

Agenda Item No. 4.

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
1112 I Street, Suite #100
Sacramento, California 95814
(916) 874-6458

December 5, 2001

TO: Sacramento Local Agency Formation Commission

FROM: Peter Brundage, Executive Officer

RE: **NORTHRIDGE WATER DISTRICT/ ARCADE WATER DISTRICT CONSOLIDATION (07-01)**
[CEQA: Exemption]

RECOMMENDATION

1. Certify the Categorical Exemption for the consolidation of Northridge and Arcade Water Districts as adequate and complete in meeting CEQA requirements for this project.
2. Approve the consolidation of the Northridge Water District and the Arcade Water District into the SACRAMENTO SUBURBAN WATER DISTRICT. (Map attached.)
3. Adopt the attached Resolution approving said consolidation, subject to the following terms and conditions:
 - a. The effective date of the consolidation shall be December 5, 2001, or as soon as possible thereafter.
 - b. The name of the consolidated district shall be "Sacramento Suburban Water District."
 - c. Upon and after the consolidation, the following conditions shall apply to and bind the Board of Directors of the consolidated district:

- (1) The following contracts, debts and contingent liabilities of the respective districts, although to be assigned to the consolidated district shall, nonetheless, continue to be the exclusive responsibility of the ratepayers within the respective service areas of Arcade and Northridge until paid in full: (i) all bonds, certificates of participation and similar indebtedness, including any refunding thereof, (ii) 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, (iii) liability respecting any claims that have not been asserted in writing as of the effective date of the consolidation, and (iv) 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 consolidation; and
 - (2) The following assets of the respective districts, although to be assigned to the consolidated district shall, nonetheless, permanently inure to the exclusive benefit of the ratepayers within the respective service areas of Arcade and Northridge: (1) all cash and investments, water sales receivable, and accrued interest receivable as of the effective date of the consolidation, and (2) the equity in real estate (including office buildings and other structures, pump stations and well sites), exclusive of transmission and distribution system facilities, easements and rights-of-way held by the respective districts as of the effective date of the consolidation.
- d. Upon the consolidation and for a period of three years following Board of Directors of the consolidated district shall determine, the the effective date of the consolidation and for so long thereafter as the following conditions shall apply to and bind the Board of Directors of the consolidated district:
- (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 to the

consolidated district shall, nonetheless, continue to be the exclusive responsibility of the ratepayers within the respective service areas of Arcade and Northridge rather than the consolidated district;

- (2) Previously-authorized charges, fees, assessments and taxes of Arcade and Northridge, 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 territory of each district, and any changes made to such charges, fees, assessments and taxes shall be governed by the same principles determined by the Board of Directors of each respective district, unless the Board of Directors of the consolidated district specifically determines that different principles shall apply;
- (3) The funds derived from their respective water systems be accounted for separately, so that the ratepayers benefitting from a water system;
- (4) The territory within Arcade as of the effective date of the consolidation shall be designated the “Arcade Service Area; following the consolidation;
- (5) The territory within Northridge as of the effective date of the consolidation shall be designated the “Northridge Service Area” following the consolidation;
- (6) The Board of Directors of the consolidated district shall determine from time to time which funds derived from the operation of the Arcade Service Area water system and the Northridge Service Area water system shall be used to pay the cost of administration of the consolidated district, and other costs of activities of the consolidated district that benefit the consolidated district as a whole; and
- (7) All previously-authorized improvement districts within Northridge shall continue in existence within the Northridge Service Area following consolidation, except as they may be modified from time to time by the Board of Directors of the consolidated district.

- e. 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 accrue to the consolidated district.
- f. Dewight F. Kramer, Sr., the current General Manager of Northridge, shall serve as the General Manager of the consolidated district under an employment agreement assumed by the consolidated district.
- g. As of the effective date of the consolidation, all of the respective employees of Arcade and Northridge shall become employees of the consolidated district. 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 consolidated district. The compensation, benefits and other terms and conditions of employment of all of the respective employees of Arcade and Northridge shall not be reduced by virtue of their becoming employees of the consolidated district. These provisions shall not limit the authority of the General Manager of the consolidated district to exercise his 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.
- h. As of the effective date of the consolidation, the current employees of Arcade shall continue to be covered by the Arcade defined contribution retirement program if they so elect, and the current employees of Northridge shall continue to be covered by the Northridge CalPERS retirement program. Thereafter, non-electing Arcade employees and all newly-hired employees of the consolidated district shall be covered by the CalPERS retirement program.
- i. In accordance with the provisions of Water Code section 30500.1 and subsection (n) of Government Code 56886, the composition and election of the Board of Directors of the consolidated district shall be as follows:
 - (1) The initial Board of Directors of the consolidated district shall consist of eleven members, composed of the existing

five members of the Board of Directors of Arcade and the existing five members of the Board of Directors of Northridge, each of whom shall serve the same term of office that he was serving as of the effective date of the consolidation. The eleventh seat on the Board of Directors of the consolidated district will be vacant. The Board of Directors recommends that the Board of the consolidated district vote to eliminate the eleventh seat on the Board. Directors of the consolidated district shall be elected by and from divisions, as set forth below.

(2) The number of seats on the Board of Directors shall be reduced to seven for the general district election of the consolidated district to be held in November 2002.

(3) The Board of Directors of the consolidated district shall be elected by and from divisions within the consolidated district at the general district election in 2002, provided that, in the event that there is a delay in the effective date of the consolidation that prevents the Board of Directors of the consolidated District from establishing the boundaries of divisions in time to provide the notice required by Elections Code section 10522 (125 days prior to the general district election), then the Board of Directors shall be elected at large in 2002, and by and from divisions at the general district election in 2004.

j. The consolidated district shall continue to provide any health benefits to current and retired members of the respective Board of Directors of Arcade and Northridge that were provided prior to the effective date of consolidation, in accordance with the provisions of Government Code section 53201.

4. Sphere of Influence

The Sphere of Influence for Sacramento Suburban Water District shall be coterminous with the combined district boundaries of Arcade Water District and Northridge Water District.

PROJECT DESCRIPTION

PROPONENTS: Arcade Water District
 Northridge Water District

The Board of Directors of both Arcade Water District and Northridge Water District have adopted substantially similar Resolutions Making Application to Consolidate these water districts into one district.

Consolidation means the uniting or joining of two or more districts into a single new successor district. In the case of consolidation of special districts, all of those districts shall have been formed pursuant to the same principal act.

The proposed consolidated water district will continue to provide water service to all existing and new customers within the combined district boundaries. The provision of service and rates will be structured so that the combined water district will maintain the “Arcade” Service Area and the “Northridge” Service Area.

PROJECT LOCATION

Both water districts are located in the north central portion of Sacramento County north of the American River to the north boundary of Sacramento County. The existing districts are coterminous and are surrounded by other water districts. The boundary of each district is somewhat irregular, based on district formation and previous annexations. The proposed consolidated district does not change the existing exterior boundary of either district. The consolidation will not impact the boundary of any other, or adjacent, water district.

PROVISION OF SERVICE

Both districts supply potable water to residential, industrial and commercial customers through the operation of wells, transmission lines and distribution lines. Generally, these areas are supplied by underground aquifers or wells. Northridge does utilize surface water as part of its supply.

DESCRIPTION OF THE AREA

The area impacted is currently already urbanized and nearly built-out; new growth and demand should be relatively minimal. The land uses consist of residential, commercial and industrial development.

	<u>Arcade</u>	<u>Northridge</u>
Population	100,000	84,627
Registered Voters	42,901	35,204
Square Miles	15.37	18.75
Connections	22,681	23,205
Dwelling Units	40,000	38,750
Pipeline Miles	325	330
Operation Wells	64	36
Storage	0	7 mg
Production (AF)	26,004	20,707
Unaccounted Water	4,681	1,657
Employees	29	18
Total Revenue	\$10,373,212	\$ 9,666,292

JUSTIFICATION AND BENEFITS OF CONSOLIDATION

1. Improved efficiencies and elimination of overlapping/ duplication of administrative and governance costs.
2. Arcade Water District is not a contiguous district; the Arcade District in North Highlands is surrounded on three sides by Northridge Water District.
3. Both districts share the same groundwater basin.
4. Both districts are very similar in terms of size, miles of pipe, population and types of customers.
5. Both districts have independent water sources to adequately supply existing and anticipated growth within their respective districts.

