

**REGIONAL WATER AUTHORITY
EXECUTIVE COMMITTEE AGENDA
December 13, 2021; 8:30 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 Executive Committee may consider any agenda item at any time during the meeting.

Meeting Information:

RWA Executive Committee meeting
Mon, Dec 13, 2021 8:30 AM - 10:30 AM (PST)

Please join my meeting from your computer, tablet or smartphone.

<https://global.gotomeeting.com/join/208678133>

You can also dial in using your phone.

United States: [+1 \(571\) 317-3112](tel:+15713173112)

Access Code: 208-678-133

1. CALL TO ORDER AND ROLL CALL

- 2. PUBLIC COMMENT:** Members of the public who wish to address the committee may do so at this time. Please keep your comments to less than three minutes.

3. CONSENT CALENDAR

3a. Authorize a Teleconference Meeting

3b. Minutes of the October 27, 2021, Executive Committee meeting

Action: Approve Consent Calendar

4. 2021 AUDIT REPORT

Presentation: Peggy Vande Vooren, Gilbert Associates, Inc.

Action: Recommend RWA Board acceptance of 2021 RWA Financial Audit Report

5. ANNUAL REVIEW OF RWA INVESTMENT POLICY 500.2 AND OTHER POST EMPLOYMENT BENEFIT (OPEB)

Presentation and Discussion: Josette Reina-Luken, Financial and Administrative Services Manager

Action: Recommend no changes to Policy 500.2 and/or OPEB investment portfolio to the Board of Directors

- 6. BUREAU OF RECLAMATION MEMORANDUM OF AGREEMENT (MOA)**
Presentation and Discussion: Michelle Banonis, Manager of Strategic Affairs
Action: Recommend approval of the Bureau of Reclamation MOA to the RWA Board of Directors
- 7. REGIONAL EMERGENCY PREPAREDNESS PROGRAM**
Presentation and Discussion: Michelle Banonis, Manager of Strategic Affairs
Action: Approve the Regional Emergency Preparedness Program Agreement
- 8. STATE WATER BOARD EMERGENCY RULEMAKING; WASTEFUL WATER USE**
Presentation and Discussion: Ryan Ojakian, Legislative and Regulatory Affairs Manager
Action: Take a Position on the State Water Board Emergency Rulemaking
- 9. LEGISLATIVE/REGULATORY UPDATE**
Discussion: Ryan Ojakian, Legislative and Regulatory Affairs Manager
- 10. WATER QUALITY AD HOC COMMITTEE**
Discussion: Sean Bigley, Chair
Action: Chair Bigley to form an Ad Hoc Committee and Appoint Committee Members
- 11. JANUARY 13, 2022 RWA BOARD MEETING AGENDA**
Action: Approve January 13, 2022 proposed RWA Board Meeting agenda
- 12. EXECUTIVE DIRECTOR'S REPORT**
- 13. DIRECTORS' COMMENTS**

ADJOURNMENT

Upcoming meetings:

Regular Board Meeting: Thursday, January 13, 2022 commencing 9:00 a.m. at the RWA Office, the location is subject to change depending on the COVID-19 emergency.

Executive Committee Meeting: Wednesday, January 26, 2022 commencing 8:30 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/> to access and print the packet.

RWA Board of Directors

2021 Chair: Sean Bigley

2021 Vice Chair: Dan York

S. Audie Foster, General Manager, California American Water

Evan Jacobs, Operations Manager, California American Water

***Ron Greenwood*, Board Member, Carmichael Water District**

Cathy Lee, General Manager, Carmichael Water District

David Wheaton, Director, Citrus Heights Water District

Hilary Straus, General Manager, Citrus Heights Water District

Raymond Riehle, Director, Citrus Heights Water District (alternate)

Rebecca Scott, Principal Operations Specialist (alternate)

Kerri Howell, Councilmember, City of Folsom

Marcus Yasutake, Environmental/Water Resources Director, City of Folsom

William Lauritsen, Councilmember, City of Lincoln

Jim Bermudez, Public Works Director, City of Lincoln

Bruce Houdesheldt, Councilmember, City of Roseville

***Sean Bigley*, Assistant Environment Utilities Director, City of Roseville, Chair**

Rich Plecker, Director of Utilities, City of Roseville (alternate)

Dale Olson, City of Roseville (alternate)

Pauline Roccucci, Councilmember, City of Roseville (alternate)

Jeff S. Harris, Councilmember, City of Sacramento

***Michelle Carrey*, Supervising Engineer, City of Sacramento**

Bill Busath, Director of Utilities, City of Sacramento (alternate)

Anne Sanger, Policy and Legislative Specialist, City of Sacramento (alternate)

