

1. CALL TO ORDER

Chair Yasutake 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
Jim Peifer, City of Sacramento
Debra Sedwick, Del Paso Manor
Paul Schubert, Golden State Water Company
Robert Dugan, Placer County Water Agency
Dan York, Sacramento Suburban Water District
Pam Tobin, San Juan Water District

Staff Members

John Woodling, Rob Swartz, Adam Robin, Nancy Marrier, Amy Talbot, Cecilia Partridge, Nicole Krotoski and Ryan Bezerra, legal counsel.

Others in Attendance

Kelye McKinney, Brent Smith, Paul Helliker, Charles Duncan and Greg Zlotnick.

2. PUBLIC COMMENT

None.

3. CONSENT CALENDAR

The minutes from the Executive Committee meeting held December 6, 2017.

Motion/Second/Carried (M/S/C) Mr. Schubert moved, with a second by Mr. Greenwood, to approve the minutes from the December 6, 2017 Executive Committee meeting. The motion carried by the unanimous voice vote of all directors present.

4. DEVELOPMENT OF FISCAL YEAR 2018 – 2019 BUDGET

Staff has begun the process of preparing a draft budget for fiscal year 2018-19. John Woodling, Executive Director, presented a proposed timeline for budget development as well as key issues for feedback from the Executive Committee. He reviewed the benefits of RWA membership, Strategic Plan Implementation, the incremental Water Efficiency Program Manager cost shift, continuing accelerated

incremental payment of the unfunded pension liability, and other cost drivers. He also presented a summary of the amount of dues paid compared to grant funding received reflecting a positive return of investments for members. In FY 2017, RWA transitioned to full-time staffing for a legislative/regulatory position. Advocacy and representation at the capitol has become important with the many water issues. The strategic plan fund designation was used by RWA in FY 2017 and FY 2018 and is expected to be depleted by FY 2019.

When the Water Efficiency Program (WEP) began, the WEP program manager position was a full time dedicated position. Over time, this position has also been assisting with RWA core functions. Consequently, the salary for that position has been incorporated into the core budget at 10% a year for the last two years and the FY19 budget is proposing another 10% this fiscal year. RWA core dues are projected to pay 30% of this position and related office costs.

The Defined Benefit Pension Plan Policy 500.15 was approved stating that the unfunded pension will be funded over a period of four years by making additional pension contributions. The discount rate for the pension liability is expected to continue to decrease and this decrease is estimated into the projected costs for future liability payments. In addition to the pension liability obligations, RWA will also continue to budget OPEB liability payments. RWA is following Other Post-Employment Benefits ("OPEB") Funding Policy 500.10 by amortizing the unfunded OPEB liability over 10 years. RWA will have an actuarial study completed this calendar year that will provide new funding requirements.

The IRWM is included in consulting fees of the core program and fully funded by RWA dues. FY19 will be the last year of the Powerhouse Science Center collection. RWA is working with the Powerhouse Science Center to amend the previous agreement to make the dates more certain for when payments are made.

A compensation study was completed and approved by the board in FY 2018. The budget will reflect potential step increases for salaries beginning January 1, 2018. Employees will pay the last 1% of the employees 7% of PERS starting July 1, 2018.

RWA has been with auditors Richardson & Associates for six years, one year past the current policy, with the approval of the board. Staff is currently working on a request for proposal for auditors which will likely result in an audit fee increase in FY 2019 and beyond.

Mr. Woodling said that consideration needs to be given for the lobbyist contract to be moved to the RWA core program since all RWA agencies benefit. The best time to make the change to the core program would be with the beginning of the new legislative session in 2019.

Staff is proposing funding to hire a human resource consultant to assist with various projects including bringing the employee manual up to date. This cost is included in the consulting costs.

Additional costs include computer maintenance fees that will increase with full support and cloud backup, travel costs will increase with a new staff member, costs will increase for GASB 75 implementation, and OPEB accounting changes and the actuarial valuation.

RWA has a new approved and signed office space lease that indicates an increase from the previous budget. Office move costs of \$20,000 had been budgeted and are not needed for a move.

A draft budget will be presented to the Executive Committee at their February 21, 2018 meeting with a draft budget presented to the RWA Board for possible adoption at the March 8, 2018 meeting. If the budget is not adopted in March, it will be brought back to the Executive Committee at the March and April Executive Committee meetings to be presented to the full board May 3, 2018 for adoption.

There was discussion about how the nonparticipating water advocacy subscription program members feel about the value of the program. There are two issues to consider, agencies who had a lobbyist at significant cost and didn't want to contribute and investor owned utilities that had concerns that the PUC would see this as a cost that the shareholders should pay as opposed to rate payers. The cost will be minimal to all participants. When presenting the budget to the board, the benefits received from the water advocacy subscription program should be included.

Ms. Krotoski reported that most agencies will have to implement two required actuarial reports with GASB 75, the funding report and the OPEB accounting report. There will be additional costs associated with these reporting requirements.

5. LEGISLATIVE/REGULATORY UPDATE

Adam W. Robin, Legislative and Regulatory Affairs Program Manager, presented the 2018 Advocacy Program Work Plan to the Executive Committee. He reviewed the process for adopting positions on legislation and regulatory issues and gave an update on some key issues going into the second year of a two year session.

Included in the packet was a copy of a work plan prepared by the Lobbyist Subscription Program identifying Policy Priorities and Organizational Goals for the 2018 Advocacy Program. There are several carry over items from last year including Long-Term Urban Water Use Efficiency Legislation, the Water Tax proposals and SWRCB Permanent Prohibitions on Wasteful and Unreasonable Water Uses. The Water Tax and Public Goods Proposal, in addition to opposing this measure and related measures in accordance with RWA's established policies and principles adopted by the board of directors, there is interest in engaging in a constructive dialog over potential solutions especially for communities that face the lack of access to safe drinking water. There are a number of regulatory processes that are currently underway that could significantly impact RWA member agencies. The re-adoption of a Hexavalent Chromium standard, change to the MCL for fluoride and changes to the fee structures that all public water systems pay are examples. The work plan identifies organizational goals that are aimed at the

continued development of the Advocacy Program and providing value to the member agencies.

Included in the packet was a copy of the Advocacy Principles that was adopted by the RWA Board of Directors in 2015 that identifies the highest policy priorities of RWA as an organization. Mr. Robin reminded the Executive Committee how the legislative policy position development process works. RWA staff works with our contract lobbyist analyzing legislative proposals that may be of interest to the organization. The Lobbyist Subscription Program members then develop a recommended position that is proposed to the Executive Committee for approval. RWA policy also includes provisions for the adoption of emergency positions. The Advocacy Policy Principles are to be revisited every three years according to RWA policy. The handbook will be brought back to the full board at the beginning of the 2019 legislative session for reevaluation and approval. A bill packet will be provided at the February Executive Committee meeting.

There are two 2-year bills that are under consideration with the Long Term Water Use Efficiency Legislation, AB 1668 and SB 606. These bills could be acted on rather quickly. The authors have indicated their intent to amend these measures before they are taken up. The RWA position is oppose unless amended on both bills.

There was discussion on how SB 623 may affect future imposed financial obligations and that the water tax is now referred to as a fee.

Implementation of AB 746 would require lead sampling in public schools and SB 427 would require an inventory of lead service lines within an agency service area.

Immediately following the Executive Committee meeting Paul Jones, General Manager of Eastern Municipal Water District will give a presentation to interested RWA members on what might be a potentially supportable solution to providing safe drinking water to communities served by chronically non-compliant systems.

Item number 10 was moved ahead of item number 6 but will be reported in the order listed on the agenda.

6. CONFERENCE SUBCOMMITTEE UPDATE

The Conference Subcommittee reported that RWA will convene a symposium on Thursday, March 15th, 2018 regarding the timely legislative and regulatory issues of water affordability and safe drinking water for disadvantaged communities. The event will feature a broad discussion with panels made up of representatives on all sides of the issue. The invitation containing additional details was included in the packet.

RWA members and associates have been invited to attend and asked to consider sponsorship at the Table Sponsor level or above. Space is limited for this event, and a good turnout is expected from the region as well as other parts of the state. Early registration is advised.

Ms. Schmitz will be asked to continue as chair of the Conference Subcommittee for 2018. Ms. Schmitz expressed an interest in inviting members from the RWA full board as well as the Executive Committee to participate on the Conference Subcommittee. Ms. McKinney, as an affiliate member, has agreed to continue participating on the Subcommittee.

Ms. Talbot exited the meeting.

7. POLICY 500.16 ALLOCATING LIABILITIES TO WITHDRAWING MEMBERS

Members of RWA operate under a joint exercise of powers agreement that outlines powers and responsibilities of RWA and of members. The Amended and Restated Joint Exercise of Powers Agreement of the Regional Water Authority, dated October 8, 2013, provides for the voluntary withdrawal from membership subsequent to 90 days' notice. Such withdrawal is subject to the provision that the withdrawing member "shall remain responsible for any indebtedness incurred by the Member under any Project or Program Agreement to which the Member is a party, and further provided that the withdrawing Member pays or agrees to pay its share of debts, liabilities and obligations of the Regional Water Authority incurred by the Member under this Agreement prior to the effective date of such withdrawal."

Since RWA membership is voluntary, the Executive Committee requested a policy to clarify how obligations and liabilities of RWA would be allocated if a member chooses to withdraw from membership.

Most of RWA's obligations are budgeted for on an annual basis and incorporated into the annual budget. Some obligations are incurred during the membership, but the payment is made over several future periods. Examples of these types of delayed payments for past services include unfunded pension and other post-employment benefit ("OPEB") liabilities.

The draft policy outlines the framework to allocate debts, liabilities and obligations of the Regional Water Authority that are not budgeted for on an annual basis. Some changes were made to the draft policy since the last discussion that occurred at the May 24, 2017 Executive Committee Meeting. The liability allocation methodology for the unfunded pension plan obligation was changed to simply the calculation and to also account for how a membership may change over time (i.e. increasing dues as a result of changes to members' size). This draft policy also now includes other obligations, such as OPEB.

The formula for Policy 500.16 if a member chooses to withdraw from membership is to take the total dues paid as a member over the course of their participation in RWA relative to the total dues charged over time and use that percentage relationship and apply it to the RWA obligation to determine the member's part of whatever obligation the organization has for the unfunded pension liability and the OPEB liability. The obligation was created over time the members received services. The unfunded liability for pensions is based on the CalPERS assumptions of the discount rate using the hypothetical termination liability valuation. The hypothetical termination liability values the pension liability using a

lower discount rate to account for the fact that if performance of the pension assets do not meet expectations, no additional funds are contributed by the employer to pay for these shortfalls.

Mr. Schubert suggested some language changes to the policy that will be incorporated into the policy.

M/S/C Mr. Schubert moved, with a second by Mr. Peifer, to recommend approval of Policy 500.16 allocating liabilities to withdrawing members by the RWA Board of Directors with the suggested changes. The motion carried by the unanimous voice vote of all directors present.

8. STRATEGIC PLAN UPDATE

John Woodling said that throughout the course of 2017, the Executive Committee considered modifications to RWA's Strategic Plan. The Planning, Implementation, and Advocacy elements of the Plan were updated and approved by the full RWA Board of Directors. The Information/Education element was modified by the Executive Committee, and will be taken to the Board for approval in March 2018.

The Strategic Plan was completed in 2013 and designed to serve the needs of the organization to 2018 and beyond. With the modifications made in 2017, the Strategic Plan should serve RWA well for the next few years.

The full text of the modified goals and objectives were included in the packet. The Information/Education element will be finalized after full board approval at the March RWA Board meeting.

Mr. Schubert requested that CWA be added to Number 5 under the Advocacy Goal, Objective A.

9. 2018 RWA EXECUTIVE COMMITTEE MEETING SCHEDULE

RWA Executive Committee meetings are held on the fourth Wednesday of each month, at 8:30 a.m. at the RWA office, 5620 Birdcage Street, Suite 110 in Citrus Heights. A copy of the proposed schedule of meetings for 2018 was included in the packet. The Executive Committee will continue to meet on the fourth Wednesday of each month with the exceptions of the February meeting that will be held on February 21, 2018 at 8:00 a.m., the March meeting that will be held on March 21, 2018 and the November and December meetings will be combined and held on December 5, 2018.

M/S/C Ms. Tobin moved, with a second by Mr. Greenwood, to adopt the proposed schedule of Executive Committee meetings for 2018. The motion carried by the unanimous voice vote of all directors present.

10. WATER EFFICIENCY – LANDSCAPE IMAGERY PROJECT

To assist with the evaluation of AB 1668 and SB 606, several water agencies expressed a desire to purchase aerial imagery for their service areas. Aerial imagery

provides data on landscape material type and irrigable/irrigated designation to help estimate residential landscape irrigation budgets like those associated with the proposed legislation. RWA staff researched several options for a regional purchase of aerial imagery for all RWA water agencies.

Currently the most cost effective option is to partner with the Sacramento Area Council of Governments (SACOG) and join their existing effort to purchase aerial imagery. SACOG has offered access to this imagery for our use. RWA proposes to collect additional funding to cover the remaining areas, which include parts of the city of Yuba City, Placer County Water Agency, California American Water, El Dorado Irrigation District, San Juan Water District, and City of Roseville. The goal is to obtain comprehensive consistent imagery for the entire region to evaluate regulation proposals and provide local imagery files to each agency for additional planning purposes. The imagery is at a 3-inch resolution, which will provide enough details to identify different types of vegetation and irrigable versus irrigated areas of residential and commercial parcels. The SACOG imagery is scheduled to be collected between February and April 2018 with delivery expected in September 2018. Detailed estimated areas and costs were included in the packet. The goal is to obtain one consistent regional areal imagery file that could be used for multiple purposes. Staff proposes to cover costs of ground control and the SACOG administrative fee from the Water Efficiency Program Budget. Everyone will have access to the data when complete.

SACOG's deadline for participation in the project is January 26th. RWA will submit service area coverage and mileage of those agencies that are interested on the 26th for inclusion in the SACOG effort. RWA will need to execute a contract with SACOG and then execute agreements for payment from each participating agency.

M/S/C Mr. Peifer moved, with a second by Ms. Tobin, to authorize the Executive Director to execute a contract with SACOG for the Landscape Imagery Project. The motion carried by the unanimous voice vote of all directors present.

11. EXECUTIVE DIRECTOR'S REPORT

RWA Outreach – Mr. Woodling will speak to the North Bay Water group regarding the Regional Water Authority. Water agencies and local governments in the counties of Marin, Sonoma and Napa are considering formation of a regional water planning organization to build on the success they have had in the North Bay Water Reuse Authority. RWA will be the first of several organizations in the state who will provide information on potential alternatives to the group. Mr. Woodling will attend the first meeting for 2018 of the ACWA State Legislative Committee on January 19, 2017, will chair the ACWA Groundwater Committee on February 21, 2017, and will attend the ACWA Board workshop and meeting on February 1-2, 2017. Adam W. Robin will serve as the lead on water issues for the Metro Chamber's State Legislative Summit on March 13, 2017. Amy Talbot will speak at a meeting of the California Data Collaborative, hosted by the City of Sacramento, on January 19, 2017. Pam Tobin is the Chair and Mark Emmerson is the Vice Chair of ACWA Region 4.

12. DIRECTORS' COMMENTS

Mr. Bezerra gave an update on the Water Fix hearing. Part two was supposed to begin last week to deal with environmental issues. The American River agencies have forwarded the modified flow management standard into that hearing as proposed conditions on Reclamation Water Rights at Folsom. A number of environmental groups have sent a records request to the State Board due to concerns about modeling that is in the environmental document prepared by DWR. Sacramento County, Sacramento County Water Agency, Sacramento Regional County Sanitation District, the City of Stockton and the County of San Joaquin have filed a motion to stay the hearing for 90 days to give them time for discovery. The hearing is expected to resume on February 2, 2018.

ADJOURNMENT

With no further business to come before the Executive Committee, Chair Yasutake adjourned the meeting at 10:28 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer