wichert recommended for the public to provide questions and comments beforehand so the Boards can be prepared to answer those questions.

SSWD GM York noted that staff will continue to work on getting the project list for the grant funding requirements.

SSWD Director Locke recommended to include answers to the questions asked at the meeting on each District's websites.

Adjournment

Chair Thomas adjourned the meeting at 8:05 p.m.

Dan York
General Manager/Secretary
Sacramento Suburban Water District

Agenda Item: 2

Date: August 14, 2024

Subject: Sacramento Local Area Formation Commission Resolution

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

Recommended Board Action:

Review the Draft Resolution of Application to the Sacramento Local Area Formation Commission and direct staff as appropriate.

Discussion:

As directed at the July 30, 2024, Joint Board meeting, staff has developed a draft Resolution of Application to the Sacramento Local Area Formation Commission (LAFCo). 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 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.

Staff is hopeful that the subject resolution can be approved by both Boards at the September 11, 2024, Joint Special Board Meeting.

Attachment:

1. Draft Resolution

DRAFT

RESOLUTION NO. 24-XX

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SACRAMENTO SUBURBAN WATER DISTRICT MAKING APPLICATION TO THE
SACRAMENTO LOCAL AGENCY FORMATION COMMISSION FOR
REORGANIZATION WITH DEL PASO MANOR WATER DISTRICT**

WHEREAS, the Sacramento Suburban Water District (“SSWD”) was formed and is operating under the County Water District Law (Water Code sections 30000 and following), and supports the consideration of reorganization with another water district, provided that both districts consent to the reorganization, and the reorganization would be in the best interests of the customers of each district;

WHEREAS, SSWD and Del Paso Manor Water District (“DPMWD”) have conducted an evaluation of the feasibility of combining SSWD and DPMWD through a process that has involved Joint Board meetings that have been open to the public, mailing of information on the proposed combination to each customer of SSWD and DPMWD to present information on the reorganization and receive public comment on it, responding in writing to written questions received from the public concerning the reorganization, and meetings with interested parties and the respective employees of SSWD and DPMWD to discuss the potential reorganization;

WHEREAS, on May 2, 2024, the Sacramento County Local Area Formation Commission (“LAFCo”) approved a resolution of intent to initiate dissolution of DPMWD with a remediation period of twelve-months to allow the district time to address the deficiencies that were highlighted in the Sacramento Grand Jury and Municipal Service Review – Addendum reports, or to develop other plans; and

WHEREAS, SSWD has negotiated and reached a decision with the DPMWD, which was formed and is operating under the County Water District Law (Water Code sections 30000 and following), to reorganize the two districts as provided in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code sections 56000 and following; the “LAFCo Law”) by dissolving DPMWD and transferring its assets, liabilities, and obligations to SSWD on terms and conditions agreed to by the Boards of Directors of the two districts.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of SSWD as follows:

1. The foregoing recitals are true, represent the findings and independent judgment of the SSWD Board of Directors, and are hereby incorporated by reference.

2. Application is hereby made under the LAFCo Law to LAFCo for a reorganization encompassing the annexation by SSWD of DPMWD and its service area and the dissolution of DPMWD and transfer of its assets, liabilities, rights, and obligations to SSWD.
3. The President of the SSWD Board of Directors and the General Manager/Secretary of the District are hereby authorized and directed to complete and execute all documents required in connection with this application, and to do and perform every action necessary to carry out the purposes of this resolution.
4. This application is expressly made subject to the following special terms and conditions, which SSWD requests that LAFCo include within the order approving this reorganization application, the terms and conditions specified in subsections (c) and (d) being made under subdivisions (c), (h), (i), (k), (l), (m), (p), (s)(1), (t), and (v) of Government Code section 56886:
 - a. The effective date of the reorganization shall be following official certification by LAFCo and recording of a Certificate of Completion, or as soon as possible thereafter upon SSWD and DPMWD satisfying any conditions of approval.
 - b. Upon and after the reorganization, the following conditions shall apply to and bind the Board of Directors of the reorganized district:
 - (1) the following contracts, debts and contingent liabilities of the respective districts, although to be assigned and transferred to SSWD shall, nonetheless, continue to be the exclusive responsibility of the ratepayers within the respective service areas of SSWD and DPMWD until paid in full:
 - (A) all bonds, certificates of participation and similar indebtedness, including any refunding thereof;
 - (B) any other debt respecting real estate (including office buildings and other structures, pump stations and well sites), exclusive of such other debt respecting transmission and distribution system facilities, easements and rights-of-way;
 - (C) liability respecting any claims that have not been asserted in writing as of the effective date of the reorganization; and
 - (D) any contracts, debts, or liabilities, contingent or otherwise, specified in essentially parallel resolutions adopted by the Boards of Directors of both districts prior to the effective date of the reorganization.
 - (2) the following assets of the respective districts, although to be assigned and transferred to SSWD shall, nonetheless, permanently inure to the exclusive benefit of the ratepayers within the respective service areas of SSWD and DPMWD:

- (A) the equity in real estate (including office buildings and other structures, pump stations and well sites), exclusive of transmission and distribution system facilities;
 - (B) easements and rights-of-way held by the respective districts as of the effective date of the reorganization; and
 - (C) all cash and investments, water sales receivable, grant and loan funds receivable, and accrued interest receivable attributed to each respective district.
- c. Upon the reorganization and for a period of three years following the effective date of the reorganization, and for so long thereafter as the Board of Directors of SSWD shall determine, the following conditions shall apply to and bind the Board of Directors of SSWD:
- (1) all contracts, debts, and liabilities of the respective districts, including contingent liabilities, other than those identified in or pursuant to section 4(c), although to be assigned and transferred to the SSWD shall, nonetheless, continue to be the exclusive responsibility of the ratepayers within the respective service areas of SSWD and DPMWD;
 - (2) previously authorized charges, fees, assessments and taxes of SSWD and DPMWD, which have been determined by the Boards of Directors of each respective district to properly allocate the costs incurred among its ratepayers, shall continue to be applied within the affected service area of each district, and any changes made to such charges, fees, assessments and taxes shall be governed by the same principles previously determined by the Board of Directors of each respective district, unless the Board of Directors of the SSWD specifically determines that different principles shall apply;
 - (3) for a period of at least 3 years, or longer if determined necessary by the SSWD Board, the funds derived from their respective service areas shall be accounted for separately, so that the ratepayers benefitting from the respective water system bear the cost of operation, maintenance, repair, replacement, improvement, and bond debt service of that water system;
 - (4) the territory within DPMWD as of the effective date of the consolidation shall be designated the “Del Paso Manor Service Area” following the reorganization and shall be operated as a separate water system for rate-setting, billing, and collection, and all financial accounting purposes;
 - (5) the territory within SSWD as of the effective date of the reorganization shall be designated the “Sacramento Suburban Service Area” following the reorganization and shall continue to be operated in the same manner as prior to completion of the reorganization; and

- (6) the Board of Directors of SSWD shall determine from time-to-time which funds derived from the operation of the Del Paso Manor Service Area water system and the Sacramento Suburban Service Area water system shall be used to pay the cost of administration of the entire district.
- d. Subject to the foregoing, all assets, revenues, funds on deposit, rights and liabilities under contracts, liabilities for payment of principal and interest on contractual obligations for real property, furnishings and equipment, operating expenses, supplies, licenses and permits, and any contingent liabilities for existing civil litigation shall be assigned and transferred, and accrue to SSWD.
- e. As of the effective date of the reorganization, all of the respective employees of DPMWD shall become employees of SSWD. To the extent practical, every attempt will be made to maintain such employees in the same or similar positions of authority and responsibility with the SSWD. These provisions shall not limit the authority of the General Manager of SSWD to exercise his/her discretion with respect to rights of assignment, transfer, discipline, and discharge of employees in accordance with the County Water District Law and other provisions of law.
- f. As of the effective date of the reorganization, the current Board of Directors of the DPMWD will resign their positions as Board Members and become the Del Paso Manor Advisory Committee (“Committee”) to the SSWD Board of Directors. The Committee shall consist of five members. The SSWD Board of Directors shall have the authority to appoint members to the Committee when vacancies occur after consulting with the remaining members of the Committee. The Committee will have a limited duration and be terminated at a time determined in the SSWD Boards discretion in consultation with the Committee.
- g. The reorganized district shall retain the name Sacramento Suburban Water District and be governed by a five-member Board of Directors comprised of the incumbent Directors of SSWD sitting at the time that the reorganization is completed. The Board of the reorganized district shall maintain the same rotation of election to office by and from the voting divisions existing at completion of the reorganization. Notwithstanding the foregoing, the Board of the reorganized district shall, in consultation with the Committee, consider redistricting of the reorganized District prior to the 2026 District Election to ensure that the five voting divisions comply with the requirements of the California Voting Rights Act.
- h. An assessment district shall be formed within the Del Paso Manor Service Area in accordance with the requirements of Proposition 218 (Art. XIII D, section 6 of the California Constitution) and the Proposition 218 Omnibus Implementation Act (Gov’t Code sections 53750 and following) to fund any portion of improvements required within the Del Paso Manor Service Area that are required to address the deficiencies

identified in DPMWD’s water system and are not funded through grants. The formation of the assessment district and annual levy of the proposed assessment is subject to approval by a mail ballot vote by a majority of owners of all parcels proposed to be assessed. The approval of the assessment district’s formation and levy of the annual assessment is necessary to ensure a funding stream for necessary improvements to the DPMWD water system. The SSWD Board therefore requests that LAFCo make approval of the assessment district and levy of the annual assessment by the property owners of assessed parcels within the Del Paso Manor Service Area a condition of completing the reorganization. If the assessment is approved and the reorganization completed, the annual assessment will be levied until it is determined by the SSWD Board of Directors that the Del Paso Manor Service Area water system has been sufficiently rehabilitated and replaced to the same standard as SSWD’s water system, at which time the Board of Directors shall terminate the levying of the annual assessment and instead collect funds for ongoing operations, maintenance, and capital improvement costs through regular water service rates and charges.

- i. Develop a Plan for Services approved by the SSWD and DPMWD Boards for submittal and approval by LAFCo that will govern how SSWD will operate the Del Paso Manor Service Area to ensure that existing SSWD ratepayers will not be required to in any way subsidize the capital improvement and operations and maintenance costs of the Del Paso Manor Service Area and to avoid any reduction in the level of service afforded existing SSWD ratepayers resulting from the addition of the Del Paso Manor Service Area.
- j. Adoption of this resolution of application shall be subject to the adoption of a resolution in substantially the same form by the Board of Directors of DPMWD.
- k. This Resolution shall take effect as of **TBD**.

PASSED AND ADOPTED by the Board of Directors of the Sacramento Suburban Water District on the **XX** day of MONTH, 2024, by the following vote:

AYES:
NOES:
ABSENT:

By: _____
Name
President, Board of Directors
Sacramento Suburban Water District

I hereby certify that the foregoing resolution was duly and regularly adopted and passed by the Board of Directors of Sacramento Suburban Water District at a regular meeting hereof held on the XX day of MONTH, 2024.

(SEAL)

By: _____
Dan York
General Manager/Secretary
Sacramento Suburban Water District

Agenda Item: 3

Date: August 14, 2024

Subject: Water System Operations Update

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

Recommended Board Action:

No action. Receive update on Sacramento Suburban Water District providing Water System Operations to Del Paso Manor Water District.

Discussion:

At the July 10, 2024, Joint Board meeting, the Sacramento Suburban Water District (SSWD) and Del Paso Manor Water District (DPMWD) Boards approved a Contract Services Agreement between SSWD and DPMWD for Operations Assistance, effective August 1, 2024.

One of DPMWD's two operators recently retired. The remaining operator has officially resigned from DPMWD, with a last day at work of August 16, 2024. This leaves DPMWD without any operators to operate their system. DPMWD has requested that SSWD begin handling all field operations and standby duty activities.

As of August 16, 2024, SSWD will be fully operating the DPMWD system. SSWD staff will be meeting with DPMWD staff to coordinate efforts on the plan to operate the DPMWD system.

Fiscal Impact:

Costs incurred and labor support services will be reimbursed by DPMWD, so there will be no fiscal impact to SSWD.



Agenda Item: 4

Date: August 14, 2024

Subject: Communication Plan Update

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

Recommended Board Action

Receive report regarding public communication efforts for the Del Paso Manor Water District and Sacramento Suburban Water District combination discussions.

Discussion

On July 26, 2024, Del Paso Manor Water District (DPMWD) and Sacramento Suburban Water District (SSWD) executed a Memorandum of Understanding public outreach and communications for the combination discussions between the two water districts. On July 31, 2024, SSWD entered into a Service Agreement with IN Communications for services associated with public outreach and communications regarding the combination discussions between DPMWD and SSWD.

To date, IN Communications has drafted the following outreach materials:

- An article regarding the Operations Service Agreement that was initiated at the July 30, 2024, DPMWD/SSWD Joint Board Meeting (Attachment 1).
- A draft web page update regarding the progress of the combination discussion (Attachment 2).
- A draft set of Frequently Asked Questions article regarding the combination discussions (Attachment 3).

The aforementioned outreach materials were developed with the intention of ensuring that the combination discussions between DPMWD and SSWD remain transparent and keep DPMWD customers and SSWD customers update on the progress of the combination discussion.

Staff is additionally working on scheduling the Public Information Workshop, which is anticipated to be mid-September.

Fiscal Impact

The Agreement between SSWD and IN Communications was executed with a not to exceed amount of \$51,185. The cost of public outreach and communications will be split 50/50 between DPMWD and SSWD.

Communications Plan Update

August 14, 2024

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Attachments

1. Operational Service Agreement Article
2. Draft Web Page Update
3. Draft Frequently Asked Questions Article

News Article Regarding Operational Service Agreement

On July 10, 2024, the Del Paso Manor Water District (DPMWD) and Sacramento Suburban Water District (SSWD) Boards of Directors entered into an Operational Service Agreement (OSA) that went into effect on August 1, 2024, and will continue through December 31, 2024.

Customers of DPMWD can expect to see SSWD vehicles (pictured below) in the DPMWD service area providing operational support during business hours, as well as after hours for On Call services.

With the approval of the OSA, SSWD will provide field maintenance support related to water service line repairs, customer calls for assistance, well site operations, emergency repairs, and maintenance support. DPMWD will be responsible for the reimbursement of any services rendered by SSWD while the OSA is in effect.

If you have any questions regarding the OSA between DPMWD and SSWD, please contact the DPMWD Administration Office, Monday-Friday, 8:30 a.m. to 4:30 p.m., at (916) 487-0419, or SSWD Customer Service, Monday-Friday, 8:00 a.m. to 4:30 p.m., at (916) 972-7171.



**SSWD-DPM Outreach
Website Update
DRAFT—July 31, 2024**

SSWD Website update:

- Home page slider: Update to say “continue” discussions (rather than “begin”)

Recommend adding the update below to this page: <https://www.sswd.org/about/dpmwd-sswd-2x2-committee>. All of the content on the SSWD page also should be mirrored by DPMWD on their website for consistent messaging across organizations.

Update on Combination Discussions (7/31/24)

The SSWD and DPMWD Boards of Directors affirmed their interest in combining the organizations at a July 30, 2024, joint Board meeting with the SSWD Board voting 5-0 and the DPMWD Board voting 3-1 to move the combination process forward. The Boards also approved the Board makeup should the two agencies combined. As approved, the Board makeup would consist of 5 Board members elected from 5 different divisions.

The vote took place with an understanding that there are off-ramps available should either organization later decide to stop the combination process, as well as planned analysis, public outreach, and specific procedures, including approval by LAFCO, that must occur before a combination could move forward.

General Timeline (additional details are available here:

- **Group 1** – Public Outreach and Initial Decision to Proceed with or Terminate Combination Proposal—**CURRENT PHASE**
- **Group 2** – District Form and Governance Decisions
- **Group 3** – Operational and Financial Decisions
- **Group 4** – Final Decision
- **Group 5** – LAFCO Application and Approval Process
- **Group 6** – Post-Consolidation Actions to Implement New Agency

BACKGROUND

Continue with current content.

**SSWD-DPMWD Combination Discussions
Frequently Asked Questions
DRAFT—July 31, 2024**

***SSWD-DPMWD Combination Discussions
Frequently Asked Questions***

General Information

Why is a merger being considered between SSWD and Del Paso Manor Water District (DPMWD)?

Since 2019, Sacramento Suburban Water District (SSWD) and Del Paso Manor Water District (DPMWD) have engaged in various discussions about potentially combining the two districts. Both are neighboring water providers with the majority of the DPMWD service area surrounded by SSWD's service area. They also have previous experience collaborating through a Mutual Aid Agreement and an Operational Services Agreement.

Combination discussions were reinitiated in the spring of 2024 with renewed focus after the Sacramento Local Agency Formation Commission (LAFCo) adopted a Resolution of Intent to Dissolve DPMWD. LAFCo has identified that DPMWD's aging infrastructure requires extensive investment, estimated at over \$50 million. This would necessitate significant rate increases for DPMWD customers, potentially up to four times the rates of neighboring districts. LAFCo's focus is to ensure that DPMWD customers are provided a long-term safe and reliable water supply, at a reasonable rate.

By merging, DPMWD has the potential to achieve greater financial stability and access to grant funding for upgrading infrastructure that would not be available without a combination. At the same time, SSWD is well-positioned to integrate DPMWD customers and staff without exposing existing SSWD customers to financial risk.

What work has been conducted to date to understand the potential benefits and challenges of combination?

Between 2020 and 2023, SSWD and DPMWD analyzed the following areas:

- [Condition Assessment of DPMWD's Infrastructure, production and distribution](#)
- [Groundwater/Surface Water Supplies](#)
- [Municipal Services Review Updates](#)
- [Financial Analysis](#)
- [Water Rate Comparison](#)
- [Combination Benefits – Rates, Costs, Operations](#)
- [Combination Benefits, Advantages, and Disadvantages](#)

What are the key challenges facing DPMWD as identified by LAFCo?

LAFCo has identified several critical challenges for DPMWD, including extensive infrastructure deficiencies and financial instability. The district's water system requires over \$50 million in upgrades due to aging infrastructure. Additionally, DPMWD has two wells offline because of contamination, which cannot be quickly activated for emergencies, compromising its ability to meet fire flow requirements. Financially, the substantial cost of improvements could lead to significant rate increases, making DPMWD's rates potentially much higher than those of neighboring districts. Additional information from LAFCo can be found [here](#).

Benefits, Advantages, and Disadvantages

Why would SSWD wish to combine with DPMWD given the challenges outlined by LAFCo?

SSWD and DPMWD are part of the same community, drawing water from the same groundwater basin. All residents have a right to clean, reliable water at an affordable cost, and SSWD is well-positioned to integrate DPMWD customers and staff without exposing existing SSWD customers to financial risk. Here's why:

- **Debt and Liability Management:** LAFCo mandates that each district's debt remains the responsibility of its respective legacy portion. This ensures that the debt of one district does not become a liability for the combined entity. Operational and maintenance costs are consolidated, but rate management keeps rates separate for each service area until all outstanding debt is retired. This approach allows for the orderly management of financial obligations and prevents one service area from bearing the financial burden of another's capital programs.
- **Infrastructure Responsibility:** Infrastructure upgrades and maintenance will remain the responsibility of each district's legacy portion. This means that customers of one district will not be liable for the costs associated with the other district's infrastructure issues.
- **Rate Impact:** The merger is not expected to impact SSWD water rates. Each district will continue to handle its own debt and infrastructure improvements separately. Over time, a combined district with a larger customer base could offer greater rate stability compared to remaining separate.

What are the potential benefits of a combination for DPWMD customers?

Note that a detailed discussion on this topic is found [here](#).

Potential benefits from the combination, include:

- **Improved Service and Value:** The larger scale of the combined utilities can optimize overall capacity, enhance operational efficiency, and provide specialized staffing. This can result in better customer service, lower operational costs, and increased responsiveness to customer needs.
- **Financial Benefits:** Economies of scale and operating efficiencies can lower costs. Increased access to capital at a lower cost can support infrastructure investments. Equal customer rates for a specified level of service and revenue stability contribute to affordability and equity. Improved planning and risk management reduce exposure to regulatory penalties and support economic development.
- **Increased Capital Access:** Water utilities require significant capital for infrastructure. A larger, combined utility can access capital from investors at a lower cost, pooling resources to serve a larger customer base and making systems more resilient.
- **Revenue Stability:** A larger agency can mitigate revenue fluctuations by spreading costs over a diverse customer base, reducing the impact of revenue shortfalls.
- **Regulatory Compliance:** Reorganization can help DPMWD achieve cost-effective regulatory compliance, reducing exposure to penalties related to groundwater wells and aging infrastructure.
- **Lower Operational Costs:** Consolidation can lead to greater efficiency, spreading fixed costs over a larger rate base, and reducing the per-customer share. This optimization of capacity can lower costs per unit of service by eliminating duplicative functions, systems, and infrastructure.

What are the potential drawbacks of a combination for DPWMD customers?

Note that a detailed discussion on this topic is found [here](#).

Potential drawbacks of the merger include:

- **Perceived Loss of Local Control:** Board members would represent a larger number of constituents, potentially diluting the influence of individual community members.
- **End of a Legacy:** DPMWD, with over 80 years of service to the community, would cease to exist as an independent entity.
- **Challenges in Water Resource Integration:** SSWD's South Service Area (SSA) is fluoridated, and the contract with First Five Commission expires in 2027. Until then, measures will be needed to ensure sufficient water supplies, particularly for peak demands and fire flows. Post-2027, SSWD may seek approval to discontinue fluoridation.
- **Billing Disruptions:** DPMWD customers might experience issues during the transition to a new billing system, such as needing new account numbers, online accounts, and passwords.

Governance and Control

What form could the combination take?

Two potential organizational structures are under consideration. These include:

- **Consolidation:** All agencies are dissolved, and a new one is created in their place with a service area that encompasses the previous districts' service areas. The new agency is the successor entity. This was the approach taken when SSWD was created following the dissolution of the Arcade and Northridge Water Districts. The process initiates when both agencies file for consolidation.
- **Reorganization:** One or more districts are dissolved and one agency annexes all or a portion of their former service areas. An existing agency is the successor entity. The process initiates when one or more districts applies to dissolve, and the remaining district applies to annex the service area of the dissolved district(s).

While the form of a new district is still under consideration by the SSWD and DPMWD Boards, the LAFCo report assumes that DPWMD will be reorganized within an existing successor agency.

How will the districts help ensure fair representation for DPWMD residents in a larger combined district?

While the topics of governance and representation are still under discussion, the SSWD and DPMWD Boards have agreed in concept that, if the districts combined, the DPMWD service area will be integrated into one of SSWD's existing divisions. Additionally, a special advisory committee, comprised of DPMWD Directors, will be established to advise the SSWD Board on the needs of the DPMWD service area and guide infrastructure improvements within the area. Policies will be developed to clearly define the committee's responsibilities and functions. (A map of SSWD divisions is available [here](#).)

What does a future DPMWD service area look like with SSWD as the water provider?

We definitely should address this at the public meeting.

Financial Considerations, Grants and Rates

How can State grants be used to fund needed improvements to DPWMD's infrastructure?

DPWMD will have greater access to potential grant funding to improve the district's infrastructure by combining with another public agency. LAFCo estimates there is \$111 million available from the State in the form of grants and principal forgiveness funding. State funding is also available to help with the costs

of consolidating, including up to \$20 million per infrastructure project and a consolidation incentive of up to \$5,000 per connection and up to \$500,000 total to cover Administrative expenses.

Did SSWD and DPMWD submit a grant application to help cover DPMWD's infrastructure improvements and combination costs?

Yes, SSWD and DPMWD collaborated on a \$20 million grant application to the State Division of Financial Assistance in June 2024, understanding that time is of the essence and the estimated timeline for the State's review and decision is six to nine months. The application was submitted by SSWD because the funding is contingent upon the combination of two districts. However, a requirement is that grant funds for infrastructure will remain within the DPMWD service area.

For more information, please refer to:

- [Grant application requirements](#)
- [SSWD-DPMWD grant application, including a list of infrastructure projects proposed for funding](#)

How will you make sure that any grant funding is used only for DPWMD customers?

While the topics of governance and representation are still under discussion, the SSWD and DPMWD Boards have agreed in concept that, if the districts combined, a special advisory committee, comprised of DPMWD Directors, will be established to guide infrastructure improvements within the area. Policies will be developed to clearly define the committee's responsibilities and functions.

How will the merger affect my water rates?

The merger is not expected to impact SSWD water rates as each district will be separately responsible for its debt and infrastructure improvements. DPMWD customers are currently paying more for their water service than SSWD customers. Combining would enable DPMWD to access funding from the State Water Resources Control Board to help with the costs of infrastructure improvements and combining. Over time, a combined organization with a larger customer base could have a greater rate stability rate compared to what would be anticipated if the districts remained separate.

Does SSWD's proposed rate increase for 2025-2029 cover increased costs and liabilities associated with a combination?

The merger is not expected to impact SSWD water rates as each district will be separately responsible for its debt and infrastructure improvements. SSWD's current rate process is separate and covers the needs of SSWD's existing water system.

Will customers be responsible for any existing or new debt from either district?

LAFCo mandates that each agency's debt remains the responsibility of the respective legacy portion of the district, ensuring that the debt does not become a liability of the general combined agency. While operational and maintenance costs are consolidated, rate management keeps rates separate for each service area until all outstanding debt has been retired. This approach allows for the orderly management of financial obligations and avoids one service area bearing the financial burden of capital programs in another area. Both water districts would continue their debt repayment processes as before.

Will one water district's customers be responsible for covering the costs of addressing the other district's infrastructure issues?

Infrastructure upgrades and maintenance will remain the responsibility of each district's legacy portion. This ensures that customers of one district will not be liable for covering the costs associated with the

other district's infrastructure issues until such time the Board determines the rates and improvements can be combined into one organization

What are the financial implications for both districts if the merger occurs?

By merging, DPMWD has the potential to achieve greater financial stability and access to grant funding for upgrading infrastructure that would not be available without a combination. At the same time, SSWD is well-positioned to integrate DPMWD customers and staff without exposing existing SSWD customers to financial risk.

Water Quality, Fluoride and Water Rights

What are the current water supply sources of SSWD and DPMWD?

Both SSWD and DPMWD rely primarily on groundwater within the same basin. However, SSWD has access to surface water when available through agreements with the Placer County Water Agency and the City of Sacramento.

Are DPMWD customers currently receiving SSWD water?

Yes, SSWD supplies water to DPWMD through three existing interties, which are used when the pressure in the DPWMD system drops below the required levels for meeting their system demands. Information about the quality of DPWMD's water, including water provided by SSWD, is available in our Consumer Confidence Report found [here](#).

Would DPMWD customers receive fluoridated water if a combination moves forward?

Both SSWD and DPMWD rely primarily on groundwater from the same basin. SSWD currently supplies water to DPMWD to maintain pressure and support fire flows. This water comes from SSWD's SSA, which is fluoridated under a contract with the First Five Commission that expires in 2027. If the districts combine, the DPMWD customers will receive fluoridated water that meets State Department of Drinking Water requirements. In the long term, SSWD is considering seeking approval to discontinue fluoridation after the contract with the First Five Commission expires in 2027.

What are the risks to the groundwater supply and associated liabilities concerning the former McClellan Air Force Base and Aerojet General Corporation Superfund sites?

The U.S. Environmental Protection Agency, along with state and local environmental regulators, is overseeing the cleanup efforts at both Superfund sites. These efforts are designed to thoroughly and safely remediate soil and groundwater, minimizing associated risks. ***Importantly, the water districts and their customers are not liable for these remediation activities***, as they are managed and directed by the relevant environmental agencies. Additionally, SSWD is seeking compensation for ratepayers for the wells that were taken offline near the McClellan site.

DPWMD customer also expressed concerns over plumes migrating into their service area. Please advise on a response. Aerojet is a super fund site, therefore, the Federal and State agencies have required them to rectify/minimize the plume. SSWD has two monitoring wells in its SSA.

How will the merger affect water rights and access for customers?

There should be no impact on water rights or access for customers. If SSWD and DPMWD choose to combine, the State Water Resources Control Board, Division of Drinking Water, will need to amend their Water System Permits, which typically takes 6 to 12 months.

Employees and Contracts

How would the combination affect current employees?

SSWD is well-positioned to integrate DPMWD staff and there are no plans to reduce the workforce.

Timeline and Process

How long will discussions continue and what are steps in the process?

The current expectation is that discussions will persist into early 2025. If the districts decide to move forward, the application to LAFCo could take another year. General milestones are as follows (additional details are available:

- **Group 1** – Public Outreach and Initial Decision to Proceed with or Terminate Combination Proposal
- **Group 2** – District Form and Governance Decisions
- **Group 3** – Operational and Financial Decisions
- **Group 4** – Final decision
- **Group 5** – LAFCO Application and Approval Process
- **Group 6** – Post-Consolidation Actions to Implement New Agency

LAFCo's Role

What is the Sacramento Local Agency Formation Commission (LAFCo)?

In 1963, the State Legislature passed legislation creating the Local Agency Formation Commissions as a way to encourage the orderly growth and development of local governmental agencies including cities and special districts. These independent agencies are led by representatives from local County Board of Supervisors, city councils, governing boards of special districts, and members of the public. You can learn more about the work of the Sacramento County LAFCo on their website at <https://sacrafc.co.saccounty.gov/Pages/default.aspx>.

What role does LAFCo play in the merger process?

LAFCO works with residents, counties, cities, and special districts to encourage the orderly formation of appropriate local agencies. They have the authority to approve and manage combination efforts, as well as enable the transition from one organizational form to another.

Who holds the authority to make the final decision on the combination?

The decision on whether the districts combine lies with the Boards of Directors for SSWD and DPMWD with LAFCo's approval. In May, LAFCo adopted the Resolution of Intent to Dissolve DPMWD and has given the water district 12 months to either consolidate with another public agency or adequately address their deficiencies.

The requirement for a public election depends on whether the districts choose to pursue consolidation or reorganization. A public vote is not required with a reorganization unless there is a protest (see next question below).

Irrespective of whether a public vote is necessary, our commitment is to actively engage with the community, giving residents a voice in the process. We are dedicated to a comprehensive public

engagement process, helping to ensure that all customer concerns and feedback are heard and addressed during this significant decision-making process.

Is an election required under LAFCo?

It depends. The LAFCo process includes many opportunities for the public to provide their opinions on a combination. This typically includes two public hearings and the opportunity for landowners to file a protest. Here's where the potential vote comes into play:

- If less than 25% of landowners protest, the combination moves forward.
- If more than 50% of landowners protest - combination fails.
- If 25-50% of landowners protest – combination may go to an election.

Community Participation

How can I stay informed about SSWD-DPWMD combination discussions and voice my opinion?

SSWD and DPMWD are hosting ongoing joint meetings of their Boards of Directors that the public is invited to attend. In addition, they are posting regular updates to their websites. The minutes and agendas from the joint board meetings are available for viewing at:

- <https://www.sswd.org/about/meeting-agendas-packets-minutes>
- <https://www.delpasomanorwd.org/sswd-dpmwd-joint-meetings>

You can also learn more on the Sacramento County LAFCo website at <https://saclafco.saccounty.gov/Pages/Del-Paso-Manor-Water-District.aspx>.

Where can I submit questions about combination discussions?

Agenda Item: 5

Date: August 14, 2024

Subject: Plan for Services and Memorandum of Understanding

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

Recommended Board Action:

Direct staff to develop a plan to contract with Plan West Partners to develop a Plan for Services to combine Del Paso Manor Water District and Sacramento Suburban Water District. The contract would be approved by the respective Boards at a future Joint Board meeting.

Discussion:

If the Del Paso Manor Water District (DPMWD) and Sacramento Suburban Water District (SSWD) reorganize into one district, a Plan for Service (PFS) and a Memorandum of Understanding (MOU) must be submitted to Sacramento Local Agency Formation Commission (LAFCo) for review and approval. The intent of a PFS is to describe in detail how a proposed reorganization will be implemented if approved. LAFCo depends on applicants and service providers to document the ability to provide service for areas proposed for annexation. A PFS takes into account the services, capacity, cost and adequacy of services within the district and how those services would be affected by the proposed LAFCo action. No application shall be deemed complete until a PFS is received and accepted as complete by the LAFCo Executive Officer. Plan West Partners conducted the Municipal Services Review for both DPMWD and SSWD and has experience with developing a PFS.

The PFS is an opportunity to provide feasibility, capability and capacity of the desired action to be taken by LAFCo. In addition, the PFS should demonstrate the anticipated benefits of extending service (inside and outside the proposal area) without harming existing customers. The information in the PFS submittal is reviewed by LAFCo staff. Frequently, LAFCo staff formulates additional questions or seeks clarification about the information contained in the PFS. The PFS should also be reviewed and verified by the relevant service provider agencies. The PFS becomes part of the basis for the LAFCo staff report and recommendations on the project.

Each PFS must provide the following:

Section 1: Enumeration of Services

The PFS must provide a list of services that are needed and will be extended to the proposal area, and a list of services that are already in place. This includes a description of the size, location and capacity of existing facilities and infrastructure that will be used to provide desired services to the proposal area.

The PFS should explain in general terms how the proposal services tie into the agency's master plans, capital improvement plans and the overall district operations. In order for the Commission to make an informed decision on this proposal, it needs to understand everything that is built or has to be built to provide needed services. Detailed engineering specs are not required, but a

general description of engineering plans could be helpful.

Section 2: Service Units and Capacity

The number of service units and a capacity analysis are a requirement of the PFS. The units of service will vary, depending on the service provided. For water services, units would include the number of meters and/or equivalent dwelling units (EDUs). Units of service for structural fire protection service include number of buildings/homes; service units for park and recreation would include population or projected future population.

The number of service units should be calculated for both the new service to be added or extended as a result of the proposal and also for the number of total service units currently provided (allocated) by the agency within its existing boundaries or service area.

The capacity analysis also quantifies the number of service units of those entitled to receive service but not currently receiving service (eligible but not allocated).

LAFCo policies require a statement from the annexing agency disclosing the agency's disposition regarding responsibility to reserve capacity for unserved property within agency boundaries and the agency's estimates of unserved property within its current boundaries. The PFS should include information to help quantify the potential demand from properties already entitled to receive service but who are not currently receiving service.

Section 3: Proposed Service Infrastructure

For actions involving annexations, there should be a discussion on the feasibility, capacity and capability for the agency to extend service to the new area without harming existing customers. The PFS should describe and provide plans for proposed infrastructure and facilities that will bring services to the proposal area, including their responsibilities and the actions to be taken by others.

For example:

- For water service this would include:
 1. New on-site water distribution lines, connections, etc.;
 2. Any new transmission lines or improvements, storage tanks or other such facilities to be constructed by the applicant or others in order to provide needed service; and
 3. Water supply or water rights from which service will be provided.

In every case, the PFS must clearly explain what services are planned, how the services will be provided and what steps need to be taken by the applicant and others for the planned services to become a reality. This section of the PFS is the opportunity to "connect the dots" and to show that the desired annexation is not difficult to serve, that it is logical, and how it will be beneficial to current and future citizens of the annexing agency and/or the County.

Section 4: Conditions of Service

In many cases, agencies impose conditions on applicants, either directly or as part of their land use entitlement conditions. These conditions of service be included in the PFS. The PFS should list or summarize these requirements and provide copies of supporting materials to LAFCo. Typically, applicants submit pre-annexation agreements, development approval conditions, their application for service, annexation/facility/impact charges, facility improvement requirements, fire flow requirements, on and off-site construction requirements, easements required, dedications of land, etc.

Upon receiving the PFS, LAFCo requests all service provider agencies to review the document, validate the information and provide a written service assurance confirming their ability to provide the needed service in the timeframe requested.

Section 5: Other Useful Material

Any other useful materials to support of the PFS includes any relevant material prepared by district staff for their board of directors. For example, staff reports from an agency that includes a cost-benefit analysis are very helpful in supporting the PFS. Maps showing lines, connection points, reducing valves, pump stations, lift stations, points of contact to transmission lines, location of all related infrastructure are also very helpful to LAFCo staff.

Agenda Item: 6

Date: August 14, 2024

Subject: Agenda Topics for Next Joint Board Meeting

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

Recommended Board Action:

Discuss agenda topics to be presented at the next meeting of Del Paso Manor Water District and Sacramento Suburban Water District and direct staff as appropriate.

Discussion:

Direct staff on which topics need to be placed on the agenda for the next meeting of Del Paso Manor Water District and Sacramento Suburban Water District.