

**REGIONAL WATER AUTHORITY
REGULAR MEETING OF THE BOARD OF DIRECTORS
Thursday, May 3, 2018, 9:00 a.m.**

5620 Birdcage Street, Suite 110
Citrus Heights, CA 95610
(916) 967-7692

AGENDA

The public shall have the opportunity to directly address the Board on any item of interest before or during the Board's consideration of that item. Public comment on items within the jurisdiction of the Board is welcomed, subject to reasonable time limitations for each speaker. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the Authority's Administrative Office at the address listed above. In compliance with the Americans with Disabilities Act, if you have a disability and need a disability-related modification or accommodation to participate in this meeting, please contact the Executive Director of the Authority at (916) 967-7692. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

1. CALL TO ORDER AND ROLL CALL

2. PUBLIC COMMENT

3. CONSENT CALENDAR

- a. Information: Final minutes of the February 21, 2018 and March 21, 2018 Executive Committee meetings and draft minutes from the April 25, 2018 Executive Committee meeting.
- b. Draft minutes from the March 8, 2018 RWA regular board meeting

Action: Approve the Consent Calendar Item

4. METER REPLACEMENT CONSORTIUM MOU

Information Presentation: John Woodling, Executive Director and Hilary Straus, General Manager, Citrus Heights Water District

Action: Approve the Meter Replacement Consortium MOU

5. WATER EFFICIENCY UPDATE

Information Presentation: Amy Talbot, Senior Project Manager

6. REGIONAL WATER PLANNING UPDATE

Information Presentation: Rob Swartz, Manager of Technical Services and Rebecca Guo, Stantec.

7. EXECUTIVE DIRECTOR'S REPORT

8. DIRECTORS' COMMENTS

ADJOURNMENT

Upcoming meetings:

Next Executive Committee Meetings – Wednesday, May 23, 2018 and June 27, 2018, 8:30 a.m. at the RWA office.

Next RWA Board of Directors' Meeting – Thursday, July 12, 2018, 9:00 a.m., at the RWA Office.

AGENDA ITEM 3a: CONSENT CALENDAR

Information: Final minutes of the February 21, 2018 and March 21, 2018 Executive Committee meetings and draft minutes from the April 25, 2018 Executive Committee meeting

1. CALL TO ORDER

Chair Yasutake called the meeting of the Executive Committee to order at 8:00 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, Adam W. Robin, Nancy Marrier, Amy Talbot, Cecilia Partridge, Monica Garcia, Nicole Krotoski and Ryan Bezerra, legal counsel.

Others in Attendance

Charles Duncan

2. PUBLIC COMMENT

None.

3. CONSENT CALENDAR

The minutes from the Executive Committee meeting held January 24, 2018.

Motion/Second/Carried (M/S/C) Mr. Dugan moved, with a second by Ms. Tobin, to approve the minutes from the January 24, 2018 Executive Committee meeting. The motion carried by the unanimous voice vote of all directors present.

4. DEVELOPMENT OF FISCAL YEAR 2018 – 2019 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 2018-2019 budget ("FY19 Budget") at the January 24, 2018 EC meeting. The EC was presented with a list of

the significant decisions that impacted the development of the budget objectives and outcomes, which then drives fees and expenses.

John Woodling, Executive Director, gave a PowerPoint presentation with an overview of the budget elements impacting the FY19 budget.

Final Phase of Strategic Plan Implementation

The Strategic Plan Fund began in FY16 and helped to pay for the implementation of the strategic plan in FY17 and FY18. FY18 represents the first full year of execution of the advocacy element of the strategic plan, including a full year of staffing costs. With the final strategic plan implementation, the FY19 proposed budget reflects a shift of the contract advocacy costs from a subscription program to core program. Initial funding of these costs is anticipated to be from the remaining strategic plan fund and the remaining subscription designation for FY19. For FY20, these costs will also be paid from the strategic fund and then the balance will be paid for by core dues. The advocacy costs will be paid for from the following sources:

| | FY19 | FY20 | FY21 |
|--|-----------|----------|-----------|
| Remaining Subscription designation FY18 (\$100,800) | \$100,800 | \$ - | \$ - |
| Estimated Strategic Fund Designation from FY18 (\$109,700) | \$ 19,200 | \$90,500 | \$ - |
| Core Dues | \$ - | \$29,500 | \$120,000 |
| | | | |

Operating Fund Changes

RWA follows Policy 500.1 the Financial Designation and Reserve Policy. According to the existing policy, the minimum target balance of the operating fund should be four months to fund budgeted operating expenses with a maximum of six months. A portion of the operating expenses are paid for by SGA, yet RWA has been including these reimbursed expenses as part of the overall operating fund calculation. Since SGA also maintains an operating fund for expenses incurred, including the reimbursed expenses in RWA’s operating fund calculation effectively double counted the cash flow needed for these expenses. The proposed budget now deducts estimated SGA reimbursements in determining the target operating fund balance. The change in calculation results in a lower required operating fund for RWA. It also results in a lower required fee increase in FY19 and future periods.

Water Efficiency Program (“WEP”) Cost Shift

For the last few years, the water efficiency manager has been assisting with RWA core functions. Mr. Woodling emphasized that the water efficiency program is the only subscription program of RWA that is designed to fund a full-time staff position.

Because the WEP manager also assists with RWA core functions, since FY17, RWA has been shifting 10% per year of the WEP manager and related office costs to the RWA core program, increasing it by 10% per year. The FY19 budget includes a 30% shift of these costs paid for by the core dues. This shift does increase core dues over time. The savings by WEP can be used on WEP public outreach costs or may result in future cost savings to WEP related fees charged to participants.

Unfunded Pension Liability

In keeping with RWA's policy 500.15, the EC was provided the information regarding unfunded pension liability balances. Mr. Woodling indicated that the proposed budget reflects paying the unfunded pension liability over a four year period which is slightly faster than had been previously budgeted in FY18.

OPEB Funding

Mr. Woodling stated that RWA needs to have an actuarial report prepared to determine the OPEB contributions for FY19. The proposed FY19 budget assumes an increase in payment (from FY18 \$56,400 payment to \$83,000) to reflect the new legislative staff position plus potential cost increases for reducing the discount rate for the updated report. The current discount rate used in the July 1, 2015 report used a 7.0% discount rate. RWA will continue to fund both the explicit and implicit contributions of the OPEB plan. RWA will have an actuarial study completed this calendar year that will provide updated funding data.

Additional Cost Drivers

Mr. Woodling also discussed additional FY19 expenses affecting the budget. RWA negotiated a new lease agreement, and while favorable, still reflects a cost increase from the previous lease. The FY19 budget reflects human resource consulting support to update human resource manuals as well as other human resource needs. The budget also includes consulting costs to support additional education and informational forums. He also mentioned that legal fees have also increased associated with advocacy but members may be experiencing savings from these costs since now RWA is centralizing this work.

Mr. Woodling expressed good news that the overall fee increase for members and associates for FY19 is expected to be 4%. He indicated that most members who paid for the water advocacy subscription costs would actually experience an overall cost savings. Also, FY19 is the last year of the Powerhouse Science Center collection.

For FY20, the current projection for fee increases is 15% and for FY21 is 22%. The driver of these cost increases are largely due from the strategic plan implementation, although there are other costs that increase with time.

Additional information from the budget staff report

The following excerpts from the executive committee staff report for the budget are included for background information.

Summary Budget Overview

Revenues

- 1) A total 4% increase on general and associate membership fees is proposed. A 10% increase was forecast in the previous year for FY19. The increase is needed to fully implement the strategic plan including consulting services, plus continuing to pay sums towards the unfunded pension liability. Additionally, core revenues are now projected to cover 30% of the WEP manager costs and related office expenses. For most participants who helped fund the advocacy work through a subscription program, the fees in FY19 will be lower than the combined general dues plus subscription fees paid in FY18.
- 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 approximately 13% 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 years of collection of funds with FY19 as the final year, to be paid to PSC over 15 years.
- 6) Other revenues represent interest income and holiday social revenues.

Expenses

- 1) The core program budgets for all staffing positions
- 2) Shared staffing costs are allocated 50/50 to SGA and RWA. The Legislative Program Manager is fully funded by RWA; the Water Efficiency Program Manager is funded 30% by RWA and 70% by WEP; and the Project Research Assistant is funded 80% by WEP and 20% by 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 the FY18 total compensation survey and reflect a possible 4% increase for merit plus 3% COLA and a 5% increase in out years. Beginning in FY19, staff will pay the full 7% employee share of their pension contributions.
- 4) Benefit costs also include projected increases for OPEB and health care, and a reduction of the employer pick up of the employee portion of PERS retirement benefits, so that the employees are paying their entire 7% of their employee portion starting in July 2019.
- 5) RWA continues to plan for additional CalPERS pension payments for the unfunded liability. The additional payment is higher than previously projected in the FY18 cycle since the time horizon for payment is now slightly accelerated at four years which follows policy 500.15.

- 6) Office cost increases are based upon estimated increases in FY19. For FY20 and beyond, these costs are estimated at 3% annual increases unless specific increases have been identified.
- 7) Professional fees includes higher audit, accounting and actuarial analysis fees due to the reporting requirement for GASB 68 and implementation of GASB 75, increased public relations, human resources assistance, increase legal costs associated with advocacy, IRWM consulting costs, water advocacy consulting fees and \$20,000 for unexpected items.
- 8) Other includes office equipment purchases.
- 9) Core project expenses include costs associated with the Powerhouse Science Center partnership.

Revenues net of Expenses

- 1) Core expenses in excess of core revenues project a net cash outflow of approximately \$7,100 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 \$242,700. Of the \$242,700, \$200,000 represents a return of subscription funds to participants. 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 increase in cash out flow of approximately \$249,800.

Designations

- 1) The operating fund is targeted at six months for FYE 18-19 (using the new method of subtracting estimated SGA reimbursements), which falls within the policy guideline of four to six months.
- 2) The Strategic Plan Fund represents resources being set aside to fully implement the strategic plan. The FY18 budget used a portion of this fund to pay for the new legislative program manager. In FY19, the remaining funds from the lobbyist subscription program will be moved to the RWA core program and pay for the water advocacy. A portion of the cost will also come from the strategic plan fund. In FY20, the remaining strategic fund will help pay for the water advocacy.
- 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 FY18 to Proposed FY19 by subtotal for the core program reflects the overall net cash outflow of approximately \$7,100 and the effect on each type of designation.
- 5) The designations for the subscription program reflect a decrease of approximately \$242,700 over subscription based expenses. Of the \$242,700, the water energy grant is expecting to return \$200,000. 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 13% for FY19. Adopting the fiscal year 2018-2019 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 2014 drought grant management and grant revenue, 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. See Summary Table – Split Program for a reconciliation of the individual budgets to the overall RWA budget per the combined Executive Summary Table.
- 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) An additional \$18,700 equaling an additional 10% of salary and administrative expenses for WEP reflects a shift of salary and administrative expenses to the core RWA budget. For the FY19 budget, a total of 30% of expenses, or approximately \$50,000, will be paid for by RWA core dues.
- 5) The subscription restrictions reflect the available funds for these programs. The use of these designations projected in FY19 is reflected in the changes in the individual restrictions.

Outlook for FY 2020 and FY 2021

In looking out to the future, RWA can anticipate a potential 15% increase in dues in FY20 in order to meet increased expenses related to the water advocacy consulting, increased leasing costs, continue paying the unfunded pension plan liability and increased costs related to the change in discount rate, and continue paying for the shift of the WEP manager costs to be funded 40% by core dues. In FY21, RWA is currently projecting a 22% increase that largely reflects when RWA core dues pay the full cost of the government consulting costs. FY20 and beyond does reflect increased budgeted 5% salary costs. Future projections assume RWA and SGA share staffing and administrative costs and subscription based programs will contribute approximately 10% of revenues to pay for Core staffing and office costs.

Finally, no changes to membership are anticipated, including any decline due to agency consolidations or nonparticipation or recruitment of new members. Any membership changes would have a significant impact on rate increases in the future.

The projected timeline is to present a draft budget to the RWA Full Board at the March 8, 2018 meeting for possible adoption. If the budget is not adopted by the board at the March meeting it will be brought back to the Executive Committee in March and April and presented to the RWA Full Board at the May 3, 2018 meeting for adoption.

For FY18, expected overall expenses of \$1,818,200 exceed the budgeted overall expenses of \$1,813,500 by \$4,700. In FY17, RWA did not make the \$25,000 Powerhouse payment and delayed it to FY18. While RWA did maintain the Powerhouse payment in a designated account and has the funds to pay it, it increases the overall expenses and cashflow for FY18. RWA's budget policy 500.11 specifies that the EC must explicitly approve if overall anticipated budgeted costs exceed the original budget.

M/S/C Ms. Tobin moved, with a second by Mr. Dugan, to recommend RWA Board Approval of 2018–2019 Budget. The motion carried by the unanimous voice vote of all directors present.

M/S/C Ms. Sedwick moved, with a second by Mr. Peifer, to approve FY18 additional budget expense of approximately \$4,700 to reflect expected expenses of \$1,818,200 compared to the approved budget of \$1,813,500. The motion carried by the unanimous voice vote of all directors present.

5. POLICY 500.1 FINANCIAL DESIGNATION/RESERVE POLICY

A draft of the revised Policy 500.1 was included in the packet. In addition to some editorial changes, the significant changes to this policy include the following:

Calculating the Operating Fund Target Balance

In determining the minimum and maximum operating fund balance, RWA has used the budgeted operating expenses. Since SGA reimburses RWA for a portion of shared common costs, and SGA also carries an operating reserve, including these shared costs as part of the calculation for operating fund target balance results in a higher than needed balance. For example, in FY17, SGA reimbursed RWA for \$476,712 in common operating expenses. When projecting these expenses, RWA's operating fund needed a minimum of \$158,900 in the operating fund to pay for these costs. Since RWA can expect repayment of these common operating costs in a timely manner, including these common operating costs as part of the operating fund balance calculation inflates the cash flow requirement.

Additionally, non-recurring costs have historically been excluded from calculating the operating fund target balance in previous budgets. The policy now reflects the practice of excluding these costs.

Retirement Benefits Fund

The rationale section was streamlined and simplified. Additionally, the policy was modified to remove SGA's reference to reimbursements since SGA has its own pension plan and pays for pension plan services directly.

M/S/C Ms. Tobin moved, with a second by Mr. Greenwood, to recommend RWA Board Approval of Policy 500.1 Revisions. The motion carried by the unanimous voice vote of all directors present.

6. MARCH 8, 2018 RWA BOARD MEETING AGENDA

Through discussion it was suggested that changes be made to the order of agenda items for the March 8, 2018 RWA Board meeting.

M/S/C Mr. Dugan moved, with a second by Mr. Schubert, to approve the March 8, 2018 proposed RWA Board meeting agenda with the suggested changes. The motion carried by the unanimous voice vote of all directors present.

7. EXECUTIVE DIRECTOR'S REPORT

Water Efficiency Update – The second of five 2018 snow surveys was conducted on February 1st. The survey showed below average results both locally at Phillips Station and statewide with snow water equivalents of 2.6 inches or 14% of average for this date and 4.9 inches or 27% of average, respectively. There is discussion among state agencies, the media, and other stakeholders about the possibility of the state returning to drought conditions in 2018. However, it is too early to make definitive conclusions.

Mandatory reporting (production, R-GPCD, water waste violations, etc.) to the State Water Resources Control Board (SWRCB) officially expired in November 2017 along with the associated Executive Order. Most water agencies in the state and the region are continuing to report. RWA is also still collecting similar monthly data and would like to continue to collect this information in the future regardless of the state's actions. RWA uses the collected data to inform a number of projects including the Reliability Plan, grant applications, and water efficiency related metrics like GPCD. To make future reporting more efficient, RWA is considering modernizing data collection efforts with an online platform similar to what the SWRCB used during the drought.

To assist with the evaluation of AB 1668 and SB 606, several water agencies expressed a desire to purchase imagery for their service areas. Imagery provides data on landscape material type, irrigation, and impervious/pervious designation to help estimate landscape irrigation budgets like those associated with the proposed legislation. RWA researched several options for a regional purchase of imagery for all RWA water agencies. The most cost effective option was to partner with the Sacramento Area Council of Governments (SACOG) and join their existing effort. The goal is to obtain comprehensive, consistent imagery for the entire region to evaluate regulation proposals and provide local imagery files to each RWA water agency for additional planning and infrastructure maintenance purposes. As part of the partnership, SACOG has offered RWA access to all imagery under their

current contract for our use. The imagery for both the SACOG and additional RWA areas will be 3 inch aerial imagery, which will provide enough detail to identify impervious and pervious land area for residential and commercial parcels at minimum.

There are two additional costs associated with the Imagery Project. The first is ground control or the process of matching the digital imagery to static locations on the ground to ensure imagery data accuracy. Ground control for the RWA 3 inch imagery areas will be performed by SACOG's imagery vendor, Sanborn, Inc. The second additional cost is a 5% SACOG administration fee to add RWA to their existing contract. RWA will cover both of these additional costs as well as a portion of the infrared cost.

All imagery (3 inch and infrared) is scheduled to be collected by Sanborn, Inc., between February and April 2018 with delivery expected in September 2018. Due to the timing of infrared imagery collection, distinguishing between irrigated and non-irrigated land area may be less precise due to potential supplemental irrigation from winter storms. To address this concern, RWA may also use National Agriculture Imagery Project (NAIP) imagery (includes infrared), which is scheduled to be collected in summer 2018 at the peak of irrigation season. Altogether the 3 inch, infrared, and NAIP imagery should provide a solid base to perform a wide range of analysis related to the proposed legislation.

Legislative & Regulatory Advocacy Update – The 2018 Legislative Year is well underway, with the deadline for introducing new bills passing on February 16. The RWA Lobbyist Subscription Program will meet on February 28 to review recently-introduced legislation and develop recommendations for any new bill positions for the Executive Committee's consideration. RWA staff continues to engage legislative offices and stakeholders on a variety of two-year bills including long-term water use efficiency legislation (AB 1668/SB 606) and the water tax (SB 623). A significant development related to the water tax proposal was the February 1 release of the Brown Administration's budget trailer bill language to create a "Safe and Affordable Drinking Water Fund." The budget trailer bill closely mirrors the policy framework in SB 623 and includes an identical proposal for per-connection taxes to be collected by water systems. With the release of the budget trailer bill, RWA staff and other parties with an interest in the water tax will now engage in both the policy and budget committees of the Legislature.

Adam W. Robin, Legislative and Regulatory Affairs Project Manager, gave an update on the revisions to the proposed Permanent Prohibitions on Waste and Unreasonable Use of Water regulations by the State Water Resources Control Board. The Water Board was scheduled to consider adoption of the proposed prohibitions on February 20 but deferred taking action at that time. An idea is that there is an alternative pathway through the water code that wouldn't have the potential water rights implications that the Waste and Unreasonable Use approach might have. It may be a month or two before they take action, to allow the regulations to come into force in July. RWA staff prepared and submitted comments in response to the revised regulations on February 12 that emphasized the effectiveness of locally-driven approaches to advancing water use efficiency and provided specific comments on the revised prohibitions.

Subcommittee Update – RWA will convene a symposium on Thursday, March 15, 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 next informational event planned by the subcommittee may be a workshop in association with either an RWA or SGA board meeting. The workshop would have a presentation by the State Board Drinking Water Program with information for a better understanding of the process for setting a flow standard. The workshop would include the Board's status of the lead sampling in schools and any issues that are coming up. Agencies would have a chance to present their status of the lead sampling in schools.

RWA Outreach – RWA recently completed the first in what will be a bi-monthly update of activities. The update is a summary of RWA activities and would be of interest to agency board members. The document is suitable for inclusion in board and council agendas, and is available at <http://rwah2o.org/regional-water-authority-update-for-february-2018/>.

Ryan Bezerra, legal counsel, gave an update on the Water Fix. Everyone is waiting for word from the State Water Board as to what the next steps are. Tomorrow morning will begin part two of the hearing without any direction as to what is expected. It is anticipated that DWR will present their witnesses with interesting cross examinations. There was discussion and agreement that the process and desired outcome are confusing. The webcast is available on the State Water Board website for those interested in watching the February 22nd hearing.

8. DIRECTORS' COMMENTS

Mr. Dugan said that he sits on the American River Authority which is the JPA that was created for the purpose of preparing, developing, building and ultimately managing the water of what would have been the Auburn Dam years ago. There have been steps taken with the American River Authority to decommission the authority because it is no longer a viable feasible project. There is group of engineers that were part of the former effort that are attempting to revive a new JPA to build an Auburn Dam. The Placer County communities that would be directly affected have adopted a resolution in opposition. The environmental community has agreed not to pursue wild and scenic status as a mechanism to stop the dam process. As we look at the American River, Sacramento River and interconnectivities we are working towards more reasonable and feasible possibilities.

Mr. Dugan agreed to give a brief update report at the next RWA Board meeting on what transpired at the annual American River Authority meeting.

Ms. Sedwick reported that last year Del Paso Manor Water District had a defeat on a Proposition 218 process. The District is going through the process again. Tomorrow night is the first community meeting where the numbers will be

presented to the board members at the same time that the rate payers receive them. It is expected that the board will hear comments from the public and then give direction to the consultant. There is opposition and if the District receives 50% protest they may be in a position to consider some type of consolidation. The public feedback appears to be positive and favors remaining as an independent district.

Mr. Woodling said that he appreciates the Executive Committee's understanding of the budget and for the vision of where RWA is going.

ADJOURNMENT

With no further business to come before the Executive Committee, Chair Yasutake adjourned the meeting at 9:04 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer

1. CALL TO ORDER

Vice Chair Schubert called the meeting of the Executive Committee to order at 8:00 a.m. Individuals in attendance are listed below:

Executive Committee Members

Ron Greenwood, Carmichael Water District
Jim Peifer, City of Sacramento
Debra Sedwick, Del Paso Manor
Paul Schubert, Golden State Water Company
Dan York, Sacramento Suburban Water District
Pam Tobin, San Juan Water District

Staff Members

John Woodling, Adam W. Robin, Nancy Marrier and Monica Garcia

Others in Attendance

Kelye McKinney

2. PUBLIC COMMENT

None.

3. CONSENT CALENDAR

The minutes from the Executive Committee meeting held February 21, 2018.

Motion/Second/Carried (M/S/C) Mr. Greenwood, moved with a second by Mr. Peifer, to approve the minutes from the February 21, 2018 Executive Committee meeting. The motion carried by the unanimous voice vote of all directors present.

4. LEGISLATIVE/REGULATORY UPDATE

Adam Robin, Legislative and Regulatory Affairs Program Manager updated the Executive Committee on legislative and regulatory issues including:

a. Long-Term Urban Water Use Efficiency Legislation: RWA staff provided an update on AB 1668 and SB 606. The authors' offices have released proposed amendments to the bills. A number of the proposed amendments reflect positive developments consistent with the amendments provided by RWA and other water suppliers. The authors' proposed amendments, however, do not address a number

of significant policy concerns, including the definition of the enforceable water use standards, the enforcement provisions, the commercial, institutional, and industrial performance measures, and protection of drought-resilient supplies. RWA staff detailed their continuing efforts to engage the authors' offices as well as other legislative offices and stakeholders.

b. Water Tax Legislation – SB 623 (Monning) and Budget Trailer Bills: RWA staff provided an update on recent Assembly and Senate Budget Subcommittee hearings where the proposed “Safe and Affordable Drinking Water Fund” budget trailer bills were heard. Both subcommittees held the bills, meaning they will be taken up for potential advancement later in the legislative session.

c. SWRCB Draft Permanent Prohibitions on Wasteful and Unreasonable Uses: RWA staff provided an update on the SWRCB's draft Permanent Prohibitions. The SWRCB is expected to release proposed revisions to the draft regulation in the coming weeks.

Staff also presented bill position recommendations in the first bill packet of the 2018 legislative session.

M/S/C Ms. Sedwick, moved with a second by Mr. Greenwood to adopt bill positions on AB 2050 (Support and Amend), AB 2283 (Support), AB 3170 (Support), AB 3206 (Oppose Unless Amended), SB 831 (Oppose/OUA), SB 966 (Support) and SB 998 (Oppose/OUA). The motion carried by the unanimous voice vote of all directors present.

5. SUBCOMMITTEE UPDATES

The subcommittee reported that the RWA convened 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 featured a broad discussion with panels made up of representatives on all sides of the issue. RWA members and associates were invited to attend. There was a good turnout as expected from the region as well as other parts of the state.

The RWA Board adopted Policy 500.16 in March 2018, which identifies how long-term liabilities of members could be assessed. The Executive Committee discussed in 2017 the need for this policy prior to recruiting new members. Mr. Dugan was previously identified as Chair of the Membership Committee. Staff will connect with him to discuss recruitment of new members.

A survey will be sent out to members and staff asking for input on the cost, location and date of the event and any topics that were not of interest. Mr. York is taking a policy to SSWD regarding sponsorships to be able to participate in the future.

6. EXECUTIVE DIRECTOR'S REPORT

Nothing to report.

7. DIRECTORS' COMMENTS

Mr. Greenwood said that the WEF trip he took part in was incredible.

Ms. Tobin reported that there will be a new executive director for ACWA by the end of 2018. She complimented the subcommittee on the symposium that was held March 15th.

Ms. Sedwick said that she will be unable to attend next month's Executive Committee meeting.

Mr. York reminded everyone of Rob Roscoe's retirement dinner on May 4th, 2018.

Vice Chair Schubert expressed positive feedback on the symposium.

ADJOURNMENT

With no further business to come before the Executive Committee, Vice Chair Schubert adjourned the meeting at 10:18 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer

1. CALL TO ORDER

Chair Yasutake called the meeting of the Executive Committee to order at 8:00 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
Paul Schubert, Golden State Water Company
Robert Dugan, Placer County Water Agency
Kerry Schmitz, Sacramento County Water Agency
Dan York, Sacramento Suburban Water District
Pam Tobin, San Juan Water District

Staff Members

John Woodling, Rob Swartz, Nancy Marrier, Cecilia Partridge and Ryan Bezerra, Legal Counsel

Others in Attendance

Kelye McKinney, David Gordon, Rex Meurer, Hilary Straus, Matt Wheeler, Paul Helliker and Charles Duncan. Nicole Krotoski participated via conference call.

2. PUBLIC COMMENT

Mr. York said that the funeral service for Neil Schild will be held May 21st at 1:00 p.m., at the Town and Country Lutheran Church, located at 4049 Marconi Avenue in Sacramento.

Chair Yasutake suggested that the next RWA Board meeting be opened and closed in memory of Mr. Schild.

3. CONSENT CALENDAR

The minutes from the Executive Committee meeting held April 25, 2018.

Motion/Second/Carried (M/S/C) Mr. Schubert moved, with a second by Mr. Greenwood, to approve the minutes from the April 25, 2018 Executive Committee meeting. The motion carried by the unanimous voice vote of all directors present.

4. METER REPLACEMENT CONSORTIUM MOU

John Woodling, Executive Director, introduced Citrus Heights Water District (CHWD) staff. Hilary Straus, CHWD General Manager, gave a presentation to the Executive Committee and will give the presentation to the RWA Full Board in May explaining the proposed undertaking and the potential future regional work. While this is not an RWA led or sponsored subscription program, staff is proposing being involved in the process through entering into an agreement with CHWD and the other participants. This provides an alternative mechanism for RWA to be formally involved in a regional program without committing the staff time to be the lead.

Mr. Straus provided information on the proposed undertaking of a regionally coordinated effort to explore alternatives for the replacement of customer water meters. He explained the different levels of participation in the MOU that give agencies flexibility for participation. Partnering in this undertaking represents sensible integration to share the cost of the plan and associated opportunities. There are two working groups which consist of an administrative group including the general managers and the RWA Executive Director to help guide the governance of the program and a technical group comprised of meter replacement program staff.

There was discussion on the potential benefits, funding opportunities and how agencies can become involved in the program.

The draft MOU was included in the packet, as was the staff report from CHWD's April 18 Board Meeting.

M/S/C Mr. Greenwood moved, with a second by Mr. Dugan, to recommend approval of the Meter Replacement Consortium MOU to the RWA Board. The motion carried by the unanimous voice vote of all directors present.

5. REQUEST FOR PROPOSALS FOR PROFESSIONAL AUDITING SERVICES

A Request for Proposals for Professional Auditing Services was mailed to 14 firms on February 6, 2018. The due date for proposals was March 9, 2018. We received proposals from the following nine firms: Badawi & Associates; Crowe Horwath; Davis Farr LLP; Fechter & Company; Gilbert Associates; Lance Soll & Lunghard; Mann, Urrutia, Nelson CPA & Associates; Maze & Associates and Vavrinek, Trine, Day & Company. Staff screened the proposals and identified four firms to interview.

The selection committee included Susan Sohal, Administrative Services Manager, Citrus Heights Water District; John Woodling, RWA Executive Director; Nancy Marrier, RWA Finance & Administrative Services Manager and Nicole Krotoski, CPA. Four firms attended the interviews and were scored on three criteria: (1) knowledge/experience; (2) ability to meet the needs of RWA/SGA; and (3) project cost.

The following four firms were scheduled for an interview and are listed by ranking order.

- 1) Gilbert Associates
- 2) Badawi & Associates
- 3) Vavrinek, Trine, Day & Company
- 4) Mann, Urrutia, Nelson CPA & Associates

The committee recommended that Gilbert Associates be retained to provide professional auditing services for a five year term, with a provision that requires the Executive Committee to approve the contract annually. The amount that RWA budgeted for the FY 2018 audit was \$32,000. Mr. Greenwood asked if Gilbert Associates was the lowest cost firm. Mr. Woodling responded that they were not, but they scored best on the full range of criteria considered.

M/S/C Ms. Tobin moved, with a second by Mr. Schubert, subject to review by legal counsel, to authorize the Executive Director to enter into a five-year contract with Gilbert Associates to provide for professional auditing services, with a contract provision requiring annual approval by the Executive Committee. The contract should include a not-to-exceed amount of \$26,900 for the FY 2018 audit. The motion carried by the unanimous voice vote of all directors present.

6. LEGISLATIVE AND REGULATORY UPDATE

John Woodling gave an update on legislative and regulatory issues and presented the most recent Lobbyist Subscription Program bill packet and position recommendations. A list of bills not yet considered by RWA was enclosed in the packet.

Mr. Woodling reported that Adam W. Robin will be leaving RWA on August 27th. A current recruitment is underway for a Legislative and Regulatory Affairs Program Manager. In the interim Dave Brent will fill in the position.

SB 623 and a separate but related budget trailer bill would impose a per-connection tax on every public water system customer ranging from 95 cents to \$10 per month based on connection size. Consistent with the RWA Board of Director's adopted policy principles in opposition to a water tax, RWA has an "Oppose Unless Amended" position on both of these measures.

RWA and other water suppliers have actively opposed the proposed water tax, including in recent Assembly and Senate Budget Subcommittee hearings where the proposed "Safe and Affordable Drinking Water Fund" budget trailer bills were heard. Both subcommittees held the bills, meaning they will be taken up for potential advancement later in the legislative session. RWA will remain opposed to these measures unless the proposed water tax is removed.

RWA has actively engaged on the development of Long-Term Urban Water Use Efficiency Legislation, AB 1668 and SB 606. RWA has an “Oppose Unless Amended” position on these bills.

In early April, AB 1668 and SB 606 were amended to address a number of long-standing issues, including the addition of requirements that state agencies adopt variances to account for unique local conditions. RWA continues to advocate for additional amendments to ensure that these bills protect the region’s investments in reliable water supplies, have requirements that are technically and economically feasible for RWA member agencies to implement, and define state agency oversight and enforcement roles in a manner that respects local control. An outstanding issue is how much protection there is for your ability to use water supplies that are available under a declared drought emergency.

Staff requested an action in support of AB 2371, implementation of recommendations on Water Use Efficiency. Mr. Greenwood questioned the provision that would add an irrigation element to home inspections on sale and suggested that the realtors association may oppose that.

M/S/C Mr. Dugan moved, with a second by Ms. Schmitz, to adopt a support position on AB 2371. The motion carried by the unanimous voice vote of all directors present.

7. SUBCOMMITTEE UPDATES

A survey will be sent out to members and staff asking for input on the cost, location and date of the March 15th event and any topics that were not of interest. A request for additional participation on the Conference Subcommittee from additional board members will be included in the survey.

The RWA Board adopted Policy 500.16 in March 2018, which identifies how long-term liabilities of members could be assessed. The Executive Committee discussed in 2017 the need for this policy prior to recruiting new members. Membership Subcommittee Chair Dugan requested additional participation from the Executive Committee members. Mr. Woodling, Chair Yasutake, Mr. York and Ms. Tobin volunteered to assist Mr. Dugan on the subcommittee. The subcommittee will meet to compile a list of possibilities to recruit for RWA membership and strategize how to move forward.

Mr. Dugan mentioned that there was a commitment to the board that there would be further dialogue on the compensation survey issue. Chair Yasutake suggested that a list be put together of specifics that were asked for by the Full Board and what was discussed by the Executive Committee. Mr. Woodling said that after we have an HR consultant hired they would be able to assist with the compensation issue.

8. MAY 3, 2018 RWA BOARD MEETING AGENDA

After discussion it was agreed to move the Legislative and Regulatory Update to the Executive Director's Report and add a Regional Reliability Plan Update to include an update on ASR.

It was suggested that a half day workshop on ASR be considered to follow a board meeting.

M/S/C Ms. Tobin moved, with a second by Mr. Peifer, to approve the May 3, 2018 proposed RWA board meeting agenda with the proposed changes. The motion carried by the unanimous voice vote of all directors present.

9. EXECUTIVE DIRECTOR'S REPORT

Water Efficiency Update – RWA has partnered with the Sacramento Area Council of Governments (SACOG) to collect, process, and deliver 3-inch, 4 band (red, green, blue, and near infrared) aerial imagery for the purpose of conducting local and regional water supply planning and evaluating current and future legislative and regulatory proposals related to water efficiency. Imagery provides data on landscape material type, irrigation, and impervious/pervious designation to help estimate landscape irrigation budgets like those associated with the proposed legislation (AB 1668 and SB 606). SACOG's imagery vendor, Sanborn Map Company, Inc. has completed all flights to collect imagery data for RWA's entire project area. Staff will be reaching out to each agency to discuss this project in more detail.

RWA Outreach – Amy Talbot gave a well-received presentation to the Water Forum Plenary on regional water efficiency on April 12, 2013. Mr. Woodling will Chair the meeting of the ACWA Groundwater Committee and moderate a session on the future of integrated regional water management at the upcoming ACWA Conference. ACWA will be recruiting for an Executive Director as a result of Tim Quinn's retirement in late 2018. Mr. Woodling has agreed to represent ACWA Region 4 on the selection committee.

Yesterday a meeting was convened to discuss direct groundwater recharge in the central and Cosumnes areas of the county. It is worth further discussion to determine what can be done, what the cost would be and where the funding would come from.

Mr. Woodling drew people's attention to the fact that California Water Commission staff had evaluated the public benefits of storage projects under Proposition 1, and Regional San's South County Ag Recharge Project scored well, with \$240 million of identified public benefit.

10. DIRECTORS' COMMENTS

Mr. Dugan commented on the recent Cap-to-Cap trip saying water efforts were well received and appreciated when they met with Feinstein's office and others.

The North State Water Alliance is the chamber partnering with RWA and NCWA on items that we can advocate for to protect the north state's common interests.

Mr. York reported that the Sacramento Suburban Water District Board needs to fill the vacancy with Mr. Schild's passing by June 14th. President Locke appointed Kevin Thomas as an SGA Board representative. He reminded members to RSVP if they would like to attend Rob Roscoe's retirement celebration.

Mr. Schubert mentioned that staff has requested feedback on the budget and the shifting cost of the WEP budget to move to the core program. He suggested that the staffing costs should be reduced from the budget and then additional funds for

programs explicitly added back if needed. Mr. Woodling said that we wanted to specifically discuss this at the RWA Board meeting as it was brought up during budget time.

Ms. Schmitz said that Sacramento County Water Agency will have a rate increase coming up.

Mr. Yasutake thanked Vice Chair Schubert for chairing the March Executive Committee meeting in his absence. The City of Folsom's City Manager announced his retirement effective July 15th. The City is proposing a rate adjustment of 6% on the water side and 2 ½% on the waste water side over the next 5 fiscal years.

ADJOURNMENT

With no further business to come before the Executive Committee, Chair Yasutake adjourned the meeting at 10:04 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer

AGENDA ITEM 3b: CONSENT CALENDAR

Minutes from the March 8, 2018, 2018 RWA regular board meeting

Action: Approve the Consent Calendar Item



Regional Water Authority
BUILDING ALLIANCES IN NORTHERN CALIFORNIA

**RWA Board Meeting
Final Minutes
March 8, 2018**

1. CALL TO ORDER

Chair Yasutake 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
Paul Joiner, City of Lincoln
Scott Alvord, City of Roseville
Sean Bigley, City of Roseville
Jeff Harris, City of Sacramento
Jim Peifer, City of Sacramento
Denix Anbiah, City of West Sacramento
Stan Cleveland, City of Yuba City
Ryan Saunders, Del Paso Manor Water District
Deb Sedwick, Del Paso Manor Water District
Michael Raffety, El Dorado Irrigation District
Tom Nelson, Elk Grove Water District
Randy Marx, Fair Oaks Water District
Tom Gray, Fair Oaks Water District
Paul Schubert, Golden State Water Company
Michael Schaefer, Orange Vale Water Company
Joe Duran, Orange Vale Water Company
Robert Dugan, Placer County Water Agency
Brent Smith, Placer County Water Agency
Kerry Schmitz, Sacramento County Water Agency
Neil Schild, Sacramento Suburban Water District
Dan York, Sacramento Suburban Water District
Pam Tobin, San Juan Water District
Paul Helliker, San Juan Water District

RWA Affiliate Members

Brett Storey, Placer County
Ansel Lundberg, SMUD
Art Starkovich, SMUD

RWA Affiliate Members

Charles Duncan and Abigail Madrone, West Yost Associates

Staff Members

John Woodling, Adam W. Robin, Nancy Marrier, Amy Talbot, Cecilia Partridge, Monica Garcia and Jennifer Buckman, Legal Counsel

Others in Attendance:

Bruce Kamilos, James Lemley, Kevin Thomas, David Gordon, Pauline Roccucci, Bill George, Rob Roscoe, Dave Zuber, Harry Laswell, Shahnaz Van Deventer, and Nicole Krotoski.

2. PUBLIC COMMENT

None.

Mr. Woodling recognized Councilmember Jeff Harris with the City of Sacramento and Jennifer Buckman, legal counsel with Bartkiewicz, Kronick & Shanahan.

3. CONSENT CALENDAR

- a. Final minutes of the December 6, 2017 and January 24, 2018 Executive Committee meetings
- b. Draft minutes from the January 11, 2018 RWA regular board meeting
- c. Authorize Executive Director to Extend Contract with Southwest Environmental until September 2018 with a not to exceed amount of an additional \$500,000

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

4. POWERHOUSE SCIENCE CENTER UPDATE

In November 2013, the RWA Board authorized the Executive Director to enter into an Agreement with Powerhouse Science Center (Powerhouse) to sponsor two water related exhibits for a minimum of 15 years. In May 2014, RWA executed an agreement with Powerhouse for \$500,000. According to the May 2014 agreement, the water related exhibits and the broader Powerhouse facility were scheduled to open by January 1, 2017. Due to a series of funding complications, Powerhouse has experienced delays in construction and did not open in 2017. RWA has amended the May 2014 agreement to include several dated milestones related to future funding and construction progress as well as an updated exhibit completion/facility opening date. The amended agreement also provides RWA the option to withhold future payments (\$25,000 per year) until the scheduled milestones are reached. Details about the two water related exhibits were updated in Appendix A. Although the exhibit names and specific activities have changed,

the overall intent of the two exhibits remains the same. To date, RWA has paid \$75,000 to Powerhouse. The California Water Awareness Campaign has paid \$100,000 to Powerhouse on RWA's behalf. Currently RWA has a remaining balance of \$325,000 to be paid to Powerhouse over the next 13 years (including 2018).

Harry Laswell, Executive Director of the Powerhouse Science Center, gave a presentation explaining that the financing is nearly complete and sufficient funding is in place to begin building the center. Mr. Laswell explained the different areas that will make up the center including a café, planetarium, patio, classrooms and exhibit halls. The parking area has been increased and will include a bus loop. Anticipating that financing is complete soon, the timeline for opening the Powerhouse will be the summer of 2020.

M/S/C Mr. Gray moved, with a second by Mr. Dugan, to approve the amended agreement between RWA and the Powerhouse Science Center. The motion carried by the unanimous voice vote of all directors present.

5. EXECUTIVE COMMITTEE REPORT AND RECOMMENDATIONS

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.

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 was included in the packet.

M/S/C Ms. Tobin moved, with a second by Mr. Greenwood, to accept the modifications to the RWA Strategic Plan 2018+. The motion carried by the unanimous voice vote of all directors present.

There was discussion on the educational forums that have been held and the feedback on how successful they were. Mr. Woodling said that the Delta workshop was well received and well attended. The Making Safe, Clean, Affordable and Accessible Water a Reality event scheduled for March 15th is completely sold out. The Education Subcommittee of the Executive Committee provided guidance for future educational events. Going forward, Kerry Schmitz, chair of the subcommittee, would like to identify some board members beyond the Executive Committee who would be interested in participating on the subcommittee. SGA received a request for the state to give a presentation explaining how they develop a water quality standard, specifically how they decided on the hexavalent chromium standard. A presentation on the status of lead sampling in schools, both from the state and agencies viewpoints would also be of interest. There were a lot

of ideas for beneficial educational events. Chair Yasutake suggested that members convey any event ideas they may have to him or Mr. Woodling.

6. 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 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 500.16 outlined the framework to allocate debts, liabilities and obligations of the Regional Water Authority that are not budgeted for on an annual basis. The liability allocation methodology for the unfunded pension plan obligation calculates each member's liability based upon total dues paid for that member in relation to the total dues for all members during the membership of the departing member. This methodology accounts for how a membership may change over time (i.e. increasing dues as a result of changes to member's size). Additionally, RWA is using the hypothetical termination liability as determined by the latest CalPERS valuation report in determining the pension plan payment. The termination liability assumes that all risk of the plan will be paid for by the plan and future shortfalls cannot be collected from the member.

After discussion it was suggested that on page 4 of Policy 500.16 the last sentence under Payment to RWA the word "withdrawal" be replaced with "invoice".

M/S/C Ms. Sedwick moved, with a second by Mr. Dugan, to approve Policy 500.16 Allocating Liabilities to Withdrawing Members. The motion was amended to include the suggested change. The motion carried by the unanimous voice vote of all directors present.

7. RWA FINANCIAL DESIGNATION POLICY 500.1

Included in the packet for review was a draft of the revised Policy 500.1. In addition to some editorial changes, the significant changes to this policy include the following:

Calculating the Operating Fund Target Balance

In determining the minimum and maximum operating fund balance, RWA has used the budgeted operating expenses. Since SGA reimburses RWA for a portion of shared common costs, and SGA also carries an operating reserve, including these shared costs as part of the calculation for operating fund target balance results in a higher than needed balance. For example, in FY17, SGA reimbursed RWA for \$476,712 in common operating expenses. When projecting these expenses, RWA's operating fund needed a minimum of \$158,900 in the operating fund to pay for these costs. Since RWA can expect repayment of these common operating costs in a timely manner, including these common operating costs as part of the operating fund balance calculation inflates the cash flow requirement.

Additionally, non-recurring costs have historically been excluded from calculating the operating fund target balance in previous budgets. The policy now reflects the practice of excluding these costs.

Retirement Benefits Fund

The rationale section was streamlined and simplified. Additionally, the policy was modified to remove SGA's reference to reimbursements since SGA has its own pension plan and pays for pension plan services directly.

M/S/C Mr. Dugan moved, with a second by Mr. Greenwood, to approve changes to RWA Financial Designation Policy 500.1. The motion carried by the unanimous voice vote of all directors present.

8. DEVELOPMENT OF FISCAL YEAR 2018 – 2019 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 2018-2019 budget ("FY19 Budget") at the January 24, 2018 and the February 21, 2018 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. The EC voted unanimously to recommend Board approval of the draft budget included in the March 8, 2018 Board packet.

John Woodling, Executive Director, gave an overview including benefits of RWA membership, budget highlights, final phase of the strategic plan implementation, changes to the operating fund calculation, Water Efficiency Program manager cost

shift, additional unfunded pension plan funding, OPEB funding and other cost drivers. He highlighted the grant awards that members have received.

The following topics were discussed:

- 1) The budget included a proposed 4% fee increase for members and associates. Additionally, FY19 would be the final year of the Powerhouse Science Collection for the exhibits.
- 2) The strategic plan implementation for water advocacy is in its final stages. For FY19, the proposed budget moves the related advocacy consulting support to the core program that has been previously been funded by a subscription program. All members benefit from this service and related work. The funding for the consulting support would be funded in part from the strategic plan designation as follows:

| | FY19 | FY20 | FY21 |
|---|-----------|----------|-----------|
| Estimated remaining Subscription Designation from FY18 (\$100,800) | \$100,800 | \$ - | \$ - |
| Estimated Strategic Fund Designation from FY18 for consultant costs (\$109,800) | \$ 19,200 | \$90,500 | \$ - |
| Funding from Core Dues | \$ - | \$29,500 | \$120,000 |

Under this proposal, subscription fees will not be collected in FY19 for this consulting support. Moving this consulting support to core dues will impact core dues in FY20 and FY21, especially in year FY21 when the full cost of this program will need to be funded by the core dues. There will be a net cost savings to the members who have been paying for this service for the last several years on behalf of themselves and other members.

- 3) RWA follows Policy 500.1 Financial Designation and Reserve Policy. According to the policy, the minimum target balance of the operating fund should be four months to fund budgeted operating expenses with a maximum of six months. For the FY19 budget, the calculation of the operating fund target balance has been changed according to the proposed changes for Policy 500.1. In paying for operating expenses, shared expenses are reimbursed by SGA. In calculating the operating fund designation, RWA can reduce its required operating fund calculation by deducting the SGA expected reimbursements for shared operating costs since SGA also maintains designations to pay for expenses. This proposed budget adjusts the operating fund designation to take into consideration the estimated SGA reimbursement¹. The change in calculation results in a lower required operating fund for RWA in FY19. It also results in a lower required fee increase in FY19 and future periods. This change in how the operating fund balance is calculated was also applied to the FY18 operating fund balance.

¹ The estimated SGA reimbursement is determined on a historical basis at 90% of budgeted reimbursements.

- 4) When the Water Efficiency Program (WEP) began, the program manager position was a full time dedicated position for WEP. For the last several years, that position has been assisting with RWA core functions. Some of these activities have included responding to State Water Resources Control Board emergency regulations, water supply data collection, the water-energy study, and the development of an RWA annual report. Beginning with the FY17 budget cycle, approximately 10% of the staffing and administrative costs associated with this position were shifted to RWA core dues to reflect the support provided to the core program by this position. The goal was for WEP to use this savings to spend on WEP program activities. Since this position supports multiple core programs, the budget will reflect an increase of 10% of staffing and related office costs each year to be funded by core dues (FY17 – 10%; FY18 – 20%; FY19 - 30%). The subsequent years will also assume an increasing 10% per year (FY23 projected at 70% paid for by core dues). The shift in costs does require increasing CORE dues over time. There may be a potential for reduced WEP dues in the future.
- 5) In keeping with RWA's direction in reducing the pension plan unfunded liability estimated at \$245,000 at June 30, 2018, the FY19 budget will reflect an additional payment above the required annual pension payment. The FY20 through FY22 budget also reflects an estimate of 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. Following Policy 500.15, Defined Benefit Pension Plan Funding policy, additional payments to pay down the pension plan unfunded liability are scheduled over a four year period which is slightly more aggressive than in previous budgets. SGA pays its own contributions directly to CalPERS since SGA became a CalPERS member in FY17.
- 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 subsidies valuation conducted July 1, 2015. RWA will have an actuarial study completed this calendar year that will provide updated funding data. The proposed draft budget estimates an increase in OPEB payments due to a potential additional decrease in discount rates and includes the addition of the legislative staff position.
- 7) RWA staff negotiated a very favorable lease rate at the time ACWA JPIA moved out of the building in September 2011. The RWA Board approved a new lease at its meeting on January 11, 2018, which will become effective in September 2018. The new lease will increase costs to \$1.00 square foot for two years and \$1.10 square foot for three additional years.
- 8) Staff is proposing funding to hire a human resource consultant to assist with various projects including updating the employee manual. This assistance will be included in consulting costs.
- 9) The proposed budget includes costs to support education and information for members.

- 10) An increase in legal fees is also proposed to support the increased activity associated with advocacy.
- 11) RWA expects to incur increased audit costs. RWA has been using Richardson & Associates for six years, one year past the current policy, with board approval. Staff is currently working on a Request for Proposals for auditors which will result in an expected audit price increase in FY 2019 and beyond. Additionally, there are increased actuarial and accounting costs to implement GASB 75.

Based upon the discussions above as well as historical financial information, the FY19 proposed budget was included for the Board's review.

The following excerpts from the staff report for the budget are included for background information.

Summary Budget Overview

Revenues

- 1) A total 4% increase on general and associate membership fees is proposed. A 10% increase was forecast in the previous year for FY19. An increase is needed to fully implement the strategic plan staffing, plus continuing to pay sums towards the unfunded pension liability. Additionally, core revenues are now projected to cover 30% of the WEP manager costs and related office expenses. For participants who helped fund the advocacy work through a subscription program, the fees in FY19 will be lower than the combined general dues plus subscription fees paid in FY18.
- 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 approximately 13% 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 years of collection of funds with FY19 as the final year, to be paid to PSC over 15 years.
- 6) Other revenues represent interest income and holiday social revenues.

Expenses

- 1) The core program budgets for all staffing positions.
- 2) Shared staffing costs are allocated 50/50 to SGA and RWA. The Legislative Program Manager is fully funded by RWA; the Water Efficiency Program Manager is funded 30% by RWA and 70% by WEP; and the Project Research Assistant is

funded 80% by WEP and 20% by 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 the FY18 total compensation survey and reflect a possible 4% increase for merit plus 3% COLA and a 5% increase in out years. Beginning in FY19, staff will pay the full 7% employee share of their pension contributions.
- 4) Benefit costs also include projected increases for OPEB and health care, and a reduction of the employer pick up of the employee portion of PERS retirement benefits, so that the employees are paying their entire 7% of their employee portion starting in July 2018.
- 5) RWA continues to plan for additional CalPERS pension payments for the unfunded liability. The additional payment is higher than previously projected in the FY18 cycle since the time horizon for payment is now four years which follows policy 500.15.
- 6) Office cost increases are based upon estimated increases in FY19. For FY20 and beyond, these costs are estimated at 3% annual increases unless specific increases have been identified.
- 7) Professional fees includes higher audit, accounting and actuarial analysis fees due to the reporting requirement for GASB 68 and implementation of GASB 75, increased public relations, human resources assistance, increased legal costs associated with advocacy, IRWM consulting costs, water advocacy consulting fees and \$20,000 for unexpected items.
- 8) Other includes office equipment purchases.
- 9) Core project expenses include costs associated with the Powerhouse Science Center partnership.

Revenues net of Expenses

- 1) Core expenses in excess of core revenues project a net cash outflow of approximately \$7,100 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 \$242,700. Many subscription program expenses will be funded from previously collected funds which have been set aside for this purpose. The 2014 Water Energy grant fees were collected from participating agencies to fund contractor activities while awaiting reimbursement from the grant. At the conclusion of the project, the fees collected will be returned to participating agencies. The balance of these fees of approximately \$200,000 is projected to be returned in FY19.
- 3) Combined core and subscription expenses versus revenues net a projected decrease in cash out flow of approximately \$249,800.

Designations

- 1) The operating fund is targeted at six months for FYE 18-19 (using the new method of deducting SGA reimbursements), which falls within the policy guideline of four to six months.
- 2) The Strategic Plan Fund represents resources being set aside to fully implement the strategic plan. The FY18 budget used a portion of this fund to pay for the new

legislative program manager. In FY19, the remaining funds from the legislative subscription program will be moved to the RWA core program and pay for the water advocacy. A portion of the cost will also come from the strategic plan fund. In FY20, the remaining strategic fund will help pay for the water advocacy.

- 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 FY18 to Proposed FY19 by subtotal for the core program reflects the overall net cash outflow of approximately \$7,100 and the effect on each type of designation.
- 5) The designations for the subscription program reflect a decrease of approximately \$242,700 over subscription based expenses. 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 13% for FY19. Adopting the fiscal year 2018-2019 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 2014 drought grant management and grant revenue, 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 deducted to avoid double counting of the costs since these costs are also included in the Core budget. See Summary Table – Split Program for a reconciliation of the individual budgets to the overall RWA budget per the combined Executive Summary Table.
- 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) An additional \$18,700 equaling 10% of salary and administrative expenses for WEP reflects a shift of salary and administrative expenses to the core RWA budget. For the FY19 budget, a total of 30% of expenses, or approximately \$50,200, will be paid for by RWA core dues.

- 5) The subscription restrictions reflect the available funds for these programs. The use of these designations projected in FY19 is reflected in the changes in the individual restrictions.

Outlook for FY 2020 and FY 2021

In looking out to the future, RWA can anticipate a potential 15% increase in dues in FY20 in order to meet increased expenses related to the water advocacy consulting, increased leasing costs, continue paying the unfunded pension plan liability and increased costs related to the change in discount rate, and continue paying for the shift of the WEP manager costs to be funded 40% by core dues. This 15% increase will be offset by no longer collecting subscription payments for the lobbyist contract and by the cessation of the Powerhouse Science Center collection. In FY21, RWA is currently projecting a 22% increase that largely reflects when RWA core dues pay the full cost of the water advocacy consulting costs. FY20 and beyond does reflect increased budgeted 5% salary costs. Future projections assume RWA and SGA share staffing and administrative costs and subscription based programs will contribute approximately 10% of revenues to pay for Core staffing and office costs.

Finally, no changes to membership are anticipated, including any decline due to agency consolidations or nonparticipation or recruitment of new members. Any membership changes would have a significant impact on rate increases in the future.

M/S/C Mr. Nugent moved, with a second by Ms. Tobin, to approve the Fiscal Year 2018 – 2019 Budget. The motion carried by the unanimous voice vote of all directors present.

9. LEGISLATIVE AND REGULATORY UPDATE

Adam W. Robin, Legislative and Regulatory Affairs Project Manager, gave legislative and regulatory updates. A briefing pamphlet describing the highlights of the Advocacy Program's activities in 2017 is now available. Enclosed in the packet was an RWA comment letter regarding SWRCB proposed Permanent Prohibitions on Waste and Unreasonable Use of Water regulations and a 2017 RWA Advocacy Program Highlights document.

Legislative Update

The 2018 Legislative Year is well underway, with the deadline for introducing new bills passing on February 16. RWA staff continues to engage the Brown Administration, legislators, and stakeholders on a variety of two-year bills, including long-term water use efficiency legislation (AB 1668/SB 606) and the water tax (SB 623).

A significant development related to the water tax proposal was the February 1 release of the Brown Administration's budget trailer bill language to create a "Safe and Affordable Drinking Water Fund." The budget trailer bill closely mirrors the

policy framework in SB 623 and includes an identical proposal for per-connection taxes to be collected by water systems. There's a shared recognition in the water community statewide that there is a need for sources of funding for communities that lack access to safe drinking water. The RWA board acknowledged but also voiced the strong statement that a per-connection tax on local rate payers to fund a state administered solution is not something that RWA can support. With the release of the budget trailer bill, RWA staff and other parties with an interest in the water tax will now engage in both the policy and budget committees of the Legislature.

Regulatory Update

The State Water Resources Control Board released revisions to the proposed Permanent Prohibitions on Waste and Unreasonable Use of Water regulations on January 31. The proposed regulations would permanently prohibit certain uses of water, including irrigation of turf in publicly owned and maintained street medians with certain exceptions.

RWA staff prepared and submitted a comment letter in response to the revised regulations on February 12 that emphasized the effectiveness of locally-driven approaches to advancing water use efficiency and provided specific technical comments on several of the revised prohibitions. RWA was also a signatory to a coalition comment letter signed by over 80 water suppliers that expressed concern with the SWRCB's potential use of its "waste and unreasonable use" authorities to enact the proposed prohibitions. The SWRCB is expected to consider adoption of the revised regulations in late March or early April.

10. EXECUTIVE DIRECTOR'S REPORT

Grants Update – Staff submitted a grant application to the Department of Water Resources through the Sacramento Groundwater Authority to develop a Groundwater Sustainability Plan for the North American Subbasin (NASb), which includes northern Sacramento County, western Placer County, and southeastern Sutter County in November 2017. DWR has just released its draft application results and a nearly \$1 million grant is being recommended for the NASb. Staff is currently managing five grants totaling \$30.5 million.

Water Efficiency Update – The second of five 2018 snow surveys was conducted on February 1st. The survey showed below average results both locally at Phillips Station and statewide with snow water equivalents of 2.6 inches or 14% of average for this date and 4.9 inches or 27% of average, respectively. There is discussion among state agencies, the media, and other stakeholders about the possibility of the state returning to drought conditions in 2018. However, it is too early to make definitive conclusions.

Mandatory reporting (production, R-GPCD, water waste violations, etc.) to the State Water Resources Control Board (SWRCB) officially expired in November 2017 along with the associated Executive Order. However, most water agencies in the state and the region are continuing to report. RWA is also still collecting similar

monthly data and would like to continue to collect this information in the future regardless of the state's actions. RWA uses the collected data to inform a number of projects including the Reliability Plan, grant applications, and water efficiency related metrics like GPCD. To make future reporting more efficient, RWA is considering modernizing data collection efforts with an online platform similar to what the SWRCB used during the drought.

To assist with the evaluation of AB 1668 and SB 606, several water agencies expressed a desire to purchase imagery for their service areas. Imagery provides data on landscape material type, irrigation, and impervious/pervious designation to help estimate landscape irrigation budgets like those associated with the proposed legislation. RWA researched several options for a regional purchase of imagery for all RWA water agencies.

The most cost effective option was to partner with the Sacramento Area Council of Governments (SACOG) and join their existing effort. SACOG is currently under contract with its partners to purchase imagery that would provide coverage for approximately half of the RWA region's water agency service areas, primarily in Sacramento County. RWA will collect additional funding to cover the remaining areas or approximately 260 square miles, 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 RWA water agency for additional planning and infrastructure maintenance purposes. As part of the partnership, SACOG has offered RWA access to all imagery under their current contract for our use. The imagery for both the SACOG and additional RWA areas will be 3 inch aerial imagery, which will provide enough detail to identify impervious and pervious land area for residential and commercial parcels at minimum.

RWA will also obtain near infrared imagery for all RWA water agency service areas covered by 3 inch imagery or approximately 800 square miles. Infrared imagery measures the amount of chlorophyll or "greenness" in vegetation that is not visible to the human eye and is often used as a proxy for evaluating plant health. For RWA's purposes, it will provide additional insight into irrigated/non-irrigated land areas and landscape material type for residential and commercial parcels. The additional cost for infrared imagery will be collected from all RWA water agencies based on service area size and level of overall participation in the Imagery Project.

There are two additional costs associated with the Imagery Project. The first is ground control or the process of matching the digital imagery to static locations on the ground to ensure imagery data accuracy. The second additional cost is a 5% SACOG administration fee to add RWA to their existing contract. RWA will cover both of these additional costs as well as a portion of the infrared cost.

All imagery is scheduled to be collected by Sanborn, Inc., between February and April 2018 with delivery expected in September 2018. All together the 3 inch,

infrared, and NAIP imagery should provide a solid base to perform a wide range of analysis related to the proposed legislation.

If a bill passes for water efficiency standards the images will work as a formula for determining how much water you need for the landscapes in your service area. At this time it is unknown how much residential is within a service area. Participating in a SACOG imagery project the costs are low and we will receive 3 inch resolution with infrared for the service areas for the entire RWA region with the exception of some nonresidential water shed parts of EID and PCWA. This will give us the data to calculate how much landscape there is times the formula and what that means for a water use standard.

RWA Outreach – RWA will convene a symposium entitled Making Safe, Clean, Affordable and Accessible Water a Reality on Thursday, March 15, 2018 from 8:30 a.m. to noon at the Capitol Event Center Mr. Woodling and several other RWA member staff and elected officials will participate in ACWA’s Board Strategic Planning Workshop on March 9, 2018. Mr. Woodling asked if anyone has any input into ACWA priorities for the 2018-19 term to please let him know.

11. DIRECTORS’ COMMENTS

Mr. Schaefer, Orange Vale Water Company, announced that Sharon Wilcox has retired. He said that Joe Duran will be their new General Manager.

Mr. Starkovich reported that SMUD is putting together four Energy Savings and Efficiency Workshops. For anyone interested in attending, please contact Mr. Starkovich.

Mr. Cleveland commented that when using the imagery results be aware that cities have zoning codes with state requirements to become greener communities that conflict with what they are trying to do on conservation. Cities and counties may need assistance in figuring out how to comply with both the requirements and conservation. He also mentioned that green canopy cover is expensive to maintain and keep green with high water usage.

Mr. York said that the Bureau of Reclamation recently issued Sacramento Suburban Water District a 5 year short term Warren Act contract. The district has been attempting for several years to get a 25 year long term contract. The contract will enable the district to move Middle Fork water through PCWA and through the lake. He also mentioned that Rob Roscoe’s retirement party is scheduled for May 4th, 2018 at the Hilton on Arden Way.

Mr. Raffety mentioned that if El Dorado Irrigation District is forced into the monthly tax it will hit their customers twice as hard because they bill bi-monthly.

Ms. Tobin reported that she recently attended the annual ACWA legislative trip in Washington DC with Mr. Zlotnick. Some of the key items discussed in meetings were the California Water Action Plan, the water bonds, water infrastructure

improvements for the National Implementation Headwater Management and Endangered Species Act and water storage. They met with representatives from offices of elected officials from California discussing water management projects that would benefit the region.

Chair Yasutake said that Vice Chair Schubert will chair the March Executive Committee meeting in his absence. He reminded everyone that they are invited to attend the Executive Committee meetings.

Adjournment

With no further business to come before the Board, Chair Yasutake adjourned the meeting at 10:30 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer

AGENDA ITEM 4: METER REPLACEMENT CONSORTIUM MOU

BACKGROUND:

Citrus Heights Water District is proposing to undertake a regionally coordinated effort to explore alternatives for the replacement of customer water meters. While this is not an RWA led or sponsored subscription program, staff is proposing being involved in the process through entering into an agreement with CHWD and the other participants. This provides an alternative mechanism for RWA to be formally involved in a regional program without committing the staff time to be the lead.

The draft MOU is attached, as is the staff report from CHWD's April 18 Board Meeting.

EXECUTIVE COMMITTEE RECOMMENDATION:

Information Presentation: John Woodling, Executive Director and Hilary Straus, General Manager, Citrus Heights Water District

Action: Approve the Meter Replacement Consortium MOU

CITRUS HEIGHTS WATER DISTRICT

DISTRICT STAFF REPORT TO BOARD OF DIRECTORS APRIL 18, 2018 REGULAR MEETING

SUBJECT : Memorandum of Understanding (MOU) For Regional Water Meter Replacement Program
 STATUS : Action Item
 REPORT DATE : April 10, 2018
 PREPARED BY : Hilary Straus, General Manager
 Rex Meurer, Water Efficiency Supervisor

OBJECTIVE:

Consider approving the Memorandum of Understanding (MOU) for the Regional Water Meter Replacement Program.

BACKGROUND AND ANALYSIS:

Due to aging infrastructure, the District and other water providers in the area are examining how best to replace customer water meters. Staff of several local water agencies, who are also members of the Regional Water Authority (RWA), have determined that this process may present an opportunity for regional collaboration. In particular, a regional approach presents potential opportunities for economies of scale to reduce procurement and on-going operations and maintenance costs. A regional approach may also increase effectiveness in mutual aid and emergency situations if all staff are familiar with neighboring agencies' meter and related infrastructure. Moreover, a regional approach may present grant or other funding opportunities. Despite the benefits of a regional approach, staff recognizes the potential difficulties for meter program integration over the short term, especially that individual agencies may be looking to replace meters at different times, and may have made prior meter technology and vendor commitments. Therefore, the Consortium approach as proposed has a long-term time horizon, and is aimed at long-term program integration either fully or on a selected-basis.

To explore this possibility, the General Managers and leadership staff of the Carmichael Water District (CWD), Citrus Heights Water District (CHWD), Fair Oaks Water District (FOWD), Orange Vale Water Company (OVWC), Sacramento Suburban Water District (SSWD), San Juan Water District (SJWD) and the Executive Director of RWA recommend that these agencies execute the accompanying MOU. This MOU provides a flexible framework for agencies to participate in the Regional Water Meter Replacement Program (Program). The focus of the MOU is an initial advanced planning study (Study) that will examine numerous parts of the Program, including: 1) an inventory and assessment of the current meter fleet; 2) an evaluation of potential replacement meter technology options and specifications; 3) a summary and assessment of current meter testing programs and options for optimizing performance; 4) an evaluation of potential meter replacement procurement programs and funding models; and 5) a public outreach program for the meter replacement process tailored for each participating agency.

Specifically, the MOU allows Consortium agencies to participate in the Study in three different levels of participation: (a) L1 Party where the agency participates in the Study by providing input and suggestions, but is not required to pay a share of consultant and related costs, (b) L2 Party where the agency shares in a portion of the cost of the Study, but otherwise participates as an L1 Party in the balance of the Study, and (c) L3 Party where the agency participates in the Study fully, including sharing all consultant and related costs. At this point, CHWD and SJWD anticipate participating as L3 Parties, and CWD, FOWD, OVWC, RWA and SSWD will participate as L1 Parties.

Costs of the Study will be shared between the L3 Parties based on their proportional share of total metered water customers for the L3 Parties. All formal decisions will be made by consensus of these parties. CHWD will contract directly with any consultants for the Study and will be reimbursed by SJWD for its share of the costs. If any L1 Party wishes to become an L2 or L3 Party, it may do so under procedures outlined in the MOU.

While the initial focus of the MOU is on the Advanced Planning Study, it will also allow the parties to collectively accomplish other parts of the Program. To add a Program component to the MOU, any party may notify the other parties. At that point, interested parties can opt-in and specify their level of participation (L1, L2 or L3 Party).

Program Organization

There are two working groups that have been formed to implement this Program: 1) *Administrative Group*—this group is comprised of the General Managers of all the participating agencies, including the Executive Director of RWA. This group is responsible for governance and management issues of the Meter Replacement Consortium; 2) *Technical Group*—this group is comprised of Meter Program staff, and will be working together to implement various portions of the Meter Replacement Partnership, including overseeing the completion of an Advanced Planning Study for the replacement of meters and the Study’s implementation.

Fiscal Impact

There is no fiscal impact with this approval of the MOU. Costs associated with participating in the program will be identified at the time that each project or activity that has a cost is brought forward for Board consideration (e.g., Funding for CHWD’s pro-rata participation in the meter planning study will be requested at the time of award of contract). It is anticipated that participation in this consortium will lower CHWD’s meter replacement costs due to the economies of scale benefit.

Next Steps

The first project of the meter replacement consortium will be the completion of a meter replacement planning study. The consortium’s Technical Group will complete the Request for Proposals for the planning study shortly.

RECOMMENDATION:

Approve the Memorandum of Understanding for the Regional Water Meter Replacement Program.

ATTACHMENT:

Memorandum of Understanding regarding Water Meter Replacement Program

ACTION:

Moved by Director _____, Seconded by Director _____, Carried _____

**MEMORANDUM OF UNDERSTANDING
REGARDING WATER METER REPLACEMENT PROGRAM**

THIS MEMORANDUM OF UNDERSTANDING (“**MOU**”) is made and entered into this ____ day of _____, 2018 by and between the Carmichael Water District (“**CWD**”), Citrus Heights Water District (“**CHWD**”), Fair Oaks Water District (“**FOWD**”), Orange Vale Water Company (“**OVWC**”), Regional Water Authority (“**RWA**”), Sacramento Suburban Water District (“**SSWD**”), and San Juan Water District (“**SJWD**”) (individually a “**Party**” and collectively the “**Parties**”).

R E C I T A L S

A. The Parties are in the process of determining how best to replace aging water meters within their respective service areas. This process will likely involve issuing a request for proposals for consultant meter replacement planning services, the preparation of a water meter replacement planning study, the selection of a replacement water meter-type, the development and implementation of a replacement water meter procurement program, and related activities (“**Program**”).

B. CHWD is currently developing a request for proposals (“**RFP**”) for the Program planning study (“**Planning Study**”). The Planning Study is anticipated to include various components, including, but not limited to, an inventory and assessment of meter models currently in use, an evaluation of potential replacement meter technology options and specifications, a summary and assessment of current meter testing programs and options for optimizing performance, an evaluation of potential replacement meter procurement programs and financing models, and a public outreach program for the meter replacement process. The Planning Study is further expected to evaluate the costs and benefits of a single-agency or regional approaches to all applicable portions of the Planning Study. Any component and/or discrete portion of the Planning Study is referred to in this MOU as a “**Component**.”

C. The other Parties wish to collectively participate in this Planning Study (in various capacities and participation levels). The collective sharing of planning costs will result in cost savings by individual agencies and may result in aggregate cost savings due to economies of scale. Moreover, the development of a collaborative regional meter procurement program as part of or due to the Planning Study may result in future operational and maintenance savings and mutual aid service enhancements.

D. The Parties desire to enter into this MOU to outline their respective participation in the Planning Study and to establish a process for potential participation in other aspects of the Program.

T E R M S

NOW, THEREFORE, the Parties in consideration of the mutual promises set forth in this MOU, agree as follows:

1. Purpose of Memorandum of Understanding. The purpose of this MOU is for the Parties to outline their respective levels of participation in the Planning Study and establish a process for potential participation in other aspects of the Program.

2. Participation of the Parties. Each Party shall participate in one of the following three levels of participation:

2.1 L1 Participation. Parties may participate in the development of the Planning Study by attending all planning meetings and sessions coordinated by the L2 and L3 Parties (as defined below), reviewing drafts of the RFP and Planning Study and providing comments and input in the scope and substance of the RFP and Planning Study. Parties participating at this level shall not be required to contribute any funds towards the cost of the Planning Study or the Program. However, L1 Parties may provide input and comments concerning the development of the RFP, selection of consultant for the Planning Study and the development, review and approval of the Planning Study for consideration by the L3 Parties, or L2 and L3 Parties if applicable. The L3 Parties, or L2 and L3 Parties if applicable, may accept, modify, reject or disregard the comments and input of the L1 Parties in their sole discretion. Any Party participating in the Planning Study as set forth in this subsection shall be referred to as an “**L1 Party**.” Subject to the provisions of Subsection 2.4, CWD, FOWD, OVWC, RWA, and SSWD will participate as L1 Parties.

2.2 L2 Participation. Parties may participate in the Planning Study by sharing the costs of any Component or Components of the Planning Study as set forth in this subsection. Any Party participating in the Planning Study as set forth in this subsection shall be referred to as an “**L2 Party**.” L2 Parties shall be responsible for the costs of the applicable Components as set forth in amendment to this MOU executed by all affected L2 Parties and all L3 Parties. Unless otherwise set forth in the amendment, the L2 Party shall be responsible for: (1) a buy-in fee representing the value received by the L2 Party through its participation in the Planning Study as a L1 Party, excluding the Component which shall be determined by the L3 Parties upon execution of the first Consultant Agreement, and (2) the L2 Party’s proportional share of the cost of the Component using the methodology identified in Exhibit A. Such L2 Parties shall participate in the decision-making for that Component(s) of the Planning Study in the same manner as an L3 Party. L2 Parties may participate in the balance of the Planning Study in the same manner as an L1 Party. Although no Party is participating as a L2 Party presently, this option is set forth in this MOU to accommodate any L1 Party that may decide in the future to increase its participation in the Planning Study or to participate as an L2 Party in any Program Project.

2.3 L3 Participation. Parties may participate in the Planning Study by sharing the costs and the decision-making for the entire Planning Study. Any Party participating in the Planning Study as set forth in this subsection shall be referred to as an “**L3 Party**.” L3 Parties shall collaboratively schedule and attend planning meetings and sessions for the development of the RFP and Planning Study, review and evaluate responses to the RFP, determine the selected consultant(s) for the Planning Study, negotiate the Consultant Agreement (as defined below), provide comments and inputs on the development of the Planning Study and approve the final Planning Study. Except as provided in Section 3, all decisions regarding the RFP and Planning Study shall be made by consensus of all L3 Parties and any participating L2 Parties. In the event

of a disagreement between the applicable Parties, the affected Parties shall meet in good faith to resolve the disagreement. If no resolution is reached, a majority vote of the affected Parties on the proposed resolution of the area of disagreement shall control unless there is a tie vote. If there is a tie vote, then the dispute resolution provision in Subsection 2.5 below shall govern. Subject to the provisions of any amendment to this MOU outlining the scope of participation of an L2 Party, L3 Parties shall be responsible for all consultant costs incurred for the Planning Study as set forth in Exhibit A, attached to this MOU and incorporated by this reference. Subject to the provisions of Subsection 2.4, CHWD and SJWD shall participate as L3 Parties.

2.4 Changing Participation Levels. L1 Parties may become L2 Parties upon the execution of an amendment to this MOU signed and approved by all existing L2 and L3 Parties. The amendment shall identify the new L2 Party's responsibility for Planning Study costs, including any costs incurred by the affected L2 and L3 Parties prior to the date of the amendment. L1 and L2 Parties may become L3 Parties upon the execution of an amendment to this MOU signed and approved by all L3 Parties. The amendment shall identify such Party's responsibility for Planning Study costs, including, if agreed to by such Parties, any costs incurred by the L3 Parties prior to the date of the amendment subject to any L2 Party's credit for costs incurred as an L2 Party. L2 and L3 Parties may become an L1 Party at any time prior to the award of the first Consultant Agreement (as defined below) with written notice to the other parties of this Agreement. On such election, the remaining L2 and L3 Parties shall re-allocate the costs of the Planning Study as provided for in Exhibit A. L2 and L3 Parties may become an L1 Party after the award of a Consultant Agreement for the Planning Study only in a written amendment to this MOU approved and signed by all other L2 and L3 Parties. Such amendment shall identify how costs of the Planning Study (those incurred to date and future costs) will be allocated between the Parties.

2.5 Dispute Resolution. If the L3 Parties disagree on a specific issue and a tie vote ensues on a decision on that issue under Subsection 2.3, the L3 Parties shall meet and confer and negotiate in good faith to resolve the issue. If the Parties are unable to resolve the specific issue in dispute after good faith negotiations, they shall either agree to: (1) appoint a panel composed of representatives of other Meter Replacement Program consortium parties to hear the disputed issue and render a decision in favor of one side or the other; or (2) engage an outside mediator to attempt to resolve the disputed issue. The L3 Parties may proceed with all other aspects of the Planning Study or Program Project not affected by the dispute. Nothing in this Subsection 2.5, however, prohibits any Party to the dispute from exercising its option to reduce its participation in this MOU to L2 or L1 Party status in accordance with Subsection 2.4.

3. Selection of Consultant and Approval of Planning Study.

3.1 Selection of Planning Study Consultant. Subject to the provisions of Section 2, CHWD shall issue the RFP and award any agreement with consultant(s) for the Planning Study (each a "**Consultant Agreement**"). CHWD shall follow and comply with the laws and regulations applicable to a California irrigation district when doing so. The Planning Study shall be overseen and administered by L2 and L3 Parties as provided in Section 2 of this Agreement.

3.2 Approval of Planning Study. Subject to the provisions of Section 2, each L2 and L3 Party shall approve the Planning Study. The approval shall be by the method preferred by that Party and shall be documented in a writing distributed to all other Parties.

4. Cost Sharing Procedure. CHWD shall pay all costs incurred under the Consultant Agreement(s). CHWD shall then provide all affected L2 and L3 Parties with invoices with sufficient supporting information based on their respective share of the costs. Affected L2 and L3 Parties shall reimburse CHWD for such costs within forty-five (45) days of the date of the invoice.

5. Further Program Activities. Upon completion of the Planning Study, the Parties may wish to collectively accomplish other Program activities (each a “**Program Project**”). Any Party wishing to propose a Program Project may do so with written notice to the other Parties that outlines the scope of the Program Project. Parties wishing to participate in the Program Project shall indicate their desire to do so in writing and whether they wish to participate in the same manner as an L1 Party, L2 Party (if the Program Project may be divided into a discrete component) or L3 Party and such parties shall be deemed L1, L2 or L3 Parties for purposes of the Program Project. Therefore, unless otherwise agreed to by such Parties in an amendment to this MOU, the methodology for sharing Program Project costs, allocation of decision-making authority, award of any consultant and similar agreements, and payment of and reimbursement for invoices shall be the same for the Program Project as set forth in Section 2 and 3 and Exhibit A. Parties may modify their level of participation in the Program Project in the same manner as set forth in Section 2.4.

6. Mutual Indemnification. To the maximum extent allowed by law, each Party hereby agrees to indemnify, defend, assume all liability for and hold harmless the other Parties and their officers, employees, agents and representatives from all actions, claims, suits, penalties, obligations, liabilities, damages to property, costs and expenses (including without limitation any fines, penalties, judgments, actual litigation expenses and attorneys’ fees), and/or personal injuries or death to any persons (collectively, “**Claims**”), arising out of or in any way connected to the negligence or willful misconduct of that Party, its officers, agents or employees in connection with or arising from any of the activities under this MOU.

7. No Waiver. The waiver by any Party of any breach or violation of any requirement of this MOU shall not be deemed to be a waiver of any such breach in the future, or of the breach of any other requirement of this MOU.

8. Notices. Any notice or other communication (“Notice”) which any Party may desire to give to the other Parties under this MOU must be in writing and may be given by any commercially acceptable means, including via first class certified mail, personal delivery or overnight courier, to the Party to whom the Notice is directed at the address of the Party as set forth below, or at any other address as that Party may later designate by Notice. Any Notice shall be deemed received immediately if delivered by hand, on the third day from the date it is postmarked if delivered by first-class mail, certified and postage prepaid, return receipt requested, and on the next business day if sent via nationally recognized overnight courier.

CWD: Carmichael Water District

7837 Fair Oaks Blvd
Carmichael, CA 95608

CHWD: Citrus Heights Water District
6230 Sylvan Road
Citrus Heights, CA 95610 (physical)

P.O. Box 286
Citrus Heights, CA 95611 (mailing)

FOWD: Fair Oaks Water District
10326 Fair Oaks Blvd.
Fair Oaks, CA 95628

OVWC: Orange Vale Water Company
9031 Central Avenue
Orangevale, CA 95662 (physical)

P.O. Box 620800
Orangevale, CA 95662 (mailing)

RWA: Regional Water Authority
5620 Birdcage Street, Ste. 180
Citrus Heights, CA 95610

SSWD: Sacramento Suburban Water District
3701 Marconi Avenue, Suite 100
Sacramento, CA 95821

SJWD: San Juan Water District
9935 Auburn Folsom Rd.
Granite Bay, CA 95746 (physical)

P.O. Box 2157
Granite Bay CA 95746 (mailing)

9. Interpretation; Venue.

9.1 Interpretation. The headings used herein are for reference only. The terms of the MOU are set out in the text under the headings.

9.2 Venue. This MOU is made in Sacramento County, California. The venue for any legal action in state court filed by any Party to this MOU for the purpose of interpreting or enforcing any provision of this MOU shall be in the Superior Court of California, County of Sacramento.

10. Third-Party Beneficiaries. Nothing contained in this MOU shall be construed to create any rights in third parties and the Parties do not intend to create such rights.

11. Severability. If any provision of this MOU, or any portion thereof, is found by any court of competent jurisdiction to be unenforceable or invalid for any reason, such provision shall be severable and shall not in any way impair the enforceability of any other provision of this MOU.

12. Amendment of MOU. This MOU may be amended at any time by mutual agreement of the Parties. Unless approval of an amendment is within the authority of less than all Parties as provided in Section 2, any amendment shall be in writing and signed by all Parties. Notwithstanding the foregoing, any public agency or mutual water company located in Placer or Sacramento County not a signatory to this MOU may become an L1 Party upon the execution of a writing indicating its assent to be bound by the terms and conditions of this MOU applicable to L1 Parties. The form of such writing shall be developed by CHWD after consultation with all other Parties. In addition, any L1 Party may withdraw from this MOU with written notice to the other Parties.

13. Entirety of Contract. This MOU constitutes the entire agreement between the Parties relating to the subject of this MOU and supersedes all previous agreements, promises, representations, understandings and negotiations, whether written or oral, among the Parties with respect to the subject matter hereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this MOU was executed by the parties hereto as of the date first above written.

CARMICHAEL WATER DISTRICT

SAN JUAN WATER DISTRICT

By: _____
General Manager

By: _____
General Manager

CITRUS HEIGHTS WATER DISTRICT

By: _____
General Manager

FAIR OAKS WATER DISTRICT

By: _____
General Manager

ORANGE VALE WATER COMPANY

By: _____
General Manager

REGIONAL WATER AUTHORITY

By: _____
Executive Director

SACRAMENTO SUBURBAN WATER DISTRICT

By: _____
General Manager

EXHIBIT A

COST ALLOCATION METHODOLOGY

The costs of the Planning Study shall be allocated between the current L3 Parties based on their proportional share of metered customers or customers that are required to be metered (whether or not they actually are metered). The number of customer accounts and share of costs is set forth below:

| | <u># of Meter Connections</u> | <u>% of Total</u> |
|--------------|-------------------------------|-------------------|
| CHWD | 19,937 | 65.2% |
| SJWD | 10,636 | 34.7% |
| TOTAL | 30,573 | 100% |

Any Party wishing to participate as an L2 or L3 Party may do so pursuant to the provisions of Section 2.4. In the event that an L2 Party is added to the MOU under Section 2.2, the methodology above shall be utilized when determining the L2 Party's responsibility for the cost of the Component provided that the number of metered customers or customers that are required to be metered (whether or not they actually are metered) shall be used when calculating the L2 Party and the other L3 Parties' responsibility for the cost of the Component.

Any buy-in fees paid by L2 Parties shall be applied to the total amount owed by the L3 Parties with the buy-in prorated among the L3 Parties in the same manner as costs are allocated as set forth above. If the buy-in fees exceed the amount owed for the completion of the Planning Study or any Program Activity, the balance shall be refunded to the L3 Parties prorated among the L3 Parties in the same manner as costs are allocated as set forth above.

AGENDA ITEM 5: WATER EFFICIENCY UPDATE

BACKGROUND:

Landscape Imagery Project – RWA has partnered with the Sacramento Area Council of Governments (SACOG) to collect, process, and deliver 3-inch, 4 band (red, green, blue, and near infrared) aerial imagery for the purpose of conducting local and regional water supply planning and evaluating current and future legislative and regulatory proposals related to water efficiency. Imagery provides data on landscape material type, irrigation, and impervious/pervious designation to help estimate landscape irrigation budgets like those associated with the proposed legislation (AB 1668 and SB 606). SACOG's imagery vendor, Sanborn Map Company, Inc. has completed all flights to collect imagery data for RWA's entire project area. The associated data has passed final quality control and is still on track for delivery to RWA in September 2018, as planned. RWA will then redistribute the imagery data to each agency. The total cost for the project is \$140,000, which will be collected in varying amounts from RWA and member agencies depending on size and scope. Staff will be reaching out to each agency to discuss this project in more detail. The final delivery will be a high resolution, consistent and timely imagery file covering approximately 900 square miles of the region, which will provide a solid base to perform a wide range of analysis for both local and regional purposes.

SB 555 Water Loss Audit Validation Training – Every retail urban water supplier is required by SB 555 to perform an annual Level 1-Validation on their agency's AWWA Water Loss Audit and submit a finalized validated audit to the state by October 1st of each year beginning in 2017. To meet the SB 555 requirement for validating an audit, a water agency can choose to hire a qualified consultant to validate their audit or designate a staff member to register, attend, and pass the AWWA CA-NV Section Water Loss Validator Certification Training/Testing and perform the validation internally. The first round of Certification Trainings (7 in total) will be held throughout the state from April through June 2018. Our local training will be held in West Sacramento on June 5th and 6th for a cost of \$2,000 per person. Persons attending the training and certification testing should have prior knowledge of AWWA Water Loss Audit method and software as well as the associated grading matrix.

Public Outreach – The Water Efficiency Program (WEP) launched the 2018 campaign in early April. The 2018 theme is "Check the Soil and Save" with the goal of reducing water waste and overwatering by checking the soil to see if you need to water first. The public outreach committee selected campaign images and messaging based on the resulting preferences from the Program's February residential focus groups. These images and messaging (shown below) will be the main focus of the campaign and will be supported through ads on Facebook, Google, Instagram, Capital Radio, Total Traffic and Weather, radio public service announcements (PSA), a "how to" video series, and through partnerships with the River Cats and local nurseries. The Program will also host several events throughout the year including Mulch Mayhem (free mulch provided to customers several Saturdays in May) in partnership with the Sacramento Tree Foundation and Harvest Day in partnership with University of California Extension. For school education, the Program is continuing the Water Spots Video Contest that solicits high school and middle school students to submit a 30 second video PSA around an annual theme. The 2018 theme is H2o Hero. The Program received 100 videos

this year from about a dozen schools throughout the region and we are currently in the process of selecting the winning videos that will be viewed over the summer at local movie theaters.



WEP Budget – Over the last 3 years, the RWA Board has decided to progressively transition a portion of WEP overhead costs from the Water Efficiency Program (WEP) budget to the general RWA budget to acknowledge staff and office expenses that were occurring outside of the historical WEP budget scope. These activities include statewide drought and water loss related policy review and technical committee participation, RWA data collection and analysis, and water energy research and partnerships.

Below are the annual percentages and dues amounts that have transitioned from the WEP budget to the RWA budget over the last 3 years.

- FY17 - \$13,600 (10%)
- FY18 - \$31,500 (20%)
- FY19 - \$50,200 (30%)

Staff is requesting feedback from the Executive Committee and Board on whether these additional costs to the RWA budget should be balanced with equal reductions in the WEP budget or if staff should continue to repurpose this funding in the current WEP budget to increase program activities and scope. Increased activities include expanding current advertising buys, creating new regional programs, and facilitating new partnerships. Staff proposes that the FY19 WEP budget maintain the same funding level as FY18, which would include repurposing funds previously used for WEP overhead costs (\$50,200 now in the FY19 RWA budget) toward increasing

program activities in 2018 and 2019. The proposed FY19 WEP budget will be reviewed by WEP participants at the upcoming May 8th regular meeting.

STAFF RECOMMENDATION:

Information Presentation: Amy Talbot, Senior Project Manager

AGENDA ITEM 6: REGIONAL WATER PLANNING UPDATE

BACKGROUND:

Staff will provide an update on two regional water planning efforts. The first is the 2018 Update to the American River Basin Integrated Regional Water Management Plan (ARB IRWM Plan). This plan is an update to the 2013 ARB IRWM Plan. An update is necessary to comply with new IRWM standards released by the California Department of Water Resources (DWR) in August 2016. The update is partially supported by a \$250,000 DWR IRWM Planning Grant. During the update process, four stakeholder meetings were held to get broad input on revisions to the ARB IRWM Plan.

On April 23, 2018, RWA released a Public Draft of the 2018 ARB IRWM Plan for public comment (available at <http://rwah2o.org/programs/integrated-regional-water-management/american-river-basin-irwmp-2018-update/>). Comments are due by May 25, 2018. Staff expects to bring the updated plan to the RWA Board for approval on July 12, 2018. This update will enable the region to pursue Proposition 1 IRWM implementation grant opportunities in mid-2018.

The second regional planning effort is development of the Regional Water Reliability Plan (RWRP), which commenced in 2016. We have made good progress on the RWRP, and we are wrapping up an analysis of the current and near-term conjunctive use potential of the region. RWA and Stantec staff will provide an overview of this analysis and describe the next steps in the RWRP process.

STAFF RECOMMENDATION:

Information Presentation: Rob Swartz, Manager of Technical Services and Rebecca Guo, Stantec.

AGENDA ITEM 7: EXECUTIVE DIRECTOR'S REPORT

MAY 3, 2018

TO: REGIONAL WATER AUTHORITY BOARD OF DIRECTORS

FROM: JOHN WOODLING

RE: EXECUTIVE DIRECTOR'S REPORT

a. Grants Update – RWA staff is currently managing five grant awards totaling \$30.3 million (see enclosed table). Over the past quarter, nearly \$2.3 million in grant reimbursements have been received. This brings the total reimbursement to date from these five grants to \$19.3 million.

b. Legislative and Regulatory Update – RWA staff will update the RWA Full Board on legislative and regulatory issues (see written update below) and present the most recent Lobbyist Subscription Program bill packet and position recommendations.

RWA staff and contract lobbyists remain actively engaged on newly introduced legislation and priority two-year bills, including:

- **Long-Term Urban Water Use Efficiency Legislation: AB 1668 and SB 606**

RWA has actively engaged on the development of these and other related bills over the past two years, including through sponsorship of legislation in 2017. RWA has an “Oppose Unless Amended” position on AB 1668 and SB 606.

In early April, AB 1668 and SB 606 were amended to address a number of long-standing issues, including the addition of requirements that state agencies adopt variances to account for unique local conditions. RWA continues to advocate for additional amendments to ensure that these bills protect the region’s investments in reliable water supplies, have requirements that are technically and economically feasible for RWA member agencies to implement, and define state agency oversight and enforcement roles in a manner that respects local control.

- **Water Tax: SB 623 and Budget Trailer Bill**

SB 623 and a separate but related budget trailer bill would impose a per-connection tax on every public water system customer ranging from 95 cents to \$10 per month based on connection size. Consistent with the RWA Board of Director’s adopted policy principles in opposition to a water tax, RWA has an “Oppose Unless Amended” position on both of these measures.

RWA and other water suppliers have actively opposed the proposed water tax, including in recent Assembly and Senate Budget Subcommittee hearings where the proposed “Safe and Affordable Drinking Water Fund” budget trailer bills were heard. Both

subcommittees held the bills, meaning they will be taken up for potential advancement later in the legislative session. RWA will remain opposed to these measures unless the proposed water tax is removed.

Regulatory Update

RWA Advocacy Program staff have monitored and recently engaged on the following regulatory activities of the State Water Resources Control Board:

- **Draft Permanent Prohibitions on Waste and Unreasonable Uses of Water**

The SWRCB released revisions to the proposed Permanent Prohibitions on Waste and Unreasonable Use of Water regulations on January 31. RWA staff prepared and submitted comments in response to the revised regulations on February 12 that emphasized the effectiveness of locally-driven approaches to advancing water use efficiency and provided specific comments on the revised prohibitions.

The SWRCB was scheduled to consider adoption of the revised regulations on February 20. On the day of the adoption hearing, however, Chair Felicia Marcus indicated that additional changes related to certain recycled water provisions would require an additional comment period and the Board delayed their action. Since the delay of the adoption hearing, SWRCB staff have also been reported to be expanding the regulatory package resolution's discussion of if and how the SWRCB's use of their waste and unreasonable use authorities to prohibit these categories of use impacts water rights. As of April 16, the SWRCB has not circulated an updated draft of the regulations for public comment or announced a rescheduled adoption hearing.

- **AB 401 Recommendations for a Statewide Low-Income Water Rate Assistance Program**

AB 401 (2015) requires the SWRCB to develop recommendations for a Statewide Low-Income Water Rate Assistance Program for submittal to the Legislature. On April 4, SWRCB staff held an all-day symposium that featured speakers on affordability programs outside of California, existing food and energy rate affordability programs within California, and a panel discussion titled, "AB 401 and the Path Forward." SWRCB Member Joaquin Esquivel announced that the AB 401 recommendations would be finalized and submitted to the Legislature by the end of 2018. Additional stakeholder workshops on the development of the recommendations are expected to be announced in the coming months.

- c. **RWA Outreach** – RWA staff convened a meeting of water agencies, stormwater managers, flood control agencies, academics, NGOs, Water Forum staff and others on April 24, 2018 to discuss opportunities for groundwater recharge in the South American and Cosumnes groundwater subbasins. Mr. Woodling will chair the meeting of the ACWA Groundwater Committee on May 8th and moderate a panel on the future of IRWM on May 9th at conference. Mr. Woodling has agreed to represent ACWA Region 4 on the selection panel for ACWA's next executive director. Mr. Woodling will be a speaker at

the Groundwater Resources Association's GSA Summit on June 6, 2018 and at *An Uncommon Dialogue* on managing groundwater quality under SGMA hosted by Stanford University's Water in the West Program on June 11, 2018.

- d. **RWA Update** – Staff and RWA's public relations consultant have produced the second of what will be an ongoing quarterly update of activities (available at rwah2o.org/). The document is designed to be suitable for distribution to member agency boards of directors.
- e. **Powerhouse Science Center Update** – The Powerhouse Science Center will hold its groundbreaking ceremony on May 31, 2018 from 10:00 a.m. to noon at 400 Jibboom Street in Sacramento.

AGENDA ITEM 8: DIRECTORS' COMMENTS