



Regional Water Authority
BUILDING ALLIANCES IN NORTHERN CALIFORNIA

**RWA Board Meeting
Final Minutes
March 10, 2016**

1. CALL TO ORDER

Chair Short called the meeting of the Board of Directors to order at 9:00 a.m. at the Regional Water Authority. Individuals in attendance are listed below:

RWA Board Members

Ron Greenwood, Carmichael Water District
Steve Nugent, Carmichael Water District
Al Dains, Citrus Heights Water District
Bob Churchill, Citrus Heights Water District
Marcus Yasutake, City of Folsom
Spencer Short, City of Lincoln
Matthew Wheeler, City of Lincoln
Pauline Roccucci, City of Roseville
Jim Peifer, City of Sacramento
Stan Cleveland, City of Yuba City
Ryan Saunders, Del Paso Manor Water District
Debra Sedwick, Del Paso Manor Water District
Bill George, El Dorado Irrigation District
Chuck Dawson, Elk Grove Water District
Mark Madison, Elk Grove Water District
Randy Marx, Fair Oaks Water District
Tom Gray, Fair Oaks Water District
Michael Schaefer, Orange Vale Water Company
Sharon Wilcox, Orange Vale Water Company
Robert Dugan, Placer County Water Agency
Brent Smith, Placer County Water Agency
Darlene Gillum, Rancho Murieta Community Services District
Kerry Schmitz, Sacramento County Water Agency
Rob Roscoe, Sacramento Suburban Water District
Pam Tobin, San Juan Water District
Shauna Lorance, San Juan Water District

RWA Associates

Arthur Starkovich, Sacramento Municipal Utility District and Terri Mitchell, Sacramento Regional County Sanitation District.

RWA Affiliate Members

Mike O’Hagan, Forsgren Associates, Inc., Ibrahim Khadam, MWH Global, Inc., Yung-Hsin Sun, MWH Global and Charles Duncan, West Yost Associates.

Staff Members

John Woodling, Rob Swartz, Nancy Marrier, Cecilia Partridge and Ryan Bezerra, Legal Counsel.

Others in Attendance:

Hilary Straus, Jim Mulligan, Mike Paulucci, Keith Durkin, Ellen Cross, Jose Ramirez, Remleh Scherzinger, Joe Duran, Dave Ocenosak and Mitch Dion. Nicole Krotoski participated via conference call.

2. PUBLIC COMMENT

None

3. CONSENT CALENDAR

- a. Minutes of the January 14, 2016 regular board meeting

Motion/Second/Carried (M/S/C) Ms. Sedwick moved, with a second by Mr. Greenwood, to approve the consent calendar items.

4. EXECUTIVE COMMITTEE REPORT AND RECOMMENDATION

- a. Information: Final minutes from the January 27, 2016 Executive Committee meeting and draft minutes of the February 17, 2016 Executive Committee meeting

5. 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 EC discussed the Fiscal Year 2016-2017 budget (“FY17 Budget”) at the January 27, 2016 EC meeting and again on February 17, 2016. In January, 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. In February, the EC reviewed a draft budget. The Board was presented with these key issues to give their recommendations to staff on how to proceed for incorporation in the budget proposal.

The EC recommendations include:

- 1) Transition 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 to provide 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 finite scope and 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 begin putting 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 limiting large single-year fee increases. This set aside amount for the final FY16 budget was estimated to be approximately \$141,000.

A new staff member was included in the draft budget and includes \$132,200 for nine months in FY17, with Mr. Brent budgeted at \$50,000 for use as a consultant to assist the new staff member with the transition. The draft budget also reflects the usage of a portion of the strategic plan fund in FY17 to pay for the partial year staffing.

- 2) 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 fees by approximately \$25,000 for costs associated with this program in fiscal year 2018.
- 3) 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 developing an RWA annual report. During the upcoming budget cycle, approximately 10% of the staffing costs associated with this position is being shifted to RWA core dues to reflect the support provided to the core program by this position.
- 4) Specific increased expenses are included in the projected FY2017-18 budget. RWA's lease will be coming up for renewal in calendar year

¹ The rules for CalPERS states that *"Retirees can be hired into retired annuitant positions to perform work of limited duration."*

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 (and a potential move) in the office lease in 2018.

- 5) The Employee Compensation Policy 400.2 states that “The Executive Committee (EC) will conduct a compensation survey at least every five years to ensure that the compensation offered by the Authority is consistent with this policy.” RWA last completed a compensation survey in November 2012 and will need to budget for a compensation survey to be completed in fiscal year 2018, as well as plan for potential increased payroll costs as a result of the survey.
- 6) RWA is planning on making the \$225,000 payment for the unfunded pension liability allocated by CalPERS in FY16. The SGA portion of this liability is estimated to be \$87,600 or 39%. 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.

Summary Budget Overview

Revenues

- 1) A total 11% increase on general fees is proposed.
- 2) Associate membership has four members. A new affiliate membership classification was approved by the Board and has ten members to date.
- 3) SGA service fees represent 50% sharable costs according to the Administrative Services Agreement and excludes the Water Efficiency Program staffing, the water policy advisor, and the retired annuitants for RWA and SGA².
- 4) SGA service agreement fee for the pension plan is estimated to be \$87,600 and will be paid prior to June 30, 2016.
- 5) 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.
- 6) 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 most of the remaining funds in FY17.
- 7) Powerhouse Science Center reflects five year allocated funding. The member portion represents funding from RWA members. Other

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.

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

- 8) Other revenues represent interest income and holiday social revenues.

Expenses

- 1) The core program budgets for all staffing positions including the WEP position and new water policy position. The retired annuitant water policy advisor cost is reflected in the consulting expenses. The retired annuitant for SGA is reflected in the staffing expenses as a separate line item, and is fully recovered from SGA.
- 2) Excluding the WEP program manager, the project assistant 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 seven full time positions. The retired annuitants are not included in the FTE count.
- 3) 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 an additional 2% of their PERS retirement contribution.
- 4) The FY17 budget now includes hiring a water policy staff position to start in the second quarter.
- 5) 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).
- 6) The retired annuitant line item includes wages and benefits for an SGA retired annuitant reimbursed by SGA. There is no cost to RWA for this annuitant.
- 7) The FY16 budget reflects a payment of \$225,000 for the unfunded accrued pension liability for CalPERS. This payment to CalPERS assumes an \$87,600 reimbursement from SGA which is approximately 39%. The payment amount will be made by June 30, 2016.
- 8) 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.
- 9) 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.
- 10) 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.
- 11) Other includes office equipment purchases.

- 12) Core Project Expenses include costs associated with the IRWMP and with Powerhouse Science Center partnership.

Revenues net of Expenses

- 1) Core expenses in excess of core revenues project a net cash inflow of approximately \$74,200 for the core program. The subscription based programs pay for use of staff time as well as some allocated office costs to run these programs.
- 2) Subscription expenses are projected to exceed revenues by approximately \$246,200. Many subscription program expenses will be funded from previously collected funds which have been set aside for this purpose. Additionally, there are five grants that will be completed in FY17.
- 3) Combined core and subscription expenses versus revenues net a projected decrease in cash flow of approximately \$172,000.

Designations

- 1) The operating fund is targeted at four months for FYE 16-17, which falls within the policy guideline of four to six months. The operating fund designation will be capped at four months, with any remaining resources funding the Strategic Plan Fund.
- 2) The Strategic Plan Fund represents resources being set aside to fully implement the strategic plan. The FY17 budget anticipates using a portion of this fund to pay for hiring the new water policy consultant until it is depleted in FY19.
- 3) The Powerhouse Science Center ("PSC") designation represents the difference in collection of fees for this project versus the payments made per the contract with PSC.
- 4) The designations are detailed by type. The total change in cash from Projected FY16 to Proposed FY17 by subtotal for the core program reflects the overall net cash inflow of approximately \$74,200 and the effect on each type of designation.
- 5) The designations for the subscription program reflect a decrease of approximately \$246,200 over subscription based expenses, largely due to the closing out of some of the grants and drawing down those funds. These programs typically collect revenues in advance of expenses. These expenses will be funded from the corresponding program designations.

SUBSCRIPTION PROGRAMS

These subscription based programs are subject to approval by the individual participants. The revenues are included for total estimate purposes and to reflect the expected contribution towards the Core program for staffing and

office costs which is budgeted at 16% for FY17. Adopting the fiscal year 2016-2017 budget does not approve the subscription based programs.

- 1) Subscription program revenues are projected for the Water Efficiency Program (WEP Category 1 and 2), the Prop 50 grant management, Prop 84 grant management, the government relations contract lobbyist, the 2014 drought grant, the 2015 IRWM grant and the USBR meter and retrofit grants. The revenues include fees from participants and grant reimbursements from existing grants.
- 2) Subscription program expenses represent the direct consulting and third-party costs for these subscription programs. It also includes the cost of using RWA staff and allocated office costs to determine the cash flow effect on these programs. In a combined budget, the RWA staff and allocated office costs are netted out to avoid double counting of the costs since these costs are also included in the Core budget. See Summary Table – Split Program for a reconciliation of the individual budgets to the overall RWA budget per the combined Executive Summary Table.
- 3) The subscription based programs collect fees in advance of expenses and often straddle several years prior to completion. The funds are held in an advance restriction until the expenses are incurred. With the exception of WEP, these additional program advances are only recognized as income as the related expenses are incurred. These advances are tracked for budgeting purposes and also included on the detail program budget sheet. While WEP fees are set aside for WEP services, these fees are recognized as incurred.
- 4) The subscription restrictions reflect the available funds for these programs. The use of these designations projected in FY17 is reflected in the changes in the individual restrictions.

Outlook for FY 2018

In looking out to the future, RWA can anticipate a potential 10% increase in dues in FY18 in order to meet increased expenses, continue paying the unfunded pension plan liability, begin paying for the IRWM program from current fees, and funding the new water policy staff for an entire year. 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.

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.

John Woodling, Executive Director, gave a power point presentation giving an overview of the benefits of RWA membership, the proposed fee increase

for FY 2017, the Strategic Plan Implementation, the IRWMP Program, the Water Efficiency program manager cost shift, increased expenses, payment for the unfunded pension liability in FY 2016 and what is anticipated for FY 2018.

Mr. Woodling said that the benefits of RWA membership include a forum for regional collaboration on water policy and projects, providing a venue for information sharing, a regional voice and a presence on statewide issues, legislative and regulatory representation, facilitating regional planning, providing collaborative savings and a successful model for grant funding.

Mr. Woodling compared RWA dues paid for fiscal years 2002 – 2015 per agency with the grant reimbursements received. The proposed FY 2017 fee increase was anticipated the prior year and will begin to pay for the next implementation phase of the strategic plan. In FY 2015 RWA used a part-time retired annuitant for the government relations strategic plan implementation. In FY 2017 RWA will transition to a permanent staffing solution prior to the legislative cycle. The retired annuitant will assist in the transition as we begin using the strategic plan fund designation. The IRWMP program is now a part of the core program transition from a subscription based program. Future fees will need to be increased by an additional \$25,000 to fund the program. In FY 2017 the program will be funded using designations. The WEP program manager has been assisting with RWA core functions including State Water Board emergency regulations, water supply data collection, water energy study and the RWA annual report. RWA will be shifting 10% of WEP staffing costs to be paid by the RWA core program.

Through discussion it was agreed that the budget presentation given by Mr. Woodling was clear with a definite perspective showing the teamwork of RWA as a region. We are now beginning to implement the Strategic Plan with agreement on funding.

M/S/C Ms. Tobin moved, with a second by Mr. Nugent, to approve the Fiscal Year 2016 – 2017 Budget

6. REGIONAL RELIABILITY PLAN RFQ

The 2013 RWA Strategic Plan calls for the development of a Regional Water Reliability Plan to identify the most promising regional opportunities to improve water supply reliability. Based on direction from the RWA Board at its January 2016 meeting, staff will soon initiate a subscription-based project to prepare the plan.

Staff is in the process of developing a scope of work to prepare the plan, and we are in need of a qualified consultant to support scope development and commencement of planning activities. At a minimum, RWA is seeking

consultant support in identifying vulnerabilities and proposed mitigation measures that will serve as the foundation to improve water supply reliability within the region. The successful consulting firm is expected to provide extensive support to RWA staff in performing the study, including the following:

- Assist in the completion of a detailed scope of work to complete the study.
- Participate in and assist in documenting stakeholder group meetings during the study (at a minimum, stakeholders would likely include local water suppliers, Reclamation, DWR, and the Sacramento Water Forum).
- Assist in collecting information on vulnerabilities of local water supply agencies, including; 1) existing sources of supply, water sources, water rights and contracts; 2) existing and projected customer demands for 2035; and 3) existing water supply infrastructure.
- Assist in identifying mitigation actions to address vulnerabilities for each agency.
- Assist in evaluating on a regional basis the ability to implement the proposed mitigation actions identified by each agency.
- Assist in writing a summary report of the study results.

The current scope of the project is expected to exceed \$150,000, so staff prepared a selection process based on documented competence and qualifications and reasonable price consistent with RWA Policy 300.2 for Board approval. The selection process consisted of a combination of factors assigned point values up to the total amounts indicated in the following criteria: the firm profile (10 points), qualifications of staff (25 points), past experience and references (25 points), and consulting firm fee schedules (20 points). There is a maximum possible score of 80 points.

Rob Swartz, Manager of Technical Services, said that on January 25, 2016, a request for qualifications (RFQ) was released to nine firms with local offices that are believed to have experience of a nature similar to the proposed work. The RFQ was also posted on the RWA website. Five RFQ responses were received by the February 18, 2016 deadline and are being evaluated by John Woodling and Rob Swartz of RWA and Andy Fecko of Placer County Water Agency. Reviews are ongoing, and the results and recommendations were presented to the Board for consideration. The project managers for the top RFQ responders were Bill Holton with Brown & Caldwell, Vanessa Nishikawa with Montgomery Watson Harza, Alican Watson with RMC, Greg Young with Tully & Young and Charles Duncan with West Yost.

Mr. Swartz said that the first task will be to define a scope of work to submit to the Bureau of Reclamation. The intent is to understand our current ability to move water around the region, identify the constraints and increase the level of conjunctive use.

M/S/C Mr. Nugent moved, with a second by Ms. Lorance, to approve staff recommendation for contractor selection for the Regional Reliability Plan

7. LEGISLATIVE UPDATE

John Woodling, Executive Director, said that the deadline for introduction of bills in the California State Senate and Assembly was February 19, 2016. Staff is in the process of compiling and reviewing bills of interest to RWA and members and will discuss legislation with the participants in the Lobbyist Subscription Program. Pursuant to RWA Policy, staff will develop recommended positions on specific bills and present them to the Executive Committee for adoption on March 23, 2016. Positions will be consistent with Policy Principles approved by the full RWA Board of Directors. Staff monitors any bills that have to do with water issues, placing them on a watch list, support list or hot list. RWA members can access the list of bills under review on the RWA website under advocacy in the section for members only. Mr. Woodling briefed the board on some of the key pieces of legislation.

8. EXECUTIVE DIRECTOR'S REPORT

Water Efficiency Program Update – Mr. Woodling reported that on February 2, 2016, the State Water Resources Control Board (State Water Board) approved extending the Emergency Regulation until October 2016. RWA pushed for recognition of the idea that climate was a driver for water use. We began to get recognition for some of the issues around what drives water use. 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.

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. 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.

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.

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. Mr. Woodling said that we need to decide what our messaging on conservation is and what we need to get prepared for the State Water Board.

Government Affairs Update – On February 18, 2016, the Department of Water Resources released the draft Groundwater Sustainability Plan (GSP) Emergency Regulations for public comment. The comment period is scheduled to end on March 25, 2016. RWA and others will be seeking additional time to comment on the 60 page document. DWR will hold a series of three public meetings in March to solicit input. The SGMA statute requires the adoption of the regulations by June 1, 2016. Staff is reviewing the regulations, and will coordinate comments from the Sacramento region and ACWA.

RWA Outreach – RWA and member agency staff conducted two "lunch and learn" briefings on the modified Lower American River Flow Management Standard and the Regional Reliability Planning effort for local agency elected officials. City Council members from Roseville and Sacramento were the primary audience. Additional briefings will be held to prepare attendees for the 2016 Cap-to-Cap trip. RWA and member agency staff will conduct briefings on regional water issues for each of the candidates for Mayor of the City of Sacramento. RWA and member agency staff led the Water Resources team for the Metro Chamber's State Legislative Summit on February 11, 2016.

Financial Documents – The financial reports ending January 31, 2016 were included in the board packet.

9. DIRECTORS' COMMENTS

Mr. George said that the emergency drought regulations present a dilemma for El Dorado Irrigation District as their reservoirs have never been below average in the past three years.

Mr. Starkovich said that SMUD has been looking at pump storage but SMUD's board has now determined it is not a feasible approach.

Mr. Nugent said that Carmichael Water District's American River Project Phase II begins April 18, 2016. There will be activities including destroying a couple of wells and replacing a 33 inch pipe line with a 50 inch pipe line.

Mr. Yasutake thanked Mr. Woodling for participating on a panel focused on Water Board topics that was held at the City of Folsom.

Mr. Madison announced that Bruce Kamilos has been promoted to the Assistant General Manager position.

Chair Short thanked everyone involved in preparing the comprehensive budget program that was presented to the full board. He also thanked the RWA Executive Committee for taking the original budget and putting together a budget for the full board that promotes what RWA is accomplishing.

Mr. Roscoe announced a current job opening for an engineering director for the Sacramento Suburban Water District. The application information is available on the district's website.

10. CLOSED SESSION

It was determined that a closed session was not necessary at this time.

Adjournment

With no further business to come before the Board, Chair Sedwick adjourned the meeting at 10:22 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer