REGIONAL WATER AUTHORITY
REGULAR MEETING OF THE BOARD OF DIRECTORS
Thursday, May 6, 2021, 9:00 a.m.

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) 847-7589. Requests must be made as early as possible, and at least one full business day before the start of the meeting. The Board of Directors may consider any agenda item at any time during the meeting.

Note: Pursuant to the Governor’s Executive Order N-29-20 and given the state of emergency regarding the threat of COVID-19, the meeting will be held via teleconference.

We encourage Committee members and participants to join the meeting 10 minutes early. Note that we will use GoToMeeting to share slides and other information during the meeting. Use the link below to join GoToMeeting. If you have a microphone that you can use with your computer, it should be possible to both listen to, and participate in, the meeting through GoToMeeting. If you do not have a microphone, or a headset with a microphone, that plugs into your computer via USB port, you will need to call into the conference line to listen and comment, although you still should be able to view the meeting materials on GoToMeeting. Please do not simultaneously use a microphone through GoToMeeting and the telephone conference line. That combination results in audio problems for all participants.

Meeting Information:

RWA Board Meeting
Thu, May 6, 2021 9:00 AM - 11:00 AM (PDT)

Please join my meeting from your computer, tablet or smartphone.
https://global.gotomeeting.com/join/632285965

You can also dial in using your phone.
United States: +1 (571) 317-3112

Access Code: 632-285-965

1. CALL TO ORDER AND ROLL CALL

2. PUBLIC COMMENT: Members of the public who wish to address the board may do so at this time. Please keep your comments to less than three minutes.
3. **CONSENT CALENDAR:** All items listed under the Consent Calendar are considered and acted upon by one motion. Anyone may request an item be removed for separate consideration.
   a. Minutes of the March 11, 2021 Board of Directors Meeting
      **Action:** Approve Consent Calendar Items

4. **FISCAL YEAR 2021 – 2022 BUDGET**
   Information and Presentation: Josette Reina-Luken, Finance and Administrative Services Manager
   **Action:** Approve Fiscal Year 2021-2022 Budget

5. **STRATEGIC PLAN COMMUNICATION GOAL REPORT**
   Information and Presentation: Jim Peifer, Executive Director

6. **SACRAMENTO CENTRAL GROUNDWATER AUTHORITY STAFFING**
   Discussion: Jim Peifer, Executive Director

7. **POLICY 500.18 - NEW RWA MEMBER DISCOUNTED DUES**
   Discussion: Jim Peifer, Executive Director
   **Action:** Approve Policy 500.18

8. **LEGISLATIVE/REGULATORY UPDATE**
   Information and Presentation: Ryan Ojakian, Legislative and Regulatory Affairs Manager

9. **EXECUTIVE DIRECTOR’S REPORT**

10. **DIRECTORS’ COMMENTS**

**ADJOURNMENT**

**Upcoming Meetings:**

Executive Committee Meetings: Wednesday, May 26, 2021, 8:30 a.m. and June 23, 2021, 8:30 a.m. at the RWA Office, the location is subject to change depending on the COVID-19 emergency.

Regular Board Meeting: Thursday, July 8, 2021, 9:00 a.m., at the RWA Office, the location is subject to change depending on the COVID-19 emergency.

The RWA Board Meeting electronic packet is available on the RWA website at [https://rwah2o.org/meetings/board-meetings/](https://rwah2o.org/meetings/board-meetings/) to access and print the packet.
## RWA Board of Directors

**2021 Chair:** Sean Bigley  
**2021 Vice Chair:** Dan York

<table>
<thead>
<tr>
<th>Name</th>
<th>Title/Role</th>
<th>Organization</th>
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<tbody>
<tr>
<td>S. Audie Foster</td>
<td>General Manager</td>
<td>California American Water</td>
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<td>Evan Jacobs</td>
<td>Operations Manager</td>
<td>California American Water</td>
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<td><strong>Ron Greenwood</strong></td>
<td>Board Member, Carmichael Water District</td>
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<td>Cathy Lee</td>
<td>General Manager</td>
<td>Carmichael Water District</td>
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<td>David Wheaton</td>
<td>Director, Citrus Heights Water District</td>
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<td>Hilary Straus</td>
<td>General Manager</td>
<td>Citrus Heights Water District</td>
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<td><strong>Raymond Riehle</strong></td>
<td>Director, Citrus Heights Water District</td>
<td>(alternate)</td>
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<td><strong>Rebecca Scott</strong></td>
<td>Principal Operations Specialist (alternate)</td>
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<td>Kerri Howell</td>
<td>Councilmember, City of Folsom</td>
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<td>Marcus Yasutake</td>
<td>Environmental/Water Resources Director, City of Folsom</td>
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<td>William Lauritsen</td>
<td>Councilmember, City of Lincoln</td>
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<td><strong>Ray Leftwich</strong></td>
<td>Public Works Director/City Engineer, City of Lincoln</td>
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<td>Bruce Houdesheldt</td>
<td>Councilmember, City of Roseville</td>
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<td><strong>Sean Bigley</strong></td>
<td>Assistant Environment Utilities Director, City of Roseville, Chair</td>
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<td>Rich Plecker</td>
<td>Director of Utilities, City of Roseville (alternate)</td>
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<td><strong>Dale Olson</strong></td>
<td>City of Roseville (alternate)</td>
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<td>Pauline Roccucci</td>
<td>Councilmember, City of Roseville (alternate)</td>
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<td>Jeff S. Harris</td>
<td>Councilmember, City of Sacramento</td>
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<td>Michelle Carrey</td>
<td>Supervising Engineer, City of Sacramento</td>
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<td>Bill Busath</td>
<td>Director of Utilities, City of Sacramento (alternate)</td>
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<td>Anne Sanger</td>
<td>Policy and Legislative Specialist, City of Sacramento (alternate)</td>
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<td>Martha Guerrero</td>
<td>Council Member, City of West Sacramento</td>
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<td><strong>Bill Roberts</strong></td>
<td>Director of Public Works and Operations, City of West Sacramento</td>
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<td>Grace Espindola</td>
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<td>Diana Langley</td>
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<td><strong>Robert Matteoli</strong></td>
<td>Board Member, Del Paso Manor Water District</td>
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<td>John Lenahan</td>
<td>Board President, Del Paso Manor Water District</td>
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<td><strong>Pat Dwyer</strong></td>
<td>Director/Board President, El Dorado Irrigation District</td>
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<td>Jim Abercrombie</td>
<td>General Manager, El Dorado Irrigation District</td>
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<td>Brian Mueller</td>
<td>Engineering Director, El Dorado Irrigation District (alternate)</td>
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<td>Sophia Scherman</td>
<td>Board Chair, Elk Grove Water District</td>
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<td>Bruce Kamilos</td>
<td>Assistant General Manager, Elk Grove Water District</td>
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<td>Elliot Mulberg</td>
<td>Director, Elk Grove Water District (alternate)</td>
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<td>Randy Marx</td>
<td>Board Member, Fair Oaks Water District</td>
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<td><strong>Tom Gray</strong></td>
<td>General Manager, Fair Oaks Water District</td>
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<tr>
<td>Paul Schubert</td>
<td>General Manager, Golden State Water Company</td>
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<td>Ernie Gisler</td>
<td>Capital Program Manager, Golden State Water Company</td>
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<td>Robert Hunter</td>
<td>Board Member, Orange Vale Water Company</td>
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<td>Joe Duran</td>
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<td>Robert Dugan</td>
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<td>Tony Firenzi</td>
<td>Director of Strategic Affairs, Placer County Water Agency</td>
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<td>Andy Fecko</td>
<td>General Manager, Placer County Water Agency (alternate)</td>
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<td>Mike Lee</td>
<td>Board Member, Placer County Water Agency (alternate)</td>
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<td>Les Clark</td>
<td>Director, Rancho Murieta Community Services District</td>
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<td>Tom Hennig</td>
<td>Interim General Manager, Rancho Murieta Community Services District</td>
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<td>Patrick Kennedy</td>
<td>Supervisor, Sacramento County Water Agency</td>
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<td>Kerry Schmitz</td>
<td>Division Chief, Water Supply, Sacramento County Water Agency</td>
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<td>Dave Jones</td>
<td>Board Member, Sacramento Suburban Water District</td>
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<td>Dan York</td>
<td>General Manager, Sacramento Suburban Water District, Vice Chair</td>
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<td>Kevin Thomas</td>
<td>Board Member, Sacramento Suburban Water District (alternate)</td>
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<td>Dan Rich</td>
<td>Director, San Juan Water District</td>
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<td>Greg Zlotnick</td>
<td>Water Resources and Strategic Affairs, San Juan Water District</td>
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<td>Ted Costa</td>
<td>Director, San Juan Water District (alternate)</td>
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<td>Organization</td>
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| El Dorado County Water Agency                    |  **Brian Veerkamp**, Director  
<p>|                                                  |  <strong>Ken Payne</strong>, General Manager                              |
| Placer County                                    |  <strong>Ken Grehm</strong>, Director Public Works and Facilities        |
|                                                  |  <strong>Brett Storey</strong>, Principal Management Analyst              |
| Sacramento Municipal Utility District (SMUD)     |  <strong>Arlen Orchard</strong>, General Manage/CEO                       |
|                                                  |  <strong>Damien Waples</strong>, Strategic Account Advisor                |
|                                                  |  <strong>Ansel Lundberg</strong>, Energy Commodity Contracts Specialist   |
| Sacramento Regional County Sanitation District  |  <strong>Christoph Dobson</strong>, Director Policy and Planning          |
| (SRCSD)                                          |  <strong>Terrie Mitchell</strong>, Manager Legislative and Regulatory Affairs |
|                                                  |  <strong>Jose Ramirez</strong>, Policy and Planning                       |
|                                                  |  <strong>David Ocenosak</strong>, Principal Engineer                      |
| Sacramento Area Flood Control Agency (SAFCA)    |  <strong>Richard Johnson</strong>, Executive Director                     |</p>
<table>
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<tr>
<th>Organization</th>
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<tr>
<td>Brown &amp; Caldwell</td>
<td><strong>Paul Selsky</strong>, Water Supply Planning, Vice President</td>
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<td><strong>LaSandra Edwards</strong>, Civil Engineer</td>
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<td><strong>May Huang</strong>, Engineer</td>
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<td><strong>David Zuber</strong>, Vice President</td>
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<tr>
<td>California Pool &amp; Spa Association</td>
<td><strong>John Norwood</strong>, Executive Director</td>
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<td>Cosumnes CSD</td>
<td><strong>Steve Sims</strong>, Park Superintendent</td>
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<td>Forsgren Associates, Inc.</td>
<td><strong>Alan Driscoll</strong>, Division Manager</td>
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<td><strong>Sergio Guillen</strong>, Division Manager, Sacramento</td>
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<td>GEI Consultants</td>
<td><strong>John Woodling</strong>, Vice President, Branch Manager</td>
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<td><strong>Chris Petersen</strong>, Principal Hydrogeologist</td>
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<td><strong>Richard Shatz</strong>, Principal Hydrogeologist</td>
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<td>HDR, Inc.</td>
<td><strong>Jafar Faghih</strong>, Water Resources Engineer</td>
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<td><strong>Ed Winkler</strong>, Client Development Lead</td>
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<td>Sacramento Association of Realtors</td>
<td><strong>David Tanner</strong>, Chief Executive Officer</td>
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<td><strong>Christopher Ly</strong>, Chief Operations Officer</td>
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<td>Sacramento Nevada GCSA</td>
<td><strong>Kurtis Wolford</strong>, GCSAA Class A Superintendent</td>
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<td><strong>Matt Dillon</strong>, CGCS</td>
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<td>Stantec</td>
<td><strong>Kari Shively</strong>, Vice President</td>
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<td><strong>Vanessa Nishikawa</strong>, Principal Water Resources Engineer</td>
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<td><strong>Yung-Hsin Sun</strong>, Principal Engineer</td>
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<td><strong>Rebecca Guo</strong>, Senior Associate Water Resources Engineer</td>
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<td><strong>Kirsten Pringle</strong>, Associate Public Affairs Specialist</td>
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<td><strong>Ibrahim Khadam</strong>, Principal Engineer</td>
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<tr>
<td>West Yost Associates</td>
<td><strong>Charles Duncan</strong>, President</td>
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<td><strong>Abigail Madrone</strong>, Business Development Director</td>
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<td><strong>Kelye McKinney</strong>, Engineering Manager I</td>
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<td><strong>Jim Mulligan</strong>, Principal Engineer</td>
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<td>Woodard &amp; Curran (formerly RMC Water and Environment)</td>
<td><strong>Ali Taghavi</strong>, Principal</td>
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<td><strong>Jim Graydon</strong>, Senior Client Service Manager</td>
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AGENDA ITEM 3: CONSENT CALENDAR

All items listed under the Consent Calendar are considered and acted upon by one motion. Anyone may request an item be removed for separate consideration.

Approve minutes of the March 11, 2021 Board of Directors Meeting

Action: Approve Consent Calendar Items

Attachments: Draft minutes of the March 11, 2021 Board of Directors Meeting
1. **CALL TO ORDER**

Chair Bigley called the meeting of the Board of Directors to order at 9:00 a.m. as a teleconference meeting. Individuals who participated are listed below:

**RWA Board Members**

- Evan Jacobs, California American Water
- Audie Foster, California American Water
- Ron Greenwood, Carmichael Water District
- Cathy Lee, Carmichael Water District
- David Wheaton, Citrus Heights Water District
- Hilary Straus, Citrus Heights Water District
- Marcus Yasutake, City of Folsom
- Bruce Houdesheldt, City of Roseville
- Sean Bigley, City of Roseville
- Jeff Harris, City of Sacramento
- Michelle Carrey, City of Sacramento
- Bill Roberts, City of West Sacramento
- Grace Espindola, City of Yuba City
- Diana Langley, City of Yuba City
- John Lenahan, Del Paso Manor Water District
- Jim Abercrombie, El Dorado Irrigation District
- Sophia Scherman, Elk Grove Water District
- Bruce Kamilos, Elk Grove Water District
- Randy Marx, Fair Oaks Water District
- Paul Schubert, Golden State Water Company
- Robert Hunter, Orange Vale Water Company
- Robert Dugan, Placer County Water Agency
- Tony Firenzi, Placer County Water Agency
- Patrick Kennedy, Sacramento County Water Agency
- Kerry Schmitz, Sacramento County Water Agency
- Dave Jones, Sacramento Suburban Water District
- Dan York, Sacramento Suburban Water District
- Dan Rich, San Juan Water District
- Greg Zlotnick, San Juan Water District

**RWA Associate Members**

José Ramirez, Sacramento Regional County Sanitation, and Ken Payne, El Dorado Water Agency
RWA Affiliate Members
Kelye McKinney and Abigail Madrone, West Yost Associates, Ed Winkler, HDR, Inc. and John Woodling, GEI Consultants

Staff Members
Jim Peifer, Rob Swartz, Ryan Ojakian, Michelle Banonis, Josette Reina-Luken, Amy Talbot, Cecilia Partridge, Monica Garcia and Ryan Bezerra, Legal Counsel

Others in Attendance:
Pauline Roccucci, Andy Fecko, Craig Locke, Bob Reisig, Mark Madison, Mike Grinstead, Paul Helliker, Jon Goetz, Rebecca Scott and Rob Roscoe

Mr. Peifer introduced Michelle Banonis as the new RWA Manager of Strategic Affairs.

Chair Bigley reported that the Federal Affairs Committee has worked on an infrastructure list relative to economic recovery. Mr. Swartz has been requested to review and vet the list of projects that will be shared with the RWA Board at a future meeting.

2. PUBLIC COMMENT

None

3. CLOSED SESSION – CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Initiation of litigation pursuant to Government Code § 54956.9, subdivision (d)(4):
One case, concerning Bay-Delta water quality control plan.

Mr. Peifer gave instructions for the Executive Committee members to participate in the Closed Session.

4. REPORT FROM CLOSED SESSION

There was unanimous approval for the Common Interest Agreement relative to this matter from all members present in the closed session.

5. CONSENT CALENDAR

a. Minutes from the January 14, 2021 Regular Board meeting
b. Adopt the revised RWA Board Meetings Schedule for 2021

Motion/Second/Carried (M/S/C) Mr. Houdesheldt moved, with a second by Mr. Greenwood, to approve the Consent Calendar Items. Evan Jacobs, California American Water, Ron Greenwood, Carmichael Water District, David Wheaton, Citrus Heights Water District, Marcus Yasutake, City of Folsom, Sean Bigley, City of Roseville, Michelle Carrey, City of Sacramento, Bill Roberts, City of West Sacramento, Grace Espindola, City of Yuba City, Jim Abercrombie, El Dorado Irrigation Sophia Scherman, Elk Grove Water District, Randy Marx, Fair Oaks Water District, Paul Schubert, Golden State Water Company, Joe Duran, Orange Vale Water Company, Robert Dugan, Placer County Water Agency, Patrick Kennedy, Sacramento County Water Agency, Dan York, Sacramento Suburban Water District and Greg Zlotnick, San Juan Water District voted yes. John Lenahan, Del Paso Manor Water District abstained. The motion carried.
6. RWA DUES STRUCTURE AND ALLOCATION

Mr. Peifer said that last year Chair Schmitz appointed a Dues Ad Hoc Committee to reconsider the RWA dues structure, which has remained the same for the past 20 years. The committee has proposed a new dues structure that provides a declining block rate with a discount for agencies that are not within the American River Watershed.

The Dues Ad Hoc Committee members are Tom Gray, Michelle Carrey, Robert Dugan, Paul Schubert, Ron Greenwood and Kerry Schmitz.

California American Water noted that they and other larger organizations will be keeping an eye on the dues structure in the future.

M/S/C Mr. Wheaton moved, with a second by Mr. Kennedy, to approve the Recommended Dues Structure and Allocation. Ron Greenwood, Carmichael Water District, David Wheaton, Citrus Heights Water District, Marcus Yasutake, City of Folsom, Sean Bigley, City of Roseville, Michelle Carrey, City of Sacramento, Bill Roberts, City of West Sacramento, Diana Langley, City of Yuba City, John Lenahan, Del Paso Manor Water District, Jim Abercrombie, El Dorado Irrigation Sophia Scherman, Elk Grove Water District, Randy Marx, Fair Oaks Water District, Paul Schubert, Golden State Water Company, Joe Duran, Orange Vale Water Company, Tony Firenzi, Placer County Water Agency, Patrick Kennedy, Sacramento County Water Agency, Dan York, Sacramento Suburban Water District and Greg Zlotnick, San Juan Water District voted yes. Audie Foster, California American Water voted no. The motion carried.

7. SACRAMENTO CENTRAL GROUNDWATER AUTHORITY STAFFING

An update on the Sacramento Central Groundwater Authority (SCGA) is a standing agenda item for RWA Board meetings and Executive Committee meetings. Staff is working with the Water Forum to obtain facilitation services that would be paid for through the Department of Water Resources’ (DWR) Facilitation Support Services Program. Staff expects a facilitator to start working with the staff from the SGA and SCGA in the near future. After the facilitator starts working on the program, planning for a joint board meeting between the three authorities will begin. The purpose of the joint board meeting is to discuss benefits and issues regarding potential integration of SCGA into the Sacramento Groundwater Authority (SGA) with RWA staff providing services to all three agencies.

8. LEGISLATIVE/REGULATORY UPDATE

Mr. Ojakian said that the background information included in the board packet focused on legislative issues with the focus remaining on the impacts of COVID-19. The legislature has limited the number of bills that they are going to introduce. There are three focus issue areas for the legislature including response to health and economic response to COVID, addressing wildfire, and homeless/housing affordability. Bills of interest are SB 222 relating to low-income water rate assistance, SB 223 that would expand on existing water shut off restrictions, AB 1434 would revise the indoor portion of existing water use efficiency requirements, SB 45 that is a $5.5 billion resilience bond, and SB 1500 is a $6.7 billion resilience bond.
9. SPACE PLANNING AD HOC COMMITTEE

Chair Bigley said that at this time RWA staff is mostly working remotely due to the pandemic, but in the near future additional office space will be necessary to accommodate staff growth within the organization. He suggested appointing a Space Planning Ad Hoc Committee to focus on the issue and provide recommendations to the Executive Committee for the immediate and near-term office space needs of the RWA. The committee would also provide recommendations to the Executive Director regarding procurement of office space for the RWA over the next five years.

Chair Bigley appointed himself, Dan York, Ron Greenwood and Tony Firenzi to the Space Planning Ad Hoc Committee.

There was discussion on what the current RWA office space needs are and what the future needs will be.

10. EXECUTIVE DIRECTOR’S REPORT

Mr. Peifer thanked the presenters and everyone who participated in last Friday’s Coffee Chat.

There will be a Special RWA Board meeting March 19th beginning at 3:00 p.m. to work through the Strategic Plan priorities. The meeting is for discussion of current and new resources and to receive feedback from the Board.

A Dry Year Drought Planning meeting earlier this month had a productive discussion including how agencies can work together, support each other, and updating mutual aid agreements. Meetings will be scheduled to have additional discussions periodically. Staff is working on dry year messaging for RWA members.

11. DIRECTORS’ COMMENTS

Mr. Greenwood reported that Matt Medill is the new Carmichael Water District Engineering Manager. The district is recruiting for an Accountant. The Vista Tank Project is at an estimated construction cost of $9.5 million.

Ms. Carrey reported that the City of Sacramento has successfully completed the 2020 regional groundwater substitution transfer and there are buyers for 2021. The City of Sacramento is beginning the process of looking into moving forward with the 2021 transfer.

Mr. Kamilos introduced Sophia Scherman as the RWA representative for Elk Grove Water District. She is in her second term as Board President.

Ms. Roccucci said that Troy Bergstrom is the new City of Roseville Police Chief. The city will be recruiting for a new City Attorney.

Chair Bigley said that the City of Roseville has been undertaking exploratory drilling to determine where they would potentially place six new aquifer and recovery wells within the city limits. This effort will double their wells over the next five years.
Adjournment

With no further business to come before the Board, Chair Bigley adjourned the meeting at 10:40 a.m.

By:

_________________________________________
Chairperson

Attest:

_________________________________________
Josette Reina-Luken, Board Secretary / Treasurer
AGENDA ITEM 4: FISCAL YEAR 2021 - 2022 BUDGET

BACKGROUND:

Each year the Executive Committee (EC) reviews and makes a recommendation for adoption of the budget by the Regional Water Authority (RWA) board. In preparation of the Fiscal Year 2021-2022 budget (“FY22 Budget”), the EC discussed some FY22 budget goals during the January 27, 2021 EC meeting, specifically including zero percent (0%) increase in RWA Core and Water Efficiency Program (WEP) dues. The RWA Board met on March 19, 2021 to direct additional funds for outreach and communication consultant budget in support of RWA’s 2025 Strategic Plan. The Proposed FY22 budget meets both directives and at the recent April 28, 2021 EC meeting, the Executive Committee voted unanimously to recommend it to the Board for their approval/adoption.

In addition to the objectives mentioned above, RWA must account annually for increased expenses in its operating budget in the categories of staffing and benefits, office expense, professional services, and any one-time expenditures (such as an Anniversary event, office relocation, consultants for a Strategic Plan, salary surveys, etc.). Most of the operating expense increases in FY22 will be covered by FY21 budget savings. To cover the remaining amount needed to achieve the goal of zero-percent increase in dues, RWA and WEP will draw down its cash reserves/fund balance to make up the difference. As such, RWA will not be making a transfer to the WEP program in FY22, and approval of this budget will amend the FY21 RWA transfer from 40% to 20% of WEP staffing manager and office costs.

With these approved changes, the FY22 budget accomplishes the following:

1) Considering the current economic situation and many agencies preparing for reduced revenues, the FY22 budget proposes no increases in total membership dues and/or subscription program fees collected.

2) The FY22 budget includes a reimbursement from Sacramento Groundwater Authority for its share of staff and office expenditures as determined by RWA Policy 100.2 Administrative and Management Services Agreement.

3) Two new subscription programs were launched in FY21 (Major Projects and Resilience Program) in the estimated combined total of $336,000 annually to support the hiring of a Strategic Program Affairs Manager position and related programmatic costs. The position was filled in February 2021 and funds collected in advance have been carried forward to FY22 to offset future subscription fees based on actual costs. As of July 1, 2022, both subscription programs will be calculated on a fiscal year cycle going forward.

4) In keeping with RWA’s Policy 500.15 Defined Benefit Pension Plan Funding policy, the FY22 budget will reflect an additional payment above the required annual payment to the pension plan unfunded liability. The EC was provided a statement reflecting this balance to be $109,177 as of January 2021 using an evaluation date of June 30, 2019.
5) Because the date of the valuation report is outdated, the FY22 budget maintains an additional payment of $36,700 as set in FY21 until such time a new valuation report is furnished by CalPERS that will revise the unfunded liability amount as of June 30, 2021. SGA continues to pay its own contributions direct to CalPERS since SGA became a CalPERS member in FY17.

6) Additionally, a one-time expense of $20,000 has been allocated in the FY22 budget for RWA’s 20th Anniversary celebration under the meetings expense category. This cost represents planning fees and other costs not covered by sponsorships or entry fees.

7) There is also a one-time designation in FY22 of $20,000 for its portion (shared with SGA) of a potential office relocation to be expended in FY23 should RWA decide to change its primary office location.

8) All other ongoing office expenses are to be adjusted by 3% or less for inflation increase unless otherwise indicated by a contractual fee schedule (i.e., rental agreement) except for rent and utilities. This amount has been increased by approximately $15,000 to accommodate additional office space needed resulting from RWA and SGA staff expansion. This amount has been prorated to cover the months of January through June 2022 when additional permanent staffing will outgrow current available office space.

9) All ongoing professional services (legal fees, consultants, etc.) are to be adjusted by a maximum of 5% for inflation increase unless otherwise indicated by a contractual fee schedule (i.e., audit agreement) apart from the public outreach and communications consultant contract which has been increased to $120,000 in FY22 per the Board’s direction in support of the Strategic Plan priorities.

Based upon the discussions above as well as historical financial information, the FY22 proposed budget is attached for your review.

Summary Budget Overview

Revenues

1) A 0% increase on total aggregate general membership fees is proposed. An 7% increase was originally forecasted in FY22 when the Board adopted the FY 20/21 budget in May 2020. The eliminated increase partially reflects from RWA’s FY20 audit results were better than previously expected and FY21 projected budget reflects a surplus savings due to reduced spending stemming from COVID-19 reduced operations as well as additional revenues earned from staff reimbursements to programs and grants.

The amount of surplus in FY21 may appear to be even larger due to the advance collections of funds for Major Projects, Resilience, and Regional Water Bank programs. These funds have been restricted in the designation section of RWA’s budget as these funds will be expended in FY22 or future budget years. Prior year budget savings will also assist towards the unfunded pension liability payments, office expansion and possible future relocation, and increased communications in FY22 and beyond.
2) Associate membership fees are at 0% increase in FY22 and projected to increase a maximum of 3% per year in future budget years.

3) No increases to affiliate fees are planned.

4) SGA service fees represent 50% sharable costs according to the Administrative Services Agreement and exclude the Water Efficiency Program staffing. SGA does pay for 20% of the Project Research Assistant position, 10% of the Legislative and Regulatory Program Manager position, 100% of a half-time retired annuitant and a full-time Associate Program Manager (1 FTE) position beginning mid-way through fiscal year 21/22. As RWA is the employer of all staff, SGA positions, even those that are dedicated solely to SGA, are budgeted within RWA but then reimbursed in the SGA service fees.

5) For FY22, WEP Program provides approximately 20% of the needed RWA Core revenues and reflect income earned from providing staffing and office support to the WEP program. For FY22, WEP is proposing 0% increase in WEP dues.

6) Other subscription program and grant revenues provide approximately 10% of needed RWA Core revenues and reflect income earned from providing staffing and office support to subscription-based programs. These revenues are not always known at the time when the budget is being developed and can have a positive impact on RWA’s net income. Such is the case in FY21, when staff was able to offset their staffing costs by charging billable time to IRWM grant, Prop 84 grant, 2014 Drought grant, USBR Interties, and water transfers.

7) Other revenues represent interest income, holiday social revenues, and miscellaneous income.

Expenses

1) The core program budgets for all staffing positions.

2) Shared staffing costs for administrative staff are allocated 50/50 to SGA and RWA. For FY22, the Legislative and Regulatory Program Manager is 90% funded by RWA; the Water Efficiency Program Manager is funded 100% by WEP; and the Project Research Assistant is funded 80% by WEP and various projects and 20% by SGA, the Strategic Affairs Manager is fully paid for by subscription program fees and a half-time retired annuitant and future full-time Associate Program Manager are completely funded by SGA (for 1 FTE). These allocations result in 5.7 FTEs for RWA and 3.8 FTEs for SGA; total of 9.0 FTE.

3) Staff salaries are within ranges assigned by the compensation survey and reflect a possible 4% increase for merit plus an assumption of 2% for a cost-of-living allowance (COLA) and a similar combined 6% increase in out years, if eligible. Beginning in FY19, staff is paying the full 7% employee share of their pension contributions.

4) Benefit costs also include projected increases for retiree health care and PERS retirement benefits. Benefits also include estimates for Other Post Employment Benefit (OPEB) costs for active and future retirees.
5) RWA continues to plan for additional CalPERS pension payments for the unfunded liability. The planned additional payment in FY22 is $36,700.

6) Office cost increases are based upon estimated increases in FY21. For FY22 and beyond, these costs are estimated at a maximum of 3% annual increases unless specific increases have been identified.

7) Professional fees include audit, accounting, and actuarial analysis fees due to the reporting requirement for GASB 68 and GASB 75, legal costs, increased public relations, human resources assistance, and 100% of the state’s water advocacy consulting fees.

8) Other includes office furniture and equipment purchases related to the hiring of additional staff.

9) Core project expenses include costs associated with the IRWM unplanned expenses at $10,000 per year and Powerhouse Science Center partnership at approximately $25,000 per year through FY 2030.

Revenues net of Expenses

1) Fiscal Year 2022 budget reflects expenses in excess of revenues by $276,219, which is a deficit. However, the prior year’s balance from FY20 was a surplus of $55,910 (earned by the WEP Program) and FY21 forecasts an unplanned surplus of approximately $196,678. This combined total almost completely offsets FY22 shortfall indicating that the deficit is generated mostly from cash-flows. For RWA core budget, the deficit is estimated at approximately $80,000 which will be offset by $25,000 from Powerhouse Science Center Fund and prior year savings.

Designations/Restrictions

1) The operating fund is targeted between 4 to 6 months of the operating fund (using the method of netting SGA reimbursements), which is compliant to RWA’s budget policy. Funds in excess of the Operating Fund Designation revert to undesignated cash which can later be applied towards future year expenses to keep membership dues consistent.

2) The Powerhouse Science Center (“PSC”) designation represents the difference in collection of fees for this project versus the payments made per the PSC contract.

3) The designations/restrictions for the WEP subscription programs reflect a decrease in approximately $57,595 over subscription-based expenses.

Subscription Programs

These subscription-based programs are subject to approval by the individual participants. The revenues are included for total estimated purposes and to reflect the expected contribution towards RWA for staffing and office costs. Adopting the fiscal year 2021-2022 budget does not approve the subscription-based programs.
1) Subscription program revenues, labeled as “Staff Reimbursements”, are projected for Prop 1, Prop 84 grant management, the 2014 drought grant management, Regional Water Bank, the 2018 CalFed meter grant, the 2015 IRWM grant, and annual water transfers. The revenues include fees from participants or grants which offset budgeted staffing costs.

2) Subscription program expenses, labeled “Pass-Thru”, represent the direct consulting and third-party costs for these subscription programs.

3) The subscription-based programs collect fees in advance of expenses and often straddle several years prior to completion. The funds are held in an advance restriction until the expenses are incurred. These additional program advances are only recognized as income as the related expenses are incurred. These advances are tracked for budgeting purposes and included as restricted funds at the bottom of RWA’s budget sheet.

While WEP fees are set aside for WEP services, these fees are recognized as incurred.

4) For the FY21 year-end, a total of 20% of expenses, or approximately $40,000, will be paid for by RWA core dues.

5) For the FY22 budget, no funds will be transferred to offset WEP expenses from RWA core dues.

**Outlook for Fiscal Year 2023**

In looking out to the future, RWA can anticipate a consistent increase in dues at 3% in the immediate term to 5% in the out years to meet increased expenses and maintain compliance with all budget policies. Future budget projections include a $50,000 assumption on subscription program revenues to offset salary costs. The farther out in the projected future, the more difficult it is to estimate program revenues. However, RWA’s recent history shows that an average of $90,000 per year expected, so this assumption is conservatively just over half of the recent performance. It should be noted that the amount of services and grants available can fluctuate year to year and may not remain consistent.

Designations and restricted fund balances also decrease over time as funds are expended. It is expected that all non-designated cash will be depleted as of FY22. Although RWA will still have more than the minimum requirement of four months in its Operating Fund designation should unplanned expenditures arise, RWA will not have the same cash fluidity as it has experienced in prior years.

Future projections assume RWA and SGA shared staffing and administrative costs will remain the same. Finally, no changes to membership are included in the FY22 budget. Any membership changes could have a significant financial impact on RWA’s future budget years. As with all budgets, budget projections are based on the current information available and/or estimates. Therefore, budget results cannot be assured.

**EXECUTIVE COMMITTEE RECOMMENDATION:**

As previously mentioned, the EC unanimously agreed to recommend the Proposed Fiscal Year 2021-2022 Budget to the Board of Directors for approval/adoptions.
Presentation and Discussion: Josette Reina-Luken, Finance and Administrative Services Manager

**Action: Approve Fiscal Year 2021 – 2022 Budget**

Attachments:
- Proposed RWA Fiscal Year 2021 – 2022 Budget
- RWA Fiscal Year 2021 – 2022 Budget Presentation
2021 - 2022 FYE Budget Summary
Projected Fee Increase 0.00%
Combined Core & Subscription Program Budget
Major Assumptions - See Budget notes for other Budget assumptions

Revenues
1) Fee Increase on General Dues - see attachment for fees by agency. 0.00%
2) SGA Service Fees represents 50% cost sharing excluding staffing allocated to WEP, Major projects/Resilience, 90% of legislative program manager, 80% of the Project Assistant, and RWA only costs.
3) WEP represents approximately 20% towards Core operations which provides for WEP Manager, 60% of the Project Assistant, and admin support.
4) Subscription Program/Grants - Staff Reimbursements which contribute approximately 10% towards Core operations and represent fees earned by RWA for providing staff consulting services and allocated office costs to the subscription programs. These revenues come from Regional Water Bank, Prop 84, Prop 1, Drought grant, USBR Interties, CalFed Meter Grant, Water transfers and Bonneville P&G grant. These subscriptions based programs are subject to approval by the program participants. Revenues are included for total cash flow estimate purposes.
5) Subscription Program revenues for Major Projects/Resilience programs support the Strategic Affairs Manager position and allocated program costs.
6) Adopting the fiscal year 2021-2022 budget does not approve any of the subscription based programs.

Expenses
1) Staffing costs include the WEP and Major Projects/Resilience program staff.
2) Staff is allocated 50/50 to SGA and RWA, excluding the WEP position, the Strategic Affairs position, the project assistant and water advocacy staff. The Project Assistant splits time between SGA, WEP and RWA subscription projects. With the addition of an annuitant/Associate Program Manager for SGA and SGA's 10% contribution towards RWA's Legislative Manager position, RWA has 5.7 FTEs and SGA has 3.3 FTEs. RWA's Legislative Manager position, RWA has 5.7 FTEs and SGA has 3.3 FTE.
3) Staffing costs are projected within the salary ranges in accordance with RWA policy. Since FY19, employees pay their entire employee PERS cost.
4) Staffing expenses include additional annual payments to pay the unfunded PERS pension liability over a four year period beginning FY19. The additional pension plan liability payment can be expected to significantly fluctuate from year to year (both positive and negative swings) since RWA is paying it over four years versus the longer time horizon outlined by CalPERS.
5) For FY21/22, the WEP project manager is to be fully funded by WEP dues.
6) Office costs generally assume a maximum of 3% increases unless specific increases have been identified, such as the office lease.
7) Professional fees include audit, actuarial, PR, accounting, legal, human resources, regional water issues and $23,500 in general consulting.
8) Other includes office furniture and computer equipment purchases.
2021 - 2022 FYE Budget Summary

Projected Fee Increase 0.00%

Combined Core & Subscription Program Budget

Major Assumptions - See Budget notes for other Budget assumptions

9) Core Project Expenses includes Powerhouse Science Center expense of $25,000 and $10,000 in IRWM consulting fees.

10) Subscription Pass Thru represents the direct consulting and expenses for these subscription programs as well as the staff and office costs for the programs. These costs have been included in the program budget to show the cash flow effect on these programs. However, on a consolidated basis (see Summary Table), the staffing and office costs are not included in both budgets in order to avoid double counting.

Revenues in excess of Expenses//Expenses in excess of Revenues

1) Core expenses are expected to exceed revenues by approximately $276,219. The difference will be paid from the Powerhouse Science Fund at $25,000 with the remainder being paid from prior year savings.

2) The WEP program projects expenses in excess of revenues by approximately $57,595. The difference will be paid from WEP reserves.

3) Subscription Pass-Thru expenses exceeds revenues by $202,500. This is the result of advanced funding for these programs in the prior year. For this purpose, these advanced funds have been designated as restricted funds.

Designations/Restrictions

1) The Operating fund is projected to be 4.6 months at the end of FY21/22 with 0% fee increase.

2) In FY21/22, a designation has been set aside for a possible office relocation in FY22/23.

3) The designations and restrictions are broken out by type and subtotaled by core and subscription services. The total change in cash from Projected FY20/21 to Proposed FY21/22 by subtotal reflect the departmental effect on each designation and restriction group.

4) Unrestricted cash is the remaining balance after all restricted and designated funds have been made. For the most part, this amount represents the residual amount leftover after rounding the Operation fund to the nearest tenth.

FY23 and beyond

1) RWA dues have been projected at 3% in the near term and 5% further out. These estimates assume $50,000 annual staff reimbursements from program/grants which can fluctuate from year to year.

2) The unfunded pension plan liability additional annual payments is based upon RWA's policy. These annual payments can expect to fluctuate significantly, positive or negative, due to the shorter time frame for paying down this liability.

3) RWA can expect to incur additional integrated water management costs which are forecasted to be approximately $10K per year.

4) The budget assumes that the current membership remains stable.

5) Budget estimated numbers are based on current information. Therefore, budget results cannot be assured.
### 2021 - 2022 FYE Budget Summary

**Projected Fee Increase**

Combined Core & Subscription Program Budget

<table>
<thead>
<tr>
<th></th>
<th>Audited FY20</th>
<th>Approved FY21</th>
<th>Projected FY21</th>
<th>Proposed FY22</th>
<th>Change from Prior Year</th>
<th>Comments</th>
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<td>Dues</td>
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<td>Subscription Program</td>
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<td>(205,320)</td>
<td>(205,320) Water Efficiency Program, Major Projects/Resilience Program, Regional Water Prop 84, Prop 1 IRWM, 2015 IRWM, 2014 Drought, 2018 CalFED, and Water</td>
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<td><strong>Total Revenues</strong></td>
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<td><strong>Expenses</strong></td>
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<td>Staff and Benefits</td>
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<td>$1,511,629</td>
<td>$1,518,521</td>
<td>$1,849,767</td>
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<td>General 3% cost increases assumed and some specific cost increases</td>
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<td>Professional Fees</td>
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<td>Other expenses</td>
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<td>(20,731)</td>
<td>(20,731) Office equipment</td>
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<td>Core Project Expenses</td>
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<td>$35,000</td>
<td>$25,000</td>
<td>$25,000</td>
<td>$10,000</td>
<td>IRWM and Powerhouse Science Center</td>
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<td><strong>Revenues net of Expenses</strong></td>
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<td>$1,854,555</td>
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<td>Source (Use) of Funds</td>
<td>$55,910</td>
<td>($195,379)</td>
<td>$196,678</td>
<td>($276,219)</td>
<td>($472,897)</td>
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<td><strong>Cash, ending</strong></td>
<td>$1,854,555</td>
<td>$1,659,176</td>
<td>$2,051,233</td>
<td>$1,775,013</td>
<td>(276,219)</td>
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### DESIGNATIONS/RESTRICTIONS/ADVANCES

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<th>Designations</th>
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<td>Membership Dues Fund</td>
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<td>Subscription Program Stabilization</td>
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<td>Powerhouse Science Center</td>
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<td>Office Relocation</td>
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<td>RWA Restricted Program/Advances</td>
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<td>WEP Restricted Program/Advances</td>
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<td>Non-designated cash</td>
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<td><strong>Subtotal core cash</strong></td>
<td>$1,854,555</td>
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May 6, 2021
Proposed RWA FY2021-22 Budget
### RWA PROPOSED FY 2021-2022 BUDGET PROJECTION

#### 5-Year Projection

<table>
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<tr>
<th></th>
<th>RWA FY 20 Per Audit</th>
<th>RWA FY 21 Approved Budget</th>
<th>RWA FY 21 Projected</th>
<th>RWA FY 22 Proposed Budget</th>
<th>Notes</th>
<th>RWA Projected FY 23 Budget</th>
<th>RWA Projected FY 24 Budget</th>
<th>RWA Projected FY 25 Budget</th>
<th>RWA Projected FY 26 Budget</th>
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<td><strong>ANNUAL REVENUES</strong></td>
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<td>General Assessments/Dues</td>
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<td>SGA Service Agreement Fee</td>
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<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
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<tr>
<td>Subscription Program - Major Projects/Resilience</td>
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<td>-</td>
<td>$336,000</td>
<td>$319,500</td>
<td>5</td>
<td>$330,000</td>
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<td>Misc. Revenues</td>
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<td>$14,500</td>
<td>$12,100</td>
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<td>$1,917,750</td>
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<td>$2,577,498</td>
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<td>$2,884,461</td>
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#### STAFF EXPENSES (General):

|          | $936,914 | $1,015,462 | $1,039,158 | $1,229,339 | 8 | $1,329,025 | $1,384,653 | $1,432,059 | $1,481,800 |
| Benefits | $298,301 | $349,704 | $352,030 | $343,931 | 9 | $484,633 | $511,544 | $540,643 | $570,757 |
| Pension Plan Unfunded Liability | $15,000 | $36,700 | $36,700 | $36,700 | 10 | $30,000 | $30,000 | $30,000 | $30,000 |
| Payroll Taxes | $74,953 | $70,863 | $83,133 | $98,347 | 11 | $106,322 | $110,772 | $114,565 | $118,544 |
| Travel/Meals/Conferences | $21,728 | $31,500 | $4,500 | $42,450 | 12 | $43,700 | $45,000 | $46,400 | $47,800 |
| Professional Development/Training | $1,003 | $7,400 | $3,000 | $10,000 | 13 | $10,300 | $10,600 | $10,900 | $11,200 |
| **TOTAL GENERAL STAFF EXPENSES** | $1,347,899 | $1,511,629 | $1,518,521 | $1,849,767 | 14 | $2,003,980 | $2,092,570 | $2,174,567 | $2,260,101 |

#### OFFICE EXPENSES:

<p>|          | $31,784 | $35,600 | $35,600 | $35,600 | 14 | $52,000 | $65,600 | $67,250 | $67,250 |
| General Liability Insurance | $30,364 | $38,000 | $32,000 | $32,000 | 15 | $39,150 | $40,325 | $41,525 | $42,775 |
| Office Maintenance | - | $700 | $2,750 | $800 | 16 | $900 | $1,000 | $1,100 | $1,200 |
| Postage and Postal Meter | $2,814 | $3,000 | $1,200 | $3,400 | 17 | $3,100 | $3,200 | $3,300 | $3,400 |
| Telephone/internet/web hosting | $12,263 | $13,300 | $9,000 | $10,000 | 18 | $10,500 | $11,000 | $11,500 | $12,000 |
| Meetings &amp; Annual Banquet/20th Anniversary | $13,228 | $13,800 | $750 | $38,214 | 19 | $17,650 | $18,200 | $18,750 | $19,300 |
| Printing/Supplies | $15,147 | $21,800 | $5,000 | $23,900 | 20 | $24,600 | $25,350 | $26,100 | $26,900 |
| Dues &amp; Subscriptions | $12,913 | $11,900 | $13,500 | $25,000 | 21 | $25,750 | $26,525 | $27,325 | $28,145 |
| Computer hardware/software | - | $5,800 | $5,600 | $6,000 | 22 | $6,200 | $6,400 | $6,600 | $6,800 |
| Computer maintenance | $18,274 | $18,400 | $20,300 | $21,000 | 23 | $22,000 | $22,700 | $23,350 | $24,000 |
| <strong>TOTAL OFFICE EXPENSE</strong> | $136,757 | $162,300 | $125,700 | $213,314 | 24 | $215,450 | $221,950 | $226,800 | $231,770 |</p>
<table>
<thead>
<tr>
<th>RWA PROPOSED FY' 2021-2022 BUDGET PROJECTION</th>
<th>5-Year Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PROFESSIONAL FEES</strong></td>
<td></td>
</tr>
<tr>
<td>RWA Legal</td>
<td>$ 73,105</td>
</tr>
<tr>
<td>RWA/SGA Audit</td>
<td>$ 28,450</td>
</tr>
<tr>
<td>ADP Payroll Services/banking</td>
<td>$ 2,375</td>
</tr>
<tr>
<td>RWA Consultants</td>
<td>$ 339,940</td>
</tr>
<tr>
<td><strong>TOTAL PROFESSIONAL FEES</strong></td>
<td>$ 443,870</td>
</tr>
<tr>
<td><strong>OTHER EXPENSES</strong></td>
<td></td>
</tr>
<tr>
<td>Office furniture &amp; Fixed Assets - Net</td>
<td>$ 6,488</td>
</tr>
<tr>
<td>Office Move</td>
<td>$ 28,655</td>
</tr>
<tr>
<td>New Server</td>
<td>$ 20,000</td>
</tr>
<tr>
<td><strong>TOTAL Other Expenses</strong></td>
<td>$ 35,143</td>
</tr>
<tr>
<td><strong>CORE PROJECT EXPENSES</strong></td>
<td></td>
</tr>
<tr>
<td>ERWM</td>
<td>$ -</td>
</tr>
<tr>
<td>Powerhouse Science Center</td>
<td>$ 25,000</td>
</tr>
<tr>
<td><strong>Total Core Project Expenses</strong></td>
<td>$ 25,000</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$ 1,988,669</td>
</tr>
<tr>
<td>Net Income (Loss) - Total</td>
<td>$ 55,910</td>
</tr>
<tr>
<td><strong>Total source (used) funds</strong></td>
<td>$ 55,910</td>
</tr>
<tr>
<td><strong>CALCULATED CASH RESERVES</strong></td>
<td></td>
</tr>
<tr>
<td>CASH available, Beginning</td>
<td>$ 1,798,645</td>
</tr>
<tr>
<td>SOURCE (USE) OF FUNDS</td>
<td>$ 55,910</td>
</tr>
<tr>
<td><strong>CASH available, Ending</strong></td>
<td>$ 1,854,555</td>
</tr>
<tr>
<td>Operating Fund (4 to 6 months)</td>
<td>$ 600,943</td>
</tr>
<tr>
<td>Membership Dues Stabilization @ 15%</td>
<td>$ 156,100</td>
</tr>
<tr>
<td>Subscription Progr. Stabilization @ 10%</td>
<td>$ 22,526</td>
</tr>
<tr>
<td>Powerhouse Science Center Fund</td>
<td>$ 161,053</td>
</tr>
<tr>
<td>Office Relocation</td>
<td>$ -</td>
</tr>
<tr>
<td>Major Projects/Res. Program</td>
<td>$ 344,005</td>
</tr>
<tr>
<td>WEP Restricted/Program Advances</td>
<td>$ 568,928</td>
</tr>
<tr>
<td>Unrestricted Cash</td>
<td>$ -</td>
</tr>
<tr>
<td><strong>Total Cash in bank</strong></td>
<td>$ 1,854,555</td>
</tr>
<tr>
<td># of months core = non-designated cash</td>
<td>5.0</td>
</tr>
<tr>
<td>covers expenses</td>
<td>5.0</td>
</tr>
</tbody>
</table>

### Notes
- FY 24: 1,589,732
- FY 22: 484,243
- FY 26: 360,300

### Calculations
- **CALCULATED CASH RESERVES**
- **TOTAL EXPENSES**: $1,988,669
- **Net Income (Loss) - Total**: $55,910
- **Total source (used) funds**: $55,910

### Additional Notes
- **Unrestricted Cash**: $568,928
- **WEP Restricted/Program Advances**: $202,500
- **RWA Restricted/Program Advances**: $344,005
- **RWA PROPOSED FY' 2021-2022 BUDGET PROJECTION**

### Percentage Increase
- **% increase in fees**
- **% increase in expenses**

### Table Headers
- **RWA FY 20 Per Audit**
- **RWA FY 21 Approved Budget**
- **RWA Total FY 21 Projected**
- **RWA FY 22 Proposed Budget**
- **Notes**
- **RWA Projected FY 23 Budget**
- **RWA Projected FY 24 Budget**
- **RWA Projected FY 25 Budget**
- **RWA Projected FY 26 Budget**

### Financial Figures
- **$ 73,105**
- **$ 72,250**
- **$ 71,650**
- **$ 75,250**
- **$ 79,000**
- **$ 83,000**
- **$ 28,450**
- **$ 29,220**
- **$ 28,700**
- **$ 29,300**
- **$ 34,000**
- **$ 35,000**
- **$ 36,000**
- **$ 2,375**
- **$ 3,000**
- **$ 3,400**
- **$ 3,600**
- **$ 3,800**
- **$ 4,000**
- **$ 339,940**
- **$ 302,350**
- **$ 347,000**
- **$ 360,300**
- **$ 362,300**
- **$ 369,100**
- **$ 443,870**
- **$ 376,570**
- **$ 451,350**
- **$ 464,850**
- **$ 475,350**
- **$ 487,100**
- **$ 55,910**
- **$ 196,678**
- **$ 276,219**
- **$ 185,282**
- **$ 164,866**
- **$ 155,788**
- **$ 155,788**
- **$ 1,988,669**
- **$ 2,076,522**
- **$ 2,559,431**
- **$ 2,762,780**
- **$ 2,828,619**
- **$ 2,927,467**
- **$ 3,023,421**
- **$ 55,910**
- **$ 196,678**
- **$ 276,219**
- **$ 185,282**
- **$ 164,866**
- **$ 155,788**
- **$ 155,788**
- **$ 1,798,645**
- **$ 1,854,555**
- **$ 2,051,233**
- **$ 2,076,522**
- **$ 1,775,014**
- **$ 1,589,732**
- **$ 1,424,866**
- **$ 1,269,078**
- **$ 1,269,078**
- **$ 600,943**
- **$ 615,217**
- **$ 663,193**
- **$ 817,295**
- **$ 752,607**
- **$ 710,432**
- **$ 696,690**
- **$ 156,100**
- **$ 157,200**
- **$ 155,800**
- **$ 157,100**
- **$ 161,831**
- **$ 166,695**
- **$ 174,840**
- **$ 183,390**
- **$ 22,526**
- **$ 19,426**
- **$ 21,354**
- **$ 22,292**
- **$ 23,355**
- **$ 24,485**
- **$ 25,682**
- **$ 161,053**
- **$ 136,053**
- **$ 136,053**
- **$ 111,053**
- **$ 86,053**
- **$ 61,053**
- **$ 36,053**
- **$ 2,36,487**
- **$ 5,391**
- **$ 4,981**
- **$ 18,018**
- **$ 14,053**
- **$ 3,805**
- **$ 3,483**
- **$ 1,854,555**
- **$ 2,051,233**
- **$ 1,775,014**
- **$ 1,589,732**
- **$ 1,424,866**
- **$ 1,269,078**
- **5.0**
- **6.0**
- **5.0**
- **4.6**
- **3.5**
- **4.8**
- **4.4**
- **4.2**
### Budget Line Summary

<table>
<thead>
<tr>
<th>Budget Line</th>
<th>Projected FY21</th>
<th>Projected FY22</th>
<th>Projected FY23</th>
<th>Projected FY24</th>
<th>Projected FY25</th>
<th>Projected FY26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lobbyist</td>
<td>$123,600</td>
<td>$125,000</td>
<td>$128,000</td>
<td>$132,000</td>
<td>$135,000</td>
<td>$135,000</td>
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<tr>
<td>Public Outreach</td>
<td>$90,000</td>
<td>$120,000</td>
<td>$115,000</td>
<td>$120,000</td>
<td>$125,000</td>
<td>$125,000</td>
</tr>
<tr>
<td>Budget/audit support</td>
<td>$62,000</td>
<td>$65,000</td>
<td>$67,600</td>
<td>$69,600</td>
<td>$71,600</td>
<td>$71,600</td>
</tr>
<tr>
<td>Actuarial Services</td>
<td>$4,000</td>
<td>$8,500</td>
<td>$4,200</td>
<td>$8,900</td>
<td>$4,500</td>
<td>$4,500</td>
</tr>
<tr>
<td>Human Resources</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Consulting Expenses - General</td>
<td>$23,100</td>
<td>$23,500</td>
<td>$25,500</td>
<td>$26,800</td>
<td>$28,000</td>
<td>$28,000</td>
</tr>
<tr>
<td>Salary survey/Recruiting</td>
<td>$0</td>
<td>$15,000</td>
<td>$15,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total RWA</strong></td>
<td>$307,700</td>
<td>$347,000</td>
<td>$360,300</td>
<td>$362,300</td>
<td>$369,100</td>
<td>$369,100</td>
</tr>
<tr>
<td><strong>Shared 1/2 to SGA</strong></td>
<td>$47,050</td>
<td>$51,000</td>
<td>$58,650</td>
<td>$55,150</td>
<td>$54,550</td>
<td>$54,550</td>
</tr>
<tr>
<td></td>
<td>Notes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Assumes a 0% increase in RWA general fees and includes continued additional payment of CalPERS unfunded liability.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>There are five associate members.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>The Affiliate membership helps promote communication between water managers and the community and to support RWA’s efforts to educate and inform the public.</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>4</td>
<td>Administrative fees due to RWA from Sacramento Groundwater Authority (SGA) for management, office and program services. Calculated as shared operating expenses, plus SGA asset/office equipment purchases, minus RWA legal, RWA only consulting fees, SGA only PERS, and SGA only costs paid by RWA.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Represents projected cash/fees earned by RWA from managing subscription based programs. The WEP subscription component represents fees that cover staffing, benefits, and office overhead costs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Miscellaneous revenues include Holiday Social payments, Insurance Reimbursements and cash discounts from CalCard.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Interest income from the RWA Local Agency Investment Fund (LAIF) account.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Staff salaries include a total of nine full time positions and a retired annuitant for SGA, split between the organizations, with a total of 3.3 FTEs for SGA. Employees pay their entire CalPERS contribution.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Benefits include employer PERS, medical, vision, dental, disability insurance, OPEB and workers' compensation for the seven full-time staff members. FY 2022 budget anticipates an increase in medical costs of 6.5%, other costs at 3% and OPEB costs to fund explicit and implicit subsidy and using the implicit credit subsidy from current employees as calculated by the actuaries.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Represents the payment of the allocated unfunded pension liability to RWA over four years, with an installment payment in FY2022. The estimated 6.30.19 unfunded balance for RWA is approximately $109,177. The $36,700 per year reflects interest carry to pay the liability. These payments are over and above the required payments required unfunded liability payments which are included in the benefit budget.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Payroll taxes for ten staff members. Payroll taxes for the retired annuitant are included in the retired annuitant costs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Travel and conferences.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Includes computer training and other professional development classes.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The RWA Board approved a new 7 year lease that will started August, 2018. The lease terms includes two years at $1.00 square foot and increases for three years at $1.10 square foot, with an option to renew another two years for $1.15 per square foot.

Property and liability coverage obtained through ACWA JPIA.

Includes costs for office maintenance needs.

Reflects mailing activities and cost of postage machine rental.

Includes conference call costs, web hosting for the website, and internet service costs.

Miscellaneous meeting charges including food/refreshments. Includes cost of the annual holiday social and RWA 20th Anniversary

Includes supplies, printing, copier maintenance and copier lease costs.

Dues include ACWA, AWWA, CSDA, Water Education Foundation and Sacramento Metro Chamber of Commerce. Subscriptions include Wavelength legislative service, Business Journal, and the Capitol Morning Report.

Acquisition of new hardware/software to replace aging and out-of-date components.

VOIP phone and computer maintenance service.

Legal expenses in support of general RWA board meetings, resolutions, regulatory analyses, and services related to contracts. Expanded RWA involvement in external issues necessitate increased legal fees.

Audit fees are set by the awarded proposal by Gilbert Associates, Inc.

Payroll service costs for 9 employees, one retired annuitant, plus commercial banking fees.

Fees for public relations, communications, outreach services (media relations, meeting facilitation, engineering support, workshop facilitation), HR services, accounting and budgeting support, water policy advocacy, and actuarial valuations (GASB 68 and 75).

Includes furniture and office equipment in FY22.

Reflects a placeholder for IRWM unplanned costs and expected annual payment to Powerhouse science center at $25K per year. (15 years total) Payments to the Powerhouse should be completed by 2030.
30 Represents total operating expenses, excluding subscription based direct program expenses. The operating fund designation is based upon four to six months of operating expenses excluding core project expenses, net of SGA reimbursements, and any one-time large, non-recurring expenses.

31 Represents the difference between total funds received versus total expenses during the year for the core program.

32 Beginning cash reflects cash related to the core programs. Audited accrual cash balance is converted to cash basis to account for cash impact on core and subscription programs.

33 Total cash. The designations are detailed in footnotes 34-42

34 Per policy, this fund range target is four to six months of operating expenses net of SGA expected reimbursements, not including Core Project expenses and non-recurring one-time expense.

35 Represents membership dues designation according to policy at 15% of anticipated membership dues.

36 Represents the subscription program designation according to policy at 10% of expected management fees and indirect office costs.

37 RWA entered into a 15-year agreement with the Powerhouse Science Center to sponsor and guide the content development for two exhibits ($250K each). The payments were collected from members over 5 years, placed in a designation and will be paid out over 15 years. The California Water Awareness Campaign contributed $100K on RWA's behalf. Additionally, a Prop 84 WEP grant funded $50K in FY15 and the WEP program will fund another $50K (over 10 years).

38 These funds are being designated for a possible office move to a new location during FY23.

39 In FY21, two new subscription programs (Major Projects and Resilience Program) were approved by the Board and included the hiring of a Strategic Affairs Manager to serve both programs. The position was filled in February 2021 with program funds collected in advance for the first year. This designation is to earmark those funds until the beginning of the following fiscal year.

40 Represents funds collected in advance for RWA's Water Bank Program.

41 Represents program reserves and funds collected in advance for the Water Efficiency Program.

42 Represents cash over and above designation policies, if any.
### Regional Water Authority
#### Program Summary Budget

<table>
<thead>
<tr>
<th>WATER EFFICIENCY PROGRAM (WEP)</th>
<th>RWA FY20 Audit</th>
<th>RWA FY21 Budget</th>
<th>RWA FY21 Projected</th>
<th>FY 22 Proposed Budget</th>
<th>Notes</th>
<th>Projected FY23</th>
<th>Projected FY24</th>
<th>Projected FY25</th>
<th>Projected FY26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Efficiency Program Admin. Fees (Cat. 1)</td>
<td>$403,593</td>
<td>$455,173</td>
<td>$455,173</td>
<td>$448,110</td>
<td>10</td>
<td>$448,110</td>
<td>$448,110</td>
<td>$448,110</td>
<td>$448,110</td>
</tr>
<tr>
<td>Water Efficiency Grant Revenues (Cat. 2)</td>
<td>$166,728</td>
<td>$350,000</td>
<td>$100,000</td>
<td>$250,000</td>
<td>11</td>
<td>$250,000</td>
<td>$250,000</td>
<td>$250,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>Water Efficiency Program Admin. Fees</td>
<td>$75,462</td>
<td>$82,980</td>
<td>$40,000</td>
<td>-</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total WEP Revenues</strong></td>
<td>$645,783</td>
<td>$888,153</td>
<td>$595,173</td>
<td>$698,110</td>
<td>10</td>
<td>$698,110</td>
<td>$698,110</td>
<td>$698,110</td>
<td>$698,110</td>
</tr>
<tr>
<td>WEP Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Efficiency Program Admin. (Cat. 1)</td>
<td>$456,206</td>
<td>$505,705</td>
<td>$455,173</td>
<td>$505,705</td>
<td>10</td>
<td>$515,200</td>
<td>$525,250</td>
<td>$535,750</td>
<td>$546,700</td>
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<tr>
<td>Water Efficiency Grant Payments (Cat. 2)</td>
<td>$127,435</td>
<td>$350,000</td>
<td>$100,000</td>
<td>$250,000</td>
<td>11</td>
<td>$250,000</td>
<td>$250,000</td>
<td>$250,000</td>
<td>$250,000</td>
</tr>
<tr>
<td><strong>Total WEP Expenses</strong></td>
<td>$583,641</td>
<td>$855,705</td>
<td>$555,173</td>
<td>$755,705</td>
<td>10</td>
<td>$765,200</td>
<td>$775,250</td>
<td>$785,750</td>
<td>$796,700</td>
</tr>
<tr>
<td><strong>Net Income (Loss)</strong></td>
<td>$62,142</td>
<td>$32,448</td>
<td>$40,000</td>
<td>$(57,595)</td>
<td>14</td>
<td>$(67,090)</td>
<td>$(77,140)</td>
<td>$(87,640)</td>
<td>$(98,590)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STAFF TIME REIMBURSEMENT</th>
<th>RWA FY20 Audit</th>
<th>RWA FY21 Budget</th>
<th>RWA FY21 Projected</th>
<th>FY 22 Proposed Budget</th>
<th>Notes</th>
<th>Projected FY23</th>
<th>Projected FY24</th>
<th>Projected FY25</th>
<th>Projected FY26</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 IRWM Grant Management Fees (RWA R3)</td>
<td>$11,495</td>
<td>$9,000</td>
<td>$11,871</td>
<td>$11,871</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2015 IRWM Grant Management Fees (WEP R3)</td>
<td>$41,414</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
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<td><strong>TOTAL PROGRAM EXPENSES</strong></td>
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1 RWA was awarded the IRWM grant and collected fees for program management. This IRWM grant through DWR developed and executed a funding agreement for the $1.757 million grant award from the 2015 Proposition 84 Integrated Regional Water Management Implementation Grant to support four priority projects in the region, including a regional water efficiency grant.

2 The Regional Reliability Plan was a subscription project launched in FY17 to fund consultant support to develop the plan, which will include an update to the RWA Integrated Regional Water Management Plan. In FY20, the project transitioned to the Regional Water Bank, Phase 1 and in FY21, the beginning of Regional Water Bank Phase 2.

3 RWA received a $9.765 million award from Department of Water Resources (DWR) 2014 Integrated Regional Water Management Drought Grant funded through Proposition 84. The grant partially funds 17 projects by 12 different agencies that will help the region maintain water supply during a drought. The DWR funding agreement was completed in July 2015 and the grant is expected to be completed in FY20 with up to 3 years of post-project performance monitoring required.

4 These fees are for RWA's grant management expenses in administering a $16.03 million award from the Prop 84 Implementation Grant Program. The project commenced in FY 2012. Staff estimated a total project management expense of approximately $183,300, the remainder was collected in FY 2016. Funds will be designated for use in Prop 84 Implementation Grant Management until program requirements are completed. Projects are expected to be completed in by June 30, 2019 with up to 3 years of post-project performance monitoring required.

5 The Proposition 84 grant reimbursements from DWR and disbursements to member agencies.

6 In FY19, several RWA member agencies requested that RWA develop a subscription-based project aimed at collected information to determine the feasibility of an expanded aquifer storage and recovery (ASR) program in the region. If the program is launched revenues and expenses are expected to be collected and expended by early FY21.

7 The RWA Labor Compliance Project (LCP) was developed by RWA to provide recipients of Prop 84 grant funds awarded through the ARB IRWMP with a compliance option if they do not have an existing DIR-approved LCP or do not want to expend the resources to apply to DIR for and to administer their own LCP.

8 The 2018 Calfed Water Meter Installation project was awarded on September 21, 2018. RWA prepared the application and submitted them through the Sacramento Suburban Water District (SSWD) because RWA is not considered an eligible applicant. The participating agencies include the SSWD, the City of Sacramento and Sacramento County Water Agency. The project duration is to run through March 31, 2020.
9 RWA will manage the 2018 Calfed Meter Grant Management Fees on behalf of SSWD. Fees will be collected from SSWD, City of Sacramento, and SCWA for management of the grant.

10 Anticipated revenues and direct costs for the program from the Water Efficiency (WEP) Program for Category I. WEP budget still under development.

11 WEP Category II revenue and expenses are projected for the SRCSD incentives program. The subscription programs are approved as the opportunity or need arises for the program.

12 The cost of staffing and office associated with the subscription programs (including WEP) is included to reflect the cashflow effect to the programs. It also represents the amount of money earned by the Core Program for the services they provide. This activity generates cash to the core program by using RWA staff. Effectively, RWA is a consultant to these programs. The WEP budget includes the WEP project manager at 60% and the project assistant at 60% time, for a total of 1.2 FTEs for WEP.

13 Net revenues (loss). Any revenues in excess of expenses are typically set aside in designations to be used in future periods. Losses are typically a result of timing differences from funds collected in one fiscal year but spent in the next fiscal year. These "losses" are funded from carryover restricted cash designations from previous years.

14 Represents the cumulative funds in excess of revenues for the Water Efficiency Program. Starting in FY15, $5K per year for 10 years is being allocated from WEP Cat 1 to Powerhouse Science Center.

15 In FY18, RWA assisted San Juan Water District and Sacramento County Water Agency in securing a $300K Reclamation grant to construct interties to assist during drought conditions. SJWD is the grant recipient. RWA will assist in managing the grant on behalf of the agencies. Funds for RWA staff support are being collected in FY19 and will be expended in FY19 and FY20.

16 RWA has partnered with the Sacramento Area Council of Governments (SACOG) to collect aerial imagery for the purpose of conducting local and regional water supply planning and evaluating current and future legislative and regulatory proposals related to water efficiency.

17 Land IQ Analysis project includes 5 participating agencies to cover the cost of their portion of analyzing aerial imagery based landscape water budgets to evaluate current and future legislative and regulatory proposals related to water efficiency. Each agency cost is $8500 for a total of $42,500, plus $2000 that all agencies will contribute towards training, and an additional $10,000 in training being paid for by WEP for a total project cost of $54,500 to be complete in FY21.
18 In partnership with Bay Area Water Supply & Conservation Agency, Rachio will assist with the implementation of RWA's Regional Smart Controller Water Program for all member agencies. Funds will be collected from agencies in advance and then returned upon reimbursement from DWR grant in FY21.

19 On November 4, 2014, California voters approved Proposition 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014. Proposition 1 authorized $510 million in Integrated Regional Water Management (IRWM) funding. Funds are allocated to 12 hydrologic region-based Funding Areas including the Sacramento Region.

20 This grant, executed in 2021, will upgrade the landscape areas of commercial, industrial, institutional (CII) properties in the riparian zone and surrounding watershed of the North American River Subbasin which drains to the Lower American River through a variety of interventions including conversion of turfgrass to native and low water use plant material (including trees), installation of high efficiency irrigation equipment, and the creation of site-specific landscape budgets.
## RWA FY2021-2022 DUES

### Proposed FY22 Dues | Current FY21 Dues | Difference | Percent Change
---|---|---|---
Up to 3,000 Connections | $2.20 | $1.10 | 
Del Paso Manor WD | $3,962 | $6,386 | $(2,424) | -38%
Rancho Murrieta CSD | $5,991 | $9,628 | $(3,637) | -38%
Orange Vale WC | $9,554 | $9,968 | $(414) | -4%
Up to 30,000 Connections | $2.20 | 
Carmichael WD | $25,747 | $25,729 | $18 | 0%
Elk Grove WD | $28,937 | $28,063 | $874 | 3%
Fair Oaks WD | $31,658 | $31,330 | $328 | 1%
City of West Sacramento (1) | $30,526 | $33,935 | $(3,409) | -10%
Golden State WC | $37,613 | $37,530 | $83 | 0%
City of Lincoln | $43,254 | $41,741 | $1,513 | 4%
Yuba City (1) | $38,056 | $42,181 | $(4,125) | -10%
Citrus Heights WD | $43,980 | $43,861 | $119 | 0%
City of Folsom | $48,990 | $48,878 | $112 | 1%

### Current FY21 Dues | Proposed FY22 Dues | Difference | Percent Change
---|---|---|---
Up to 40,000 Connections | $1.10 | 
San Juan WD (2) | $66,000 | $77,751 | $(11,751) | -15%
Placer County WA | $75,428 | $77,751 | $(2,323) | -3%
El Dorado ID | $78,311 | $77,751 | $560 | 1%
City of Roseville | $80,453 | $77,751 | $2,702 | 3%
Sacramento Suburban WD | $80,615 | $77,751 | $2,864 | 4%
Sacramento County WA | $84,778 | $77,751 | $7,026 | 9%
CA American Water | $85,250 | $77,751 | $7,499 | 10%
City of Sacramento | $90,724 | $77,751 | $13,073 | 17%

### Over 60,000 Connections | $0.07 | 

(1) Agency is outside of core American River Basin region, so it receives a 10% discount on its dues after they are calculated based on # of connections.

(2) San Juan Water District Wholesale is a community services district that provides drinking water to 160,000 people in portions of Sacramento and Placer Counties, so it is treated as the minimum size of a large member agency.

### RWA Associate Members

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<th>Current 2020-21 Annual Dues</th>
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May 6, 2021

Proposed RWA FY2021-22 Budget
Overview

• Benefits of RWA Membership
• FY20/21 Budget Review
• Budget Policies
• Proposed Dues
• FY21/22 Revenues
• FY21/22 Expenses
• Unfunded Pension Plan Funding
• FY21/22 Budget Results
• Budget Outlook
• Questions and Discussion
Benefits of RWA Membership

• Forum for Regional Collaboration (Water Policy & Projects)
• Venue for Information Sharing
• Regional Voice/Presence on Statewide Issues
• Legislative/Regulatory Representation
• Facilitate Regional Planning
• Regional Implementation of Projects and Programs
• Collaborative savings (chemicals, labor compliance)
• Successful model for grant funding
• Operational savings to our members
FY2020-21 Budget Review

• Successfully passed FY20 audit with surplus of $55,910

• Settled all outstanding insurance claims from the office flood. Resulted in new carpet, paint, and 60% replacement of the office furniture. Net Cost: $1000 deductible split with SGA.

• IT Upgrades (budgeted cost, cost neutral, or savings):
  – Upgraded computer server,
  – Completed the scheduled replacements of 60% computer hardware,
  – Updated all office computers to O365/added VPN licenses,
  – Upgraded the office copier and printer, and
  – Replaced the office phone system with VOIP system.

• Completed the Strategic Plan Update
FY2020-21 Budget Review (cont’d)

• Launched two new Subscription Programs: Major Projects and Resilience – added new staff position, Strategic Affairs Manager

• Programs/Grants added include:
  o Regional Water Bank Phase II
  o Proposition 1 IRWM Grant
  o Groundwater Substitution Transfer Support

• Programs resulted in significant revenue to offset staffing expenses:
  – FY20 – Program Staff Reimbursements of $138,294
  – FY21 – Est. Program Staff Reimbursements of $66,039
Budget Policies

• SGA shares 50% in common office/admin costs
  - Administrative and Management Service Agreement Policy 100.2
  - SGA fully reimburses 100% SGA Only Costs

• Compensation Policy 400.2: salaries within range plus potential for COLA and merit

  Administrative 5.7 FTEs for RWA (out of 9.0 FTEs):
  50% - Executive Director, Manager of Technical Services, FASM, and Exec. Assistant (2 FTE)
  80% - Project Research Assistant (.8 FTE)
  90% - Legislative & Reg. Affairs Manager (.9 FTE)
  100% - Strategic Affairs and WEP Managers (2 FTE)*

* subscription based funded positions
Budget Policies (cont’d)

• Financial Commitment and Assignment Policy 500.1 – Framework for operating fund and other additional commitments ("designation")
  - Operating fund – 4 to 6 months
  - Membership Dues Stabilization – 15%
  - Subscription Program Stabilization – 10%
  - Powerhouse Science Center – $175k remaining
  - Other additional funds – subscription programs, special projects, sponsorships, office move, etc.
  - Non-designated Cash

• Board must approve the Fiscal Year budget within 90 days of July 1st
Proposed Dues

• New rate structure adopted in March 2021

• FY21/22 Budget planned to maintain general rates from FY20/21 Budget; 0% change in total aggregate dues

• Individual agency fee may change due to new structure and growth

• No changes to:
  ✓ Associate Members
  ✓ Affiliate Members
  ✓ WEP Dues
FY21/22 Revenues

• Member Dues – generally the same as FY20/21

• SGA Reimbursements – increase due to additional staffing and annual increase in office expenses

• Subscription Program Revenues:
  o WEP Subscription Program – revenues covers WEP PM staffing + overhead charges to the program
  o Staff Reimbursements – Program Management Fees charged to various Programs and Grants
  o Major Projects Program – new program; advanced funds
  o Resilience Program – new program; advanced funds

• Misc. and Interest Income – Interest is declining

• **Total FY21/22 Revenues = $2,283,212**
FY21/22 Expenses

- Expenses are adjusted from FY20/21 budgeted amounts
- Staffing Expense – higher due to two new staff members. Offset by SGA and subscription programs
- Office Expense – higher due to annual increase, rent and utilities increase for additional office space, and one-time RWA 20th Anniversary costs
- Professional Fees – higher due to annual increase and additional funding for public outreach and communication services (Strategic Plan support)
- Other expenses – furniture for additional staff
- Core Project expenses – IRWM and Powerhouse Science Center

- **Total FY21/22 Expenses = $2,559,431**
RWA’s Unfunded Pension Plan Liability

- RWA Policy 500.15 – pay unfunded liability over 4 year rolling period

- CalPERS January 2021 letter estimates 6.30.19 balance at $109,177 (post FY20/21 payment)

- Valuation report does not include FY19/20 or FY20/21 performance

- Faster funding does create volatility from year to year

- Staff recommends keeping current level of funding until new FY21/22 valuation report
FY21/22 Budget Results

- FY21/22 Budget Result is a planned deficit of ($276,219)
- FY20/21 Projected Budget Result is a surplus of $196,678 as compared to the approved planned deficit of ($195,379) due to:
  - Staff time reimbursements
  - FY20/21 budget savings
  - Major Projects Program advanced funding/restricted
  - Resilience Program advanced funding/restricted
  - Water Bank Phase I & II advanced funding/restricted
- Remaining shortfall will be offset by Powerhouse Science Center Fund ($25k) and available cash balance
- Possibility for FY21/22 budget savings in Q1 and Q2 as conditions return to normal
Budget Outlook

- FY22/23 and FY23/24 forecast membership dues increase at 3% and then increase to 5% in FY24/25 and FY25/26
- Future years are compliant with the Operating Designation Policy parameters
- All non-designated cash is depleted
- Currently, there are no new programs forecasted beyond FY22/23 – $50k plug in future years
- A possible office relocation has been designated in FY21/22 for FY22/23 expense
- Any changes in current membership could have significant financial impact on future budgets
- Budget results cannot be assured
Questions and Discussion
AGENDA ITEM 5: STRATEGIC PLAN COMMUNICATION GOAL REPORT

BACKGROUND:

A presentation will be given on the work being performed to accomplish the communication goal in the Strategic Plan.

Information and Presentation: Jim Peifer, Executive Director
AGENDA ITEM 6: SACRAMENTO CENTRAL GROUNDWATER AUTHORITY
STAFFING

BACKGROUND:

The purpose of this item is to provide updates to the RWA Board of Directors on developments regarding the RWA providing staffing services to the Sacramento Central Groundwater Authority.

Discussion: Jim Peifer, Executive Director
AGENDA ITEM 7: POLICY 500.18 – NEW RWA MEMBER DISCOUNTED DUES

BACKGROUND:

The purpose of this proposed policy is to provide new members a discount on RWA dues during the first and second year of membership. The intent is to incentivize new members to join the RWA. Under the proposed policy, new members will be offered a 50 percent discount on their first-year dues and a 25 percent discount on their second-year dues. The new member must commit to remaining in the RWA for three years. The discount does not apply to former RWA members.

EXECUTIVE COMMITTEE RECOMMENDATION:

During the April 28th Executive Committee (EC) meeting, the EC unanimously agreed to recommend Policy 500.18 for approval to the Board of Directors.

Discussion: Jim Peifer, Executive Director

Action: Approve Policy 500.18

Attachment: Draft RWA Policy 500.18
Purpose of the Policy

The RWA may benefit from adding new members. New members may bring in revenue that may result in increasing services or reduce the costs to existing members. Discounts offered to new members on the first- and second-year dues may incentivize new members to join the RWA. The purpose of this policy is to establish new member discounts on core RWA member dues.

General

New members will be offered a 50 percent discount on their first-year dues and a 25 percent discount on their second-year dues. The new member must commit to remaining in the RWA for three years. The discount does not apply to former RWA members.

Other Provisions

The provisions in Article 15 in Policy 100.1 (AMENDED AND RESTATED JOINT EXERCISE OF POWERS AGREEMENT REGIONAL WATER AUTHORITY) continue to apply to new members.

Policy Review

This policy will be reviewed by the Executive Committee at least every five years, or as necessary.
AGENDA ITEM 8: LEGISLATIVE/REGULATORY UPDATE

BACKGROUND:

RWA’s advocacy priorities for the year remain addressing water affordability/ water debt, water use efficiency, and securing funding for management climate adaptation. There are legislative bills, budget actions, and regulatory actions related to all these priorities that are actively occurring.

Legislation

The Legislature is wrapping up first house policy committee hearings. Most bills still moving in the process will be heard in their house Appropriations Committees. Appropriations committee suspense hearing is likely to be May 21st.

RWA currently has a position (support, support if amended, oppose unless amended, or oppose) on 31 bills. Of those 31 bills 12 have become two-year bills, meaning they will not be moving through the legislative process in 2021. Of the remaining 19 bills still actively moving RWA has a support or support if amended position on 13 bills (position in green below) and an oppose or oppose unless amended position on 6 bills (position in red below). The full list of bills with the two-year bills in italics and the live bills with RWA position in color are here:

AB 11 (Ward D- San Diego)- Regional climate adaptation planning- Support if amended
AB 51 (Quirk D- Fremont)- Regional climate adaptation planning- Support if amended
AB 59 (Gabriel D- Encino) - Alters water and sewer connection charges- Oppose
AB 315 (Stone D- Scotts Valley)- Limits stream restoration liability – Support
AB 322 (Salas D- Bakersfield)- Invest EPIC funds in biomass- Support
AB 339 (Lee D- San Jose)- Public meeting access- Oppose unless amended
AB 361 (R. Rivas D- Hollister)- Public meetings access- Support
AB 377 (R. Rivas D- Hollister)- Revises water quality enforcement – Oppose
AB 418 (Valladares R- Santa Clarita)- Resilience to PSPS events – Support
AB 564 (Lo. Gonzalez D- San Diego)-State conservation policy–Oppose unless amended
AB 622 (Friedman D- Glendale)- Microfiber filtration, residential washing machines- Support
AB 652 (Friedman D- Glendale)- PFAS prohibition in children’s products- Support
AB 697 (Chau D- Arcadia)- Flexibility in funds for forest health- Support
AB 703 (B Rubio D- Baldwin Park)- Public meeting teleconferencing- Support
AB 802 (Bloom D-Santa Monica)-Microfiber filtration commercial washing machines Support
AB 897 (Mullin- South San Francisco)- Regional climate adaptation planning- Support
AB 921 (McCarty- Sacramento)- West Sacramento Flood Control- Support
AB 1209 (McCarty- Sacramento) - Green Means Go Grant Program – Support if amended
AB 1250 (Calderon D- Whittier) - Response timelines for CPUC regulated consolidations- Support
AB 1376 (Gray D- Merced)- Public review in SWCB permits – Support
AB 1434 (Friedman D- Glendale)- Revises indoor water use efficiency - Oppose
AB 1458 (Frazier D- Discovery Bay)- Forest health work permit exemption- Support
AB 1500 (E. Garcia D- Coachella)- $6.7 billion resilience bond- Support if amended
SB 45 (Portantino D- La Canada Flintridge)-$5.5 billion resilience bond- Support if amended
SB 222 (Dodd D- Napa)- Low-income rate assistance program- Oppose unless amended
SB 223 (Dodd D- Napa)- Shutoff prohibitions- Oppose
SB 230 (Portantino D- La Canada Flintridge)- CEC program- Support
SB 323 (Caballero D- Salinas)- Uniform timelines on water/sewer fees- Support
SB 369 (Pan D- Sacramento)- Yolo Bypass partnership program- Support
SB 378 (Le. Gonzalez D- Long Beach) Microtrenching permitting- Oppose unless amended
SB 427 (Eggman D- Stockton) Water Theft penalties- Support

State Actions on Drought

On April 21st Governor Newsom issued an Emergency Proclamation on drought (full text attached). The Emergency proclamation declared drought in Mendocino and Sonoma Counties, but for most of the state it initiated state agency drought preparedness actions.

On April 29th the Senate included in their budget a $3.4 Billion drought package. The package contained the following specific funding areas (full text attached, relevant portion is pages 20-29):

- $500 million for community assistance
- $500 million for water use efficiency
- $350 million for SGMA
- $200 million for resilient water infrastructure
- $200 million for stormwater
- $200 million for recycled water
- $285 million for fish and wildlife
- $100 million for water quality
- $75 million for water data
- $1 billion for COVID recovery for ratepayers.

Of particular benefit to RWA is the eligibility for the Water Bank in the resilient water infrastructure funding and the $1 billion to assist ratepayers. The Senate budget must be reconciled with the Assembly and signed by the Governor. The Governor’s May revise will be forthcoming in the middle of May.

On May 5th the Assembly Water Parks and Wildlife committee will be hosting an informational hearing on drought preparedness. The hearing will inform the positions that the Assembly may be taking, including on the budget and a resilience bond [AB 1500 (E. Garcia) and SB 45 (Portantino)]
Regulatory Actions

Needs Assessment

On April 9th, the State Water Resources Control Board (Water Board) released its final Needs Assessment for drinking water. The Needs Assessment found that there is as much as over a $10 billion funding gap over the next five years. Importantly, the Needs Assessment evaluated systems to determine if they are “at-risk” or “potentially at-risk” these systems are systems that are not already captured in the human right to water list (systems in violation). The Needs Assessment found nearly 1,200 systems that were “at-risk” or “potentially at-risk”. Some RWA members have systems that have been characterized as “at-risk” or “potentially at-risk”. The “at-risk” list is important relative to SB 403 (Le. Gonzalez D- Long Beach), which RWA does not have a position on at this time; the bill would expand the existing authority the Water Board has to force consolidations with systems that are “at-risk.”

Water Loss

The Water Board is expected to initiate the formal rule making on water loss standards in June. There will be a 45-day comment period for the formal rule making and concurrent with that process individual agencies will have an opportunity to submit data to update the model defaults for them.

Indoor Standard

It is expected that the Department of Water Resources (DWR) will issue a final report to the Legislature on recommended changes to the indoor water use standard in June. There is expected to be a public comment period from May 11 – May 28. Additionally, there will be a stakeholder meeting on this topic on May 19. This action relates to AB 1434 (Friedman D- Glendale), which would change the existing indoor water use efficiency standards in statute.

Biodiversity and Conservation

In October of 2020 Governor Newsom signed an Executive Order to “combat the biodiversity and climate change crises in California using nature-based solutions. Notably, the Executive Order will establish a state goal to conserve at least 30% of California’s land and coastal waters by 2030…” as part of advancing the goals of the executive order the California Natural Resources agency began a series of stakeholder meetings. It is expected that a draft strategy will be out this summer. This process relates to AB 564 (Lorena Gonzalez D- San Diego), which would have made it a statewide policy to achieve the recommendations out of this process.

Drought/Curtailments

On March 22nd the Water Board issued a dry year letter (attached) encouraging early dry year actions. On April 16th the Water Board had an workshop on “drought planning methodologies and tools: Supply/Demand visualization tool and water demand data assessment” and subsequently released a webpage Drought Tools and Methods webpage.
There is expected to be a workshop on May 11th on curtailment methodologies.

Information and Presentation: Ryan Ojakian, Legislative and Regulatory Affairs Manager

Attachments:

Newsome Emergency Drought Proclamation
Senate Drought Budget Action
State Water Board Dry Year Letter
State of Emergency Proclamation

WHEREAS climate change is intensifying the impacts of droughts on our communities, environment and economy, and California must therefore improve drought resiliency and prepare to respond to more frequent, prolonged, and intense dry periods; and

WHEREAS much of the West is experiencing severe to exceptional drought and California is in a second consecutive year of dry conditions, resulting in drought or near-drought throughout many portions of the State; and

WHEREAS these drought conditions can result in degraded water quality, fallowing of productive farmland, setbacks to vulnerable and rural communities through job losses and longer-lasting recoveries, significant impacts to tribal, commercial, and recreational salmon fisheries, constraints on access to traditional lifeways, loss of aquatic and terrestrial biodiversity, and ecosystem impacts; and

WHEREAS drought conditions vary across the State and some watersheds, including the Russian River and Klamath Basin, are extremely dry and are facing substantial water supply and ecosystem challenges; and

WHEREAS it is necessary to expeditiously mitigate the effects of the drought conditions within the Russian River Watershed, located within Mendocino and Sonoma counties, to ensure the protection of health, safety, and the environment; and

WHEREAS experience in the last drought has demonstrated the value of preparing earlier for potential sustained dry conditions, the need to improve our monitoring and forecasting capabilities, and many other lessons that are captured in the Administration's Report to the Legislature on the 2012-2016 Drought; and

WHEREAS the State and its many partners have strengthened drought resilience since the last drought including state investments in water management systems, implementation of the Sustainable Groundwater Management Act, establishment of the Safe and Affordable Fund for Equity and Resilience Program, development of the Administration's Water Resilience Portfolio, and continued water conservation by Californians whose current statewide urban water use is 16% lower than at the beginning of the last drought; and

WHEREAS state agencies have been actively responding to current drought conditions and preparing for the possibility of a third dry year including through convenings of the interagency drought team, which was established at my direction, to organize, focus, and track changing conditions, coordinate state agency responses, and work closely with partners across the State; and

WHEREAS under the provisions of Government Code section 8558(b), I find that the conditions caused by the drought conditions, by reason of their magnitude, are or are likely to be beyond the control of the services, personnel, equipment, and facilities of any single local government and require the combined forces of a mutual aid region or regions to appropriately respond; and
WHEREAS under the provisions of Government Code section 8625(c), I find that local authority is inadequate to cope with the drought conditions; and

WHEREAS to protect public health and safety, it is critical the State take certain immediate actions without undue delay to prepare for and mitigate the effects of, the drought conditions within the Russian River Watershed, and under the provisions of Government Code section 8571, I find that strict compliance with various statutes and regulations specified in this Proclamation would prevent, hinder, or delay the mitigation of the effects of the drought conditions of the Russian River Watershed, located within Mendocino and Sonoma counties.

NOW THEREFORE, I, GAVIN NEWSOM, Governor of the State of California, in accordance with the authority vested in me by the State Constitution and statutes, including the California Emergency Services Act, and in particular, section 8625, HEREBY PROCLAIM A STATE OF EMERGENCY to exist in Mendocino and Sonoma counties due to drought conditions in the Russian River Watershed.

IT IS HEREBY ORDERED THAT:

1. To further the success of California’s water conservation efforts and increase our drought preparedness, state agencies shall partner with local water districts and utilities to make all Californians aware of drought, and encourage actions to reduce water usage by promoting the Department of Water Resources’ Save Our Water campaign (https://saveourwater.com) and other water conservation programs.

2. To continue coordination with partners across the State for the potential of prolonged drought impacts, the Department of Water Resources, the State Water Resources Control Board (Water Board), the Department of Fish and Wildlife, and the Department of Food and Agriculture shall work with regional and local governments, including groundwater sustainability agencies, to identify watersheds, communities, public water systems, and ecosystems that may require coordinated state and local actions to address issues stemming from continued dry conditions, to ensure that we can respond to water shortages and protect people, natural resources and economic activity.

3. To continue partnership and coordination with Californian Native American tribes, state agencies shall engage in consultation, collaboration, and communication with California Native American tribes to assist them in necessary preparation and response to drought conditions on tribal lands and potential impacts to cultural and traditional resources within ancestral lands.

4. To prioritize drought response and preparedness resources, the Department of Water Resources, the Water Board, the Department of Fish and Wildlife and the Department of Food and Agriculture, in consultation with the Department of Finance, shall:

   a. Accelerate funding for water supply enhancement, water conservation, or species conservation projects.

   b. Identify unspent funds that can be repurposed to enable projects to address drought impacts to people, ecosystems, and economic activities.

   c. Recommend additional financial support for water resilience infrastructure projects and actions for potential inclusion in the upcoming May Revision.
5. To increase resilience of our water supplies during drought conditions, the Department of Water Resources shall:

a. Work with counties to encourage reporting of household water shortages, such as dry residential wells, on the website the Department maintains for that purpose, to enable tracking of drought impacts.

b. Work with counties, and groundwater sustainability agencies as appropriate, to help ensure that well drillers submit required groundwater well logs for newly constructed and deepened wells in a timely manner.

c. Work with agricultural water suppliers and agricultural water users to provide technical assistance, including implementation of efficient water management practices and use of technology such as the California Irrigation Management Information System.

d. Work with urban and agricultural water suppliers to encourage timely submittal by water districts and public posting of urban water management and water shortage contingency plans and agricultural water management and drought plans.

e. Accelerate updating the land subsidence data it is providing to support implementation of the Sustainable Groundwater Management Act.

6. To increase resilience of our water systems during drought conditions, the Water Board shall:

a. Use its authority, provide technical assistance, and where feasible provide financial assistance, to support regular reporting of drinking water supply well levels and reservoir water levels where the Water Board determines that there is risk of supply failure because of lowering groundwater levels or reservoir levels that may fall below public water system intakes.

b. Prioritize the permitting of public water systems that anticipate the need to activate additional supply wells where water quality is a concern and treatment installation needs to proceed to relieve a system’s potential supply concerns.

c. Provide annual water demand data, information on water right priority, and other communications on water availability on its website.

d. Identify watersheds where current diversion data is insufficient to evaluate supply impacts caused by dry conditions, and take actions to ensure prompt submittal of missing data in those watersheds.

7. To address the acutely dry conditions in the Russian River Watershed, the Water Board shall consider:

a. Modifying requirements for reservoir releases or diversion limitations in that watershed to ensure adequate, minimal water supplies for critical purposes.

b. Adopting emergency regulations to curtail water diversions when water is not available at water rights holders’ priority of right or to protect releases of stored water.

For purposes of carrying out this directive, Public Resources Code, Division 13 (commencing with section 21000) and regulations adopted pursuant to that Division are suspended in the counties of Mendocino and Sonoma to the extent necessary to address the impacts of the drought in the Russian River Watershed. The Water Board shall identify the projects
eligible for the suspensions pursuant to this paragraph and maintain on its websites a list of the activities or approvals for which these provisions are suspended.

8. To ensure that equipment and services necessary for drought response in the Russian River Watershed can be procured quickly, the provisions of the Government Code and the Public Contract Code applicable to procurement, state contracts, and fleet assets, including, but not limited to, advertising and competitive bidding requirements, are hereby suspended to the extent necessary to address the effects of the drought in the Russian River Watershed, located within Mendocino and Sonoma counties. Approval of the Department of Finance is required prior to the execution of any contract entered into pursuant to this provision.

9. To increase the resilience of our natural habitats to protect vulnerable species during drought conditions, the Department of Fish and Wildlife shall:

   a. Evaluate and take actions to protect terrestrial and aquatic species and, wherever possible, work with water users and other parties on voluntary measures to protect species.
   b. Work to improve State hatcheries and increase water use efficiency on State wildlife areas and ecological reserves to maintain habitat for vulnerable species.
   c. Respond to human-wildlife interactions related to ongoing dry conditions and increase public messaging and awareness.
   d. Work with commercial and recreational salmon fishing and tribal representatives to anticipate and develop strategies to mitigate and respond to salmon fishery impacts, with particular emphasis on addressing impacts to salmon fisheries in the Klamath Basin.

10. To support our agricultural economy and food security during drought conditions, the Department of Food and Agriculture shall:

   a. Provide technical assistance to support conservation planning, on-farm water and energy conservation practices and technologies, including augmenting the State Water Efficiency and Enhancement Program.
   b. Conduct an economic analysis of drought impacts to agriculture, including land use, jobs, and rural food economies, expanding on existing research done in the last drought to include thorough regional analysis especially in the Central Valley, and in the implementation of the Sustainable Groundwater Management Act and alternative land uses for fallowed land.
   c. Maintain a web page with drought resources for farmers and ranchers, including the United States Department of Agriculture and other federal and state resources.
   d. Work with federal agencies to assist Klamath Basin farmers and ranchers contending with reduced water supplies.

11. To ensure the potential impacts of drought on communities are anticipated and proactively addressed, the Department of Water Resources, in coordination with the Water Board, shall develop groundwater management principles and strategies to monitor, analyze, and minimize impacts to drinking water wells.

12. To provide critical information on the different drought conditions across the State, the Department of Water Resources, in consultation with the Department of Fish and Wildlife, the Department of Food and Agriculture,
and the Water Board, shall develop a California Drought Monitor by December 31, 2021, as recommended in the Administration's Report to the Legislature on the 2012-2016 Drought.

13. To prepare for potential salinity issues in the Delta, the Department of Water Resources, in consultation with the Water Board, the Department of Fish and Wildlife, the Delta Stewardship Council, and the Central Valley Flood Protection Board, shall initiate actions necessary to prepare for and address potential Delta salinity issues during prolonged drought conditions.

14. To prepare for potential impacts of drought conditions on species, the Water Board and the Department of Fish and Wildlife shall work with federal agency partners to manage temperature conditions for the preservation of fish in the Sacramento River downstream of Shasta Dam while balancing water supply needs.

This Proclamation is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

I FURTHER DIRECT that as soon as hereafter possible, this Proclamation be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this Proclamation.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 21st day of April 2021.

GAVIN NEWSOM
Governor of California

ATTEST:

DR. SHIRLEY WEBER
Secretary of State
**Senate Budget and Fiscal Review—Nancy Skinner, Chair**

**SUBCOMMITTEE NO. 2**

Senator Bob Wieckowski, Chair  
Senator Brian Dahle  
Senator Mike McGuire  
Senator Henry I. Stern

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**Thursday, April 29, 2021**  
**Upon Adjournment of Floor Session**  
**State Capitol - Room 3191**

Consultant: Joanne Roy

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**SENATE BUDGET PLAN ON DROUGHT, SAFE DRINKING WATER, WATER SUPPLY RELIABILITY, AND RATEPAYER ASSISTANCE................................................................. 20**

|      | Issue 2: Senate Budget Plan on Drought, Safe Drinking Water, Water Supply Reliability, and Ratepayer Assistance ................................................................. 20 |

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*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*
Governor’s Proposal. The Governor's budget requests for the following:

- $3 million one-time General Fund and 15 positions to establish the Board of Environmental Safety (BES) and Ombudsperson Office within DTSC.
- Statutory changes to: (1) revise the Environmental Fee rates and the hazardous waste fee rates and structure and (2) authorize the BES to set future fee rates under a capped fee-setting authority, based on appropriations by the Legislature.
- $22.5 million one-time General Fund backfill for the Hazardous Waste Control Account (HWCA).
- $13 million one-time General Fund backfill for the Toxic Substances Control Account (TSCA).
- $300 million General Fund one-time to investigate and clean up brown fields across the state, with a special focus on remediation sites to develop new housing.

This proposal is complex. The Legislative Analyst’s Office (LAO) provides more details about the main components of the Governor’s proposal (BES, HWCA, TSCA, and brownfields cleanup), as follows:

**Board of Environmental Safety (BES)**

**BES.** The budget trailer legislation to establish the BES within DTSC includes a five-member board composed of a full-time chairperson and four part-time paid members. Additionally, the board would be supported by 12 staff performing a combination of technical and administrative duties. Beginning in January 2022, the BES would be required to conduct no fewer than six public meetings per year. The Governor’s proposed budget trailer legislation specifies the board’s responsibilities, including the following functions:

- **Set Annual Charges for HWCA and TSCA Based on Budgeted Appropriations.** BES would adopt regulations to establish a schedule of charges for (1) hazardous waste facilities, generators, and handlers subject to HWCA charges and (2) entities subject to the tax that supports TSCA. The board would be authorized to update these charges annually beginning in 2023-24, based on legislative changes to appropriation levels.
- **Hear and Decide Permit Appeals.** BES would hear and decide appeals of hazardous waste facility permit decisions made by DTSC.
- **Provide Opportunities for Public Hearings.** BES would be required to hold public hearings on DTSC’s actions pertaining to individual permitted or remediation sites.
- **Provide Direction to DTSC.** BES would review and approve the director’s annual priorities — including performance metrics — for each of DTSC’s programs. The director would provide
annual updates to the board on the department’s progress towards meeting these priorities.

- **Develop a Multiyear Schedule for Discussion of Long-Term Goals.** BES would discuss long-term goals for various components of DTSC’s operations, including improvements to (1) the efficiency of DTSC’s hazardous waste facility permitting process, (2) DTSC’s ability to meet its duties and responsibilities, (3) the site mitigation program and how contaminated properties are prioritized for cleanup, and (4) DTSC’s implementation of its enforcement activities.

- **Provide Ombudsperson Services to the Public and Regulated Community.** The legislation would establish an Office of the Ombudsperson within the board to (1) receive complaints and suggestions from the public, (2) evaluate complaints, (3) report findings and make recommendations to the director and the board, and (4) provide assistance to the public when appropriate.

- **Annual Report to Secretary of California Environmental Protection Agency (CalEPA).** The board would be required to transmit to the Secretary of CalEPA an annual review of the department’s performance.

**Governor’s Proposal Includes Several Policy Changes.** The Governor’s proposed trailer bill legislation also includes several policy changes for the department. These changes would implement the following: (1) require the department to update a state hazardous waste management plan by March 2027 and every three years thereafter; (2) accelerate time lines for the department to complete hazardous waste facility permit renewals, as well as implement other accountability measures; and (3) strengthen financial assurance requirements for entities that handle hazardous waste.

**HWCA**

**General Fund Transfer to Address HWCA Shortfall in 2021-22.** The Governor’s budget proposes to transfer $22.5 million from the General Fund in 2021-22 to keep HWCA solvent. This would allow DTSC to continue its regulatory activities at existing levels in the budget year. Short-term funding is needed since the proposal to raise HWCA charges would not take full effect in the budget year, resulting in a lag before sufficient new revenues materialize. With the proposed augmentation, HWCA would begin 2021-22 with an estimated fund balance of $8.6 million and end the year with an estimated balance of $1.3 million.

**HWCA Charge Restructure and Increases to Take Effect in 2022-23.** The Governor proposes budget trailer legislation that would make four significant changes to the existing HWCA fee structure:

- Replace the existing generator, disposal, Environmental Protection Agency (EPA) identification verification, and manifest user fees with a new generation and handling fee. The new generation and handling fee would be based on a price-per-ton model — instead of the current tiered model — and set at $46 per ton.

- Increase the existing facility fees. The primary facility fees would more than double under the Administration’s proposal.

- Eliminate various exemptions for which entities are subject to paying the charges.

- Revise the timing of payments to coincide with the fiscal year in which the Legislature appropriates DTSC’s funding (rather than by calendar year, which is how current payments are structured).
These changes would take effect in 2022 and provide additional revenue for 2022-23. The Administration estimates that its proposal would provide an additional $49.6 million for HWCA starting in 2022-23, more than doubling the amount of revenue from the existing fees, enough to close the structural deficit and to accommodate new spending.

**Eliminates Some Exemptions, but Continues to Exempt Smaller Generators From Paying.** The Governor’s proposal would eliminate various exemptions that currently exist for both the facility and generator fees. For example, current exemptions for entities that handle used oil would be eliminated under the new generation and handling fee. However, the proposal would continue to allow entities that generate less than five tons of hazardous waste per year to be exempt from paying the generation and handling fee. This is a change from the Governor’s 2020-21 proposal, which would have removed that exemption. DTSC’s states it is proposing to retain this exemption to minimize the economic impact on small businesses that are recovering from the pandemic. Moreover, DTSC indicates that the administrative costs associated with collecting payments from these smaller generators would outweigh the revenues it estimates it could collect. Because the proposal retains this exemption, the Administration believes that a vote on the HWCA reform package would require a two-thirds vote of the Legislature.

**Revenue Increases Address Structural Deficit and Provide for Additional Program Spending.** The Administration intends to use the additional $49.6 million in new HWCA revenues to (1) address the structural deficit in the fund ($22.5 million), (2) provide additional funding to address resource gaps identified in the department’s workload analysis ($22.5 million), (3) build reserve levels with in the fund ($3.1 million), and (4) provide ongoing funding for administrative costs related to the new board ($1.5 million). The amounts intended to be used for increased programmatic expenditures and the board reflect the department’s current estimates. However, the use of these funds would need to be authorized in the 2022-23 budget based on proposals submitted to and approved by the Legislature. That is, the proposal currently before the Legislature would authorize charge increases to generate an additional $22.5 million for the workload expansions but not the authority to spend those revenues.

**New Board Would Establish Future HWCA Charge Levels According to Appropriation Authority Set by Legislature.** The Governor would grant the proposed BES with authority to set charge levels for HWCA in future years beginning in 2023-24. This would allow revenues to keep pace with growth in DTSC’s regularly workload. Specifically, the board would set charges annually to align HWCA’s revenues with the amount of expenditures authorized by the Legislature through the annual budget act. The Administration indicates that the board would hold public meetings following the release of the Governor’s January budget and May Revision to discuss how proposals would affect the level of charges, with adjustments officially being made in the fall after the budget act is passed. While the board would have the authority to set these charges annually, the Administration’s proposed language sets a maximum level for each charge. These caps would be set two times higher than the rates being proposed in 2022-23. For instance, the initial rate for the generation and handling fee would be set at $46 per ton, and the maximum charge level would be set at $92 per ton. The caps would be adjusted annually for inflation according to the Consumer Price Index beginning in 2024-25. If in some future year BES has set a charge levels at the maximum allowable amount and finds that revenues are insufficient to meet DTSC’s regulatory workload and legislatively authorized expenditure levels, then the Legislature would need to take additional action to authorize higher charges.

**TSCA**

**General Fund Transfer to Address TSCA Shortfall in 2021-22.** The Governor’s budget proposes to transfer $13 million from the General Fund to keep TSCA solvent while the proposed tax increase is being implemented. Short-term funding is needed due to a lag between when the proposed changes to
the environmental fee would take effect and when the revenues will materialize. With the proposed funding, TSCA would begin the 2021-22 fiscal year with an estimated balance of $13.4 million and end the year with estimated reserves of $3.1 million.

**TSCA Tax Restructure and Increase to Take Effect in 2022-23.** The Governor proposes budget trailer legislation that would make two significant changes to the environmental fee to take effect in 2022: (1) exempt businesses with fewer than 100 employees from paying the tax (extending the existing exemption to businesses with 50 to 99 employees) and (2) increase tax rates for businesses with more than 500 employees. The Governor would maintain existing tax rates for businesses with 100 to 499 employees. Additionally, the proposal would revives the timing of payments to coincide with the fiscal year in which the Legislature appropriates DTSC’s funding (rather than being charged on a calendar-year basis). The Administration estimates that the resulting changes would provide an additional $54.6 million for TSCA beginning in 2022-23.

Certain components of this proposal differ from what the Governor proposed for TSCA in 2020-21. Specifically, the previous proposal included rate increases for all businesses that currently pay the tax. The Administration has indicated that the decision to exempt smaller businesses from paying the environmental fee and to maintain existing rates for midsized businesses primarily is to reduce their economic impacts as they are recovering from the effects of the pandemic.

**Revenue Increases Address Structural Deficit and Provide for Additional Program Spending.** The Administration intends to use the additional $54.6 million in new TSCA revenues to (1) provide additional funding to address resource gaps identified in the department’s workload analysis ($36.5 million), (2) address the structural deficit in the fund ($13 million), (3) build reserve levels with in the fund ($3.6 million), and (4) provide ongoing funding for administrative costs related to the new board ($1.5 million). The amounts intended to be used for increased programmatic expenditures would need to be authorized in the 2022-23 budget based on proposals submitted to and approved by the Legislature.

**New Board Would Establish TSCA Tax According to Appropriation Authority Set by Legislature.** As with HWCA, the Administration would task the new BES with ongoing authority to set future tax rates for TSCA beginning in 2023-24. The board would adjust the tax annually to align TSCA’s revenues with the expenditure authority the Legislature includes in the budget act. The Administration indicates that BES would hold public meetings following the release of the Governor’s January budget and May Revision to discuss how proposals would affect the environmental fee, and the board would make adjustments in the fall after the budget act is passed. The Administration’s proposed language also sets a maximum level for the tax. The caps would be set two times higher than the initial rates being reposed for 2022-23. For instance, the initial rate for businesses with more than 1,000 employees would be $56,000 per year, but the maximum level would be set at $112,000 per year. The cap would be adjusted annually for inflation according to the Consumer Price Index beginning in 2024-25. Once the cap is reached, the Legislature would have to take action to authorize additional tax increases to align with higher expenditure levels.

**Brownfields Cleanup**

**$300 Million for Brownfield Activities and Workforce Development.** The Governor’s proposal includes one-time General Fund resources to address brownfields, to be allocated in the following ways:

- **State Investigations and Brownfield Cleanups ($220 Million).** DTSC would use these funds to investigate and clean up various projects where no financially viable responsible party can be
found. The department estimates this funding would enable it to take action on 170 additional sites over the next four years.

- **Brownfield Grant Program ($76 Million).** The Governor proposes to establish a new competitive grant program to provide funding to local governments, tribes, nonprofit organizations, and private entities primarily to investigate as well as clean up brownfield sites. The department estimates it could provide 130 grants over the next four years with this funding.

- **Workforce Development ($4 Million).** The proposal would establish a new workforce development program. The funding would go to various organizations (such as technical schools and community-based organizations) to train individuals to perform environmental remediation work, such as site sampling technicians.

**Funding Would Focus on Communities That Are Disproportionately Burdened by Contamination.** The proposal indicates that funding for all three components will be targeted for “environmental justice (EJ) communities” that are burdened by multiple sources of pollution and are disproportionately vulnerable to their effects. Because the state has not defined EJ communities in statute, DTSC indicates that it will develop a working definition for such neighborhoods for the purposes of targeting this funding.

**Proposal Seeks to Address State’s Housing Shortage.** DTSC indicates that its proposal has two primary goals—(1) to investigate and clean up contaminated sites in EJ communities and (2) to develop these sites for future housing. The latter is to help address the state’s severe shortage of affordable housing.

**Funding Would Be Contingent on Adoption of Governance and Fiscal Reform Package.** The Administration has indicated that it views funding for this proposal to be contingent upon the enactment of the Governor’s governance and fiscal reform package for DTSC. That is, the Governor indicates that he will support inclusion of this $300 million for addressing brownfields only if the Legislature also approves his proposals to add a new governing board and increase the HWCA and TSCA charges.

**Background. DTSC Has Three Major Program Areas.** DTSC is responsible for protecting public health and the environment by overseeing the state’s response to releases of hazardous substances and disposal of hazardous waste. DTSC investigates, removes and remediates contamination as part of that mission. DTSC operations fall under three major program areas:

1. **Site Mitigation and Restoration Program.** This program is responsible for the cleanup and restoration of contaminated sites throughout the state; including legacy landfills (e.g., Stringfellow Acid Pits and the BKK Landfill), the Santa Susana Field Lab, military bases, former industrial properties, and school sites. It is funded primarily by TSCA.

2. **Hazardous Waste Management Program.** This program is responsible for several important DTSC functions. It issues permit decisions for proposed new hazardous waste facilities and the approximately 110 existing hazardous waste facilities in California that treat, store, and dispose of hazardous waste. The program’s staff conducts inspections and takes enforcement actions to ensure compliance with hazardous waste laws and regulations. This program oversees the hazardous waste generator program. In addition, it provides hazardous waste management-related policy support, regulatory and statutory interpretation, financial assurance, and data management support for internal and external stakeholders. The program also provides emergency response support for hazardous materials-related emergencies throughout California.

3. **Safer Consumers Products and Workplaces Program.** This program is responsible for reducing toxic chemicals in consumer products, creating new business opportunities in the emerging green
chemistry industry, and helping consumers and businesses identify what chemicals are in the products they buy. Through this program, DTSC identifies and prioritizes chemicals of concern in consumer products, evaluates alternatives, and specifies regulatory responses to reduce chemicals of concern in products.

**Funding Sources for DTSC.** DTSC’s funding comes primarily from HWCA and TSCA:

- **HWCA** is a repository for revenues from cost recovery activities and fees paid by various hazardous waste generators, transporters, and facilities. With the exception of the Activity Fee for Permitting, the rest of the fees were last amended in statute in 1998 or earlier. The fees collected and deposited into HWCA are:
  - Generator fee (constitutes 45 percent of HWCA)*
  - Disposal fee (constitutes 10 percent of HWCA)*
  - Facility fees (constitutes 9 percent of HWCA)*
  - EPA ID Verification (constitutes 9 percent of HWCA)**
  - Manifest fees (constitutes 4 percent of HWCA)**
  - Transportable Treatment Unit fee***
  - Cost recovery activities
  - Fee for service for Permitting

*These fees are subject to an annual CPI adjustment and are collected by the California Department of Tax and Fee Administration.

**These fees are not subject to an annual CPI adjustment and are collected by DTSC.

***This fee is subject to an annual CPI adjustment and is collected by DTSC.

- **TSCA** is a repository for revenues from cost recovery, penalties, interest, and the Environmental Fee. Revenues from the Environmental Fee constitutes 80 percent of TSCA with the rest making up the remaining 20 percent. The Environmental Fee was established in 1989 and is subject to an annual CPI adjustment.

**Both HWCA and TSCA Have Been Operating With a Structural Deficit.** Expenditures out of HWCA and TSCA has exceeded revenues for many years. HWCA became insolvent in fiscal year 2018-19 and TSCA became insolvent in fiscal year 2019-20. A number of factors contribute to the operating structural deficit in both accounts. They include increasing legislative mandates, an outdated fee structure that no longer corresponds to the proportion of waste generated or disposed, increasing costs relating to the state obligated cost share for National Priority List sites, and a backlog of unresolved response costs worth approximately $194 million at over 1,600 cleanup sites over a 25-year period.

**General Fund Backfills for Both Accounts.** The Budget Act of 2019 provided HWCA with $27.5 million in General Fund to backfill the shortfall and maintain existing operations. The Budget Act of 2020-21 included $12 million in General Fund for TSCA to backfill the shortfall and maintain existing operations. In the Governor’s proposed budget for 2021-22, $22.5 million in General Fund is proposed to backfill HWCA and $13 million in General Fund is proposed to backfill TSCA.

**In Addition to Its Fiscal Deficiencies, DTSC Has Been Criticized for Lack of Transparency and Ineffective Implementation of Its Statutory Mandates.** Specific incidents across California have exposed and continue to expose failings in DTSC’s implementation of its core programs, as well as its support programs. Such incidences include the mishandling of the hazardous waste facility permitting and enforcement of Exide and the Quemetco battery recycling facilities; delayed site remediation; failed public participation and transparency activities; and personnel issues have all led to decreased
stakeholder confidence and public trust in DTSC’s ability to meet its mandate to protect public health and the environment.

In August 2014, the State Auditor issued a report citing DTSC’s neglected cost-recovery efforts. According to the audit, DTSC failed to collect an estimated $194 million in cleanup costs from polluters since 1987, failed to send out nearly $142 million in bills, and for the $52 million in assessments the DTSC did mail, but never collected.

Furthermore, community groups that live near hazardous waste facilities are concerned that DTSC is not properly enforcing state and federal law and is allowing facilities that have numerous violations of state law and regulation, or have an expired permit, to continue to operate. Due to a growing backlog of applications to renew hazardous waste permits, many facilities are operating on “continued permits.” These facilities operating on a continued permit are likely using outdated technologies, practices, and safeguards and are potentially releasing hazardous wastes into the environment.

Over the past five years DTSC has sought to reduce the permit backlog for hazardous waste facilities. In 2014 the Legislature appropriated additional limited-term staff to help reduce the permit backlog, noting there were 24 continued permits. Despite those limited-term positions, as of January 2019, there were 29 continued operating permits – with four of those being expired for a decade or more.

Additionally, the regulated community is concerned about the length of time it takes DTSC to process a permit, with processing a permit extending years beyond the expiration date of their permit, which impacts the costs associated with processing a permit.

**DTSC Conducted a Workload Analysis to Establish the Resources Needed to Meet DTSC’s Statutory Mandates.** To support discussions on the activities DTSC should be performing to increase its protection of public health and the environment, DTSC analyzed its resources for core programs and released a report on its findings in January 2021. The data include current staffing levels, available employee hours, and program deliverables, such as total number of permits issued, facilities investigated, and sites cleaned. The analysis also identifies areas where DTSC has made significant improvements in how it delivers its programs. The analysis provides transparency on how DTSC is using its current resources and where it is insufficiently resourced to deliver on its mission and statutory authorities. The following activities were identified in the Executive Summary of the Workload Analysis as the highest priority activities that are under-resourced:

- Pollution Prevention
- Hazardous Waste Transporter Inspections and Oversight
- Permitted Facilities and Violation Scoring Procedures
- Enforcement
- Orphan Site Cleanup and Site Discovery

One of the primary challenges for the department has been adequate funding for these activities. As noted in the report, DTSC’s responsibilities have grown significantly since 1991, but the department’s staffing levels have remained relatively stagnant. The report states that over time, DTSC’s ability to carry out its mission has been compromised by the combination of unfunded additional statutory and regulatory authorities, fiscal constraints, and a static fee structure — Most of the fees that support DTSC’s programs were last updated in statute in 1998, yet 92 statutory authorities and mandates have been adopted since that time. Because the existing fee structure was not developed to cover DTSC’s current responsibilities and program costs, the department has struggled to deliver services aligned with its statutory duties.
Brownfields Cleanup. The LAO has provided the following background on brownfields cleanup:

Likely Tens of Thousands of Brownfields Across the State. The term brownfield generally describes a property that is underutilized due to the presence or potential presence of a hazardous substance, pollutant, or contaminant. Common examples of brownfield sites are former dry cleaners, gas stations, and chemical storage facilities. According to a report from DTSC, there are roughly 15,000 known contaminated sites across California. However, these numbers likely underestimate the number of brownfields in the state given the difficulty in estimating the number of properties that are underutilized as a result of suspected contamination. Some research estimates that this number could be between 150,000 to 200,000 sites.

Brownfields Have Disproportionate Impact on Low-Income Communities of Color. Studies have shown that brownfield sites are disproportionately located in neighborhoods that have lower average incomes and more people of color. Brownfields negatively impact these communities in two ways. First, brownfields can affect public health in surrounding communities if contamination is able to spread through air or water. Second, the presence or even perception of contamination at brownfield sites often hinders redevelopment because parties interested in developing a property are concerned with its associated cleanup costs—which can reach hundreds of thousands of dollars or more—and potential liability issues. This results in these sites being underutilized—particularly in economically disadvantaged communities that already struggle to receive private investment.

DTSC Addresses Brownfields Through a Variety of Programs. DTSC administers several programs to address brownfields, some of which are supported by funding from the United States Environmental Protection Agency (US EPA). DTSC’s major brownfield programs include the following:

- **Site Mitigation and Restoration.** DTSC investigates sites with known or suspected contamination and ensures removal or control when contamination is found. DTSC has the authority to issue orders to require responsible parties to cooperate with site investigations and remediation. State and federal funds are used when a site lacks a known or financially viable responsible party.
- **Voluntary Cleanups.** Voluntary cleanups are initiated by motivated parties, such as developers, local agencies, or nonprofit organizations, to investigate and remediate brownfield sites and reimburse DTSC’s oversight costs.
- **Grants and Loans.** DTSC offers loans and grants—largely supported by US EPA funding—to assist with addressing environmental investigations and cleanups at properties throughout the state. Grants can provide up to $200,000, while loans can provide up to $2.5 million. Funding is generally available for local governments, tribes, nonprofit organizations, and private entities.

Related and Past Legislation.

SB 42 (Wieckowski) establishes a Board of Environmental Safety within DTSC. This bill is pending before the Senate Environmental Quality Committee.

AB 1 (Garcia) creates the Board of Environmental Safety within the CalEPA to provide policy direction to and oversight of DTSC and raises and recasts existing fees within the Hazardous Waste Control Account (HWCA). This bill is pending before the Assembly Environmental Safety and Toxic Materials Committee.
AB 995 (Garcia, 2020) would have created the Board of Environmental Safety within the CalEPA to provide policy direction to and oversight of DTSC and would have raised and recast existing fees within HWCA. This bill was vetoed by the Governor.

AB 2094 (Kalra, 2018) would have required DTSC to, on or before January 1, 2021, adopt regulations establishing inspection frequencies for permitted hazardous waste treatment, storage, and disposal facilities; hazardous waste generators; and, transporters. This bill was held in the Senate Appropriations Committee.

AB 2345 (Reyes, 2018), as it was heard before the ESTM Committee, would have made statutory changes to improve the process for the permitting of hazardous waste facilities. This bill was later amended to require the California Energy Commission to require each large electrical corporation to establish a tariff or tariffs that provide for bill credits for electricity generated by eligible renewable generating facilities and exported to the electrical grid. This bill was held in Senate the Rules Committee.

AB 2606 (Fong, 2018) would have required DTSC to process a hazardous waste facility renewal permit in an expedited manner if DTSC determines certain conditions apply. This bill was held in the Senate Appropriations Committee.

AB 248 (Reyes, 2017) would have made statutory changes to improve the permitting process for hazardous waste facilities. This bill was vetoed by the Governor.

AB 1179 (Kalra, 2017) would have required DTSC to, on or before January 1, 2020, adopt regulations establishing inspection frequencies for permitted hazardous waste treatment, storage, and disposal facilities and for hazardous waste generators and transporters. This bill was vetoed by the Governor.

SB 774 (Leyva, 2017) as it was heard before the ESTM Committee, would have created the California Toxic Substances Board within DTSC to provide oversight of California’s hazardous waste management and the remediation of contaminated sites. This bill was later amended to require the California State University Trustees to oversee a competitive process to award funds to the Wildland and Wildland Urban Interface Wildfire Research Grant Program and appropriate $5 million from the General Fund to the Trustees in order to oversee the program. This bill was vetoed by the Governor.

SB 812 (De León, 2014) would have modified the permitting process and public participation requirements for hazardous waste facilities. Would have established a Bureau of Internal Affairs to oversee DTSC and investigate departmental misconduct and a DTSC Citizen Oversight Committee to receive and review allegations of misconduct. This bill was vetoed by the Governor.

**LAO Comments.** The LAO provides the following assessments about this proposal:

**BES**

**Concept of Establishing a Board Has Merit.** A board that holds regular public meetings could improve transparency around DTSC’s operations and provide the public and stakeholders with a regular venue to raise issues and discuss their concerns. The board structure could also help to promote greater accountability by requiring the DTSC director to regularly report on the department’s progress towards meeting annual priorities and long-term goals.

**Governor’s Proposed Board Differs Somewhat From Legislature’s Approach.** While largely mirroring the board structure the Legislature would have established through AB 995 (C. Garcia), which was
vetoed last year, the board proposed by the Governor would differ from the Legislature’s approach in the following ways:

- **Board Would Establish Future Charge Levels for HWCA and TSCA.** The Legislature’s approach required the Secretary of CalEPA to convene a task force to review the revenue structures that support HWCA and TSCA and to report recommendations to the Legislature for future changes through the budget process. In contrast, the Governor’s proposal empowers the board to make future changes based on legislative appropriation levels.

- **Board Would Be Under DTSC, Not CalEPA.** The Legislature’s approach would have had the board report directly to the Secretary of CalEPA, whereas the Governor proposes having the board housed within DTSC.

- **Board Member Appointments Would Not Require Legislature’s Approval.** The Governor would not require any of the five board members to be appointed by the Legislature or receive Senate confirmation, whereas the Legislature’s approach would have required that three board members be subject to Senate confirmation, one member be appointed by the Senate Rules Committee, and one member be appointed by the Speaker of the Assembly.

- **Board Member Qualification Requirements Slightly Different.** The Governor would require one board member to be selected from the general public, whereas the Legislature’s approach would have required professional qualifications for all members.

- **No Annual Report to the Legislature.** Assembly Bill 995 would have required the board to transmit to the Legislature and the Secretary of CalEPA an annual review of the department’s performance measured against the board’s objectives, whereas the Governor’s proposal only requires reporting to the Secretary of CalEPA.

**Governor’s Proposal Excludes Components That Could Increase Transparency and Accountability to Legislature.** Three of the AB 995 provisions that the Governor’s proposal leaves out could provide opportunities to increase the proposed board’s accountability and transparency to the Legislature. Specifically, the Governor’s approach denies the Legislature the opportunity to (1) appoint board members, (2) vet and approve the Governor’s board appointees through the Senate confirmation process, and (3) be provided a required annual report on DTSC’s performance. Given that increasing oversight over DTSC has been a high priority for the Legislature, these differences contained in the Governor’s proposal would limit the extent to which a new board would reflect legislative priorities and enable the Legislature to stay informed about DTSC’s progress.

**Governor’s Proposal Now Reflects Some Other Legislative Priorities.** The Governor’s 2021-22 proposal incorporates many of the policy changes that were adopted in AB 995 that were not included in the Administration’s approach from last year, such as requiring DTSC to update the statewide hazardous waste management plan. The inclusion of these changes better aligns the Administration’s proposal with priorities that the Legislature has previously identified as being important reform measures for DTSC.

**HWCA**

**HWCA Primarily Funds DTSC’s Regulatory Activities.** HWCA is one of the department’s two major special funds. The fund primarily supports the department’s Hazardous Waste Management Program, which regulates the generation, storage, transportation, and disposal of hazardous waste through permitting, compliance monitoring, and enforcement of noncompliance.

**HWCA Receives Revenues From Several Fees.** HWCA currently receives revenues from various fees levied on hazardous waste generators, waste disposal entities, and other facilities that handle hazardous waste. The amounts charged ranges due to differing rate structures. For instance, the generator fee is an
annual charge that is tiered based on the amount of hazardous waste an entity generates. While these charges generally are applied to the different categories of businesses displayed in the figure, in some cases exemptions apply. For example, hazardous waste generators that generate fewer than five tons of waste annually are not required to pay the generator fee. Major revenue sources for HWCA totaled about $47 million in 2019-20 and are anticipated to be roughly the same amount in 2020-21. Combined with revenues from other sources, such as cost recovery charges, total revenues for HWCA were roughly $56 million in 2019-20—not including the General Fund backfills.

**HWCA Faces Structural Imbalance.** In recent years, the growth in expenditures from HWCA has outpaced the growth in revenues, creating a structural imbalance in the fund. The Administration indicates these trends are primarily due to increasing statutory requirements and responsibilities for the department, as well as increasing operational costs that have exceeded inflationary adjustments to the fees that support HWCA. For instance, SB 673 (Lara), Chapter 611, Statutes of 2015, required DTSC to establish and implement new permitting criteria to improve enforceability, transparency, and equity in permit decisions. The total costs associated with DTSC’s activities supported by HWCA are estimated to be about $77.5 million in 2020-21. To meet its costs and keep the fund solvent, DTSC received General Fund backfills for HWCA totaling $27.5 million in 2019-20 and $19.5 million in 2020-21.

**Both Governor and Legislature Sought to Address HWCA Imbalance in 2020-21.** The Governor’s 2020-21 budget included a proposal to restructure and increase charges that support HWCA. The proposed HWCA reform ultimately was not included in the budget package approved by the Legislature. AB 995 also included a HWCA reform component that would have restructured and increased charges in a way that was nearly identical to the Governor’s proposal. AB 995 also would have required the Secretary of CalEPA to convene a task force to review the charges under HWCA and to provide recommendations to the Legislature on additional reform options for the future. As noted earlier, AB 995 was vetoed by the Governor.

**DTSC’s Workload Analysis Indicates Resource Gaps.** In January 2021, the department released a workload analysis that provided information on DTSC’s current staffing, funding, and workload, as well as a discussion of identified resource gaps for high-priority programs and activities. The analysis identified roughly $20 million in resource gaps within the Hazardous Waste Management Program—the program primarily supported by HWCA—of which a significant portion was related to shortcomings in the department’s ability to inspect hazardous waste facilities and to pursue enforcement cases for violations. This assessment suggests that even with the recent General Fund backfills, HWCA is not providing sufficient resources to enable DTSC to meet its statutorily required regulatory workload.

**General Fund Support Would Keep HWCA Solvent in 2021-22.** The proposed one-time General Fund backfill of $22.5 million would keep HWCA solvent in the budget year and allow DTSC to continue undertaking its existing level of activities. Because of the delay in when the restructured charges and increases go into effect, providing short-term funding for the fund likely is necessary if the Legislature wants DTSC to continue performing its regulatory function at existing levels in 2021-22.

**Proposal Would Solve Existing Shortfall.** The Governor’s proposal would address the structural problems within HWCA on an ongoing basis starting in 2022-23. Specifically, the proposed increases would provide sufficient new revenues for HWCA to address the fund’s current operating imbalance and cover DTSC’s existing workload on an ongoing basis, as well as build up a prudent level of operating reserves.

**Incorporating Revenue Increases to Expand Programmatic Expenditures in 2022-23 Is Reasonable.** The LAO finds the Administration’s proposal to also incorporate estimated costs for future programmatic expansions into its new charges to be justified. The LAO finds that the programmatic expenditures anticipated for 2022-23 appear reasonable based on DTSC’s workload analysis of existing regulatory requirements and funding deficiencies. Additionally, the Legislature will be able to conduct
further oversight over the specific proposed expenditures when the department submits budget requests next year to authorize the use of these funds in 2022-23.

Moreover, authorizing the proposed charge increases to go in effect in 2022 is reasonable because doing so would make sufficient resources available to support the new activities beginning in 2022-23. Absent such action, the board would not be able to raise charges to generate increased revenues until 2023-24, resulting in an additional year wait before DTSC would be able to increase staffing levels and commence the additional work proposed.

**New Generation and Handling Fee Has Several Benefits.** The proposal includes eliminating several existing fees and replacing them with a new generation and handling fee. The LAO finds that the new charge would have several advantages over the current structure. First, the new charge structure would distribute costs across hazardous waste generators more equitably when compared to current fees. For instance, the generator fee’s current tiered structure allows businesses that generate different amounts of hazardous waste to pay the same annual charge. For example, an entity that currently generates 500 tons of hazardous waste would pay the same amount as one that generates 900 tons. The new generation and handling fee would correct this by charging businesses based on a price-per-ton model. Second, the new charge could encourage reductions in hazardous waste in the long run. This is because the model of placing a charge on every ton of hazardous waste generated creates an incentive for businesses to pursue innovative ways to reduce their waste and thereby lessen their regulatory costs.

**Retaining Exemption for Small Generators Is Reasonable.** The LAO also finds that the Administration’s decision to retain the exemption for generators that generate less than five tons to be reasonable. The exemption does not completely align with the “polluter pays” principle under which entities who engage in regulated activities should be responsible for paying regulatory and oversight costs. However, assessing the charge on small generators would not make fiscal sense because the administrative cost to collect from these entities would be greater than the estimated revenues generated. According to the department, there are 67,000 small generators—making up about 90 percent of generators—but which produce only 2 percent of the total hazardous waste in the state. The LAO also finds that retaining this exemption could provide some relief to smaller businesses that are struggling due to the pandemic. (However, as we discuss in more detail related to TSCA changes below, these types of exemptions are not necessarily the most effective way to provide fiscal relief to pandemic-impacted businesses.)

**Allowing New Board to Adjust HWCA Charge Levels Is a Reasonable Approach.** While the Governor’s approach differs from AB 995, the LAO finds that allowing the new board to set future charge levels annually has some key benefits and still would allow for ample legislative involvement. First, it creates more stability for HWCA by establishing a way for revenues to annually align with expenditure levels established by the Legislature through the budget act. For instance, if revenues were to decline or grow more slowly than expenditures, the board could adjust charges—up until the maximum level—to prevent a structural deficit from occurring. Second, this approach provides the Legislature with greater confidence that it can assign necessary responsibilities to the department without placing excessive pressure on HWCA. For example, approving ongoing positions or augmentations for the department could ultimately be funded through the board’s ability to increase charges. Given that HWCA is largely used for the department’s regulatory responsibilities, creating this type of alignment between authorized expenditures and revenues that are collected from regulated entities is reasonable. Third, since the board will discuss charge adjustments at public meetings that align with the budget process, the Legislature will be able to weigh prospective impacts on rates before making decisions on new expenditure proposals.

**TSCA**
TSCA Funds Several DTSC Programs. TSCA is the department’s other primary special fund source. TSCA largely funds DTSC’s activities related to investigating and cleaning up contaminated sites. The fund also supports the department’s Safer Consumer Products program, which attempts to reduce human and environmental exposure to toxic chemicals by working with industry to develop safer alternatives.

TSCA Funded by Tax on Businesses. Major sources of revenue for TSCA include various charges, fines, and penalties. Roughly 80 percent of TSCA’s revenues come from an annual tax levied on most businesses with 50 or more employees. (The remaining amount comes from cost recovery revenues, penalties, and interest.) The amount of the tax applied is scaled based on the number of employees and is adjusted annually for inflation. For example, in 2021, businesses with between 50 and 74 employees pay $357 whereas larger businesses with between 500 and 999 employees pay $4,985. (While the charge is generally referred to as an environmental fee, it aligns with the State Constitution’s definition of a tax.) The underlying premise for the widespread nature of the tax is that all businesses contribute to hazardous waste through the use of basic products that were either manufactured using chemical processing techniques or that become hazardous waste after they have been discarded. In 2019-20, the tax generated about $56 million for TSCA, and is anticipated to be roughly the same amount in 2020-21.

TSCA Faces Structural Imbalance. In recent years, the growth in expenditures from TSCA has outpaced growth in its revenues, creating a structural imbalance in the fund. According to the administration, these trends are due, in part, to additional operational costs to implement expanded responsibilities the department has been assigned since 2000. For example, SB 509 (Simitian), Chapter 559, Statutes of 2008 established the Safer Consumer Products program, which is currently funded at about $16 million annually, mostly from TSCA. Additionally, California faces increasing cost pressures related to required state contributions to federal cleanup projects, which typically are funded out of TSCA. In contrast, the tax that funds TSCA has not been increased—apart from inflationary adjustments—since 1997. Expenditures from TSCA in 2020-21 are anticipated to total $63.1 million. (This does not include expenditures related to the former Exide Technologies facility, which is largely supported by General Fund loans to TSCA.) To keep the fund solvent in 2020-21, the budget provided TSCA with a General Fund backfill of $7.8 million.

Governor and Legislature Proposed Differing Approaches for TSCA. The Governor’s 2020-21 budget included a proposal to increase the tax that supports TSCA. Like the Governor’s board and HWCA proposals, the proposed increase was also ultimately omitted from the final budget package adopted by the Legislature. In contrast to the board and HWCA—for which the Legislature and the Governor had somewhat similar proposals—AB 995 did not include a specific TSCA proposal. However, the legislation did include a requirement that the Secretary of CalEPA convene a task force to review the funding structure that supports TSCA and to provide recommendations to the Legislature on potential reform options through the budget process.

Department's Workload Analysis Indicates Resource Gaps. As discussed earlier, the department recently released a workload analysis on DTSC’s existing staff and funding, as well as identified resource gaps for its programs and activities. In this assessment, the department identified resource gaps related to cleanup activities associated with identifying contaminated sites, site inspections and establishing initial remediation actions. The additional costs associated with these activities were estimated to be between $43.5 million and $138.2 million annually, depending on how many additional contaminated sites the state chooses to address.

General Fund Support Would Keep TSCA Solvent in 2021-22. The Governor’s proposed $13 million General Fund transfer would keep TSCA solvent and allow DTSC to continue its current program expenditures as the tax increase is implemented. Providing short-term funding for the fund is necessary if the Legislature wants DTSC to continue performing its existing level of activities in 2021-22.
Proposal Would Solve Existing Shortfall. The Governor’s proposal would address the existing structural problems with TSCA. Specifically, the proposed increases would provide sufficient new revenue for TSCA to address the fund’s current operating imbalance and cover DTSC’s existing workload on an ongoing basis, as well as build up a prudent level of operating reserves.

Amount of Tax Increase Should Be Driven by Legislature’s Programmatic Priorities. The LAO finds that the department’s estimated programmatic expansions for 2022-23 seem reasonable and are based on its workload analysis. For instance, the amount provided for site cleanup staff—the majority of estimated ongoing spending beginning in 2022-23—would allow the department to conduct 50 to 150 site discoveries and 60 to 130 site initiation actions annually. However, determining the “right” level of funding needed for TSCA is somewhat more subjective than for HWCA. In contrast to HWCA—for which a strong nexus exists between charges and DTSC’s regulatory workload—TSCA is largely supported by a broad-based tax that can fund a wide variety of department activities. That is, the workload to be supported by TSCA is driven by the Legislature’s decisions for what activities it wants DTSC to perform with the fund, rather than by what is needed to enforce regulatory requirements. For example, the Legislature has added new responsibilities to the fund in recent years, such as the Safer Consumer Products program. Therefore, the process of establishing a new tax increase should include an assessment of which activities the Legislature believes TSCA should support, a determination of the corresponding amount of revenues needed to support these activities, and the impact on the businesses paying the environmental fee. Should the Legislature determine that the specific activities and service levels proposed by the Governor align with its priorities, then it may find the proposed level of tax increase to also be reasonable. However, should the Legislature believe that TSCA should support a different mix of activities with higher or lower associated costs, then a tax structure generating a different level of revenue might be more appropriate.

Merits of Pandemic Relief Measures Are Unclear. The Administration indicates that its decision to include relief measures for smaller businesses—by exempting small business and maintaining the existing rate for midsized businesses—is related to the pandemic. The LAO finds that this approach likely is not the best way for the state to provide pandemic relief. For instance, the size of a business—the basis on which the environmental fee is assessed—does not necessarily indicate the degree to which a business has faced financial losses due to the pandemic, which is more likely to vary based on the business’ industry. The LAO notes as well that the state and federal government have provided direct fiscal relief to small businesses through a variety of other programs. Moreover, we note that the Governor’s proposal would be implemented on an ongoing basis. It is unclear why the proposal does not include any provisions to sunset these changes or to revisit them at some point in the future—for example, after the state has entered into an economic recovery—which would ensure that the tax is more evenly borne by the wide array of businesses that contribute to hazardous waste.

Allowing New Board to Adjust Tax Is a Reasonable Approach. As discussed with regard to HWCA, the LAO believes the Administration’s approach of allowing the new board to set the tax annually would provide some important benefits—establishing a mechanism for revenues to keep pace with annual expenditure levels set by the Legislature and providing confidence that the department can be tasked with future responsibilities without placing excessive cost pressures on TSCA. Additionally, because the board will meet to discuss tax adjustments at public meetings that align with the budget process, the Legislature will be able to understand how future TSCA expenditure proposals would affect tax rates as it deliberates their merits.

Brownfields Cleanup

Legislature Need Not Consider Proposal as Being Contingent on Reform Package. While the Governor has presented this proposal as being contingent upon the enactment of the governance and fiscal reform package for DTSC, the proposals are not fiscally linked. Because the Governor would fund
this proposal using General Fund, the existing structural imbalances in HWCA and TSCA would not preclude the Legislature from appropriating funds to clean up brownfields, regardless of what it decides to do with the Governor’s proposed governance and fiscal reform package.

**Additional Support for Brownfield Investigations and Cleanups in EJ Communities Has Merit.** Because they could provide multiple benefits to EJ communities, we find that the funding being proposed for state cleanup projects and the brownfield grant program have merit. For instance, cleaning up brownfield sites can reduce the health and environmental risks that stem from contamination in communities that can least afford to remediate the contamination themselves. Moreover, the cleanup also could help to encourage economic development in struggling areas by making more land available for housing and commercial activity. In this way, targeting funding for projects in EJ communities can help alleviate the disproportionate environmental and economic burdens that these communities experience.

**Could Be Difficult to Prioritize Both Environmental and Housing Goals.** The Governor’s stated dual goals of reducing health and environmental risks associated with contaminated sites and increasing the supply of housing are both worthwhile endeavors for the state. However, meeting both could be difficult, as site selection might differ depending on which goal is prioritized. For instance, sites that may have high levels of contamination might be in areas that are not zoned for or would not be feasible to build housing. For example, many sites of former dry cleaners likely are located in areas zoned for commercial, not residential, development. Conversely, prime locations for developing additional housing are not necessarily the sites of the most significant environmental risks for nearby residents and, therefore, might not be the highest priority for improving public health. It is unclear at this time on how the department plans to prioritize between these two goals when selecting state projects and when designing grant guidelines. Given the significant number of brownfield sites across the state, the proposed one-time funding would not allow the department to address all known needs in all communities. This makes understanding and having confidence in the administration’s plan for how it will prioritize funding for both state investigations and the grant program all the more important.

**Additional Coordination Could Assist Housing Goals.** DTSC’s core mission is to protect people and the environment from the harmful effects of toxic substances by restoring contaminated resources—yet this proposal is also seeking to develop new housing. The department likely is not the most suitable agency to best achieve this second goal—at least not on its own. Selecting sites that have the best potential to be developed for housing would require significant coordination between DTSC and other state and local entities. While the current proposed budget trailer legislation requires the department to consult with HCD to develop guidelines for the grant program, it does not include language governing how HCD will be involved in selecting sites for DTSC’s own cleanup and investigation actions. Clarifying how exactly DTSC and HCD will coordinate—potentially through statutory language—could provide the Legislature with greater confidence that housing goals will be met.

**Grant Portion of the Proposal Might Be Duplicative of Other Housing Proposals.** In addition to the proposed funding for DTSC, the Governor has proposed $500 million for HCD to develop housing-related infrastructure, including for environmental remediation. Given that DTSC’s proposed grants would also be for cleanup activities, these efforts could be somewhat duplicative. Additionally, having similar grants administered by two separate departments could cause confusion amongst departments and applicants. How these two programs would be coordinated under the Governor’s proposal is still somewhat unclear.

**Need for Workforce Development Program Is Unclear.** The Administration has not yet provided evidence that the state is lacking a sufficient pipeline of environmental remediation workers to justify the need for this new program. Moreover, funding a workforce development program would be problematic if there are not enough ongoing job opportunities to support those who do become trained...
by the program. The department has indicated that workforce development funding will be distributed according to where cleanup projects will be undertaken with the proposed new funding. Given that this funding is proposed on a one-time basis, the associated cleanup project workload will be limited-term in nature. Whether the job market could sustain newly trained workers over the long run is unclear.

**LAO Recommendations.** The LAO recommends the following:

**BES**

*Approve Proposal to Establish Board, but Include Components That Increase Legislative Oversight.* The LAO recommends the Legislature establish a board in order to improve DTSC’s transparency and accountability, and thereby help restore confidence in the department within the regulated community and the public. However, the LAO recommends that the Legislature require that (1) the Senate and Assembly each have the opportunity to appoint a board member, (2) gubernatorial board members be subject to Senate confirmation, and (3) the board report annually to the Legislature on the department’s performance. These changes would strengthen the Legislature’s ability to oversee the board and department and ensure that the reforms being implemented are resulting in performance and outcome improvements.

**HWCA**

*Approve One-Time General Fund Augmentation in 2021-22.* The LAO recommends that the Legislature approve the Governor’s proposed $22.5 million in one-time General Fund to backfill HWCA. Providing the backfill would keep HWCA solvent and allow DTSC to continue its existing programmatic workload in the budget year.

*Adopt HWCA Charge Restructure and Increases.* The LAO recommends that the Legislature approve the Governor’s HWCA charge restructuring and increase, which would solve HWCA’s structural deficit and provide additional revenues to enable the department to address several of the resource gaps it has identified.

*Approve Governor’s Proposal to Grant Board With Ability to Adjust Charge Levels in Future Years.* The LAO recommends that the Legislature approve the Governor’s proposal to provide the new board with the ongoing ability to adjust charge levels. Allowing the board to set charges annually would create more stability for HWCA and help ensure that revenues will be able to keep pace with legislatively approved expenditures. Additionally, because the board would discuss adjustments during the legislative budget process, the Legislature would be able to weigh the merits and associated charge impacts of proposals requesting funding from HWCA before approving them.

**TSCA**

*Approve One-Time General Fund in 2021-22.* Because it would keep TSCA solvent and allow the department to continue with its current expenditure levels, the LAO recommends that the Legislature approve the proposed $13 million General Fund backfill for TSCA in the budget year.

*Design a TSCA Package That Reflects Legislative Priorities.* As the Legislature deliberates over how it will increase taxes for TSCA, the LAO recommends that it consider the following questions:

- **What Programs and Activities Should TSCA Support?** Does the Legislature want the new tax rates to cover just existing activities, or are there additional high-priority activities it wants to
fund from TSCA? Do the Governor’s proposed activity expansions align with the Legislature’s priorities?

- **How Much Funding Should Be Provided to Support These Activities?** How much revenue needs to be raised in order to meet the Legislature’s priorities? What level of additional taxes is the Legislature comfortable requiring businesses to pay?

- **Should Pandemic Relief Measures Be Included?** Should the tax exemption be extended to businesses with 50 to 99 employees? Should rates be maintained for businesses with 100 to 499 employees?

- **Should Pandemic Relief Measures Be Revisited in Future Years?** If included, should pandemic relief measures be continued on an ongoing basis as proposed by the Governor, or should there be some mechanism to revisit these measures in the future? For example, should there be a sunset date for tax exemptions on midsized businesses?

**Adopt a Tax Package That Raises Sufficient Revenues to Pay for Desired Expenditures.** To address the ongoing structural imbalance, the LAO recommends the Legislature adopt a tax structure for TSCA that aligns with its expenditure priorities. This could include adopting rates that are lower or higher than what the Governor is proposing, but that ultimately align with the Legislature’s spending priorities for TSCA.

**Approve Governor’s Proposal to Grant Board With Ability to Adjust Tax in Future Years.** The LAO recommends the Legislature approve the Governor’s proposal to provide the new board with the ongoing ability to adjust tax levels. Allowing the board to set the tax annually would create more stability for TSCA and help ensure that revenues will be able to keep pace with legislatively approved expenditures. Additionally, information from the board on how annual budget proposals would affect tax rates would allow the Legislature to consider whether the merits of a proposed activity justify imposing a higher tax on the business community.

**Brownfields Cleanup**

**Consider the Merits of This Proposal Independently From Reform Package.** The LAO recommends that the Legislature evaluate whether or not this proposal is worthy of adopting on its own merits and not view this proposal as being contingent on the Governor’s reform package for DTSC.

**Consider Key Policy Questions When Evaluating Proposal.** Overall, the LAO believes that the Governor’s proposal has merit given the significant number of brownfields and their disproportionate impact on low-income communities of color. However, the LAO believes there are several key questions that the Legislature should consider in designing a spending approach for these funds.

- **What Intended Goal Is the Highest Priority for Funding?** The Legislature may want to identify a clear primary goal to ensure that funding is well-targeted and aligns with its highest priorities. For example, this could include indicating whether addressing serious environmental contamination should take precedence over developing sites for new housing, or vice versa. Identifying a clear goal—such as through budget bill language—would also allow the Legislature to better track the success of the program against its expected outcomes.

- **How Will Grant Funding Complement and Support Other Proposals?** The Legislature will want to consider how the proposed grants interact with other housing proposals in the Governor’s budget—such as funding in HCD’s budget for housing infrastructure, including environmental remediation—as well as any legislative housing initiatives. This proposal should complement and support other efforts and not create a complicated or duplicative program for departments and applicants.


Request Additional Information at Budget Hearings. The LAO recommends the Legislature require DTSC to report at budget hearings on how the department will coordinate with the appropriate housing entities and the state’s current needs for additional workforce training. Specifically, the LAO believes it would be beneficial for DTSC to report on the following:

- **How Would Department Ensure Housing Objectives Are Met?** If the Legislature believes that an important goal for this funding is to spur housing development at brownfield sites, it will want to ensure DTSC has developed an effective plan for how it will coordinate with the appropriate agencies to ensure that state cleanup projects are targeted at sites where housing development is most feasible. Based on the department’s responses, the Legislature could also consider adopting additional budget bill language to help guide and ensure coordination across departments.

- **Does Demonstrated Need Exist for Developing Remediation Workforce?** In deciding whether to fund this component, the Legislature will want the department to show that there will be enough ongoing jobs to employ trainees once they finish the program.

Staff Recommendation. Hold open.
# Senate Budget Plan on Drought, Safe Drinking Water, Water Supply Reliability, and Ratepayer Assistance

## Issue 2: Senate Budget Plan on Drought, Safe Drinking Water, Water Supply Reliability, and Ratepayer Assistance

**Senate Proposal.** The Senate proposes the Senate Budget Plan on Drought, Safe Drinking Water, Water Supply Reliability, and Ratepayer Assistance for a total of $3.41 billion in one-time state and federal funds (Federal “American Rescue Plan” funds, one-time state General Fund, and appropriation of general obligation bonds (Propositions 1 and 68), as follows:

### Immediate Community Assistance for Water and Drought Relief: $500 million.

- Establish the California Community Water Emergency Investment Fund at the Department of Water Resources (DWR), consisting of $500 million to provide one-time grants to smaller communities for the purposes of making immediate drinking water, water quality, and water supply investments in those communities.

These funds would be allocated on a competitive basis, capped at $5 million per community, and be prioritized for lower income and disadvantaged communities that can spend the funds for projects such as cisterns and local onsite water storage, connections to larger water systems, well deepening and consolidation programs, and water efficiency for community gardens and other water consumptive uses. Funds can be used to provide technical assistance to low-income and disadvantaged communities.

### Emergency Drought Water-Use Efficiency: $500 million.

- $500 million to DWR for grants to water agencies to implement residential, commercial, and agricultural water efficiency projects. Projects include replacement of high water consumption landscapes and other water efficiency investments.
  - $250 million to DWR for competitive grants to local water agencies to implement residential and commercial water-use efficiency projects. Priority shall be given to low-income households and disadvantaged communities.
  - $250 million to DWR for competitive grants for agricultural water-use efficiency projects including building and upgrading irrigation and treatment ponds. $40 million of which shall be allocated for purposes of the State Water Efficiency and Enhancement Program (SWEEP) at the California Department of Food and Agriculture.

SWEEP provides financial assistance in the form of grants to implement irrigation systems that reduce greenhouse gases and save water on California agricultural operations. Eligible system components include (among others) soil moisture monitoring, drip systems, switching to low pressure irrigation systems, pump retrofits, variable frequency drives and installation of renewable energy to reduce on-farm water use and energy.
Sustainable Groundwater Management: $350 million.

- $300 million to DWR for competitive grants that support implementation of the Sustainable Groundwater Management Act (SGMA) (Part 2.74 (commencing with Section 10720) of Division 6 of the Water Code).

- $50 million to the Wildlife Conservation Board (WCB) for grants pursuant to the Ecosystem Restoration on Agricultural Lands Program for groundwater sustainability projects that create, protect, or restore wildlife habitat and support implementation of SGMA.

Resilient Water Infrastructure Projects: $200 million.

- $200 million to DWR for competitive grants for projects that provide multiple benefits, including water supply reliability, ecosystem benefits, system reliability benefits, groundwater management and enhancements. Eligible projects include conjunctive use projects; groundwater recharge; well rehabilitation or other well improvements in support of groundwater banking or recharge; transfers of water for environmental purposes; restoration of upper watersheds that are a significant source of water supply for the state; and other projects that provide improved regional resilience to climate change and drought conditions.

Recycled Water: $200 million.

- $200 million to the State Water Resources Control Board (SWRCB) for competitive grants for projects related to water reuse and water recycling, and other purposes pursuant to Chapter 9 (commencing with Section 79765) of Division 26.7 of the Water Code.

Examples of eligible projects include: treatment, storage, conveyance, and distribution facilities for potable and nonpotable recycling projects; contaminant and salt removal projects; dedicated distribution infrastructure to allow use of recycled water; pilot projects for brew potable reuse and other salt and contaminant removal technology; multibenefit recycled water projects that improve water quality; and technical assistance and grant writing assistance for disadvantaged communities.

Stormwater Management: $200 million.

- $200 million to SWRCB for competitive grants for multi-benefit stormwater management projects. Eligible projects may include, but shall not be limited to, green infrastructure, rainwater and stormwater capture projects, and stormwater treatment facilities. Development of plans for stormwater projects shall address the entire watershed and incorporate the perspectives of communities adjacent to the affected waterways, especially disadvantaged communities.

Priority for grant funding shall be given for multi-benefit stormwater projects within disadvantaged communities that include waterways identified on SWRCB’s 303(d) list of impaired waters prepared pursuant to 33 USC 1313(d) and California Water Code Section 13191.3(a). At a minimum, 40 percent of funding shall be allocated for projects that directly benefit and occur within a disadvantaged community.
Section 303(d) of the federal Clean Water Act authorizes the US EPA to assist states, territories, and authorized tribes in listing impaired waters and developing Total Maximum Daily Loads (TMDLs) for these waterbodies. A TMDL establishes the maximum amount of a pollutant allowed in a waterbody and serves as the starting point or planning tool for restoring water quality.

California Water Code Section 13191(a) requires SWRCB to prepare guidelines for the purpose of listing and delisting waters and developing and implementing the TMDL program and TMDLs pursuant to the federal Clean Water Act.

**Protecting Fish & Wildlife from Drought Impacts: $285 million.**

- $100 million to WCB for grants pursuant to the guidelines of the Streamflow Enhancement Program for the purposes of protecting fish and wildlife from their impacts of drought including for short-term acquisition and construction of transfer of water.

- $100 million to WCB for grants pursuant to the Inland Wetlands Conservation Program to protect fish and wildlife from the impacts of drought including for wildlife friendly agriculture and to improve conditions on wildlife refuges and wetland habitat areas to achieve full compliance with the terms of subsection (d) of Section 3406 of the Central Valley Project Improvement Act (Public Law 102-575) and other Central Valley managed wetlands.

Section 3406(d) pertains to the Central Valley refuges and wildlife habitat areas and supports the objectives of the Central Valley Habitat Joint Venture by directing the Secretary of the Interior to provide water supplies of suitable quality to maintain and improve wetland habitat areas in specified areas of the Central Valley.

- $35 million to the Department of Fish and Wildlife (DFW) to protect fish and wildlife from immediate drought impacts.
  - $20 million to DFW to support real-time management of drought response and to process regulatory approvals for drought management actions consistent with the findings in the report pursuant to Section 51 of SB 839 (Committee on Budget and Fiscal Review), Chapter 340, Statutes of 2016, which requires the California Natural Resources Agency to produce a report summarizing lessons learned from the state’s response to drought.
  - $15 million to DFW for the Coastal Monitoring Program (CMP) to monitor the effects of drought on coastal salmon populations.

The CMP is a comprehensive program that provides a better understanding of California’s salmon and steelhead populations, utilizing modeling in combination with a variety of in-river sampling and survey methods. DFW and the National Oceanic and Atmospheric Administration (NOAA) Fisheries lead the implementation of this program in coastal watersheds. Nearly all of California’s salmon and steelhead populations have been listed under the California and Federal Endangered Species Act due to drastic declines in recent decades. The CMP is designed to document salmonid status on a statewide scale using standardized methods, with data centralized in a statewide database.
• $50 million to the Department of Parks and Recreation (Parks) for drought-related projects on Parks-managed lands to preserve and protect the state’s fish and wildlife resources.

**Water Quality: $100 million.**

• $50 million to SWRCB for competitive grants for groundwater remediation, including perfluoroalkyl substances (PFAS) contamination, and other purposes pursuant to Chapter 10 (commencing with Section 79770) of Division 26.7 of the Water Code, which pertains to groundwater sustainability.

• $50 million to SWRCB for grants and loans to public agencies or public-private partnerships for projects that will improve water quality. Eligible projects include, but are not limited to, septic to sewer conversions and wastewater treatment.

**Water Data and Forecast Improvement: $75 million.**

• Funding to DWR/SWRCB for water management technology equipment — such as remote sensing for snowpack and precipitation gauges for real-time operations of reservoirs — to improve ability to manage/forecast runoff and for monitoring of key drought-related measures of water and water quality including:
  
  o $20 million to SWRCB to implement Water Code Section 144, which requires the DWR and SWRCB to develop a plan to establish a network of stream gauges, and deploy prioritized stream gauges to improve water management and respond to the impacts of drought on fish and wildlife.

  o $15 million to DWR for projects that improve precipitation forecasting for use in forecast informed reservoir operations, groundwater recharge, and flood risk management, including, but not limited to, projects under Article 8 (commencing with Section 347) of Chapter 2.5 of Division 1 of the Water Code, which pertains to atmospheric rivers research, mitigation, and climate forecasting.

  o $15 million to DWR for projects that support advanced technologies to measure snowpack and forecast runoff.

  o $15 million to the Division of Water Rights at SWRCB to support real-time management of drought response and to process regulatory approvals for drought management actions consistent with the Water Rights Drought Effort Review (WARDER) Report.

The report is a compilation of comments and recommendations that were collected as part of the WARDER effort, which included a series of interviews with water users and managers to gather input on SWRCB’s Division of Water Rights actions during the previous drought, and to solicit recommendations for Division priorities during a future drought. Comments and recommendations related to issues such as communication (e.g., communicating watershed conditions, legal and policy considerations (e.g., SWRCB authority and role during a drought, the water rights system, curtailments, and water transfers and exchanges), and data (e.g., reporting, data systems, estimating a watershed’s
supply, determining water demand and availability), and interagency collaboration.

- $10 million to SWRCB for monitoring, reporting and developing means to reduce harmful algal blooms in the Delta.

**Helping Ratepayers, Community Water Systems, Waste Water Treatment Works, and Public Utilities Recover from COVID-19 Economic Impacts. ($1 billion)**

- Appropriate federal American Recovery Act funds to the Department of Community Services and Development (CSD) to help utility customers and utilities address backlogged bills and arrearages associated with COVID economic impacts. The action will include trailer bill language that designates the agency and process for disbursement of ratepayer relief funds, cutting “green tape” for environmentally beneficial projects.

**Other Actions**

- Accelerate appropriation of existing water bond priorities Propositions 1 and 68 funds where demand is still high (stormwater management projects, water recycling, and drinking water capital projects).

- Urge the Water Commission to convene and reallocate $145 million in existing Proposition 1 funds originally set aside for Temperance Flat Dam for other sustainable water storage investments in the Central Valley.

**Funding Sources.** The details regarding funding sources for each program are pending but with the intent of using a significant amount of one-time General Fund moneys. In addition to funding that may be available from the federal American Recovery Act, Congress is currently working on an infrastructure package, which could provide potentially increased federal dollars for water infrastructure projects.

**Background.** Much of California is in drought or near-drought. This is the second year in a row of dry conditions — and the eighth year in the last 10. The snowpack is less than half of normal this year and areas throughout the state are well below normal precipitation — San Francisco has had 37 percent of normal precipitation, San Diego at 30 percent, Sacramento at less than 40 percent, and Los Angeles at 39 percent.

On April 21, 2021, the Governor proclaimed a state of emergency to exist in Mendocino and Sonoma counties due to drought conditions in the Russian River Watershed where reservoirs are at record lows. The proclamation also directs additional actions to coordinate with California Native tribes; accelerate funding for water enhancement, conservation and species protection projects; work with counties to encourage and track reporting of household water shortages including dry residential wells; provide technical and financial assistance for water systems at risk of water shortages; support the agricultural economy and food security; and evaluate and take action to protect terrestrial and aquatic species.
**The 2012-2016 Drought.** The state last experienced a severe drought for five years between 2012-2016. That drought was the second time that a statewide emergency proclamation for drought impacts was issued.

*Drought Impacts.* According to the Legislative Analyst’s Office (LAO), the 2012-2016 drought affected various sectors in different ways. Sector-specific water needs and access to alternative water sources led to notable distinctions in the severity of the drought’s impacts across the state.

For example, while the drought led to a decrease in the state’s agricultural production, farmers and ranchers moderated the drought’s impacts by employing short-term strategies, such as fallowing land, purchasing water from other, and — in particular — pumping groundwater. In contrast, some rural communities — mainly in the Central Valley — struggled to identify alternative water sources upon which to draw when their domestic wells have gone dry.

Multiple years of warm temperatures and dry conditions had severe effects on environmental conditions across the state, including degrading habitats for fish, water birds, and other other wildlife, killing millions of the state’s trees, and contributing to more prevalent and intense wildfires. For urban communities, the primary drought impact was a state-ordered requirement to use less water, including mandatory constraints on the frequency of outdoor watering.

According to the LAO, the state funded both short- and long-term drought response activities and deployed numerous resources — fiscal, logistical, and personnel — in responding to the 2012-2016 drought. LAO has provided the following figure outlining $3.4 billion in the state’s drought response appropriations from 2013-14 though 2016-17:
**State Drought Response Appropriations**

*2013-14 Through 2016-17 (In Millions)*

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Water Supply</strong></td>
<td></td>
</tr>
<tr>
<td>Support groundwater management and clean-up</td>
<td>$843</td>
</tr>
<tr>
<td>Improve/increase water recycling, wastewater treatment, stormwater</td>
<td>609</td>
</tr>
<tr>
<td>management, and desalination</td>
<td></td>
</tr>
<tr>
<td>Fund Integrated Regional Water Management projects</td>
<td>473</td>
</tr>
<tr>
<td>Improve drinking water infrastructure</td>
<td>311</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$(2,235)</td>
</tr>
<tr>
<td><strong>Emergency Response</strong></td>
<td></td>
</tr>
<tr>
<td>Expand/enhance fire protection</td>
<td>$379</td>
</tr>
<tr>
<td>Provide food and other assistance to drought-affected communities and</td>
<td>99</td>
</tr>
<tr>
<td>farmworkers</td>
<td></td>
</tr>
<tr>
<td>Provide emergency drinking water</td>
<td>68</td>
</tr>
<tr>
<td>Conduct statewide drought assistance, monitoring, and response</td>
<td>55</td>
</tr>
<tr>
<td>Make emergency improvements to drinking water systems</td>
<td>47</td>
</tr>
<tr>
<td>Remove and dispose of dead trees</td>
<td>41</td>
</tr>
<tr>
<td>Monitor/enforce water rights and conservation regulations</td>
<td>20</td>
</tr>
<tr>
<td>Various other activities</td>
<td>21</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$(730)</td>
</tr>
<tr>
<td><strong>Water Conservation</strong></td>
<td></td>
</tr>
<tr>
<td>Increase urban water efficiency and conservation</td>
<td>$166</td>
</tr>
<tr>
<td>Increase agricultural water efficiency and conservation</td>
<td>122</td>
</tr>
<tr>
<td>Fund innovative water efficiency technologies</td>
<td>30</td>
</tr>
<tr>
<td>Conduct conservation outreach and public messaging</td>
<td>23</td>
</tr>
<tr>
<td>Increase water efficiency at state facilities and wildlife refuges</td>
<td>28</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$(369)</td>
</tr>
<tr>
<td><strong>Environmental Protection</strong></td>
<td></td>
</tr>
<tr>
<td>Emergency fish and stream activities</td>
<td>$70</td>
</tr>
<tr>
<td>Eradicate water hyacinth</td>
<td>4</td>
</tr>
<tr>
<td>Study and model flows</td>
<td>3</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$(78)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,410</td>
</tr>
</tbody>
</table>

According to the report, since the last drought, several legislative and regulatory changes were enacted, including:

- Enactment in 2014 of the Sustainable Groundwater Management Act to require local agencies to bring overdrafted groundwater basins into sustainable conditions by 2042.
- Legislation to establish new standards for indoor, outdoor, and industrial use of water.
- Funding for disadvantaged communities lacking access to safe drinking water through the Safe and Affordable Drinking Water Act.
- Increase the frequency of water use reporting.
- Give the state authority to order failing public water systems to consolidate with better-run systems.
- Tighten landscape efficiency standards for new developments.

Implementation of these laws and regulations are intended to help with extended dry conditions in the future.

According to the report, effective response depends heavily on capacity built before drought deepens. This includes reducing the drought vulnerability of water users and ecosystems, making key policy decisions in advance, improving hydroclimate forecasting to provide longer lead times for decision-making, having at hand the information necessary to make well-informed decisions, and creating the capacity to communicate effectively across governments and to the public about a rapidly changing situation.

The report provides the following recommendations on state action:

- Provide longer lead times for State financial assistance to local agencies.
- Dedicate staff to ongoing drought preparedness and response work.
- Improve accounting for Wildlife needs before and during drought.
- Improve the quality and timeliness of forecasting and data.
- Restore forest health in upper watersheds.

These recommendations are intended to address long-standing water problems and strengthen the state’s ability to cope with a changing climate.

**Funding.** According to the report, a major legislative response action during the 2012-2016 drought was providing emergency funding in the state budgets of 2014 and 2015. In March 2014, a budget amendment for 2013-14 authorized $687.4 million for drought relief, with $549 million for accelerated expenditure of Proposition 84 and Proposition 1E bond funds for grants to local agencies for integrated regional water management projects. In March 2015, an amendment for the 2014-15 budget authorized more than $1 billion for additional relief, including water conservation and recycling assistance, emergency food aid, and small drinking water emergencies. Also, SB 88 (Committee on Budget and Fiscal Review),
Chapter 27, Statutes of 2015, authorized SWRCB to require consolidation of water systems consistently failing to provide an adequate supply of safe drinking water as well as provide for more thorough measurement and reporting of diversions to SWRCB.

**Water Use.** According to the Public Policy Institute of California (PPIC) (*Water Use in California*, May 2019), water use is shared across three main sectors — statewide, average water use is about 50 percent environmental, 40 percent agricultural, and 10 percent urban, although the percentage of water use by sector varies dramatically across regions and between wet and dry years.

PPIC states that California needs to adapt to increasing drought intensity. Agriculture relies heavily on groundwater during droughts — particularly in the Central Valley — but more sustainable groundwater management is needed to maintain this key drought reserve. An increase in tree and vine crops — which need to be watered every year — is making farming more vulnerable to water shortages. State law now requires water users to bring their groundwater basins into long-term balance by the early 2040s. This will likely require farm water use to fall in regions that have been over-pumping, including the southern Central Valley and the Central Coast. In urban areas, the greatest potential for further water savings lies in long-term reductions in landscape irrigation — a shift requiring changes in plantings and watering habits. Finally, state and federal regulators need new approaches to reduce harm to fish and wildlife during increasingly intense droughts. This will require better drought planning, investments in new habitat, and setting aside water during wet years for ecosystem uses in dry years.

**Staff Comments.** After the second dry winter in two years, California is again facing severe drought conditions as we transition into the summer and fall months. Communities will likely go without, or ration, water, our farms and the state’s agriculture sector will suffer, and California’s ecosystems are degraded with species on the brink of extinction.

Water managers throughout the state are bracing for very dry conditions and are scrambling to ensure water supply and water quality throughout the state. State and federal water agencies already have announced water supplies for urban areas, agriculture, and the environment will be a fraction of their usual amounts.

These extremely dry water conditions, coupled with COVID-19 and its impacts on all sectors of the California economy, suggest immediate actions and investments that can be made to help state, regional, and local water needs are critically important.

At the same time, California is fortunate with the remarkable amounts of one-time federal funds from the American Rescue Plan and from a one-time amount of General Fund available for immediate investments to help the state.

Water is the life blood of California and its economy. Due to climate change and other factors, the state is once again facing a historic challenge over water supply and water quality due to drought.

This proposal incorporates the following key guiding principles:

- Focus on the here and now. Immediately appropriate available federal (American Recovery Act) funds, one-time state General Funds, and available, existing bond funds for drought relief across sectors, for ratepayer assistance for debt and unpaid bills during the pandemic, and for water supply reliability.

- Focus on off-the-shelf, one-time expenditures that can occur as soon as possible.
• Focus on consensus. This is a package that should unite water users, conservation groups, agriculture, and water agencies.

Putting these one-time funds out for “no regrets” water investments is both essential to the state’s health and significantly beneficial for the state’s residents and businesses.

**Staff Recommendation. Approve as proposed.**
ONGOING DRY CONDITIONS IN MOST CALIFORNIA WATERSHEDS – PREPARE FOR DROUGHT IMPACTS STATEWIDE

After two years of low precipitation, the U.S. Drought Monitor now reports that 95 percent of California is experiencing Moderate to Exceptional Drought. Reservoir and groundwater levels are significantly below average, and despite recent storms, snowpack is only 58 percent of average as of March 10, 2021. Continued dry conditions can threaten water supplies, impair critical habitat, reduce recreational opportunities, and create uncertainty for all water users. Hydrologic conditions since 2020 have been very similar to the drought years of 2014 and 2015.

Your early efforts can help minimize the potential impact of water management actions on businesses, homes, farms, and California’s public trust resources. Start planning now for potential water supply shortages later this year and identify practical actions you can take to increase drought resilience, such as increasing water conservation measures, reducing irrigated acreage, managing herd size, using innovative irrigation and monitoring technologies, or diversifying your water supply portfolio.

The Division of Water Rights (Division) relies on accurate and timely water use data from you and other diverters to help manage California’s water. All diverters must report their annual water use, and many diverters must report diversion metering or measuring data. By accurately reporting your water diversion and use data on time, you fulfill your legal reporting obligation and provide critically important information for managing the state’s water resources.

The Division is monitoring the situation closely and plans to engage more frequently with water users if dry conditions continue or worsen. We encourage you to work collaboratively with your community to develop cooperative water management solutions that meet both local and state-level needs.

More information on Drought Conditions can be found at: https://www.drought.gov/drought-status-updates/drought-status-update-california-nevada

More information about the Division of Water Rights can be found at: https://www.waterboards.ca.gov/waterrights/
AGENDA ITEM 9: EXECUTIVE DIRECTOR’S REPORT
TO: RWA BOARD OF DIRECTORS
FROM: JIM PEIFER
RE: EXECUTIVE DIRECTOR’S REPORT

a. ACWA JPIA Insurance Update – Ms. Pam Tobin, ACWA Vice-President, will provide an update on RWA’s insurance premium.

b. Grants Update – Staff is currently managing five grants totaling $21.3 million (see enclosed table). Four of the five grants will be concluded in 2021. RWA received the fully executing funding agreement for the $8.74 million Proposition 1 Integrated Regional Water Management (IRWM) Implementation Grant on March 23, 2021. The grant will help fund a suite of 11 projects submitted by RWA that support the American River Basin IRWM Plan that was adopted by RWA in July 2018.

c. Water Transfers – Staff is supporting the City of Sacramento, Sacramento Suburban Water District, and Carmichael Water District in a proposed 2021 Groundwater Substitution Transfer. The entire transfer will occur within the Sacramento Groundwater Authority (SGA) area. SGA has provided a letter of concurrence for the proposed transfer as all participants are in compliance with the SGA Water Accounting Framework.

d. Sacramento Regional Water Bank – Water Bank, Phase 2 planning is getting underway. Program agreements are being executed by participating agencies. Phase 2 technical work will include: computer simulations of proposed operations to account for storage and recovery and ensure that operations are consistent with Sustainable Groundwater Management Act (SGMA) requirements; completion of environmental documentation; establishing governance; and continued outreach activities. Work is estimated to be completed in 2022.

Staff has been coordinating with Reclamation Planning staff to obtain federal funding assistance. Next steps include Reclamation obtaining the services of an engineering consultant to conduct a portion of the work and an agreement with RWA. Reclamation will likely develop a feasibility study for the Groundwater Bank as part of the process, which may be helpful in obtaining additional federal assistance.

The RWA is in receipt of a letter sent from ECOS, et. al., requesting participation in the development of the Water Bank (see attached.) Staff will be reaching out to the signatories of the letter, but we are still deciding on the appropriate venue and level of engagement.

e. Upcoming Dry Year Coordination Meeting – The RWA will be having a special board meeting on May 10th to discuss the dry year conditions. The meeting is intended for general managers, communication staff, water use efficiency staff and policy staff but all RWA board members are invited to attend. Topics to be discussed will include water supply outlook, Reclamation coordination, key coordination matters, and communications.

f. Water Forum Negotiations – The Water Forum is currently in the process of identifying the future water demands for the region and gathering information on available water supply.

g. Financial Reports – Unaudited RWA financial reporting is attached through March 31, 2021.

Attachments

1. Grants Table
2. Letter from ECOS, et. al.
3. Financial Reports
## Regional Water Authority Status of Grant Awards
### April 2021

<table>
<thead>
<tr>
<th></th>
<th>Prop 84 2014 Drought Grant</th>
<th>Prop 84 2015 Implementation Grant</th>
<th>USBR CalFed 2018 Meter Grant (1)</th>
<th>USBR 2018 Drought Resiliency Grant (2)</th>
<th>Prop 1 IRWM Grant</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awarding Agency</td>
<td>DWR</td>
<td>DWR</td>
<td>USBR</td>
<td>USBR</td>
<td>DWR</td>
<td></td>
</tr>
<tr>
<td>Award/Effective Date</td>
<td>1/17/2014</td>
<td>1/13/2016</td>
<td>9/21/2018</td>
<td>9/17/2019</td>
<td>6/26/2020</td>
<td></td>
</tr>
<tr>
<td>Completion Date</td>
<td>6/30/2021</td>
<td>6/30/2021</td>
<td>3/31/2021</td>
<td>9/30/2021</td>
<td>6/30/2022</td>
<td></td>
</tr>
<tr>
<td>Grant Award Amount</td>
<td>$9,765,000</td>
<td>$1,757,000</td>
<td>$750,000</td>
<td>$300,000</td>
<td>$8,749,750</td>
<td>$21,321,750</td>
</tr>
<tr>
<td>Reimbursement Requests Currently Being Reviewed</td>
<td>$0</td>
<td>$0</td>
<td>$471,000</td>
<td>$0</td>
<td>$0</td>
<td>$471,000</td>
</tr>
<tr>
<td>Reimbursements Received During Previous Quarter</td>
<td>$0</td>
<td>$492,240</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$492,240</td>
</tr>
<tr>
<td>Reimbursements Paid to Date</td>
<td>$8,101,848</td>
<td>$1,297,154</td>
<td>$279,000</td>
<td>$0</td>
<td>$0</td>
<td>$9,678,002</td>
</tr>
<tr>
<td>Grant Award Outstanding</td>
<td>$1,663,152</td>
<td>$459,846</td>
<td>$0</td>
<td>$300,000</td>
<td>$8,749,750</td>
<td>$11,172,748</td>
</tr>
</tbody>
</table>

(1) Awarded to Sacramento Suburban WD on behalf of the region. RWA developed the application and is managing the grant.
(2) Awarded to San Juan WD and includes Sacramento County WA as subrecipient. RWA developed application and is managing grant.
April 23, 2021

Jim Peifer, Executive Director, Regional Water Authority  
Sent via email to jpeifer@rwah2o.org

Subject: Environmental and Public Interest Representation as part of the Regional Water Authority’s efforts to develop a Regional Water Bank

Dear Mr. Peifer,

The Environmental Council of Sacramento (ECOS) is a 501c3 nonprofit, with the mission to achieve regional and community sustainability and a healthy environment for existing and future residents. Habitat 2020 is a coalition that works to protect the lands, waters, wildlife and native plants in the Sacramento region. The great Central Valley of California has been identified by the World Wildlife Fund as one of North America’s most endangered eco-regions. Preserving its remaining open space and agricultural land is essential for sustaining native plants and wildlife, and ensuring a high quality of life for ourselves and future generations. Habitat 2020 members include: Friends of Stone Lakes National Wildlife Refuge, Friends of Swainson’s Hawk (FOSH), International Dark-Sky Association, Sacramento Area Creeks Council, Sacramento Audubon Society, Sacramento Heron and Egret Rescue, Sacramento Valley Chapter of the California Native Plant Society, Save Our Sandhill Cranes, Save the American River Association and the Sierra Club Sacramento Group. Habitat 2020 also serves as ECOS' Habitat and Conservation committee.

On behalf of the Environmental Council of Sacramento and Habitat 2020, a collaboration of regional environmental groups that also serves as the Council’s environmental policy and program arm, as well as the League of Women Voters Sacramento County and Save the American River Association, we are submitting the following comments for your consideration

We are following the Regional Water Authority’s (RWA) progress toward developing a regional water bank with great interest. We note that RWA on December 4, 2020 approved a Subscription Program Agreement to fund Phase 2 of regional water bank project. Key items in the work plan for this agreement are the development of a water accounting framework and a governance structure for the water bank:

“Water Accounting Framework – This framework will establish a set of policies and procedures to encourage and support conjunctive use operations to facilitate the long-term sustainability of the underlying groundwater basin as source of public water supply. This will be developed in coordination with local Groundwater Sustainability Agencies to ensure consistency with applicable Groundwater Sustainability Plans.”

“Governance – This activity will determine and establish a formal governance structure for water bank operations and management, assuming an RWA-managed program. It will establish tools to support preferred governance structure, and roles and responsibilities. It will also address policy-related issues such as fees from transfers and environmental commitments.”

The specifics of these frameworks are critical to ensuring that a regional water bank will protect and can perhaps enhance ground and surface water resources. We believe that this can best be achieved if environmental and public perspectives are integral to the development of the regional water bank.
We urge RWA to formally include environmental and public interest representatives in the Authority’s discussions concerning the governance and operation of the water bank, either through participation on the Program Committee of the Subscription Program Agreement or some other meaningful forum. If you have any questions regarding this request or wish to discuss it further, please contact Ted Rauh, Chair of the ECOS/Habitat 2020 Water Committee. He can be contacted at tnrauh@att.net or (916) 261-8011. Thank you for your consideration of our request.

Sincerely,

Ralph Propper, President  
Environmental Council of Sacramento

Sean Wirth, Co-Chair  
Habitat 2020

Robert Burness, Co-Chair  
Habitat 2020

Betsy Weiland  
Save the American River Association

Suzi Bakker, President  
League of Women Voters Sacramento County
REGIONAL WATER AUTHORITY

TREASURER
5620 BIRDCAGE STREET, SUITE 180
CITRUS HEIGHTS, CA 95610

Account Number: 90-34-019

March 2021 Statement

Account Summary

<table>
<thead>
<tr>
<th>Total Deposit:</th>
<th>0.00</th>
<th>Beginning Balance:</th>
<th>2,780,334.90</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Withdrawal:</td>
<td>0.00</td>
<td>Ending Balance:</td>
<td>2,780,334.90</td>
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</tbody>
</table>
CERBT and CEPPT Plan Portal

As of the financial markets most recent close of business (04/28/2021), the total value of your account(s) is $1,570,643.02.

Get Account Data

Website Contact

Contributions to the CERBT AND CEPPT:

Contributions may be submitted using three different transmittal methods:

- Electronic Funds Transfer by Wire Transfer
- Electronic Funds Transfer by ACH Credit Method
- Check

When submitting a contribution, a Contribution Form by transmittal type must be submitted to ensure proper crediting to your OPEB or Pension Contribution Prefunding Account. To obtain a contribution form by the transmittal type, please email CERBT4U@CalPERS.ca.gov or CEPPT4U@CalPERS.ca.gov and a team member will be happy to email you the appropriate form.

Please note: Contributions by Wire Transfer or ACH Credit Method in the amount of $5 million or greater require 72 hour notice prior to sending the contribution.

Disbursements from the CERBT and CEPPT:

All requests for disbursements must be in writing using the CERBT Disbursement Request Form or CEPPT Disbursement Request Form and must include a certification that the monies will be used for the purposes of the Prefunding Plan. The requests must be signed by an individual in the position authorized by the employer to request disbursements from the Trust(s).

Please note: Disbursements $10,000 or greater require two signatures.

Please email CERBT4U@CalPERS.ca.gov or CEPPT4U@CalPERS.ca.gov to obtain the Disbursement Request Form(s).

Upon completion of the Disbursement Request form, please mail the original to the following address:

CalPERS
CERBT/CEPPT
P.O. Box 1494
Sacramento, CA 95812-1494

Please email a completed copy of this form to CERBT4U@CalPERS.ca.gov or
## REGIONAL WATER AUTHORITY
### Income Statement
#### March 2021

<table>
<thead>
<tr>
<th>9 Months Ended March 31, 2021</th>
<th>Annual Budget</th>
<th>Unused</th>
<th>% Used</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Assessments</td>
<td>980,738.00</td>
<td>990,700.00</td>
<td>9,962.00</td>
</tr>
<tr>
<td>Affiliate Members Annual</td>
<td>6,000.00</td>
<td>7,500.00</td>
<td>1,500.00</td>
</tr>
<tr>
<td>Associate Membership Annual</td>
<td>57,644.00</td>
<td>57,600.00</td>
<td>(44.00)</td>
</tr>
<tr>
<td>SGA Service Agreement Fees</td>
<td>408,984.00</td>
<td>661,850.00</td>
<td>252,866.00</td>
</tr>
<tr>
<td>Holiday Social Revenue</td>
<td>0.00</td>
<td>8,000.00</td>
<td>8,000.00</td>
</tr>
<tr>
<td>Miscellaneous Revenue</td>
<td>23,909.44</td>
<td>0.00</td>
<td>(23,909.44)</td>
</tr>
<tr>
<td>Interest on S/T Investments</td>
<td>18,613.38</td>
<td>42,000.00</td>
<td>23,386.62</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>1,496,104.50</td>
<td>1,767,650.00</td>
<td>271,545.50</td>
</tr>
</tbody>
</table>

| **TOTAL REVENUE**             | 1,496,104.50  | 1,767,650.00 | 271,545.50 | 84.6 % |

| **GROSS PROFIT**              | 1,496,104.50  | 1,767,650.00 | 271,545.50 | 84.6 % |

| **OPERATING EXPENDITURES**    |               |        |        |
| Staff Expenses                |               |        |        |
| General Salaries              | 708,539.28    | 1,015,462.00 | 306,922.72 | 69.8 % |
| Benefits/Taxes                | 281,551.90    | 457,267.00 | 175,715.10 | 61.6 % |
| Travel / Meals                | 1,379.71      | 31,500.00 | 30,120.29 | 4.4 % |
| Professional Development      | 1,287.50      | 7,400.00 | 6,112.50 | 17.4 % |
| **TOTAL Staff Expenses**      | 992,758.39    | 1,511,629.00 | 518,870.61 | 65.7 % |

| Office Expenses               |               |        |        |
| Rent & Utilities              | 25,216.50     | 35,600.00 | 10,383.50 | 70.8 % |
| Insurance                     | 31,992.87     | 38,000.00 | 6,007.13 | 84.2 % |
| Office Maintenance            | 1,275.80      | 700.00 | (575.80) | 182.3 % |
| Telephone                     | 6,780.97      | 13,300.00 | 6,519.03 | 51.0 % |
| Dues and Subscription         | 12,818.19     | 11,900.00 | (918.19) | 107.7 % |
| Printing & Supplies           | 4,004.47      | 21,800.00 | 17,795.53 | 18.4 % |
| Postage                       | (34.72)       | 3,000.00 | 3,034.72 | -1.2 % |
| Meetings                      | 159.16        | 13,800.00 | 13,640.84 | 1.2 % |
| Computer Equipment/Support    | 19,327.90     | 24,200.00 | 4,872.10 | 79.9 % |
| **TOTAL Office Expenses**     | 101,541.14    | 162,300.00 | 60,758.86 | 62.6 % |

<p>| Office Furniture &amp; Equipment  |               |        |        |
| Office Furniture              | (4,890.39)    | 3,000.00 | 7,890.39 | -163.0 % |</p>
<table>
<thead>
<tr>
<th></th>
<th>Annual Budget</th>
<th>Unused</th>
<th>% Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Move</td>
<td>21,583.53</td>
<td>0.00</td>
<td>(21,583.53)</td>
</tr>
<tr>
<td>Computer Server Upgrades</td>
<td>15,428.00</td>
<td>20,000.00</td>
<td>4,572.00</td>
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<tr>
<td>New Telephone System</td>
<td>487.09</td>
<td>0.00</td>
<td>(487.09)</td>
</tr>
<tr>
<td>TOTAL Office Furniture &amp; Equipment</td>
<td>32,608.23</td>
<td>23,000.00</td>
<td>(9,608.23)</td>
</tr>
<tr>
<td>Professional Fees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADP / Banking Charges</td>
<td>1,908.44</td>
<td>2,800.00</td>
<td>891.56</td>
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<tr>
<td>Audit Fees</td>
<td>29,220.00</td>
<td>28,100.00</td>
<td>(1,120.00)</td>
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<tr>
<td>Legal Fees</td>
<td>26,540.45</td>
<td>65,000.00</td>
<td>38,459.55</td>
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<tr>
<td>GASB 68 reporting fee</td>
<td>350.00</td>
<td>0.00</td>
<td>(350.00)</td>
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<tr>
<td>Consulting Expenses - General</td>
<td>199,592.00</td>
<td>317,700.00</td>
<td>118,108.00</td>
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<tr>
<td>Powerhouse Science Center Payments</td>
<td>20,000.00</td>
<td>25,000.00</td>
<td>5,000.00</td>
</tr>
<tr>
<td>TOTAL Professional Fees</td>
<td>277,610.89</td>
<td>438,600.00</td>
<td>160,989.11</td>
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<tr>
<td>Miscellaneous Expense</td>
<td>164.20</td>
<td>0.00</td>
<td>(164.20)</td>
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<tr>
<td>TOTAL OPERATING EXPENDITURES</td>
<td>1,404,682.85</td>
<td>2,135,529.00</td>
<td>730,846.15</td>
</tr>
<tr>
<td>OPERATING INCOME (LOSS)</td>
<td>91,421.65</td>
<td>(367,879.00)</td>
<td>(459,300.65)</td>
</tr>
<tr>
<td>NET OPERATING INCOME (LOSS)</td>
<td>91,421.65</td>
<td>(367,879.00)</td>
<td>(459,300.65)</td>
</tr>
<tr>
<td>NET INCOME (LOSS) NET OF PROGRAM</td>
<td>91,421.65</td>
<td>(367,879.00)</td>
<td>(459,300.65)</td>
</tr>
</tbody>
</table>
Per California Government Code 6505.5 (e), RWA reports the following unaudited information:

For the period ending March 2021
Cash in checking account: $ 291,259
LAIF Balance $ 2,780,335

For the period of January 1, 2021 to March 31, 2021
Total cash receipts for the period: $ 1,234,488
Total cash disbursements for the period: $ 1,133,203
AGENDA ITEM 10: DIRECTORS’ COMMENTS