



Regional Water Authority
BUILDING ALLIANCES IN NORTHERN CALIFORNIA

**RWA Board Meeting
Final Minutes
March 14, 2019**

1. CALL TO ORDER

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

Ron Greenwood, Carmichael Water District
Raymond Riehle, Citrus Heights Water District
Hilary Straus, Citrus Heights Water District
Marcus Yasutake, City of Folsom
Dan Karleskint, City of Lincoln
Bruce Houdesheldt, City of Roseville
Sean Bigley, City of Roseville
Jeff S. Harris, City of Sacramento
Michelle Carrey, City of Sacramento
Martha Guerrero, City of West Sacramento
Denix Anbiah, City of West Sacramento
Deb Sedwick, Del Paso Manor Water District
Michael Raffety, El Dorado Irrigation District
Tom Nelson, Elk Grove Water District
Mark Madison, Elk Grove Water District
Randy Marx, Fair Oaks Water District
Tom Gray, Fair Oaks Water District
Paul Schubert, Golden State Water Agency
Robert Dugan, Placer County Water Agency
Brent Smith, Placer County Water Agency
Mark Martin, Rancho Murieta Community Services District
Brent Dills, Rio Linda/Elverta Community Water District
Tim Shaw, Rio Linda/Elverta Community Water District
Kerry Schmitz, Sacramento County Water Agency
Dan York, Sacramento Suburban Water District
Pam Tobin, San Juan Water District
Paul Helliker, San Juan Water District

RWA Associate Members

Brett Storey, Placer County, Arthur Starkovich and Ansel Lundberg, SMUD

RWA Affiliate Members

Alan Driscoll, Forsgren Associates, Inc., Charles Duncan, West Yost Associates and Vanessa Nishikawa, Stantec

Staff Members

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

Others in Attendance:

David Gordon, David Wheaton, Craig Locke, Kathleen McPherson, Terry Erlewine, Jim Peifer, Kevin Gustoff and Nicole Krotoski

2. PUBLIC COMMENT

Mr. Starkovich, Sacramento Municipal Utility District, said that under recent legislation with SB 901 all electric utilities are required to have a wildfire mitigation plan in place. SMUD has those plans in place and will be seeking public comment between April 15 and May 20, 2019. Notification will be emailed when the comment period is posted.

3. CONSENT CALENDAR

- a. Approve Minutes of the January 10, 2019 regular board meeting
- b. Approve Resolution 2019-02 concurring in the nomination of Paul Green to the California Water Insurance Fund Board of the ACWA/JPIA, Approve Resolution 2019-03 concurring in the nomination of Jerry Gladbach to the Executive Committee of the ACWA/JPIA and Approving Resolution 2019-04 concurring in the nomination of Brent Hastey to the Executive Committee of the ACWA/JPIA.

Motion/Second/Carried (M/S/C) Mr. Harris 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. EXECUTIVE COMMITTEE REPORT AND RECOMMENDATIONS

- a. Information: Final minutes of the January 23, 2019 Executive Committee meeting and the January 29, 2019 Special Executive Committee meeting and draft minutes from the February 27, 2019 Executive Committee meeting

5. FILL VACANCY ON THE EXECUTIVE COMMITTEE

The RWA Executive Committee of the Board of Directors was seeking to fill a post-election vacancy. When a committee member is unable to fulfill their term, RWA Policy 200.3 provides for the filling of a vacancy. A copy of the policy was included in the packet.

The City of Sacramento, which previously held the position, recommended Michelle Carrey as a replacement on the Executive Committee to the Board Chair on February 7, 2019, and Ms. Carrey participated as a member of the Executive Committee at its regular meeting on February 27, 2019. Consistent with Policy 200.3, the RWA Board of Directors considered a permanent appointment for the remainder of the current term for Ms. Carrey. A bio for Ms. Carrey was enclosed in the packet.

Consistent with Policy 200.3 the Board was asked to vote on the appointment of Ms. Carrey to the Executive Committee. Mr. Bezerra, RWA Legal Counsel, gave a brief overview of the process. Each agency was instructed to mark their ballot either for or against Ms. Carrey's appointment to the Executive Committee. Chair Schubert appointed Ryan Bezerra and Nancy Marrier to act as the Elections Committee. Ms. Carrey was allowed two minutes to make a statement.

Ms. Carrey received a majority of the votes with 17 yes votes from Carmichael Water District, Citrus Heights Water District, City of Folsom, City of Lincoln, City of Roseville, City of Sacramento, City of West Sacramento, Del Paso Manor Water District, Elk Grove Water District, Fair Oaks Water District, Golden State Water Agency, Placer County Water Agency, Rancho Murieta Community Services District, Rio Linda/Elverta Community Water District, Sacramento County Water Agency, Sacramento Suburban Water District and San Juan Water District. One vote was received against from El Dorado Irrigation District. With the majority yes votes Ms. Carrey will fill the vacancy on the Executive Committee. Hard copies of all final ballots will be kept in the RWA office for anyone who wishes to review them.

Mr. Greenwood entered the meeting.

6. PROPOSED FISCAL YEAR 2019 – 2020 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 FY20 Budget at the January 23 and February 27, 2019 EC 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. Those significant decisions were incorporated into the proposed FY20 budget that was included in the packet for the Board's review. Additionally, the staff report in the board packet outlined a summary budget overview that listed additional fee and expense assumptions.

Rob Swartz, Interim Executive Director, gave a presentation on the proposed fiscal year 2019–2020 budget (FY20 budget). He highlighted the benefits of RWA membership, including collaboration among agencies, regional planning and implementation, coordinated voice on water issues, and successful grant funding and savings opportunities.

Proposed Member Dues

A total 5% increase on general membership was proposed for FY20. A 15% increase was previously forecasted during the FY19 budget process. The lower fee increase reflects that RWA FY18 available cash balance results were better than previously expected by approximately \$107,500 due to a partially vacant advocacy position and lower legal and public relation expenses than previously anticipated. The FY21, FY22, and F23 projected increases are expected to be higher at 18%, 17% and 15% respectively as delayed increases can result in higher increases in out years. **However, the budget and projected results may not be achieved and can affect the increases in future periods.**

The FY20 5% fee increase is needed to continue the implementation of the strategic plan including consulting services, plus to pay sums towards the unfunded pension liability. Additionally, core revenues are now projected to cover 40% of the WEP manager costs and related office expenses.

Since associate members have no 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. This budget reflects a proposed 3% increase to annual dues. At the meeting, a couple of the associate members mentioned that they receive a great value from RWA and the grants and would not be opposed to the same increase as regular members. Additionally, they mentioned that the new Executive Director should attempt to bring in more associate members to make the organization even stronger. RWA will consider revisiting this issue next budget cycle.

Significant Assumptions

Mr. Swartz outlined several historical assumptions included in the budget framework.

SGA shares 50% in common office and administrative costs. SGA pays its own share of PERS. Administrative fees are based on 4.8 FTEs (2.2 FTEs for SGA) for RWA with salaries within the ranges of the salary survey plus potential for COLA and merit. Approving the RWA budget does not approve subscription-based programs. Subscription based programs are expected to contribute 10% to RWA in FY20. Lastly, the budget does not assume any change or loss in membership, which could affect current or future results.

Strategic Plan Implementation and Funding

The strategic plan outlined staffing a legislative and regulatory manager to implement RWA's regional water voice on important water legislation and regulations that impact members and the region. The program has proved to be successful and is now staffed by a full-time person to fully implement the strategic

plan goals supported by core dues. In 2018, the Board voted to fund the water advocacy consultant using core dues instead of subscription dues. This shift in funding is occurring over a three year period from FY19 to FY21. Under this proposal, subscription fees were not collected in FY19 for this consulting support. Moving this consulting support to core dues will impact core dues in FY20 and FY21, especially in FY21 when the full cost of this program will need to be funded by the core dues. It is a net cost savings to the members who have been paying for this service as a subscription program for the last several years on behalf of themselves and other members.

Defined Benefit Pension Plan Funding

The FY20 budget incorporates RWA's Policy 500.15 Defined Benefit Pension Plan Funding policy, reflecting an additional payment above the required annual payment for 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 budgets a four year payment allocation for this unfunded liability, the amount to pay can reflect 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 prior estimated unfunded liability balance. The amount to pay in FY21 will be recalculated based upon updated balance data and could be higher or lower than \$15,000. A couple of board members asked if there was a way to smooth out the volatility of these payments. Lengthening the time payment horizon helps stabilize the volatility but would require modification to the policy. RWA EC will look at this issue again for the FY21 budget preparation.

Water Efficiency Program

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 also assisted with RWA core functions. Because of this program shift from WEP to RWA activities, RWA has been shifting 10% per year of the staffing and related administrative 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. This shift in costs also recognizes that a portion of water efficiency is a core function of RWA.

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.

Powerhouse Science Center

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 collected, which will be reflected as a reduction of member FY20 dues invoice. The reimbursement will be pro-rated based on the amounts paid toward the PSC by each member.

Succession Planning

The budget does include approximately \$20,000 for overlapping salary and benefit costs in FY20 for the finance manager position. The FY20 budget reflects salary and benefit costs without any potential increases or decreases for the position changes for the executive director and the finance manager. Any unused succession planning budget will be set aside in a succession planning fund.

Additional Board Discussion

Mr. Yasutake added that when looking at a dues increase he conveys to the city manager and city council what his agency has gained over that time. The City has received several millions of dollars of grant funds which shows at least a four to one return on investment of dues relative to the grant funds received. They have also saved costs by not having to hire staff to do these particular grants or applications. Mr. Harris from the City of Sacramento agreed with this comment.

Mr. Houdesheldt asked why RWA is only asking for 5% in the next fiscal year and an 18% increase the following year. Mr. Schubert replied that looking to out years is more of a forecast. We know what next year is going to look like based upon the needs of what has been established, instead of creating some extra funds that RWA would be collecting ahead of time that RWA may not need. The opinion of the Executive Committee was to collect what was needed going forward and then refine estimates next year and look at it again.

Mr. Houdesheldt asked if it was a fair statement that the 5% was just for the FY20 and RWA is using some cash on hand to backfill the deficit to be able to hold that figure. Ms. Krotoski replied that it is correct that RWA is using designations. If RWA did more than a 5% increase, RWA would be bumping up against the operating designation policy of four to six months and RWA is trying not to exceed that policy. Mr. Swartz agreed that the budget is partly driven by the reserve policy. If RWA had a higher than 5% increase, RWA could potentially move above six months. RWA has also established a designation for membership dues stabilization in the event that an agency drops membership.

M/S/C Mr. Harris moved, with a second by Ms. Carrey, to adopt the Budget for Fiscal Year 2019 – 2020. The motion carried by the unanimous voice vote of all directors present.

7. RESOLUTION REGARDING CalPERS HEALTH BENEFIT VESTING AND PAYMENTS

Mr. Swartz 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 2019-05 will rescind the current benefit vesting that RWA has in place under Resolution 2007-03 and will be replaced with Resolution 2019-06 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.

Mr. Swartz gave an overview of the cafeteria plan for active employees and the health premium reimbursement plan. At the February Executive Committee meeting, after discussion, it was recommended that the resolution be presented to the RWA Board for approval. It is expected that approval from CalPERS will be received May 1, 2019 with an effective date of July 1, 2019.

M/S/C Ms. Tobin moved, with a second by Mr. Houdesheldt, to approve Resolution 2019-05 to Rescind CalPERS Health Benefit Vesting and to Adopt Resolution 2019-06 CalPERS Minimum Payment Resolution. The motion carried by the unanimous voice vote of all directors present.

8. RWA HEALTH BENEFIT PLANS

Mr. Swartz gave a presentation on the RWA Health Benefit Plan options. In order to save on retiree health benefit costs, the Regional Water Authority (“Authority”) adopted Resolution No. 2019-06 Fixing the Employer Contribution at an Equal Amount for Employees and Annuitants under the Public Employees’ Medical and Hospital Care Act (“PEMHCA”) to permit the Authority to develop three separate health benefit tiers, Tier I, Tier II and Tier III, for retiree health insurance purposes. This resolution will reduce the amount that the Authority pays directly to CalPERS for an employee’s or retiree’s enrollment in a CalPERS health insurance plan to the statutory minimum required under Government Code Section 22892(b) (“Statutory

Minimum”). The Statutory Minimum for 2019 is \$136 and adjusted on an annual basis by CalPERS.

This change is necessary due to a CalPERS rule that requires that a contracting agency make available equal health benefit contributions to employees and retirees in the same group or class unless the Statutory Minimum approach is adopted. In addition, this change will allow Authority employees to include service with Sacramento Groundwater Authority in order to qualify for a greater retiree health benefit contribution as discussed further below.

The goals of the proposed change is to reduce long term retiree costs for future employees, maintain competitive benefits that allow RWA to recruit and retain employees, maintain the commitment to the current retirees and maintain the retirement commitment to current active employees. The cafeteria plan for active employees and the health premium reimbursement plans were prepared by Best Best & Krieger (“BB&K”) as directed by the board and prepared for Board approval.

Resolution No. 2019-07 approves the adoption of the Cafeteria Plan and HRA effective as of July 1, 2019. The Finance and Administrative Services Manager or her designee, is appointed as the Plan Administrator and HIPAA privacy official for both plans. The Executive Director is authorized to take such actions and execute such documents as are necessary to implement the Cafeteria Plan and HRA. This arrangement will also allow service for Sacramento Groundwater Authority to count for purposes of determining the level of retiree health benefits available to eligible retirees.

Mr. Riehle exited the meeting.

There was an objection to the option to take cash payment in-lieu of health insurance coverage. Mr. Houdesheldt and Mr. Schubert explained that if someone has a spouse that has medical benefits, a cash payment of \$440 for the employee would be much less than making an estimated \$1,800 payment for their family.

M/S/C Ms. Tobin moved, with a second by Mr. Houdesheldt, to approve Resolution 2019-07 Adopting the Regional water Authority Cafeteria Plan and the Regional Water Authority Retiree Health Premium Reimbursement Plan. The motion carried by the unanimous voice vote of all directors present.

9. REGIONAL WATER RELIABILITY PLAN UPDATE

Mr. Swartz reported that RWA is nearing completion of the Regional Water Reliability Plan (RWRP) project. A draft RWRP is being reviewed by the project committee. The RWRP makes several recommendations with the further development of a regional water bank being chief among them. 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. Staff provided overviews of the key RWRP recommendations and of the proposed new water bank project to the Board at its March 14, 2019 meeting.

The recommendations have been distributed to the project committee and were presented to the Executive Committee on February 27th. It was suggested that a resolution of support be brought to the board for adoption. Staff will work with legal counsel to determine what, if any, environmental analysis should be completed. Staff may bring back a final document to the board at the May or July meetings.

We have a reliable water supply; however, there are some uncertainties adapting to future climate conditions and long term with future demands. Staff continues planning for the establishment of a regional water bank to leverage the groundwater basin as the most effective reservoir that we manage locally. A three year plan is proposed to arrive at a water bank in 2022. The development of the water bank will be an RWA subscription-based project. There are two phases to the water bank project, first to get modeling tools developed to assess the operation so that an environmental analysis of the program can be completed. Staff has been engaging with state and federal agencies to keep them apprised of the progress. The committee is looking at the interest in groundwater substation transfers and exploring issues of governing ourselves. Activities under phase 2 are being deferring until phase 1 is completed, and then a determination will be made if we want to move forward. We continue to pursue early actions to expand conjunctive use operations and prove concepts of storage and recovery coordinating with Groundwater Sustainability Agencies in the North American and South American Subbasins. The feasibility of expanded ASR wells in the region is being explored with continued coordination with longer-term planning efforts.

A study of whether or not ASR makes sense for our region is being planned as an additional RWA subscription project. Other long term planning efforts include evaluating in-lieu recharge in the south part of the county and how that incorporates into a water bank. We are also working with SAFCA on a proposed flood control project that will be doing direct recharge. We want to look at what kind of opportunities these projects present and how we can coordinate with them.

There was discussion of the market opportunity that groundwater substitutions represent. It is about getting water out and distributing into agencies that can take surface water. It was noted that in the agriculture community, rice growers specifically do not want to use recycled water because some of their buyers will not accept their rice product if recycled water has been used. Mr. Harris stated that the groundwater substitution pilot program worked well for City of Sacramento.

Staff will continue to identify and pursue grant funding opportunities to implement the water reliability plan mitigation actions, support development of new funding opportunities and track progress on proposed mitigation actions.

10. EXECUTIVE DIRECTOR'S REPORT

Legislative and Regulatory Update – The Legislative bill introduction deadline was February 22nd. Staff is tracking approximately 90 bills for existing content that broadly relate to the water tax, water quality, water efficiency, and water rights. RWA has taken a support position on AB 533, SB 19, SB 134 and SB 669. Additional information is available on the RWA advocacy webpage on those bills. There were several hundred “spot” bills introduced at the deadline. Staff is monitoring all of those bills, and it is likely that once they become substantive several dozen additional bills will be tracked. Staff is in communication with the larger water community and Legislative offices on an ongoing and regular basis to understand the intent behind proposals, and to communicate both our concerns and support.

The State Water Board is in the process of developing a needs assessment for safe drinking water. The process began in January and is expected to pick up again in late April. The needs assessment will likely be referenced in the policy discussions over the water tax. Staff is actively engaged in that process.

RWA Outreach – Staff has been invited to participate on an ACWA Integrated Regional Water Management (IRWM) Subcommittee to discuss updating ACWA's IRWM Policy Principles. Staff has been invited to participate in a small group Public Policy Institute of California (PPIC) workshop on “Water Trading, Water Banking, and Sustainable Groundwater Management” on April 19 in Sacramento.

Grants Update – Staff is currently managing six grant awards totaling just over \$29.2 million. During the previous quarter, staff completed the grant completion report for the Department of Water Resources' (DWR) Proposition 1 \$250,000 grant award, which helped fund the 2018 American River Basin IRWM Plan Update. This completes the requirements for the grant, with final retention expected before the end of the current fiscal year.

During the upcoming quarter, staff will be working with USBR to execute a funding agreement for a \$300,000 grant awarded to San Juan Water District, with Sacramento County Water Agency as a sub-recipient. The award is from the WaterSMART drought contingency implementation program and will be used to fund two agency interties. RWA staff will manage the grant under a subscription project agreement. The Reclamation funding agreement has been taking much longer than expected to develop, which has also been experienced by other grant recipients from 2018.

DWR is expected to release the final application and guidelines for the Proposition 1 IRWM Implementation Grant Program. Staff is continuing to communicate with American River Basin IRWM stakeholders to identify projects that are ready to proceed and that wish to be considered to pursue the current opportunity as part of a regional application. RWA is also coordinating with other Regional Water Management Groups in our funding area, which is encouraged by DWR as part of the grant program.

Executive Director Recruitment Update – A recruitment brochure has been finalized and was sent to prospective candidates beginning on February 18, 2019. The deadline for applications is March 18, 2019. The consultants will screen the candidates and present results to the Executive Committee on March 27, with interviews to be scheduled in late April. It may become necessary to schedule a special June meeting to finalize the process.

Financial Reports – Financial reports through January 31, 2019 were attached.

11. DIRECTORS' COMMENTS

Mr. Madison said that as we move closer towards the timeline for Urban Water Management Plans, he would like to encourage working together on a common climate change review. It would be beneficial to do this under the RWA.

Mr. Lundberg thanked Mr. Swartz for sharing the information on the Regional Water Reliability Plan draft.

Ms. Carrey said she looks forward to representing the region on the RWA Executive Committee.

Mr. Harris thanked all of the members for their support of the Powerhouse Science Center. It will be a tremendous regional amenity and will educate several generations of youth about water. He encouraged everyone to check out the auxiliary spillway project.

Mr. Martin thanked the RWA for their assistance to Rancho Murieta Community Services District with modifying their Prop 84 grant.

Mr. Starkovich announced wildfire mitigation plan comment opportunities will be coming out soon.

Mr. Dugan reported that the Cap-2-Cap discussions and arrangements are underway. The utility company PG&E has had conflicts over the past year. A working group has been convened to address PG&E utility issues associated with permits for projects such as water pipeline replacement or water connections. Anyone who wants to be included, please contact Mr. Dugan.

Ms. Roccucci said that she is glad to be able to come back and participate in the RWA for the City of Roseville.

Mr. Houdesheldt said he recognized familiar faces among the RWA members. He said that he works for the Northern California Water Association managing discharge permits.

Mr. Bigley gave an update on the City of Roseville Central Valley Project water service contract. They had an opportunity to schedule flood control water to inject into ASR wells that have not previously been used for injection operation.

Mr. Raffety reminded the board that that as a result of the 1986 storms that almost over topped Folsom dam, Representative Doolittle engaged the Bureau of Reclamation to put the auxiliary spillway project in place.

Ms. Tobin said that she had the opportunity to travel to Washington D.C. with the ACWA Legislative Conference. They had the opportunity to combine messages for Folsom and San Juan Water District to educate legislative staff on water issues, which will be beneficial for future requests. The group had productive meetings with several Senators and Representatives.

Adjournment

With no further business to come before the Board, Chair Schubert adjourned the meeting at 10:46 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer