

**1. CALL TO ORDER**

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

**RWA Board Members**

Ron Greenwood, Carmichael Water District  
Steve Nugent, Carmichael Water District  
Al Dains, Citrus Heights Water District  
Hilary Straus, Citrus Heights Water District  
Marcus Yasutake, City of Folsom  
Matthew Wheeler, City of Lincoln  
Kelye McKinney, City of Roseville  
Jim Peifer, City of Sacramento  
Denix Anbiah, City of West Sacramento  
Brendan Leonard, City of West Sacramento  
Diana Langley, City of Yuba City  
Ryan Saunders, Del Paso Manor Water District  
Deb Sedwick, Del Paso Manor Water District  
Michael Raffety, El Dorado Irrigation District  
Mark Madison, Elk Grove Water District  
Tom Gray, Fair Oaks Water District  
Paul Schubert, Golden State Water Company  
Michael Schaefer, Orange Vale Water Company  
Sharon Wilcox, Orange Vale Water Company  
Ralph Felix, Rio Linda/Elverta Community Water District  
Mary Henrici, Rio Linda/Elverta Community Water District  
Kerry Schmitz, Sacramento County Water Agency  
Neil Schild, Sacramento Suburban Water District  
Rob Roscoe, Sacramento Suburban Water District  
Pam Tobin, San Juan Water District  
Paul Helliker, San Juan Water District

**RWA Associates**

Ken Payne, El Dorado County Water Agency and Brett Storey, Placer County

**RWA Affiliate Members**

Jim Graydon and Paul Selsky, Brown & Caldwell; Vanessa Nishikawa, Stantec; Charles Duncan and Abigail Madrone, West Yost Associates

**Staff Members**

John Woodling, Rob Swartz, Nancy Marrier, Amy Talbot, Cecilia Partridge, Monica Garcia and Ryan Bezerra, Legal Counsel

**Others in Attendance:**

Gray Allen, Linda Yager, Todd Kotey, Shawn Jobes, Pauline Roccucci, Shauna Lorance, Annie Mager, Ellen Cross, David Gordon, Joe Duran, Brian Hensley, Dave Jones and Nicole Krotoski.

**2. PUBLIC COMMENT**

John Woodling, Executive Director, introduced new RWA Board Members Deniz Anbiah and Brendan Leonard with the City of West Sacramento. He recognized Gray Allen, board member with Placer County Water Agency.

**3. CONSENT CALENDAR**

- a. Minutes of the January 12, 2017 RWA regular board meeting
- b. Approve amended RWA pay schedule for the period January 2, 2017 to comply with CalPERS citation CCR 570.5 requiring that a date of revision be present on the schedule

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

**3. STRATEGIC PLAN PROGRESS DISCUSSION**

John Woodling gave a presentation with an overview of what the Strategic Plan has accomplished and future goals and priorities. The Executive Committee has discussed updating the strategic plan to address current realities at its January and February 2017 meetings. He updated the full board on progress in implementing the strategic plan and outlined a proposed process for seeking input on a plan update.

RWA adopted its *Strategic Plan 2013-2018+ in late 2013*. In the interim, a number of external factors have changed, including the drought emergency, the passage of the Sustainable Groundwater Management Act, and a new Administration proposal for permanent water conservation target setting authority. Future planning includes ongoing development of the Integrated Regional Management Plan and development of a Regional Water Reliability Plan.

Implementation of the Strategic Plan has included the IRWM Plan with more than \$50 million in IRWM grant funding to date, public outreach and school education under the Regional Water Efficiency Program, coordinated compliance with emergency water conservation reporting and a regional chemical purchase program. There has been media outreach on water management accomplishments and water conditions; expanded involvement in Metro Chamber, ACWA and SACOG; a Water Financing workshop, Board presentation of relevant issues, and briefings with local elected officials to inform and educate. Prior to 2014, there was a coordinated member-led advocacy effort with a lobbyist under contract to RWA in 2015, with a full time program manager in 2017. Staff is involved in a leadership role in statewide efforts including SGMA regulations and long term water efficiency legislation and in the ACWA State Legislative Committee and CMUA.

Staff is requesting feedback from Board members on Strategic Plan status and priorities. The Executive Committee will assess modifications to the Strategic Plan and priorities. The modifications will then be presented to the RWA Board of Directors for adoption.

#### **4. FISCAL YEAR 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 and February 22, 2017 EC meetings. 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.

John Woodling, Executive Director gave a presentation with an overview of the benefits of RWA membership, cost drivers for FY18 and what to anticipate for FY2019. The RWA Fiscal Years 2002-2017 Grant Awards table showed the grant reimbursements and awards that have been received.

The following topics were discussed:

- 1) The proposed overall fee increase is 10%, with some medium sized agencies paying more or less, depending upon their changes in connections. This increase was anticipated in the previous year.
- 2) The fee increases continues to pay for the implementation of the advocacy element of the strategic plan, including a full year of staffing costs. The Strategic Plan Fund that began in FY16 is helping to pay for this implementation in FY17 and FY18. This Strategic Plan Fund was funded by capping the operating fund at four months. Any available resources over four months were then directed towards this fund. The intent of the designation was to support future activities while limiting

large single-year fee increases. It is expected that the strategic plan fund will no longer be needed by FY19 as rates will then support the new staff position. The four month cap on the operating fund will also be lifted.

- 3) The WEP Program Manager continues to assist with RWA core functions. Some of these activities have included State Water Resources Control Board emergency regulations, water supply data collection, the water-energy study, and the development of an RWA annual report. During the FY17 budget cycle, approximately 10% of the staffing costs associated with this position were shifted to RWA core dues to reflect the support provided to the core program by this position. Since this position supports multiple core programs, the FY18 budget will reflect an increase to 20% of staffing and related office costs to be funded by core dues. The subsequent years will also assume an increasing 10% per year (FY22 projected at 60% paid for by core dues). This shift in costs from WEP to RWA allows WEP to use more of its funds for direct public outreach costs. Over time, the shift in costs to RWA dues results in the EC having final authority and oversight of WEP.
- 4) In keeping with RWA's direction in reducing the pension plan unfunded liability, the FY18 budget will reflect an additional payment above the required annual payment. The FY19 through FY22 budget also reflects a best guess at increased required costs and additional payments toward the unfunded liability that are now resulting from CalPERS reducing the discount rate from 7.5% to 7.0% as announced in December 2016. More changes in the future will likely be made as well. Staff will review the funding/payment approach with the Executive Committee to determine funding strategy.
- 5) RWA's lease will be coming up for renewal at the beginning of fiscal year 2019 (August 2018). RWA will set aside costs for a potential move at the end of FY18. Chair Peifer appointed a building lease subcommittee to review options for RWA. RWA likely will face increased leasing costs after the lease expiration.
- 6) RWA will continue to fund the OPEB plan, including the expected increases as a result of the decreased discount rate and changes to the valuation as a result of implicit versus explicit.
- 7) RWA will conduct a compensation survey in FY18. Any changes due to this survey have not been factored into the FY18 proposed budget.
- 8) The IRWMP program is being fully funded by the core program, beginning in FY18. Costs include consulting support.

- 9) RWA increased its support for public relations as well as costs associated with implementing GASB 75 related to OPEB accounting.
- 10) For FY19, RWA can currently anticipate a 10% increase to fund the anticipated increase in leasing costs, anticipated additional payments to pay the unfunded liability, increasing the WEP staffing support to the core program from 20% to 30% and to fully pay for the government relations position.

Based upon the discussions above as well as historical financial information the FY18 proposed budget was included for review. The following information was not explicitly discussed during the meeting, but was included as part of a staff report.

## **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. Some agencies may experience greater than 10% increase if connections increased from the previous year. 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 unfunded liability 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 \$53,300 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 \$518,800 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 undesignated.
- 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 \$53,300 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. A Summary Table – Split Program for a reconciliation of the individual budgets to the overall RWA budget per the combined Executive Summary Table was enclosed.

- 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, 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.

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 Ms. Sedwick moved, with a second by Ms. Tobin, to approve Fiscal Year 2017 – 2018 Budget. The motion carried by the unanimous voice vote of all directors present. Mr. Gray abstained.

## **6. LEGISLATIVE AND REGULATORY UPDATE**

John Woodling, Executive Director, updated the Board on legislative and regulatory issues including Long-Term Urban Water Efficiency Legislation, the SWRCB Emergency Urban Water Conservation Regulation, Proposition 218 - SB 231 and SCA 4, SWRCB AB 401 (2015) Statewide Low-Income Water Rate Assistance Program and SWRCB Lead Sampling of Drinking Water in California Schools Initiative.

Looking ahead what do we do for long term water efficiency standards and how do we improve drought planning under the Urban Water Management



Plan? The state appointed an advisory group to discuss how to implement the Executive Order. Prior to a draft report developed by the advisory group, RWA assisted in coordinating two letters with a broad coalition of water providers proposing alternatives with improvements in drought planning and water efficiency. There are weekly meetings on the long term water efficiency standard setting process.

RWA staff provided an update on Lobbyist Subscription Program activities, membership, and recommended positions/priorities on legislation. Citrus Heights Water District has recently signed up to participate in the Lobbyist Subscription Program.

Amy Talbot, Senior Program Manager, gave an update on California Urban Water Conservation Council (CUWCC) developments and changes. The CUWCC is transitioning to a new organization called the California Water Efficiency Partnership (CWEP). CWEP will be a membership focused partnership dedicated to providing value and assistance to California water providers to reach their state mandated and provider developed water conservation and efficiency goals. This transition represents a huge shift from the existing CUWCC in several ways. There will no longer be separate membership groups. All water providers, environmental organizations and supporting private entities will receive equal representation and voting privileges on the CWEP Board. The CWEP Board will be one cohesive governing body. Currently RWA, city of Sacramento and Sacramento Suburban Water District all have representatives on the CWEP Board. Additionally water agency reporting on conservation and efficiency activities (including BMP 1.4) will no longer be a focus for the organization, but will still be available for those water agencies that have reporting obligations to external organizations such as the Water Forum or the Bureau of Reclamation. RWA is working with the Water Forum to revisit conservation reporting requirements for this region.

Senator Hertzberg, Chair of Senate Natural Resources and Water Committee has two bills on Proposition 218 reform, one of which is a regular Senate Bill that provides the opportunity to charge for stormwater programs. A bill has also been introduced that is more closely tied to water rates, SCA 4, which is a Constitutional Amendment. This bill provides the ability to do life line water rates and to have more flexibility to set conservation based rates.

AB 401 states that the State Water Board has to look at the process of water affordability. State Water Board staff is working on a report on the topic and is expected to make recommendations for legislative fixes, including funding.

Agencies should have received water supply permit modifications 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.

## 7. EXECUTIVE DIRECTOR'S REPORT

**Water Efficiency Update** – We are still in the process of reporting water agency monthly savings to the State Board. In January 2017 the region saved just under 10% with the state's water savings just under 20%. The format of the monthly savings summary report has been updated to align with the start of a new calendar year and the modified State Water Board timeline of June 2016 through current month to represent the implementation of the "stress test" methodology.

**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 completed. 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.

**ACWA Update** – Mr. Woodling attended the ACWA DC Conference and participated with RWA member agency staff in visits to legislators and staff. Conference attendees heard from panels of legislators, staff, and media on a number of issues. Notable was a recent executive order from the Trump Administration on the Waters of the United States (WOTUS) under the Clean Water Act. The order reverses Obama Administration Actions that would have greatly expanded the applicability of the Clean Water Act. The Trump Administration to Infrastructure funding is very uncertain at this time. Several legislators expressed the opinion that a work on infrastructure funding would not come until next year, after other priorities such as the Affordable Care Act and tax cuts are resolved. Additionally, it is unclear what form infrastructure funding will take, and to what degree water will be in the mix.

On March 10, 2017, the ACWA Board of Directors will consider a policy statement regarding the State Water Resources Control Board's approach to flow setting for the Bay-Delta Water Quality Control Plan Update. If that policy is approved, staff will bring a resolution of support to the RWA Board for consideration in May.

**Financial Documents** – The financial reports for the period ending January 31, 2017 were attached.

Mr. Woodling mentioned the RWA Board Member Orientation meeting that will immediately follow the board meeting today. There will be additional orientation meetings after the May 18, 2017 and July 13, 2017 RWA Board meetings.

## **8. DIRECTORS' COMMENTS**

Ms. Tobin reported that she attended the ACWA Legislative Conference in Washington D.C. last week. One of the things that took place was a meeting with Senator Feinstein's office staffer. To create working relationships with legislative staffers it is necessary to make as many trips to Washington D.C. as possible on water issues.

Ms. Yager said that Placer County Water Agency is expanding their small AMI Pilot project and have awarded a bid for construction in their zone 3 service area. The project is expected to be completed August 2017.

Mr. Gray said that there is a vacancy on the Fair Oaks Water District Board of Directors for Division 3. Their board endorses the water bank and possible regional water transfer efforts.

Mr. Schild said that at the February Sacramento Suburban Water District Board of Directors' meeting they authorized cooperative investment with Fulton El Camino Park District to enter into a water garden area. Dave Jones was elected as a new Board member for Sacramento Suburban Water District at the November 2016 board meeting.

## **Adjournment**

With no further business to come before the Board, Chair Peifer adjourned the meeting at 10:35 a.m.

By:

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Chairperson

Attest:

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Nancy Marrier, Board Secretary / Treasurer