



Regional Water Authority
BUILDING ALLIANCES IN NORTHERN CALIFORNIA

**RWA Board Meeting
Final Minutes
July 12, 2018**

1. CALL TO ORDER

Vice Chair Schubert 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
Matthew Wheeler, City of Lincoln
Scott Alvord, City of Roseville
Sean Bigley, City of Roseville
Jim Peifer, City of Sacramento
Ryan Saunders, Del Paso Manor Water District
Deb Sedwick, Del Paso Manor Water District
Michael Raffety, El Dorado Irrigation District
Mark Madison, Elk Grove Water District
Randy Marx, Fair Oaks Water District
Tom Gray, Fair Oaks Water District
Paul Schubert, Golden State Water Company
Jim Lemley, Orange Vale Water Company
Joe Duran, Orange Vale Water Company
Brent Smith, Placer County Water Agency
Mark Martin, Rancho Murieta Community SD
Mary Henrici, Rio Linda/Elverta Community WD
Tim Shaw, Rio Linda/Elverta Community WD
Kerry Schmitz, Sacramento County Water Agency
Dan York, Sacramento Suburban Water District
Pam Tobin, San Juan Water District

RWA Associate Members

Brett Storey, Placer County, Arthur Starkovich and Damien Waples, SMUD,
Christoph Dobson and Jose Ramirez, SRCSD

RWA Affiliate Members

Paul Selsky, Brown & Caldwell, Kristen Pringle and Maritza Flores, Stantec,
Charles Duncan, West Yost Associates and Jim Graydon, RMC Water and
Environment

Staff Members

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

Others in Attendance:

Mark DuBose, Doug Carlson, Kevin Gustorf, Lindsay Swain, Paul Joiner and Nicole Krotoski

2. PUBLIC COMMENT

NONE

3. CONSENT CALENDAR

- a. Minutes from the May 3, 2018 RWA Board Meeting

Motion/Second/Carried (M/S/C) Mr. Nugent moved, with a second by Ms. Tobin, to approve the May 3, 2018 RWA Board minutes. The motion carried by the unanimous voice vote of all directors present.

4. EXECUTIVE COMMITTEE REPORT AND RECOMMENDATIONS

- a. Information: Final minutes of the April 25, 2018 and May 23, 2018 Executive Committee meetings and draft minutes from the June 27, 2018 Executive Committee meeting

John Woodling, Executive Director, mentioned the Executive Committee meeting after action reports that he has been sending out to members. He hopes that members find value in the reports keeping them informed of actions by the Executive Committee and next steps.

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

Nicole Krotoski, CPA, gave a presentation with an overview of the OPEB funding policy changes, highlights of the OPEB funding report, the OPEB funding status and the actuarial determined contribution for RWA.

The OPEB funding policy changes reflect some GASB 75 changes. The funding policy is different than the accounting policy as the accounting policy amortizes the variance over shorter time frames. Ms. Krotoski explained the actuarially determined contribution and the actuarially required contribution are essentially the same idea, using different terminology and reflect the calculated annual contribution. The proposed policy does not specify a discount rate since these rates are determined by the investment trust. The policy includes the ability to modify the rate for adverse conditions. The unfunded liabilities would now be amortized over 10 years using the closed versus the open method. In theory, the

closed method reduces the unfunded liability over a 10 year period, whereas the open method resets the 10 year amortization period every two years. The policy now reflects the explicit and implicit liability that had been adopted in the prior valuation report. The explicit liability refers to RWA contributions directly toward expected retiree health care premiums. The implicit liability exists when retiree health care premiums are less than expected retiree claims for coverage with the assumption that active employee premiums are subsidizing retiree premiums. The policy does give some flexibility of funding the implicit liability. Funding of the implicit liability will be evaluated when comparing total plan assets to the explicit present value of projected benefits. If total plan assets exceed the explicit present value of projected benefits, then funding of the implicit liability may be eliminated if health care premiums haven't adjusted to age rating. If premiums are not age rated, the implicit subsidy would not be needed.

Ms. Krotoski also explained that MacLeod Watts' report provided the results of the June 30, 2017 actuarial funding valuation of other post-employment benefit (OPEB) liability for RWA. The valuation report calculates the actuarial determined contribution ("ADC") for FY19 and FY20, including the explicit and implicit portion. The 7.0% discount rate for valuation is the same as 2015 and is equivalent to a 5.75% discount rate for the explicit portion only. This 7.0% discount rate includes a .28% buffer for adverse conditions. The discount rate assumes funding of both the explicit and implicit ADC. Ms. Krotoski emphasized that the rate is not a guaranteed rate but a long-term expected rate of return. Highlights of the valuation report include continued investment in CERBT Strategy 1, adding the legislative advocacy position, higher future health care costs and refinement of future retirement dates. RWA has fully funded the explicit subsidy and continues to fund the implicit subsidy. RWA's combined actuarially determined contribution is approximately \$85,000, but can offset this contribution by approximately \$26,600 in higher implicit active health care premiums paid, for a net cash requirement of \$58,400 for FY19. This cash payment is less than the OPEB budget of \$83,000.

M/S/C Mr. Greenwood moved, with a second by Mr. Madison, to approve changes to Policy 500.10 Other Post-Employment Benefits (OPEB) Funding Policy. 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

Mr. Woodling said that Ms. Krotoski highlighted the MacLeod Watts actuarial valuation report in agenda item 5. There was discussion on what the options are for retiree health payments including if RWA has an obligation to pay the excise tax on high cost plans for retirees. Mr. Woodling indicated that RWA has hired a human resource consultant to update employee manuals and review employment benefits.

The following information was not discussed during the meeting but was part of the board packet of information available prior to the meeting and included for reference.

MacLeod Watts (“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. The GASB 75 report uses shorter time periods to amortize assumption and gain/loss differences of the plan. Because the basis for the GASB 75 OPEB liability calculation is different than the funding methodology, a separate report is required.

EXECUTIVE SUMMARY

Similar to the July 1, 2015 valuation, the report reflects the valuation of two distinct types of OPEB liability: the explicit and implicit liability. The explicit liability represents the actual cost of expected health care premiums for retirees and future retirees.

The implicit liability exists when the health care premiums charged for retiree coverage is lower than the expected retiree claims for that coverage. Since RWA’s pays the same health care premiums for active employees and retirees, a subsidy of retiree benefits paid by active premiums is implicit.

MacLeod used the results of the July 31, 2017 valuation as a basis to calculate the actuarial determined contributions¹ (“ADC”) for the fiscal years ending June 30, 2019 and 2020. The actuarial accrued liability and plan assets as of June 30, 2017 are as follows:

Subsidy	Explicit	Implicit	Total
Discount Rate	7.00%	7.00%	7.00%
Actuarial Accrued Liability	\$863,611	\$209,912	\$1,073,523
Actuarial Value of Assets	954,941	26,088	981,029
Unfunded Actuarial Accrued Liability	(91,330)	183,824	92,494
Funded Ratio	110.6%	12.4%	91.4%

The valuation report provides the detailed information in deriving the actuarially determined contributions for both the years ending June 30, 2019 and 2020. The following tables summarize the contributions for the next two fiscal years. RWA’s approved FY19 budget has sufficient budget funding to pay for the cash required for FY19.

¹ Prior report valuations referred to this contribution as the actuarial required contributions.

For FYE 2019	Explicit	Implicit	Total
Normal Cost	\$52,835	\$ 13,400	\$66,235
Amortization of UAAL	(10,546)	23,729	13,183
Interest to fiscal year end	2,960	2,599	5,559
Actuarially Determined Contribution for FY19	45,249	39,728	84,977
Less: Implicit subsidy credit paid in health premiums		(26,552)	(26,552)
Total Cash required for FY19	\$45,249	\$ 13,176	\$58,425
OPEB Budget FY19			\$83,201

For FYE 2020	Explicit	Implicit	Total
Normal Cost	\$54,552	\$ 13,836	\$68,388
Amortization of UAAL	(10,546)	24,030	13,484
Interest to fiscal year end	3,080	2,651	5,731
Actuarially Determined Contribution for FY20	47,086	40,517	87,603
Less: Implicit subsidy credit paid in health premiums		(30,778)	(30,778)
Total Cash required for FY20	\$47,086	\$ 9,739	\$56,825
OPEB Estimated FY20			\$88,193

The report determines the subsidy credit that RWA can apply towards funding the ADC. The implicit subsidy credit is paid through the regular health care premiums and reduces the cash contribution required for the OPEB trust.

AMORTIZATION OF THE ACTUARIAL ACCRUED UNFUNDED LIABILITY

This valuation report reflects a change to how RWA amortizes its unfunded liability and amortizes the liability over a closed 10 year basis. RWA has been using an open basis over a 10 year time period. An open period resets the 10 year amortization every time the valuation is determined². A closed period amortizes the unfunded liability over a closed 10 years and in theory, would be fully funded after 10 years if no other changes occur and all valuation assumptions are met 100% of the time. This change was incorporated to align with GASB 75.

DISCOUNT RATE

The attached July 1, 2017 draft report using a 7.0% discount rate was used to determine liabilities for the California Employers' Retiree Benefit Trust (CERBT)

²For example, a \$10,000 unfunded liability in 2015 would amortize \$2,000 per year over ten years until the new valuation in 2017. In 2017, the balance of \$8,000 (\$10,000 less \$2,000 (2016) and \$2,000 (2017), would again be reset for 10 years, so that the annual amortization would be \$800.

Asset Allocation Strategy 1, which is similar to the rate used for the July 1, 2015 actuarial report. This rate is not a guarantee of future investment performance but rather reflects the expected long-term rate of return. 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.

MacLeod has indicated that if RWA were to use a 7.0% discount rate for both the implicit and explicit liability for this valuation, it is roughly equivalent to a 5.75% discount rate to value the explicit liability only³. 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 for this valuation report.

INVESTMENT STRATEGY

RWA has invested its assets in CERBT Strategy 1 which is considered the most aggressive investment strategy. The actuarially determined contribution and projected actuarial accrued liability are based also upon the investment strategy which helps drive the discount rate. Prior Executive Committee decisions had included to use a more aggressive strategy (Strategy 1) and buffer the risk of the strategy by reducing the discount rate. RWA has been fortunate in that funding of the trust began when the market was at a low point and has since experienced investment growth. According to CERBT, RWA experienced an approximate 10% average annualized rate of return from June 8, 2009 until November 30, 2017.⁴

FUNDING

In determining OPEB liabilities, another assumption to consider is the likelihood of funding the actuarial determined contribution. RWA has historically made the annual contributions as calculated by the actuary. RWA does have a policy in place that indicates the board's intent to fund the annual contribution, subject to annual approval in the budget. As previously mentioned, RWA did approve an annual OPEB contribution in the FY19 budget.

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.

³ See page 9 of MacLeod's draft valuation report.

⁴ Markets have since been much more volatile and the average annualized rate of return could have likely declined.

It's important to recognize that while RWA has the intent to pay for the unfunded liabilities, the amounts will change from year to year and could increase due to experience not matching assumptions.

M/S/C Ms. Tobin moved, with a second by Mr. Madison, to 1) approve using the 7.0% discount rate for the RWA July 2017 OPEB Actuarial Report, 2) Continue using the CERBT, investing in Strategy 1, 3) continue funding the actuarial determined contribution, and 4) approve of RWA July 2017 Actuarial Valuation: Determination Other Post-Employment Benefits (OPEB) Funding Contributions. The motions carried by the unanimous voice vote of all directors present with the exception of Ms. Henrici, Rio Linda/Elverta Community Water District who abstained.

7. ARB IRWM PLAN

Mr. Woodling said that the 2018 Update to the American River Basin Integrated Regional Water Management Plan (ARB IRWM Plan) is complete. RWA released a Public Draft of the 2018 ARB IRWM Plan for public comment on April 23, 2018, and comments were due by May 25, 2018. Comments were addressed by RWA and its consultant, Stantec, and the ARB IRWM Plan is now ready for consideration of adoption by the RWA Board.

Rob Swartz, Manager of Technical Services, summarized the 2018 update process. Over the past year there have been four public workshops with participation from over 30 agencies representing a range of interests. Highlights of the changes from the 2013 ARB IRWMP included updated ARB Region boundaries, added elements associated with the Sustainable Groundwater Management Act and the Storm Water Resource Planning Act, an updated description of climate change vulnerabilities and resiliency and adaptation strategies, updated principles, goals, objectives and strategies and a comprehensive update of projects.

The Stormwater Resources Planning Act of 2014 required the development of Stormwater Resource Plans (SRP) by public agencies. Relative to the ARB IRWM region, two SRPs were developed. One SRP, the ARB SRP, was developed to fully encompass the ARB IRWM region. A second SRP was prepared for the West Slope of El Dorado County. The West Slope SRP includes a portion of the ARB IRWM region in the El Dorado Hills vicinity. Both SRPs closely coordinated with RWA as they were being prepared. Each SRP has been completed. Upon completion, the SRP is to be submitted to the respective regional water management group (RWMG), which is RWA. The RWMG is to then incorporate the SRP into the IRWM Plan. Staff is requesting that the RWA Board consider adoption of the 2018 Update to the ARB IRWM Plan and incorporation of the ARB SRP and West Slope SRP into the plan.

The American River Basin Integrated Regional Water Management Plan 2018 Update was given to the board members at the meeting. An electronic copy of the 2018 ARB IRWM Plan is available at <http://rwah2o.org/programs/integrated->

[regional-water-management/american-river-basin-irwmp-2018-update/](#). This update will enable the region to pursue Proposition 1 IRWM implementation grant opportunities in late-2018.

M/S/C Mr. Peifer moved, with a second by Ms. Tobin, to adopt Resolution 18-01 to Approve the Updated ARB IRWM Plan and Incorporate Storm Water Resource Plan. The motions carried by the unanimous voice vote of all directors present.

8. LEGISLATIVE UPDATE

John Woodling said that the California Legislature will recess from July 6 to August 6, 2018. Staff is currently working with SACOG and their aerial imagery project to ascertain what the landscape is for each agency service area. He updated the board on the status of legislation that staff is tracking. SB 623 would establish funding for safe drinking water in disadvantaged communities and SB 998 would place limitations on a water supplier's ability to shut off service for non-payment.

There was discussion on the possible impact of AB 2050, the Small System Water Authority Act of 2018. A problem is created when small water systems are 25 or more miles apart and can't be effectively consolidated. There are additional funding opportunities for our region with Prop 68.

9. EXECUTIVE DIRECTOR'S REPORT

Grants Update – RWA staff is currently managing five grant awards totaling \$30.3 million. 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.

Water Efficiency Update – The water use update for May 2018 was included in the packet. Water use continues to be significantly below that recorded in 2013, and is tracking at similar levels to last year at this time. RWA staff developed information that will help water provider staff communicate to the public regarding the recently passed water efficiency legislation, SB 606 and AB 1668.

There is a regionally coordinated water transfer effort with San Juan Water District, Carmichael Water District and the City of Sacramento surface water. In addition Sacramento Suburban Water District, Fair Oaks Water District and Citrus Heights Water District are currently pumping groundwater as a part of the transfer.

RWA Outreach – Mr. Woodling was 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. In addition to chairing the ACWA Groundwater Committee and serving on the State Legislative Committee, Mr. Woodling is representing ACWA Region 4 on the selection panel for ACWA's next executive director.

Powerhouse Science Center Update – The Powerhouse Science Center held its official groundbreaking ceremony on May 31, 2018. Chair Marcus Yasutake represented RWA. Staff is meeting with Powerhouse staff to discuss the development of our two exhibits.

RWA Update – Staff and RWA’s public relations consultant are producing a quarterly update highlighting RWA activities. The document is designed to be suitable for distribution to member agency boards of directors. The July edition will be distributed soon.

SGA Anniversary – The Sacramento Groundwater Authority will celebrate its 20th anniversary with a luncheon event on October 18, 2018 at the North Ridge Country Club.

Financial Reports – The RWA financial reports through April 30, 2018 were included in the packet.

10. DIRECTORS’ COMMENTS

Mr. Foster said that on July 30th and 31st California American Water will be hosting a public participation hearing at the Fruitridge Community Center to outline the next steps towards the acquisition of Fruitridge Vista Water into California American Water.

Mr. Bigley said that the City of Roseville is undertaking a groundwater strategic plan to take a look at their infrastructure. They are looking at scenarios to develop new infrastructure in a way that provides full coverage within the city limits. They have started the process of implementing their active maintenance program for their well infrastructure with a monthly rotation schedule.

Mr. Straus gave a brief update on the Citrus Heights Water District meter replacement program. There is a technical group meeting on July 26th at the Fair Oaks Water District office. The Request for Proposal will be out on August 22nd for the advanced planning study to look at what the feasibility is for long term integration with other consortium members.

Mr. Greenwood said that Carmichael Water District will participate in regional water transfers. He thanked Mr. Woodling for the many accomplishments that RWA has made in the past few years with him at the helm.

Mr. Madison said that the Elk Grove Water District’s Urban Water Management Plan updates are right around the corner. It is apparent that when the next update is due it will be necessary to do a climate change study as part of the update. He encouraged the RWA Executive Committee to consider doing a regional climate change review that could be included in individual agency packages.

Ms. Tobin thanked Mr. Woodling for all he does in his role as Executive Director and she thanked Mr. Swartz for his work and assistance to the San Juan Water District.

Ms. Henrici reported that Rio Linda/Elverta Community Water District is planning a series of Strategic Planning meetings as part of the Strategic Plan Review of their district.

Mr. Duran announced that Mr. Schaeffer has resigned. Jim Lemley is the newest Orange Vale Water District board member and will be the RWA representative.

Vice Chair Schubert said that he had a message to convey to the board from Chair Yasutake reminding all board members to complete the Executive Director Evaluation survey. Hard copies are available upon request.

Adjournment

With no further business to come before the Board, Vice Chair Schubert adjourned the meeting at 10:05 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer