

1. CALL TO ORDER

Chair Short called the meeting of the Executive Committee to order at 8:30 a.m. Individuals in attendance are listed below:

Executive Committee Members

S. Audie Foster, California American Water
Marcus Yasutake, City of Folsom
Spencer Short, City of Lincoln
Jim Peifer, City of Sacramento
Debra Sedwick, Del Paso Manor Water District
Robert Dugan, Placer County Water Agency
Kerry Schmitz, Sacramento County Water Agency
Rob Roscoe, Sacramento Suburban Water District
Pam Tobin, San Juan Water District

Staff Members

John Woodling, Rob Swartz, Nancy Marrier, Amy Talbot, Monica Garcia and Katrina Gonzales, legal counsel.

Others in Attendance

Nicole Krotoski participated via conference call.

2. PUBLIC COMMENT

None

3. CONSENT CALENDAR

The minutes from the Executive Committee meeting held January 27, 2016.

Mr. Yasutake noted a correction on page 5 of 6 under Directors' Comments, it should read the "new mayor for the City of Folsom is Steve Miklos".

Motion/Second/Carried (M/S/C) Ms. Sedwick moved, with a second by Ms. Tobin, to approve the minutes from the January 27, 2016 Executive Committee meeting with the above noted correction.

4. DEVELOPMENT OF FISCAL YEAR 2016 – 2017 BUDGET

Each year the RWA Executive Committee (EC) reviews and makes a recommendation for adoption of the budget by the full board. The discussion of the Fiscal Year 2016-2017 budget (“FY17 Budget”) started at the January 27, 2016 EC meeting. The EC was presented with a list of the significant decisions that impacted the development of the budget objectives and outcomes which drive fees and expenses. At the March 10, 2016 meeting, the Board will be presented these items to give their recommendations to staff on how to proceed for incorporation in the budget proposal.

Draft Budget Highlights discussed by John Woodling

The Executive Committee recommendations included transitioning from a retired annuitant to a full time staff member for a more active role in advocacy. Last year the Board agreed that a government relations program would be developed based upon the adopted goals of the strategic plan. It was agreed that RWA was an appropriate vehicle and voice to advocate on legislative and regulatory issues on behalf of the region. The FY16 budget provided \$100,000 in the consulting budget for government affairs contract services. RWA hired retired annuitant Dave Brent to temporarily fill this role. Mr. Brent started working on the program in March 2015. Due to the retired annuitant status¹, RWA can only use Mr. Brent for a limited duration of time. Therefore, RWA will start implementing the transition to a permanent staffing solution in fiscal year 2017. There are organizational benefits to have permanent staff hired before the new legislative cycle begins in calendar year 2017.

Additionally, there was a new designation added for the Strategic Plan Fund in FY16 to put aside money for these implementation activities. This Strategic Plan Fund was funded by capping the operating fund at four months and any excess available resources over four months was then directed towards this fund. The intent of the designation was to support future activities while mitigating large single-year fee increases. This set aside amount for the final FY16 budget was estimated to be approximately \$141,000. For FY17, a new staff member was included under a new line item that showed the amount that would be needed for a full time staff member for 9 months, with Mr. Brent budgeted at \$50,000 for use as a consultant to assist the new staff member with the transition. The EC directed staff to remove the new line item and include the new staff in with the other staff salaries and benefits. The FY17 draft budget also reflected using a portion of the strategic plan fund in FY17 to pay for the partial year staffing.

The IRWMP program was previously a subscription based program and has been considered a core activity of RWA since FY15. Since its transition to a core program, the budget reflects funding of this work from the remaining designation. The designation is being used in the current fiscal year. RWA will need to increase

¹ The rules for CalPERS state that “Retirees can be hired into retired annuitant positions to perform work of limited duration.”

fees by approximately \$25,000 for costs associated with this program in fiscal year 2018.

Over the last year, the WEP Program Manager has been assisting with RWA core functions. Some of these activities have included State Water Resources Control Board emergency regulations, water supply data collection, the water-energy study, and the RWA annual report. During the upcoming budget cycle, approximately 10% of the staffing costs associated with this position are being shifted to RWA core dues.

Additional increased expenses are included in the FY2017-18 budget. RWA's lease will be coming up for renewal in fiscal year 2018. RWA staff negotiated a very favorable lease rate at the time ACWA JPIA moved out of the building. RWA needs to plan for a significant increase in our lease in 2018.

RWA is planning on making the \$225,000 for the unfunded pension liability allocated by CalPERS in FY16. The SGA portion of this liability was estimated to be \$99,000. SGA has been informed by CalPERS that their membership is approved and they will begin making their own payments beginning in FY17. The projections beyond FY17 include additional payments of the unfunded liability for RWA only.

The draft budget presented at the Executive Committee meeting proposed a 13% increase on general fees. For medium sized agencies, if connection fees increased, these agencies will experience a greater than 13% fee increase.

Budget Assumptions included in the staff report

- 1) Associate membership has four members. A new affiliate membership classification was approved by the Board and has ten new members to date.
- 2) SGA service fees represent 50% sharable costs according to the Administrative Services Agreement, and excludes the Water Efficiency Program staffing, the water policy staff, and the retired annuitants for the water policy advisor and SGA².
- 3) SGA Pension plan service agreement fee is estimated to be \$99,000 and will be paid prior to June 30, 2016.
- 4) Subscription program revenues provide 16% of needed RWA Core revenues and reflect income earned from providing staffing and office support to subscription based programs, including the WEP.
- 5) IRWMP "revenues" are funds from the IRWMP cash designation which had been set aside when the IRWMP program converted from a subscription based program to a CORE program. The IRWMP program will be expending additional funds in FY16 and FY17 the remaining fund in FY18.
- 6) Powerhouse Science Center reflects five year allocated funding. The member portion represents funding from RWA members. Other funding in

² Recall that RWA also hired a different retired annuitant in FY14 to work on programmatic activity exclusively for SGA and invoices SGA for these services.

FY15 represented grant funding of \$50,000 plus an annual funding of \$5,000 from WEP.

- 7) The core program budgets for all staffing positions including the WEP position. The retired annuitants' costs are reflected in the consulting expenses. The retired annuitant for SGA is reflected in the staffing expenses as a separate line item. Benefit costs also include projected increases for OPEB and health care, and a reduction of a 2% employer pick up of the employee portion of PERS retirement benefits (starting at 7% in FY15 and decreasing to 0% by FY19).
- 8) Excluding the WEP program manager, the project assistant position, the water policy position, and the retired annuitants, the staffing costs are allocated 50/50 to SGA and RWA. These allocations result in 4.8 FTEs for RWA and 2.2 FTEs for SGA for a total of 7 fulltime positions. The retired annuitants are not included in the FTE count.
- 9) Staff salaries are within ranges assigned by a 2012 total compensation survey and reflect a possible 5% increase for merit (including COLA), plus 2% to compensate for the employees paying 2% of their PERS retirement contribution.
- 10) The budget reflects a payment of \$225,000 for the unfunded accrued pension liability for CalPERS. This payment to CalPERS assumes a \$99,000 reimbursement from SGA. The payment amount will be made by June 30, 2016.
- 11) Office cost increases are based upon estimated increases in FY17. For FY18 and beyond, these costs are estimated at 3% annual increases unless specific increases have been identified, such as the office lease renewal.
- 12) Expanded RWA involvement in external issues necessitates increased legal fees. The CALPERS pension benefits issue is projected to be resolved by the end of FY16.
- 13) Professional fees include higher audit, accounting and actuarial analysis fees due to the new reporting requirement for GASB 68, public relations, water policy consulting services, and \$20,000 for unexpected items. A water policy retired annuitant will continue to be engaged while the new staff member takes over those responsibilities.
- 14) In looking out to the future, RWA can anticipate a potential 10% increase in dues in FY18 in order to meet expenses, continue paying the unfunded pension plan liability and the Strategic Plan Fund. Future projections assume RWA and SGA share staffing and administrative costs and subscription based programs will continue to contribute 16% of revenues to pay for Core staffing and office costs.
- 15) Finally, no changes to membership are anticipated, including any decline due to agency consolidations or nonparticipation. These changes would have a significant impact on rate increases in the future. RWA will continue to attempt to grow membership.

There was discussion about Woodland-Davis and when they will begin serving water and what their service connection numbers will be. It was suggested that the Executive Director talk with Dennis Diemer before the next RWA Board meeting to determine their options and future intentions.

It was suggested that the Associate Policy be adjusted, so that the Associate dues increase at the same percentage that the member dues increase.

For presentation to the RWA board the budget needs to be consistently transparent to be easily understood. A grant awards page will also be included to show the regional benefits of membership for RWA members.

5. WATER EFFICIENCY UPDATE

On February 2, 2016, the State Water Resources Control Board (State Water Board) approved extending the Emergency Regulation until October 2016. This Emergency Regulation became effective February 13, 2016. The regulation text was based on the May 5, 2015 Emergency Regulation and carries much of the same language. However, there are some notable changes and additions. The statewide 25% water savings goal was extended from June 2015 to February 2016 to an updated deadline of October 2016 to match the new Regulation's timeframe (savings are still compared to 2013). New water agency conservation targets incorporate several adjustment opportunities that can decrease an agency's conservation target. The first adjustment addresses climate impacts on water demand. Each agency in the Sacramento region should receive a 3% adjustment to their agency's current conservation target. This default adjustment should be automatically reduced for all agencies and posted on the State Water Board's website. The second and third adjustments address growth impact on water demand and new local drought-resilient sources of supply. Additional information must be submitted to the State Water Board for an adjustment in these two areas by March 15, 2016. Cap for all adjustments is 8% per agency. New conservation targets become effective for March 2016 reporting. February 2016 production is still assessed on an agency's original conservation target effective June 2015. Water agencies will be assessed for compliance to the new targets based on cumulative savings from June 2015 through the current month until October 2016. Smaller suppliers (that are not urban water suppliers) must submit a report by September 15, 2016 that identifies total potable water production, by month, from December 2015 through August 2016. Smaller suppliers received no adjustments from their original 25% conservation target. Additional language in the February 2nd Emergency Regulation prohibits Homeowners Associations/Community Service Associations from penalizing residents for reducing or eliminating the watering of vegetation or lawns during a declared drought emergency.

State Water Board staff will monitor and evaluate available data on precipitation, snowpack, reservoir storage levels, and other factors and report back to the State Water Board in March and April 2016 and, if conditions warrant, bring a proposal for rescission or adjustment of the Emergency Regulation to the State Water Board in May 2016.

The Water Efficiency Program's Public Outreach Committee met on February 10, 2016 to discuss regional messaging moving forward. The Committee decided to continue current messaging until April/May 2016 when the State Water Board committed to reassess water supply conditions. Current messaging is that we are still in a statewide mandated drought and need to conserve to meet our

conservation targets. Calls to action include: turn off sprinklers till spring, replace high water use fixtures with high efficiency fixtures and find and fix leaks.

Depending on the State Water Board's interpretation of water supply conditions in April/May 2016, messaging about the state and region's drought status may be modified. Should the conservation targets remain the same or slightly decrease, calls to action will support the general theme of "Rethinking Your Yard" and will include: limit landscaping watering following your water provider's guidelines, prioritize your landscape putting your trees first, check sprinkler systems for efficiency and upgrade your landscape with low water use plants. When and if the drought tapers off, the Committee supports transitioning drought messaging to longer term messaging about efficient water use both indoors and outdoors.

Mr. Woodling said that we need to decide what our messaging is on conservation and what we need to get prepared for the State Water Board. It was suggested that a separate handout be available providing information to those residents that may be replanting their lawns to use locally appropriate low water use varieties. . An additional message for the handout would be to reduce the overall percent of your landscape that is planted with grass and replace with alternative low water use plants and shrubs. It was also suggested that RWA should partner with West Sacramento on water conservation ideas for Raley Field with opportunities for the area outside the stadium. Overall there are adequate funds for the outreach program through October 2016.

6. MARCH 10, 2016 RWA BOARD MEETING AGENDA

The draft agenda was included for the March 10, 2016 full Board meeting. Mr. Woodling said that a good response is expected for the RFQ contractor selection for the Regional Reliability Plan.

M/S/C Ms. Sedwick moved, with a second by Mr. Dugan, to approve the March 10, 2016 proposed RWA Board meeting agenda.

7. EXECUTIVE DIRECTOR'S REPORT

Government Affairs Update – Mr. Woodling reported that the deadline for introduction of legislation is February 19th. Staff will assess the legislation and report to the RWA board at their March meeting with a complete list of bills and RWA positions presented at the March Executive Committee meeting. The regulations for SGMA are due to be released any day now with a 30 day public comment period with 3 meetings held throughout the state. Mr. Woodling will be working on the regulations from the standpoint of RWA, SGA, ACWA and the DWR Practitioner Advisory Panel and will be commenting on the regulations.

8. DIRECTORS' COMMENTS

Mr. Roscoe thanked Ms. Marrier and Ms. Krotoski for their work on the budget item. Sacramento Suburban Water District experienced a leak in one of their pipes.

Ms. Sedwick asked when the RWA building lease was up. Mr. Woodling replied that the lease will expire in August of 2018. Ms. Sedwick reported that during the recent Washington DC trip they had 46 appointments. During the meetings one of the questions asked was regarding the Sustainable Groundwater Management Act. She also noted that due to the Flint Michigan situation EPA is delaying the new copper ruling.

Mr. Dugan commented that today's "Lunch and Learn" on the Flow Management Standard is an event that should be held for all the cities in our region.

Chair Short said that he attended the Water Leadership Forum through NCWA that included four municipal type water providers. The event was very informative. Nevada Irrigation District sees the value of RWA membership and has an interest in discussing the grant funding that RWA has received. The County of Placer has expressed interest in becoming an RWA Associate member.

9. CLOSED SESSION UNDER GOVERNMENT CODE SECTIONS 54954.5(C) AND 54956.9(D) – UPDATE ON CALPERS CONTINUED OBLIGATION TO PROVIDE PENSION BENEFITS TO RWA EMPLOYEES

No closed session was necessary.

ADJOURNMENT

With no further business to come before the Board, Chair Short adjourned the meeting at 10:11 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer