

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

Marcus Yasutake, City of Folsom
Kelye McKinney, City of Roseville
Jim Peifer, City of Sacramento
Paul Schubert, Golden State Water Company
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, Amy Talbot, Cecilia Partridge and Ryan Bezerra, legal counsel.

Others in Attendance

Charles Duncan, Mark Emmerson, Brenda Estrada, Jose Ramirez, Lisa Maddaus, Michelle Maddaus and Nicole Krotoski.

2. PUBLIC COMMENT

Mark Emmerson said that he was attending the meeting for Carmichael Water District on behalf of Ron Greenwood. Mr. Greenwood continues to recuperate at home.

3. CONSENT CALENDAR

The minutes from the Executive Committee meeting held March 22, 2017.

Motion/Second/Carried (M/S/C) Ms. McKinney moved, with a second by Ms. Schmitz, to approve the minutes from the March 22, 2017 Executive Committee meeting. The motion carried by the unanimous voice vote of all directors present.

4. DEFINED BENEFIT PENSION PLAN FUNDING POLICY 500.15

In December 2016, CalPERS announced that the discount rate used to calculate liabilities will be reduced from 7.5% to 7.0% over a three year period. Effectively, CalPERS will recast prior obligations, assuming a lower discount rate, which then creates additional unfunded historical liabilities. The decrease in discount rate will affect both components of RWA's CalPERS payment, the normal cost (the annual required payment of pension benefits to pay for employer current obligations for current employees generated by that year's work) and the unfunded liability amortization payment (catch up payments amortized over time from liabilities that were incurred from the time prior to the current period).

At the February 22, 2017 EC meeting, the EC directed staff to explore alternative funding scenarios. At the March 22, 2017 meeting, staff presented a potential estimated range of unfunded liabilities as a result of the decreasing discount rate. The Executive Committee directed staff to draft a pension plan funding policy and provide ideas on how the unfunded liability might be allocated to active RWA members and members who may decline to continue membership in the future. At the April 26, 2017 EC, staff presented draft policy 500.15 outlining the accelerated payment of the unfunded liability framework as well as a methodology on how to allocate unfunded liabilities to non-renewing members.

Ms. Tobin entered the meeting.

A thorough discussion of RWA's CalPERS pension liability and a draft pension funding policy were included in the packet.

Mr. Woodling said that there are two issues, how does RWA financially handle accelerated payments to pay the unfunded liability and what should be included in the policy. And, how does RWA address the concern that a member might leave and not be pay their share of the ongoing obligation for past service of employees that a member received.

Mr. Roscoe entered the meeting.

Ms. Nicole Krotoski discussed various aspects of the draft policy with the Executive Committee. She highlighted that RWA has always been current in paying its required pension contributions and that RWA has had a de facto funding policy by essentially funding CalPERS pension plan payment requirements. In fact, RWA paid an additional amount of \$225,000¹ towards the unfunded liability in fiscal year 2016. However, even with the additional contribution amounts, RWA still has an unfunded liability as a result of how CalPERS amortizes the unfunded liability into required payments.² And because the discount rate is decreasing over the next three years, the unfunded liability is expected to grow again.

¹ The \$225,000 payment was 39% funded by SGA, split as follows: \$137,400 RWA and \$87,600 SGA.

² CalPERS amortizes the unfunded liability for up to 30 years as part of the required annual lump sum payment, with ramping up the amortization for the first five years and then leveling it off over the remaining 25 years.

Ms. Krotoski also discussed the idea of intergenerational equity in regards to allocating pension costs. However, since RWA's membership is voluntary, it is important for the organization to ensure that pension costs, including any unfunded amounts related to the ultimate pension promises for current or past employee services, are paid currently. Mr. Woodling reiterated the concern: Will the membership be around in 30 years to pay these unfunded liabilities or should RWA consider not stretching out these payments in light that membership is voluntary.

Ms. Krotoski also provided a practical example of how the policy would apply to a withdrawing member. The example followed the principles of the draft policy. Mr. Woodling asked for clarification on what it means to RWA to be part of the Miscellaneous Pension Plan³ in terms of risk to RWA. Ms. Krotoski said she raised this issue with RWA's actuary asking what would happen to RWA's allocated pension assets if RWA properly funded or even accelerated funding and other employers did not because their pension costs were increasing and becoming difficult for them to pay. The actuary had communicated to Ms. Krotoski that there is no risk to RWA. Ms. Krotoski suggested that the risk concern should probably be followed up with legal advice.

Executive Committee members sought clarification on many of the draft policy points and ideas. There was much discussion on the different ideas outlined in the policy. Mr. Ryan Bezerra interjected that it sounds like RWA is eventually hoping that the unfunded liability will be eliminated. Mr. Roscoe pointed out that it will never be zero since every year a new liability can be created based upon actual results not meeting assumptions.

Ms. Tobin asked if RWA has considered leaving CalPERS pool and self-funding or perhaps joining other agencies. Ms. Krotoski then discussed the concept of the hypothetical termination liability ("HTL") as calculated by CalPERS. The HTL is the amount of money RWA would owe CalPERS for the pension plan promises to date for the existing pension participants. The HTL is a much larger liability because CalPERS uses a much lower discount rate of 3.25% or 2.0% compared to 7.5%.⁴ Ms. Krotoski indicated that if RWA were to form its own self-funded pension plan pool, the discount rates for some private pension plans are closer to 4.5% to 5.0%.

Additional discussion ensued in regards to understanding the HTL and what it means to the organization. Mr. Woodling pointed out that in allocating the pension liability to any withdrawing members, RWA should consider using the HTL since the concept is similar to CalPERS assumption: RWA can no longer collect pension costs for past service of employees when the member used those

³ RWA participates in the CalPERS 2% @ 55 Miscellaneous Plan and is part of a pooled group plan since RWA has less than 100 employees.

⁴ The future the discount rate will go to 7.0% over the next three years and may go lower to 6.5% after that time.

services if CalPERS assumptions or results change and those costs are recalculated.

Ms. Krotoski also discussed the idea that as RWA continues to accelerate the pension payments and the unfunded liability is reduced closer to zero, in any year that CalPERS exceeds its investment discount rate or exceeds assumptions used, the liability can flip to become an asset. While having a positive balance is not inherently undesirable, RWA will not be able to use the amount to entirely offset any future payments to CalPERS. The positive balance would also be amortized over 30 years. And RWA will need to continue to pay the annual normal cost⁵ of employee pension costs if RWA does have an asset.

Mr. Bezerra cautioned the Executive Committee to clarify the policy in terms of either being more specific in the policy for allocating liabilities to members or recognize the potential ambiguity of the policy. He also indicated that RWA should be clear in its policy so that new members can understand what they are signing up for when joining. He suggested that the pension exit fee should be fairly clear to the membership.

Mr. Roscoe raised an issue in terms of disclosure on member's financial statements wondering if they now would have to disclose this potential liability on their statements. Mr. Woodling commented that the liability has always been there for all members. The draft policy is documenting an approach on how to allocate that liability. Mr. Roscoe voiced concern that members of RWA when joining may not have realized they were agreeing to pay for the SMWA liability⁶. Ms. Krotoski clarified that the allocated liability to any member would be pro-rated based upon the time in membership of the member.

Mr. Peifer suggested a subcommittee of the Executive Committee be formed to further explore the nuances of the draft policy to bring back to a future EC meeting. Mr. Schubert suggested using the existing draft policy as a starting point for revision.

No Action was taken on this agenda item at this time.

5. RESOLUTION NO 2017-03 IN SUPPORT OF ACWA POLICY STATEMENT ON BAY-DELTA FLOW REQUIREMENTS

On March 10, 2017, the ACWA Board of Directors considered a policy statement regarding the State Water Resources Control Board's approach to flow setting for the Bay-Delta Water Quality Control Plan Update. Staff brought Resolution 2017-03 to the Executive Committee to recommend approval by the RWA Full Board at the May meeting.

⁵ The normal pension cost represents the required pension contribution for the employer only for the service of the current employees. It does not include the employee contributions which are made by the employees.

⁶ The Sacramento Metropolitan Water Authority (SMWA) was the original organization formed in 1990. SMWA changed its name to RWA in 2001.

Ms. McKinney suggested adding the March 2017 date of the ACWA Policy Statement to the resolution.

M/S/C Mr. Roscoe moved, with a second by Mr. Peifer, to recommend RWA Full Board Approval of Resolution No 2017-03 in Support of ACWA Policy Statement on Bay-Delta Flow Requirements adding the date of March 2017. The motion carried by the unanimous voice vote of all directors present.

6. UPDATE ON REGIONAL WATER PLANNING EFFORTS

Rob Swartz, Manager of Technical Services, gave an update on regional water planning efforts. As reported to the RWA Board in January 2017, RWA is involved in several concurrent water supply planning efforts that are interrelated. These include:

1. Regional Water Reliability Plan (RWRP)
2. Regional Drought Contingency Plan (RDCP)
3. American River Basin Integrated Regional Water Management (ARB IRWM) Plan 2018 Update
4. American River Basin Study (ARBS)
5. Proposition 1 Disadvantaged Community Involvement Program (DCIP)

The ARBS and DCIP are expected to begin in the near future. Staff will provide updates on those efforts as they begin. The focus of today's meeting was on the RWRP, RDCP, and ARB IRWM updates.

The RWRP and RDCP commenced in 2016 and are closely related in that each plan looks at vulnerabilities and mitigation actions for near-term and long-term water supply of the region's municipal water suppliers. As part of development of the RWRP and RDCP, four sub-regional groups met the week of March 6 to discuss potential mitigation actions to address water supply vulnerabilities. Results of these meetings were discussed with the joint RWRP/RDCP meeting on April 12th. Based on feedback received at the meeting, staff and the consulting team are revising a prioritization method for identified mitigation actions.

The update of the ARB IRWM Plan is commencing with the regular semi-annual ARB IRWM Stakeholder Meeting on April 24, 2017. As also previously reported, staff reviewed revised IRWM guidelines released by the California Department of Water Resources (DWR) in August 2016, and determined a need to complete a limited update to the adopted ARB IRWM Plan. RWA is being awarded a \$250,000 planning grant from DWR to update the ARB IRWM Plan. Staff expects to bring the updated plan to the RWA Board for approval by July 2018. This update will enable the region to pursue Proposition 1 IRWM implementation grant opportunities in 2018.

To complete the ARB IRWM Plan update, staff recommended using Stantec Consulting Inc. (Stantec), formerly MWH Americas, Inc., as its primary consulting support. Because much vulnerability and mitigation work being completed under the

RWRP and RDCP will be integrated into the update of the ARB IRWM Plan, the amount of new work associated with the ARB IRWM Plan update is limited. The estimated value of new work to be authorized to Stantec is just under \$86,000.

Consistent with RWA Policy 300.2(III), staff requested that an alternate selection process be used based on the following:

- Stantec successfully completed both the 2006 and 2013 versions of the ARB IRWM Plan.
- Stantec is currently working on the identification of water supply vulnerabilities and proposed mitigation actions, which are important components of the IRWM Plan update.
- Stantec's extensive knowledge of the existing ARB IRWM Plan provides efficiencies in updating portions of the plan, resulting in the limited budget required to achieve compliance with the updated IRWM Plan guidelines.

Mr. Roscoe requested a summary of the multiple planning efforts from Mr. Swartz that could he could provide to the Sacramento Suburban Water District board.

There was discussion about whether the Task Orders with Stantec would continue the work with the same staff as previously assigned to the project. Mr. Swartz confirmed that the same staff are assigned to the project. Staff was reminded that future contracts for services should be obtained through a competitive process to the extent feasible.

Mr. Swartz said that one of the items that came up for discussion at the ARB IRWM Plan kickoff meeting was with respect to our existing IRWMP boundary. Questions from stakeholders included: Has the Sustainable Groundwater Management Act (SGMA) resulted in the need to revisit our boundary in the North American Subbasin? Should we potentially look at some of the groundwater Sustainability Agencies in Sutter County and their interests? Another issue was whether the City of West Sacramento should potentially be part of the ARB IRWM Plan. As part of this plan update, we will be revisiting these issues and engaging with others. A boundary change could be relatively straight forward with the Department of Water Resources. It is unclear is adding additional areas with agencies that are not RWA members would require changes to the composition of the Regional Water Management Group.

M/S/C Mr. Roscoe moved, with a second by Ms. Tobin, to authorize the Executive Director to Execute Task Orders with Stantec Consulting, Inc. consistent with RWA Policy 300.2 for the update of the American River Basin Integrated Regional Water Management Plan. The motion carried by the unanimous voice vote of all directors present.

7. LEGISLATIVE AND REGULATORY UPDATE

Adam W. Robin, Legislative and Regulatory Affairs Program Manager, updated the Executive Committee on legislative and regulatory issues including Long-Term

Urban Water Efficiency Legislation, Proposition 218 - SB 231 and SCA 4, Public Goods Charge Legislation and SWRCB AB 401 (2015) Statewide Low-Income Water Rate Assistance Program and Lead in Drinking Water Legislation. He also provided an update on Lobbyist Subscription Program activities, membership, and recommended positions/priorities on legislation.

Mr. Robin gave a brief update on the bill packet that was enclosed in the Executive Committee meeting packet. Two bills sponsored by RWA, AB 968 and AB 1654 were amended to include work that was developed by RWA and refined through ACWAs work group process with 99 organizations listed as coalition support. The bills are moving forward to appropriations. Staff has met with Senator Hertzberg's staff and they were generally receptive to the idea that the legislatures should maintain control over long term target setting and they have an interest in anything that has to do with water.

Senator Hertzberg's SCA 4, is the proposed constitutional amendment that would give water suppliers the authority to adopt low income rate assistance programs as well as different types of rate structures. There are concerns about replacing part of the California Constitution.

The Water Board staff were trying to get a report completed on what the Statewide Low Income Water Rate Assistance Program bill AB 401 would look like. The original goal was to influence legislation that was going to be working through the capitol this year. It now appears that this will be a two year process. A draft is expected this summer with a final report the end of the year.

Bills that were tagged as potential vehicles for a public goods charge proposal were SB 623 and SB 778. Bill SB 778 was amended and is no longer part of the debate. A vehicle for some sort of funding solutions this year is SB 623. It's not clear if it will be a public goods charge or whether it's going to be something more limited in scope.

There are a number of bills related to lead in drinking water. The issues included are the scope of the testing, who does the testing and who pays for the testing. The Water Infrastructure Improvements for the Nation Act provides federal funding for this type of work. The only eligible entities are the state and schools themselves. Community water systems cannot be reimbursed using that federal funding.

There was discussion on the bills related to the conservation effort and groundwater recharge and if they are headed in the direction that will be beneficial to our interests.

Mr. Woodling thanked Mr. Robin for all of his hard work with hopeful outcomes especially on the bills we're sponsoring. RWA is building capacity with a quantum leap that began 3 years ago moving the lobbying contract to RWA followed by hiring part time staff. We made a quantum leap when Adam joined RWA with his knowledge and contacts we have the opportunity to drive the bills we support. In a

very short time we are at the forefront that will pay benefits this year and in the future.

Chair Peifer commented that he appreciates Adams efforts in making sure people understand positions for our region.

M/S/C Ms. Tobin moved, with a second by Mr. Roscoe, to Adopt Bill Positions. The motion carried by the unanimous voice vote of all directors present.

8. STRATEGIC PLAN PROGRESS UPDATE

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 full RWA Board and will discuss the feedback received as well as next steps.

Mr. Woodling, Executive Director, summarized the information received that was incorporated into a handout of the strategic plan objectives. Comments were received from several agencies that were categorized in the handout. There will be discussion at the next Executive Committee meeting after members have reviewed the handout and sent further comments and input.

Mr. Woodling said that after the Executive Committee absorbs the range of comments we can discuss the during the process including where we think RWA should be on some of the issues before taking them to the board membership and figure out what is the process to get there. The Executive Committee can assess the issues with a recommendation to the full board for certain issues and take any issues that are uncertain to the full board for input. A board level workshop was suggested to confirm the highest priorities making sure we capture anything we may want to add to the list.

Mr. Schubert suggested that it would be more efficient to schedule a full board workshop after the Executive Committee discussion and a decision can be made on the range of issues to take to the full board. Taking each section or block of issues at a time for discussion may be more productive.

9. SUBCOMMITTEE UPDATES

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 Street expires in 2018. Robert Dugan was appointed Chair of a Membership Subcommittee to evaluate and help recruit potential new members.

The subcommittees gave an update at the March Executive Committee meeting. The Conference/Education Subcommittee planned to reach out to other agencies to partner with them to help facilitate an event. Mr. Dugan with the Membership Subcommittee requested John Woodling, Rob Roscoe and Jim Peifer join his membership subcommittee effort. The Membership Subcommittee met with City of Davis. The Office Space/Lease Subcommittee is considering options including renewing the current lease, a lease in a new location and purchase of the current office building.

Ms. Tobin reported that the Office Space/Lease Subcommittee has calls out to commercial agencies inquiring about the vacancy rate in our area. The subcommittee continues to work on lease renewal options.

Ms. Schmitz indicated that it is a major undertaking to facilitate an educational event. It was suggested that hiring a consultant to assist in planning for an event may be the best way to move forward. Ms. Tobin mentioned that she is expecting a return call from the Education Foundation who may be interested in partnering with RWA to plan an event. After Ms. Tobin has heard from the Education Foundation she will initiate a conference call with the Conference/Education Subcommittee members.

Chair Peifer reported that he and Mr. Woodling had lunch with Mayor Robb Davis of the City of Davis that resulted in a good discussion. Mr. Davis wanted to understand what the RWA was and how it would benefit City of Davis to join. Mr. Woodling followed up with a letter inviting the City of Davis to attend the upcoming RWA Board meeting. The subcommittee is attempting to schedule a similar meeting with the City of Woodling.

10. MAY 18, 2017 RWA BOARD MEETING AGENDA

After discussion, due to a full agenda, it was decided to table the Defined Benefit Pension Plan Funding Policy 500.15 item, move the Powerhouse Science Center report under the Executive Director's Report and limit the Legislative and Regulatory Update discussion to the conservation bills.

M/S/C Mr. Roscoe moved, with a second by Mr. Schubert, to approve the May 18, 2017 proposed RWA Board Meeting Agenda with the changes.
The motion carried by the unanimous voice vote of all directors present.

Items number 12 and 13 were moved ahead of item number 11, but are reported in the order listed on the agenda.

11. CLOSED SESSION UNDER GOVERNMENT CODE SECTIONS 54954.5(C) AND 54956.9(D) – UPDATE ON CALPERS CONTINUED OBLIGATION TO PROVIDE PENSION BENEFITS TO RWA EMPLOYEES

There was nothing to report from closed session.

12. EXECUTIVE DIRECTOR’S REPORT

Mr. Woodling shared an RWA Water Savings Summary for March 2017 indicating the reduction in water use by water agency. The monthly water usage will continue to be tracked that will become an annual report indicating water usage and conservation.

13. DIRECTORS’ COMMENTS

Mr. Schubert requested that the second handout on Policy 500.15 be updated and sent to Rob Roscoe, Kelye McKinney and Paul Schubert prior to their conference call on the next version and the direction to take future Executive Committee discussions.

Mr. Emmerson mentioned that this is the first Executive Committee meeting he has attended. After observing the Executive Committee members, the meeting content and the level of discussion, he thought it was a very good meeting. He said he sees opportunities where he may be able to offer assistance on some of the agenda items. He will report back to Mr. Greenwood on the meeting.

Ms. McKinney said that the West Placer GSA agencies are moving the MOAs through their boards, Lincoln has completed theirs, NID is considering it today and then it goes to PCWA, Placer County and City of Roseville. After everyone has approved the MOA the GSA paperwork will be filed.

Ms. Schmitz said that the County took action accepting GSA responsibility for white space in Sacramento County. After a re-organization at the county Mike Penrose is now the Transportation Director overseeing the Public Works and Infrastructure Department. The County just kicked off their next rate increase. It did not succeed and will be readdressed.

Mr. Roscoe reported that Sacramento is hosting the Environmental Water Research Institute International Congress that is scheduled to meet in Sacramento in May. He has signed his last contract with Sacramento Suburban Water District and plans to retire early 2018.

Ms. Tobin said that San Juan Water District did approve a 9% rate increase. Keith Durkin will be retiring May 15, 2018.

Chair Peifer announced that on May 23rd the City of Sacramento will be rescinding the Stage 2 Water Shortage Emergency.

ADJOURNMENT

With no further business to come before the Executive Committee, Chair Peifer adjourned the meeting at 11:41 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer