

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

Nicole Krotoski, Mitch Dion and Debra Sedwick

2. PUBLIC COMMENT

None.

3. CONSENT CALENDAR

The minutes from the Executive Committee meeting held April 26, 2017.

Motion/Second/Carried (M/S/C) Mr. Greenwood moved, with a second by Ms. Schmitz, to approve the minutes from the April 26, 2017 Executive Committee meeting. The motion carried by the unanimous voice vote of all directors present.

4. CHAIR TO APPOINT 2017 EXECUTIVE DIRECTOR EVALUATION COMMITTEE

Each year the RWA Chair appoints an Executive Director Review Committee. Policy 400.4 states that "The RWA Chair will select an Evaluation Committee comprising four members, consisting of two members from the RWA Executive Committee and two Board Members from the SGA. Members of the Evaluation

Committee will not be from the same agency. Whenever feasible, the Chair of the RWA will chair the Evaluation Committee and the Chair of the SGA will serve on the Evaluation Committee.”

Chair Peifer appointed Marcus Yasutake, City of Folsom; Chair, Kerry Schmitz, Sacramento County Water Agency; Kelye McKinney, City of Roseville; and Robert Dugan, Placer County Water Agency to serve on the Ad Hoc 2017 Executive Director Review Committee

5. DEFINED BENEFIT PENSION PLAN FUNDING POLICY 500.15

Nicole Krotoski explained the changes made to draft Policy 500.15 since the April 26, 2017 Executive Committee meeting. Two separate policy concepts are now presented: 1) funding the historical pension plan liability (Policy 500.15) and 2) fiscal obligations of members who withdraw in regards to unfunded pension liabilities (Policy 500.16). See item 6 for discussions on Policy 500.16. Ms. Krotoski clarified that the suggested time frame to pay back the unfunded liability was over a four year period and that this time frame was a policy choice. Ms. Krotoski also suggested RWA should consider any potential risk that RWA may be assuming if RWA funds its historical pension obligations more quickly while other agencies may not, especially in light of the fact that RWA belongs to a pension plan risk pool.

Mr. Woodling handed out an article entitled “CalPERS may cut Trinity Water District Pensions” because the agency was so far behind in their CalPERS obligations. He emphasized it is important that RWA protect employees, retirees and member interests as part of the JPA, while having some control about CalPERS decisions.

Executive Committee members suggest the annual budget should incorporate a set aside reserve fund to help pay the unfunded liability. Mrs. Krotoski stated the current adopted budget does anticipate annual additional lump sum payments beyond FY18 to pay the unfunded liability.

Ms. Tobin entered the meeting.

After discussion it was suggested that an annual report be generated and presented to the Executive Committee with the current status of the unfunded pension liability based upon the latest available CalPERS Annual Valuation report for RWA. It was agreed that a sentence be added to the first paragraph in the policy stating that a current status report, with the latest available plan valuation, is to be produced by January 1st of each year prior to the budget process.

The information below was not specifically discussed during the meeting but are notes from the staff report to assist in understanding the background of the policy development.

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).

Since RWA membership is voluntary, the Executive Committee has focused on refining a funding strategy for RWA's unfunded accrued pension liability ("pension liability") as calculated by CalPERS. RWA has been paying additional sums over and above the required contributions to the pension plan in order to pay down the pension liability more quickly. The following additional amounts over and above the required contributions have been contributed or are expected to be contributed towards the pension liability as follows:

Fiscal Year Ending June	RWA	SGA ¹	Total
2013 (paid) ²	\$ 42,530	\$ 26,611	\$ 69,141
2016 (paid)	137,400	87,600	225,000
2017 (in process)	42,000	SGA pays directly	42,000
2018 (budgeted)	<u>42,000</u>	<u>SGA pays directly</u>	<u>42,000</u>
Total	<u>\$263,930</u>	<u>\$114,211</u>	<u>\$378,141</u>

Even though RWA has been paying the required pension funding contributions and increased additional contributions, RWA still has an unfunded liability. This liability is due to the fact that CalPERS amortizes unfunded liability costs into payments over long periods of time (typically 30 years) so as to smooth out the cash flow requirements from employers. Now with the change in discount rate to 7.0% with a potential decrease to 6.5% after the next few years, RWA's unfunded liabilities will grow again because past liabilities will now be revalued with a lower discount rate.

The Executive Committee requested staff to develop a more formalized approach to pay down these pension liabilities more quickly. Staff presented a draft of Policy 500.15 at the April 26, 2017 Executive Committee meeting. After much discussion about the nuances of this policy, staff was directed to separate the policy components and clarify some of the language of the policy. Policy 500.15 represents a funding strategy and Policy 500.16 addresses the allocation of the unfunded liability for members who choose not to renew membership. According to the Amended and Restated Joint Exercise of Powers Agreement dated October 8, 2013, a "withdrawing Member pays or agrees to pay its share of debts, liabilities and obligations of the RWA incurred by the Member under the Agreement prior to

¹ Starting on July 1, 2016 (FYE 2017), SGA has its own CalPERS contract and will pay its own share of normal costs, lump sum contributions and additional payments towards the unfunded liability.

² In fiscal year 2013, RWA and SGA paid the side fund payment which effectively was a component of the unfunded pension liability.

the effective date of such withdrawal.” As Members receive employee services in execution of RWA’s projects, mission and advocacy, these employee’s payroll and related current and future benefits need to be paid for by members who benefit from those services.

M/S/C Ms. McKinney moved, with a second by Ms. Tobin to recommend RWA Full Board Approval of Defined Benefit Pension Plan Funding Policy 500.15 amending footnote 3 in the policy with the sentence suggested above³. The motion carried by the unanimous voice vote of all directors present.

6. ALLOCATING UNFUNDED PENSION LIABILITIES TO WITHDRAWING MEMBER POLICY 500.16

Policy 500.16 addresses the allocation of unfunded pension liabilities to withdrawing members.

There were comments and suggested amendments to Policy 500.16. It was agreed that Paul Schubert, Rob Roscoe and Kelye McKinney will participate on a conference call to work on the comments and proposed amendments to Policy 500.16 and bring an edited version back to the Executive Committee for consideration.

No action was taken at this time. It was agreed that Policy 500.16 be revisited at a future Executive Committee meeting with an edited version of the policy.

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 Use Efficiency Legislation, Proposition 218, SB 231 and SCA 4, Public Goods Charge Legislation, SWRCB AB 401 (2015) Statewide Low-Income Water Rate Assistance Program and Lead in Drinking Water Legislation. He summarized the path of the bills through the legislative process and the anticipated outcomes. Both AB 968 and AB 1654 currently have statewide coalition support behind them and are on the suspense file. Proposition 218 is focused on State Constitutional Amendment 4, a measure to amend the California Constitution to give local agencies voluntary authority to implement low income rate assistance and demand-based rate structures. The State Water Board began an effort focused on the Public Goods Charge Legislation and Statewide Low-Income Water Rate Assistance Program with a report designed for a statewide low income rate assistance program with a goal of influencing legislative activity this year. The report is now expected later this year. There is legislation aimed at the lead in school drinking water issue. RWA is supporting a bill that is expected to move forward, that would require schools to provide testing. There are additional bills dealing with the lead in drinking water issue including water systems that are required to give a time line for replacement of suspected or known lead service

³ The changes includes the requirement of presenting RWA’s unfunded pension liability by January 1 to the EC to be incorporated into the annual budget process.

lines. Mr. Robin reported that staff has been actively engaged with the legislature and the governor's office on water related bills.

8. STRATEGIC PLAN PROGRESS UPDATE

John Woodling, Executive Director, gave a presentation update on the RWA *Strategic Plan 2013-2018+* adopted in late 2013. Since that time, a number of internal and external factors have changed the planning landscape, including the passage of the Sustainable Groundwater Management Act, the drought emergency, and proposals for new permanent water conservation standards.

At the Executive Committee meetings since the January 25, 2017 meeting, the Executive Committee has 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 discussed the feedback received as well as how to proceed. 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.

Over the course of several months, the Executive Committee will discuss all of the goals and objectives of the Strategic Plan for potential modification. At the last Executive Committee meeting it was suggested that each portion of the Strategic Plan be presented for discussion separately.

The highest level goal on the Regional Planning Goal portion of the Strategic Plan is to continuously improve an integrated regional water management plan that is comprehensive in scope and guides effective water resources management in the region. There were no changes under the first priority goal, to develop a Regional Water Reliability Plan to identify most promising regional opportunities to improve water supply reliability. There are changes under the second priority goal, to evaluate climate as a regional vulnerability and consider climate adaptation strategies. To complete a comprehensive update to the American River Basin Integrated Regional Water Management Plan has been added as a third priority goal.

There was discussion on the Strategic Plan goals presented, what should remain and what should be modified for the most benefit for RWA member agencies. Any comments or feedback on today's discussion will be sent to the Executive Director for inclusion in the Strategic Plan for presentation to the June Executive Committee to recommend approval to the RWA full board. The second piece of the Strategic Plan (Implementation) will be presented to the June Executive Committee for discussion.

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 expires in 2018.

Robert Dugan was appointed Chair of a Membership Subcommittee to evaluate and help recruit potential new members. Mr. Dugan requested that Rob Roscoe, Jim Peifer and John Woodling join his efforts on the Membership Subcommittee.

Mr. Dugan said that the Membership Subcommittee will wait until after RWA Policy 500.16 has been approved before recruiting new RWA members. Woodland and Davis will be the first agencies approached for RWA membership. It was suggested that a presentation be given jointly to Woodland-Davis, Yolo County Water Resources Association and Yolo County Flood Control presenting a history of RWA including the benefits of becoming a member with a focus on urban interests as well as agriculture.

Ms. Tobin reported that the Office Space/Lease Subcommittee is researching information on the vacancy rate in our area. The committee continues to work on lease renewal options and plans to bring options to the next Executive Committee meeting.

Ms. Schmitz said that the Conference/Education Subcommittee continues to work on obtaining information for the event planner at the Education Foundation to propose the idea of partnering with the RWA to plan an event. It has been determined that a consultant is essential in planning an event and it is imperative to clearly define the objective and subject of an event.

10. EXECUTIVE DIRECTOR'S REPORT

Mr. Woodling reported that he has a meeting scheduled with Susan Rohan, Roseville Mayor and three people from SACOG. The meeting is to coordinate efforts between RWA and SACOG.

Mr. Bezerra reported on the State Water Board's Water Fix hearing. The Modified Flow Management Standard was presented with terms and conditions.

11. DIRECTORS' COMMENTS

Mr. Roscoe said that he will be out of the office most of June. There is a general manager recruitment announcement at www.sswd.org for his replacement. It is anticipated that the new general manager will begin employment after the first of the year in 2018.

Ms. McKinney reported that West Placer Groundwater Sustainability Agency (GSA) participants have all signed a Memorandum of Agreement and required documents were submitted to DWR. A notice has been received from DWR identifying a couple of small parcels that have an overlap between the Western Placer GSA area and the South Sutter Water District GSA area. The overlaps need to be addressed prior to posting the Western Placer GSA for its 90-day public comment period. She also reported that the water rates package for the City of Roseville passed through council.

Ms. Tobin said that Paul Helliker is now officially general manager for San Juan Water District. Keith Durkin has retired. The District also passed their rate increase.

Mr. Greenwood said that it feels good to be back at the Executive Committee meeting. At the Carmichael Water District board meeting there was a reading of their proposed budget, which will be finalized next month. The District is working on possible agreements with neighbors to facilitate assistance with water transfers.

Ms. Schmitz thanked Rob Swartz for his presentation at the Cosumnes Basin meeting. There's an opportunity for that part of the county to participate in an overall modeling effort.

Chair Peifer said that he had previously announced that the City of Sacramento was planning to rescind their Stage 2 water shortage emergency on May 30th. The City has decided to rescind the emergency order in about 10 weeks at which time they will present a package of recommendations to the City Council for consideration.

Ms. Tobin, Ms. McKinney and Chair Peifer exited the meeting.

Chair Peifer handed the gavel to Vice Chair Marcus Yasutake for the remainder of the meeting.

12. 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.

ADJOURNMENT

With no further business to come before the Executive Committee, Vice Chair Yasutake adjourned the meeting at 11:39 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer