

1. CALL TO ORDER

Chair Schubert called the meeting of the Executive Committee to order at 8:30 a.m. Individuals in attendance are listed below:

Executive Committee Members

Ron Greenwood, Carmichael Water District

Marcus Yasutake, City of Folsom

Debra Sedwick, Del Paso Manor Water District

Paul Schubert, Golden State Water Company

Brent Smith, Placer County Water Agency

Kerry Schmitz, Sacramento County Water Agency

Dan York, Sacramento Suburban Water District

Michelle Carrey (recommended by City of Sacramento as interim replacement to fill post-election Executive Committee vacancy per RWA Policy 200.3), City of Sacramento

Staff Members

John Woodling, Rob Swartz, Ryan Ojakian, Nancy Marrier, Amy Talbot, Cecilia Partridge, Monica Garcia and Ryan Bezerra, legal counsel.

Others in Attendance

Nicole Krotoski, Claire Caffo, Robert Dugan, Jim Graydon and Charles Duncan

2. PUBLIC COMMENT

None.

3. CONSENT CALENDAR

The minutes from the Executive Committee meeting held January 23, 2019 and the Special Executive Committee meeting held January 29, 2019.

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

4. EXECUTIVE DIRECTOR RECRUITMENT UPDATE

John Woodling reported that a recruitment brochure has been finalized (enclosed in the packet) and is being sent to prospective candidates. The deadline for applications is March 18, 2019. The consultant will screen the candidates and

present results to the Executive Committee on March 27, with interviews to be scheduled in April.

5. DEVELOPMENT OF FISCAL YEAR 2019 – 2020 BUDGET

John Woodling gave a presentation to the EC that will serve as the foundation of the presentation to be given to the full Board as part of the budget approval process. The proposed Fiscal Year 2019-2020 budget (“FY20 Budget”) proposes a 5% dues increase to full members, a 3% increase to associate members, and no increase for RWA affiliates.

As provided in the EC packet for the meeting and discussed at the EC meeting, key components affecting the FY20 Budget include:

- 1) As part of the strategic plan implementation, RWA began transitioning to a full-time staffed position for the legislative/regulatory program in FY17. RWA had created a Strategic Plan Fund that began in FY16 and helped to pay for this implementation of the strategic plan in FY17 and FY18. FY18 represented the first full year of execution of the advocacy element of the strategic plan, including a full year of staffing costs. For FY19, the contract lobbyist was funded 50% by subscription dues and 50% from the strategic plan fund. For FY20, the proposed budget will use the remaining strategic fund (estimated at \$49,700) to help pay for these consulting costs with the balance to be paid for by core dues. For FY21 and beyond, core dues will fully support both staff and the contract lobbyist.
- 2) When the Water Efficiency Program (WEP) began, the program manager position was a full time dedicated position for WEP. For the last few years, that position has also assisted with RWA core functions. Some of these activities have included State Water Resources Control Board emergency regulations, water supply data collection, the water-energy study, and the development of an RWA annual report. Because of this program shift from WEP to RWA activities, RWA has been shifting 10% per year of the staffing costs to RWA core dues to reflect the support provided to the core program by this position, so that in FY19, 30% of the costs are supported by RWA core dues. The proposed budget reflects 40% of these costs supported by RWA in FY20. The subsequent year also assumes an increase of 10% capping at 50% in FY21. This offsets costs to the WEP Program, allowing WEP additional funds to support either direct public outreach costs or to reduce fees, subject to decisions by the WEP committee during its annual budgeting process.
- 3) The Powerhouse Science Center (PSC) is an agreement that RWA entered into for a science education center in Northern California. Money was collected over five years and placed in a designation to be paid to PSC over 15 years. New members have joined over time and have yielded an additional \$13,000, which will be credited back to agencies on their FY20 dues invoice.
- 4) Since associate members have no effective voting rights, the EC discussed capping any dues increase for this class of membership to the lesser of the actual RWA annual increase or 3%, whichever is lower.

- 5) The EC discussed succession planning, including some overlapping salary during the transition as well as potential for increased salary costs for the finance manager at Tier 2. A potential succession planning set aside may be created if budgeted costs for this succession planning have not been incurred as expected.
- 6) In keeping with RWA's Policy 500.15 Defined Benefit Pension Plan Funding policy, the FY20 budget will reflect an additional payment above the required annual payment to the pension plan unfunded liability. The EC was provided a lower than anticipated estimated unfunded liability balance of approximately \$58,000¹ due to improvements in the investment market performance. Because RWA is paying off this unfunded liability over four years, the amount to pay can create significant volatility from year to year, both increases and decreases to payments. For FY20, RWA's budgeted payment is \$15,000 versus the \$63,000 expected payment based upon the previous estimated unfunded liability balances. The amount to pay in FY21 will be recalibrated based upon updated balance data and could be higher or lower than \$15,000. These payments reflect RWA's liabilities. SGA pays its own contributions direct to CalPERS since SGA became a CalPERS member in FY17.

Outlook for FY 2021

In looking out to the future, RWA can anticipate a potential 18% increase in dues in FY21 in order to meet increased expenses when designated strategic plan funds are not available to help fund the advocacy program, increased leasing costs, continuing to pay the unfunded pension plan liability, and continuing to shift the WEP manager costs to be funded 50% by core dues. FY21 and beyond does not reflect the salary costs that will be used for the new Executive Director or Finance and Administrative Services Manager until they are hired. 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.

Because the increase in fees is less than expected for FY20, it will increase projected fees in out years to compensate for the delay in fee increases.

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

The EC discussed the need to add an action prior to approving the FY20 Budget to recognize the use of cash from the FY19 Budget to cover expenses authorized and incurred in FY18 for the IRWM program. In FY18, \$60,000 to cover expected consulting costs was budgeted to be used for the core IRWM program to fully fund the 2018 IRWM Plan Update. The 2018 IRWM Plan Update was partially funded

¹ Per a July 26, 2018 letter from CalPERS estimated the unfunded pension liability balance at June 30, 2019 after the \$63,000 payment made in FY19.

by a Proposition 1 IRWM Planning Grant from the Department of Water Resources. The Prop 1 grant was used to fund common tasks in both the 2018 IRWM Plan Update and the ongoing Regional Water Reliability Plan (RWRP). Some of the Prop 1 grant reimbursement that was previously entered into the IRWM accounting center was intended to cover RWRP subscription program expenses. Once this grant reimbursement is transferred to the RWRP program, the IRWM consulting expenses will exceed revenue by \$60,000. The transfer of these funds will appear as an unplanned expense in FY19. Ms. Krotoski recommended that this unplanned expense be formally recognized, as the proposed FY20 Budget reflects the transfer of \$60,000 in available cash to balance revenues and expenses for the now completed 2018 IRWM Plan Update.

The EC approved treating this action as separate from the approval of the FY20 budget, but, since the EC meeting, Ms. Krotoski and the Interim Executive Director have determined that the matter can be incorporated into consideration of the FY20 Budget for accounting purposes.

M/S/C Ms. Sedwick moved, with a second by Ms. Schmitz, to recommend Board adoption of the Budget for Fiscal Year 2019 – 2020. The motion carried by the unanimous voice vote of all directors present.

6. RESOLUTION REGARDING CalPERS HEALTH BENEFIT VESTING AND PAYMENTS

John Woodling reported that the Executive Committee directed staff to evaluate alternatives that would lower the long-term costs of providing health benefits to retirees. Participating in the CalPERS health program limits options and adds complexity due to the requirements of the Public Employees Medical and Health Care Act (PEMHCA). At its November meeting, the Board directed staff to move forward with a CalPERS resolution and associated actions. The goal is to maintain commitment to current retirees and current active employees, reduce long term retiree costs for future employees and maintain competitive benefits that allow us to recruit and retain employees.

Resolution 2019-02 will rescind the current benefit vesting that RWA has in place under Resolution 2007-03 and will be replaced with Resolution 2019-03, which adopts an employer contribution at an equal amount for employees and annuitants. The effective date will be July 1, 2019. The minimum PEMHCA contribution in 2019 is \$136 and will change slightly each year.

M/S/C Mr. Yasutake moved, with a second by Mr. York, to recommend Board approval of Resolution 2019-02 to Rescind CalPERS Health Benefit Vesting and to Recommend Board Adoption of Resolution 2019-03 CalPERS Minimum Payment Resolution. The motion carried by the unanimous voice vote of all directors present.

7. RETIREE HEALTH BENEFIT PLANS

Along with resolutions changing the health benefits RWA provides relative to PEMHCA to the minimum payment, the Board has directed staff to develop a

replacement that provides promised benefits to retirees and current employees, while defining retiree benefits for new employees that reduce long term liabilities while still providing the ability to recruit and retain quality employees.

Staff worked with the Executive Committee and special counsel to develop a package of health benefits for both retirees and active employees that satisfies those objectives and is compliant with IRS rules. The details of the benefits are provided in the draft Cafeteria Plan (for active employees) and the draft Health Premium Reimbursement Plan (for retirees).

Changes from current benefits include, in the Cafeteria Plan:

- 1) a limit on the amount reimbursed for health premiums to the median amount of CalPERS plans available to RWA employees, and
- 2) the option to take a cash payment in lieu of health insurance coverage.

Changes to retiree health benefits include:

- 1) a longer vesting period of RWA/SGA service,
- 2) limitation on the number of years of CalPERS service outside of RWA/SGA that can be applied to the formula, and
- 3) allowance based only on Employee + 1 dependent premiums

The targeted implementation date for the new benefits structure will be July 1, 2019.

After discussion it was decided to change page 16, number 5 to say: Tier III Retiree. "Tier III Retiree" means a Retired Employee who: (a) was hired on or after July 1, 2019, (b) has at least five (5) years of CalPERS service credit accrued from service with the Authority and/or Sacramento Groundwater Authority *plus* at least five (5) years of additional CalPERS service credit, which may be accrued from service with other CalPERS employers. On page 18 change the "up to" 5 years to "no more than" 5 years.

M/S/C Ms. Sedwick moved, with a second by Mr. Yasutake, to Recommend Board approval of Cafeteria Plan and Recommend Board Approval of Health Premium Reimbursement Plan with the above noted change. The motion carried by the unanimous voice vote of all directors present.

8. LEGISLATIVE/REGULATORY UPDATE

Ryan Ojakian, Legislative and Regulatory Affairs Manager, gave an update on the bills that have been introduced on the water tax, water conservation, water quality, groundwater, climate change, and forest health in the current legislative session. Staff is in the process of going through all of the bills to identify which bills will have the greatest impacts on RWA members. The Advocacy program met last week, on

February 20th, to discuss bills that had been introduced as of February 13th. Staff is recommending support on 4 bills. A brief summary of those bills were included in the packet:

AB 533 (Holden) excludes from personal taxable income any benefit received from a local water agency to advance a program for water conservation, efficiency, or runoff management.

SB 19 (Dodd) would require the Department of Water Resources (DWR) and the State Water Resources Control Board (SWRCB) to, upon appropriation from the Legislature, develop a plan to modernize, reactivate, and deploy new stream gauges in priority locations across the state.

SB 134 (Hertzberg) would prohibit the Water Board from enforcing a water loss regulation except as part of water conservation regulations.

In the regulatory realm, Governor Newsom removed Felica Marcus from the Water Board. Governor Newsom appointed Joaquin Esquivel as Chair of the Water Board and replaced Ms. Marcus with Laurel Firestone on the Board. Ms. Firestone comes to the Water Board from the Community Water Center, which is an organization that is focused on the human right to water. It has been reported that these changes were driven by an effort to make the board more moderate.

RWA submitted comment letters on the Water Board AB 401 Low Income Water Rate Assistance Report and the Office of Environmental Health Hazard Assessment (OEHHA) Framework and Tool for Evaluating Progress in Achieving the Human Right to Water. Both of those comment letters are available on the RWA Advocacy webpage.

Action: Take positions on bills

AB 533 Support

SB 19 Support

SB 134 Support

SB 669 Support

M/S/C Ms. Schmitz moved, with a second by Mr. Smith, to take a Support Position on bills AB 533, SB 19, SB 134 and SB 669. The motion carried by the unanimous voice vote of all directors present.

9. REGIONAL WATER RELIABILITY PLAN UPDATE

Rob Swartz, Manager of Technical Services, reported that RWA is nearing completion of the Regional Water Reliability Plan (RWRP) project. A draft RWRP is being reviewed by the project committee. Several recommendations made by the RWRP, including further development of a regional water bank, were enclosed in the packet. The recommendations include establishing a regional water bank, continuing to pursue early actions that support development of the water bank, continued coordination with other regional efforts that could contribute to reliability and continuing to identify opportunities to implement RWRP mitigation actions, including those not related to the water bank.

Mr. Greenwood entered the meeting.

Staff is currently developing a new subscription-based project agreement to complete the tasks to develop a water bank that would be consistent with United States Bureau of Reclamation's groundwater banking guidelines and would also be consistent with the desired outcomes of the California Sustainable Groundwater Management Act. Mr. Swartz provided an overview of the proposed new project. He sought input from the Executive Committee on information to update the full Board at its March 14, 2019 meeting.

After discussion, it was recommended that this item remain on future meeting agendas as program progress updates for each phase. It was suggested that a Resolution from RWA showing approval and support of the Regional Water Reliability Plan be presented to the board at a future meeting. The project agreement will be presented to the Executive Committee on March 27th to approve launching the Water Bank Project.

10. RWA MARCH 14, 2019 BOARD MEETING AGENDA

After discussion it was decided to move the agenda item "Update on Executive Director Recruitment" to the Executive Director's Report, move the "Nomination to the ACWA JPIA Executive Committee" under the Consent Calendar and add a second action item under "Fiscal Year 2019 – 2020 Budget" to modify the 2018 – 2019 Budget. Note that subsequent to the Executive Committee meeting, Ms. Krotoski and the Interim Executive Director have determined that the matter can be incorporated into consideration of a single action to adopt the FY20 Budget. Also note that subsequent to the EC meeting, RWA was informed that an additional ACWA JPIA request was received by Jerry Gladbach and that nominations are required to come in the form of a resolution. As a result, the agenda was modified to add these resolutions as an action item under the consent calendar.

The March 27th Executive Committee meeting agenda will reflect that the meeting will begin at 8:00 a.m. After Public Comment there will be a one-hour Closed Session after which the public portion of the meeting will continue.

M/S/C Ms. Sedwick moved, with a second by Ms. Schmitz, to Approve the March 14, 2019 Board Meeting Agenda with the proposed changes. The motion carried by the unanimous voice vote of all directors present.

11. DISPOSAL OF SURPLUS PROPERTY

RWA Policy 300.3 defines procedures by which surplus property can be disposed. The policy gives authority to the Executive Committee and the Executive Director for disposing of surplus property. The policy precludes board members and employees from purchasing or receiving surplus property. The policy does not extend this limitation to former employees.

Mr. Woodling sought approval of the Executive Committee to purchase an RWA owned iPhone 7 (128 gb) for fair market value after his departure on March 1,

2019. Staff researched auction prices for a similar used phone on eBay and recommended a price of \$210 based on the mean and median prices for more than 30 completed transactions. The alternative to this transaction would have been to dispose of the phone as e-waste, since there is no other employee who will use it.

M/S/C Mr. Yasutake moved, with a second by Ms. Schmitz, to approve the Sale of iPhone 7 to the outgoing Executive Director consistent with RWA Policy 300.3. The motion carried by the unanimous voice vote of all directors present.

12. EXECUTIVE DIRECTOR'S REPORT

Mr. Woodling noted that this is his last Executive Director's Report. The RWA has come a long way in the past 10+ years with a lot more work to accomplish in the future. RWA is seen as a leader in many areas with a framework for water management, a successful water efficiency program and a legislative/advocacy program. The Executive Committee is tasked with finding an Executive Director who will facilitate staff, who can understand the interests of all the members and will lead RWA to continue adding value to the members.

13. DIRECTORS' COMMENTS

Ms. Schmitz, Mr. York, Ms. Sedwick, Mr. Greenwood, Mr. Yasutake and Mr. Smith thanked Mr. Woodling for his service, leadership and dedication to RWA and SGA and wished him well in his future endeavors.

Ms. Carrey said that she will continue to attend future RWA Board meetings as a new RWA representative for the City of Sacramento.

Chair Schubert thanked Mr. Woodling for his leadership and for treating the diverse RWA membership equally.

ADJOURNMENT

With no further business to come before the Executive Committee, Chair Schubert adjourned the meeting at 10:37 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer