



# Carmichael Water District and Sacramento Suburban Water District

## Strategic Business Case Analysis for a Potential Combination

WORKPLAN / MARCH 21, 2022



## Study Workplan

Raftelis has developed the following workplan for this study, which is heavily based on our submitted proposal, but includes adjustments based on the comments we received from Carmichael Water District (“CWD”) and Sacramento Suburban Water District (“SSWD”) or CWD and SSWD together (“the Districts”). It will result in the development of a strategic business case evaluation of a potential combination of the Districts. A key objective will be to objectively frame the business case for each District’s Board and stakeholders to help them decide whether or not to proceed with consolidation.

### Task 1: Project Initiation and Management

We will use the kick-off meeting to identify important project outcomes and, more importantly, to create a shared vision for this engagement. Our team will meet with the Joint Committee and/or other designated representatives from the Districts to establish projects goals, key tasks and milestones, and non-negotiables, as well as to identify key areas of focus for the review of consolidation of the entities. We will prepare a document/data request for each District to gather important background information, building on the information that we have previously collected during past engagements.

Our team will develop a project plan with communication expectations, a timeline, and a project charter to clearly identify stakeholder expectations, goals, in-scope and out-of-scope activities, success factors and potential risks, key participants, and constraints as a product of the kickoff meeting. Getting buy-in on the project plan from stakeholders will be a critical success factor during and beyond this study if a combination is pursued.

#### DELIVERABLES:

- Agenda, kick-off meeting materials, and participation
- Project plan with communication expectations, a timeline, and a project charter

### Task 2: Describe the Current Environment

Our team will focus on combination alternatives, which will be subjected to analytics necessary to determine how combined finances would impact the fiscal condition of the Districts and what the approximate ratepayer burdens could look like over time following a combination. We will

## Combining Water Resources

Evaluating a combination necessitates studying the integration of each Districts’ water asset portfolio.

Understanding the fundamental principles of the opportunities and restrictions of each water asset is a primary driver to understanding how water supply integration will actually occur.

Our team will recommend a reliable water asset utilization strategy based on a conjunctive use program with the combined water asset from both Districts focusing on issues like climate change and regulatory restrictions under the Bay-Delta Water Plan. The Raftelis team will explain how to effectively use each agencies water assets and provide guidance on cost-effective approaches to water asset management integration in the context of changed future climatological and regulatory conditions.

thoroughly analyze and assess the financial condition and practices of each District to support the combination alternatives. We will review financial documents, including the CAFR and budget at a minimum, and document rate structure, financial policies, asset base, reserve levels, annual revenues, customer volume, pension liabilities, operating expenses, credit ratings, debt capacity, connection fees, and more to ensure equitability for both Districts.

Our team will review and document at a high level how each District operates, including services and programs, service standards, policies and procedures, staffing levels, water resources, structure, governance, costs, and -- something that is often overlooked -- culture. Because of our work on the previous Sacramento Regional Collaboration Study, we are familiar with the two entities which will allow us to expedite some of the data gathering.

### DELIVERABLES:

- Impacts at both Districts based on combination alternatives with financial analyses

### Task 3: Identify Opportunities and Challenges

We will compare and contrast the operating models of each entity and of a consolidated entity using a strategic business case format. In this phase, we will analyze and identify opportunities and challenges to a combination, including comprehensively assessing the following areas:

- Governance form/structure
- Organizational structure
- Service integration
- Facilities integration
- Financial impacts and challenges of combining Districts
- Staffing opportunities, impacts, and challenges
- Stakeholder and community organization outreach
- Significant water resource implications
- Major regulatory impacts
- Other opportunities and challenges.

For each item above, our team will identify opportunities and challenges associated with the consolidation of the Districts, including costs and benefits (such as net cost savings vs. newly incurred cost burdens to either District), key operational factors that need to be addressed, and more. The analyses will account for scenarios where known and potential future changes create operational impacts (e.g., growth, legislation, , etc.). For governance, we will assess issues of apportionment (representation), customer equality, and equity. This will include recommendations about the structure of a combined governance body and transitional representation during a combination process. For staffing, we will include a discussion of the likely implications with respect to collective bargaining, culture, and staffing. All of these analyses will be informed by information from our work with other clients in the region as a means of comparison.

Raftelis plans to collect data, including interviews, for Tasks 3 and Task 4 using a combination of on-site and virtual data gathering. One trip is scheduled for Tasks 3 and 4.

We will develop a detailed stakeholder and outreach plan that identifies and prioritizes stakeholders, highlights key areas for messaging, and outlines the channels and intensity of engagement by stakeholder group based on their prioritization. Assistance with execution of stakeholder outreach activities is not presently included in the scope.

We will review preliminary observations and recommendations with the Districts and perform any follow-up required to finalize recommendations.

#### **DELIVERABLES:**

- Preliminary observations and recommendations

#### **Task 4: Project Deliverables**

Once recommendations have been finalized, our team will prepare a comprehensive draft report incorporating our assessments and using data from all project tasks to make recommendations as to how consolidation of the Districts might proceed, and what the costs and efficiencies (together the strategic business case) are likely to be from such a consolidation. The report will include a model (recommended) sequence of activities to achieve a combination, understanding that combination is a process and certain regulatory, financial, and water resource elements may be impacted by outside forces. The draft report will detail the information collected, the analysis conducted, and our recommendations, and make use of creative graphics, tables, and figures to clearly tell the story to a broad audience. To ensure factual accuracy, the entities will have the opportunity to provide one round of consolidated comments. Raftelis will then produce and present a final report.

Raftelis will present its findings and recommendations in person or via a web meeting (if desired by the Districts). This presentation meeting will augment our ongoing virtual check ins and interactions with the Districts and 2x2 Committee that will occur roughly monthly to provide updates and get feedback. We are available for additional in person or virtual meetings to present findings and recommendations beyond what is described, as an amendment to the scope of work.

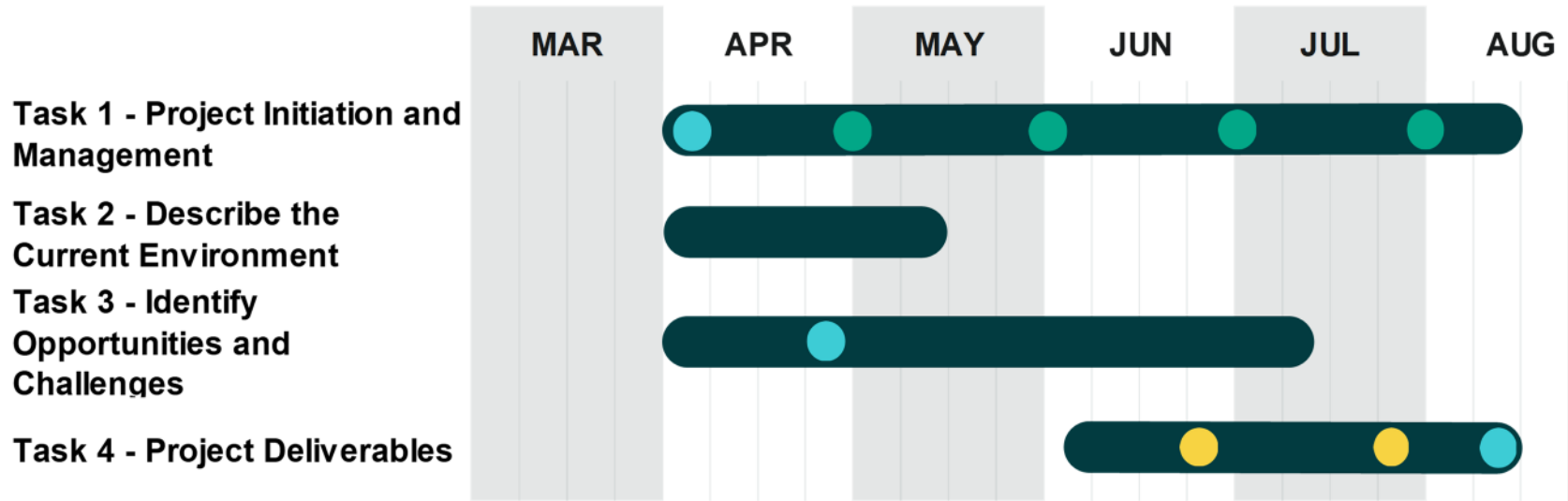
#### **DELIVERABLES:**

- Draft and final report
- One presentation of findings and recommendations in person or via a web meeting (if desired by the Districts)

## Hours by Task and Role:

Role	Name	Availability	PROJECT HOURS				
			Task 1	Task 2	Task 3	Task 4	Total Hours
Project Director	Seth Garrison	40%	7	8	72	28	115
Project Advisor	Jim Armstrong	30%	2	1	11	2	16
Project Advisor	John Mastracchio	25%	--	1	2	2	5
Finance/ Organization	Zach Green	60%	12	20	126	40	198
Finance	Kevin Kostiuk	25%	1	2	6	6	15
Information Technology	Doug Spiers	20%	1	2	4	2	9
Engagement	Melissa Elliott	25%	12	5	16	2	35
Staffing/HR	Lisa Wilson	20%	--	2	4	1	7
Water Resources & Regulatory	Zanjero	35%	8	6	51	30	95
<b>LABOR HOURS</b>			<b>33</b>	<b>42</b>	<b>307</b>	<b>113</b>	<b>495</b>

## TIMELINE:



- *In-Person/Virtual Meetings*
- *Project Status Report/Billing*
- *Deliverables*