REGIONAL WATER AUTHORITY
REGULAR MEETING OF THE BOARD OF DIRECTORS
Thursday, July 14, 2016; 9:00 a.m.

5620 Birdcage Street, Suite 110
Citrus Heights, CA 95610
(916) 967-7692

AGENDA

The public shall have the opportunity to directly address the Board on any item of interest before or during the Board's consideration of that item. Public comment on items within the jurisdiction of the Board is welcomed, subject to reasonable time limitations for each speaker. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the Authority's Administrative Office at the address listed above. In compliance with the Americans with Disabilities Act, if you have a disability and need a disability-related modification or accommodation to participate in this meeting, please contact the Executive Director of the Authority at (916) 967-7692. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

1. CALL TO ORDER AND ROLL CALL

2. PUBLIC COMMENT

3. CONSENT CALENDAR

a) Minutes from the May 12, 2016 RWA regular board meeting
Action: Approve Consent Calendar Item

4. EXECUTIVE COMMITTEE REPORT AND RECOMMENDATIONS

a) Information: Final minutes of the April 27, 2016 Executive Committee meetings and draft minutes from the June 22, 2016 Executive Committee meeting
b) Action: Approve RWA Associate application from Placer County

5. RWA JULY 2015 OTHER POST EMPLOYMENT BENEFITS (OPEB) AND ACTUARIAL REPORT ON RETIREE BENEFITS

Action: Approve the RWA July 2015 OPEB and Actuarial Report on GASB 45 retiree benefit evaluation using the 7.0% discount rate
Action: Recommend continued funding of explicit OPEB subsidy
Action: Recommend funding implicit OPEB subsidy up to the amount of budget OPEB funding

6. EXECUTIVE DIRECTOR'S REPORT

7. 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

8. DIRECTORS' COMMENTS

ADJOURNMENT

Upcoming meetings:

Next Executive Committee Meetings – Wednesday, July 27, 2016 and Wednesday, August 24, 2016, 8:30 a.m. at the RWA office.

Next RWA Board of Directors' Meeting – Thursday, September 8, 2016 9:00 a.m., at the RWA Office.

AGENDA ITEM 3a: CONSENT CALENDAR

The draft minutes from the RWA Regular Board Meeting held May 12, 2016.

Action: Approve minutes from May 12, 2016 RWA Regular Board meeting

Regional Water Authority
BUILDING ALLIANCES IN NORTHERN CALIFORNIA

RWA Board Meeting
Draft Minutes
May 12, 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

Audie Foster, California American Water
Ron Greenwood, Carmichael Water District
Steve Nugent, Carmichael Water District
Al Dains, Citrus Heights Water District
Marcus Yasutake, City of Folsom
Spencer Short, City of Lincoln
Pauline Roccucci, City of Roseville
Kelye McKinney, City of Roseville
Jim Peifer, City of Sacramento
Dennis Rogers, City of Sacramento
Stan Cleveland, City of Yuba City
Diana Langley, City of Yuba City
Ryan Saunders, Del Paso Manor Water District
Debra Sedwick, Del Paso Manor Water District
Bill George, El Dorado Irrigation District
Mark Madison, Elk Grove Water District
Paul Schubert, Golden State Water Company
Sharon Wilcox, Orange Vale Water Company
Robert Dugan, Placer County Water Agency
Brent Smith, Placer County Water Agency
Brent Dills, Rio Linda/Elverta Community WD
Mary Henrici, Rio Linda/Elverta Community WD
Rob Roscoe, Sacramento Suburban Water District
Neil Schild, 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
Chris Petersen, GEI Consultants, Charles Duncan, West Yost Associates and Yung-Hsin Sun, MWH Global.

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

Others in Attendance:
Ralph Felix, Deven Upadhyah, Tom Philp, Mark Salmon, Dale Hunter, Paul Selsky and Melanie Holton. Nicole Krotoski and Isabel Safie participated via conference call.

2. PUBLIC COMMENT

Chris Petersen, Groundwater Resources Association President, announced a conference on Developing Groundwater Sustainability Plans scheduled for June 8 and 9, 2016 at the Hilton Sacramento Arden West in Sacramento.

John Woodling, RWA Executive Director, introduced Ralph Felix. Mr. Felix will become the general manager of Rio Linda/Elverta Community Water District in June 2016.

3. CONSENT CALENDAR

a. Minutes of the March 10, 2016 regular board meeting
b. Approve the amended RWA pay schedule for the period January 1, 2013 to include the Executive Director's position and the revision date of January 14, 2016.

Motion/Second/Carried (M/S/C) Mr. Peifer moved, with a second by Mr. George, to approve the consent calendar items. The motion carried by the unanimous voice vote of all directors.

4. EXECUTIVE COMMITTEE REPORT AND RECOMMENDATION

a. Information: Final minutes from the February 17, 2016 and March 23, 2016 Executive Committee meetings and draft minutes of the April 27, 2016 Executive Committee meeting

Stan Cleveland noted an amendment in the Executive Committee draft minutes for April 27, 2016. On page 3, the second paragraph, the third sentence should be amended to read "…to identify the types of programs that would qualify for the $2.7 billion for storage…" The amendment will be made to the minutes.

b. Approve RWA Associate Members Policy 100.3, RWA Journal Entry Approval Policy 500.7 and RWA Purchasing Card Policy 500.8

Changes to RWA policies should be reviewed every few years. The Associate Members Policy 100.3, Journal Entry Policy 500.7 and Purchasing Card Policy 500.8 were included in the packet for the Board's review.

c. John Woodling said that an ad hoc committee was formed after Resolution 2016- 04 was taken to the Executive Committee in April. The resolution was developed to guide future efforts and commitment to water efficiency and conservation. The ad hoc committee recommended approval of Resolution 2016-04.

   A couple of changes were suggested. It was suggested that under THEREFORE, BE IT RESOLVED, be changed to read "That RWA support the State Water Resources Control Board's proposed emergency regulations that recognize the capacity and authority of local water suppliers to assess water supplies during an ongoing drought and respond appropriately." Additionally, in the ninth paragraph, the language should be changed to read "Whereas, Governor Edmund G Brown Jr., in Executive Order B-37-16 …"

   M/S/C Ms. Lorance moved, with a second by Ms. Roccucci, to approve RWA Associate Members Policy 100.3, RWA Journal Entry Approval Policy 500.7 and RWA Purchasing Card Policy 500.8 and to approve Resolution 2016-04 with the suggested amendments. The motion carried by the unanimous voice vote of all directors.

5. 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.

6. CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM REALLOCATION AGREEMENT

Mr. Woodling reminded members that the Regional Water Authority was audited by CalPERS' Office of Audit Services (OAS). OAS issued a draft report finding that five out of six RWA employees work only part time for RWA on the basis that those employees also provide services to the Sacramento Groundwater Authority (SGA). The findings allowed SGA to apply for CalPERS membership. SGA submitted a new agency application to CalPERS on February 2, 2015. SGA has been informed by CalPERS that their membership is approved and they will begin making their own payments beginning in FY17.

Subsequent to the Board's approval of the CalPERS contract, CalPERS will reallocate assets and liabilities from the RWA CalPERS contract to the SGA

CalPERS contract in the amounts estimated in the actuarial valuation report, which are in direct proportion to the service that employees perform on behalf of SGA. In order to accomplish this, both SGA and RWA will need to approve the Reallocation Agreement. SGA approved the Reallocation Agreement at its April 14, 2016 Board meeting.

> M/S/C Mr. Greenwood moved, with a second by Mr. Roscoe, to approve the CalPERS Reallocation Agreement and direct the Executive Director to execute the Reallocation Agreement on behalf of RWA. The motion carried by the unanimous voice vote of all directors.

7. REGIONAL RELIABILITY PLAN UPDATE

Staff is continuing to work with its consultant, Montgomery Watson Harza (MWH), to develop a scope of work for the Regional Water Reliability Plan. A project kickoff meeting is anticipated for May 11th at 1:00 pm. While the project scope is still under development, RWA has been coordinating with member agencies to pursue opportunities for planning funds as well as future implementation funds. For planning, RWA submitted a letter of interest with the City of Sacramento, Placer County Water Agency, and El Dorado County Water Agency to partner with Reclamation on an American River Basin Study. If successful, the study could provide resources for some of the planning needs for the Regional Water Reliability Plan. For implementation, RWA submitted a concept proposal for a conjunctive use program to the California Water Commission for the Water Supply Investment Program (WSIP) funded through Proposition 1. While the full application process for the WSIP appears very complex, it does represent a significant potential opportunity to fund projects identified during the development of the Regional Water Reliability Plan.

Rob Swartz, Manager of Technical Services, gave an overview of the RWA Regional Water Reliability Plan (RWRP) background, the plan needs, vulnerability assessments, mitigation actions and examples, the expected outcomes of the RWRP and a draft cost estimate. The 2013 RWA Strategic Plan called for development of a RWRP. Ongoing historical drought conditions and a low Folsom Lake in 2015 served as a wake-up call on the vulnerability of long-term water supply reliability in the American River Basin. Abundant surface water rights and contract entitlements meant little in terms of water supply reliability during extremely dry conditions. There are emerging regulatory requirements for sustainable groundwater management. There is a process of identifying, quantifying and prioritizing key factors that can negatively affect water supply reliability. Near-term and long-term factors include facilities, water sources, water rights/contracts, growth and climate change. Types of mitigation actions include structural improvements, operational improvements and institutional/administrative improvements. He

gave examples of bare bones base level of service and desired base level of service.

The expected outcomes of the RWRP include identification of service desired for each agency under both current and future conditions, identification of near and long-term vulnerabilities for each agency, identification of near and long-term mitigation actions, evaluation on a regional basis of the ability to implement the mitigation actions from an operational perspective, identification of additional supply yield resulting from implementation of mitigation actions under current and future conditions and an implementation roadmap.

The draft cost estimate to develop the RWRP is $721,000. There are some near term funding opportunities that could bring in $50,000 for a total budget of $771,000. After USBR grant funding, local in-kind contributions and RWA IRWM funding there is a total unfunded amount of $421,000.

The next steps include developing a RWRP project agreement. The RWRP committee plans to hold standing meetings over the next several months. Staff expects to begin executing RWRP project agreements sometime in July.

8. METROPOLITAN WATER DISTRICT

Deven Upadhyay is the manager of the Water Resource Management Group at the Metropolitan Water District of Southern California. He is responsible for managing the district's planning activities and policy guideline development related to Metropolitan's water supply plans and integrated resources plans. He also oversees the development and implementation of Metropolitan's resources programs for conservation, local resources projects and groundwater recovery and conjunctive use programs. In addition, he directs the management and negotiations of resource contracts related to the State Water Project and Colorado River deliveries as well as water transfers and purchases.

Mr. Upadhyay said that much of what was presented previously in the board meeting mirror the discussions that are taking place in the Metropolitan Water District service area. There is a great opportunity to build on what the areas have in common. In his presentation he showed how the Integrated Resources Plan adopted by the Metropolitan Water District is set with regional goals necessary for success. The board is reviewing key policies in support of the IRP goals through the end of 2016. The Metropolitan area drought related issues and proposed solutions for the future are similar to what RWA is dealing with. Their portfolio is changing from heavy dependence on imported supply and State Water Project (SWP) diversions to emphasis on conservation and local supplies by 2040. They have invested in regional storage capacity with a focus on increasing local supplies within the region. Metropolitan is forming a partnership with the Los Angeles County

Sanitation District with an agreement to build a demonstration facility that is one million gallons per day advanced water treatment. The idea is based on the analysis to build a distribution system that would take water from the waste water treatment plant, treat that water up to potable quality standards and then distribute it to the major groundwater basins in their service area. Metropolitan is interested in regulations for direct potable reuse in the future and in securing Colorado River supplies. He explained their conservation and local resource incentive funding programs including the Regional Water Stewardship Rate program. There appear to be many projects in the respective areas that are similar with common interests and goals.

Mr. Woodling asked where storage upstream of the Delta fits in for the Metropolitan Water District. Mr. Upadhyay said that the District feels that storage is part of the solution and storage was a major investment the District made and will continue to be invested in. With respect to storage upstream of the Delta, for the District it has to be coupled with something that allows the water to get to the Metropolitan service area. The District is supportive of looking at a California Water Fix or an approach that allows the movement of water to be part of the package.

9. EXECUTIVE DIRECTOR'S REPORT

Government Affairs Update – April 20, 2016 was a busy day on the regulatory front, with two key meetings of state agencies on issues of importance to RWA members. The California Water Commission (CWC) heard from the Department of Water Resources (DWR) on the draft regulations for implementation of the Sustainable Groundwater Management Act (SGMA). DWR presented both the content of the regulation and some of their potential revisions based on more than 150 comment letters received. DWR has proposed a number of revisions that are consistent with comments provided by RWA, SGA and ACWA. Some commissioners were uncomfortable with scaling back the requirements in the draft regulations, and especially with the concept of "substantial compliance." SGA drafted a letter to reiterate its interests in an appropriate standard for compliance. DWR will release a final draft of the regulations in early May, and the CWC is expected to consider adoption of the regulations on May 18, 2016. RWA staff has subsequently met with DWR staff on several occasions to reinforce our comments.

SGA, West Placer and the portion of Sutter County in the North American Subbasin have been talking about an alternative approach to compliance with the SGMA regulations. A final decision on pursuing the alternative would likely be deferred until the final regulations are approved by the CWC Board in May. This approach would involve a demonstration that the basin has been managed sustainably over at least the last ten years. The ad hoc group involved in SGMA implementation in Sacramento, Placer and Sutter Counties will next meet on May 13, 2016.

Also on April 20th, the State Water Resources Control Board held a workshop to consider modifying the emergency water conservation regulation. The workshop began with two panels. A group of water suppliers from Southern California presented a proposal for individual water suppliers to self-certify the adequacy of their water supplies for 2016, and only have conservation targets applied if shortages exist. The second panel included RWA and its members discussing the hydrologic and water supply conditions of our region, to support the argument that mandatory conservation targets should be rescinded. A number of RWA members also provided public comment. Tom Cumpston, chief counsel of El Dorado Irrigation District, suggested a hybrid of the two panel discussions, releasing regions of the state from mandatory requirements if hydrologic conditions dictate, and in other regions that may still face drought impacts, allowing for demonstration of adequate supplies. The Board is expected to act on staff recommendations in mid-May, with any modifications taking effect June 1, 2016. RWA and the region received significant media attention for its position, including two Sacramento Bee articles, an op-ed with Rob Roscoe's byline, and appearances on Capitol Public Radio and other radio outlets.

On the legislative front, RWA staff and the contract lobbyist are tracking a number of important bills. A complete listing of the bills is available at the rwah2o.org website under the "legislation" tab. In addition to lobbying these bills, RWA is seeking support for budget funding to support local agency water efficiency program. Although there was funding for water conservation in Proposition 1, the funding was allocated to state run programs.

Water Efficiency Program Update – In March 2016, the region saved 37% compared to March 2013 or approximately 4 billion gallons. The cumulative savings for calendar year 2016 is 24%. The cumulative savings for the Emergency Regulation from June 2015 through March 2016 is 31% or 43 billion gallons. Currently, all RWA agencies are within 2% of meeting their individual targets with the majority of agencies meeting or exceeding their targets.

Regarding the Emergency Regulation, the State Water Resources Control Board (State Water Board) staff committed to 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 this regulation to the State Water Board in May 2016. The State Water Board held a public workshop to solicit input on potential adjustments to the February 2016 Emergency Regulation in response to precipitation amounts and other drought indicators across the state since February 2016. There was a strong regional presence at the public workshop including a panel presentation from John Woodling (RWA), Jim Peifer (City of Sacramento), Andy Fecko (Placer County Water Agency) and Amy Talbot (RWA). Following the panel, several individual

agencies were represented including Rob Roscoe (Sacramento Suburban Water District), Darlene J. Thiel Gillum (Ranch Murrieta Community Services District), Tom Cumpston (El Dorado Irrigation District) and Sean Bigley (City of Roseville). The main message was that the Sacramento region is no longer in a drought emergency and that the emergency conservation restrictions should be rescinded for our region. Looking forward, the State Water Board has indicated that they may take action to modify the February 2016 Emergency Regulation at their May 18th Board meeting.

Grants Update – Staff is currently managing seven grants totaling $54.2 million. Staff is working with DWR to execute a funding agreement for the $1.757 million grant award from the 2015 Proposition 84 Integrated Regional Water Management Implementation Grant round.

RWA Outreach – RWA staff are exceedingly busy meeting and speaking in a number of venues. Mr. Woodling chaired the ACWA Groundwater Committee on May 3, 2016, with record attendance of more than 160 people. He also moderated a panel on Groundwater Sustainability Agency Formation that was well received. Mr. Woodling will speak at the California Water Association Conference on May 19th, participate in the Groundwater Resources Association's Groundwater Issues Council on May 26th, speak on groundwater at a Law Seminar Conference on June 7th, on a panel for GRA on June 8th and participate in an ACWA Region 2, 4 event on SGMA on June 21, 2016.

Planning continues for the RWA 15th anniversary luncheon event. Mark your calendars for July 14, 2016. The RWA Board meeting will be held that morning, followed by the luncheon at Scott's Seafood along the Sacramento River.

9. DIRECTORS' COMMENTS

Mr. Madison said that after going through the drought that it is evident that Elk Grove Water District's water shortage contingency plan is lacking.

Mr. Foster said that California American Water in Sacramento is a regulated entity. They filed a letter with the Public Utilities Commission to recover revenue imbalances. There is a water revenue adjustment mechanism function that allows for California American Water to assess a surcharge for lost revenue over a period of time. Customers will see a surcharge for reductions assessed to their bills that represents their conservation efforts in a certain time frame.

Mr. Starkovich said that he is working on a recycled water contract between the Sacramento Regional County Sanitation District (SRCSD) and the City of Sacramento. The next step is to take the contract to the SMUD board for approval.

Mr. George reported that El Dorado Irrigation District joined other agencies in dropping their drought restrictions.

Mr. Schild said that Sacramento Suburban Water District has a draft Urban Water Management Plan out to the public for review with a hearing scheduled at their regular Monday board meeting.

Ms. Mitchell said that SRCSD is moving forward on a recycled water project. They will also have a draft of their South County Agricultural Water Recycling Project available in June.

Mr. Roscoe said that the article mentioned in the Director's Report was co-authored by Amy Talbot, John Woodling and Christine Kohn.

Mr. Nugent said that next Saturday Carmichael Water District will be finishing up their river project with Golden State Water District.

Mr. Yasutake reminded everyone that Friday, May 20th the Amgen tour of California will be traveling through El Dorado County with Green Valley Road being closed most of the day for the event. On June 14th the City Council will hold a public hearing to consider the 2015 Urban Water Management Plan.

Mr. Short reminded the board to save the date for the 15 year anniversary event scheduled for July 14th. In June, the City of Lincoln expects to have their regional sewer project operating from Placer County to the City of Lincoln. Mr. Short gave kudos to Rob Swartz and staff for working closely with the City of Lincoln and in making sure that all agencies have the opportunity to get involved in grant projects.

Mr. Yasutake asked if there would be a board meeting held prior to or during the July 14th event. Mr. Woodling said that everyone will be notified when final preparations have been made.

Adjournment

With no further business to come before the Board, Chair Short adjourned the meeting at 10:43 a.m.

By:

_____

Chairperson

Attest:

_____

Nancy Marrier, Board Secretary / Treasurer

AGENDA ITEM 4a: EXECUTIVE COMMITTEE REPORT AND RECOMMENDATIONS

EXECUTIVE COMMITTEE RECOMMENDATION:

Information: Final minutes of the April 27, 2016 and draft minutes from the June 22, 2016 Executive Committee meeting

Regional Water Authority
BUILDING ALLIANCES IN NORTHERN CALIFORNIA

Regional Water Authority
Executive Committee Meeting
Final Minutes
April 27, 2016

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
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, Cecilia Partridge, Dave Brent and Ryan Bezerra, legal counsel.

Others in Attendance
Kelye McKinney. Nicole Krotoski participated via conference phone.

2. PUBLIC COMMENT

None

3. CONSENT CALENDAR

The minutes from the Executive Committee meeting held March 23, 2016.

Motion/Second/Carried (M/S/C) Mr. Dugan moved, with a second by Mr. Peifer, to approve the minutes from the March 23, 2016 Executive Committee meeting. Mr. Yasutake did not vote because he did not attend the March 23, 2016 Executive Committee meeting.

4. 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.

5. CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM REALLOCATION AGREEMENT

In early 2013, CalPERS' Office of Audit Services audited the Regional Water Authority (RWA). In July 2013, OAS issued a draft report finding that five out of six RWA employees work only part time for RWA on the basis that those employees also provide services to the Sacramento Groundwater Authority (SGA). The findings allowed SGA to apply for CalPERS membership. SGA submitted a new agency application to CalPERS on February 2, 2015. SGA has been informed by CalPERS that their membership is approved and they will begin making their own payments beginning in FY17.

Subsequent to the Board's approval of the CalPERS contract, CalPERS will reallocate assets and liabilities from the RWA CalPERS contract to the SGA CalPERS contract in the amounts estimated in the actuarial valuation report, which are in direct proportion to the service that employees perform on behalf of SGA. In order to accomplish this, both SGA and RWA will need to approve the Reallocation Agreement. SGA approved the Reallocation Agreement at its April 14, 2016 Board meeting.

Pam Tobin entered the meeting.

There was discussion on number 3 and 4 of the Reallocation Agreement as well as potential future IRS determinations. Mr. Woodling said that attorney Isabel Safie has reviewed the Reallocation Agreement. CalPERS will <u>not</u> negotiate the agreement language. Additionally, any future IRS determination is unknown at this time.

Rob Roscoe entered the meeting.

> M/S/C Mr. Peifer moved, with a second by Mr. Dugan, to recommend RWA Board approval of the CalPERS Reallocation Agreement and direct the Executive Director to execute the Reallocation Agreement on behalf of RWA

Robert Dugan left the meeting.

6. REGIONAL RELIABILITY PLAN UPDATE

Rob Swartz, Manager of Technical Services, gave an update reminding the Executive Committee that Montgomery Watson Harza ((MWH) was selected as the prime consultant to begin assisting staff in the development of a scope of work and budget for the Regional Reliability Plan. The intent of the plan is to identify agency vulnerabilities and what can be done to mitigate those vulnerabilities. MWH will

assist in identifying the vulnerabilities and mitigations. Recent activities that may ultimately be related to the Reliability Plan include the Bureau of Reclamation 2016 Basin Study Program. The Bureau of Reclamation released a letter of interest asking for agencies who are interested in becoming involved in continued basin studies. A joint letter of interest was submitted by Regional Water Authority, Placer County Water Agency, City of Sacramento and El Dorado County Water Agency. We are awaiting a response from Reclamation as to whether we will be invited to submit a proposal. The proposal, due likely in June, is limited to 20 pages.

A concept proposal was submitted to the Water Storage Investment Program administered through the California Water Commission (CWC). CWC is attempting to identify the types of programs that would qualify for the $2.7 billion for storage under Prop 1. The proposal will be due in 2017 and will consist of a two-step process. The first step is a pre-application and the second step is the full application that includes an assessment of how climate change could alter the proposed benefits of the project. Individual local agencies would have the responsibility to develop their projects to a state of readiness that would meet the application requirements.

There was discussion comparing the potential benefits, associated costs, commitment involved and decisions to be made by the individual participating agencies.

7. REGULATORY UPDATE

April 20, 2016 was a busy day on the regulatory front, with two key meetings of state agencies on issues of importance to RWA members. The California Water Commission (CWC) heard from the Department of Water Resources on the draft regulations for implementation of the Sustainable Groundwater Management Act. DWR presented both the content of the regulation and some of their potential revisions based on more than 150 comment letters received. DWR has proposed a number of revisions that are consistent with comments provided by RWA, SGA and ACWA. Some commissioners were uncomfortable with scaling back the requirements in the draft regulations, and especially with the concept of "substantial compliance." SGA drafted a letter to reiterate its interests in an appropriate standard for compliance. DWR will release a final draft of the regulations in early May, and the CWC is expected to consider adoption of the regulations on May 16, 2016. RWA and SGA had previously provided comment letter on the draft regulations, as well as helping to coordinate the ACWA comment letter.

Mr. Woodling said that SGA, West Placer and the portion of Sutter County in the North American subbasin have been talking about an alternative approach to compliance with the SGMA regulations. A final decision on pursuing the alternative would likely be deferred until the final regulations are approved by the CWC Board in May.

Later on April 20th, the State Water Resources Control Board held a workshop to consider modifying the emergency water conservation regulation. The workshop began with two panels. A group of water suppliers from Southern California presented a proposal for individual water suppliers to self-certify the adequacy of their water supplies for 2016, and only have conservation targets applied if shortages exist. The second panel included RWA and its members discussing the hydrologic and water supply conditions of our region, to support the argument that mandatory conservation targets should be rescinded. A number of RWA members also provided public comment. Tom Cumpston, chief counsel of El Dorado Irrigation District, suggested a hybrid of the two panel discussions, releasing regions of the state from mandatory requirements if hydrologic conditions dictate, and in other regions that may still face drought impacts, allowing for demonstration of adequate supplies. The Board is expected to act on staff recommendations in mid-May, with any modifications taking effect June 1, 2016. RWA and the region received significant media attention for its position, including two Sacramento Bee articles, an op-ed with Rob Roscoe's byline, and appearances on Capitol Public Radio and other radio outlets.

8. LEGISLATION UPDATE

Dave Brent, Water Policy Advisor, gave an informational legislative update. In March, the Executive Committee adopted the preliminary list of bills and positions that RWA will monitor and, as necessary, engage on during the 2016 California Legislative Session. The preliminary list of bills provided in the packet was broken down into priorities with high and medium priority bills being of significant interest to RWA and comprising the "Hot List". The Hot List bills are actively monitored and worked on by RWA's contract lobbyist (Fernandez Government Solutions), members of the Lobbyist Subscription Program Committee (LSPC), and RWA staff. The remainder of the bills are currently of lesser concern and interest, but are continually monitored for amendments that may warrant a change in priority. There are seven bills that are no longer active, AB 1555, AB 1589, AB 90, AB1647, AB2550, AB2601 and SB 1440. Staff will continue to monitor these bills for any change in their status.

Since March, the Legislature has held hearings on several of the bills RWA is following. Amendments have been made to several of those bills with a couple of bills being amended to the degree that the LSPC is recommending they be added or taken off the Hot List. Mr. Brent briefly described the bills on the hot list and RWA's position on each bill.

Other anticipated activities include working with the Sacramento area legislative delegation on a bi-partisan, joint letter to the Senate President pro Tempore and the Assembly Speaker advocating for the State Budget to include Greenhouse Gas Reduction - Cap and Trade Funds for local turf replacement (cash for grass) programs. This letter will be consistent with RWA's support of AB1555 and our

ongoing advocacy efforts to obtain State grant funding to assist local water agencies with their programs to remove high water use turf grass with drought tolerant landscaping.

More information on the 2-Year Hot Bills, low priority bills, and spot bills is available on the RWA website under the "Advocacy" page or upon request.

Staff recommended the Executive Committee adopt the recommended changes to the Hot List bills and the positions as put forth by the LSPC. The entire list of bills will be tracked continuously, vetted through the LSPC Committee, and brought forward to the Executive Committee to assure appropriate actions are taken as the 2016 Legislative Session continues.

There was Executive Committee consensus in support of the amended hot list.

9. RWA MAY 12, 2016 BOARD MEETING

The draft agenda was included in the packet for the May 12, 2016 full Board meeting.

Mr. Woodling sent a draft proposal of a resolution to the Executive Committee members. The resolution would replace the 2014 resolution requesting agencies to pursue 20% conservation. The proposed resolution formerly requests the State Water Resources Control Board (SWRCB) to consider lifting mandatory requirements and encourage member agencies to continue to pursue water conservation and achieve 10% voluntary reductions for 2016 compared to 2013.

The resolution is meant to send the SWRCB a message that people will commit to doing something voluntarily and take action specifically on how we can transition from the drought and gain the benefit of what has been learned while maintaining that 10% is a reasonable measure.

After discussion it was decided that Chair Short would appoint an Ad Hoc Committee to further discuss the resolution to be added to the May 12, 2016 RWA Board meeting agenda for approval. The Ad Hoc Committee members are Rob Roscoe, Jim Peifer and Marcus Yasutake.

In the event that Rem Scherzinger, NID General Manager, is unable to present at the May 12, 2016 RWA Board meeting, Metropolitan Water District of Southern California will be invited to give a presentation to the RWA full board at the May meeting.

After discussion it was agreed to add the Resolution for approval under the Executive Committee Report and Recommendations.

> M/S/C Mr. Roscoe moved, with a second by Mr. Foster, to approve the May 12, 2016 proposed RWA Board meeting agenda as amended.

10. DIRECTORS' COMMENTS

Mr. Roscoe reported from the Sacramento Suburban Water District's special board meeting that confirmed a previous vote that they are no longer in discussions with San Juan Water District regarding a merger of the districts.

ADJOURNMENT

With no further business to come before the Board, Chair Short adjourned the meeting at 10:33 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer

Regional Water Authority
Executive Committee Meeting
Draft Minutes
June 22, 2016

1. CALL TO ORDER

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

Executive Committee Members
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

Staff Members
John Woodling, Rob Swartz, Nancy Marrier, Cecilia Partridge, Monica Garcia and Katrina Gonzalez, legal counsel.

Others in Attendance
Mike O'Hagan and Kelye McKinney. Nicole Krotoski and Catherine McLeod participated via conference phone.

2. PUBLIC COMMENT

None

3. CONSENT CALENDAR

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

> Motion/Second/Carried (M/S/C) Mr. Roscoe moved, with a second by Ms. Schmitz, to approve the minutes from the April 27, 2016 Executive Committee meeting. The motion carried by the unanimous voice vote of all directors present.

4. RWA ASSOCIATE APPLICATION

RWA Policies and Procedures 100.3, RWA Associate Members, was amended May 12, 2016. Entities eligible to become Regional Water Authority (RWA)

Associate Members include public or private entities with water management responsibilities and authorities who are not municipal water suppliers in this region. Agencies or water utilities that deliver potable retail or wholesale water in this region are not eligible to become RWA Associates, as these agencies are eligible to become RWA Members or Contracting Entities. Associate members may include, but are not limited to agricultural water providers, wastewater agencies, flood control agencies, and water planning organizations.

Each entity that applies to become an RWA Associate must be approved by a two-thirds majority vote of the RWA Board of Directors. RWA Associates do not hold a seat on the RWA Board, and therefore are not eligible to vote on RWA Board business or policy matters, including legislative/policy issues under Section 7(a) of the RWA joint powers agreement. RWA Associates pay an annual fee equal to 0.1% of the entity's annual operating budget, rounded up to the next even thousand dollars, subject to a cap set by the RWA Board of Directors. The annual fee for RWA Associates is subject to adjustment by the RWA Board in the development and approval of the annual budget, and has been increased in recent years by a percentage equivalent to the increase of member fees. RWA Associates are eligible to participate in RWA subscription programs, and will not be subject to non-member surcharge fees for such programs. A letter that RWA received from Placer County requesting RWA Associate Membership was included in the packet.

Placer County will be a partner relative to water infrastructure in unincorporated areas of the county and they are active with the SGMA compliance piece. With the Placer County Groundwater Management Group, the formation of GSA and SGMA and recognizing that Placer County is wide and varied insures that all partners are involved. Mr. Dugan will be prepared to present this item to the full board at the July 14, 2016 before the action item is made.

> M/S/C Mr. Roscoe moved, with a second by Mr. Dugan, to recommend RWA Board approval of RWA Associate application from Placer County. The motion carried by the unanimous voice vote of all directors.

5. Vice Chair Peifer appointed a 2016 Executive Director Evaluation Committee including Kerry Schmitz, Audie Foster, Robert Dugan, Jim Peifer, Kelye McKinney. Ms. Schmitz was appointed committee chair. John Woodling, Executive Director, will send his self-evaluation to the committee members by July 1, 2016. In an effort to obtain as much input from the members as possible, Ms. Schmitz suggested that Executive Director Evaluation Forms be distributed to the RWA members at the July 14, 2016 board meeting.

Chair Short entered the meeting and took over chairing the meeting from Vice Chair Peifer.

6. RWA DRAFT JULY 2015 OTHER POST EMPLOYMENT BENEFITS (OPEB) AND ACTUARIAL REPORT ON RETIREE BENEFITS

Bickmore recently conducted an updated biennial actuarial valuation of the Regional Water Authority's Other Post Employment Benefit (OBEP) obligation in compliance with Governmental Accounting Standards Board Statement No. 45 (GASB 45), Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This draft report calculated the annual required contribution for the fiscal years ending June 30, 2017 and 2018.

Catherine McLeod, Bickmore, explained the background for reporting the OPEB Liability and the annual OPEB Expense. The valuation cycle for RWA is every two years. In the process the future value of expected benefit payments for the current retirees until their death and for current active employees is determined.

Mr. Woodling provided an overview of the draft valuation report changes. This valuation assumed no changes to the discount rate of 7.25% using California Employers' Retiree Benefit Trust (CERBT) Asset Allocation Strategy One as confirmed at the January 14, 2016 Board meeting.

NEW VALUATION CONCEPT:

Since the most recent prior valuation report, a new concept is introduced into the draft valuation. RWA is now required to calculate an additional implicit subsidy in determining its total OPEB liability. Previously, RWA was exempt from this calculation.

Mr. Woodling explained explicit subsidy and implicit subsidy. Explicit subsidy[1] is what RWA pays or expects to pay for health care expense for current retirees and current staff. Implicit subsidy relates to the way CalPERS health plans work. The health benefit pool that RWA is in combines active and retired employees into one health plan. If retirees who are older were in a separate pool by themselves, their health care premiums would be higher. As a result, there is an implicit subsidy to the retiree health benefits by current employees paying for health benefits.

While the implicit subsidy must be valued and disclosed in the financial statements, it may not impact the net benefit cash flows and RWA may or may not choose to fund this liability differently than the explicit subsidy liability. If RWA chooses not to fund the implicit liability, the discount rate for the implicit subsidy would need to be adjusted to 4.0%, which would result in an even larger OPEB liability for this portion and consequently total liability. Not funding the implicit portion of the OPEB would generate a larger accounting liability.

[1] This subsidy represents the healthcare premiums that are expected to be paid either in the future for actives or currently for retirees based upon actual and/or expected future premium costs. This subsidy is similar to the prior valuation reports.

If the CalPERS medical program continues in its current form (i.e. blended premium rates for active employees and pre-Medicare retirees) and RWA continues to participate in this program, RWA could expect that the implicit liability will result in zero cash outlay since the additional costs for retirees each year is covered by an equal and offsetting amount of higher total premium cost for active employees than would have incurred if the actives were insured separately.

The EC discussed the risks of not funding the implicit liability including the fact that RWA is made up of a voluntary membership. EC members expressed the desire to fund this implicit liability to hedge against any future changes to the CalPERS medical program that could result in increased costs, thereby requiring the additional payment from former members of RWA. Catherine MacLeod of Bickmore advised that RWA should monitor the funding status of the total OPEB in the future to avoid any significant overfunding of projected benefits that may result by funding the implicit subsidy. This analysis can be done as part of the bi-annual valuation.

Alternative discount rates

A draft report included in the EC packet assumed no changes to the discount rate of 7.25%. Bickmore also provided additional information to evaluate whether the Board wishes to continue using a discount rate lower than required by the CERBT to provide cushion for choosing Strategy 1 and potential adverse market conditions[2]. The following summarized comparative information for FYE 2017 was provided in the staff report and is derived from information provided by Bickmore.

FYE 2017	7.00% Explicit	7.00% Implicit	Total	Increase % from 7.25%
UAAL Total	($109,238)	$184,827	$75,579	47%
ARC	$33,261	$39,484	$72,745	9%

Using a lower discount rate of 7.0% does increase the actuarially calculated liability and consequently, the required annual payments to fund the OPEB trust. The FY17 budget had planned for an increase in annual OPEB costs and could pay for this increase if the Board chooses this lower discount rate.

[2] Recall that the CERBT lowered its expected discount rate for Strategy 1 from 7.61% to 7.28% in September 2014. Since RWA had chosen a lower discount rate, the effect technically did not impact RWA.

Recommendation

M/S/C Ms. Sedwick moved, with a second by Mr. Roscoe, to recommend the RWA Board adopt the 7% discount rate and approve the draft RWA July 2015 OPEB and Actuarial Report on GASB 45 retiree benefit evaluation with discount rate modifications and to recommend continued funding of explicit OPEB subsidy and funding of the implicit OPEB subsidy with available OPEB budgeted funds. The motion carried by the unanimous voice vote of all directors present.

Nicole Krotoski and Catherine McLeod exited the conference phone line.

7. REGIONAL RELIABILITY PLAN UPDATE

Rob Swartz, Manager of Technical Services, gave an informational update reporting that staff is continuing to develop a project agreement to commence the Reliability Water Reliability Plan project as a subscription-based program at RWA. On June 8, 2016, staff held a meeting of potential project participants to provide an overview of the main components of the project agreement. On June 16, 2016, staff released a draft project agreement to the potential participating agencies for their review. Comments are due by the next meeting on July 13, 2016.

Staff provided a brief overview of the draft project agreement to the Executive Committee. After agencies have had a chance to comment on the draft agreement, by July 13, 2016, staff will bring a final version of the project agreement for approval on July 27, 2016. The agreement integrates two projects, a Regional Drought Contingency Plan and a Regional Water Reliability Plan. The packet included a financing plan for project agreement participants.

8. LEGISLATION UPDATE

John Woodling, Executive Director, gave an update on legislation referring to the Legislative Hot Bill List. Since the last Executive Committee Meeting in April, the State Senate and Assembly have gone through the process of committee hearings, amendments, and votes to move bills out of their respective houses and onto the second house for further consideration. That process wrapped up around the first week of June with many of the bills RWA is tracking failing to be passed out of the house of origin. Those bills are now inactive or dead.

As of June 16, the RWA Hot List of bills consists of 21 active bills including the addition of SB 552 by Senator Wolk. SB 552 is a 2-year bill from 2015 that was amended in May and is now being considered in the Assembly.

As amended, SB 552 would allow the State Water Resources Control Board to step into the role of administrator and manager of water agencies that fail to meet water quality standards and could require those same agencies to be consolidated with

well run, compliant water agencies. There are a couple of major concerns with this bill. One is the lack of specificity in the bill relating to funding of the required administrative services and whether the state appointed administrator would be subject to Proposition 218. Further, this bill would specify that if the State ordered a consolidation, customers of the subsumed water system may not be charged an additional fee beyond the costs of the consolidation itself. As written, the subsuming agency would have to take on additional costs and financial risk in the consolidation of the troubled agency. RWA and other water organizations such as the Association of California Water Agencies (ACWA) agree that safe drinking water is a right of every Californian, but it is a cost that should not be paid by public water agencies and their ratepayers as proposed in SB 552.

The Executive Director sent a letter opposing SB 552 on June 9th to the members of the Assembly Environmental Safety and Toxic Materials Committee. However, the Committee passed SB 552 on June 14th and referred it to the Assembly Water, Parks, and Wildlife (WPW) Committee for further consideration. We intend to send a letter of opposition to the WPW Committee and direct Fernandez Government Solutions (RWA's contract lobbyist) to actively try to stop the bill from passage.

In addition to the SB 552 letter, RWA sent letters supporting AB 1716 (McCarty) and SB 1340 (Wolk) and letters opposing SB 814 (Hill) and SB 1317 (Wolk). These letters are available on the RWA website or upon request.

On May 18th, our local state representatives signed onto a letter addressed to the legislative leadership advocating for $100 million from the Greenhouse Gas Reduction Fund (GGRF) to be provided to local water agencies for supplementing the popular turf replacement programs. The timing of the letter coincided with the State budget process and it was hoped that the budget would include appropriations from the GGRF. At this time, it appears that the State budget will be passed without a commitment on GGRF appropriations but there may be further consideration later in the summer. RWA's lobbyist and staff will continue to work with our local delegation and the legislative leadership over the next couple of months to secure these funds.

Staff recommended the Executive Committee adopt the recommended changes to the Hot List bills and the positions as put forth by the LSPC. The entire list of bills will be tracked continuously, vetted through the LSPC Committee, and brought forward to the Executive Committee to assure appropriate actions are taken as the 2016 Legislative Session continues.

There was Executive Committee consensus in support of the amended Hot List.

9. RWA JULY 14, 2016 BOARD MEETING

The draft agenda was included in the packet for the July 14, 2016 full Board meeting.

After discussion it was decided to add a closed session as agenda item 7 to the July 14, 2016 full Board meeting agenda moving Directors' Comments to agenda item 8.

> M/S/C Mr. Roscoe moved, with a second by Mr. Dugan, to approve the July 14, 2016 proposed RWA Board meeting agenda as amended. The motion carried by the unanimous voice vote of all directors present.

10. EXECUTIVE DIRECTOR REPORT

Mr. Woodling said that we are on track with CalPERS for SGA to have a contract on July 1, 2016 with the current funds on account to be split between RWA and SGA according to the analysis. The issue going forward is that the SGA contract needs to include employees' paid Social Security identical to the RWA contract. It will take between 12 and 18 months for an agreement to be worked out between the parties allowing SGA to pay the employees' Social Security to the IRS. This has caused issues on how to have employees' Social Security available to make a payment retroactive to July 1, 2016 once an agreement is finalized.

Government Affairs Update – The California Water Commission adopted the emergency regulations for Groundwater Sustainability Plans and Alternatives as presented by DWR on May 16, 2016. The regulations became effective on June 1, 2016. Staff provided comments from RWA, SGA, and through ACWA provided comments to both DWR and the Commission, and had a significant influence on the final outcome of the regulations. DWR will be developing two additional deliverables over the second half of the year; best management practices and the water available for replenishment report. Staff will continue to engage through the Practitioner Advisory Panel and ACWA Groundwater Committee. Staff continues to coordinate discussions between SGA, West Placer Groundwater Group, and Sutter County interests to plan for compliance in the North American Subbasin. Staff continues to track developments in the SCGA portion of the region.

A letter was drafted to the Public Utility Commission regarding the action they were considering to either adopt a new framework for the water conservation regulations or use the old standards.

Water Efficiency Program Update – Governor Brown issued Executive Order B-37-16 on May 9, 2016 which outlined two majors tasks: directed the State Water Resources Control Board (State Water Board) to adjust the Emergency Regulation conservation targets to account for differing water supply conditions throughout the state and directed the Department of Water Resources (Department) and the State Water Board to develop a new water use target framework for longer term water reductions.

In response to the Executive Order, the State Water Board adopted a resolution and updated the Emergency Regulation text on May 18th with final approval obtained by

the Office of Administrative Law on May 31st. The updated Emergency Regulation replaces the supplier mandated conservation targets with a supplier self-certify process that requires suppliers to demonstrate they can meet demands for an additional three drought years.

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

11. DIRECTORS' COMMENTS

Mr. Roscoe said that Sacramento Suburban Water District staff has been instructed by their board to begin preparing budgets for the 2017 calendar year based on roll back rates. He thanked Mr. Swartz for his presentation to the Sacramento Suburban Water District Board of Directors.

Mr. Yasutake said that the council for the City of Folsom adopted a 2015 Urban Water Management Plan and they have submitted their self-certification.

Ms. Sedwick said that Del Paso Manor has adopted a budget with a rate increase. Even with the rate increase they will be forced to dip into their reserves to cover this year's budget.

Mr. Foster thanked RWA for their letter of support to the PUC. California American currently has a single well in the Rancho Cordova service area that has unmanaged and unregulated groundwater contaminants PFOA and PFOS that the EPA requires testing for. The EPA has moved forward and placed a health advisory indicating that the water should not be consumed if levels are detected over 70 parts per trillion. California American is working through a process with the EPA and the Department of Drinking Water to allow for treatment of the contaminant even though it is not regulated.

Mr. Roscoe mentioned that some states are testing drinking water at schools whether the testing is required or not. Sacramento Suburban Water District is considering taking water samples from all of the schools in their service area.

Mr. Peifer reported that City of Sacramento council adopted their Urban Water Management Plan. The council rejected the staff proposal to go to 10% conservation. They are currently on a 2 day a week watering program.

Mr. Dugan said that Placer County Water Agency has 100 customers on well water in Sheridan. The PG&E Diablo Canyon decommission proposal relates to significant reductions in energy use, replacing it with renewables or non-renewables. This could benefit agencies that have hydropower facilities that are part of the water system.

Chair Short reported that City of Lincoln has removed their water restrictions that are not state mandated. The agency has heard concerns from residents regarding the water conservation restrictions. Their reclaimed system will be turned on in two weeks saving the City $75,000 and freeing up more water through the Placer County Water Agency system.

ADJOURNMENT

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

By:

_____

Chairperson

Attest:

_____

Nancy Marrier, Board Secretary / Treasurer

AGENDA ITEM 4b: CONSENT CALENDAR

BACKGROUND:

RWA Policies and Procedures 100.3, RWA Associate Members, was amended May 12, 2016. Entities eligible to become Regional Water Authority (RWA) Associate Members include public or private entities with water management responsibilities and authorities who are not municipal water suppliers in this region. Agencies or water utilities that deliver potable retail or wholesale water in this region are not eligible to become RWA Associates, as these agencies are eligible to become RWA Members or Contracting Entities. Associate members may include, but are not limited to agricultural water providers, wastewater agencies, flood control agencies, and water planning organizations.

Each entity that applies to become an RWA Associate must be approved by a two-thirds majority vote of the RWA Board of Directors. RWA Associates do not hold a seat on the RWA Board, and therefore are not eligible to vote on RWA Board business or policy matters, including legislative/policy issues under Section 7(a) of the RWA joint powers agreement. RWA Associates pay an annual fee equal to 0.1% of the entity's annual operating budget, rounded up to the next even thousand dollars, subject to a cap set by the RWA Board of Directors. The annual fee for RWA Associates is subject to adjustment by the RWA Board in the development and approval of the annual budget. RWA Associates are eligible to participate in RWA subscription programs, and will not be subject to non-member surcharge fees for such programs. Attached is a letter that RWA received from Placer County requesting RWA Associate Membership.

EXECUTIVE COMMITTEE RECOMMENDATION:

Action: Approve RWA Associate application from Placer County

COUNTY OF Placer

May 20, 2016

John Woodling, Executive Director
Regional Water Authority
5620 Birdcage St, Suite 180
Citrus Heights, Ca 95610

Dear Mr. Woodling:

I am writing to let you and RWA members know that Placer County would like to request that we be accepted as an Associate member of your organization. For several years, Placer County has become more intimately involved in water issues due to land development and drought measures within the county and region. Most recently, we have become integral to the Sustainable Groundwater Management Act (SGMA) for our county and seen the leadership that RWA has shown in that arena. With the authorization of our CEO, David Boesch, Placer County believes its time to be more involved and "at the table" concerning all water issues regionally.

Please coordinate all actions for this membership through me at bstorey@placer.ca.gov or (530) 745-3011 and thank you for your consideration.

Sincerely,

Brett Storey, Principal Management Analyst
Environmental Utilities

cc. David Boesch, County Executive Officer
Ken Graham, Director Public Works and Facilities

AGENDA ITEM 5: RWA JULY 2015 OTHER POST EMPLOYMENT BENEFITS (OPEB) AND ACTUARIAL REPORT ON RETIREEE BENEFITS

BACKGROUND:

Bickmore recently conducted an updated biennial actuarial valuation of the Regional Water Authority's Other Post Employment Benefit (OBEP) obligation in compliance with Governmental Accounting Standards Board Statement No. 45 (GASB 45), Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The July 1, 2015 report is attached for your review. This report calculates the annual required contribution for the fiscal years ending June 30, 2017 and 2018.
This valuation incorporates a 7.0% discount rate of return using California Employers' Retiree Benefit Trust (CERBT) Asset Allocation Strategy One as confirmed at the January 14, 2016 Board meeting. This rate is not a guarantee of future investment performance but rather reflects the expected long-term rate of return. When a new valuation is prepared, projected liabilities and assets created in the prior valuation are replaced with updated estimates for both. Since it would be rare for all the actuarial assumptions in the projections to be met, one or both of the assets or liabilities are usually different than estimated, particularly when the employee group size is small. When the new assets are subtracted from the new actuarial accrued liability (AAL), a different unfunded AAL (UAAL) emerges.

The attached report incorporates a change to the discount rate from 7.25% to 7.0%. Recall that the CERBT lowered its expected discount rate for Strategy 1 from 7.61% to 7.28% in September 2014. Since RWA had previously chosen a lower discount rate of 7.25%, the effect technically did not impact RWA. However, the Board wished to explore lowering the rate again as a potential buffer in choosing Strategy 1 and the associated potential volatility. Bickmore provided additional actuarial estimates using the 7.0% and 6.75% discount rates for the June 22, 2016 Executive Committee meeting. Using a lower discount rate does increase the actuarially calculated liability and consequently, the required annual payments to fund the OPEB trust. This increase is because the lower expected return on assets (reflected in the discount rate) means more of the eventual benefit cost must be paid by employer contributions.

The Executive Committee agreed to recommend a 7.0% discount rate in determining the required OPEB liabilities and funding. The lower discount rate increases the annual required contribution (ARC) by approximately 9% and increases the unfunded actuarial accrued liability by approximately 47%. Using the lower discount rate provides RWA an additional buffer for potential market volatility. The FY17 budget anticipated an increased ARC due to these changes.

NEW VALUATION CONCEPT:

Since the most recent prior valuation report, a new concept is introduced into the valuation. RWA is now required to calculate an additional implicit subsidy in determining

its total OPEB liability. Previously, RWA was exempt from this calculation. The valuation report also refers to an explicit liability, which is the same actuarially determined liability as in prior reports.

Explicit subsidy:

An explicit subsidy is the employer calculated liability for retiree healthcare premiums that exist for active and retired employees. This subsidy represents the healthcare premiums that are expected to be paid either in the future for actives or currently for retirees based upon actual and/or expected future premium costs.

Implicit subsidy:

An implicit subsidy exists when the health care premiums charged for retiree coverage are lower than the expected retiree claims for the coverage. As individuals age, their health care costs often exceed the group premium rates charged for their health care costs. GASB 45 requires all employers to now recognize this portion of health care costs as a liability.

Now that RWA must calculate an actuarial liability for the implicit subsidy, this additional subsidy has increased the total OPEB liability. As illustrated in the table below, the annual required contribution (ARC) is now approximately $39,000 higher due to the implicit liability. RWA's adopted FY17 fiscal year budget planned approximately $67,200 for OPEB costs. Table 1A excerpts from page 13 reflect the following for the fiscal year ending June 30, 2017:

FYE 2017	Explicit	Implicit	Total
Unfunded AAL (UAAL)[1]	(109,238)	184,817	$75,579
Normal Cost[2]	45,621	12,309	57,930
Amortization of UAAL[3]	(14,536)	24,592	10,056
Interest to fiscal year end	2,176	2,583	4,759
Total ARC at fiscal year end	33,261	39,484	72,745[4]

[1] A negative UAAL represents actuarial value of assets which exceed the actuarial accrued liability.
[2] The Normal cost is the annual amount of required contribution earned in the current year by current employees.
[3] The UAAL is amortized over a 10 year period.
[4] As discussed on page 14 of the report, since RWA's current premiums are higher for active employees to cover retiree costs (calculated as $13,396), RWA may take a calculated credit for this portion of the premium to reduce the cash flow requirement towards the implicit subsidy. Therefore the net cash flow towards the OPEB payment is netted to $59,349 ($72,745 less $13,396).

Previously, RWA actuarial value of assets had exceeded the actuarial accrued liability (AAL) due to the favorable timing of the lump sum investment in 2009. Absent the additional liability due to the recognition of the implicit liability, RWA's actuarial value of assets would still have exceeded the accrued liability as illustrated in the explicit column.

While the implicit subsidy must be valued and disclosed in the financial statements, RWA could choose to fund this liability differently than the explicit subsidy liability. As discussed on page 9 of the valuation report, if RWA chooses to partially fund the implicit liability, the discount rate for the implicit subsidy would need to be adjusted to a blended discount rate, which would result in an even larger OPEB liability for this portion and consequently total liability.

FUNDING

At the June 22, 2016 Executive Committee (EC) meeting, the benefits of also funding the implicit subsidy was discussed. The EC recommends the most conservative approach in funding this liability since the organization is a voluntary membership organization. Executive Committee discussed that If RWA did not fund the implicit portion of the liability, then this portion of the ARC would be required to be recognized as a liability on the financial statements for the fiscal year ending June 30, 2017. In the fiscal year 2018, RWA will also be required to recognize an OPEB liability according to GASB 75[5] in the financial statements similarly to the pension plan requirements for the June 30, 2015 financial statements and it will be calculated differently, using different assumptions. Not funding the implicit portion of the OPEB will generate a larger accounting liability.

The EC recommends continuing to fund the explicit liability as in prior years. Based upon the existing cash budget of approximately $67,000 for FY17, the EC recommended fully funding the explicit liability and then funding the implicit liability with any remaining budget funds for the OPEB. Because RWA currently pays a blended premium rate on actives and retirees, the active employees premium rates are higher than needed for the active employee group. For FY17, Bickmore estimates that RWA pays approximately $13,400 in additional current health care premiums for active employees. The $13,400 additional amount can be used as a subsidy adjustment (or credit) to offset the required cash flow of the implicit subsidy[6]. The net effect is a lower required cash contribution for the OPEB payment. Instead of paying $72,745 for the total explicit and implicit payment as outlined on the prior page, the required cash for the OPEB payment is $59,345 ($72,745 less $13,400) which is within the cash budget of $67,000. Because of this subsidy adjustment, RWA can fully pay the implicit and explicit subsidy for FY17.

If the CalPERS medical program continues indefinitely in its current form (i.e. blended premium rates for active employees and pre-Medicare retirees) and RWA continues to

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[5] Governmental Accounting Standards Board Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75)

[6] See page 9 discussion of current year's implicit subsidy adjustment and page 14 for the estimated dollar amount of $13,396

participate in this program, RWA could expect that the implicit liability will result in zero future cash outlay since the additional costs for retirees each year is covered by an equal and offsetting amount of higher total premium cost for active employees than would have incurred if the actives were insured separately. With the actuaries' guidance, RWA will monitor the future implicit and explicit liability to watch for an overfunded status.
RWA will want to re-evaluate the impact of the implicit subsidy in conjunction with the impact of GASB 75 in FY18.

EXECUTIVE COMMITTEE RECOMMENDATION:

Information Presentation: John Woodling

Action: Approve the RWA July 2015 OPEB and Actuarial Report on GASB 45 retiree benefit evaluation using the 7.0% discount rate

Action: Recommend continued funding of explicit OPEB subsidy

Action: Recommend funding implicit OPEB subsidy up to the amount of budget OPEB funding

Bickmore

June 30, 2016

Ms. Nancy Marrier
Finance and Administrative Services Officer
Regional Water Authority
5620 Birdcage Street, Suite 180
Citrus Heights, CA 95610

Re: July 1, 2015 Actuarial Report on GASB 45 Retiree Benefit Valuation

Dear Ms. Marrier:

We are pleased to enclose our report providing the results of the July 1, 2015 actuarial valuation of other post-employment benefit (OPEB) liabilities for the Regional Water Authority (RWA). The report's text describes our analysis and assumptions in detail.

The primary purposes of the report are to develop the value of future OPEB expected to be provided by RWA, and the current OPEB liability and the annual OPEB expense to be reported in RWA's financial statements for the fiscal years ending June 30, 2017 and June 30, 2018. The report is required to be submitted to the California Employers' Retiree Benefit Trust (CERBT) to satisfy filing requirements for the trust.

This valuation was prepared with the understanding that RWA will continue:

- To contribute 100% of the total ARC each year.
- To invest in CERBT Asset Allocation Strategy 1. Liabilities in this report were developed using a 7.0% discount rate.
- To follow the terms of its current PEMHCA resolutions on file with CalPERS. It is our understanding there have been no changes in benefits since the 2013 valuation was prepared.

This report introduces an "implicit subsidy" liability, not previously required to be valued by RWA under GASB 45. This report also includes analysis of any projected excise tax in the year 2020 or later relating to retiree coverage in high cost plans, per the Affordable Care Act. Discussion of these changes is included in the report.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of Authority employees who provided valuable information and assistance to enable us to perform this valuation. Please let us know if we can be of further assistance.

Sincerely,

Catherine L. MacLeod

Catherine L. MacLeod, FSA, FCA, EA, MAAA
Director, Health and Benefit Actuarial Services

Bickmore

Regional Water Authority

Actuarial Valuation of the Other Post-Employment Benefit Programs As of July 1, 2015

Submitted June 2016

Table of Contents

A. Executive Summary

This report presents the results of the July 1, 2015 actuarial valuation of the Regional Water Authority (RWA) other post-employment benefit (OPEB) programs. The purposes of this valuation are to assess the OPEB liabilities and provide disclosure information as required by Statement No. 45 of the Governmental Accounting Standards Board (GASB 45) and to provide information to be reported to the California Employers' Retiree Benefit Trust (CERBT). This report reflects the valuation of two distinct types of OPEB liability.

- An "explicit subsidy" exists when the employer contributes directly toward retiree healthcare premiums. In this program, benefits include a monthly subsidy toward medical premiums for eligible retirees. Future excise taxes expected to be paid for "high cost" coverage are also explicit costs and are included with explicit liabilities.
- An "implicit subsidy" exists when the premiums charged for retiree coverage are lower than the expected retiree claims for that coverage. Pre-Medicare retirees able to continue medical coverage at the same premium rates as are charged for active employees creates an implicit benefit subsidy under GASB 45. *This is the first valuation required to include the implicit subsidy liability.*

How much RWA contributes each year affects the calculation of liabilities. RWA has been prefunding its OPEB liability and confirmed its intention to contribute amounts for the next several years which will be sufficient to cover 100% of the Annual Required Contribution (ARC). Trust assets are currently invested in the CERBT with Asset Allocation Strategy 1. With the Authority's approval, this valuation reflects an assumed long term return on trust assets and discount rate of 7.0% per year. Please note that this rate is not a guarantee, but an assumption of future investment return.

Exhibits presented in this report reflect our understanding that the results of this July 1, 2015 valuation will be applied in determining the annual OPEB expense for the Authority's fiscal years ending June 30, 2017 and 2018. Appendix 1 provides an updated development of the results for the fiscal year ending June 30, 2016, based on the July 1, 2013 valuation.

The Actuarial Accrued Liability and Assets as of July 1, 2015 are shown below:

Subsidy	Explicit	Implicit	Total
Discount Rate	7.00%	7.00%	7.00%
Actuarial Accrued Liability	$ 734,014	$ 170,553	$ 904,567
Actuarial Value of Assets	847,343	-	847,343
Unfunded Actuarial Accrued Liability	(113,329)	170,553	57,224
Funded Ratio	115.4%	0.0%	93.7%

The following summarizes results for the fiscal year ending June 30, 2017:

Subsidy	Explicit	Implicit	Total
Annual Required Contribution (ARC) for FYE 2017	$ 33,261	$ 39,484	$ 72,745
Expected employer paid benefits for retirees	36,002	-	36,002
Current year's implicit subsidy credit	-	13,396	13,396
Expected contribution to OPEB trust	(2,741)	26,088	23,347
Expected net OPEB obligation at June 30, 2017	-	-	-

Executive Summary (Concluded)

Detailed results are shown in tables beginning on page 13. Additional information to facilitate OPEB reporting in the Authority's financial statements is provided in the Appendices.

The liabilities shown in the report reflect assumptions regarding continued future employment, rates of retirement and survival, and elections by future retirees to retain coverage for themselves and their dependents. Please note that this valuation has been prepared on a closed group basis; no provision is generally made for new employees until the valuation date following their employment.

An exhibit comparing current valuation results to those from the prior valuation is provided on page 7, followed by a description of changes. An actuarial valuation is, by its nature, a projection and to the extent that actual experience is not what we assumed, future results will be different. Some possible sources of future differences may include:

- A significant change in the number of covered or eligible plan members;
- A significant increase or decrease in the future medical premium rates or in the subsidy provided by RWA toward retiree medical premiums;
- Longer life expectancies of retirees;
- Significant changes in expected retiree healthcare claims by age, relative to healthcare claims for active employees and their dependents;
- Higher or lower returns on plan assets or contribution levels than were assumed; and
- Implementation of GASB 75, the new OPEB accounting standard, which should be not later than RWA's fiscal year ending June 30, 2018. One important change moves reporting of the unfunded OPEB liability from a footnote to the balance sheet.

Details of our valuation process and the various disclosures required by GASB 45 are provided on the succeeding pages. The next valuation is scheduled to be prepared as of July 1, 2017 as required for continued participation in CERBT. If there are any significant changes in the employee data, benefits provided or the funding policy, please contact us to discuss whether an earlier valuation is appropriate.

Important Notices

This report is intended to be used only to present the actuarial information relating to other postemployment benefits for RWA's financial statements and to provide the annual contribution information with respect to RWA's current OPEB funding policy. The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable. We note that various issues in this report may involve legal analysis of applicable law or regulations. RWA should consult counsel on these matters; Bickmore does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend RWA consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.

B. Requirements of GASB 45

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The underlying intent of GASB 45 is to systematically recognize the projected cost of OPEB during the years employees are working, rather than over the years when the benefits would be paid.

We understand that RWA implemented GASB 45 for the fiscal year ended June 30, 2009. For agencies with fewer than 200 members covered by or eligible for plan benefits, GASB 45 requires that a valuation be prepared no less frequently than every three years. However, participation in CERBT requires that valuations be performed every two years. GASB 45 disclosures include the determination of an annual OPEB cost. For the first year, the annual OPEB cost is equal to the annual required contribution (ARC) as determined by the actuary.

- If RWA's OPEB contributions had been equal to the ARC each year, the net OPEB obligation would equal $0.
- If RWA's actual contribution is less than (greater than) the ARC, then a net OPEB obligation (asset) amount is established. In subsequent years, the annual OPEB expense will reflect adjustments made to the net OPEB obligation in addition to the ARC (see Tables 1B and 1D).

GASB 45 provides for recognition of payments as contributions if they are made (a) directly to retirees or beneficiaries, (b) to an insurer, e.g., for the payment of premiums, or (c) to an OPEB fund set aside toward the cost of future benefits. Funds set aside for future benefits should be considered contributions to an OPEB plan only if the vehicle established is one that is capable of building assets that are separate from and independent of the control of the employer and legally protected from its creditors. Furthermore, the sole purpose of the assets should be to provide benefits under the plan. These conditions generally require the establishment of a legal trust, such as RWA's OPEB trust account with CERBT. Earmarked assets or reserves may be an important step in financing future benefits, but they may not be recognized as an asset for purposes of reporting under GASB 45.

We reiterate that GASB 45 applies only to the expense to be charged to an agency's income statements and to providing other related liability disclosures. While the Annual Required Contribution typically comprises the majority of the annual OPEB expense, it is a theoretical, not a required contribution amount. The decision whether or not to prefund, and at what level, is at the discretion of RWA, as are the manner and term for paying down the unfunded actuarial accrued liability. Once a funding policy has been established, however, the Authority's auditor may have an opinion as to the timing and manner of any change to such policy in future years. The level of prefunding also affects the selection of the discount rate used for valuing the liabilities.

New GASB Statement 75, issued in June 2015, will impact the liabilities and/or expenses developed in future valuations and require changes effective with RWA's fiscal year end 2018 reporting. Those calculations are outside the scope of this report.

C. Sources of OPEB Liabilities

General Types of OPEB

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are medical, prescription drug, dental, vision, and/or life insurance coverage. Other OPEB may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include COBRA, vacation, sick leave[1] or other direct retiree payments which fall under other GASB accounting statements.

A direct employer payment toward the cost of OPEB benefits is referred to as an "explicit subsidy". In addition, if claims experience of employees and retirees are pooled when determining premiums, the retirees pay a premium based on a pool of members that, on average, are younger and healthier. For certain types of coverage, such as medical insurance, this results in an "implicit subsidy" of retiree premiums by active employee premiums since the retiree premiums are lower than they would have been if retirees were insured separately. Paragraph 13.a. of GASB 45 generally requires an implicit subsidy of retiree premium rates be valued as an OPEB liability.

This chart shows the sources of funds needed to cover expected claims for pre-Medicare retirees.

Expected retiree claims		
Premium charged for retiree coverage		Covered by higher active premiums
Retiree portion of premium	Agency portion of premium *Explicit subsidy*	*Implicit subsidy*

For actuarial valuations dated prior to March 31, 2015, an exception existed for plan employers with a very small membership in a large "community-rated" healthcare program. Following a change in Actuarial Standards of Practice, GASB no longer offers this exception. *This change had a material impact on this valuation of RWA's OPEB liability*.

OPEB Obligations of the Authority

RWA provides continuation of medical coverage to its retiring employees, which will create one or both of the following types OPEB liabilities:

- **Explicit subsidy liabilities**: RWA contributes directly to the cost of retiree medical coverage, as described in Table 3A. These explicit subsidy liabilities have been included in this valuation.
- **Implicit subsidy liabilities**: Employees are covered by the CalPERS medical program. The same monthly premiums are charged for active employees and for pre-Medicare retirees; CalPERS has confirmed that the claims experience of these members is considered together in setting these premium rates. We determine the implicit rate subsidy for pre-Medicare retirees as the projected difference between (a) retiree medical claim costs by age and (b) premiums charged for retiree coverage. See Table 4 and Addendum 1: Bickmore Healthcare Claims Age Rating Methodology.

  Different monthly premiums are charged for Medicare-eligible members and CalPERS has confirmed that only the claims experience of these Medicare eligible members is considered in setting these premium rates. We have assumed that this premium structure is adequate to cover the expected claims of these retirees and believe that there is no implicit subsidy of premiums for these members by active employees.

[1] Unless unused sick leave credits are converted to provide or enhance a defined benefit OPEB.

D. Valuation Process

The valuation has been based on employee census data and benefits initially submitted to us by RWA in March 2016 and clarified in various related communications. A summary of the employee data is provided in Table 2 and a summary of the benefits provided under the Plan is provided in Table 3A. While individual employee records have been reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on RWA as to its accuracy. The valuation described below has been performed in accordance with the actuarial methods and assumptions described in Table 4.

In projecting benefit values and liabilities, we first determine an expected premium or benefit stream over the employee's future retirement. Benefits may include both direct employer payments (explicit subsidies) and/or an implicit subsidy, arising when retiree premiums are expected to be subsidized by active employee premiums. The projected benefit streams reflect assumed trends in the cost of those benefits and assumptions as to the expected date(s) when benefits will end. We then apply assumptions regarding:

- The probability that each individual employee will or will not continue in service with RWA to receive benefits.
- To the extent assumed to retire from RWA, the probability of various possible retirement dates for each retiree, based on current age and service; and
- The likelihood that future retirees will or will not elect retiree coverage (and benefits) for themselves and/or their dependents.

We then calculate a present value of these benefits by discounting the value of each future expected benefit payment, multiplied by the assumed expectation that it will be paid, back to the valuation date using the discount rate. These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for 60 years or more.

The resulting present value for each employee is allocated as a level percent of payroll each year over the employee's career using the entry age normal cost method and the amounts for each individual are then summed to get the results for the entire plan. This creates a cost expected to increase each year as payroll increases. Amounts attributed to prior fiscal years form the "actuarial accrued liability" (AAL). The amount of future OPEB cost allocated for active employees in the current year is referred to as the "normal cost". The remaining active cost to be assigned to future years is called the "present value of future normal costs". In summary:

Actuarial Accrued Liability	Past Years' Cost Allocations	Actives and Retirees
plus Normal Cost	Current Year's Cost Allocation	Actives only
plus Present Value of Future Normal Costs	Future Years' Cost Allocations	Actives only
equals Present Value of Projected Benefits	Total Benefit Costs	Actives and Retirees

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets is applied to offset the AAL. In this valuation, we set the Actuarial Value of Assets equal to the market value of assets invested in in RWA's CERBT account. The market value reported as of June 30, 2015 was $847,343. The portion of the AAL not covered by assets is referred to as the unfunded actuarial accrued liability (UAAL).

E. Basic Valuation Results

The following chart compares the results of the July 1, 2015 valuation of OPEB liabilities to the results of the July 1, 2013 valuation.

Funding Policy	**Prefunding**	**Prefunding Basis**		
Valuation date	**7/1/2013**	**7/1/2015**		
Subsidy	Explicit	Explicit	Implicit	Total
Discount rate	7.25%	7.00%	7.00%	7.00%
Number of Covered Employees				
Actives	6	6	5	6
Retirees	3	3	1	3
Total Participants	9	9	6	9
Actuarial Present Value of Projected Benefits				
Actives	$ 585,436	$ 733,620	$ 175,112	$ 908,732
Retirees	297,847	297,615	75,646	373,261
Total APVPB	883,283	1,031,235	250,758	1,281,993
Actuarial Accrued Liability (AAL)				
Actives	311,793	436,399	94,907	531,306
Retirees	297,847	297,615	75,646	373,261
Total AAL	609,640	734,014	170,553	904,567
Actuarial Value of Assets	703,796	847,343	-	847,343
Unfunded AAL (UAAL)	(94,156)	(113,329)	170,553	57,224
Normal Cost	38,828	44,185	11,922	56,107
Percent funded	115.4%	115.4%	0.0%	93.7%
Reported covered payroll	565,992	600,184	600,184	600,184
UAAL as percent of payroll	-16.6%	-18.9%	28.4%	9.5%

Note: The projected excise tax liability for retirees expected to be covered by "high cost" plans under the Affordable Care Act is less than $4,000 as of July 1, 2015 and is included above as part of the explicit subsidy AAL.

Changes Since the Prior Valuation

Even if all of our previous assumptions were met exactly as projected, liabilities generally increase over time as active employees get closer to the date their benefits are expected to begin. Given the uncertainties involved and the long term nature of these projections, our prior assumptions are not likely ever to be exactly realized. The small size of RWA's employee group makes it more likely that differences from what we anticipate will occur. Nonetheless, it is helpful to review why results are different than we anticipated.

In comparing results shown in the exhibit above, we can see that the Unfunded Actuarial Accrued Liability (UAAL) on July 1, 2013 was ($94,000), with plan assets exceeding the AAL on that date. By July 1, 2015, we expected a small $5,000 increase in the UAAL to ($89,000) from the excess of new contributions and trust earnings over additional costs accrued for active employees, benefits paid to retirees and the passage of time. However, the actual UAAL on July 1, 2015 is about $57,000. Thus, the actual UAAL is $147,000 *higher than expected.* Sources of this difference are listed on the following page.

Basic Valuation Results (Concluded)

- A $171,000 increase in the AAL to begin recognizing the implicit subsidy of medical coverage for current and future retirees prior to becoming eligible for Medicare; in developing this liability, we added assumptions regarding expected claims cost by age;
- A $20,000 increase in the AAL attributable to the decrease in the discount rate used to develop the explicit subsidy liability, from 7.25% to 7.0%;
- A $20,000 increase in the AAL due to revised assumptions for future disability and service retirements, based on the 2014 CalPERS retirement plan experience study covering RWA employees; mortality rates and future mortality improvement were also updated;
- A $64,000 decrease in the UAAL from favorable plan experience relative to prior assumptions.
    - Plan experience includes factors such as changes in plan membership, retiree elections and changes in medical premiums and limits on benefits other than previously projected. The favorable liability experience was roughly $40,000 over the past two years. In particular, increases in premium rates and the "100/90" formula caps averaged between 9% and 10% between 2014 and 2016. This is about 8% less than the increases we projected in the prior valuation. Kaiser coverage is currently the most popular with RWA employees and these rates increased only about 2% over this period. *Should future premium rate increases exceed those we have assumed, experience losses could occur*.
    - Plan experience also includes about $24,000 in favorable asset values relative to what we projected from expected contributions and the rate of return. The return on trust assets appears to be closer to 8.5% per year over this period, rather than the projected 7.25% per year return; this higher yield accounts for about $20,000 of the favorable asset experience. The remaining $4,000 relates to higher than expected (net) contributions to the trust, because reimbursements for retiree premiums were lower than projected.

F. Funding Policy

The specific calculation of the ARC and annual OPEB expense for an employer depends on how the employer elects to fund these benefits. The funding levels can generally be categorized as follows:

1. *Prefunding* - contributing an amount greater than or equal to the ARC each year. Prefunding generally allows the employer to have the liability calculated using a higher discount rate, which in turn lowers the liability. In addition, following a prefunding policy does not build up a net OPEB obligation (or gradually reduces it to $0). Prefunding results in this report were developed using a discount rate of 7.0%.
2. *Pay-As-You-Go funding* – contributing only the amounts needed to pay retiree benefits in the current year; generally requires a lower discount rate, e.g., in the 3.5% - 4.0% range.
3. *Partial prefunding* – contributing more than the current year's retiree payments but less than 100% of the ARC; requires that liabilities be developed using a discount rate that "blends" the relative portions of benefits that are prefunded and those not. Determination of the blended discount rate used in the implicit subsidy liability calculations in shown in Appendix 2.

Determination of the ARC

The Annual Required Contribution (ARC) consists of two basic components, which have been adjusted with interest to RWA's fiscal year end:

- The amounts attributed to service performed in the current fiscal year (the normal cost) and
- Amortization of the unfunded actuarial accrued liability (UAAL).

ARCs for the fiscal years ending June 30, 2017 and June 30, 2018 are developed in Tables 1A and 1C.

Decisions Affecting the Amortization Payment

The period and method for amortizing the AAL can significantly affect the ARC. GASB 45:

- Prescribes a maximum amortization period of 30 years and requires no minimum amortization period (except 10 years for certain actuarial gains). Immediate full funding of the liability is also permitted, which is the approach RWA took in 2009 when it fully funded the initial unfunded AAL. Afterward, a new period must be established for amortizing any subsequent changes in the UAAL.
- Allows amortization payments to be determined (a) as a level percentage of payroll, designed to increase over time as payroll increases, or (b) as a level dollar amount much like a conventional mortgage, so that this component of the ARC does not increase over time. Where a plan is closed and has no ongoing payroll base, a level percent of payroll basis is not permitted.
- Allows the amortization period to decrease annually by one year (closed basis) or to be maintained at the same number of years (open basis).

Funding Policy Illustrated in This Report

RWA fully funded the initial unfunded AAL as of June 30, 2009. Subsequent increases and decreases in the unfunded AAL are currently being amortized on a level dollar basis over an open 10 year period.

Funding Policy
(Concluded)

Funding of the Implicit Subsidy

The implicit subsidy liability created when expected retiree medical claims exceed the retiree premiums was described earlier in Section C. In practical terms, when RWA pays the premiums for active employees each year, their premiums include an amount expected to be transferred to cover the portion of the retirees' claims not covered by their premiums. This transfer represents the current year's implicit subsidy. Paragraph 13.g. of GASB 45 allows for recognition of payments to an irrevocable trust *or directly to the insurer* as an employer's contribution to the ARC. We have estimated each current year's implicit subsidy and recommend netting this amount against the funding requirement for the implicit subsidy (see Tables 1B and 1D).

The following hypothetical example illustrates this treatment:

Hypothetical Illustration Of Implicit Subsidy Recognition	For Active Employees	For Retired Employees	Total
Annual Agency Contribution Toward Premiums	$ 105,000	$ 30,000	$ 135,000
Current Year's Implicit Subsidy Adjustment	$ (12,000)	$ 12,000	$ -
Adjusted contributions reported in Financial Stmts	$ 93,000	$ 42,000	$ 135,000

While total Agency contributions paid toward active and retired employee healthcare premiums in this example are the same, by shifting the recognition of the current year's implicit subsidy from actives to retirees, this amount may be recognized as a contribution toward the OPEB ARC.

There is a larger question about whether or not RWA will want to prefund the implicit subsidy liability. Some possible options include:

- Prefunding 100% of the ARC relating to both the explicit subsidy and implicit subsidy liabilities. *Exhibits presented in this report are based on this approach because RWA's total contributions are expected to exceed the total ARC each year.*
- Prefunding 100% of the ARC relating to both the explicit subsidy and implicit subsidy liabilities, but intentionally allocate the entire trust contribution to more quickly pay-off the explicit subsidy liability, rather than allocating any toward the implicit subsidy liability. We believe this would allow the implicit subsidy liability to be developed using the prefunding discount rate of 7.0%.
- Prefunding 100% of the ARC developed for the explicit subsidy liability (at 7.0%), but partially prefunding the implicit subsidy liability. We believe this approach requires determining a blended discount rate to be used to develop the implicit subsidy liability.
- Prefunding 100% of the ARC developed for the explicit subsidy liability, but financing the implicit subsidy liability on a pay-as-you-go basis. We believe this approach would require determining the implicit subsidy liability using a pay-as-you-go discount rate (e.g., 4.0% rather than at 7.0%).

We are available to review these options further with RWA.

G. Choice of Actuarial Funding Method and Assumptions

The ultimate real cost of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These expenditures are dependent only on the terms of the plan and the administrative arrangements adopted, and as such are not affected by the actuarial funding method. The actuarial funding method attempts to spread recognition of these expected costs on a level basis over the life of the plan, and as such sets the "incidence of cost". Methods that produce higher initial annual (prefunding) costs will produce lower annual costs later. Conversely, methods that produce lower initial costs will produce higher annual costs later relative to the other methods. GASB 45 allows the use of any of six actuarial funding methods; a brief description of each is in the glossary.

Factors Impacting the Selection of Funding Method

While the goal of GASB 45 is to match recognition of retiree medical expense with the periods during which the benefit is earned, the funding methods differ because they focus on different financial measures in attempting to level the incidence of cost. Appropriate selection of a funding method contributes to creating intergenerational equity between generations of taxpayers. The impact of potential new employees entering the plan may also affect selection of a funding method, though this is not a factor in this plan.

We believe it is most appropriate for the plan sponsor to adopt a theory of funding and consistently apply the funding method representing that theory. This valuation was prepared using the entry age normal cost method with normal cost determined on a level percent of pay basis. The entry age normal cost method often produces initial contributions between those of the other more common methods and is generally regarded by pension actuaries as the most stable of the funding methods and is one of the most commonly used methods for GASB 45 compliance.

Factors Affecting the Selection of Assumptions

Special considerations apply to the selection of actuarial funding methods and assumptions for RWA. The actuarial assumptions used in this report were chosen, for the most part, to be the same as the actuarial assumptions used for the most recent actuarial valuations of the retirement plans covering Authority employees. Other assumptions, such as healthcare trend, age related healthcare claims, retiree participation rates and spouse coverage, were selected based on demonstrated plan experience and/or our best estimate of expected future experience. We will continue to gather information and monitor these assumptions for future valuations, as more experience develops.

In selecting an appropriate discount rate, GASB states that the discount rate should be based on the expected long-term yield of investments used to finance the benefits. CERBT provides participating employers with three possible asset allocation strategies; a maximum discount rate is assigned to each of these strategies, which may be rounded or reduced to include a margin for adverse deviation.

As requested by RWA and permitted by CERBT where its asset allocation Strategy #1 is employed, the long term expected rate of return assumed on trust assets is 7.0%. Because Authority contributions are expected to equal the ARC each year, the discount rate used to develop liabilities is also 7.0%.

H. Certification

This report presents the results of our actuarial valuation of the other post-employment benefits provided by the Regional Water Authority. The purpose of this valuation was to provide the actuarial information required for RWA's reporting under Statement 45 of the Governmental Accounting Standards Board. The calculations were focused on determining the plan's funded status as of the valuation date, developing the Annual Required Contribution and projecting the Net OPEB Obligations for the years to which this report is expected to be applied.

We certify that this report has been prepared in accordance with our understanding of GASB 45. To the best of our knowledge, the report is complete and accurate, based upon the data and plan provisions provided to us by RWA. We believe the assumptions and method used are reasonable and appropriate for purposes of the financial reporting required by GASB 45. The results may not be appropriate for other purposes.

The undersigned individual is a Fellow in the Society of Actuaries and Member of the American Academy of Actuaries who satisfies the Academy Qualification Standards for rendering this opinion.

Signed: June 30, 2016

Catherine L. MacLeod

Catherine L. MacLeod, FSA, FCA, EA, MAAA

Table 1

Results for fiscal year ending 2016: The annual required contribution (ARC) and annual OPEB expense (AOE) for the Authority's fiscal year ending June 30, 2016 were developed as part of the July 2013 valuation, but the financial statement for that period has not yet been finalized. We have illustrated what we anticipate will be reported for OPEB under GASB 45 as of June 30, 2016 and included this information in Appendix 1. We use the net OPEB asset projected from this Appendix as the starting point for developing the net OPEB asset as of June 30, 2017, shown in Table 1B.

Results for fiscal years 2017 and 2018: The basic results of our July 1, 2015 valuation of OPEB liabilities for RWA calculated under GASB 45 were summarized in Section E. Those results are applied to develop the ARC, AOE and the net OPEB obligation (NOO) or net OPEB asset (NOA) to be reported by RWA for its fiscal years ending June 30, 2017 and June 30, 2018. As noted earlier in this report,

- The development of the ARC reflects the assumption that RWA will contribute 100% of the total ARC each year. Contributions will be comprised of:
  - each current year's implicit subsidy, and
  - contributions to the OPEB trust.[2]

  If this understanding is incorrect or if actual Authority contributions differ by more than an immaterial amount, some of the results in this report will need to be revised.

- GASB 75 will not necessarily impact the development of results for funding purposes but will change the development of the OPEB liability and expense information to be reported by RWA in its financial statements for the fiscal year ending June 30, 2018. That information will need to be developed at a later date and is outside the scope of this report.

Employees reflected in future years' costs: The counts of active employees and retirees shown in Tables 1A and 1C are the same as the counts of active and retired employees on the valuation date. While we do not adjust these counts between valuation dates, the liabilities and costs developed for those years already anticipate the likelihood that some active employees may leave employment forfeiting benefits, some may retire and elect benefits and coverage for some of the retired employees may cease. However, because this valuation has been prepared on a closed group basis, no potential future employees are included. We will incorporate any new employees in the next valuation.

We also note that the number of active employees expected to create an implicit subsidy OPEB liability is lower than the number of those which create an explicit subsidy liability because 1 active employee is already over age 65. CalPERS medical premiums for those over age 65 (active or retired) and expected to be eligible for Medicare are not subsidized by active employee medical premiums, so do not create an implicit subsidy liability.

[2] RWA's past practice has been to contribute 100% of the (explicit) ARC to the trust and to periodically request reimbursement of retiree benefits paid directly to CalPERS. We assumed this practice would continue.

Table 1A
ARC Calculation for FYE 2017

The table below develops the ARC for RWA's fiscal year ending June 30, 2017 determined on a prefunding basis for the explicit portion and on a partial prefunded basis for the implicit portion. Calculations are shown separately, and in total, relating to Explicit and Implicit OPEB benefits.

Funding Policy	**Prefunding Basis**		
Valuation date	**7/1/2015**		
Subsidy	Explicit	Implicit	Total
For fiscal year beginning	7/1/2016	7/1/2016	7/1/2016
For fiscal year ending	6/30/2017	6/30/2017	6/30/2017
Expected long-term return on assets	7.00%	7.00%	7.00%
Discount rate	7.00%	7.00%	7.00%
Number of Covered Employees			
Actives	6	5	6
Retirees	3	1	3
Total Participants	9	6	9
Actuarial Present Value of Projected Benefits			
Actives	$ 779,628	$ 186,187	$ 965,815
Retirees	293,135	71,693	364,828
Total APVPB	1,072,763	257,880	1,330,643
Actuarial Accrued Liability (AAL)			
Actives	508,880	113,124	622,004
Retirees	293,135	71,693	364,828
Total AAL	802,015	184,817	986,832
Actuarial Value of Assets	911,253	-	911,253
Unfunded AAL (UAAL)	(109,238)	184,817	75,579
Amortization method	Level Dollar	Level Dollar	Level Dollar
Initial amortization period (in years)	10	10	10
Remaining period (in years)	10	10	10
Determination of Amortization Payment			
UAAL	$ (109,238)	$ 184,817	$ 75,579
Factor	7.5152	7.5152	7.5158
Payment	(14,536)	24,592	10,056
Annual Required Contribution (ARC)			
Normal Cost	45,621	12,309	57,930
Amortization of UAAL	(14,536)	24,592	10,056
Interest to fiscal year end	2,176	2,583	4,759
Total ARC at fiscal year end	33,261	39,484	72,745
Projected covered payroll	$ 619,690	$ 619,690	$ 619,690
Normal Cost as a percent of payroll	7.4%	2.0%	9.3%
ARC as a percent of payroll	5.4%	6.4%	11.7%
ARC per active ee	5,544	7,897	12,124

Table 1B
Expected OPEB Disclosures for FYE 2017

This table develops the annual OPEB expense, estimates the expected OPEB contributions and projects the net OPEB obligation as of June 30, 2017.

	Prefunding Basis		
Fiscal Year End	**6/30/2017**	**6/30/2017**	**6/30/2017**
Subsidy	Explicit	Implicit	Total
1. Calculation of the Annual OPEB Expense			
a. ARC for current fiscal year	$ 33,261	$ 39,484	$ 72,745
b. Interest on Net OPEB Obligation (Asset)	-	-	-
c. Adjustment to the ARC	-	-	-
d. **Annual OPEB Expense (a. + b. + c.)**	33,261	39,484	72,745
2. Calculation of Expected Contribution			
a. Estimated payments on behalf of retirees	36,002	-	36,002
b. Estimated current year's implicit subsidy	-	13,396	13,396
c. Estimated contribution to OPEB trust	(2,741)	26,088	23,347
d. **Total Expected Employer Contribution**	33,261	39,484	72,745
3. Change in Net OPEB Obligation *(1.d. minus 2.d.)*	-	-	-
Net OPEB Obligation (Asset), beginning of fiscal year	-	-	-
Net OPEB Obligation (Asset) at fiscal year end	-	-	-

In the table above, we assumed that RWA will contribute the full ARC of $72,745.

- We assumed that RWA will take credit for the $13,396 current year's implicit subsidy as an OPEB contribution by shifting recognition of this amount from an active healthcare expense to a retiree healthcare benefit expense. If so, this would reduce the Authority's total cash outlay to fund the full ARC to $59,349.
- RWA will seek reimbursement from the trust for its portion of retiree premiums paid. As shown above, we estimate that RWA's retiree benefit payments will total $36,002 for the fiscal year ending June 30, 2017.

Notes on calculations above:

- Interest on the net OPEB obligation (or asset), shown above in item 1.b. is equal to the applicable discount rate (7.0%) multiplied by the net OPEB obligation (or asset) at the beginning of the year.
- The Adjustment to the ARC, shown above in item 1.c., is always the opposite sign of the net OPEB obligation or asset and exists to avoid double-counting of the amounts previously expensed but imbedded in the current ARC. This adjustment is calculated as *the opposite of* the net OPEB obligation (or asset) at the beginning of the year, plus interest on that amount (item 1.b.) with the sum then divided by the same amortization factor used to determine the ARC for this year (see the prior page for these factors).

Table 1C
ARC Calculation for FYE 2018

In the table below, the July 1, 2015 valuation results have been adjusted (rolled forward) two years based on the underlying actuarial assumptions. These results are used to develop the annual required contribution (ARC) for the fiscal year ending June 30, 2018.

Funding Policy	**Prefunding Basis**		
Valuation date	**7/1/2015**		
Subsidy	Explicit	Implicit	Total
For fiscal year beginning	7/1/2017	7/1/2017	7/1/2017
For fiscal year ending	6/30/2018	6/30/2018	6/30/2018
Expected long-term return on assets	7.00%	7.00%	7.00%
Discount rate	7.00%	7.00%	7.00%
Number of Covered Employees			
Actives	6	5	6
Retirees	3	1	3
Total Participants	9	6	9
Actuarial Present Value of Projected Benefits			
Actives	$ 823,884	$ 196,543	$ 1,020,427
Retirees	287,970	65,993	353,963
Total APVPB	1,111,854	262,536	1,374,390
Actuarial Accrued Liability (AAL)			
Actives	582,998	131,536	714,534
Retirees	287,970	65,993	353,963
Total AAL	870,968	197,529	1,068,497
Actuarial Value of Assets	972,300	26,088	998,388
Unfunded AAL (UAAL)	(101,332)	171,441	70,109
Amortization method	Level Dollar	Level Dollar	Level Dollar
Initial amortization period (in years)	10	10	10
Remaining period (in years)	10	10	10
Determination of Amortization Payment			
UAAL	$ (101,332)	$ 171,441	$ 70,109
Factor	7.5152	7.5152	7.5160
Payment	(13,484)	22,812	9,328
Annual Required Contribution (ARC)			
Normal Cost	47,104	12,709	59,813
Amortization of UAAL	(13,484)	22,812	9,328
Interest to fiscal year end	2,353	2,486	4,839
Total ARC at fiscal year end	35,973	38,007	73,980
Projected covered payroll	$ 639,830	$ 639,830	$ 639,830
Normal Cost as a percent of payroll	7.4%	2.0%	9.3%
ARC as a percent of payroll	5.6%	5.9%	11.6%
ARC per active ee	5,996	7,601	12,330

Table 1D
Expected OPEB Disclosures for FYE 2018

This table develops the annual OPEB expense, estimates the expected OPEB contributions and projects the net OPEB obligation as of June 30, 2018.

	Prefunding Basis		
Fiscal Year End	**6/30/2018**	**6/30/2018**	**6/30/2018**
Subsidy	Explicit	Implicit	Total
1. Calculation of the Annual OPEB Expense			
a. ARC for current fiscal year	$ 35,973	$ 38,007	$ 73,980
b. Interest on Net OPEB Obligation (Asset)	-	-	-
c. Adjustment to the ARC	-	-	-
d. **Annual OPEB Expense (a. + b. + c.)**	35,973	38,007	73,980
2. Calculation of Expected Contribution			
a. Estimated payments on behalf of retirees	40,651	-	40,651
b. Estimated current year's implicit subsidy	-	17,565	17,565
c. Estimated contribution to OPEB trust	(4,678)	20,442	15,764
d. **Total Expected Employer Contribution**	35,973	38,007	73,980
3. Change in Net OPEB Obligation *(1.d. minus 2.d.)*	-	-	-
Net OPEB Obligation (Asset), beginning of fiscal year	-	-	-
Net OPEB Obligation (Asset) at fiscal year end	-	-	-

In the table above, we assumed that RWA will contribute the full ARC of $73,980.

- We assumed that RWA will take credit for the $17,565 current year's implicit subsidy as an OPEB contribution by shifting recognition of this amount from an active healthcare expense to a retiree healthcare benefit expense. If so, this would reduce the Authority's total cash outlay to fund the full ARC to $56,415.
- RWA will seek reimbursement from the trust for its portion of retiree premiums paid. As shown above, we estimate that RWA's retiree benefit payments will total $40,651 for the fiscal year ending June 30, 2018.

Notes on calculations above:

- Interest on the net OPEB obligation (or asset), shown above in item 1.b. is equal to the applicable discount rate (7.0%) multiplied by the net OPEB obligation (or asset) at the beginning of the year.
- The Adjustment to the ARC, shown above in item 1.c., is always the opposite sign of the net OPEB obligation or asset and exists to avoid double-counting of the amounts previously expensed but imbedded in the current ARC. This adjustment is calculated as *the opposite of* the net OPEB obligation (or asset) at the beginning of the year, plus interest on that amount (item 1.b.) with the sum then divided by the same amortization factor used to determine the ARC for this year (see the prior page for these factors).

Table 2
Summary of Employee Data

Active members: RWA reported 6 active employees; all are currently participating in the medical program. Age and service information for the reported individuals is provided in this chart:

Distribution of Benefits-Eligible Active Employees								
Current Age	**Years of Service**						**Total**	**Percent**
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	15 & Up		
Under 25							0	0%
25 to 29							0	0%
30 to 34		1					1	17%
35 to 39							0	0%
40 to 44		1					1	17%
45 to 49				1			1	17%
50 to 54							0	0%
55 to 59			1	1			2	33%
60 to 64							0	0%
65 to 69				1			1	17%
70 & Up							0	0%
Total	0	2	1	3	0	0	**6**	**100%**
Percent	0%	33%	17%	50%	0%	0%	**100%**	

	July 2013 Valuation	July 2015 Valuation
Annual Covered Payroll	$565,992	$600,184
Average Attained Age for Actives	48.6	50.6
Average Years of Service	6.4	8.4

Retired members: There are also 3 retirees currently receiving benefits under this program. Their ages are summarized in the chart shown to the right.

Two of the current retirees are married and covering their spouse on the medical plan; two are also currently covered by Medicare; the other is not yet eligible.

Retirees by Age			
Retiree	Age	PERS Service	RWA Service
1	58	31	7
2	71	30	1
3	82	9	4
Average	70.3	23.3	4.0

Reconciliation: There were no new retirements, employee terminations, deaths nor new benefits-eligible employees hired between July 1, 2013 and July 1, 2015.

Medical plan elections: The most popular plan selected is Kaiser HMO (Sacramento), followed by Blue Shield Access HMO (Sacramento). One retiree selected coverage through PERS Choice PPO.

Table 3A
Summary of Retiree Benefit Provisions

OPEB provided: The Regional Water Authority provides postemployment medical coverage to its retirees. No other OPEB are provided.

Access to coverage: Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (or age 52, if a new miscellaneous employee on or after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement.

If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement or during any future open enrollment period. Coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage. The employee must begin his or her retirement benefit ("warrant") within 120 days of terminating employment with RWA to be eligible to continue medical coverage through the Authority and be entitled to the employer subsidy described below.

Benefits provided: As a PEMHCA employer, RWA is obligated to contribute toward the cost of retiree medical coverage through CalPERS for the retiree's lifetime or until coverage is discontinued. If a covered spouse survives the retiree and is entitled to survivor pension benefits, RWA is required to continue this contribution toward the spouse's coverage until his or her death. RWA has two PEMHCA resolutions in effect at this time and RWA's subsidy toward the retiree's premium cost varies based on the date an employee is hired and his or her years of service, as summarized below:

- Employees hired prior to September 1, 2007, who *do not* make an irrevocable election to be covered by the 2007 vesting resolution, are covered by a PEMHCA resolution effective in January 1993. Initially, amounts for retirees were not equal to amounts provided to active employees. However, at this point, RWA is obligated to contribute 100% of the cost of medical premiums for these retired employees and their dependents up to but not exceeding $400 per month.

  There are 2 current retirees and no current active employees covered by this 1993 resolution.

- All employees hired after August 31, 2007, and previously hired employees who make an irrevocable election, are covered by the PEMHCA "vesting" resolution.

  All current active employees and 1 current retiree are covered by this resolution.

  This resolution provides that RWA will pay the full medical plan premium for retired employees and their dependents up to specified dollar amounts (the caps vary based on the level of coverage), multiplied by a vesting percent. Note that the vesting percent does not apply to the premium, only to the maximum dollar amounts below. This means that a retiree could be less than 100% vested, but if he or she chooses a less expensive plan, might still have 100% of the premiums paid. This is much more likely once the retiree reaches Medicare age.

  For 2016, the specified maximum amounts by coverage level are $705 (single), $1,343 (two-party) and $1,727 (family).

Table 3A – Summary of Retiree Benefit Provisions (Concluded)

Eligibility for retiree medical benefits under the PEMHCA Vesting resolution requires additional service than under the 1993 resolution. In addition to meeting the age requirements described under "Access to Coverage" on the preceding page, the employee must complete at least 10 years of more of credited service in CalPERS; at least 5 years of service must be with RWA. The employee must also retire from RWA and begin his/her retirement benefit within 120 days of terminating employment, with one exception:

- If an employee works for RWA for 20 years or longer, terminates employment but retires from another PERS employer and then begins his/her retirement benefit within 120 days of leaving that employer, the former RWA employee retains a vested right to the retiree medical benefit provided by RWA under the PEMHCA Vesting resolution.

The vesting percent is based on years of service as shown in this chart. In determining the applicable percent, service may not include additional purchased service credits.

Disabled retirees are automatically considered 100% vested.

Years of Qualifying Service	Vested Percent	Years of Qualifying Service	Vested Percent
Less than 10	0%	15	75%
10	50%	16	80%
11	55%	17	85%
12	60%	18	90%
13	65%	19	95%
14	70%	20 or more	100%

Current premium rates: The 2016 CalPERS monthly medical plan rates in the Sacramento rate group are shown in the table below. If different rates apply where the member resides outside of this area, those rates are reflected in the valuation, but not listed here. The additional CalPERS administration fee is assumed to be separately expensed each year and was not projected as an OPEB liability in this valuation.

Sacramento 2016 Health Plan Rates						
	Actives and Pre-Med Retirees			Medicare Eligible Retirees		
Plan	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Anthem HMO Select HMO	$902.07	$1,804.14	$2,345.38	*Not Available*		
Anthem HMO Traditional HMO	1,112.54	2,225.08	2,892.60	*Not Available*		
Blue Shield Access+ HMO	885.33	1,770.66	2,301.86	*Not Available*		
Blue Shield NetValue HMO	900.73	1,801.46	2,341.90	*Not Available*		
Health Net SmartCare	747.55	1,495.10	1,943.63	*Not Available*		
Kaiser HMO	695.11	1,390.22	1,807.29	297.23	594.46	1,011.53
UnitedHealthcare HMO	686.36	1,372.72	1,784.54	320.98	641.96	1,053.78
PERS Choice PPO	727.58	1,455.16	1,891.71	366.38	732.76	1,169.31
PERS Select PPO	665.35	1,330.70	1,729.91	366.38	732.76	1,131.97
PERSCare PPO	810.40	1,620.80	2,107.04	408.04	816.08	1,302.32

Table 3B
General CalPERS Annuitant Eligibility Provisions

The content of this section has been drawn from Section C, Summary of Plan Provisions, of the State of California OPEB Valuation as of June 30, 2015, issued January 2016, to the State Controller from Gabriel Roeder & Smith. It is provided here as a brief summary of general annuitant and survivor coverage.

Health Care Coverage

Retired Employees

A member is eligible to enroll in a CalPERS health plan if he or she retires within 120 days of separation from employment and receives a monthly retirement allowance. If the member meets this requirement, he or she may continue his or her enrollment at retirement, enroll within 60 days of retirement, or enroll during any Open Enrollment period. If a member is currently enrolled in a CalPERS health plan and wants to continue enrollment into retirement, the employee will notify CalPERS and the member's coverage will continue into retirement.

Eligibility Exceptions*:* Certain family members are not eligible for CalPERS health benefits:

- Children age 26 or older
- Children's spouses
- Former spouses
- Disabled children over age 26 who were never enrolled or were deleted from coverage
- Grandparents
- Parents
- Children of former spouses
- Other relatives

Coordination with Medicare

CalPERS retired members who qualify for premium-free Part A, either on their own or through a spouse (current, former, or deceased), must sign up for Part B as soon as they qualify for Part A. A member must then enroll in a CalPERS sponsored Medicare plan. The CalPERS-sponsored Medicare plan will pay for costs not paid by Medicare, by coordinating benefits.

Survivors of an Annuitant

If a CalPERS annuitant satisfied the requirement to retire within 120 days of separation, the survivor may be eligible to enroll within 60 days of the annuitant's death or during any future Open Enrollment period. Note: A survivor cannot add any new dependents; only dependents that were enrolled or eligible to enroll at the time of the member's death qualify for benefits.

Surviving registered domestic partners who are receiving a monthly annuity as a surviving beneficiary of a deceased employee or annuitant on or after January 1, 2002, are eligible to continue coverage if currently enrolled, enroll within 60 days of the domestic partner's death, or enroll during any future Open Enrollment period.

Surviving enrolled family members who do not qualify to continue their current coverage are eligible for continuation coverage under COBRA.

Table 4
Actuarial Methods and Assumptions

Valuation Date	July 1, 2015
Funding Method	Entry Age Normal Cost, level percent of pay[3]
Asset Valuation Method	Market value of assets
Long Term Return on Assets	7.0% (7.28% less .28% margin for adverse deviation)
Discount Rate	7.0%
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year, used only to allocate the cost of benefits between service years
Assumed Wage Inflation	3.0% per year (component of the assumed annual salary increase; not used for amortization since using level dollar amortization)
General Inflation Rate	2.75% per year

Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. The representative mortality rates were those published by CalPERS adjusted to back out 20 years of Scale BB to central year 2008 and then projected forward 6 years using Bickmore Scale 2014 to year 2014.

Mortality Before Retirement

Mortality rates in this table are from the CalPERS experience study, adjusted as described above.

These rates were then adjusted on a generational basis by Bickmore Scale 2014 to anticipate future mortality improvement each year until the expected payments in any future year occur.

CalPERS Public Agency Miscellaneous Non-Industrial Deaths		
Age	Male	Female
15	0.00020	0.00015
20	0.00028	0.00018
30	0.00051	0.00027
40	0.00070	0.00047
50	0.00147	0.00103
60	0.00340	0.00201
70	0.00619	0.00408
80	0.01157	0.00918

[3] The level percent of pay aspect of the funding method refers to how the normal cost is determined. Use of level percent of pay cost allocations in the funding method is separate from and has no effect on a decision regarding use of a level percent of pay or level dollar basis for determining amortization payments.

Table 4 - Actuarial Methods and Assumptions (Continued)

Mortality After Retirement

Representative mortality rates for 2014 are shown in the charts below. The rates were then adjusted on a generational basis by Bickmore Scale 2014 to anticipate future mortality improvement.

Healthy Lives

CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality		
Age	Male	Female
40	0.00103	0.00085
50	0.00475	0.00480
60	0.00785	0.00481
70	0.01541	0.01105
80	0.04556	0.03271
90	0.14423	0.10912
100	0.32349	0.29541
110	0.97827	0.97516
115	1.00000	1.00000

Disabled Miscellaneous

CalPERS Public Agency Disabled Miscellaneous Post-Retirement Mortality From Jan 2014 Experience Study Report		
Age	Male	Female
20	0.00548	0.00339
30	0.00717	0.00469
40	0.00887	0.00565
50	0.01594	0.01192
60	0.02530	0.01363
70	0.03394	0.02460
80	0.07108	0.05326
90	0.16458	0.14227

Termination Rates

Miscellaneous Employees: Sum of Vested Terminated & Refund Rates for 0 -19 years of service; refund rates only for 20+ years of service From CalPERS Experience Study Report Issued January 2014						
Attained Age	Years of Service					
	0	5	10	20	25	30
15	0.1812	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1742	0.0946	0.0000	0.0000	0.0000	0.0000
25	0.1674	0.0868	0.0749	0.0000	0.0000	0.0000
30	0.1606	0.0790	0.0668	0.0000	0.0000	0.0000
35	0.1537	0.0711	0.0587	0.0045	0.0000	0.0000
40	0.1468	0.0632	0.0507	0.0037	0.0024	0.0000
45	0.1400	0.0554	0.0427	0.0029	0.0017	0.0011

Service Retirement Rates

The following miscellaneous retirement formulas apply:

If hired prior to 1/1/2013:	2.0% @ 55
If hired on or after 1/1/2013:	2.0% @ 62

Illustrative retirement rates for each of these formulas are shown in tables on the following page.

Table 4 - Actuarial Methods and Assumptions (Continued)

Service Retirement Rates

Miscellaneous Employees: 2% at 55 formula From CalPERS Experience Study Report Issued January 2014						
Current Age	Years of Service					
	5	10	15	20	25	30
50	0.0140	0.0180	0.0210	0.0250	0.0270	0.0310
55	0.0480	0.0610	0.0740	0.0880	0.1000	0.1170
60	0.0670	0.0860	0.1030	0.1230	0.1390	0.1640
65	0.1550	0.1970	0.2380	0.2850	0.3250	0.3860
70	0.1300	0.1650	0.2000	0.2400	0.2720	0.3230
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Miscellaneous "PEPRA" Employees: 2% at 62 formula From CalPERS Experience Study Report Issued January 2014						
Current Age	Years of Service					
	5	10	15	20	25	30
52	0.0103	0.0132	0.0160	0.0188	0.0216	0.0244
55	0.0440	0.0560	0.0680	0.0800	0.0920	0.1040
60	0.0616	0.0784	0.0952	0.1120	0.1288	0.1456
65	0.1287	0.1638	0.1989	0.2340	0.2691	0.3042
70	0.1254	0.1596	0.1938	0.2280	0.2622	0.2964
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Disability Retirement Rates

CalPERS Public Agency Miscellaneous Disability From Jan 2014 Experience Study Report		
Age	Male	Female
20	0.00017	0.00010
25	0.00017	0.00010
30	0.00019	0.00024
35	0.00049	0.00081
40	0.00122	0.00155
45	0.00191	0.00218
50	0.00213	0.00229
55	0.00221	0.00179
60	0.00222	0.00135

CalPERS Public Agency Fire Combined Disability From Jan 2014 Experience Study Report	
Age	Unisex
20	0.00017
25	0.00035
30	0.00084
35	0.00168
40	0.00310
45	0.00550
50	0.02821
55	0.04184
60	0.05974

CalPERS Public Agency Police Combined Disability From Jan 2014 Experience Study Report	
Age	Unisex
20	0.00010
25	0.00175
30	0.00496
35	0.00818
40	0.01140
45	0.01461
50	0.01925
55	0.04909
60	0.06212

Table 4 - Actuarial Methods and Assumptions (Continued)

Healthcare Trend

Medical plan premiums and claims costs by age are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown below:

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2016	Actual	2020	6.00%
2017	7.50%	2021	5.50%
2018	7.00%	2022	5.00%
2019	6.50%	2023 & later	4.50%

Other Limits on Employer Cost Sharing

The $400 maximum benefit provided for retirees covered by the 1993 PEMHCA resolution is assumed to remain fixed at this level, with no future increase. However, there is an underlying required PEMHCA minimum employer contribution (MEC). The PEMHCA MEC is $125 per month in 2016, which we assumed will increase annually by 4.5% in future years. Should the PEMHCA MEC ever exceed the $400 fixed monthly benefit, we assumed that RWA would be required to pay the MEC instead.

Participation Rate

Active employees: All (100%) are assumed to continue their current plan election in retirement.

Retired participants: Existing medical plan elections are assumed to be continued until the retiree's death.

Spouse Coverage

Active employees: 80% are assumed to be married and elect coverage for their spouse in retirement. Surviving spouses are assumed to retain coverage until their death. Husbands are assumed to be 3 years older than their wives. Spouse gender is assumed to be the opposite of the employee.

Retired participants: Existing elections for spouse coverage are assumed to be continued until the spouse's death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.

Dependent Coverage

Active employees and retired participants currently covering dependent children are assumed to end such coverage when the youngest currently covered dependent reaches age 26.

Medicare Eligibility

Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Table 4 - Actuarial Methods and Assumptions (Concluded)

Excise tax on high-cost plans

The expected value of excise taxes for high cost plan coverage for retirees, now expected to be effective in the year 2020, was included in this valuation. Annual threshold amounts for 2018 under the Affordable Care Act (ACA) were assumed to increase at the General Inflation Rate. A 40% excise tax rate was applied to the portion of premiums projected to exceed the threshold.

2018 Thresholds	Ages 55-64	All Other Ages
Single	$ 11,850	$ 10,200
Other than Single	$ 30,950	$ 27,500

Development of Age-related Medical Premiums

Actual premium rates for retirees and their spouses were adjusted to an age-related basis by applying medical claim cost factors developed from the data presented in the report, "Health Care Costs – From Birth to Death", sponsored by the Society of Actuaries. A description of the use of claims cost curves can be found in Bickmore's Age Rating Methodology provided in Addendum 1 to this report.

Representative claims costs derived from the dataset provided by CalPERS for retirees not currently covered or not expected to be eligible for Medicare are shown in the chart below:

Expected Monthly Claims by Medical Plan for Selected Ages					
	Male				
Medical Plan	50	53	56	59	62
Blue Shield Access+ Sacramento	$ 824	$ 971	$ 1,128	$ 1,293	$ 1,470
Kaiser Sacramento	690	814	945	1,083	1,231
	Female				
Medical Plan	50	53	56	59	62
Blue Shield Access+ Sacramento	$ 1,021	$ 1,121	$ 1,207	$ 1,304	$ 1,437
Kaiser Sacramento	855	939	1,011	1,092	1,204

All current and future Medicare-eligible retirees are assumed to be covered by plans that are rated based solely on the experience of Medicare retirees. Therefore, no implicit subsidy is calculated for Medicare-eligible retirees.

Changes Since the Prior Valuation:

Discount rate	Decreased from 7.25% to 7.0%
Assumed Wage Inflation	Decreased from 3.25% to 3.0%
General Inflation Rate	Decreased from 3.0% to 2.75%

Table 4 - Actuarial Methods and Assumptions (Concluded)

Demographic assumptions	Assumed mortality, termination, disability and retirement rates were updated from those provided in the CalPERS 2010 experience study report to those provided in the CalPERS 2014 experience study report. Rates of mortality were updated to the rates in the midpoint year of the CalPERS 2014 experience study (2008), then projected on a generational basis by Bickmore Scale 2014.
Healthcare trend	Medical plan premium rates are assumed to increase at a slightly lower rate in 2025 and later years than was assumed in the prior valuation, the result of a change in our methodology for estimating the potential impact of the excise tax for high cost plans under the Affordable Care Act.
Age-Related Medical Premiums	We implemented a model for developing age and gender related medical premiums based on recent research and data sponsored by the Society of Actuaries. We added an implicit subsidy analysis for pre-Medicare retirees covered by the CalPERS medical program.
Excise Tax Impact	We directly reflected the potential impact of the excise tax attributable to retirees for high cost healthcare plans for retirees, as provided by the Affordable Care Act, rather than as an adjustment to assumed future trend in healthcare costs.

Table 5
Projected Benefit Payments

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from RWA. Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Table 4.

These projections do not include any benefits expected to be paid on behalf of current active employees *prior to* retirement, nor do they include any benefits for potential *future employees* (i.e., those who might be hired in future years).

Projected Annual Benefit Payments							
Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2016	$ 29,027	$ -	$ 29,027	Not required to be disclosed			$ 29,027
2017	25,684	10,318	36,002	10,719	2,677	13,396	49,398
2018	26,710	13,941	40,651	12,765	4,800	17,565	58,216
2019	27,490	19,156	46,646	15,047	7,620	22,667	69,313
2020	28,240	25,470	53,710	17,563	11,334	28,897	82,607
2021	28,951	32,286	61,237	20,300	16,111	36,411	97,648
2022	24,341	37,502	61,843	11,523	15,830	27,353	89,196
2023	18,235	47,845	66,080	-	21,254	21,254	87,334
2024	18,289	56,094	74,383	-	27,323	27,323	101,706
2025	18,351	57,344	75,695	-	22,376	22,376	98,071
2026	18,420	60,213	78,633	-	13,927	13,927	92,560
2027	18,502	66,424	84,926	-	17,649	17,649	102,575
2028	18,596	67,905	86,501	-	21,992	21,992	108,493
2029	18,702	68,092	86,794	-	14,784	14,784	101,578
2030	18,818	73,858	92,676	-	19,181	19,181	111,857

The amounts shown in the Explicit Subsidy section reflect the expected payment by RWA toward retiree medical premiums in each of the years shown. The amounts are shown separately, and in total, for those retired on the valuation date ("current retirees") and those expected to retire after the valuation date ("future retirees").

The amounts shown in the Implicit Subsidy section reflect the expected excess of retiree medical (and prescription drug) claims over the premiums expected to be charged during the year for retirees' coverage. These amounts are also shown separately and in total for those currently retired on the valuation date and for those expected to retire in the future.

Appendix 1
Expected Disclosures for Fiscal Year End June 30, 2016

The annual OPEB expense and net OPEB obligation for the fiscal year ending June 30, 2016 were projected in the July 1, 2013 valuation. Since the financial statements for this period have not yet been prepared, we have restated information for fiscal year end 2016 for RWA's reference. The net OPEB obligation shown below becomes the starting net OPEB obligation shown in Table 1B.

Fiscal Year End	Prefunding 6/30/2016
1. Calculation of the Annual OPEB Expense	
a. ARC for current fiscal year	$ 31,505
b. Interest on Net OPEB Obligation (Asset) at beginning of year	-
c. Adjustment to the ARC	-
d. **Annual OPEB Expense (a. + b. + c.)**	31,505
2. Calculation of Expected Contribution	
a. Estimated payments on behalf of retirees	29,027
b. Estimated current year's implicit subsidy	Not Applicable
c. Estimated net contribution to OPEB trust	2,478
d. **Total Expected Employer Contribution**	31,505
3. Change in Net OPEB Obligation *(1.d. minus 2.d.)*	-
Net OPEB Obligation (Asset), beginning of fiscal year	-
Net OPEB Obligation (Asset) at fiscal year end	-

Appendix 2
General OPEB Disclosure and Required Supplementary Information

The Information necessary to complete the OPEB footnote in RWA's financial reports is summarized below, or we note the location of the information contained elsewhere in this report:

Summary of Plan Provisions:	See Table 3A
OPEB Funding Policy:	See Section F; details are also provided in Tables 1A and 1C
Annual OPEB Cost and Net OPEB Obligation:	See Table 1B and 1D
Actuarial Methods and Assumptions:	See Table 4
Funding Status and Funding Progress:	See Section E – Basic Valuation Results

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2010	$ 506,326	$ 431,286	$ 75,040	117.4%	$ 477,165	15.7%
7/1/2011	$ 627,174	$ 552,007	$ (75,167)	113.6%	$ 483,445	-15.5%
7/1/2013	$ 703,796	$ 609,640	$ (94,156)	115.4%	$ 565,992	-16.6%
7/1/2015	$ 847,343	$ 904,567	$ 57,224	93.7%	$ 600,184	9.5%

Required Supplementary Information: Three Year History of Amounts Funded
See chart below:

OPEB Cost Contributed

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2014	$ 40,299	$ 40,299	100.0%	$ -
6/30/2015	$ 29,114	$ 29,114	100.0%	$ -
6/30/2016	$ 31,505	$ 31,505	100.0%	$ -
6/30/2017	*$ 72,745*	*$ 72,745*	*100.0%*	*$ -*
6/30/2018	*$ 73,980*	*$ 73,980*	*100.0%*	*$ -*

Italicized values above are estimates which may change if contributions are other than projected.

To see these values separately for explicit and implicit subsidy liabilities, please refer to Section E of the report or to Tables 1B and 1D.

Addendum 1: Bickmore Age Rating Methodology

Both accounting standards (e.g. GASB 45) and actuarial standards (e.g. ASOP 6) require that expected retiree claims, not just premiums paid, be reflected in most situations where an actuary is calculating retiree healthcare liabilities. Unfortunately the actuary is often required to perform these calculations without any underlying claims information. In most situations, the information is not available, but even when available, the information may not be credible due to the size of the group being considered.

Actuaries have developed methodologies to approximate healthcare claims from the premiums being paid by the plan sponsor. Any methodology requires adopting certain assumptions and using general studies of healthcare costs as substitutes when there is a lack of credible claims information for the specific plan being reviewed.

Premiums paid by sponsors are often uniform for all employee and retiree ages and genders, with a drop in premiums for those participants who are Medicare-eligible. While the total premiums are expected to pay for the total claims for the insured group, on average, the premiums charged would not be sufficient to pay for the claims of older insureds, and would be expected to exceed the expected claims of younger insureds. An age-rating methodology takes the typically uniform premiums paid by plan sponsors and spreads the total premium dollars to each age and gender intended to better approximate what the insurer might be expecting in actual claims costs at each age and gender.

The process of translating premiums into expected claims by age and gender generally follows the steps below.

1. *Obtain or Develop Relative Medical Claims Costs by Age, Gender, or other categories that are deemed significant*. For example, a claims cost curve might show that, if a 50 year old male has $1 in claims, then on average a 50 year old female has claims of $1.25, a 30 year male has claims of $0.40, and an 8 year old female has claims of $0.20. The claims cost curve provides such relative costs for each age, gender, or any other significant factor the curve might have been developed to reflect. Table 4 provides the source of information used to develop such a curve and shows sample relative claims costs developed for the plan under consideration.
2. *Obtain a census of participants, their chosen medical coverage, and the premium charged for their coverage.* An attempt is made to find the group of participants that the insurer considered in setting the premiums they charge for coverage. That group includes the participant and any covered spouses and children. When information about dependents is unavailable, assumptions must be made about spouse age and the number and age of children represented in the population. These assumptions are provided in Table 4.
3. *Spread the total premium paid by the group to each covered participant or dependent based on expected claims.* The medical claims cost curve is used to spread the total premium dollars paid by the group to each participant reflecting their age, gender, or other relevant category. After this step, the actuary has a schedule of expected claims costs for each age and gender for the current premium year. It is these claims costs that are projected into the future by medical cost inflation assumptions when valuing expected future retiree claims.

The methodology described above is dependent on the data and methodologies used in whatever study might be used to develop claims cost curves for any given plan sponsor. These methodologies and assumptions can be found in the referenced paper cited as a source in the valuation report.

Addendum 2: Bickmore Mortality Projection Methodology

Actuarial standards of practice (e.g., ASOP 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, and ASOP 6, Measuring Retiree Group Benefits Obligations) indicate that the actuary should reflect the effect of mortality improvement (i.e., longer life expectancies in the future), both before and after the measurement date. The development of credible mortality improvement rates requires the analysis of large quantities of data over long periods of time. Because it would be extremely difficult for an individual actuary or firm to acquire and process such extensive amounts of data, actuaries typically rely on large studies published periodically by organizations such as the Society of Actuaries or Social Security Administration.

As noted in a recent actuarial study on mortality improvement, key principals in developing a credible mortality improvement model would include the following:

(1) Short-term mortality improvement rates should be based on recent experience.
(2) Long-term mortality improvement rates should be based on expert opinion.
(3) Short-term mortality improvement rates should blend smoothly into the assumed long-term rates over an appropriate transition period.

The **Bickmore Scale 2014** was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2014 Report, published in October 2014 and (2) the demographic assumptions used in the 2015 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published July 2015.

Bickmore Scale 2014 is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2014 which has two segments – (1) historical improvement rates for the period 1951-2007 and (2) Scale MP-2014's best estimate of future mortality improvement for years 2008 and thereafter. The Bickmore scale uses the same improvement rates as the MP-2014 scale during the historical period 1951-2007. In addition, the Bickmore scale uses Scale MP-2014's best estimate of future mortality improvement for years 2008-2010. The Bickmore scale then transitions from the last used MP-2014 improvement rate in 2010 to the Social Security Administration (SSA) Intermediate Scale. This transition to the SSA Intermediate Scale occurs linearly over the 10 year period 2011-2020. After this transition period, the Bickmore Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2020-2038. The SSA's Intermediate Scale has a final step down in 2039 which is reflected in the Bickmore scale for years 2039 and thereafter. Over the ages 100 to 115, the SSA improvement rate is graded to zero.

Scale MP-2014 can be found at the SOA website and the projection scales used in the 2015 Social Security Administrations Trustees Report at the Social Security Administration website.

Glossary

Actuarial Accrued Liability (AAL) – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date for current plan members and vested prior plan members; see "Actuarial Present Value"

Actuarial Funding Method – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

Actuarial Present Value Projected Benefits (APVPB) – The amount presently required to fund all projected plan benefits in the future, it is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

Aggregate – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Annual Required Contribution (ARC) – The amount the employer would contribute to a defined benefit OPEB plan for a given year, it is the sum of the normal cost and some amortization (typically 30 years) of the unfunded actuarial accrued liability

Annual OPEB Expense – The OPEB expense reported in the Agency's financial statement, which is comprised of three elements: the ARC, interest on the net OPEB obligation at the beginning of the year and an ARC adjustment.

Attained Age Normal Cost (AANC) – An actuarial funding method where, for each plan member, the excess of the actuarial present value of benefits over the actuarial accrued liability (determined under the unit credit method) is levelly spread over the individual's projected earnings or service forward from the valuation date to the assumed exit date

CalPERS – Many state governments maintain a public employee retirement system; CalPERS is the California program, covering all eligible state government employees as well as other employees of other governments within California who have elected to join the system

Defined Benefit (DB) – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

Defined Contribution (DC) – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member's account are determined and the terms of distribution of the account after separation from employment

Entry Age Normal Cost (EANC) – An actuarial funding method where, for each individual, the actuarial present value of benefits is levelly spread over the individual's projected earnings or service from entry age to the last age at which benefits can be paid

Glossary (Continued)

Excise Tax – The Affordable Care Act created a 40% excise tax on the value of "employer sponsored coverage" that exceeds certain thresholds. The tax is first effective is 2020.

Frozen Attained Age Normal Cost (FAANC) – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability (determined under the unit credit method) is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Frozen Entry Age Normal Cost (FEANC) – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability (determined under the entry age normal cost method) is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Financial Accounting Standards Board (FASB) – A private, not-for-profit organization designated by the Securities and Exchange Commission (SEC) to develop generally accepted accounting principles (GAAP) for U.S. public corporations

Government Accounting Standards Board (GASB) – A private, not-for-profit organization which develops generally accepted accounting principles (GAAP) for U.S. state and local governments; like FASB, it is part of the Financial Accounting Foundation (FAF), which funds each organization and selects the members of each board

Net OPEB Obligation (Asset) - The net OPEB obligation (NOO) represents the accumulated shortfall of OPEB funding since GASB 45 was implemented. If cumulative contributions have exceeded the sum of the prior years' annual OPEB expenses, then a net OPEB asset results.

Non-Industrial Disability (NID) – Unless specifically contracted by the individual Agency, PAM employees are assumed to be subject to only non-industrial disabilities.

Normal Cost – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the chosen funding method; also called current service cost

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan

Pay-As-You-Go (PAYGO) – Contributions to the plan are made at about the same time and in about the same amount as benefit payments and expenses coming due

PEMHCA – The Public Employees' Medical and Hospital Care Act, established by the California legislature in 1961, provides community-rated medical benefits to participating public employers. Among its extensive regulations are the requirements that a contracting Agency contribute toward medical insurance premiums for retired annuitants and that a contracting Agency file a resolution, adopted by its governing body, with the CalPERS Board establishing any new contribution.

Glossary (Concluded)

Projected Unit Credit (PUC) – An actuarial funding method where, for each individual, the projected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Public Agency Miscellaneous (PAM) – Actuarial assumptions used by CalPERS for most non-safety public employees.

Select and Ultimate – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

Trend – The healthcare cost trend rate, defined as the rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments

Unfunded Actuarial Accrued Liability (UAAL) – The excess of the actuarial accrued liability over the actuarial value of plan assets

Unit Credit (UC) -- An actuarial funding method where, for each individual, the unprojected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Vesting – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility

AGENDA ITEM 6: EXECUTIVE DIRECTOR'S REPORT

JULY 14, 2016

TO: REGIONAL WATER AUTHORITY BOARD OF DIRECTORS

FROM: JOHN WOODLING

RE: EXECUTIVE DIRECTOR'S REPORT

a) **Government Affairs Update** – The California Water Commission adopted the emergency regulations for Groundwater Sustainability Plans and Alternatives as presented by DWR on May 16, 2016. The regulations became effective on June 1, 2016. Staff provided comments from RWA, SGA, and through ACWA to both DWR and the Commission (attached), and had a significant influence on the final outcome of the regulations. DWR will be developing two additional deliverables over the second half of the year; best management practices and the water available for replenishment report. Staff will continue to engage through the Practitioner Advisory Panel and ACWA Groundwater Committee. Staff continues to coordinate discussions between SGA, West Placer Groundwater Group, and Sutter County interests to plan for compliance in the North American Subbasin.

In response to the Executive Order B-37-16, the State Water Board adopted a resolution and updated the Emergency Water Conservation Regulation text on May 18th with final approval obtained by the Office of Administrative Law on May 31st. The updated Emergency Regulation replaces the supplier mandated conservation targets with a supplier self-certify process that requires suppliers to demonstrate they can meet demands for an additional three drought years. If a supplier cannot demonstrate a balance between supply and demand, they must implement a conservation target to account for the deficit. The Emergency Regulation period was extended through the previous October 2016 deadline until January 2017. Monthly reporting of production and other information to the State Water Board is still required. End user water waste prohibitions from the previous Executive Order will now be permanent.

RWA provided a letter (attached) to the Public Utilities Commission supporting a regulatory framework for water conservation for investor owned water companies that are consistent with the new emergency regulations adopted by the State Water Resources Control Board. The PUC was considering requiring continuation of the mandatory targets from the previous emergency regulation.

The State Water Board and the Department have begun a process to develop the new water use target permanent framework. These targets shall build on existing law requirements such as 20 X 2020. The Executive Order states that targets should be customized to the unique conditions of each agency and shall be based on strengthened standards for indoor residential per capita water use, outdoor irrigation, commercial, industrial and institutional (CII) use, and water lost through leaks. Several "listening sessions" have already been hosted by the State Water Board and the

Department to gather information on how to develop this framework going forward. Staff expects several workgroups will be formed to carry out more focused tasks to align with the different use categories listed above. At this time, no future meetings have been scheduled. As stated in the Executive Order, a draft proposed new water use target permanent framework shall be publicly issued by January 10, 2017.

b) **Water Efficiency Program Update** – The Water Efficiency Program budget for Fiscal Year 2017 was unanimously approved at the May RWEPAC meeting and includes a 5% increase ($20,000) in dues to cover increases in overhead costs and additional public outreach funding for a total budget of $432,000. Additionally, the Program received $200,000 in supplemental grant funding for public outreach. The focus of this year's public outreach activities will be to transition customers from drought actions back to long term efficiency practices through the theme and associated activities of "Rethink Your Yard" in partnership with Save Our Water. Activities have begun to officially launch this new campaign. Outreach messages can be heard on Capital Public Radio and several other local radio stations. The Program is also hosting several related online contests including competing for the title of dirtiest car in the region as a means to promote the Be Water Smart Car Wash program. Grant funded activities will continue through the summer until September.

   The Program has also been awarded a $2.5 million Department of Water Resources (DWR) Water Energy Grant. The grant scope will include direct installs and showerhead giveaways in disadvantaged communities and commercial, industrial, and institutional (CII) fixture rebates. The CII fixture rebates component has been launched and staff has completed 3 site inspections with 6 more lined up for June. Showerhead giveaway events have been scheduled for July and October. The direct install component is scheduled for this fall. The grant period concludes in December 2017.

   The region continues to show impressive water savings with 30% in April and 35% in May 2016 compared to the same corresponding months in 2013. The cumulative savings from June 2015 through May 2016 is 31%. June marks the end of mandatory regulation from the State Water Board, although many agencies are continuing to request that customers continue to use water wisely.

c) **Grants Update** – Staff is currently managing seven grants totaling $54.2 million. Staff is nearing completion of a funding agreement with DWR for the $1.757 million grant award from the 2015 Proposition 84 Integrated Regional Water Management Implementation Grant round. Over the next quarter, RWA will be closing out the 2006 $25 million Prop 50 award. In June, reimbursement of more than $2 million of the Prop 50 award was received and distributed to member agencies, including, Sacramento County Water Agency, Sacramento Area Flood Control Agency, and Sacramento Regional County Sanitation District.

d) **RWA Outreach** – Mr. Woodling spoke on the Sustainable Groundwater Management Act at the California Water Association Conference on May 19, to NCWA's Northern California Water Leaders Course on May 27, at a water law conference on June 7, a

conference of the Groundwater Resources Association on June 8, and at an ACWA Region 2 event on June 21, 2016.

e) Financial Documents – The financial reports ending May 31, 2016 are attached.

Sacramento Groundwater Authority
Managing Groundwater Resources in Northern Sacramento County

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May 13, 2016

California Water Commission
P.O. Box 942836
Sacramento, CA 94236-0001

Transmitted via email

Dear Chair Byrne and Commissioners Baker, Ball, Curtin, Daniels, Del Bosque, Herrera, Orth and Quintero:

I am writing to convey comments of the Sacramento Groundwater Authority (SGA) on the Proposed Groundwater Sustainability Plan (GSP) Regulations which you will be considering at your meeting of May 18, 2016. The Department of Water Resources has made significant improvements to the regulations originally released in draft February 18, 2016. Most of the major comments of SGA and other local agency groundwater managers have been adequately addressed. DWR's commitment to working with stakeholders throughout the SGMA implementation process has been and will continue to be fundamental to success.

SGA supports adoption of the Proposed GSP Regulations with one notable exception. Article 9, related to the evaluation of Alternatives, has been modified, but still extends beyond both the language and intent of the Sustainable Groundwater Management Act (SGMA). This overreach was pointed out by numerous comments on the draft regulations.

Water Code Section 10733.6(a), states, *"If a local agency believes that an alternative described in subdivision (b) satisfies the objectives of this part, the local agency may submit the alternative to the department for evaluation and assessment of whether the alternative satisfies the objectives of this part for the basin."* As such, SGMA envisioned the possibility of an alternative pathway to the objective of sustainable groundwater management.

The proposed regulations, however, presuppose that a Groundwater Sustainability Plan (even if called by a different name) is the only path to sustainability. Section 358.2 of the proposed regulations would require an explanation of how an Alternative is "functionally equivalent" to a GSP. Similarly, DWR's evaluation of an Alternative, described in

Section 358.6, would be based on the identical requirements as the evaluation of a GSP. These concerns could be easily addressed by the following modifications to the proposed regulations.

> §358.2 (d) The entity submitting an Alternative shall explain how the elements of the Alternative ~~are functionally equivalent to the elements of a Plan required by Articles 5 and 7 of this Subchapter and~~ are sufficient to demonstrate the ability of the Alternative to achieve the objectives of the Act.
>
> §358.6 (a) (3) The Alternative is complete and includes the information required by the Act and this ~~Subchapter~~ Article.
>
> §358.6 (b) The Department shall evaluate an Alternative that satisfies the requirements of Subsection (a) ~~in accordance with Sections 355.2, 355.4(b), and Section 355.6, as applicable,~~ to determine whether the Alternative complies with the objectives of the Act. Compliance means that the Alternative is sufficiently detailed and contains data and information needed to demonstrate sustainable groundwater management has been or will be achieved for the basin.

Thank you for the opportunity to comment on the draft regulations and for your consideration of this important modification.

Sincerely,

John Woodling
Executive Director

Sacramento Groundwater Authority
Managing Groundwater Resources in Northern Sacramento County

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April 22, 2016

California Water Commission
P.O. Box 942836
Sacramento California 94236-0001

Transmitted via email to Paula Landis, Executive Officer

Dear Chair Byrne and Commissioners Baker, Ball, Curtin, Daniels, Del Bosque, Herrera, Orth, and Quintero

I want to express my appreciation for the attention the California Water Commission afforded the draft regulations for implementation of the Sustainable Groundwater Management Act (SGMA) at its April 20, 2016 meeting. Adopting appropriate regulations is critical to the success of SGMA and to the long term sustainability of California's groundwater resources. I was pleased to see that the Department of Water Resources staff has reviewed the comments submitted and embraced many of the necessary modifications in their proposed revisions.

There was significant discussion by the public and Commissioners around the question of how much data and information was needed in a Groundwater Sustainability Plan (GSP), and how DWR would evaluate compliance. Specifically, several commissioners questioned the appropriateness of "substantial" compliance as a standard.

Unfortunately, an exhaustive checklist for GSP content will not ensure sustainability. The path to sustainability will instead be more complex and involve the judgment of groundwater professionals on both sides of the issue – at the local Groundwater Sustainability Agencies that will develop and implement the GSPs, and at DWR, which must evaluate their actions.

As such, whether it is called "substantial compliance," or simply "compliance," it is important to properly define expectations. This question is fundamental to success at the local and state level. In our comments on the draft regulations, and

those of the Association of California Water Agencies and others, we provided an appropriate definition for a compliance standard. A GSP should be found to be compliant if it

"meets the content requirements of the Act and contains sufficient data and analysis to support the Agency's finding that the sustainability goal will be achieved, and the Department determines that any discrepancy would not materially affect the ability of the Agency to achieve the sustainability goal or of the Department to evaluate the likelihood of the Plan to attain that goal."

This standard of compliance gets to the key indicator of success, that the quantity and quality of information is adequate to move forward to take appropriate actions to achieve sustainability. Ultimately, the success of SGMA will be measured by the actions taken at the local level, not by the comprehensiveness of the content of the GSP.

In the event that a GSP is found inadequate, the outcome is state intervention. One would hope that when the State Water Resources Control Board develops an interim plan for a probationary basin it would focus on actions rather than filling in incidental gaps in the GSP. The Local GSAs should be evaluated on a comparable basis.

While our comments on the draft regulations included myriad other issues that need to be addressed, this issue of the appropriate standard of compliance is perhaps the most important, and I urge you to support the appropriate balance between planning and action.

Thank you for your attention to this important aspect of the Commission's charge. Please contact me if you have any questions at (916) 967-7692 or jwoodling@rwah2o.org.

Sincerely,

John Woodling
Executive Director
Sacramento Groundwater Authority

cc: David Gutierrez, Department of Water Resources
David Bolland, Association of California Water Agencies

Regional Water Authority
Building Alliances in Northern California

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June 13, 2016

California Public Utilities Commission
Rami S. Kahlon, Director
Division of Water and Audits
505 Van Ness Avenue
San Francisco, CA 94102

Transmitted via email to the Division of Water and Audits at Water.Division@cpuc.ca.gov.

Dear Mr. Kahlon:

Thank you for the opportunity to comment on the Proposed Resolution W-5103. The Regional Water Authority (RWA) represents twenty-two water suppliers in the Sacramento region including two investor-owned utilities. The Sacramento Region is widely recognized for its regional collaboration that has led to a number of successful water management initiatives. The participation of California American Water and Golden State Water with the cities, water and irrigation districts, and mutual water companies that also supply the region has been critical to this success. During the Emergency Regulation timeframe of June 2015 through February 2016, the Sacramento region collectively reduced water demand 31% compared to the same months in 2013. In 2014, when statewide targets were voluntary, the region achieved a 19.4% water use reduction.

In July 2016, RWA members expect to submit documentation to the State Water Resources Control Board (SWRCB) to confirm the region has adequate supplies to meet the demand for an additional three years of drought, effectively eliminating mandated conservation targets. This will not mark the end of water conservation; however, but a transition to aggressively working with customers to continue our history of long-term reductions in water use.

RWA supports the Proposed Resolution W-5103 (Option A), which orders investor-owned suppliers to continue compliance with the same SWRCB policies applied to other water suppliers. Option A allows for the equitable treatment of water suppliers and their customers throughout the state, recognizes the significant investments water providers have made in reliable and resilient supplies, and allows for the region's public outreach messaging to remain strong and consistent. The necessity of a unified public outreach message cannot be emphasized enough and continues to be a vital factor in the region's conservation success. Messaging is perhaps even more important now that we are transitioning from a drought emergency back to long-term efficiency.

RWA opposes the adoption of Proposed Resolution W-5103 (Option B), which orders continued compliance with mandatory rationing targets from 2015. Option B is

inequitable, and will undermine consistent local, regional, and statewide public outreach messaging and delay the transition back to long-term water efficiency programs and practices. It will unreasonably and inequitably place a burden on the customers of PUC regulated water companies, who will suffer despite the availability of water supply.

State agencies reminded us frequently during this ongoing drought that "we're all in this together." Treating one class of California's residents differently will undermine this spirit of cooperation that led to significant water savings over the last two years. The California Water Action Plan calls for "conservation as a way of life." It's time to pursue that by fully embracing the shift back to local water supplier management of local water supplies.

Sincerely,

John Woodling
Executive Director
Regional Water Authority

Regional Water Authority
Building Alliances in Northern California

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RWA

June 30, 2016

Mr. Jose Ramirez
Sacramento Regional County Sanitation District
10060 Goethe Road
Sacramento, CA 95827

Dear Mr. Ramirez:

The Regional Water Authority (RWA) is pleased to provide the enclosed reimbursement check for $1,920,342.22 from the California Department of Water Resources' (DWR) Proposition 50 Grant awarded to RWA on behalf of Sacramento Regional County Sanitation District (SRCSD) for its SRCSD/SPA Recycled Water Pipeline Phase 1A Project. A copy of the invoice packet submitted to DWR is enclosed for your records. Please note that DWR is withholding 10 percent retention until the project completion report is verified by DWR. At that time, we will submit a request to release retention on SRCSD's behalf.

If you have any questions, please feel free to contact me at (916) 967-7692 or rswartz@rwah2o.org.

Sincerely,

Robert J. Swartz
Manager of Technical Services

Enclosures

Regional Water Authority
Building Alliances in Northern California

5620 Birdcage Street
Suite 180
Citrus Heights, CA 95610

Tel: (916) 967-7692
Fax: (916) 967-7322
www.rwah2o.org

June 30, 2016

Ms. Paula Badella
Sacramento County Water Agency
827 7th Street, Room 301
Sacramento, Ca 95814

Dear Ms. Badella:

The Regional Water Authority (RWA) is pleased to provide the enclosed reimbursement check for $46,358.01 from the California Department of Water Resources' (DWR) Proposition 50 Grant awarded to RWA on behalf of Sacramento County Water Agency (SCWA) for its Triangle Rock Flood Detention Basin Groundwater Recharge Feasibility Project. A copy of the invoice packet submitted to DWR is enclosed for your records. Please note that DWR is withholding 10 percent retention until the project completion report is verified by DWR. At that time, we will submit a request to release retention on SCWA's behalf.

If you have any questions, please feel free to contact me at (916) 967-7692 or rswartz@rwah2o.org.

Sincerely,

Robert J. Swartz
Manager of Technical Services

Enclosures

cc: Ramon Roybal (electronic transmittal)

Regional Water Authority
Building Alliances in Northern California

5620 Birdcage Street
Suite 180
Citrus Heights, CA 95610

Tel: (916) 967-7692
Fax: (916) 967-7322
www.rwah2o.org

June 30, 2016

Mr. John Bassett
Sacramento Area Flood Control Agency
1007 7th Street, 7th Floor
Sacramento, CA 95814

Dear Mr. Bassett:

The Regional Water Authority (RWA) is pleased to provide the enclosed reimbursement check for $108,000.00 from the California Department of Water Resources' (DWR) Proposition 50 Grant awarded to RWA on behalf of the Sacramento Area Flood Control Agency (SAFCA) for its Site 18A Culvert Replacement and Fish Passage Project. A copy of the invoice packet submitted to DWR is enclosed for your records. Please note that DWR is withholding 10 percent retention until the project is complete. At that time, we will submit a request to release retention on SRCSD's behalf.

If you have any questions, please feel free to contact me at (916) 967-7692 or rswartz@rwah2o.org.

Sincerely,

Robert J. Swartz
Manager of Technical Services

Enclosures

Regional Water Authority
BUILDING ALLIANCES IN NORTHERN CALIFORNIA

Per California Government Code 6505.5 (e), RWA reports the following unaudited information:

For the period ending May 2016		
Cash in checking account:	$	284,935
LAIF Balance	$	1,411,547
For the period of February 1 to May 31, 2016		
Total cash receipts for the period:	$	5,286,013
Total cash disbursements for the period:	$	5,224,749

REGIONAL WATER AUTHORITY
Income Statement
Year-to-Date Performance, May 2016 - Department 10 to 20

	11 Months Ended May 31, 2016	Annual Budget	Unused	% Used
REVENUES				
Annual Assessments	713,814.00	713,800.00	(14.00)	100.0 %
Affiliate Members Annual	6,375.00	3,000.00	(3,375.00)	212.5 %
Associate Membership Annual	31,200.00	31,200.00	0.00	100.0 %
Powerhouse Science Center - Members	63,165.00	60,000.00	(3,165.00)	105.3 %
Powerhouse Science Center - Others	5,000.00	5,000.00	0.00	100.0 %
SGA Service Agreement Fees	413,524.67	527,900.00	114,375.33	78.3 %
SGA Service Fee - GASB 68	87,600.00	33,000.00	(54,600.00)	265.5 %
Holiday Social Revenue	5,225.00	5,600.00	375.00	93.3 %
15th Anniversary Revenue	3,680.00	0.00	(3,680.00)	
Cash Discounts	672.03	0.00	(672.03)	
Interest on S/T Investments	5,720.80	3,200.00	(2,520.80)	178.8 %
TOTAL REVENUES	1,335,976.50	1,382,700.00	46,723.50	96.6 %
TOTAL REVENUE	1,335,976.50	1,382,700.00	46,723.50	96.6 %
GROSS PROFIT	1,335,976.50	1,382,700.00	46,723.50	96.6 %
OPERATING EXPENDITURES				
Staff Expenses				
General Salaries	580,373.28	658,400.00	78,026.72	88.1 %
Benefits/Taxes	513,398.04	537,400.00	24,001.96	95.5 %
Travel / Meals	12,418.73	15,500.00	3,081.27	80.1 %
Professional Development	1,447.00	5,200.00	3,753.00	27.8 %
TOTAL Staff Expenses	1,107,637.05	1,216,500.00	108,862.95	91.1 %
Office Expenses				
Rent & Utilities	22,886.82	25,000.00	2,113.18	91.5 %
Insurance	23,961.24	25,000.00	1,038.76	95.8 %
Office Maintenance	0.00	3,100.00	3,100.00	
Telephone	9,094.94	11,300.00	2,205.06	80.5 %
Dues and Subscription	9,024.31	7,700.00	(1,324.31)	117.2 %
Printing & Supplies	11,625.09	25,800.00	14,174.91	45.1 %
Postage	1,262.18	3,100.00	1,837.82	40.7 %
Meetings	9,018.11	13,400.00	4,381.89	67.3 %
Computer Equipment/Support	6,442.80	12,400.00	5,957.20	52.0 %
TOTAL Office Expenses	93,315.49	126,800.00	33,484.51	73.6 %

	11 Months Ended May 31, 2016	Annual Budget	Unused	% Used
Office Furniture & Equipment				
Office Furniture	0.00	2,600.00	2,600.00	
TOTAL Office Furniture & Equipment	0.00	2,600.00	2,600.00	
Professional Fees				
ADP / Banking Charges	1,282.47	1,900.00	617.53	67.5 %
Audit Fees	18,500.00	21,500.00	3,000.00	86.0 %
Legal Fees	43,667.42	80,000.00	36,332.58	54.6 %
GASB 68 reporting fee	650.00	0.00	(650.00)	
Consulting Expenses - General	113,489.22	220,000.00	106,510.78	51.6 %
Powerhouse Science Center Payments	25,000.00	25,000.00	0.00	100.0 %
TOTAL Professional Fees	202,589.11	348,400.00	145,810.89	58.1 %
TOTAL OPERATING EXPENDITURES	1,403,541.65	1,694,300.00	290,758.35	82.8 %
OPERATING INCOME (LOSS)	(67,565.15)	(311,600.00)	(244,034.85)	21.7 %
NET OPERATING INCOME (LOSS)	(67,565.15)	(311,600.00)	(244,034.85)	21.7 %
NET INCOME (LOSS) NET OF PROGRAM	(67,565.15)	(311,600.00)	(244,034.85)	21.7 %

Regional Water Authority
BUILDING ALLIANCES IN NORTHERN CALIFORNIA

Investments, Restricted Cash and Designated Funds, Undesignated Funds and Cash Report

For the month ending:	Unaudited May 31, 2016	Audited June 30, 2015
Local Agency Investment Fund (LAIF)	$1,411,547	$1,205,826
General Checking Account	$284,935	$242,339
Total Cash and Investments	$1,696,482	$1,448,165
Less: Restricted Cash and Designations[1]		
Water Efficiency Program (WEP)[2]	$146,265	$271,859
Prop 84 Project Management[2]	$113,140	$118,952
Proposition 50 Grant Management[2]	$20,068	$6,850
USBR CALFED Programs[2]	$161,773	$197,345
Lobbying Subscription Program[2]	$87,806	$70,000
Integrated Regional Water Management Program (IRWMP)[2]	$14,325	$56,311
SRCSD Water Suppliers[2]	$0	$3,323
Membership Dues Stabilization	$112,200 [4]	$98,100
Subscription Program Stabilization	$28,100 [4]	$27,900
Pension Plan Accounting Change	$75,000 [4]	$125,315
Powerhouse Science Center	$100,300 [4]	$60,710
Strategic Plan Fund	$141,460 [4]	$0
Total Designated Funds, excluding operating fund	$1,000,437	$1,036,665
Total Available Cash for Operating Funds		
Operating Fund[3]	$481,400 [6]	$ 411,500
Undesignated Funds[5]	$214,645	$0
Total Designated and Undesignated Funds	$1,696,482	$1,448,165

[1] Designated funds represents amounts set aside for program specific purposes.

[2] The cash for this designated fund is restricted as to its use for these specific programs based upon contractual agreements with the participating member agencies.

[3] Per Policy 500.1, the Operating Fund is available to pay ongoing RWA operations and administration expenses.

[4] The designated amounts reflect the June 30, 2015 projected year end balance from the FY2016 budget less amounts not received as anticipated by SGA.

[5] Per Policy 500.1, Funds in excess of the maximum target designated balances may be used to offset future membership dues and subject to an annual review by the Board.

[6] The operating fund at June 30, 2016 is planned to be at 4 months.

Nancy Marrier

From: CERBT4U <CERBT4U_CERBT4U@CalPERS.CA.GOV>
Sent: Thursday, June 30, 2016 11:42 AM
To: Nancy Marrier
Subject: CERBT Annual Update

California Public Employees' Retirement System
California Employers' Retiree Benefit Trust
CERBT (OPEB)
P.O. Box 1494
Sacramento, CA 95812-1494
TTY: (877) 249-7442
(888) 225-7377 phone · (916) 795-0032 fax
www.calpers.ca.gov

June 2016

Nancy Marrier
Finance and Adminstrative Services Officer
Regional Water Authority

Thank you for your participation in the California Employers' Retiree Benefit Trust (CERBT) fund. This email provides a summary of your agency's other post-employment benefits (OPEB) prefunding plan progress as well as an update on the new Governmental Accounting Standards Board (GASB) Statements No. 74 and 75 financial reporting standards.

Account Summary
The following is an account history summary for Regional Water Authority.

Regional Water Authority – Account Summary as of May 31, 2016	
Total Contributions (Initial contribution made on 6/8/2009)	$634,962
Total Disbursements	($160,521)
Total CERBT Expenses	($5,580)
Total Investment Earnings	$397,475
Total Assets	$866,336
Estimated Funded Ratio*	108.34%
Current Asset Allocation Strategy Selection	CERBT Strategy 1
Average Annualized Internal Rate of Return (Net of Fees)	9.66%
**Calculated by rolling forward the AAL from the 7/1/2013 valuation report to May 31, 2016 (a date in sync with the Market Value of Assets).*	

As a reminder, CERBT account information is available online for Regional Water Authority at https://www.your-fundaccount.com/calpers/. To establish account access, please contact cerbtaccount@calpers.ca.gov.

CERBT Investment Results (Time Weighted)

The CERBT offers employers the choice of one of three asset allocation strategies. Each strategy has a performance benchmark, which is a weighted composite of underlying asset class performance benchmarks. Each strategy participates in all five public market asset classes. The strategies vary due to the weighting assigned to each asset class.

Investment results for each of the three asset allocation strategies and their respective benchmarks across five periods ended May 31, 2016 are shown below. These results are published in the monthly CERBT Fund Fact Sheets, which are posted to the CalPERS website under the "Invest with CERBT" tab.

CERBT Investment Results as of May 31, 2016						
Fund	**Assets**	**3 Months**	**FYTD**	**1 Year**	**3 Years***	**5 Years***
CERBT Strategy 1** (Inception June 1, 2007)	$4,002,924,403	7.60%	0.20%	-1.95%	4.86%	5.53%
Benchmark Strategy 1		7.38%	-0.08%	-2.31%	4.48%	5.36%
CERBT Strategy 2** (Inception October 1, 2011)	$717,922,817	6.41%	1.53%	-0.59%	4.36%	N/A
Benchmark Strategy 2		6.11%	1.36%	-0.83%	4.02%	N/A
CERBT Strategy 3** (Inception January 1, 2012)	$172,081,790	5.06%	2.31%	0.36%	3.90%	N/A
Benchmark Strategy 3		4.82%	2.20%	0.20%	3.47%	N/A

**Returns for periods greater than one year are annualized.*
*** Time weighted return reports the performance of the investment vehicle, not of the employer assets. Returns are gross. Historical performance is not necessarily indicative of actual future investment performance or of future total program cost. Current and future performance may be lower or higher than the historical performance data reported here. Investment return and principal value may fluctuate so that your investment, when redeemed, may be worth more or less than the original cost. The value of an employer's CERBT fund shares will go up and down based on the performance of the underlying funds in which the assets are invested. The value of the underlying funds' assets will, in turn, fluctuate based on the performance and other factors generally affecting the securities market.*

GASB Statements No. 74 and 75 Update

In June 2015 the GASB released Statements No. 74 and 75. The CERBT will report under GASB 74 on or before our fiscal year ending June 30, 2017 and employers will generally begin reporting under GASB 75 starting in 2018.

These new GASB standards significantly alter both plan and employer reporting. As part of our compliance with the new standards, the CERBT program will post online the audited schedules of Changes in Fiduciary Net Position by employer so that employer's auditors can rely on them for GASB 75 reporting. We will provide

more details in the coming months. As always, we encourage employers to discuss the upcoming reporting changes with their actuaries and external auditors and to contact us if you have questions.

If you have any questions or would like to discuss any of the above information, please contact us at CERBT4U@calpers.ca.gov.

Regards,

John Swedensky
Assistant Division Chief
Prefunding Programs
Direct: (916) 795-0835 | Cell: (916) 715-7960

JUN 0 3 2016

The Metropolitan Water District of Southern California
Sacramento Office

June 1, 2016

Mr. John Woodling, Executive Director
Regional Water Authority
5620 Birdcage Street, Suite 180
Citrus Heights, CA 95610

Dear John:

On behalf of The Metropolitan Water District of Southern California, I want to personally thank you for the opportunity to update the RWA Board of Directors during your May 12 meeting. We hope the presentation was helpful to your board in understanding Metropolitan's 2015 Integrated Resource Plan (IRP) Update. As you know, the IRP is a blueprint for long-term water supply reliability in Southern California.

It was great to listen firsthand to the RWA Regional Reliability Plan Update. I thought Robert Swartz' presentation did a great job highlighting the regional challenges for the Sacramento area water service providers. We have similar issues in our service area. These common challenges could present opportunities for us to work together in the future.

We look forward to our next meeting. If you have questions related to the 2015 IRP update or other issues, please do not hesitate to contact me.

Again, thank you for the opportunity.

Sincerely,

Deven Upadhyay
Group Manager, Water Resources Management

cc: Spencer Short, Chairman, RWA Board of Directors
Jim Peifer, Vice Chair, RWA Board of Directors

AGENDA ITEM 7: 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

AGENDA ITEM 8: DIRECTORS' COMMENTS