The proposed consolidation has been studied and guided by an Ad Hoc Consolidation Evaluation Task Force made up of two members from the Board of Directors and the General Manager and legal Counsel from each district and has also been evaluated by R. W. Beck, a consulting firm.

LAFCO PROCESS

Government Code 56853 states:

If a majority of the members of each of the legislative bodies of two or more local agencies adopt substantially similar resolutions of application making proposals either for the consolidation of districts or for the reorganization of all or any part of the districts into a single local agency, the Commission shall approve, or conditionally approve, the proposal. The Commission shall order the consolidation or reorganization without an election, except as otherwise provided in subdivision (b) of Section 57081.

The Commission does not have the ability to deny this proposal because both districts have adopted substantially similar resolutions making application for consolidation. Government Code Section 57081 (b) provides a process whereby an election is required if a protest petition is submitted by 25 percent or more of the registered voters.

Section 57081 (b): An election shall only be held if the Commission finds either of the following: (1) in the case of inhabited territory, that a petition requesting that the proposal be submitted to confirmation by the voters has been signed by either of the following:

- (a) At least 25 percent of the number of landowners within the territory subject to the consolidation or reorganization who own at least 25 percent of the assessed value of land within the territory.
- (b) At least 25 percent of the voters entitled to vote as a result of residing within, or owning, land within, the territory.

The petition shall be filed with the Commission prior to the conclusion of the protest hearing (conducting authority hearing).

The territory within the Arcade Water District and the Northridge Water District contains 78,105 registered voters. A registered voter protest petition would need to be signed by 19,527 signatures (25% of 78,105) in order to force an election on the matter.

HISTORICAL INFORMATION

Currently, Sacramento County has 27 water providers that provide water service to both incorporated and unincorporated areas. The service areas range from small to relatively large. The boundaries are irregular and were formed to serve areas as they urbanized. The proposal is the first major consolidation of two water districts and service areas in Sacramento County.

Arcade Water District was established September 1, 1956 under Water Code Section 30,000. Arcade is currently governed by a Board of Directors consisting of five members. Arcade Water District supplies water for urban uses to the Arden/Arcade area and a portion of North Highlands.

Northridge Water District was established on November 5, 1956. It purchased Arvin Water Company in 1986 and also provides water service to McClellan Business Park. Northridge Water District was formed under Water Code Section 30,000. It has a five member Board of Directors, elected by divisions. Northridge Water provides water service to Arcade, Foothill Farms, portions of Citrus Heights and Carmichael, as well as portions of North Highlands, Fair Oaks, and Antelope.

CONSOLIDATION ANALYSIS

R.W. Beck has prepared a report on the proposed consolidation of Arcade Water District and Northridge Water District. The report provides information related to:

- Operations and Maintenance
 - Staffing
 - Facilities and Equipment
 - Human Resources Policies
 - Employee Benefits
- Financial Evaluation
 - Revenues and Expenses
 - Balance Sheet
 - Financial Analysis
 - Rates
- Facility Evaluation
 - Assessment of Systems
- Capital Requirements
- Water Supply Systems
- Personnel
 - Employment

Payroll
Employee Insurance Benefits
Grievance Procedures
Training and Development
Safety
Separation
Retirement
Consolidation Implementation Plan

SUMMARY OF R.W. BECK'S FINDINGS

The annual savings after ten years of consolidated operation is estimated to be \$1 Million per year. Savings and efficiencies can be obtained in the following areas:

- One general manager
- Savings related to Board Members
- Reduction in staffing growth
- Fleet management operations
- Reductions in accounting and reporting
- Reduced legal and audit fees
- Reduced headquarters and administrative costs

WATER SUPPLY

There are no significant savings or benefits. Each district has more than an adequate water supply to meet both existing and projected growth and infill development. Water service delivery systems will not change but supply systems may be inter-connected.

CAPITAL IMPROVEMENTS

Arcade Water District has need for a much more aggressive capital improvement program than does Northridge Water District because its infrastructure is older. Arcade will need rate increases and debt issuance to support a proposed CIP of about \$9 Million per year. Northridge will require a more modest CIP of approximately \$2 to \$4 Million per year.

SERVICE AREAS

The proposed consolidated district will maintain separate service areas for Arcade and Northridge because the existing rate structures and CIP programs of each district is not similar. Charges and fees for each service area will be based on the cost of providing service to those areas, or zones.

RATES

Rates will be based on the combined operations and maintenance charges and capital costs related to each service. Cost savings related to the consolidation will be passed to both the Arcade and Northridge service areas based on an appropriate cost allocation process. Rates will be kept separate for each service area until all outstanding debt has been retired. This avoids rate shifts between areas so that one neighborhood does not pay for capital programs in another neighborhood.

EMPLOYEES

R. W. Beck indicates that three to five fewer employees will be necessary for the proposed consolidated district. Because of an expected need for staff increases at Northridge, an offset will occur so that no district-wide employee lay-offs are anticipated.

Salaries and benefits of employees will not be impacted as a result of this consolidation. Dual retirement systems will be maintained; however, new employees will be required to join the CAL PERS retirement system. Current employees may opt to do so but there is no mandatory requirement.

BOARD OF DIRECTORS

The initial Board of Directors of the consolidated district will have eleven members, composed of the members of the current Board of Directors of the Arcade and the Northridge Water Districts. The terms of office of Board members shall be the same term of office that he/she was serving as of the effective date of consolidation. The eleventh seat on the consolidated district shall remain vacant. The number of seats on the Board of Directors of the consolidated district shall be reduced to seven for the general district election scheduled for November, 2002.

The Board of Directors of the consolidated district shall be elected by and from divisions at the general district election in November, 2002, unless there is a delay in the effective date of the consolidation which prevents the Board of Directors from establishing the boundaries of divisions in time to provide the required notice to the Registrar of Voters.

**ARCADE WATER DISTRICT'S WATER RIGHTS
ENTITLEMENT FROM THE CITY OF SACRAMENTO**

On September 19, 2001, the City of Sacramento agreed to consent to the transfer of an agreement between Arcade Water District and the City of Sacramento to the consolidated water district, if approved by LAFCo. The Agreement between Arcade Water District and the City of Sacramento allows Arcade Water District to divert 26,064 acre feet of water from the American River. The approved consent now allows the consolidated district to divert 26,064 acre feet from the American River.

PUBLIC OUTREACH

Both Northridge and Arcade Water Districts have conducted a number of outreach efforts to inform customers within the district of the proposed consolidation. The outreach efforts include written newsletters and public meetings. Notification to customers within each district include:

1. Copy of Northridge Newsletter on consolidation, September 2000.
2. Copy of Arcade Newsletter mailed to approximately 23,000 customers in February, 2001.
3. Copies of the joint newsletter to Arcade and Northridge customers approximately 23,000 in each District mailed in February, 2001, listing two workshops: March 15, 2001 in Arcade; March 20, 2001 in Northridge. Approximately 70 people, not associated with the water community, appeared and asked questions.
4. Message on Arcade Water billing, March, 2001, about the two workshops.
5. Copies of Northridge May insert on consolidation, two sheets.
6. Arcade June, 2001 Newsletter on consolidation.
[Copies enclosed in Commission packet.]

PUBLIC INPUT

There is no apparent opposition from customers in Northridge Water District. However, a number of residents and customers of Arcade Water District have voiced concerns over the proposed consolidation. They have requested that the districts conduct an advisory vote from the rate payers.

Neither district Board of Directors conducted a survey on the need for an advisory vote on the consolidation issue. An advisory vote is a discretionary option for the Boards of Directors and not a requirement of the LAFCo process.

Nonetheless, each Board conducted extensive outreach programs to inform customers of each district.

The elected Board members of each district have the authority to adopt a Resolution Making Application for Consolidation. The Resolution Making Application was unanimously approved by the Northridge Water District Board of Directors. The Resolution Making Application was not unanimously approved by the Board of Directors of the Arcade Water District (one member voted no).

WATER CONSERVATION EFFORTS

The consolidated district supports water conservation efforts and will continue to cooperate with the Water Forum Agreement in an attempt to prevent over drafting of ground water and develop programs to install water meters in accordance with the Water Forum Agreement. The Water Forum has forwarded a letter in support of the proposed consolidation.

PROVISION OF WATER SERVICE

Except for a new name, there will be no change in the provision of water service to customers within either district. Consolidation should help to minimize rate increases by reducing overhead and administrative costs. However, capital improvements will continue to be a significant portion of the rate base and costs for each district. There will also be initial (one-time) start up costs. These costs will be offset by future savings.

IMPACT TO OTHER DISTRICTS

Consolidation will not impact other special districts or water districts. The primary purposes of the consolidation is to provide cost-effective and efficient water service to customers within each district.

OPPOSITION / ISSUES

San Juan Unified School District has submitted a letter indicating that they continue to have an unresolved issue with Arcade Water District and they are concerned with the effect of the consolidation on pending litigation.

The litigation pertains to a recent rate increase imposed by Arcade and the District's failure to provide adequate notice to the school district. A copy of the school district's letter is attached for your information.

The consolidation should have no impact on the litigation since separate zones and rate structures will be maintained. The consolidated district will assume the responsibility of resolving this matter as well as other issues that exist or that may arise. No other letters of opposition or support have been received.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

The proposed consolidation of Arcade and Northridge Water Districts is categorically exempt per Section 15320 (B), Class 20. No public and legal notices are required.

CONSISTENCY WITH LAFCO STANDARDS, POLICIES, AND PROCEDURES

The proposed reorganization is consistent with LAFCo standards, policies, and procedures as well as the following LAFCo standards used to evaluate reorganizations of districts:

1. *Existing Sphere of Influence* - LAFCo will approve an application for a change of organization or reorganization only if the proposal is consistent with an approved Sphere of Influence plan for the affected agency or agencies.

The Sphere of Influence for the reorganized district will be coterminous with the exterior boundaries of the Spheres of Influence of the existing districts. The existing Spheres of Influence of each district (currently coterminous with district boundaries) will be combined into one Sphere of Influence for the reorganized district. The Sphere of Influence will not extend beyond existing district boundaries.

2. *Master Services Element* - Affected agencies must have an updated Master Services Element on file which demonstrates that the proposed service provider is the most efficient provider of services with an acceptable cost.

A Master Services Element is defined as “the element within any agency’s Sphere of Influence plan that defines how services will be provided by the agency, including financing, the level of service, and the delivery of services”. Basically, the Master Services Element provides an intermediate and long-range plan of how a district proposes to provide services within its ultimate district boundaries. The Master Services Element for each water district and for the consolidated district, conform with LAFCo policies and procedures. These documents demonstrate that the reorganized district will have at least the same level of resources as each of the separate districts and that the new district will be able to provide at least the same level of service as each separate district provides.

3. Conformance with General Plans - Reorganizations must be consistent with applicable General Plan policies and land use designations.

The Sacramento County General Plan encourages the establishment of organizational arrangements which result in more efficient delivery of water service. Therefore, approval of the subject request would be consistent with the County's General Plan.

4. Boundaries - LAFCo will not accept as complete any application for a proposal unless it includes boundaries that are definite, certain, and fully described; nor approve applications that split parcels and identifiable communities, result in islands or further distort existing boundaries.

The proposed boundaries do not: (1) split lines of assessment; (2) split ownership; or (3) create new boundaries or service areas.

5. Revenue Neutrality - LAFCo will only approve a proposal for reorganization if the Commission finds that the proposal is revenue neutral at the time that the proposal comes before the Commission.

The proposed consolidation does not result in any transfer of property tax revenue. Both districts are financed by user fees for cost of service provided. Rates will continue to be based on costs to operate each service area.

6. Application of CEQA - LAFCo will ensure compliance with the California Environmental Quality Act (CEQA) when reviewing requests for reorganization.

LAFCo acts as the lead agency for the preparation of the appropriate environmental documentation. After initial environmental review of the proposed reorganization, it was determined that the project is Categorical Exempt. The proposed project involves the reorganization of two or more districts having identical powers, where changes do not alter the geographical area in which previously existing powers are exercised. Based on Section 15320(b), Class 20, this project is exempt from the provisions of the California Environmental Quality Act.

7. Efficient and Orderly Development - LAFCo has determined the community needs for service are most effectively met by proposals that correct a threat to public health, consolidate local agencies to obtain economies and enhance efficiency and quality of service, and restructure boundaries to provide logical, effective, and efficient services.

The proposed reorganization will create both logical boundaries and a service area which will permit the planned orderly development of water service within a larger area than within the existing separate districts. This reorganization will allow for the flexible deployment of resources to areas which experience a greater demand for service and which can be modified if conditions or demand changes. A larger organization will allow for greater diversification of skills and for the development of special skills and experts in order to handle special situations.

ANALYSIS

Benefits of Consolidating the Arcade Water District and the Northridge Water District –

There appears to be several benefits related to this consolidation proposal. The primary benefit is related to cost reductions and elimination of duplicate services. Neither District has any significant unfunded liabilities or pending litigation that would be detrimental to the successor district.

Cost savings and operational efficiencies will be realized by reducing insurance premium (eliminate duplicate coverage), audit expenses, membership dues, attrition from retirement, and the ultimate combination of administrative and support staff. The elimination of duplication of overhead functions should result in future savings and a more cost-effective operation.

LAFCo staff has determined no significant negative impacts that may result from the proposed consolidation. Future representation will be by a seven person Board elected by districts based on population. There will be no negative impact to customers of either district. Cost savings will be used to minimize any possible future rate increases. The City of Sacramento has agreed to transfer the Agreement between Arcade Water District and the City of Sacramento to the consolidated district for the right to 26,000 acre feet of water from the American River.

EXECUTIVE OFFICER'S COMMENTS

CONCLUSION

After analyzing the pertinent data, I have determined that the proposed consolidation of the two water districts will result in increased service capability, an expanded revenue base, and cost savings. The districts have stated, and I concur, that the consolidation will reduce administrative costs and increase operational efficiency. These improvements have been cited in most reorganization/consolidation studies as a general benefit of merger. LAFCo policy favors consolidation/reorganization of special districts, where feasible, because consolidation/reorganization generally increases operational efficiency

and reduces the potential for conflict among competing districts. LAFCo has consistently supported past merger efforts of local fire districts and will likely continue to support appropriate, financially feasible consolidation/reorganization efforts which increase the effectiveness of service to the Sacramento area community.

A resolution to reorganize under Government Code Section 56853 of the Local Government Reorganization Act does not provide your Commission with the authority to deny the proposal. The Board of Directors of two separate water districts have determined that it is in their best interests for the future provision of water service within their communities to reorganize into a single district. This process was implemented during the 1980's to encourage and expedite district reorganization and consolidations. It permits reorganizations to occur without an election unless sufficient protest is filed during the conducting authority hearing. This reorganization and recommendation comply with the existing legal statutes. Therefore, LAFCo must approve this consolidation, or conditionally approve it.

To date, previous reorganizations have not created any known service delivery problems. In fact, several problems have been disposed of and improvements have been made in the delivery of services. It is hopeful that there will be a continued trend for special districts to reorganize and consolidate, particularly in the area of park and water districts. Over the past several decades, the County and City of Sacramento have re-engineered many services in order to avoid duplication and reduce costs. Many services lend themselves to either a regional district or joint powers agreement. This effort provides better coordination and collaboration.

The operations, resources, and capability of the Arcade Water District and the Northridge Water District lend themselves to the merits and benefits of consolidated **SACRAMENTO SUBURBAN WATER DISTRICT**. The proposed consolidation appears to be in the best interest of the water districts and the communities they serve. The short- and long-term advantages of such a consolidation offer tremendous potential for better customer service and increased efficiency and effectiveness of both jurisdictions. History has demonstrated that community fire districts have merged or consolidated for a number of reasons. This consolidation will create a unified entity which can provide more cost-effective water service. The economics of unification will be accomplished by the elimination of duplicative operations, and the savings realized will enable existing resources to fund improvements and enhancements for better service levels, and thus, reduce the need for future rate increases.

RECOMMENDATION

I recommend your Commission approve the proposed consolidation subject to the terms and conditions stated on pages 1-5 of this report.

Respectfully,

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

Peter Brundage
Executive Officer

PB:Maf
Attachments

(Arcade-Northridge)

