

1. CALL TO ORDER

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

S. Audie Foster, California American Water
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
Scott Alvord, City of Roseville
Jim Peifer, City of Sacramento
Diana Langley, City of Yuba City
Jim Abercrombie, El Dorado Irrigation District
Tom Nelson, Elk Grove Water District
Mark Madison, Elk Grove Water District
Dave Underwood, Fair Oaks Water District
Tom Gray, Fair Oaks Water District
Michael Schaefer, Orange Vale Water Company
Robert Dugan, Placer County Water Agency
Brent Smith, Placer County Water Agency
Ed Crouse, Rancho Murieta Community Services District
Mary Henrici, Rio Linda/Elverta Community Water District
Mitch Dion, Rio Linda/Elverta Community Water District
Neil Schild, Sacramento Suburban Water District
Paul Helliker, San Juan Water District

RWA Associates

Damien Waples, Sacramento Municipal Utility District and Brett Storey, Placer County

RWA Affiliate Members

Paul Selsky, Brown & Caldwell and Vanessa Nishikawa, Stantec

Staff Members

John Woodling, Adam W. Robin, Nancy Marrier, Cecilia Partridge, Monica Garcia and Ryan Bezerra, Legal Counsel

Others in Attendance:

Nicole Krotoski, Shellie Anderson, Lindsay Swain and Shauna Lorance

2. PUBLIC COMMENT

None.

3. CONSENT CALENDAR

- a. Draft minutes from the July 13, 2017 RWA regular board meeting
- b. Approve Request to Continue Use of Consulting Support for ARB IRWMP Web-based Interface

M/S/C Mr. Dugan moved, with a second by Mr. Nugent, to approve the minutes from the July 13, 2017 RWA regular board meeting and to approve the Request to Continue Use of Consulting Support for ARB IRWMP Web-based Interface. The motion carried by the unanimous voice vote of all directors present.

Agenda item number 6 was moved ahead of agenda item number 4 but will be reported in the order listed on the agenda. Mr. Helliker entered the meeting during item 6.

4. EXECUTIVE COMMITTEE REPORT AND RECOMMENDATIONS

- a. Information: Final minutes of the June 28, 2017 Executive Committee meeting and draft minute of the August 16, 2017 Executive Committee meeting.
- b. Approve Defined Benefit Pension Plan Funding Policy 500.15.

Mr. Woodling said policy 500.15 is designed to formalize the way RWA insures it is meeting pension obligations. In an organization like RWA that has voluntary membership, the policy insures that the money is there for future obligations that RWA is creating even if the membership changes over time.

In order to assure the pension benefits will remain sustainable, RWA should accumulate adequate resources for future benefit payments in a systematic and disciplined manner during the active service life of the benefitting employees, and when the services are received by the then current members of RWA. The objective of Policy 500.15 is to accelerate additional payments

towards the unfunded pension liability over a period of four years so as to achieve and maintain a 100% funded ratio. These accelerated additional payments will fund future pension benefits that have already earned by prior employee service.

Nicole Krotoski, CPA, gave a PowerPoint presentation with an overview including why a funding policy is necessary, RWA's existing funding policy and proposed policy, the estimated future fiscal impact and the pros and cons of the policy.

Current and prior membership expenses are not fully paid when there's an unfunded pension liability. RWA has an unfunded pension liability component for historical work that employees have completed. An unfunded liability grew over time due to changes in pension plan methodologies, changes in assumptions, and market results of asset investments. RWA has always fully funded their required annual pension payments. However, there's an unfunded liability because of changes in pension assumptions and market conditions that didn't always meet projections. Ms. Krotoski explained RWA's existing funding policy included paying CalPERS required pension payments and then making additional payments above the requirements as part of the budget process. In addition, RWA has made an effort to pay more than what is required to get ahead of the unfunded liability recognizing that discount rates were changing.

The proposed funding policy is to formalize RWA's approach to paying down the unfunded liability. RWA is required to pay 100% of the annual required payments as determined by CalPERS. The normal cost requirements represent benefits earned by current employees. The lump sum requirements include payments towards the unfunded liabilities amortized over 20 to 30 years. The proposed funding policy includes additional lump sum payments with a goal to reach 100% payment of unfunded liabilities based on the current discount rate over a shorter period of four years. This liability information is provided from the most recent CalPERS annual pension valuation. These additional payments will be incorporated in the new fiscal year budget plus additional payments for the next three years. The benefits of the proposed policy are that RWA is funding the pension benefit promises to employees as they occur, fully paying for services as they are received, funding past pension obligations more quickly for service already received by RWA members, and staying on top of the RWA obligations. The downside would be the potential of overfunding the pension obligation when a market year outperforms significantly. This could be adjusted in future budget cycles.

Mr. Woodling said that the Sacramento Bee has reported on at least two organizations that have retirees at risk of not having their pensions paid due to the amounts owed to CalPERS. RWA does not want to get in a similar position.

Ms. McKinney mentioned that this topic has been discussed at length during several Executive Committee meetings. She thanked Nicole and John for their work on this topic. The bottom line is to make sure that RWA is being fiscally responsible and meeting its obligations to employees.

M/S/C Ms. McKinney moved, with a second by Mr. Dugan, to approve the Defined Benefit Pension Plan Funding Policy 500.15. The motion carried by a vote of 15-1. Sacramento Suburban Water District voted no.

5. 2017 COMPENSATION STUDY

The Compensation Survey directed to be undertaken by the Executive Committee is complete. Shellie Anderson of Bryce Consulting was contracted to complete the study. Staff and the consultant reviewed current job descriptions and made some minor changes to better reflect the current use of the positions and serve the needs of the survey. Staff and the consultant discussed the data and recommendations with the Executive Committee at its August meeting. The ultimate goal is to finalize a report and adopt salary schedules by the end of 2017.

RWA policy identifies that a compensation study may be completed every five years as directed by the Executive Committee. The Executive Committee reviews and approves the compensation study recommending the full board's approval of the salary schedules for the staff positions.

Ms. Anderson presented information on the compensation study process, the data elements, the agencies surveyed and the results. The compensation study process includes updating and revising RWA job descriptions to ensure they are accurate and up to date, surveying the same agencies as in the 2012 study, collecting salary and benefit data for RWA classifications and calculating labor market mean and 62.5th percentile. She reviewed the data elements, the list of agencies surveyed, the base salary results, total cash results, total compensation results and overall results. The salary recommendations are a combination of market data and internal alignment. If the current total compensation is within 5% of market, no change was recommended.

Mr. Alvord entered the meeting.

The RWA employee job descriptions are unique, which makes it difficult to find comparable job classifications and maintain consistency year to year. In the current compensation study, some classifications are underpaid and some are overpaid.

Ms. Anderson explained that a policy decision was made in 2012 to use the 62.5th percentile as the target in terms of setting salaries. The rationale is to

be above the median because of the small employee pool and to attract and retain employees since the employees represent the entire asset of RWA. This was the basis for the pay scales proposed in amendments to Exhibit A of Policy 400.2.

Several board members expressed concern with some elements of the proposal, including:

- Whether it was appropriate to compare to statewide organizations or those from other parts of the state;
- Whether the 62.5th percentile, rather than the mean or median was the appropriate metric; and
- Whether the board had complete information on which to consider the proposal.

The board was reminded that the Executive Committee agenda is emailed to all RWA members prior to the meetings. The entire compensation study was included in the August 16, 2017 electronic packet that was posted on the RWA website. All members who have specific questions were encouraged to attend the next Executive Committee meeting to engage in discussion on this topic.

Board members also sought clarification on whether there was a specific requirement to adopt the pay scale changes by a given date and whether the proposal was consistent with the RWA budget approved in March. Mr. Woodling responded that there was no specific deadline for action, and that the proposal was consistent with the approved RWA budget.

Chair Peifer emphasized that a lot of time has been spent over the years to make sure that RWA retains high quality individuals. That is the basis of past decisions and policies.

Mr. Yasutake moved, with a second by Mr. Greenwood, to approve Exhibit A to RWA Policy 400.2.

Mr. Dugan made a substitute motion, with a second by Mr. Abercrombie, to send Exhibit A to RWA Policy 400.2 back to the Executive Committee for further discussion and consideration based on concerns expressed by board members. The Board voted 11-5 to replace the original motion with the substitute motion. The substitute motion subsequently carried by a vote of 12 to 4.

6. LEGISLATIVE AND REGULATORY UPDATE

Adam W. Robin, Legislative & Regulatory Affairs Program Manager, gave an update on Long-Term Urban Water Use Efficiency Legislation, Public Goods Charge Legislation, SWRCB AB 401 (2015) the Statewide Low-Income Water Rate Assistance Program and Lobbyist Subscription Program activities.

The legislative session is currently at the end of the year and will resume in 2018. Long-Term Water Use Efficiency Legislation is an issue that staff has been working on all year. AB 968 and AB 1654 were RWA sponsored bills that are no longer active. Two bills that RWA is active on are AB 606 and AB 1668. These bills consist of four components with provisions related to Urban Water Management Planning that would establish a system of urban water use objectives that would apply to all urban retail water suppliers. There are provisions that relate to small water systems in rural communities and agricultural water management provisions. Urban water use targets or objectives have been controversial. RWA remains in an opposed unless amended position at this point because the window for amendments under Proposition 54 has passed. SB 606 will be acted on by the assembly today as the last item on their agenda. RWA has been working with water agencies across the state to assure that these bills are not passed this year. Work needs to be done on the bills before they get to the point where water suppliers feel comfortable calculating and reporting to the state whether they have met the water use target as defined by rules and regulations that will be adopted by the State Board in the future. The enforcement provisions are problematic as they may include the ability to issue a conservation order that could include requirements for local enforcement. A final legislative report will be given to the full board at the next RWA board meeting.

Mr. Woodling said that staff have been working for over a year on the issue, beginning with an urban advisory group of stakeholders that the state put together. We took the framework that the administration developed and incorporated it into the bills that we sponsored in a way that worked for local water suppliers.

AB 623 was introduced earlier this year that would have created a safe and affordable drinking water fund as administered by the State Water Resources Control Board. This became a two-year bill and will be revisited next year. AB 401 from 2016 requires the State Water Resources Control Board to develop recommendations for legislation for a statewide low income rate payer assistance program. Staff are looking at expanding the scope of the public goods charge discussion when the Water Board's recommendations come out in early 2018.

Mr. Woodling said that there has been discussion with proponents on AB 623. One set of proponents is the Environmental Justice Groups that are pushing this forward to have funding to assist disadvantaged communities that don't have safe drinking water. The other problematic piece has been agriculture. Part of this funding is a tax on nitrogen fertilizer and a tax on dairies. Agriculture wants to pay a set amount rather than have a potential liability for creating nitrate problems throughout the valley.

7. 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 permanent water conservation standards.

The Strategic Plan included objectives in four primary goal areas, 1) Regional Planning, 2) Implementation, 3) Information and Education, and 4) Advocacy. RWA has made significant progress in implementing the plan over the last four years. However, in order for the Strategic Plan to continue to guide RWA's success, modifications are needed. RWA Board members were given the opportunity to comment on the Strategic Plan, and their input was considered by staff and the Executive Committee.

The Executive Committee has developed proposed changes to the Advocacy area of the Strategic Plan and recommends their adoption by the Board. The modifications are clarifying that in the federal advocacy role RWA is primarily supporting the efforts of the members and engaging with other organizations that are more active on a federal level. We are collaborating on some of the regulatory advocacy and to identify the need to look at the ongoing regulatory development of SGMA. The next and last piece of the strategic plan will be the information/education piece that will be presented to the full board by the end of the year.

M/S/C Ms. Henrici moved, with a second by Mr. Dugan, to adopt the modifications to the Advocacy Goal of the Strategic Plan. The motion carried by the unanimous voice vote of all directors present.

8. 2017 AWARDS COMMITTEE APPOINTED

Chair Peifer appointed Kelye McKinney, Kerry Schmitz and Paul Selsky (Chair) as the 2017 Awards Committee.

On behalf of the committee an email will be sent out requesting nominations for the two awards that are presented annually. The Distinguished Service award is presented for long term service to the water community and region and the Water Statesperson award is focused on contributions made over the past year.

9. EXECUTIVE DIRECTOR'S REPORT

RWA monthly update – During the Executive Director performance evaluation, the committee identified the need for a monthly update of RWA activities to keep all members informed in a more detailed and more frequent way. Beginning in October 2017, staff will develop a monthly report that will be distributed to all members and will be suitable for inclusion in Board

packets. Additionally, an after-action report will be prepared to report on outcomes of the monthly Executive Committee meeting.

Grants Update – Staff is currently managing five grants totaling \$30.5 million. RWA received an executed funding agreement with DWR for the \$250K 2016 Prop 1 Integrated Regional Water Management Planning Grant award dated August 8, 2017. The grant will be used to update the American River Basin IRWM Plan to meet updated standards released in 2016. During the past quarter, nearly \$1.7 million in reimbursements were received from existing grant awards.

Regional Water Reliability Planning Update – Work on the Regional Water Reliability Plan (RWRP) continues. The identification of vulnerabilities phase of the RWRP is complete, and the identification of mitigation actions phase is nearly complete. The next phase of RWRP development will be to quantify the potential water supply yield generated by expanded conjunctive use operations in the region. These results are expected toward the end of 2017. The project committee meets on September 13, 2017.

RWA Outreach – Mr. Woodling continues to chair the ACWA Groundwater Committee. The Committee met August 31, with more than 50 people in attendance. Mr. Woodling is also serving as a California representative to the National Water Resources Association’s Groundwater Task Force. Mr. Woodling briefed the Board of Orange Vale Water Company on RWA and SGA on September 5, 2017. Mr. Woodling has had discussions with Secretary Babbitt regarding participating in meetings to craft a negotiated settlement in response to the Bay-Delta Water Quality Control Plan.

Mr. Bezerra said that a draft scientific basis report is anticipated for the new Delta flow obligations including the tributaries and the American in the next couple of weeks. Expected language will include 35% to 75% of unimpaired flows must flow into and out of the Delta. It is advantageous for Mr. Woodling to be engaged in Delta matters as this is going to affect both the surface water users and the groundwater users.

Water Efficiency Update – In July 2017, the region saved 16.2% compared to 2013 or approximately 3.6 billion gallons. The 2017 year to date savings is 23.6% or 22.6 billion gallons. July 2017 and year to date 2017 statewide savings have not been posted to the State Water Resources Control Board website. The region’s July residential gallons per capita (R-GPCD) was 197.

SGMA update – The deadline for Groundwater Sustainability Agency formation was July 1, 2017. More than 99% of the geographic area of high and medium priority groundwater basins (including all of the RWA area) is in compliance with the requirement. The five GSAs in the North American Subbasin continue to develop a scope of work for a Groundwater Sustainability Plan. The Sacramento Groundwater Authority is expected to

be the grant applicant when DWR releases the solicitation for Proposition 1 funding very soon.

10. DIRECTORS' COMMENTS

Mr. Dugan reemphasized from earlier discussion that his point was to make it clear that requesting that the Executive Committee revisit Exhibit A to RWA Policy 400.2 had no reflection on the work that the RWA staff does.

Mr. Storey said that as a new RWA Associate member for Placer County he sees how staff works together and the effectiveness of what RWA staff accomplishes. Quality work comes out of RWA and he believes that is reflective of the board but also of the RWA employees and their value.

Ms. McKinney introduced Councilmember Scott Alvord representing the City of Roseville.

Mr. Schild reported that Sacramento Suburban Water District is in the process of selecting a new general manager. The District was recognized for continuing water conservation by the County Board of Supervisors.

Ms. Henrici reported that Rio Linda/Elverta Community Water District is negotiating with interim General Manager Mitch Dion for the General Manager position.

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

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

13. AGENDA ITEM 13: CLOSED SESSION UNDER GOVERNMENT CODE SECTIONS 54954.5(F) AND 54957.6 – CONFERENCE WITH LABOR NEGOTIATORS

14. EXECUTIVE DIRECTOR CONTRACT AMENDMENTS

Chair Peifer reported that the Executive Director's new contract will reflect a 3% increase on October 1, 2017 plus COLA on January 1, 2018 and 3% increase October 1, 2018 plus COLA on January 1, 2019.

Mr. Bezerra described the mutual intent is that language be developed to ensure that the authority takes the necessary actions to ensure that the Executive Director receives retirement benefits following his retirement.

M/S/C Mr. Dugan moved, with a second by Mr. Helliker, to approve the proposed Executive Director's compensation and associated contract modifications. The motion carried by the unanimous voice vote of all directors present with the exception of Sacramento Suburban Water District who opposed the motion.

Adjournment

With no further business to come before the Board, Chair Peifer adjourned the meeting at 1:05 p.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer