

**REGIONAL WATER AUTHORITY
EXECUTIVE COMMITTEE AGENDA**

**July 25, 2018; 8:30 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:** Members of the public who wish to address the committee may do so at this time. Please keep your comments to less than three minutes.
- 3. CONSENT CALENDAR**
Minutes of the June 27, 2018 Executive Committee meeting
Action: Approve Consent Calendar item
- 4. UPDATE OF POLICY 400.2, EMPLOYEE COMPENSATION**
Information Presentation and Discussion: John Woodling, Executive Director
- 5. SUBCOMMITTEE UPDATES**
Information Presentation: Conference and Membership Subcommittees and Discussion
- 6. EXECUTIVE DIRECTOR'S REPORT**
- 7. DIRECTORS' COMMENTS**

ADJOURNMENT

Upcoming meetings:

Upcoming Executive Committee Meetings –August 22, 2018 and September 26, 2018 at 8:30 a.m. at the RWA office

Next RWA Board of Directors' Meeting – Thursday, September 13, 2018, at 9:00 a.m. in the RWA conference room, 5620 Birdcage Street, Ste. 110, Citrus Heights, CA 95610

July 25, 2018

AGENDA ITEM 3: CONSENT CALENDAR

Minutes of the June 27, 2018 Executive Committee meeting

Action: Approve Consent Calendar item

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 Water District
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, Cecilia Partridge and Ryan Bezerra, Legal Counsel

Others in Attendance

Mark Emmerson, Kelye McKinney and Charles Duncan, Nicole Krotoski participated via conference phone

2. PUBLIC COMMENT

Mark Emmerson, Carmichael Water District, presented information regarding license fees that are currently being charged by the drinking water program. There was a proposal that was accepted and passed by the State Water Resources Control Board (SWRCB) to restructure how drinking water fees are calculated. The fee is currently based upon connections. For a large number of agencies the fees went up. The SWRCB has been requested to provide data to ascertain where the fees are going, making them more accountable and efficient. He is interested in sending a Request for Public Records to the SWRCB to obtain data from their District Activity Reporting and Time (DART) keeping system. He requested RWA's support for the effort suggesting that if RWA submitted a Request for Public Records that it might carry more weight than a single person or agency. After discussion, it was suggested that a conversation with SWRCB may be more beneficial in requesting the documents informally before a Request for Public Records is sent.

3. CONSENT CALENDAR

The minutes from the Executive Committee meeting held May 23, 2018.

Motion/Second/Carried (M/S/C) Mr. Greenwood moved, with a second by Ms. Tobin to approve the minutes from the May 23, 2018 Executive Committee meeting. The motion carried by the unanimous voice vote of all directors present.

4. AGREEMENT FOR HUMAN RESOURCES SERVICES

John Woodling, Executive Director, said that a Request for Proposals for Professional Human Resources Services was mailed to eight firms on April 19, 2018. The due date for proposals was May 18, 2018. A single proposal was received from Regional Government Services Authority.

The selection committee included John Woodling, RWA Executive Director and Susan Sohal, Administrative Services Manager, Citrus Heights Water District.

The committee recommends that Regional Government Services Authority be retained to provide professional human resources services, with a provision that requires the Executive Committee to approve the contract renewal annually. Consultant services will be defined in one or more task orders. The first year contract is not expected to exceed \$40,000 which was approved in the budget. The entire Consultant contract should not exceed the Executive Committee's authority of \$150,000 for approval of contract. The Consultant will begin July 1, 2018.

Updating the RWA's employee handbook to comply with current state and federal laws will be the first order of business for the Consultant. The Consultant will provide support for the Executive Director's evaluation process facilitating compensation discussions and compensation studies for the Executive Director; support RWA staff and Board in recruitment, hiring, and onboarding of new staff; evaluate organizational needs and make succession planning recommendations; assist in updating the employee compensation policy; assist in consideration of alternatives for merit based bonus program(s) and evaluate alternatives for employee and retiree health benefits and/or retiree health benefit vesting schedule to reduce long-term costs. The Consultant will provide on-call support on human resources questions and other projects and tasks as necessary and mutually agreed upon, under the direction of the Executive Director or Finance and Administrative Services Manager.

M/S/C Ms. Tobin moved, with a second by Mr. Dugan, to approve the Master Service Agreement for Human Resources Services with Regional Government Services Authority for a not-to-exceed amount of \$40,000 for FY 2019, with a provision that staff brings the contract back annually for approval. The motion carried by the unanimous voice vote of all directors present.

5. OTHER POST-EMPLOYMENT BENEFITS (OPEB) FUNDING POLICY

John Woodling said that with the impending adoption of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions (“GASB 75”), RWA’s Other Post Employment Benefit (OPEB) funding policy needed changing to reflect alignment. He indicated that the modifications did reflect the funding practices RWA had previously adopted.

Nicole Krotoski, CPA, said that terminology changes occurred because the OPEB standards have changed, such as the actuarially determined contribution (ADC) replacing the term actuarially required contribution (ARC). RWA had previously made the policy decision to fund this OPEB liability. Ms. Krotoski highlighted some of the other changes to the policy. The amortization of the unfunded liability was changed from an open 10 year amortization, to a closed 10 year amortization. A closed 10 year period amortizes the unfunded liability over a finite period whereas as the open 10 year period was continually re-set at 10 years every time a new valuation was conducted. Another change now includes the implicit and explicit subsidy liability that had been implemented in the prior valuation. The policy does give RWA some flexibility in funding the implicit subsidy if the expected value of assets exceeds the expected costs of future benefits that includes future employee service. Lastly, the policy outlines that RWA may modify the discount rate to provide for a margin for adverse deviation.

Mr. Woodling explained the difference between the implicit and explicit liability subsidy. The explicit subsidy is the actual health premiums required for retirees. The implicit subsidy results when health care premiums for retirees don’t necessarily cover the expected costs of the retirees’ health care use. This subsidy occurs when premiums are blended rates across all age groups of both active and retired employees, such as with the CalPERS Health Plans. If the CalPERS medical program continues indefinitely in its current form (i.e. blended premium rates for active employees and pre-Medicare retirees) and RWA continues to participate in this program, RWA could expect that the implicit liability will result in zero future cash outlay since the additional costs for retirees each year is covered by an equal and offsetting amount of higher total premium cost for active employees than would have incurred if the actives were insured separately. With the actuaries’ guidance, RWA will monitor the future implicit and explicit liability to watch for an overfunded status.

It was noted in the last sentence of the second paragraph in the final policy 500.10 the word allocated should be changed to allocate.

M/S/C Mr. Schubert moved, with a second by Ms. Sedwick, to recommend RWA Board approval of Changes to Policy 500.10 Other Post-Employment Benefits (OPEB) Funding Policy with the noted change. The motion carried by the unanimous voice vote of all directors present.

6. RWA JULY 2017 OTHER POST-EMPLOYMENT BENEFITS (OPEB) AND ACTUARIAL REPORT ON RETIREE BENEFITS

John Woodling explained that MacLeod Watts (formerly Bickmore) has provided a draft biennial actuarial valuation of the Regional Water Authority's Other Post Employment Benefit (OPEB) obligation in compliance with California Employers' Retiree Benefit Trust (CERBT) Fund. This report calculates the actuarial determined contribution ("ADC") for the fiscal years ending June 30, 2019 and 2020. The ADC is similar to the annual required contribution ("ARC") from previous reports. The ADC determines annual funding levels based upon a set of assumptions.

The July 1, 2017 draft report used a 7.0% discount rate to determine liabilities which is similar to the rate used for the July 1, 2015 actuarial report. RWA has invested its assets in the California Employers' Retiree Benefit Trust (CERBT) Asset Allocation Strategy 1 which is considered the most aggressive investment strategy. The official CERBT expected discount rate for Strategy 1 is 7.28%. RWA chose a lower discount rate to determine liabilities so as to incorporate a margin for adverse deviations from projected assumptions. RWA did consider a 6.75% discount rate. MacLeod has indicated that if RWA were to continue to use a 7.0% discount rate for both the implicit and explicit liability, it is roughly equivalent to a 5.75% discount rate to value the explicit liability only. If CalPERS maintains its current methodology of allocating health premiums across all participants without consideration to age, then RWA likely won't use its implicit portion of the trust fund. Based upon the discount rate equivalency, RWA can consider maintaining the 7.0% discount rate. With the actuaries' guidance, RWA will monitor the future implicit and explicit liability to watch for an overfunded status.

In determining OPEB liabilities, another assumption to consider is the likelihood of funding the actuarial determined contribution. RWA has a policy to fund the OPEB liability and has historically made the annual contributions as calculated by the actuary, subject to annual approval in the budget. The valuation report reflects a cash ADC for FY19 of approximately \$58,400 which is within the approved budget of \$83,200. The \$58,400 will fund both the implicit and explicit subsidy.

Mr. Woodling also mentioned that MacLeod is also working on an additional report for compliance with the Governmental Accounting Standards Board Statement No. 75 (GASB 75), Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. RWA needs this additional GASB 75 report to estimate the OPEB accounting liability for financial statement reporting for the year ending June 30, 2018.

M/S/C Ms. Sedwick moved, with a second by Mr. Schubert, to recommend RWA Full Board Approval using the 7.0% discount rate for the RWA July 2017 OPEB and Actuarial Report on GASB 75 retiree benefits. Continue using the CERBT, investing in Strategy 1. Continue funding the actuarial determined contribution and to recommend RWA Full Board Approval of RWA July 2017 Other Post-Employment Benefits (OPEB) and Actuarial Report on Retiree Benefits. The motion carried by the unanimous voice vote of all directors present.

7. SUBCOMMITTEE UPDATES

Robert Dugan, Membership Subcommittee Chair, reported that the subcommittee has a second meeting scheduled for July 9, 2018 to finalize their list of agencies to approach for recruitment for RWA membership. The next step will be to match up RWA members with contacts for potential agencies. The Membership Subcommittee includes Mr. Yasutake, Mr. York and Ms. Tobin.

Kerry Schmitz, Conference Subcommittee Chair, said that information received from the survey that was sent out has been taken into consideration when determining future event topics. The next events will focus on Water Efficiency Standards and a Delta Update. The Subcommittee will be meeting to determine logistics of the next event, including the audience and speakers for each topic. Ms. Schmitz plans to meet with Amy Talbot on the Water Efficiency Standards topic.

8. INTEGRATED REGIONAL WATER MANAGEMENT PLAN UPDATE

Rob Swartz, Manager of Technical Services, gave an update on the American River Basin Integrated Regional Water Management (IRWM) Plan saying that it is nearing completion. The comment period closed on May 25, 2018 and staff continues to address final comments. Stantec will finalize pdf forms of each of the sections that will be uploaded to the RWA website by July 3rd in advance of the July 12th RWA Board meeting packet. An overview document will be included in the RWA Board packet for review prior to the meeting. Staff will provide a brief update on the process to adopt the IRWM Plan at the July 12, 2018 RWA Board meeting. Staff will also provide an overview on the requirement to incorporate Storm Water Resource Plans into the IRWM Plan. When the resolution is adopted, it will include the update for the 2018 IRWMP and incorporate the American River Basin Storm Water Resource Plan and the El Dorado County – West Slope Storm Water Resource Plan. The Storm Water Resource Plans will be posted on the RWA website when available. After adoption of the resolution, staff will submit the updated IRWM Plan to the state for their review. The updated schedule for the Prop 1 Implementation Grants appears to be later in the fall. We should be in position for full compliance and funding. There is also funding available for Storm Water Projects in Prop 1. The action to adopt the resolution will go before the full RWA Board as they have been approved as the Regional Water Management Group by DWR.

9. RWA JULY 12, 2018 BOARD MEETING

Chair Yasutake said that he will be unable to attend the July 12th RWA Board meeting. Vice Chair Shubert will chair the meeting in his absence.

After discussion it was suggested to move agenda item 7, LEGISLATIVE UPDATE, to item 8 and agenda item 8, ARB IRWM PLAN, to item 7.

M/S/C Mr. Schubert moved, with a second by Mr. Peifer, to approve the Agenda for the July 12, 2018 meeting of the RWA Board of Directors with the suggestion noted above. The motion carried by the unanimous voice vote of all directors present.

10. EXECUTIVE DIRECTOR'S REPORT

John Woodling gave an oral report on legislative issues. The attempt to get the water tax passed through a trailer bill failed and it doesn't seem to be making progress. The goal of AB 2649 is to make it easier for agencies to take surface water to recharge groundwater. Mr. Woodling is chair of the ACWA Groundwater committee. AWCA has a board level policy position that groundwater recharge should be a beneficial use of water. The bill is trying to streamline the permitting process for recharge projects during times of high stream flows and extend the time period for agencies that do put water in the ground to take it back out of storage. Ryan Bezerra, legal counsel, said that the State Board is trying to streamline the permitting process authoring new legislative text that was amended into the bill. It now appears to be essentially a brand new bill written by State Board that will require many amendments. The Senate Natural Resource and Water Committee directed their staff to review the bill over the summer recess.

There was discussion on SB 998, the discontinuation of residential water service: urban and community water systems. For agencies that have a shut off policy, this bill will be a law without much effect. The City of Sacramento has a shut off policy and their issue is the cost of reconnection. The legislation does not allow for the full recovery of the reconnection costs.

11. DIRECTORS' COMMENTS

Ms. Sedwick said that Del Paso Manor Water District Board passed a 33% rate increase, approved a budget and a resolution to refinance bonds. She said that the success of passing the rate increase was due to extensive outreach.

Mr. York reported that Sacramento Suburban Water District Board appointed Kathleen McPherson as new Director for Division 2. When approved Ms. McPherson will also be an alternate representative on the SGA.

Ms. Schmitz said that the Sacramento County Water Agency Board has kicked off the Prop 218 process for their next rate increase.

Mr. Dugan reported that for many reasons a resolution has been passed dissolving the JPA for the Auburn Dam Project effective July 2, 2018. As of Monday, he will be the Vice President of Advocacy and Public Affairs for the Associated General Contractors of California overseeing their advocacy campaigns, public policy, and labor relations activities.

ADJOURNMENT

With no further business to come before the Executive Committee, Chair Yasutake adjourned the meeting at 10:25 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer

July 25, 2018

AGENDA ITEM 4: UPDATE OF POLICY 400.2 EMPLOYEE COMPENSATION

BACKGROUND:

RWA conducted a compensation survey in 2017, which was approved by the Executive Committee consistent with Policy 400.2. Proposed salary schedules derived from the compensation survey were very contentious when considered for approval by the RWA Board. Both the proposed salaries and the methodology of the compensation survey were questioned by a few RWA members. After modification and an additional discussion at the Executive Committee, the salary schedules were approved by the Board in November 2017. The Executive Committee agreed to revisit Policy 400.2 and consider changes to the process for compensation surveys in the future.

STAFF RECOMMENDATION:

Information Presentation and Discussion: John Woodling, Executive Director

REGIONAL WATER AUTHORITY POLICIES AND PROCEDURES MANUAL

Policy Type : Human Resources
Policy Title : Employee Compensation Policy
Policy Number : 400.2
Date Adopted : September 9, 2004
Date Amended : September 13, 2012

EMPLOYEE COMPENSATION POLICY

It is the intent of the Authority to provide employee compensation that is fair and equitable and that is comparable, based upon an employee's experience, skills and performance consistent with established job descriptions, with that of similar water and public entities regionally. As a small, professional, management-focused organization, it is the intent of the Authority to provide employee compensation at or above the labor market mean for the industry.

The compensation practices of the Authority will be competitive within the industry and geographical area to attract the most qualified candidates and to minimize turnover of its employees.

The Executive Director will have the authority to set and change employee compensation in accordance with the intent of this Policy and within the budgetary guidelines approved by the Board of Directors. As part of the annual budget review process, the Executive Director will be responsible for preparing and presenting a labor budget to the Board of Directors in accordance with this Policy. The Board of Directors will consider, amend as required, and approve the annual labor budget for the Authority. Once the labor budget has been approved, the Executive Director may determine in his or her discretion how to apply any approved increase to each employee's existing salary.

The specific terms of this Policy apply to staff only. All aspects of the Executive Director's compensation are subject to Board approval of an employment contract.

I. Salary/Pay Ranges

It is the Authority's Policy to provide a program for advancement of its employees within the salary range of their position using a merit based system based on objective regular goal setting and performance evaluations. Employees will typically advance within their pay range annually, subject to the discretion of the Executive Director, based on evaluation of the employee's performance and growth in responsibility and/or expertise in performing the work

of the position. The Executive Director may move an employee to a higher level classification, based on performance, experience and documented needs of the organization.

Classification salary ranges shall typically be established with a 20% range between the minimum and maximum of the range. The Executive Director shall recommend salary ranges for all employment positions with the Authority, with the exception of the Executive Director position, subject to review and approval by the Board of Directors. Salary steps will be established within each range to provide guidelines for use in annual budgeting. The Executive Director shall recommend the salary steps for each position, subject to review and approval by the Board of Directors.

RWA's job classifications and the salary range for each classification are set forth in Exhibit A attached to this Policy. Exhibit A may be amended and replaced from time to time as proposed by the Executive Director and approved by the Board in accordance with this Policy.

II. Cost of Living Adjustment

The Executive Director will consider the United States Department of Labor's Consumer Price Index (CPI) for All Western Small Cities (population under 1 million) for the 12 months ending in November of each year in developing the proposed budget for the Authority. If the Board approves a budget that includes funding for a cost of living adjustment (COLA), the Executive Director will have the discretion to apply a COLA to all staff salaries, regardless of position within a salary range in the fiscal year for which the budget is adopted.

To avoid penalizing employees at or near the top of the salary range, and to ensure salary ranges remain current between compensation surveys, the November CPI will be applied annually to the pay ranges in Exhibit A. The Executive Director will report the adjusted salary ranges to the Executive Committee at its next regular meeting.

III. Compensation Survey

The Executive Committee will generally conduct a compensation survey at least every five years to ensure that the total compensation offered by the Authority (salaries, wages, and benefits) is consistent with this Policy; provided, however that a compensation survey may be commissioned at any time if directed by the Executive Committee or if recommended by the Executive Director and approved by the Executive Committee. The Executive Committee may also use its discretion to waive or vary the five year commitment.

July 25, 2018

AGENDA ITEM 5: SUBCOMMITTEE UPDATES

BACKGROUND:

The Conference Subcommittee met on July 11, 2018 to discuss the outcome of the survey and plan for future events. The Subcommittee agreed to plan for an event covering implementation of new water efficiency legislation in March of 2019, and to convene a Delta update workshop following the November Board meeting.

The Membership Subcommittee met on July 9th to strategize outreach activities to potential members, associates, and affiliates. The Executive Committee will continue to discuss next steps.

STAFF RECOMMENDATION:

Information Presentation: Conference and Membership Subcommittees and Discussion

July 25, 2018

AGENDA ITEM 6: EXECUTIVE DIRECTOR'S REPORT

The Executive Director will present an oral report.

July 25, 2018

AGENDA ITEM 7: DIRECTORS' COMMENTS