

**1. CALL TO ORDER**

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

Ron Greenwood, Carmichael Water District  
Marcus Yasutake, City of Folsom  
Kelye McKinney, City of Roseville  
Jim Peifer, City of Sacramento  
Paul Schubert, Golden State Water Company  
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, Adam Robin, Nancy Marrier, Amy Talbot, Cecilia Partridge, Monica Garcia and Ryan Bezerra, legal counsel.

Others in Attendance

Paul Heliker and Charles Duncan, Nicole Krotoski participated via conference phone.

**2. PUBLIC COMMENT**

None

**3. CONSENT CALENDAR**

The minutes from the Executive Committee meeting held January 25, 2017.

Motion/Second/Carried (M/S/C) Mr. Greenwood moved, with a second by Ms. McKinney, to approve the minutes from the January 25, 2017 Executive Committee meeting. The motion carried by the unanimous voice vote of all directors present. Mr. Dugan abstained.

#### 4. DEVELOPMENT OF FY 2017 – 2018 BUDGET

Each year the RWA Executive Committee (EC) reviews and makes a recommendation for adoption of the budget by the full board. The EC discussed some strategic drivers of the proposed Fiscal Year 2017-2018 budget (“FY18 Budget”) at the January 25, 2017 EC meeting. The EC was presented with a list of the significant decisions that impacted the development of the budget objectives and outcomes which drive fees and expenses. Based upon direction from the EC, staff prepared a draft budget for review at the February 22, 2017 EC meeting.

Mr. Woodling gave an overview of the fiscal year 2017-18 budget. He discussed the following:

- 1) Benefits of RWA membership, including regional collaboration and a successful model for grant funding.
- 2) Provided an overview of total grant awards per participant in comparison to dues paid by participant, noting that grant awards for most members have far exceeded dues.
- 3) A total 10% increase on general and associate membership fees is proposed. This 10% increase was forecast in the previous year.
- 4) The fee increase continues to pay for the implementation phase of the strategic plan, including full year staffing of new position.
- 5) Discussed the continued process of the strategic plan implementation, including staffing starting in FY17, funding of the position in part by the strategic plan fund designation (which began in FY16), and eventually transitioning to dues fully paying for the plan by FY19.
- 6) Noted that the WEP manager continues to support RWA programs. In FY17, this position was funded 10% by core dues. The proposed budget continued increasing the core dues funding by 10% per year, with 20% funding in FY18.
- 7) Outlined the CalPERS pension plan unfunded liability payment made in FY2016. Additionally, discussed how the decrease in discount rate from 7.5% to 7.0% will increase the unfunded liability and thereby increase future contributions.
- 8) The budget assumes an increase in leasing costs in FY19 with potential moving costs in FY18 since the lease expires at the beginning of FY19.
- 9) Continuing to pay for the OPEB explicit and implicit subsidy as outlined in the July 1, 2015 actuary report.
- 10) A compensation survey will be done in FY18. Any increases due to this survey have not been factored into the budget.
- 11) IRWM is now being funded by core dues since the designation has been completely expended.
- 12) Looking at FY19, currently projecting an additional 10% increase to fully support government relations position, continue funding unfunded pension liabilities, increased leasing costs, and increasing support of WEP to 30% of WEP manager position.

Based upon the discussions above as well as historical financial information, the FY18 proposed budget was attached for review.

Ms. Tobin entered the meeting.

There was discussion about making larger pension payments in the future to avoid being underfunded. Everyone agreed that this should be part of the discussion going into the future, including exploring the concept of a one-time invoice to members for the unfunded liability portion. Staff will bring back to the EC the unfunded pension liability funding option to future meetings for additional discussion. EC agreed that in the interim, RWA should continue to make additional incremental payments towards its unfunded liability included in the proposed FY18 budget.

The following information is included in the minutes extracted from the staff report but was not explicitly discussed during the EC meeting:

### **Summary Budget Overview**

#### **Revenues**

- 1) A total 10% increase on general and associate membership fees is proposed. This 10% increase was forecast in the previous year. The increase is needed to fully implement the strategic plan, plus continuing to pay sums towards the unfunded pension liability. Additionally, core revenues are now projected to cover 20% of the WEP manager costs and related office expenses.
- 2) No increases to affiliate membership fees are planned.
- 3) SGA service fees represent 50% sharable costs according to the Administrative Services Agreement and exclude the Water Efficiency Program staffing, the legislative program manager, and the retired annuitants for RWA and SGA. SGA does pay for 20% of the project assistant position.
- 4) Subscription program revenues provide 15% of needed RWA Core revenues and reflect income earned from providing staffing and office support to subscription based programs, including the WEP.
- 5) Powerhouse Science Center reflects five year allocated funding with FY19 as the final year.
- 6) Other revenues represent interest income and holiday social revenues.

#### **Expenses**

- 1) The core program budgets for all staffing positions including the WEP position and new legislative program manager position. RWA Core dues are projected to pay for 20% of WEP program manager position and related office costs.
- 2) Shared staffing costs are allocated 50/50 to SGA and RWA which excludes the WEP program manager, legislative Program Manager, the project assistant

position. The project assistant is allocated 20% to SGA. These allocations result in 4.8 FTEs for RWA and 2.2 FTEs for SGA for a total of 7 fulltime positions.

- 3) Staff salaries are within ranges assigned by a 2012 total compensation survey and reflect a possible 5% increase for merit (including COLA), plus 2% to compensate for the employees paying 2% of their PERS retirement contribution. In FY18, staff will pay 6% of their PERS portion. Beginning in FY19, staff will pay the full 7% employee share.
- 4) The FY18 budget now includes a legislative program manager staff position for a full year.
- 5) Benefit costs also include projected increases for CalPERS pension payments, OPEB and health care, and a reduction of a 2% employer pick up of the employee portion of PERS retirement benefits, so that RWA is only paying 1% of the employee portion in FY18.
- 6) Office cost increases are based upon estimated increases in FY18. For FY19 and beyond, these costs are estimated at 3% annual increases unless specific increases have been identified, such as the office lease renewal which is budgeted for an expected increase.
- 7) Professional fees now include IRWM consulting costs. It also includes higher audit, accounting and actuarial analysis fees due to the new reporting requirement for GASB 68 and implementation of GASB 75, increased public relations, stable legal costs, a compensation survey, and \$21,000 for unexpected items.
- 8) Other includes office equipment purchases and potential office move costs of \$20,000.
- 9) Core project expenses include costs associated with the Powerhouse Science Center partnership.

### **Revenues net of Expenses**

- 1) Core revenues in excess of core expenses project a net cash inflow of approximately \$47,300 for the core program. The subscription based programs pay for use of staff time as well as some allocated office costs to run these programs.
- 2) Subscription expenses are projected to exceed revenues by approximately \$572,100, largely due to the Water Energy Grant. Many subscription program expenses will be funded from previously collected funds which have been set aside for this purpose.
- 3) Combined core and subscription expenses versus revenues net a projected decrease in cash flow of approximately \$524,800 essentially caused by the subscription program timing of cash collections versus expenses.

### **Designations**

- 1) The operating fund is targeted at four months for FYE 17-18, which falls within the policy guideline of four to six months. The operating fund designation will be capped at four months, with any remaining resources funding the Strategic Plan Fund and/or not designated.

- 2) The Strategic Plan Fund represents resources being set aside to fully implement the strategic plan. The FY18 budget anticipates using a portion of this fund to pay for the new legislative program manager until it is depleted in FY19.
- 3) The Powerhouse Science Center (“PSC”) designation represents the difference in collection of fees for this project versus the payments made per the contract with PSC.
- 4) The designations are detailed by type. The total change in cash from Projected FY17 to Proposed FY18 by subtotal for the core program reflects the overall net cash inflow of approximately \$47,300 and the effect on each type of designation.
- 5) The designations for the subscription program reflect a decrease of approximately \$572,100 over subscription based expenses, largely due to the water energy grant expected costs in FY18. These programs typically collect revenues in advance of expenses. These expenses will be funded from the corresponding program designations.

### **SUBSCRIPTION PROGRAMS**

These subscription based programs are subject to approval by the individual participants. The revenues are included for total estimate purposes and to reflect the expected contribution towards the Core program for staffing and office costs which is budgeted at 15% for FY18. Adopting the fiscal year 2017-2018 budget does not approve the subscription based programs.

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

- 4) The subscription restrictions reflect the available funds for these programs. The use of these designations projected in FY18 is reflected in the changes in the individual restrictions.

### **Outlook for FY 2019**

In looking out to the future, RWA can anticipate another potential 10% increase in dues in FY19 in order to meet increased expenses related to new staffing, increased leasing costs, continue paying the unfunded pension plan liability and increased costs related to the change in discount rate, and continue paying for the shift of the WEP manager costs to be funded 30% by core dues. The unfunded pension plan liability cost is expected to increase due to the change in discount rate. FY19 and beyond does reflect increased budgeted 6% salary costs but does not incorporate increases that may arise due to revision of job classifications or compensation benchmark comparisons. Future projections assume RWA and SGA share staffing and administrative costs and subscription based programs will contribute 12% of revenues to pay for Core staffing and office costs.

Finally, no changes to membership are anticipated, including any decline due to agency consolidations or nonparticipation. These changes would have a significant impact on rate increases in the future.

M/S/C Mr. Roscoe moved, with a second by Mr. Dugan to recommend RWA Board Approval of Proposed FY 2017 – 2018 Budget. The Executive Committee directed staff to have future discussion to provide options to deal with the retirement and OPEB obligations that are presently underfunded.

## **5. LEGISLATIVE AND REGULATORY UPDATE**

Adam Robin, Legislative and Regulatory Affairs Program Manager, updated the Executive Committee on legislative and regulatory issues. There are three position recommendations from the lobbyist subscription program for approval. One position is related to long-term water use efficiency legislation in response to the Brown Administration's draft framework to "Make Conservation a California Way of Life", the final version of which is expected to be released soon. RWA led the development of draft legislative language that has provided the basis for the Association of California Water Agencies' (ACWA) discussions and getting to a point where local agencies around the state can agree in principle on legislation.

To date there are ten pieces of legislation that have been introduced as spot bills with conservation as their focus. RWA worked with our lobbyist to get two of those bills introduced.

Mr. Woodling commented that our biggest issue with any legislation on this issue is for standards to be set that we can live with and to ensure that the State Water

Resources Control Board (SWRCB) doesn't get any ongoing regulatory authority to change water use targets over time.

Chair Peifer said that we need to be aligned with other water supply interests throughout the state to make certain we get something beneficial for us and that there is unanimous understanding that defines what water efficiency is. Anything that is inconsistent with the coalition comment letters submitted in response to the Administration's draft framework could be trouble.

Mr. Robin said that the SWRCB acted to add language to the resolution readopting the Emergency Urban Water Conservation Regulations. The SWRCB directed their staff to bring the item back in May for reassessment and authorized its Executive Director to modify or rescind the emergency regulation in the event that the Statewide Drought Emergency proclamation is lifted.

In 2015, ACWA working with the League of California Cities and the California State Association of Counties, undertook a comprehensive effort looking at what it would take to amend Proposition 218 of the California Constitution to address three separate but related issues. There were problems presented for funding storm water projects under Prop 218, Low Income Rate Payer Assistance Programs, and the adoption of conservation or demand based rate structures for water agencies. In 2016, Senator Hertzberg introduced Senate Bill (SB) 1298 that would have attempted to address these issues without amending the California Constitution. Senator Hertzberg is now the chair of the Senate Natural Resources and Water Committee and has an interest in continuing to work on this issue. His vehicles to attempt to try and push the issue through this year are SB 231 and Senate Constitutional Amendment (SCA) 4. The storm water issue is dealt with in SB 231, while SCA 4 would amend the California Constitution to allow local agencies to create low income rate payer assistance programs and would also create new rate structure setting authorities for local agencies. Mr. Hertzberg has approached ACWA to sponsor SCA 4. ACWA's Board of Directors and the ACWA State Legislative Committee considered this issue, and determined they would only consider sponsorship of SCA 4 if agreement could be reached with the author on a clear list of conditions.

Mr. Roscoe exited the meeting.

AB 401 (2015) requires the state to produce a report to the Legislature by February 2018 on recommendations to create a statewide low-income water rate assistance program. The report will also include an assessment of the needs and potential funding mechanisms to support operations and maintenance in disadvantaged communities that lack access to safe drinking water. The SWRCB held a workshop on the development of the report in early February. SWRCB staff have indicated they will seek to accelerate the development and release of the final report.

Under the Lead Sampling of Drinking Water in California Schools Initiative every water system in California received a permit amendment in January requiring them to provide lead sampling services to K through 12 schools upon request. Local agencies have a variety of concerns related to the permit amendment, including communication responsibilities in the event of an exceedance, the cost of sampling, and the precedent of creating a statewide program through permit amendments.

Mr. Robin provided an update on Lobbyist Subscription Program activities, membership, and recommended positions/priorities on legislation. He announced that Citrus Heights Water District has elected to join the Lobbyist Subscription Program.

It was suggested that an update be given to the full board on the current policy principles and positions related to water use efficiency. Once the bills are formally introduced staff will bring them to the Executive Committee to get position approval.

M/S/C Mr. Greenwood moved, with a second by Ms. Tobin to adopt positions on Legislation as presented.

## **6. WATER FUTURE BRANDING FOR REGIONAL RELIABILITY PLAN**

John Woodling, Executive Director, said that RWA and its members are undertaking a number of efforts to plan for the region's future water supply reliability, including the Regional Water Reliability Plan, development of a regional "water bank," regional water transfers, the RiverArc project, and implementation of the modified Lower American River Flow Management Standard.

To better discuss these efforts with state and federal representatives and agency staff, local elected officials and the public, the regional business community, potential partners outside the region, and others, the City of Roseville and Placer County Water Agency led efforts to develop a branding and marketing strategy for the package. RWA's public relations consultant was tasked with coordinating with the RWA member efforts.

The group held two focus groups, with influencers and the general public, to test key messages about the program as well as get feedback on potential brands. The status of the project and the "Water Future" brand were presented to the participants of the Regional Water Reliability Plan, some of whom requested that the Executive Committee discuss the branding/marketing efforts.

Ms. McKinney explained that the branding and marketing strategy effort is an attempt to support Cap-to-Cap and to share key projects within our region. There have been Water Future Branding discussions at the last two Regional Reliability Plan meetings. When we started communicating together about regional

collaborative choices that benefited the Regional Reliability Plan, we received the attention of legislators and congressional representatives and the credibility of RWA increased.

After discussion on what the approval process should be when agencies use the RWA logo, it was agreed to give the Executive Director broad latitude to be able to stamp flyers and documents with the RWA logo. There may be requests to use the RWA logo; when time permits, the Executive Director might want to bring the request to the Executive Committee for approval.

## **7. COMPENSATION SURVEY**

RWA Policy 400.2, Employee Compensation Policy, states,

*The Executive Committee will generally conduct a compensation survey at least every five years to ensure that the total compensation offered by the Authority (salaries, wages, and benefits) is consistent with this Policy; provided, however that a compensation survey may be commissioned at any time if directed by the Executive Committee or if recommended by the Executive Director and approved by the Executive Committee. The Executive Committee may also use its discretion to waive or vary the five year commitment.*

The last RWA compensation survey was completed in late 2012. Staff recommends undertaking a survey during 2017. Mr. Woodling recommended staff meet with Shellie Anderson, Bryce Consulting, to initiate a compensation survey.

M/S/C Ms. McKinney moved, with a second by Ms. Tobin to direct Executive Director to undertake a Compensation Survey with the preliminary report to be completed by August 2017 and the final report completed by October 2017.

## **8. STRATEGIC PLAN PROGRESS DISCUSSION**

RWA adopted its *Strategic Plan 2013-2018+* in late 2013. In the interim, a number of internal and external factors have changed, including the passage of the Sustainable Groundwater Management Act, the drought emergency, and proposals for new permanent water conservation standards.

At the January 25, 2017 Executive Committee meeting, the Executive Committee discussed the progress on strategic plan implementation as well as the approach to updating, modifying, and reprioritizing elements of the plan. Staff solicited input from the Executive Committee on the progress of the strategic plan, and will seek input on presenting progress to the full RWA Board.

John Woodling, Executive Director, presented for discussion a Strategic Plan handout including objectives, status, RWAs role and a comment section. There was discussion on reprioritizing and modifying objectives.

After discussion, it was agreed to give the full board information from the Executive Committee on the list of accomplishments and changes or reprioritization for the Strategic Plan with Executive Committee recommendations. It was suggested that the Executive Director send the RWA Strategic Plan 2013-2018+ status report to the full board requesting comments on objectives and status.

## **9. MARCH 9, 2017 RWA BOARD MEETING AGENDA**

M/S/C Ms. Tobin moved, with a second by Mr. Greenwood to approve the March 9, 2017 proposed RWA Board Meeting Agenda reversing the order of agenda items number 4 and 6.

## **10. SUBCOMMITTEE REPORTS**

At the January meeting of the Executive Committee, Chair Peifer appointed three subcommittees to work on specific issues. Kerry Schmitz was appointed Chair of a Conference/Education Subcommittee that also included Rob Roscoe, Pam Tobin and Kelye McKinney. Pam Tobin, Ron Greenwood, Marcus Yasutake and John Woodling were appointed to an Office Space/Lease Subcommittee to evaluate office space options for RWA when its lease on 5620 Birdcage expires in 2018. Robert Dugan was appointed Chair of a Membership Subcommittee to evaluate and help recruit potential new members.

Ms. Schmitz reported from the Conference/Education Subcommittee. The subcommittee has discussed types of events, topics, the audience, possible speakers, potential partners or partner agencies, cost of event, duration of event and timing of event to provide educational information. It was suggested that RWA partner with other agencies who could help facilitate the event. The subcommittee will bring an update back to the Executive Committee after they have reached out to other agencies and have a better idea how an event can best be achieved. Chair Peifer was asked to join this subcommittee.

Mr. Dugan said that he would like to have direction to identify how to proceed for new RWA membership. He requested that John Woodling, Rob Roscoe and Jim Peifer join his membership subcommittee effort. The subcommittee members will meet prior to the March Executive Committee meeting.

A copy of the current RWA office lease agreement was provided to the Office Space/Lease Subcommittee. The members requested information about the office space needs for the future.

## 11. EXECUTIVE DIRECTOR'S REPORT

**Water Efficiency Update** – In 2016, the region saved 25% compared to 2013 or approximately 41.6 billion gallons. The December 2016 savings were 24% compared to December 2013. The cumulative savings for the Emergency Regulation timeframe from June 2015 through December 2016 is 28% or 78.8 billion gallons. The most current state savings information available is cumulative savings from June 2015 through December 2016 at 23% (793 billion gallons).

**Grants Update** – Staff is currently managing four grants totaling \$30 million. RWA has received confirmation from DWR that the \$25 million 2006 DWR Prop 50 Implementation Grant terms have been met. DWR is in the process of releasing the final retention on the project. In February, RWA received a commitment letter from DWR for the \$250K 2016 Prop 1 Integrated Regional Water Management Planning Grant award. The grant will be used to update the American River Basin IRWM Plan to meet updated standards released in 2016.

## 12. DIRECTORS' COMMENTS

Mr. Greenwood reported that Carmichael Water District is becoming more involved with their community joining the Kiwanis Club and being active in their Chamber. The District will be hosting an event at the Carmichael Water District office to engage K through 12 students.

Ms. McKinney has been appointed as a Planning Commissioner for the City of Lincoln while continuing her employment with the City of Roseville.

Chair Peifer reported that Mayor Steinberg has given his nod to assemble a standing committee on utilities from the city council members at the City of Sacramento.

## ADJOURNMENT

With no further business to come before the Executive Committee, Chair Peifer adjourned the meeting at 11:42 a.m.

By:

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Chairperson

Attest:

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Nancy Marrier, Board Secretary / Treasurer