

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, Nancy Marrier, Cecilia Partridge, Monica Garcia and Ryan Bezerra, legal counsel.

Others in Attendance

Michael O'Hagan. Nicole Krotoski participated via conference phone.

2. PUBLIC COMMENT

None

3. CONSENT CALENDAR

The minutes from the Executive Committee meeting held December 9, 2015.

Motion/Second/Carried (M/S/C) Mr. Peifer moved, with a second by Ms. Sedwick, to approve the minutes from the December 9, 2015 Executive Committee meeting. Ms. Tobin abstained.

4. 2016 RWA EXECUTIVE COMMITTEE MEETING SCHEDULE

RWA Executive Committee meetings are held on the fourth Wednesday of each month at the RWA office, 5620 Birdcage Street, Suite 110 in Citrus Heights. The meetings begin at 8:30 a.m. A copy of the proposed schedule of meetings for 2016 was included in the packet. It was agreed that the Executive Committee would

continue to meet on the fourth Wednesday of each month with the exception of February, November and December. February's meeting will be held on Wednesday, February 17, 2016 to accommodate the 2016 ACWA DC Conference trip and the November and December meetings will be combined and held on December 7, 2016.

M/S/C Mr. Peifer moved, with a second by Mr. Dugan, to adopt the proposed schedule of Executive Committee meetings for 2016.

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. Mr. Woodling discussed the major issues and asked for guidance in developing and presenting a draft budget to the RWA Board on March 10, 2016. The strategic plan was adopted in 2013 and drives the activities and the required financial resources to accomplish those objectives.

Last year, the board directed RWA staff to transition to a more active role in advocacy. The board approved budget resources for a government relations program 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 the role of water policy advisor. Due to the retired annuitant status, RWA can only use Mr. Brent for a finite duration of time on a defined "project." Therefore, RWA will need to start implementing a transition to a permanent staffing solution as early as the next fiscal year.

It was suggested that a two-year budget be discussed. It was agreed that with so many evolving issues the board could only adopt the first year's budget, but could include a detailed framework projection for the second budget year. The first step in resolving some of the budget issues would be to present the list of needs to the board and then follow up with the costs involved for implementation at its next meeting.

Last year the operating reserves were set at four months, which is the lower limit of RWA's financial designation reserve policy. Additionally, there was a new designation added in fiscal year 2016 for the Strategic Plan Implementation Fund to begin setting aside money for future implementation activities. The intent of the designation was to support future activities while limiting large single-year fee increases. In the long term, rates will need to be increased to create an ongoing funding source for the advocacy position if the Board elects to make the position permanent. The financial impact on rates has not yet been analyzed, and is dependent on the timing and scope of activities. In the previous budget cycle, it was estimated that the additional cost for fully funding this position was approximately \$300,000, which included salary, benefits, consulting support, and increases in the reserve designation.

There was discussion about the benefits of having a full time permanent staff member who could be fully engaged in the advocacy and regulatory efforts. An enormous amount of time is required to stay on top of state legislation and regulatory processes to be successful in gaining recognition for our area of the state. There are organizational benefits to have permanent staff hired before the new legislative cycle begins in calendar year 2017. The EC agreed in principle that we need to move forward with the Strategic Plan Implementation, which would include a full time staff person who will be engaged with advocacy where and when needed.

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 remaining designation will be used in the current fiscal year. RWA will need to consider increasing fees by approximately \$25,000 for costs associated with this program in fiscal year 2017, which could represent approximately a 3.5% increase in dues.

It was suggested that when the proposed budget is presented to the full board that each agency can see the proposed increase of their dues along with the grants and benefits that they have and will be receiving in the future.

In the past, RWA has been very successful in obtaining grant funding and has secured advances from the participating agencies primarily through local match funding to pay for consulting and staff time for managing the grants. Recently RWA executed a contract for a \$2.5 million award from the DWR 2014 Water-Energy Grant Program. The grant is focused on assisting disadvantaged communities (DACs), as defined by the CalEnviroScreen 2.0 online mapping tool, by replacing high-water-using and high-energy-using fixtures with USEPA WaterSense labeled efficient fixtures through two different delivery and monitoring mechanisms – direct installation and fixture distribution to lower income households. The DAC areas in the RWA region overlap with portions of City of Sacramento, West Sacramento, California American and Sacramento Suburban Water District's service areas. The grant is managed through RWA's Water Efficiency Program (WEP).

The 2014 Water-Energy Grant Program has a two year timeframe with no local match funding requirement. This grant is different from previous RWA grants in that it relies on third party contractor agreements to perform grant activities. Most contractors require 30-60 day payment periods. DWR's reimbursement period for invoices ranges from three to six months. RWA anticipates that the monthly grant expenditures will average around \$100,000, which could result in a cash requirement need prior to reimbursement ranging from \$300,000 to \$600,000 at any one time in fulfilling the grant deliverables. The total annual Category 1 budget for WEP is \$400,000 which is insufficient to meet the working cash needs of this grant and the ongoing WEP program objectives. There was discussion on whether RWA should be relied on for reserves to cover this or have the grant recipients determine how to cover the cash flow until reimbursement is received.

The combination of a two year grant period, no local match funding and the necessity of paying outside contractors sooner than receiving grant reimbursement funds creates a cash flow issue for RWA's WEP. Without sufficient cash flow, the grant cannot be fully implemented. RWA is currently working with DWR, the participating water agencies and other partners to collectively reach a solution. Some of the ideas to solve the temporary working cash flow shortage could include borrowing funds from RWA designations, obtaining a line of credit, borrowing from SGA, and advances from participants. This issue will be brought back to the EC for further discussion at the February meeting.

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 development of a RWA annual report. During the upcoming budget cycle, approximately 10% of the staffing costs associated with this position should be considered to be paid for by RWA core dues. This shift in costs will also increase RWA dues by approximately 2%, but will dedicate more funding directly to WEP deliverables.

As discussed above, the decision that the operating fund designation would be maintained at four months creates an even greater need to project future funding for specific programs. Additional increased expenses in a few areas will need to be considered 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.

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 early in fiscal year 2018, as well as potential increased payroll costs as a result of the survey.

6. LEGISLATIVE UPDATE

Staff are tracking the introduction of new bills, as well as the progress of two-year bills. The deadline for bill introduction is February 19, 2016. Subsequent to that date, staff will bring bill positions to the Executive Committee for approval. Pursuant to RWA policy, positions will be consistent with policy principles adopted by the full board of directors. A listing of bills being tracked is available in the member only section of the RWA website.

7. EXECUTIVE DIRECTOR'S REPORT

Government Affairs Update – Staff are reviewing proposed emergency regulations for water conservation. Comments will be submitted by the January 28th deadline, and staff will comment at the public hearing of the SWRCB on February 2, 2016. An adjustment for climate was included in the proposal, in

response to comments by RWA and other inland agencies. A very limited adjustment for water supplies that are not sensitive to drought was included, but the proposal falls far short of recognizing the significant investment agencies throughout the state have made in drought resilient supplies. RWA member agencies are urged to provide written and verbal comments.

Regulations governing the evaluation of groundwater sustainability plans under SGMA are expected to be released in draft in early February. RWA/SGA staff will be reviewing and commenting, and also organizing a response through the ACWA Groundwater Committee.

Water Efficiency Program Update – RWA members are continuing their efforts to contribute to the statewide goal of 25% water savings compared to 2013. Sacramento area water providers have conservation targets ranging from 20% to 36% reduction in water use compared to the same period in 2013.

Grants Update – Staff is currently managing seven grants totaling \$54.7 million. RWA has received a final executed contract for a \$2.5 million award from the DWR 2014 Water-Energy Grant Program, and staff is meeting with DWR on January 29th to discuss commencement of the project. RWA received a commitment letter from DWR on January 15th for a new \$1.757 million grant award from the 2015 Proposition 84 Integrated Regional Water Management Implementation Grant round. Staff will work with DWR to develop and execute a funding agreement over the next few months. Of the \$60 million from Prop 84 for the Sacramento River Funding area we received \$28 million.

November 2015 COLA – Consistent with RWA policy, pay scales and salaries were increased January 1, 2016 by 0.1% based on the November consumer price index for small western cities. The updated pay scales were enclosed in the packet.

CERBT Update – Enclosed in the packet was the CERBT comparative investment earnings for a comparative three year period as requested by the Executive Committee since the inception date of the three strategies were varied. The time frame compared is based upon the inception of the latest strategy deployed, Strategy 3, which is January 1, 2012. This information was provided by CalPERS. Per Matt Goss of CalPERS CERBT Program, he emphasized that as of November 30, 2015, 347 of 462 participants are deployed in Strategy 1, which can create a fairly consistent cash flow for investment purposes. The other strategies include 77 participants in Strategy 2 and 38 participants in Strategy 3. He also noted that the market has declined since December 31, 2015 and Strategy 1 has felt this decline more significantly since it's invested a greater portion of its assets in equities.

8. DIRECTORS' COMMENTS

Mr. Yasutake announced that the new mayor for the City of Folsom is Steve Miklos.

Ms. Schmitz said that Sacramento County's chief executive is leaving to manage a retirement community in Southern California.

Ms. Sedwick congratulated Ms. Schmitz who is now serving on the Roseville Public Utilities Commission.

Chair Short will be attending the Regional Water Leaders program through NCWA.

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

It was determined that a closed session was not necessary as there was nothing to report.

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