

**REGIONAL WATER AUTHORITY
EXECUTIVE COMMITTEE AGENDA**

**October 26, 2016; 8:30 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:** Members of the public who wish to address the committee may do so at this time. Please keep your comments to less than three minutes.
- 3. CONSENT CALENDAR**
Minutes of the August 24, 2016 Executive Committee meeting
Action: Approve Minutes of the August 24, 2016 Executive Committee meeting
- 4. REGIONAL RELIABILITY PLAN UPDATE**
Information Presentation: Rob Swartz, Manager of Technical Services
- 5. LEGISLATIVE WRAP-UP**
Information Presentation: Dave Brent, Water Policy Advisor
- 6. RWA POLICY 500.4 REGARDING AUDITOR ROTATION**
Information Presentation: John Woodling, Executive Director
Action Alternatives:
 - 1) Approve selection of Richardson and Company to perform the Fiscal Year 2017 audit pursuant to RWA Policy 300.2, Professional Services Selection and Contracting, in an amount not to exceed \$21,620.**
 - 2) Recommend to the RWA Board modifications to the RWA Auditor Rotation Policy 500.4 to extend the discretionary period for extension of a contract with the selected audit firm to a period of six years.**
 - 3) Recommend to the RWA Board modifications to the RWA Auditor Rotation Policy 500.4 to be consistent with the Government Code, to require changing audit partners, but not audit firms.**
- 7. RWA NOVEMBER 10, 2016 BOARD MEETING**
Action: Approve Agenda for November 10, 2016 Meeting of the RWA Board of Directors

8. EXECUTIVE DIRECTOR'S REPORT

9. DIRECTORS' COMMENTS

ADJOURNMENT

Upcoming meetings:

Upcoming Executive Committee Meetings – December 7, 2016 and January 25, 2017 at 8:30 a.m. at the RWA office

Next RWA Board of Directors' Meeting – Thursday, November 10, 2016, at 9:00 a.m. at the RWA office

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AGENDA ITEM 3: CONSENT CALENDAR

The draft minutes from the Executive Committee meeting held August 24, 2016

Action: Approve Minutes of the August 24, 2016 Executive Committee meeting

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

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

Staff Members

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

Others in Attendance

Mike O'Hagan, Kelye McKinney and Kevin Thomas.

2. PUBLIC COMMENT

None

3. CONSENT CALENDAR

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

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

4. REGIONAL RELIABILITY PLAN UPDATE

Rob Swartz, Manager of Technical Services gave a brief Regional Reliability Plan update. Staff is continuing to work with our consultant, MWH, to develop a survey of information to collect from each agency. As part of this process, there have

been pilot interview meetings with Fair Oaks Water and the City of Lincoln. Staff expects to begin interviews of participating agencies in October.

Mr. Swartz said that the Department of Water Resources has just released the IRWM planning grant program. Staff will be applying for the grant with the application due on September 23, 2016. The goal is that the grant funding will offset the difference between the Phase 1 theme and the not to exceed theme. The department has updated their IRWMP guidelines that include new requirements. DWR is deferring the release of the implementation grants until early 2018 giving local agencies time to update their plans.

There was discussion on how detailed future information will be as a method of standardizing agency data is determined.

5. 2015 PROPOSITION 84 INTEGRATED REGIONAL WATER MANAGEMENT GRANT PROJECT AGREEMENT

Mr. Swartz said that in 2015, RWA was recommended for a \$1.757 million award from the final round of the Proposition 84 Integrated Regional Water Management Grant Program administered by the California Department of Water Resources (DWR). The grant will fund four priority projects in the region. The grant agreement between RWA and DWR is currently being routed for signature. The DWR grant agreement requires that RWA demonstrates the grant sub-recipients are aware of, and agree to, the terms of the DWR agreement. Additionally, in accordance with RWA's policy, projects are to be funded directly by the participants. The project agreement was enclosed in the packet and will launch an RWA subscription project to manage the grant on behalf of the grant recipients. The project agreement has been reviewed by RWA legal counsel. Staff requested that the Executive Committee approve the RWA project agreement.

M/S/C Ms. Tobin moved, with a second by Mr. Peifer, to Approve 2015 Proposition 84 Grant Project Agreement. The motion carried by the unanimous voice vote of all directors present.

6. RWA AFFILIATE APPLICATION

On May 15, 2014, the RWA Board approved a new Affiliate Membership policy. Entities eligible to become RWA Associate Members include public or private entities with an interest and management role in regional water matters that are not eligible for other classes of membership in RWA. The purpose of the Affiliate relationship is to promote communication between water managers and the community and to support RWA's efforts to educate and inform the public. Included in the packet was a letter that RWA received from Brown and Caldwell requesting Affiliate status.

Mr. Woodling said that in addition to consultant firms becoming Affiliate members, we have a broad mix of other entities including California Pool and Spa Association, Sacramento Golf Industry Water Conservation Task Force and Sacramento Association of Realtors. Staff has had opportunities to reach out to the Affiliate members offering them resources and benefits.

M/S/C Mr. Roscoe moved, with a second by Mr. Dugan, to recommend RWA Board approval of RWA Affiliate application from Brown and Caldwell. The motion carried by the unanimous voice vote of all directors present.

7. CLOSED SESSION UNDER GOVERNMENT CODE SECTIONS 54954.5(E) and 54957 – PUBLIC EMPLOYEE PERFORMANCE EVALUATION

8. REPORT FROM CLOSED SESSION – EXECUTIVE DIRECTOR’S PERFORMANCE

M/S/C Mr. Roscoe moved, with a second by Mr. Dugan to approve the report on Executive Director’s Performance Evaluation pursuant to Exhibit A of the existing contract. Roll call was taken with unanimous support of all directors.

9. MODIFICATION OF ASSOCIATE MEMBER POLICY 100.3

Mr. Woodling said that the changes made to Policy 100.3 may grant Associate Membership to an entity who otherwise qualifies for that membership and whose delivery of potable water is a minor element of its activities and not a primary reason for its seeking Associate Membership in RWA.

M/S/C Mr. Dugan moved, with a second by Mr. Roscoe, to recommend RWA Board approval of proposed amendments to Policy 100.3. The motion carried by the unanimous voice vote of all directors present.

10. RWA SEPTEMBER 8, 2016 BOARD MEETING

There was discussion on the RWA September 8, 2016 Board meeting agenda. It was agreed to move items from the Executive Committee Report and Recommendations to the Consent Calendar and adding item 4b to report on the Executive Director’s Performance Evaluation. The Chair to Appoint 2016 Awards Committee will be a report item only.

M/S/C Mr. Peifer moved, with a second by Ms. Sedwick, to approve the agenda for September 8, 2016 meeting of the RWA Board of Directors with the amendments discussed. The motion carried by the unanimous voice vote of all directors present.

11. EXECUTIVE DIRECTOR’S REPORT

Government Affairs Update – The State Water Resources Control Board and DWR have begun the process to prepare recommendations to implement the Governor’s Executive Order on long term water conservation. Mr. Woodling and Mr. Peifer are serving on an Urban Advisory Group which will meet over the next few months to provide input to the report, which is due in mid-January. The report is expected to include recommendations that will need to be implemented through legislation. Four areas will be addressed: reducing water loss, changes to the water shortage contingency plan element of urban water management plans, targets that will exceed those required in SBX7 7 (20x2020), and reporting and enforcement. RWA has

convened a water efficiency policy group to provide input to our participation. They have a current process ongoing for SB 555, which will be the primary driver for what populates the framework. The main focus will be strengthening local drought resilience, changing the requirements in the Urban Water Management Plan and planning for a five year drought. There are working groups that will meet next week. Using water more wisely, which is the new standard for indoor water use, outdoor landscape water use, residential, CII reductions in water use and the ER specifically states that there will be new standards for those areas and those will result in targets for water agencies and shall accomplish more conservation than 20 x 2020 requirements currently do.

The Legislature will complete its work in the two-year session on August 31, 2016. The RWA Advocacy Program has had another successful year. One of the major concerns at the beginning of the year, a public goods charge on water, failed to gain traction. RWA was successful in getting amendments to SB 1398 (Leyva) which requires replacement of lead service lines or those of unknown composition. In its original form, the bill would have required replacement of service lines on customer property, and could have been excessively burdensome to some RWA members that had inherited poorly documented water systems.

RWA participated in an ACWA coordinated letter to the Governor commenting on the Delta Smelt Resiliency Strategy. One particularly troublesome element of the plan would be to use precious stored water to increase summer Delta outflows.

Grants Update – Staff is currently managing seven grants totaling \$54.2 million. Staff is nearing execution 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. An example of regional collaboration is the check, in the amount of \$723,187, that was just sent to Carmichael Water District for completing their project to serve treated water to Golden State Water.

Water Efficiency Update – Beginning in June, new emergency regulations for water conservation went into effect. All RWA member water providers certified the capacity of their water supplies to serve customer demand for three additional years of drought. As a result, state mandated water conservation standards no longer apply. The media has characterized this as “zero conservation is required.” In reality, the result is that water conservation is back in the hands of local agencies, as it has always been in the past. The Sacramento region continues to keep water use low compared to 2013, achieving a 23% reduction in July. We are aggressively reaching out to the media to promote a more accurate message.

Mr. Peifer commented on the Delta smelt resiliency plan letter. He thanked John for signing on to an effort where sending Delta outflow in a certain way could be problematic for the agencies and water supplies.

12. DIRECTORS' COMMENTS

Mr. Roscoe reported that Sacramento Suburban Water District has two Director positions open for election this fall. One position will be contested.

Ms. Tobin said that San Juan Water District has three people running for two Director positions available this year.

Ms. Sedwick said that in the election for Del Paso Manor Water District no one ran opposed. She asked for a status update on the Powerhouse Science Center at the September Executive Committee meeting. Mary Henrici was appointed to the Rio Linda Board.

Mr. Dugan reported that Placer County Water District has three seats open with only one running opposed. He suggested that we continue the SGMA dialog with municipalities who are not RWA members to educate them as opportunities are presented.

Mr. Peifer commented that the subject of water will always be a challenge with SACOG. RWA needs to continue to be diligent with their responses and perspectives on water use.

Mr. Foster said that California American Water customers have been notified of a rate increase that will take place over the next three years.

Chair Short said that there are six people running for three Director positions for the City of Lincoln. There are serious concerns regarding the effect of the drought on the street trees. The city council approved a letter to be sent to the Placer electeds and the managers of each agency to discuss SGMA.

Ms. McKinney said that Pauline Roccucci and Mayor Carol Garcia have termed out.

ADJOURNMENT

With no further business to come before the Board, Chair Short adjourned the meeting at 10:21 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer

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AGENDA ITEM 4: REGIONAL RELIABILITY PLAN UPDATE

BACKGROUND:

Staff will provide an update on the effort to develop a Regional Water Reliability Plan.

STAFF RECOMMENDATION:

Information Presentation: Rob Swartz, Manager of Technical Services

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AGENDA ITEM 5: LEGISLATIVE WRAP-UP

BACKGROUND:

Legislative Summary

The California Legislature adjourned August 31st giving the Governor until September 30th to take action on the bills that had reached his desk and officially close the 2015-2016 two-year legislative session. Of the nearly 100 bills that RWA tracked and monitored, including the 37 top priority “hot bills”, eleven were signed into law by the Governor. The remaining hot bills were either amended to issues of no concern to RWA; failed to make it out of the legislature; or were vetoed by the Governor.

The RWA “Hot List” bills signed into law are shown in the table below:

Bill (Author)	Bill Title (or Abbreviation)
AB 935 (Salas)	Water Projects
AB 1716 (McCarty)	Lower American River Conservancy Program
AB 1755 (Dodd)	The Open and Transparent Water Data Act
AB 2480 (Bloom)	Source Watershed Financing
AB 2551 (Gallagher)	Contract Procurement: Surface Storage Projects
SB 7 (Wolk)	Housing: Water Meters: Multiunit Structures
SB 552 (Wolk)	Public Water Systems Consolidations
SB 814 (Hill)	Drought: Excessive Water Use
SB 1262 (Pavley)	Water Supply Planning
SB 1263 (Wieckowski)	Public Water Systems: Permits
SB 1398 (Leyva)	Public Water Systems: Lead User Service Lines

Three of the bills signed by the Governor - SB 7, SB 814, and SB 1398 - will have impacts to all RWA member agencies. A summary analysis of these three bills and their impact is provided below (full analysis and bill text of these three bills and all top priority bills are available on the RWA website):

SB 7 – Water meters for new multiunit structures. Beginning January 1, 2018, this bill requires any water purveyor that delivers water service to a newly constructed multiunit residential structure or newly constructed mixed-use residential and commercial structure for which a new water connection is required to ensure each individual unit be metered or sub-metered as a pre-condition to a new water service. The developer and/or owner of the newly constructed structure is required to install, certify, maintain, test and read the sub-meters unless the water purveyor agrees otherwise. This bill prohibits the water purveyor from imposing an additional capacity or connection fee or charge for a sub-meter that is installed by an owner or his or her agent.

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This bill further provides consumer protections for tenants; requirements that put the onus on the developer to ensure sub-meters are installed in compliance with all applicable laws and regulations; and directs the State Department of Housing and Community Development to propose state building standards requiring sub-meters in newly constructed multiunit residential structures or mixed use residential and commercial structures as part of triennial building code cycle.

SB 814 – Excessive water use during drought conditions. This bill prohibits excessive water use by metered residential customers during specific types of drought emergencies. The specific “types of drought emergencies” for which this prohibition applies are all based on local drought conditions.

The bill requires, as part of scheduled updates to Urban Water Management Plans (years ending in “0” and “5”), every urban retail water supplier, **except those not fully metered**, to establish a method to identify and discourage excessive water use during drought conditions through one of the following options:

- a. Establishing a rate structure that includes block tiers, water budgets, or rate surcharges over and above base rates for excessive water use by a residential water customer or,
- b. Establishing or amending excessive water use ordinance that includes a procedure to identify and address excessive water use by metered residential customers. Under this option, urban water suppliers:
 - i) Must measure excessive water use in terms of either gallons or hundreds of cubic feet of water used during the urban retail water supplier’s regular billing cycle.
 - ii) May consider, in establishing the definition of excessive use, factors that include, but are not limited to, all of the following:
 - (1) Average daily use.
 - (2) Full-time occupancy of households.
 - (3) Amount of landscaped land on a property.
 - (4) Rate of evapotranspiration.
 - (5) Seasonal weather changes.
 - iii) Must issue an infraction or administrative civil penalty for violations of an excessive use ordinance. The penalty for a violation **may** be based on conditions identified by the urban retail water supplier and may include, but is not limited to, a fine of up to \$500 for each hundred cubic feet of water, or 748 gallons, used above the excessive water use threshold established by the urban retail water supplier in a billing cycle.
 - iv) Must establish a process and conditions for the appeal of a fine imposed pursuant to an excessive use ordinance.
- c. Agencies that are **not yet fully metered** are exempt from the above requirements until such time as they become fully metered. In lieu of the

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above requirements, these agencies are required to prohibit certain water use practices (such as specific non-watering days, no runoff, etc.) and impose penalties for prohibited uses of water. The urban retail water supplier may include a process to issue written warnings prior to imposing penalties as well as increased penalty amounts for successive violations.

SB 1398 – Lead user service lines. The intent of the Legislature is to ensure that any known lead water pipes are identified and replaced as promptly as possible and that appropriate action is taken on water service lines of unidentified composition to ascertain whether they contain lead so that water suppliers can manage the replacement of service lines on a schedule that is commensurate with the risks and costs involved. Specifically, this bill requires:

- a. By July 1, 2018, public water suppliers are to compile an inventory of known lead user service lines in use in its system and identify areas that may have lead user service lines. A timeline for replacement of the known lead user service lines in its distribution system must be submitted to the State Water Resources Control Board (SWRCB) for approval.
- b. By July 1, 2020, public water suppliers who identified areas within their system, as “may have lead user service lines” must do either of the following:
 - i. Determine the existence or absence of lead user service lines in use in their distribution systems and provide that information to the SWRCB; or,
 - ii. Provide a timeline for replacement of those user service lines whose content cannot be determined to the SWRCB for approval.
- c. The bill prohibits the SWRCB, where a portion of a distribution system is located within in a Superfund site under an active federal cleanup order, from proposing a timeline for lead user service line replacement that does not conform to any applicable federal regulatory requirements or timelines.

Of note during this legislative session were bills that failed to move forward. For example, at the start of the 2016 session, RWA and other water organizations geared up in anticipation that a carry-over bill from the first year of the session, SB 20 (Pavley), would be taken up as the vehicle for imposing a public goods charge. While that bill was later gutted and amended and the public goods charge discussion never materialized, the topic of a public goods charge is not dead. RWA has an adopted policy acknowledging the need for helping disadvantaged communities but opposing a PGC that would be imposed on our member’s customers. It is recommended that RWA continue to keep a close eye on future legislation that would consider imposition of such a charge.

Other bills of note that died included a bill that would have circumvented time schedules of the Sustainable Groundwater Manager Act by imposing on counties a

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permitting requirement on new groundwater wells throughout the State. These topics will most likely continue to crop up in future legislative sessions.

2017 Advocacy Work Plan

As part of that 2017 Work Plan development process, we have reviewed the Policy Principles adopted by the RWA Board in 2016 and intend to recommend the Board affirm those principles without amendments at its November 2016 meeting. The 2017 Work Plan will focus on preparing for the upcoming 2017 legislative session, continuing to expand RWA's advocacy efforts, and fostering existing and new partnerships and coalitions. Already on the agenda as part of the Work Plan is a water quality tour with legislative staff members on November 15th.

Staff will be reaching out to RWA members to see if other agencies are interested in joining the subscription-based program to employ the contract lobbyist. As part of this process, staff is also evaluating the fee structure for the LSP and anticipates proposing a tiered rate structure to the Program Committee in November. The new fee structure will not result in a fee increase for any of the member agencies.

STAFF RECOMMENDATION:

Information Presentation: Dave Brent, Water Policy Advisor

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AGENDA ITEM 6: RWA POLICY 500.4 REGARDING AUDITOR ROTATION

BACKGROUND:

On April 18, 2012 the RWA Executive Committee approved a contract with Richardson & Company for professional auditing services. According to the RWA Auditor Rotation Policy 500.4 "RWA may enter into multi-year contracts with a term not to exceed five years or renew one-year contracts for not more than five successive terms with the same auditor or auditing firm." The Fiscal Year 2016 audit will be the fifth year that RWA has contracted with Richardson & Company. Due to the implementation of the SGA contract with PERS that began on July 1, 2016, staff would like to extend the contract with Richardson and Company for one additional year since they are so familiar with the situation.

The extension could be accomplished with Executive Committee approval of the selection of Richardson and Company, notwithstanding the five year limitation in Policy 500.4 or through modification of the policy. State law (Government Code Section 12410.6, attached) limits local agencies to six consecutive years of using the same audit partner, but does not require changing audit firms.

Information Presentation: John Woodling, Executive Director

STAFF RECOMMENDATION:

Action Alternatives:

- 1) Approve selection of Richardson and Company to perform the Fiscal Year 2017 audit pursuant to RWA Policy 300.2, Professional Services Selection and Contracting, in an amount not to exceed \$21,620.**
- 2) Recommend to the RWA Board modifications to the RWA Auditor Rotation Policy 500.4 to extend the discretionary period for extension of a contract with the selected audit firm to a period of six years.**
- 3) Recommend to the RWA Board modifications to the RWA Auditor Rotation Policy 500.4 to be consistent with the Government Code, to require changing audit partners, but not audit firms.**

REGIONAL WATER AUTHORITY POLICIES AND PROCEDURES MANUAL

Policy Type : Fiscal Management
Policy Title : Auditor Rotation Policy
Policy number : 500.4
Date Adopted : March 8, 2007
Date Amended : November 8, 2012
November 10, 2016,

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PERIODIC ROTATION OF FINANCIAL AUDITORS POLICY

This policy establishes guidelines for the Board of Directors of the Regional Water Authority (RWA) in its selection and retention of financial auditors, while also complying with audit rotation requirements for annual audits of local governmental agencies. Pursuant to California Government Code section 12410.6, local governments shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for the local agency for six consecutive fiscal years.

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It is essential for the financial integrity of RWA that only highly qualified and independent auditors are engaged on its behalf. RWA recognizes that the long-term engagement of the same auditor or auditing firm may impair the quality of the auditing process due to the potential erosion of auditor independence and potential auditor staleness. On the other hand, RWA recognizes that multi-year audit contracts may enhance the efficiency and quality of the audit process because an auditor that is familiar with RWA's finances may possess valuable institutional knowledge and may be able to provide audit services more efficiently and cost-effectively. In accordance with these considerations, the RWA Board establishes the following policy:

- I. RWA may enter into multi-year contracts with a term not to exceed six years or renew one-year contracts for not more than six successive terms with the same auditor or auditing firm subject to the following limitations:
 - a. Auditor independence must be maintained throughout the engagement, both in fact and in appearance;
 - b. Audit quality should be considered on an annual basis; and
 - c. Auditor experience should be evaluated.

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- II. If RWA has used the same auditor or auditing firm for the preceding six years, the Executive Director will commence a competitive process for procuring a new auditor services contract. Any auditor or auditing firm that has provided

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auditing services to RWA for the immediately preceding six consecutive years will not be eligible to compete.

II. The selection process will be conducted in accordance with the competitive process described in RWA's Consultant/Professional Services Selection Policy, with the exception that the RWA Executive Committee will approve the selection and contract for the auditor regardless of the amount of the contracted services. ^{va}

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REGIONAL WATER AUTHORITY POLICIES AND PROCEDURES MANUAL

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- I. RWA may enter into multi-year contracts with a term not to exceed six years or renew one-year contracts for not more than six successive terms with the same auditor or auditing firm subject to the following limitations:
 - a. The lead audit partner, coordinating audit partner with primary audit responsibility, or the reviewing audit partner of the audit has not acted in such capacity for the prior six consecutive fiscal years.
 - b. The new contract term(s), plus prior consecutive audit services provided to RWA, must be in compliance with state laws.
 - c. Auditor independence must be maintained throughout the engagement, both in fact and in appearance;
 - d. Audit quality should be considered on an annual basis; and
 - e. Auditor experience should be evaluated.

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II. If RWA has used the same auditor or auditing firm for the preceding six years, the Executive Director will commence a competitive process for procuring a new auditor services contract.

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III. Any sole practitioner auditor that has provided auditing services to RWA for the immediately preceding six consecutive years will not be eligible to compete in the competitive selection process to procure a new auditor services contract for a minimum of one year after that auditor's engagement ends.

IV. If RWA has used the same audit firm for the preceding consecutive six years, that firm is only eligible to compete if the prior lead audit partners, coordinating audit partner with primary audit responsibility, or reviewing audit partners will not be used on the engagement for at least the first year of a new engagement.

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V. The selection process will be conducted in accordance with the competitive process described in RWA's Consultant/Professional Services Selection Policy, with the exception that the RWA Executive Committee will approve the selection and contract for the auditor regardless of the amount of the contracted services. ^{va}

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Controller Betty T. Yee

California State Controller's Office

[Home](#) → [State and Local](#) → [Single Audits - OMB A-133](#) → Auditor Rotation Requirements for Annual Audits of Local Governments

Auditor Rotation Requirements for Annual Audits of Local Governments

Assembly Bill 1345 added section 12410.6.(b) to Government Code regarding auditor rotation requirements of public accounting firms providing audit services to local agencies.

Government Code section 12410.6.(b) indicates that commencing with the 2013-14 fiscal year, a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for six consecutive fiscal years. For purposes of calculating the six consecutive fiscal years, the local agency shall not take into account any time that a public accounting firm was employed by that local agency prior to the 2013-14 fiscal year. The Controller may waive this requirement if he or she finds that another eligible public accounting firm is not available to perform the audit.

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California State Controller's Office, Controller Betty T. Yee

BILL ANALYSIS

SENATE RULES COMMITTEE	AB 1345
Office of Senate Floor Analyses	
1020 N Street, Suite 524	
(916) 651-1520 Fax: (916)	
327-4478	

THIRD READING

Bill No: AB 1345
Author: Lara (D)
Amended: 6/6/12 in Senate
Vote: 21

SENATE GOVERNANCE & FINANCE COMMITTEE : 8-0, 6/13/12
AYES: Wolke, Dutton, DeSaulnier, Fuller, Hernandez, Kehoe,
La Malfa, Liu

SENATE APPROPRIATIONS COMMITTEE : Senate Rule 28.8

ASSEMBLY FLOOR : 74-0, 1/26/12 - See last page for vote

SUBJECT : Local government: audits

SOURCE : State Controller John Chiang

DIGEST : This bill imposes additional requirements on audits of local governments. This bill requires an audit for any local agency to be made by a certified public accountant or public accountant, licensed by, and in good standing with, the California Board of Accountancy.

ANALYSIS : The federal Single Audit Act of 1984 requires that state and local public agencies, which receive federal funds from a variety of sources, perform a single, jurisdiction-wide specific audit. The objective is to save time and expense on the part of the state and local entities, while giving the federal agencies involved a more consistent source of information.

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AB 1345
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State law requires the State Controller to receive audit reports prepared by any local public agency in compliance with the federal Single Audit Act of 1984. After the Controller receives these reports, he or she must ascertain the report's compliance with the federal act and transmit the report to the appropriate state agency (AB 4334 (Waters), Chapter 861, Statutes of 1988).

State law prohibits a public accounting firm from providing audit services to a local educational agency if the lead audit partner, or coordinating audit partner, having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local educational agency in each of the six previous fiscal years. An appeals panel can waive this requirement if the panel finds that no otherwise eligible auditor is available to perform the audit (AB 2834 (Migden), Chapter 1128, Statutes of 2002).

This bill requires an audit for any local agency to be made by a certified public accountant or public accountant, licensed by, and in good standing with, the California Board of Accountancy.

Beginning in the 2013-14 fiscal year, this bill prohibits a local agency from employing a public accounting firm to provide audit services to the agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for six consecutive fiscal years. The Controller can waive this requirement if he or she finds that another eligible public accounting firm is not available to perform the audit. This bill specifies that, for the purposes of calculating the six consecutive fiscal years, the local agency must not take into account

any time that a public accounting firm was employed by that local agency prior to the 2013-14 fiscal year.

This bill requires that audit reports prepared in compliance with the federal Single Audit Act for any city, county or special district, as defined by state law, must:

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Be submitted to the State Controller within nine months after the end of the period audited or pursuant to applicable federal or state law.

Comply with the Government Auditing Standards issued by the Comptroller General of the United States.

If a local agency does not submit an audit report to the Controller by the specified due date, this bill allows the Controller to appoint a qualified certified public accountant or public accountant to complete the report and to obtain the information required. This bill requires the Controller to notify a local agency of its failure to submit the audit report and give the local agency a reasonable amount of time to submit the report before appointing a certified public accountant or public accountant. The Controller's costs, including a contract with, or the employment of, the certified public accountant or public accountant, in completing the audit must be borne by the local agency and must be a charge against any unencumbered funds of the local agency.

This bill requires the Controller to refer any matters of unprofessional conduct, as defined in state law, and multiple and repeated failures to disclose noncompliant acts to the California Board of Accountancy.

Comments

The City of Bell's independent auditor failed to report financial abuses such as excessive salaries, illegal loans, and questionable fees. In a series of audits of Bell's finances, the Controller found that the independent auditor failed to comply with 13 of 17 fieldwork auditing standards and reported no significant deficiencies in any of the city's funds. These failures suggest a lack of proper checks and balances in the local government audit process. To ensure that local governments' independent auditors remain independent, this bill requires local governments to comply with the same audit partner rotation requirements that the 2002 Migden bill applied to school districts. The bill also enacts reforms, including:

Requiring local governments' audits to conform to

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recognized government standards and procedures.

Establishing deadlines by which local agencies must submit audits to the Controller for review.

This bill strengthens local governments' independent audit processes and provides safeguards to protect taxpayers against local agencies' misusing public funds.

FISCAL EFFECT : Appropriation: No Fiscal Com.: Yes
Local: No

SUPPORT : (Verified 6/26/12)

State Controller John Chiang
American Federation of State, County, and Municipal
Employees
California Board of Accountancy

ASSEMBLY FLOOR : 74-0, 1/26/12
AYES: Achadjian, Alejo, Allen, Ammiano, Atkins, Beall,
Bill Berryhill, Block, Blumenfield, Bonilla, Bradford,
Brownley, Buchanan, Butler, Charles Calderon, Campos,
Carter, Cedillo, Chesbro, Conway, Cook, Dickinson, Eng,
Feuer, Fletcher, Fong, Fuentes, Furutani, Beth Gaines,

Galgiani, Garrick, Gatto, Gordon, Grove, Hagman, Hall,
Hayashi, Roger Hernández, Hill, Huber, Hueso, Huffman,
Jeffries, Jones, Knight, Lara, Logue, Bonnie Lowenthal,
Ma, Mansoor, Mendoza, Miller, Mitchell, Monning, Morrell,
Nestande, Nielsen, Norby, Olsen, Pan, Perea, V. Manuel
Pérez, Portantino, Silva, Skinner, Solorio, Swanson,
Torres, Valadao, Wagner, Wieckowski, Williams, Yamada,
John A. Pérez
NO VOTE RECORDED: Davis, Donnelly, Gorell, Halderman,
Harkey, Smyth

AGB:do 6/26/12 Senate Floor Analyses

SUPPORT/OPPOSITION: SEE ABOVE

**** END ****

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Page

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October 26, 2016

AGENDA ITEM 7: RWA NOVEMBER 10, 2016 BOARD MEETING

Action: Approve Agenda for November 10, 2016 Meeting of the RWA Board of Directors

**REGIONAL WATER AUTHORITY
REGULAR MEETING OF THE BOARD OF DIRECTORS
Thursday, November 10, 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**
Minutes of the September 8, 2016 full board meeting.
Action: Approve Consent Calendar Item.
- 4. EXECUTIVE COMMITTEE REPORT AND RECOMMENDATIONS**
 - a. Information: Final minutes of the August 24, 2016 Executive Committee meeting and draft minutes from the October 26, 2016 Executive Committee meeting
 - b. **Action: Approve RWA Auditor Rotation Policy 500.4**
- 5. SUSTAINABLE GROUNDWATER MANAGEMENT ACT IMPLEMENTATION**
Panel Discussion
- 6. WATER EFFICIENCY UPDATE**
Information presentation: John Woodling, Executive Director and Amy Talbot, Senior Project Manager
- 7. ADVOCACY PROGRAM UPDATE**
Information presentation: Dave Brent, Water Policy Advisor
- 8. EXECUTIVE DIRECTOR'S REPORT**
- 9. DIRECTORS' COMMENTS**

ADJOURNMENT

Upcoming meetings:

Next Executive Committee Meetings – Wednesday, December 7, 2016, and Wednesday, January 25, 2017, 8:30 a.m. at the RWA office.

Next RWA Board of Directors' Meeting – Thursday, January 12, 2017, 9:00 a.m., at the RWA Office.

October 26, 2016

AGENDA ITEM 8: EXECUTIVE DIRECTOR'S REPORT

OCTOBER 26, 2016

TO: REGIONAL WATER AUTHORITY EXECUTIVE COMMITTEE

FROM: JOHN WOODLING

RE: EXECUTIVE DIRECTOR'S REPORT

a) Government Affairs Update – The State Water Resources Control Board and DWR are continuing the process to prepare recommendations to implement the Governor's Executive Order on long term water conservation (EO B-37-16). Mr. Woodling and RWA vice-chair Jim Peifer serve on the Urban Advisory Group, convened to provide input to the report, which is due in mid-January. The report is expected to include recommendations that will need to be implemented through legislation. RWA and a number of member agencies joined a coalition of water suppliers and associations from throughout the state in writing a letter providing comment on the state's current proposal (attached). The state agencies currently plan to release a draft report for public comment on November 4, 2016, and the comment period will close on November 14th. The final report is due January 10, 2017.

The State Water Board hearing process on the permit modification for the Cal Water Fix project are continuing. RWA member agencies and other protestants will be testifying in the current phase of the proceeding.

RWA and member agency staff are developing a tour of water facilities at the request of staff of the Assembly Environmental Safety and Toxic Materials Committee. The tour will include drinking water treatment of surface and groundwater, wastewater treatment, and monitoring and laboratory operations.

b) Grants Update – Staff is currently managing eight grants totaling \$55.9 million. Staff has fully executed a funding agreement with DWR for the \$1.757 million grant award from the 2015 Proposition 84 Integrated Regional Water Management Implementation Grant round. By the end of the calendar year, RWA will be closing out four grants: 1) 2006 DWR Prop 50 Grant, 2) 2014 USBR Calfed Meter Grant, 3) 2014 USBR WaterSMART Grant, and 4) 2014 USBR Calfed Interior Retrofit Grant.

Over the past quarter, nearly \$4.9 million in grant reimbursements have been distributed to participating agencies. Notable for the last month is reimbursement from Prop 50 to: City of Lincoln for \$77,000; Orange Vale Water Company for \$40,000; Sacramento County Water Agency for \$42,508; and Sacramento Area Flood Control Agency for \$329,665.

RWA submitted a funding application seeking \$250,000 from the 2016 Integrated Regional Water Management (IRWM) Planning Grant Program on September 23rd. If successful, the funds will be used for a 2018 American River Basin IRWM Plan update.

The update is necessary because DWR released revised 2016 IRWM Guidelines in association with the Proposition 1 funding program to be administered by DWR.

c) Water Efficiency Update – Beginning in June, new emergency regulations for water conservation went into effect. All but one RWA member water provider certified the capacity of their water supplies to serve customer demand for three additional years of drought. As a result, state mandated water conservation standards no longer apply. The media has characterized this as “zero conservation is required.” In reality, the result is that water conservation is back in the hands of local agencies, as it has always been in the past. The Sacramento region continues to keep water use low compared to 2013, achieving an 18% reduction in August. Despite the changes in water supply conditions and the relaxed emergency regulations, both the State Water Board and the media are characterizing the reductions in conservation levels as backsliding or less than expected. SWRCB staff and board members suggest the possible return to mandatory standards in January.

d) RWA Membership – The Woodland-Davis Clean Water Agency has notified staff of its intention to withdraw from RWA effective June 30, 2016. The RWA Joint Powers Agreement provides for withdrawal from membership as follows:

A Member may unilaterally withdraw from this Agreement without requiring termination of this Agreement, effective upon ninety days’ written notice to the Regional Authority, provided that the withdrawing Member shall remain responsible for any indebtedness incurred by the Member under any Project or Program Agreement to which the Member is a party, and further provided that the withdrawing Member pays or agrees to pay its share of debts, liabilities and obligations of the Regional Authority incurred by the Member under this Agreement prior to the effective date of such withdrawal.

e) Financial Documents – The financial reports for the period ending September 30, 2016 are attached.

October 18, 2016

The Honorable Mark Cowin, Director
California Department of Water Resources
P.O. Box 942836, Room 1115-1
Sacramento, CA 94236-0001

The Honorable Felicia Marcus, Chair
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814

SUBJECT: Comments on Current State Agency Draft Response to Executive Order B-37-16

Dear Director Cowin and Chair Marcus:

As urban retail and wholesale water suppliers serving tens of millions of Californians throughout the State, we have invested in water supplies for many years to reliably serve our residential, commercial, and industrial customers. We collectively responded to help achieve Governor Brown's goal of 25% water conservation in 2015 in response to the ongoing drought. We appreciate the State's recognition of water suppliers' past investments in water supply resiliency that resulted in the vast majority of the suppliers passing the State's "stress test," demonstrating their capacity to meet customer demand in the event of an ongoing drought.

The undersigned water suppliers and associations comprise designated members of the Urban Advisory Group (UAG) convened by the State to provide input on the framework for implementation of Executive Order B-37-16 (EO) and additional participants in the recent stakeholder outreach process. As such, we wish to express our appreciation for the extensive opportunities to understand and provide comments on the State's proposed implementation and we have provided substantial feedback. We are committed to helping define a successful framework to help California prepare for and respond to future droughts, and to improve the long-term efficiency of water use. We share the goal articulated by your staff in the UAG meetings to date of developing an implementation proposal that can be translated into a legislative package that we can all support.

The purpose of this letter is to identify the elements of the State agencies' current proposal that we support that will improve water management in the future, and to provide specific feedback to improve the proposal. We have the following areas of continued concern, which are described in more detail in Attachment 1, and which we look forward to addressing as the proposal is refined in coming weeks:

- **Five-year Drought Period.** We support the shift to planning for a five-year drought period based on historical hydrologic data, but suggest that the option remain to plan for a shorter period if it represents a more severe drought. We urge the State to continue with the current proposal with that adjustment and include that requirement as an element of the Urban Water Management Plan, rather than an annual assessment. More detailed comments on the Water Shortage

Contingency Plan proposal are included in Attachment 2 to this letter, which we anticipate are now closely aligned with the pending revisions to the staff proposal.

- **Adequate Process to Develop Standards.** We strongly urge the State to proceed with caution as it develops standards, outdoor water use standards, in particular. The State is proposing major changes in water management requirements, some of which are based on emerging methodologies. A large amount of data and technical assistance will be required to implement these standards. The process and methods to obtain and disseminate the data will need to be transparent and technically sound in order to ensure credibility with the public. We urge the State to take a deliberate and iterative approach that allows sufficient time to test the proposed standards and make refinements as necessary. Attachment 3 contains detailed comments on the standard and target-setting proposal.
- **Alternative Target-Setting Approach.** We urge the State to include additional approaches to the standards-based water budget target-setting process which build on the elements of SB x7-7, as directed by the EO. Expansion of the State agencies' proposal to provide for alternative target-setting approaches should be equally effective in reducing water use and would allow for more a cost effective means to reduce water demands. This is particularly important for water agencies that lack resources or capacity, or for water agencies that would benefit from additional flexibility. More detailed suggestions for alternative target-setting are included in Attachment 4.
- **Incentives to Support Continued Supply Investments.** We urge the State to develop and implement a framework that incorporates incentives for the development of drought resilient water supplies, including recycled water and potable reuse, desalination, storage and conjunctive use, stormwater capture, groundwater and other alternatives. Similarly, the State must ensure that the framework does not result in any adverse impacts to water rights.
- **Support for 2025 Schedule.** We support the State's proposal for full compliance of the permanent long-term water use efficiency targets in 2025, as documented in a 2026 compliance report and 2025 Urban Water Management Plan. The Urban water suppliers need adequate time to get the tools and resources in place to achieve the target. (i.e., water rate structure, water use efficiency programs, etc.)
- **Expand the Focus and the Tools.** To make conservation a way of life in California, significant and sustained behavioral changes by nearly 40 million residents will be required. Regulatory standards set on urban water suppliers alone will not be enough to achieve the desired results. We urge the State to use the proposed framework to expand its financial commitment for outreach and technical assistance for water conservation for water suppliers, as well as identifying other mechanisms at the State's disposal to effect changes by end-users of water.

Thank you for the opportunity to comment. We look forward to continued collaboration with staff of the State agencies to develop a framework by the January 2017 deadline that meets the objectives of the EO while preserving local water supplier authority and providing flexibility in implementation.

Sincerely,

David Bolland
Director of State Regulatory Relations
Association of California Water Agencies

John Woodling
Executive Director
Regional Water Authority

Deven Upadhyay
Group Manager, Water Resource Management
Metropolitan Water District of Southern California

John Rossi
General Manager
Western Municipal Water District

David Eggerton
General Manager
Calaveras County Water District

Maureen Stapleton
General Manager
San Diego County Water Authority

Jim Smyth
General Manager
Sweetwater Authority

Gary Arant
General Manager
Valley Center Municipal Water District

Brett Sanders
General Manager
Lakeside Water District

David W. Pedersen, P.E.
General Manager
Las Virgenes Municipal Water District

Chris Garner
General Manger
Long Beach Water

Danielle Blacet
Director for Water
California Municipal Utilities Association

Jim Peifer
Policy and Legislation Manager
City of Sacramento Department of Utilities

Linda Reed
Interim Director
Santa Rosa Water

Joe Berg
Director of Water Use Efficiency
Municipal Water District of Orange County

Jim Barrett
General Manager
Coachella Valley Water District

Alex Coate
General Manager
East Bay Municipal Utility District

Jack Hawks
Executive Director
California Water Association

Paul Helliker
General Manager
Humboldt Bay Municipal Water District

Paul Shoenberger
General Manger
Mesa Water District

Jerry Brown
General Manger
Contra Costa Water District

Hilary Straus
Assistant General Manager
Citrus Heights Water District

Mike Markus
General Manager
Orange County Water District

Greg Thomas
General Manager
Rincon Del Diablo Municipal Water District

Harry Starkey
General Manager
West Kern Water District

Keven Hunt
General Manager
Central Basin Municipal Water District

Einar Maisch
General Manager
Placer County Water Agency

Shauna Lorance
General Manager
San Juan Water District

Mark Kinsey
General Manager
Monte Vista Water District

Martin Zvirbulis
General Manager
Cucamonga Valley Water District

David Hull
General Manager
Humboldt Community Services District

Grant Davis
General Manager
Sonoma County Water Agency

Kenneth V. Payne, P.E.
Interim General Manager
El Dorado County Water Agency

Marc Marcantonio
General Manager
Yorba Linda Water District

Paul Kelley
Executive Director
CalDesal

Allen Carlisle
CEO/General Manager
Padre Dam Municipal Water District

Paul Jones
General Manager
Eastern Municipal Water District

Paul Cook
General Manager
Irvine Ranch Water District

Richard Solbrig
General Manager
South Tahoe Public Utilities District

Leslie A. Bryan
Management Analyst
Redding Electric Utility Legislative & Regulatory
Program

Wendy Chambers
General Manager
Carlsbad Municipal Water District

Robert Roscoe
General Manager
Sacramento Suburban Water District

Chris DeGabriele
General Manager
North Marin Water District

Toby Goddard
Administrative Services Manager
Santa Cruz Water Department

Brian Crane
Public Works Director
City of Redding – Public Works Department

Marcus Yasutake
Environmental and Water Resources Director
City of Folsom

Robert R. Hill
General Manager
El Toro Water District

Steve Cole
General Manager
Newhall County Water District

Thomas D. Cumpston
Acting General Manager
El Dorado Irrigation District

Carrie Pollard
W.A. Principal Programs Specialist
Sonoma-Marín Saving Water Partnership

Tommy Esqueda
Director of Public Utilities
City of Fresno

Ralph Felix
General Manager
Rio Linda/Elverta CWD

Donald M. Zdeba
General Manager
Indian Wells Valley Water District

Tony Stafford
General Manager
Camrosa Water District

Gregory P. Orsini
General Manager
McKinleyville Community Services District

Lisa Koehn
Assistant Public Utilities Director
City of Clovis

Donald M. Zdeba
General Manager
Indian Wells Valley Water District

Doug Culbert
Utilities Director
City of Fortuna

Nicole M. Sandkulla
Chief Executive Officer/General Manager
Bay Area Water Supply and Conservation Agency

Brian Gerving
Director of Public Works
City of Eureka

Mark Andre
Environmental Services Director
City of Arcata

Kimberly A. Thorner
General Manager
Olivenhain Municipal Water District

Robert Shaver
General Manager
Alameda County Water District

Cc:

The Honorable Frances Spivy-Weber, Vice Chair, State Water Resources Control Board
The Honorable Dorene D'Adamo, Member, State Water Resources Control Board
The Honorable Tam Doduc, Member, State Water Resources Control Board
The Honorable Steven Moore, Member, State Water Resources Control Board
Ms. Kim Craig, Deputy Cabinet Secretary, Office of Governor Edmund G. Brown Jr.
Mr. Tom Howard, Executive Director, State Water Resources Control Board
Mr. Eric Oppenheimer, Chief Deputy Director, State Water Resources Control Board
Mr. Gary B. Bardini, Deputy Director, Integrated Water Management, Department of Water Resources
Mr. Kamyar Guivetchi, Manager, Statewide Integrated Water Management, Department of Water Resources

Attachment 1

Comments on the Development of the Framework for Implementation of Executive Order B-37-16

The comments below include fundamental areas of agreement as well as a number of concerns with the current direction of the State's proposals. The comments are arranged under the topical areas defined in the Executive Order (EO): Eliminate Water Waste, Strengthen Local Drought Resilience, and Use Water More Wisely; as well as the Reporting, Compliance and Enforcement element defined by State staff. In some cases, additional detail is provided in attachments.

Eliminate Water Waste

- We support EO Directive 4 that permanently prohibits practices that waste potable water.
- We support the State's intention to continue the ongoing process for implementation of SB 555, passed in 2015, in satisfaction of this element of the EO.

Strengthen Local Drought Resilience

- We strongly support the State's stated objective to create a framework for water shortage contingency planning to be implemented by urban water suppliers that will mitigate the future need for emergency water conservation mandates from the State. Further, we support the State's proposed position that specific actions to be taken to respond to real or potential shortages should be entirely at the discretion of individual water suppliers in their own service areas.
- We support the proposal to assess the impact of a five-year drought period in the urban water management plan (UWMP) process, which will be updated every five years.
- We support an annual drought risk assessment that looks at current year supplies as the basis for making the local decision to implement demand reduction measures. These annual assessments will provide the necessary information on potential shortages to determine specifically which urban water suppliers are in a drought concern area and require technical and/or financial assistance from the State.
- We support the State addressing the needs of small water suppliers that do not meet the statutory threshold to prepare and adopt urban water management plans. The small suppliers may not have the resources to plan for, acquire and manage the necessary water supplies in their community. Indeed, some small suppliers suffered enormously in the past couple of years. It should be acknowledged that urban water agencies have had access to planning and guidance documents prepared by the State, as well as utilizing their own planning and financial resources which have resulted in urban water agencies being well prepared during this drought. We look forward to collaborating in the continued development of tools and resources for small water suppliers.
- **Attachment 2** has been provided to State staff and offers additional specific feedback on the State's proposal for Strengthening Local Drought Resilience.

Use Water More Wisely

- While we recognize that the EO calls for standards to be developed for indoor residential water use, outdoor irrigation, CII water use, and water loss, we offer additional mechanisms that fit within the methodology to set targets. Much like in SBX7-7, we believe multiple target setting mechanisms can be developed to provide flexibility to water suppliers, while meeting the goal of increased water savings beyond the 2020 requirements. We also believe the regional compliance approach allowed in SBX7-7 should be maintained as an option. **Attachment 4** provides more detail on potential compliance mechanisms.
- We appreciate the State's recognition that a standardized percentage reduction for CII water use would be potentially damaging to the State's economy. We look forward to working with the State to develop performance standards for water use for various business types in fulfillment of the EO's CII water use element.
- The proposed standards for indoor water use of 55 gallons per person per day (GPCD) and outdoor water use that is a function of landscape area and evapotranspiration are a useful starting point for discussion. However, this method requires a large amount of landscape information that will require validation and indoor standards either need to reflect the unique conditions of the community such as widespread use of swamp coolers or the age of the housing stock, or provide a variance process. We offer detailed feedback on the State's proposal in **Attachment 3**.
- The State agencies' proposal inappropriately applies outdoor standards based on the Model Water Efficient Landscape Ordinance to properties built before 1993.
- In order to develop a permanent framework that supports the state's goals for long-term water use efficiency as outlined in the EO, we recommend an iterative process that allows sufficient time to test the proposed standards for each of the sector budgets and to make refinements as necessary. The long-term water use efficiency framework should provide a broad policy outline on the approach to calculating the new water use targets and include the potential for alternative methods. The state should then allow sufficient time to pilot test the proposed target-setting methodology with water suppliers and incorporate needed refinements.
- Recycled water should also be recognized as an efficient alternative to the use of potable water. We understand that all water should be used efficiently, and the use of recycled water is already highly regulated under the Regional Water Quality Control Board National Pollutant Discharge Elimination System permits that prohibits certain practices, such as runoff or ponding. The efficient use of recycled water should not be limited. Recycled water is by its nature an efficient use of water and barriers to its use should be minimized. The state's proposal on water waste prohibitions should remain consistent with the intent of the Executive Order.
- If California is to be successful in making conservation a California way of life, a much more comprehensive set of actions must be implemented beyond establishing regulatory water use efficiency targets. The State is proposing enforceable standards applied to water suppliers as the sole mechanism by which to achieve the targets set through the process, and neglecting the opportunity to effect change with end users. We urge the State to consider other mechanisms, both incentives and disincentives, that more directly focus on specific uses and users of water including: State investment in water conservation messaging and outreach, the role of land use agencies in residential and commercial landscaping, and appropriate requirements on businesses and other water users.

- Water suppliers have identified a number of potential unintended consequences of decreasing urban water use that must be more fully evaluated prior to standard and target setting, including, reduced flows that impact the effective operation of wastewater collection and treatment systems; reduced flows that impact drinking water quality, and the higher costs of water efficiency measures that will necessitate increased water rates, further exacerbating affordability issues in urban disadvantaged communities.

Reporting, Compliance and Enforcement

- We appreciate the State's commitment to streamlining both existing and new reporting requirements to minimize the burden on water suppliers.
- The State is proposing a significant paradigm shift in water efficiency requirements from that in SBX7-7. We support the State's proposal to provide a period of five years or more for implementation of new standards and targets before enforcement action is considered. We believe the enforcement timeline must also reflect the need for the State to meet its commitments to provide necessary validated irrigable landscape data, and technical and financial assistance to reduce water loss.
- We urge the State to support collaboration of water suppliers by considering mechanisms by which compliance can be achieved regionally.

Attachment 2

Proposed Drought Planning and Response Structure

The table below identifies a framework for drought planning and response in California and identifies the roles and responsibilities of urban water suppliers and state agencies. The structure includes: Planning – the preparation of Urban Water Management Plans and their specific elements related to potential shortages; Assessment – an annual evaluation by the water supplier of demand, supplies, and potential shortages; and Response – specific actions identified to reduce demand. As the structure is in response to the directives in Executive Order B-37-16, it does not address planning for potential water shortages that result from causes other than drought. Such shortages can be readily incorporated into the structure by each urban water supplier depending on their specific conditions.

	Planning/Response Element	Urban Water Supplier	State Agencies
PLAN	Urban Water Management Plan (UWMP)	<ul style="list-style-type: none"> • Includes long-term “drought risk assessment” consistent with Water Code (WC) 10631(c), 10632(a)(2) and 10635(a): <ul style="list-style-type: none"> ○ Revise WC 10632(a)(2) to require agencies to evaluate drought lasting at least five years - suppliers will analyze supply and demand for five years from the year of the UWMP forward, assuming conditions equivalent to supplier’s five consecutive historic driest years ○ Suppliers will analyze at least five dry years, as part of the multiple dry year assessments in WC 10631(c) and 10635, assuming conditions equivalent to supplier’s five consecutive historic hydrologic driest years ○ Suppliers should be able to utilize a shorter period if it represents a more severe drought than the five-year period. 	<ul style="list-style-type: none"> • DWR prepares UWMP Guidebook. • As part of Guidebook, DWR provides guidance on characterizing the five-year drought cycle. • DWR receives and reviews UWMP for completeness and compliance with statutory requirements.
	Water Shortage Contingency Plan (WSCP) Required element of UWMP <i>This proposal focuses the drought planning aspect of WSCP. The planning for catastrophic events remains unchanged.</i>	<ul style="list-style-type: none"> • Revise WC 10632 to expand the elements of the current water shortage contingency analysis to require a water shortage contingency plan which would include: <ul style="list-style-type: none"> ○ Stages of water shortages and actions that would be taken by suppliers to address each stage. ○ Conditions which would trigger each stage of water shortage. ○ The supplier’s communications strategy to implement the plan. ○ A discussion of the supplier’s WSCP implementation 	<ul style="list-style-type: none"> • As part of UWMP Guidebook, DWR works with stakeholders to develop potential actions that will accomplish the demand reductions. <ul style="list-style-type: none"> ○ Include updated range of savings from water use restrictions and consumption reduction methods, taking into account results from implementation of long-term water use targets.

Attachment 2

		<p>authority.</p> <ul style="list-style-type: none"> ○ An assessment of the financial impacts of implementing each stage. ○ A discussion of the process the supplier will use to report to its community, its governing body and state agencies on implementation of the WSCP; ○ A discussion of customer compliance and enforcement provisions in the plan, as well as any customer exemption processes. ○ A review and improvement process for the plan. 	<ul style="list-style-type: none"> ● DWR offers technical assistance for the development of WSCPs for agencies requesting it. ● DWR reviews WSCP for completeness and compliance with statutory requirements.
ASSESS	Annual Drought Risk Assessment	<ul style="list-style-type: none"> ● Urban water suppliers will be required to prepare an annual water supply assessment (Add a new section to WC) <ul style="list-style-type: none"> ○ Prepare by May 30th of each year ○ Include projected demand and total supplies available for the upcoming year, which includes any supply augmentation. ○ If assessment shows a shortage of supply in the year analyzed, the agencies must identify the appropriate water shortage stage and associated responses to manage the shortage. ● Suppliers can submit the assessment on a regional basis, based on a region identified by water suppliers. 	<ul style="list-style-type: none"> ● As part of DWR Guidebook, DWR provides common standards on preparation of the assessments and the supply and demand documentation required to verify availability of the supply. (e.g., contracts, agreements, etc.)
RESPOND	Implement Water Shortage Contingency Plan)	<ul style="list-style-type: none"> ● Suppliers will submit their annual drought assessment to DWR by May 30th. ● Should a water supplier identify a shortage in their assessment, the supplier shall implement the relevant stage of response actions in its WSCP (including the communications, reporting, and customer compliance elements) ● In the Supplier’s SWRCB monthly report, the supplier shall provide information on implementation of its WSCP, until the hydrologic condition triggering the WSCP actions dissipates 	<ul style="list-style-type: none"> ● DWR will evaluate hydrologic conditions statewide ● From the annual drought assessments, DWR/SWRCB will know the shortage level, if any, of urban water supplier and/or region can take the following actions, if warranted: <ul style="list-style-type: none"> ○ Identify communities that are of “drought concern” ○ Provide assistance (e.g. financial, technical) to those agencies experiencing shortages in order to

Attachment 2

			<p>manage the drought.</p> <ul style="list-style-type: none">○ DWR/SWRCB monitor implementation of WSCP through monthly reporting.
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Attachment 3
Analysis of State Proposed Long Term Conservation
Target Framework
(September 20, 2016 UAG Meeting)
UPDATED – October 17, 2016

Overall Requirements	
<p>State Agency Proposal:</p> <ul style="list-style-type: none">• State would allow suppliers to achieve the target in aggregate, and would not regulate or require targets for suppliers' individual customer groups or classes.• The effective start date of the reporting and compliance period would be six months after the State agencies provide each urban water supplier:<ul style="list-style-type: none">• The data base of measured irrigable area for all residential and separately metered irrigable landscape areas	<p>Proposed Response:</p> <ul style="list-style-type: none">• Support the proposal with the following changes:<ul style="list-style-type: none">– Specify that for compliance purposes, suppliers would be allowed to implement any method of conservation that best meets the needs of the supplier and its customers. Suppliers will have the sole discretion to design and utilize rate structures or implement other conservation tool as the supplier deems appropriate to achieve long term conservation targets.– The state provides additional support for creating targets (See below). <p>State Agency Requirements:</p> <ul style="list-style-type: none">• Provide a functioning data portal with downloadable reference evapotranspiration data for representative climate zones for each supplier. Provide a data base of validated aerial imagery with measured irrigable area for all residential and separately metered irrigable landscape areas correlated at the assessor parcel level.• Provide a calculated target for suppliers requesting state assistance.• Specific compliance dates included in the State's proposal would be extended to reflect the length of any delay in providing these items.

1. Indoor Residential Water Use Standard

<p>State Agency Proposal:</p> <ul style="list-style-type: none">• The indoor residential water use standard is a volume of water used by each person per day. The standard is in units of gallons per capita per day (GPCD).• The provisional standard is proposed as 55 GPCD beginning in 2018.• Revised downward in 2018, to be achieved by 2025• State will reevaluate standard every five years, beginning in 2025.<ul style="list-style-type: none">– The standard will be revised downward to reflect increased usage of efficient fixtures and appliances in 2025 and 2030.	<p>Proposed Response:</p> <ul style="list-style-type: none">• Support the initial standard of 55 GPCD.• Indoor target of 55 GPCD standard multiplied by the population in the year of compliance (to adjust for growth).• Suppliers’ produced Potable Reuse water is excluded from supply when calculating and reporting compliance with the total target. <p>State Agency Requirements:</p> <ul style="list-style-type: none">• Develop and adopt a variance process for water agencies with a workgroup to address special conditions such as the age of the housing stock, use of swamp coolers, seasonal population, etc.• Develop a stakeholder workgroup to consider the impact of lower indoor GPCD standards on wastewater systems and recycled water prior to revising standards starting in 2025.
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2. Outdoor Water Use Standard

State Agency Proposal:

- Using the landscape area option selected by the State above, the outdoor water use budget is calculated as the sum of the individual budgets for all parcels within that landscape area, using a provisional *Evapotranspiration Adjustment Factor (ETAF)* as follows:
 1. Landscape area for parcels developed pre-2010 x 0.8 ETo;
 2. Landscape area for parcels developed between 2010 and 2015 x 0.7 ETo;
 3. Landscape area for parcels developed post 2015 x 0.55 ETo (0.45 for Commercial landscape); and
 4. Special Landscapes (parks, fields) area x 1.0 ETo.
- A pilot study will be conducted with 30 agencies.
- The outdoor standard will be revised lower based on the results of DWR's review of existing budgets and a study of landscape irrigation use in a representative statewide sample of suppliers. Revised standards will be available from the state in 2018.
- Compliance with standards required in 2025
- Standards based on irrigable area.
- State will reevaluate every 5 years, beginning in 2025.

Proposed Response:

- Support initial proposed structure and pilot study with the following conditions:
 - Inclusion of an additional ETAF of 1.0 ETo for pre-1992 installed landscapes.
 - Standards will only be revised in 2018 if total statewide targets are not lower than the current SBX7-7 target.
 - Landscape areas irrigated with recycled water and commercial agriculture are excluded from suppliers' outdoor water use portion of target.
- Outdoor target in the year of compliance adjusted for landscape area increases due to growth that occurred during reporting period. Target adjustment based upon supplier submitted increased landscape area and irrigation data, or percentage population increase.
- Recommend mixed use CII and outdoor water use other than irrigation (i.e. construction water) be handled separately (see below).

State Agency Requirements:

- Provide a database of third-party validated aerial imagery with measured irrigable area for all residential and separately metered irrigable landscape areas, and age of parcels correlated at the assessor parcel level.
 - Aerial imagery data shall be suitable such that it provides for the appropriate amount of irrigation for a variety of vegetation (i.e. large trees, irrigable area under native tree canopy, etc.).
- Provide a data portal that contains downloadable reference evapotranspiration data with representative climate zones for all urban water suppliers in the State.
- Provide the computation of the supplier level outdoor irrigation water target for any urban water supplier requesting State assistance due to inadequate resources.
- Provide updated aerial imagery and measured irrigable area at least by 2025 and every five years thereafter.
- Through a workgroup process, develop and adopt:
 - Standards and processes for developing the landscape area data;
 - A variance process for water agencies with special conditions of outdoor use. Special conditions could include livestock, food production, or water used for firefighting; and
 - Guidelines for calculating areas for Special Landscapes.

3. CII Water Use Performance Measures

State Agency Proposal:

- All dedicated irrigation accounts will be on a budget using outdoor standards.
- Require classification using the North American Industry Classification System (NAICS) by 2021, develop benchmarks.
- Require all mixed meter accounts to split off landscape greater than a size threshold to dedicated irrigation accounts (or equivalent technology) by 2021.
- Audits and water management plans for reporting efficiency in CII water use.
 - Audits and plans for subset of CII customers, based on volume, percentage, or number.
- CII reporting requirements.

Proposal Response:

- Support the proposal and the development of performance measures using the following process
 - Form a CII Technical Workgroup comprised of industry representatives, economic development and business community leaders, water agencies and state agencies. The Workgroup will be tasked with the following requirements:
 - Develop appropriate CII classifications.
 - Complete defining classifications for reporting by 2019; and
 - Support using appropriate NAICS classifications as baseline.
 - Classifications should be detailed enough to include uses of water that are not normally thought of as CII sector water (example: dust control for grading).
 - Develop applicable performance measures for CII classifications by 2021. In developing the performance measures, the Workgroup would gather the data deemed necessary to develop the measures, such as water use, and utilize recommendations from the 2013 *CII Task Force Water Use Best Management Practices Report to the Legislature*.
 - Water suppliers would be required to request that representative industries in the top 5% of their CII users participate in audits and water management plans for each of the CII classifications by 2021, with State reimbursement for suppliers' costs.
 - Suppliers not staffed to conduct audits can request and have audits conducted directly by the State, subject to supplier review.

State Agency Requirements:

- Supply staff resources and funding assistance to develop classifications and performance measures for CII uses within the timelines.
- Through a workgroup process, assess the feasibility criteria and cost-effectiveness of splitting mixed use meters and options, including costs, for installing equivalent technologies. Provide grant funding to split mixed use meters or to install new equivalent technology
- Provide grant funding and technical support for audits and management plans.

4. Water Loss Standard	
<p>State Agency Proposal:</p> <ul style="list-style-type: none"> • The standard for water system loss will be established through the SB 555 process, and will be expressed in terms of a volume per capita or volume per connection, accounting for relevant factors such as infrastructure age and condition. • Will include real and apparent losses. • The water system loss standard will be set by 2019, to be achieved by 2025. • State will reevaluate standard every five years, beginning in 2025. 	<p>Proposal Response:</p> <p>Support the development of appropriately measured standards through the SB 555 process.</p> <ul style="list-style-type: none"> • Base the target water loss standard on relevant factors identified through the SB 555 process. • Water system loss standard will be for potable water systems only. <p>State Agency Requirements:</p> <ul style="list-style-type: none"> • Provide financial assistance to address data gathering and water loss prevention efforts.
5. Reporting, Compliance and Enforcement	
<ul style="list-style-type: none"> • Progress reports beginning in 2019 • Full compliance in 2025 reporting period, as documented in 2026 compliance report and 2025 UWMP update (submitted in July 2026) <ul style="list-style-type: none"> – State Board enforcement • State agencies are developing methods to encourage compliance from 2021 through 2025. 	<p>Proposal Response:</p> <ul style="list-style-type: none"> • Support the proposed timeline with the requirement that all data (i.e. landscape area data, reference evapotranspiration data portal, etc.) and guidance targets dates are met, as proposed. • Need more specificity on proposed State Board enforcement process. <p>State Agency Requirements:</p> <ul style="list-style-type: none"> • Meet target deadlines for data and guidance as proposed.

Attachment 4

Conceptual Approach to “Use Water More Wisely”

Executive Order

Governor Brown’s Executive Order B-37-16 #02 directs the Department of Water Resources and the State Water Resources Control Board to work together to develop new water use targets that build on the goal defined in SB x7-7 of 20% reduction in statewide water use by 2020. The Order further states that the targets will be customized to the unique conditions of each water agency, shall generate more statewide water conservation than existing requirements and will be based on strengthened standards for indoor water use, outdoor irrigation, CII uses and water loss through leaks.

Proposed Approach

- Water agencies will support a stronger statewide goal – a new water use target – that builds on and goes beyond 20% reduction statewide by 2020. The goal would be based on achieving reductions compared to the existing baselines developed pursuant to SB x7-7. Further revisions to a statewide goal would be developed after analyzing progress in 2030, and would be implemented via new legislation.
- In SBX 7-7 four methods were originally developed to provide mechanisms for water agencies to contribute to achieving the 2020 statewide goal – these methods allow for the creation of targets that are customized to the unique conditions of each water agency – allowing water agencies to select the most effective, and cost-effective means of reducing water use.
- These methods accommodate the diversity of hydrologies, individual water system and service area characteristics, sources of supply, demand patterns and investments already made by water agencies in alternative sources and demand reduction and should be maintained and each made more stringent.
- These methods will be strengthened, per the direction provided in the Executive Order. Every water agency will demonstrate that it will achieve greater reductions in water use than would otherwise be achieved under the current requirements of SB x7-7, no matter what method is chosen.
- These alternate methods do not rely solely on remote sensing data and provide the necessary flexibility to avoid the adverse unintended consequences on recycled water supplies, as well as wastewater collection systems.
- Each water agency will evaluate the four alternate methods of compliance and select the most appropriate method for their agency’s local conditions and unique circumstances.

Attachment 4

Compliance Methods

- Method 1 would be modified to reflect the EO requirement to achieve greater water savings than existing requirements. Building on the 20% reduction required in SBX7 7, Method 1 would apply enhanced numerical water use reduction targets for the years 2025 and 2030 to the existing baseline water use (for example 25% by 2025).
- Method 2 (efficiency standards for indoor and outdoor use, CII and leaks) is proposed to be modified per the language in the document entitled “Analysis of State Proposed Long Term Conservation Target Framework – Method 2”. This method requires significant time and expense to determine outdoor use standards, but may become more viable after considerable effort is invested to refine, test and validate it.
- Method 3 would be modified to include an updated regional hydrologic target, and agencies would be required to achieve a 5% reduction from this regional target by 2025. In 2025 an updated regional hydrologic target would be set and agencies would be required to meet an objective 5% reduction from this new regional target by 2030.



October 19, 2016

Regional Water Authority
5620 Birdcage Street, Suite 180
Citrus Heights, California 95610
Attention: John Woodling

RE: Regional Water Authority Membership

Dear John:

Your October 14, 2016 email requested confirmation of the Woodland Davis Clean Water Agency's withdrawal from the Regional Water Authority (RWA). As previously discussed and as explained in my September 13, 2016 email to you the Agency discontinued its membership in RWA effective June 30, 2016.

The Agency appreciates the benefits it received as a past member and wishes the RWA continued success in the future.

Thank you,

A handwritten signature in blue ink that reads "Dennis M. Diemer". The signature is fluid and cursive.

Dennis Diemer
WDCWA General Manager

REGIONAL WATER AUTHORITY

Income Statement

Year-to-Date Performance, September 2016 - current month,
Consolidated by account, Department 10 to 20

	<i>3 Months Ended September 30, 2016</i>	<i>Annual Budget</i>	<i>Unused</i>	<i>% Used</i>
REVENUES				
Annual Assessments	827,614.00	792,800.00	(34,814.00)	104.4 %
Affiliate Members Annual	9,000.00	6,400.00	(2,600.00)	140.6 %
Associate Membership Annual	0.00	34,800.00	34,800.00	
Powerhouse Science Center - Members	74,009.00	60,000.00	(14,009.00)	123.3 %
Powerhouse Science Center - Others	0.00	5,000.00	5,000.00	
SGA Service Agreement Fees	103,282.78	560,300.00	457,017.22	18.4 %
Holiday Social Revenue	0.00	7,300.00	7,300.00	
15th Anniversary Revenue	5,655.00	0.00	(5,655.00)	
Interest on S/T Investments	0.00	4,200.00	4,200.00	
TOTAL REVENUES	1,019,560.78	1,470,800.00	451,239.22	69.3 %
TOTAL REVENUE	1,019,560.78	1,470,800.00	451,239.22	69.3 %
GROSS PROFIT	1,019,560.78	1,470,800.00	451,239.22	69.3 %
OPERATING EXPENDITURES				
Staff Expenses				
General Salaries	135,158.93	793,800.00	658,641.07	17.0 %
Benefits/Taxes	59,723.36	445,700.00	385,976.64	13.4 %
Travel / Meals	3,217.63	15,600.00	12,382.37	20.6 %
Professional Development	0.00	5,200.00	5,200.00	
TOTAL Staff Expenses	198,099.92	1,260,300.00	1,062,200.08	15.7 %
Office Expenses				
Rent & Utilities	4,161.24	25,000.00	20,838.76	16.6 %
Insurance	24,688.00	25,000.00	312.00	98.8 %
Office Maintenance	0.00	3,100.00	3,100.00	
Telephone	1,881.45	11,300.00	9,418.55	16.7 %
Dues and Subscription	1,888.50	7,700.00	5,811.50	24.5 %
Printing & Supplies	2,225.74	26,400.00	24,174.26	8.4 %
Postage	246.16	3,100.00	2,853.84	7.9 %
Meetings	187.63	13,500.00	13,312.37	1.4 %
Computer Equipment/Support	1,174.64	12,400.00	11,225.36	9.5 %
TOTAL Office Expenses	36,453.36	127,500.00	91,046.64	28.6 %
Office Furniture & Equipment				

	<i>3 Months Ended September 30, 2016</i>	<i>Annual Budget</i>	<i>Unused</i>	<i>% Used</i>
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	315.45	1,900.00	1,584.55	16.6 %
Audit Fees	0.00	19,100.00	19,100.00	
Legal Fees	10,879.13	70,000.00	59,120.87	15.5 %
GASB 68 reporting fee	650.00	650.00	0.00	100.0 %
Consulting Expenses - General	25,100.27	162,850.00	137,749.73	15.4 %
Powerhouse Science Center Payments	0.00	25,000.00	25,000.00	
TOTAL Professional Fees	36,944.85	279,500.00	242,555.15	13.2 %
TOTAL OPERATING EXPENDITURES	271,498.13	1,669,900.00	1,398,401.87	16.3 %
OPERATING INCOME (LOSS)	748,062.65	(199,100.00)	(947,162.65)	
NET OPERATING INCOME (LOSS)	748,062.65	(199,100.00)	(947,162.65)	
NET INCOME (LOSS) NET OF PROGRAM	748,062.65	(199,100.00)	(947,162.65)	

October 26, 2016

AGENDA ITEM 9: DIRECTORS' COMMENTS