Martha Guerrero, Council Member, City of West Sacramento

***Bill Roberts*, Director of Public Works and Operations, City of West Sacramento**

Grace Espindola, Councilmember, City of Yuba City

Diana Langley, Public Works Director/City Manager, City of Yuba City

Robert Matteoli, Board Member, Del Paso Manor Water District

Alan Gardner, General Manager, Del Paso Manor Water District

Pat Dwyer, Director/Board President, El Dorado Irrigation District

Jim Abercrombie, General Manager, El Dorado Irrigation District

Brian Mueller, Engineering Director, El Dorado Irrigation District (alternate)

Sophia Scherman, Board Chair, Elk Grove Water District

Bruce Kamilos, General Manager, Elk Grove Water District

Elliot Mulberg, Director, Elk Grove Water District (alternate)

* Names highlighted in red are Executive Committee members

<i>Randy Marx</i> , Board Member, Fair Oaks Water District <i>Tom Gray</i> , General Manager, Fair Oaks Water District
<i>Paul Schubert</i> , General Manager, Golden State Water Company <i>Ernie Gisler</i> , Capital Program Manager, Golden State Water Company
<i>Robert Hunter</i> , Board Member, Orange Vale Water Company <i>Joe Duran</i> , General Manager, Orange Vale Water Company
<i>Robert Dugan</i> , Board Member, Placer County Water Agency <i>Tony Firenzi</i> , Director of Strategic Affairs, Placer County Water Agency <i>Andy Fecko</i> , General Manager, Placer County Water Agency (alternate) <i>Mike Lee</i> , Board Member, Placer County Water Agency (alternate)
<i>Les Clark</i> , Director, Rancho Murieta Community Services District <i>Tom Hennig</i> , Interim General Manager, Rancho Murieta Community Services District
<i>Patrick Kennedy</i> , Supervisor, Sacramento County Water Agency <i>Kerry Schmitz</i> , Division Chief, Water Supply, Sacramento County Water Agency
<i>Dave Jones</i> , Board Member, Sacramento Suburban Water District <i>Dan York</i> , General Manager, Sacramento Suburban Water District, Vice Chair <i>Kevin Thomas</i> , Board Member, Sacramento Suburban Water District (alternate)
<i>Dan Rich</i> , Director, San Juan Water District <i>Greg Zlotnick</i> , Water Resources and Strategic Affairs, San Juan Water District <i>Ted Costa</i> , Board President, San Juan Water District (alternate)

* Names highlighted in red are Executive Committee members

RWA ASSOCIATES	
Organization	Representatives
El Dorado County Water Agency	<i>Lori Parlin</i> , Chair <i>Ken Payne</i> , General Manager (alternate)
Placer County	<i>Ken Grehm</i> , Director Public Works and Facilities <i>Jared Deck</i> , Manager Environmental Engineering
Sacramento Municipal Utility District (SMUD)	<i>Arlen Orchard</i> , General Manage/CEO <i>Christopher Cole</i> , Strategic Account Advisor <i>Ansel Lundberg</i> , Energy Commodity Contracts Specialist
Sacramento Regional County Sanitation District (SRCSD)	<i>Christoph Dobson</i> , Director Policy and Planning <i>Terrie Mitchell</i> , Manager Legislative and Regulatory Affairs <i>Jose Ramirez</i> , Policy and Planning <i>David Ocenosak</i> , Principal Engineer
Sacramento Area Flood Control Agency (SAFCA)	<i>Richard Johnson</i> , <i>Executive Director</i>

* Names highlighted in red are Executive Committee members

RWA AFFILIATE MEMBERS	
Organization	Representatives
Brown & Caldwell	<i>Paul Selsky</i> , Water Supply Planning, Vice president <i>LaSandra Edwards</i> , Civil Engineer <i>May Huang</i> , Engineer <i>David Zuber</i> , Vice President
Cosumnes CSD	<i>Steve Sims</i> , Park Superintendent
GEI Consultants	<i>John Woodling</i> , Vice President, Branch Manager <i>Chris Petersen</i> , Principal Hydrogeologist <i>Richard Shatz</i> , Principal Hydrogeologist
HDR, Inc.	<i>Jafar Faghieh</i> , Water Resources Engineer <i>Ed Winkler</i> , Client Development Lead
Sacramento Association of Realtors	<i>David Tanner</i> , Chief Executive Officer <i>Christopher Ly</i> , Chief Operations Officer
Stantec	<i>Kari Shively</i> , Vice President <i>Vanessa Nishikawa</i> , Principal Water Resources Engineer <i>Yung-Hsin Sun</i> , Principal Engineer <i>Rebecca Guo</i> , Senior Associate Water Resources Engineer <i>Kirsten Pringle</i> , Associate Public Affairs Specialist <i>Ibrahim Khadam</i> , Principal Engineer
West Yost Associates	<i>Charles Duncan</i> , President <i>Abigail Madrone</i> , Business Development Director <i>Kelye McKinney</i> , Engineering Manager I <i>Jim Mulligan</i> , Principal Engineer
Woodard & Curran (formerly RMC Water and Environment)	<i>Ali Taghavi</i> , Principal <i>Jim Graydon</i> , Senior Client Service Manager

* Names highlighted in red are Executive Committee members

AGENDA ITEM 2: PUBLIC COMMENT: Members of the public who wish to address the committee may do so at this time. Please keep your comments to less than three minutes.

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. The items to be considered and approved include:

- a)** Authorize a Teleconference Meeting by Passing a Motion by a majority vote under Gov. Code, § 54953, subd. (e)(1)(B) that as a result of the COVID-19 emergency: (i) meeting in person would present imminent risks to the health or safety of attendees; and (ii) the meeting is authorized to be held by teleconference pursuant to Gov. Code, § 54953, subd. (e)(1)(C).
- b)** Approve the minutes of October 27, 2021 Executive Committee meeting

Action: Approve Consent Calendar Items

Attachment:

3b. Minutes of the October 27, 2021 Executive Committee Meeting

AGENDA ITEM 3a: AUTHORIZE A TELECONFERENCE MEETING

BACKGROUND:

In light of the Governor's declaration that a state of emergency exists due to the incidence and spread of the novel coronavirus, and the pandemic caused by the resulting disease COVID-19, the executive committee should consider whether meeting in person would present imminent risks to the health or safety of meeting attendees.

The Centers for Disease Control indicates that COVID-19 is a highly transmissible virus that is spread when an infected person breathes out droplets and very small particles that contain the virus, and such droplets and particles are breathed in by other people. Since June of 2021, a more infectious variant of the virus, known as the Delta Variant, has emerged and now accounts for the vast majority of COVID-19 cases.

Conducting meetings by teleconference would directly reduce the risk of transmission among meeting attendees, including members of the public and agency staff, which has the ancillary effect of reducing risk of serious illness and death as well as reducing community spread of the virus.

If the authorization to meet by teleconference is not approved by a majority vote, then the meeting will adjourn after this item and the remaining agenda items will be rescheduled to a future in-person meeting.

**AGENDA ITEM 3b: MINUTES OF THE OCTOBER 27, 2021, EXECUTIVE
COMMITTEE MEETING**



**Regional Water Authority
Executive Committee Meeting
Draft Minutes
October 27, 2021**

1. CALL TO ORDER

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

Executive Committee Members

Ron Greenwood, Carmichael Water District
Sean Bigley, City of Roseville
Michelle Carrey, City of Sacramento
Paul Schubert, Golden State Water Company
Tony Firenzi, Placer County Water Agency
Kerry Schmitz, Sacramento County Water Agency
Dan York, Sacramento Suburban Water District
Dan Rich, San Juan Water District

Staff Members

Jim Peifer, Ryan Ojakian, Rob Swartz, Michelle Banonis, Amy Talbot,
Josette Reina-Luken, Monica Garcia, Cecilia Partridge and Andrew
Ramos, legal counsel

Others in Attendance

Brian Sanders, Mike Huot, Bob Reisig, Jessica Law, Anne Sanger,
Rebecca Scott, Cathy Lee, Bruce Kamilos, Craig Locke, Alan Driscoll,
Jose Ramirez, David Wheaton, Nicole Krotoski and Paul Helliker

2. AUTHORIZE A TELECONFERENCE MEETING

Action: Pass a Motion by a majority vote under Gov. Code, § 54953, subd. (e)(1)(B) that as a result of the COVID-19 emergency: (i) meeting in person would present imminent risks to the health or safety of attendees; and (ii) the meeting is authorized to be held by teleconference pursuant to Gov. Code, § 54953, subd. (e)(1)(C).

Motion/Second/Carried (M/S/C) Mr. Greenwood moved, with a second by Mr. Schubert, to authorize a teleconference meeting. Ron Greenwood, Carmichael Water District, Sean Bigley, City of Roseville, Michelle Carrey, City of Sacramento, Paul Schubert, Golden State Water Company, Tony Firenzi, Placer County Water Agency, Kerry Schmitz, Sacramento County Water Agency, Dan Rich, San Juan Water District and Dan York, Sacramento Suburban Water District, voted yes.

Dan Rich left the meeting.

3. **PUBLIC COMMENT** - Members of the public who wish to address the committee may do so at this time. Please keep your comments to less than three minutes.

None

4. **CLOSED SESSION – PUBLIC EMPLOYEE PERFORMANCE EVALUATION AND APPOINTMENT**

Government Code §§ 54954.5(e), 54957(b)(1)

Title: Executive Director

5. **CLOSED SESSION – CONFERENCE WITH LABOR NEGOTIATORS**

Government Code, §§ 54954.5(f), 54957.6

Agency designated representatives: Sean Bigley and Dan York

Unrepresented employee: Executive Director

6. **EXECUTIVE DIRECTOR APPOINTMENT AND EMPLOYMENT AGREEMENT**

Chair Bigley reported on the closed session summarizing the Executive Director's proposed employment agreement including merit, COLA and a bonus amount with the merit amount being retroactive to July 1, 2021. The Executive Director's performance evaluation was approved.

M/S/C Ms. Schmitz moved, with a second by Mr. Firenzi to recommend to the Board of Directors to renew and amend the Executive Director employment agreement. Ron Greenwood, Carmichael Water District, Sean Bigley, City of Roseville, Michelle Carrey, City of Sacramento, Paul Schubert, Golden State Water Company, Tony Firenzi, Placer County Water Agency, Kerry Schmitz, Sacramento County Water Agency and Dan York, Sacramento Suburban Water District, voted yes

7. **CONSENT CALENDAR**

Minutes of the September 22, 2021, Executive Committee meeting

M/S/C Ms. Schmitz moved, with a second by Mr. York approved the consent calendar items. Ron Greenwood, Carmichael Water District, Sean Bigley, City of Roseville, Michelle Carrey, City of Sacramento, Paul Schubert, Golden State Water Company, Kerry Schmitz, Sacramento County Water Agency and Dan York, Sacramento Suburban Water District, voted yes. Tony Firenzi, Placer County Water Agency, abstained.

8. **POLICY 400.4 – EXECUTIVE DIRECTOR PERFORMANCE EVALUATION PROCEDURE REVISIONS**

Chair Bigley will appoint members to an ad hoc committee to revise policy 400.4.

9. SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Mr. Peifer gave an update on the Sacramento Central Groundwater Authority. There was a questions and answers sheet from Isabel Safie, pension counsel for RWA and SGA, included in the packet. A workshop is expected to be scheduled to address potential options for members to consider.

10. NOVEMBER 4, 2021 RWA BOARD MEETING AGENDA

Mr. Peifer requested that the Executive Committee consider an additional agenda item be added to the RWA Board meeting agenda. The agenda item would be an update from the Department of Water Resources on funding criteria.

M/S/C Mr. Schubert moved, with a second by Mr. York to approve the November 4, 2021 proposed RWA Board meeting agenda with the added agenda item suggested. Ron Greenwood, Carmichael Water District, Sean Bigley, City of Roseville, Paul Schubert, Golden State Water Company, Tony Firenzi, Placer County Water Agency, Kerry Schmitz, Sacramento County Water Agency and Dan York, Sacramento Suburban Water District, voted yes. Michelle Carrey, City of Sacramento, did not respond to the call for votes.

11. EXECUTIVE DIRECTOR'S REPORT

Chair Bigley requested that in consideration of the budget that all RWA members refrain from contacting RWA legal counsel directly with questions. He asked that all questions or requests be addressed to the Executive Director or in a full RWA board meeting.

Mr. Peifer thanked everyone who attended the RWA 20th Anniversary event.

Mark your calendars for December 9th for the RWA/SGA Holiday Social event to be held at the Blue Line Arts Gallery in Roseville. An ad hoc awards committee has been established including Ms. Schmitz, Mr. Selsky, Ms. Sanger and Mr. Schubert to receive award nominations.

Thanks to everyone who attended the Emergency Response on October 22nd. There is interest to hire a consultant to assist with the emergency response effort.

Listening sessions are continuing with Jim Peifer, Chair Sean Bigley and Vice Chair Dan York participating.

A presentation was made to SACOG members with an interest in water supply, resilient solutions to drought, and the water bank. SACOG is interested in receiving funding for their Green Means Go project.

Ms. Sanger is leading the effort for the 2021 Cap-to-Cap that is occurring this week.

There has been interest from reporters on how the recent atmospheric river affected water supply.

Mr. Peifer attended panel discussions including the Environmental Law Conference and the Sacramento State Office of Water Programs. He will be participating in the Water Education Foundation panel tomorrow. Mr. Ojakian gave a presentation to the Capitol Region Climate Readiness Collaborative on tracking climate change and the water bank. He also presented to the Water Forum Plenary. Ms. Talbot has been participating in panel discussions, talking with the media, and giving a presentation on water loss regulations at the AWWA Fall Conference. She will be giving an update to the ACWA Water Use Efficiency Program Committee and has been participating in an EPA WaterSense webinar.

12. DIRECTORS' COMMENTS

None

ADJOURNMENT

Chair Bigley adjourned the meeting at 10:53 a.m.

By:

Chairperson

Attest:

Board Secretary

AGENDA ITEM 4: RWA 2021 AUDIT REPORT

BACKGROUND:

Gilbert Associates, Inc. has completed the financial audit for the fiscal year that ended June 30, 2021. The full audit report is attached.

STAFF RECOMMENDATION:

Presentation: Peggy Vande Vooren, Gilbert Associates, Inc.

Action: Recommend RWA Board acceptance of 2021 RWA financial audit report

Attachment: RWA Audit Report



Regional Water Authority

Executive Committee Meeting

December 13, 2021



The Audit

I. OVERVIEW OF THE AUDIT

- Fieldwork occurred remotely in September and wrapped up audit procedures in October.
- Management and staff were well-prepared and cooperative.

II. REQUIRED COMMUNICATIONS TO THE BOARD

- ***Responsibilities and Opinion*** - Our responsibilities as auditors, scope and timing, unmodified opinion. Supplementary info required by GASB.
- ***Interactions with Management*** – no disagreements, full representations from mgmt. will be obtained, no consultations with other auditors or accountants, no difficulties encountered.
- ***Qualitative Aspects of Accounting Practices*** – No new accounting policies; estimates/judgments deemed reasonable.
- ***Results of the Audit*** – Timing and scope as expected. No Audit Adjustments. No Significant Deficiencies or Material Weaknesses reported.

III. THE AUDIT REPORT

Pages 1-3 **The Independent Auditor's Report on Financial Statements**

- Issued an unmodified (clean) opinion – (first paragraph of pg. 2) the best opinion that we can give as auditors

Pages 4-14 **Management's Discussion and Analysis**

- Introduction & overview of RWA's financial statements
- Condensed comparative financial statement data
- Analysis of financial position and results of operations
- Future economic factors and assumptions

The Financial Statements

Page 15

Statements of Net Position

- Financial Position at June 30,

	<u>2021</u>	<u>2010</u>
Total Assets	\$ 3,436,370	\$ 2,724,827
Deferred Outflows of Resources	288,318	266,114
Total Liabilities	(1,566,679)	(803,951)
Deferred Inflows of Resources	<u>(269,784)</u>	<u>(332,435)</u>
Net Position	<u>\$ 1,888,225</u>	<u>\$ 1,854,555</u>

- Total assets increased by ~ \$711 thousand. This increase is primarily related to increase in unrestricted and restricted cash and investments of ~\$677 thousand as well as an increase in Grants/Incentives receivable of ~\$27 thousand.
- Total liabilities increased by ~ \$763 thousand. This increase is primarily related to an ~\$443 thousand increase in subscription program advances, a \$235 thousand increase in unearned revenue and a \$36 thousand increase to the net pension liability.
- The increase in Deferred Outflows and decrease in Deferred Inflows are a result of changes in estimates from CalPERS pension plan actuarial valuations.

Page 16

Statements of Revenues, Expenses, and Changes in Net Position

- Results of Operations for the Years Ended June 30,

	<u>2021</u>	<u>2020</u>
Total Operating Revenues	\$ 3,409,743	\$ 5,111,368
Total Operating Expenses	<u>(3,391,080)</u>	<u>(5,112,271)</u>
Operating Income (Loss)	18,663	(903)
Non-Operating Revenues	<u>15,007</u>	<u>56,813</u>
Increase in Net Position	<u>\$ 33,670</u>	<u>\$ 55,910</u>

- Most of the decreases in operating revenues and expenses were due to an overall reduction in grant and subscription program activities due to the completion of multi-year grants.

Page 17 **Statements of Cash Flows**

- Cash Transactions
 - Illustrates cash inflows and outflows of RWA. Cash increased ~ \$678 thousand from 2020
 - Majority of the activity is based on the nature of RWA's operations with members and programs

Pages 18-42 **Notes to the Financial Statements**

- The notes to the financial statements explain the assumptions underlying the financial statements and provide additional information that is not available in the financial statements
 - Significant Accounting Policies – No new accounting standards – Page 18, Note 1
 - Employee Pension Plan (CalPERS) – Pension Liability increased by \$35,912 to \$106,279 – Page 26, Note 5
 - Other Post-Employment Benefits (OPEB) – OPEB Asset decreased to \$109,488 from \$129,455 – Page 32, Note 6
 - Board Designations – per Board Policy – Page 38, Note 7

IV. REQUIRED SUPPLEMENTARY INFORMATION

Page 43 **Schedule of the Proportionate Share of the Net Pension Liability**

Page 44 **Schedule of Contributions to the Pension Plan – Miscellaneous Plan**

Page 45 **Schedule of Changes in Net OPEB Liability and Related Ratio**

Page 46 **Schedule of OPEB Contributions**

V. SUPPLEMENTARY INFORMATION

Page 47 **Program Schedules of Revenues, Expenses and Changes in Net Position**

Page 49 **Schedules of Allocated Administrative Expenses**

VI. OTHER INDEPENDENT AUDITOR'S REPORT

Pages 51-52 **"GAGAS" Audit Report**

REGIONAL WATER AUTHORITY

Communications With Those Charged With Governance

Submitted by

Gilbert CPAs

We have audited the financial statements of the Regional Water Authority (the Authority) for the year ended June 30, 2021. Professional standards require that we provide you with information related to our audit. We are providing the Authority's Executive Committee and Board of Directors (Board) with information regarding the scope and results of the audit to assist the Board in overseeing management's financial reporting and disclosure process. This information is intended solely for the use of the Authority and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties. The following pages summarize these required communications.

December 1, 2021

MANAGEMENT AND AUDITOR RESPONSIBILITIES

Auditors' Responsibilities under Generally Accepted Auditing Standards (GAAS), *Government Auditing Standards*, issued by the Comptroller General of the United States.

The financial statements are the responsibility of management. As stated in our engagement contract, our responsibility is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

We issued an unmodified opinion on the financial statements of the Authority for the year ended June 30, 2021.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement contract, we advised management about the appropriateness of accounting policies and their application.

The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2021.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The most sensitive estimates and disclosures affecting the abbreviated name's financial statements were:

- The Net OPEB Liability (NOL) and related deferred inflows and outflows of resources is measured as of June 30, 2020. The total OPEB liability (TOL) used to calculate the NOL was determined by an actuarial valuation as of June 30, 2019.
- The estimate of the net pension liability and related deferred inflows and outflows of resources is based upon the Authority's proportionate allocation of the CalPERS plan pension amounts as of the June 30, 2020 measurement date. CalPERS calculates the net pension liability for all participating agencies actuarially by rolling-forward obligations from the June 30, 2019 actuarial valuation. These amounts are allocated to the Authority and other participating agencies based on their proportionate share of contributions to the CalPERS plans during the measurement period.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. In addition, the related financial statement disclosures are neutral, consistent, and clear.

INTERACTIONS WITH MANAGEMENT

Planned Scope and Timing of the Audit	We performed the audit according to the planned scope and timing previously communicated in our engagement contract.
Management Consultations with Other Independent Accountants In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Authority’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.	To our knowledge, there were no such consultations with other accountants.
Disagreements with Management For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report.	We are pleased to report that no such disagreements arose during the course of our audit.
Management Representations	We requested certain representations from management in a letter to us.
Difficulties Encountered in Performing the Audit	We encountered no significant difficulties in dealing with management in performing and completing our audit. Management and staff were well prepared and very cooperative.

OTHER MATTERS

Other Audit Findings or Issues	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Corrected and Uncorrected Misstatements Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.	No significant adjustments were identified during our audit.

SUPPLEMENTARY INFORMATION

Required Supplementary Information

Government Accounting Standards Board (GASB) requires certain supplementary information to accompany the Authority's basic financial statements to be in conformity with generally accepted accounting principles. Such information has been subjected to limited procedures such as inquiries of management about the methods of preparing the information and comparing the information for consistency with the basic financial statements, however, we do not express an opinion because of the limited nature of our procedures.

The following required supplementary information is required to accompany the Authority's basic financial statements and subjected to limited procedures, but no opinion has been expressed:

- Management's Discussion and Analysis
- Schedule of the Authority's Proportionate Share of the Net Pension Liability
- Schedule of the Authority's Contributions to the Pension Plan
- Schedule of the Authority's Changes in Net OPEB Liability and Related Ratios
- Schedule of the Authority's Contributions to the OPEB Plan

Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The supplementary information section, as listed in the table of contents of the financial statements of the Authority for the year ended June 30, 2021, and 2020 is presented for purposes of additional analysis and in our opinion is fairly stated in all material respects to the financial statements as a whole.

DRAFT

REGIONAL WATER AUTHORITY

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2021 AND 2020

REGIONAL WATER AUTHORITY

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REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The Regional Water Authority (RWA) promotes collaboration on water management and water supply reliability programs in the greater Sacramento area. The following discussion and analysis of the RWA financial performance provides an overview of the financial activities for the fiscal years ending June 30, 2021 and 2020. This discussion and analysis should be read in conjunction with the financial statements, which can be found on pages 15 to 41 of this report.

Description of Basic Financial Statements

RWA maintains its accounting records in accordance with generally accepted accounting principles for a special-purpose government engaged in business-only type activities as prescribed by the Government Accounting Standards Board. The basic financial statements include the statement of net position, statement of revenues, expenses, changes in net position, and statement of cash flows.

RWA's statements of net position include all assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether RWA's financial position is improving or deteriorating.

The statements of revenues, expenses, and changes in net position report all of RWA's revenues and expenses during the periods indicated. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., interest income, pension expense and amounts due to vendors).

The statements of cash flows show the amount of cash received and paid out for operating activities, as well as cash received from interest earnings.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the financial data provided in the financial statements. The notes to the financial statements can be found on pages 18 to 41 of this report.

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Condensed Statements of Net Position

For the fiscal years ending June 30, the following condensed comparative Statements of Net Position are presented:

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Current Assets	\$ 3,313,576	\$ 2,595,372	\$ 718,204	\$ 2,377,261	\$ 218,111
Non-Current Assets	109,488	129,455	(19,967)	-	129,455
Capital Assets	<u>13,306</u>	<u>-</u>	<u>13,306</u>	<u>-</u>	<u>-</u>
Total Assets	3,436,370	2,724,827	711,543	2,377,261	347,566
Deferred Outflows	<u>288,318</u>	<u>266,114</u>	<u>22,204</u>	<u>338,121</u>	<u>(72,007)</u>
Total Assets and Deferred Outflows	<u>3,724,688</u>	<u>2,990,941</u>	<u>733,747</u>	<u>2,715,382</u>	<u>275,559</u>
Current Liabilities	1,259,900	566,197	693,703	402,707	163,490
Non-Current Liabilities	<u>306,779</u>	<u>237,754</u>	<u>69,025</u>	<u>354,726</u>	<u>(116,972)</u>
Total Liabilities	<u>1,566,679</u>	<u>803,951</u>	<u>762,728</u>	<u>757,433</u>	<u>46,518</u>
Deferred Inflows	<u>269,784</u>	<u>332,435</u>	<u>(62,651)</u>	<u>159,304</u>	<u>173,131</u>
Net Position:					
Invested in capital assets	13,306	-	13,306	-	-
Restricted	739,694	568,927	170,767	498,043	70,884
Unrestricted	<u>1,135,225</u>	<u>1,285,628</u>	<u>(150,403)</u>	<u>1,300,602</u>	<u>(14,974)</u>
Total net position	<u>\$ 1,888,225</u>	<u>\$ 1,854,555</u>	<u>\$ 33,670</u>	<u>\$ 1,798,645</u>	<u>\$ 55,910</u>

Fiscal Year 2021 Compared to Fiscal Year 2020

Total current assets have increased \$718,204. This increase is primarily due to increase in restricted cash and investments. Current assets also include grant receivables which were lower from the prior year due to completion of some of the multi-year grants and the start of a few new grant awards. The June 30, 2021 receivables reflect amounts earned for fulfillment of obligations from the Proposition 84 (Round 1), Proposition 84 (Round 3), 2014 Drought grant, Regional Water Bank project, Bonneville Environmental Foundation (BEF), USBR Drought Interties, CALFED Meter, and SRCSD incentive programs.

The non-current assets decreased \$19,967 due to the Net Other Post-Employment Benefits (OPEB) asset.

The deferred outflows net increase of \$22,204 is a result of changes in actuarial estimates from determining the net pension liability and from determining net OPEB asset. Deferred outflows decreased by \$25,046 and increased by \$47,250 related to OPEB and pension, respectively.

There was a \$693,703 increase in current liabilities in fiscal year 2021 primarily due to subscription program advances in advance of incurred subscription program expenses for programs like the Regional

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Water Modeling Operations Pilot (Regional Water Bank), Major Projects and Resilience Program, and increased accounts payable and accrued liabilities which was caused by the timing of vendor payments.

RWA's non-current liability increased by \$69,025 due to an increase in the net pension and OPEB asset.

The decrease of \$62,651 in deferred inflows represents a decrease of \$59,171 in unamortized OPEB adjustments caused by timing of when they are reflected in OPEB expense as a result of GASB 75. Additionally, the deferred inflows related to the pension decreased \$3,480 primarily due to changes in assumptions by CalPERS as of the June 30, 2020 measurement date.

Restricted net position increased \$170,767 due to Water Efficiency Program (WEP) having an increase in their net earnings in excess of expenses in current fiscal year primarily due to advanced payment of the Bonneville Environmental Foundation grant award.

Unrestricted net position of \$1,135,225 reflects a decrease of \$150,403, due to an increase in restricted funds primarily from WEP and other subscription programs. The unrestricted net position has been designated for purposes authorized by the Board. Designations include operating and fee stabilization funds to mitigate current and future risks due to revenue shortfalls and unanticipated expenses.

Fiscal Year 2020 Compared to Fiscal Year 2019

Total current assets increased \$218,111 and reflected an increase in both restricted cash and investments and grant receivables from the prior year resulting from a release of retention funds as some of the multi-years grant programs come to completion. The June 30, 2020 receivables reflect amounts earned for fulfillment of obligations from the Proposition 84 (Round 1), Proposition 84 (Round 3), 2014 Drought grant, Regional Water Bank project, USBR Drought Interties, CALFED Meter, and SRCSD incentive programs. The non-current assets increased \$129,455 due to the Net Other Post-Employment Benefits (OPEB) asset.

The deferred outflows decreased \$72,007 resulting from changes in actuarial estimates after determining the net pension liability and other-post employment benefits liability (OPEB). Deferred outflows decreased by \$18,828 and \$53,179 related to OPEB and pension, respectively.

There was a \$163,490 increase in current liabilities in fiscal year 2020 primarily due to subscription program advances in advance of incurred subscription program expenses for programs like the Regional Water Modeling Operations Pilot (Regional Water Bank) and increased accounts payable and accrued liabilities which was caused by the timing of vendor payments.

RWA's non-current liability decreased by \$116,972 due to a decrease in the net pension and OPEB liability.

The increase of \$173,131 in deferred inflows represents an increase of \$151,289 in unamortized OPEB adjustments caused by timing of when they are reflected in OPEB expense as a result of GASB 75. Additionally, the deferred inflows related to the pension increased \$21,842 primarily due to changes in assumptions by CalPERS as of the June 30, 2019 measurement date.

Restricted net position increased \$70,884 due to Water Efficiency Program (WEP).

Unrestricted net position of \$1,285,628 reflected a decrease of \$14,974, due to net income of \$55,910 a portion of which includes the WEP and included in restricted net position.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 and 2020

Condensed Schedule of Revenues, Expenses, and Changes in Net Position

For the fiscal years ending June 30, the following condensed schedules of revenues, expenses, and changes in net position are presented:

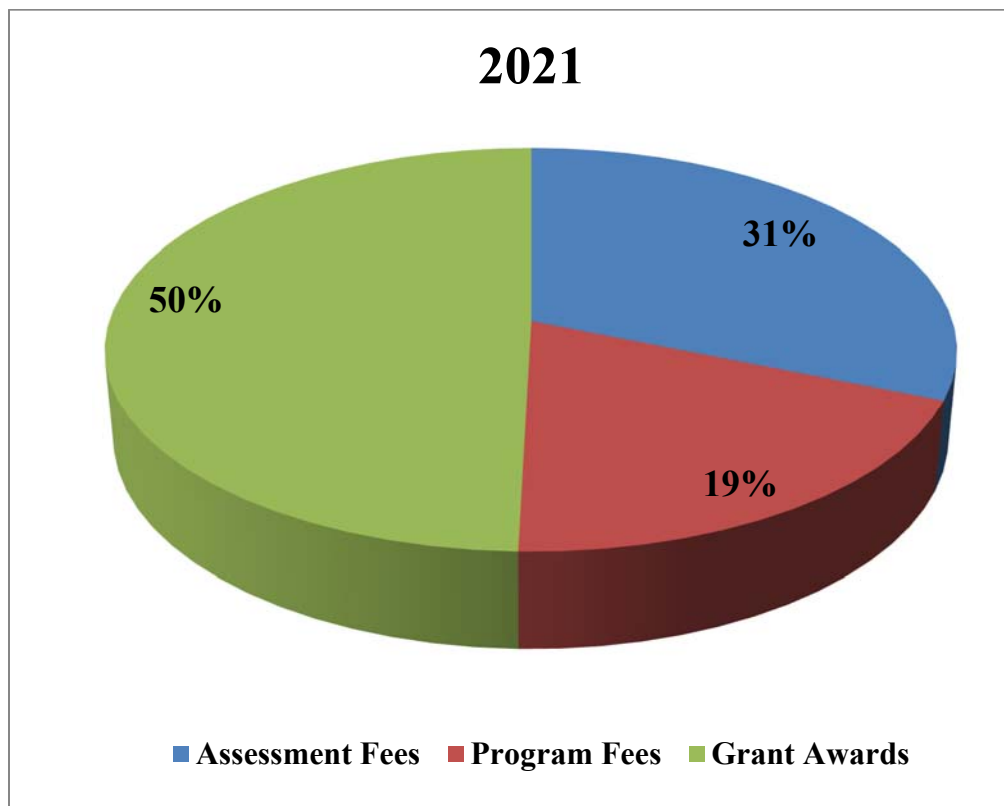
	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Operating revenues:					
Assessment Income	\$ 1,064,385	\$ 1,048,114	\$ 16,271	\$ 983,632	\$ 64,482
Subscription Program Fees	654,556	820,313	(165,757)	874,826	(54,513)
Incentives, Grants and Reimbursements	1,690,067	3,198,249	(1,508,182)	3,836,394	(638,145)
Other Income	735	44,692	(43,957)	9,437	35,255
Total Operating Revenues	<u>3,409,743</u>	<u>5,111,368</u>	<u>(1,701,625)</u>	<u>5,704,289</u>	<u>(592,921)</u>
Interest Income	<u>15,007</u>	<u>56,813</u>	<u>(41,806)</u>	<u>56,392</u>	<u>421</u>
Total Revenues	<u>3,424,750</u>	<u>5,168,181</u>	<u>(1,743,431)</u>	<u>5,760,681</u>	<u>(592,500)</u>
Operating Expenses:					
Administrative Expenses	1,346,341	1,398,003	(51,662)	961,613	436,390
Core Program Expenses	25,000	25,000	-	25,000	-
Subscription Program Direct Expenses	374,741	520,224	(145,483)	863,950	(343,726)
Grant Awards	1,644,998	3,169,044	(1,524,046)	3,581,964	(412,920)
Total Operating Expenses	<u>3,391,080</u>	<u>5,112,271</u>	<u>(1,721,191)</u>	<u>5,432,527</u>	<u>(320,256)</u>
Increase in Net Position	<u>33,670</u>	<u>55,910</u>	<u>(22,240)</u>	<u>328,154</u>	<u>(272,244)</u>
Net Position, July 1	<u>1,854,555</u>	<u>1,798,645</u>	<u>55,910</u>	<u>1,470,491</u>	<u>328,154</u>
Net Position, June 30	<u>\$ 1,888,225</u>	<u>\$ 1,854,555</u>	<u>\$ 33,670</u>	<u>\$ 1,798,645</u>	<u>\$ 55,910</u>

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JUNE 30, 2021 and 2020

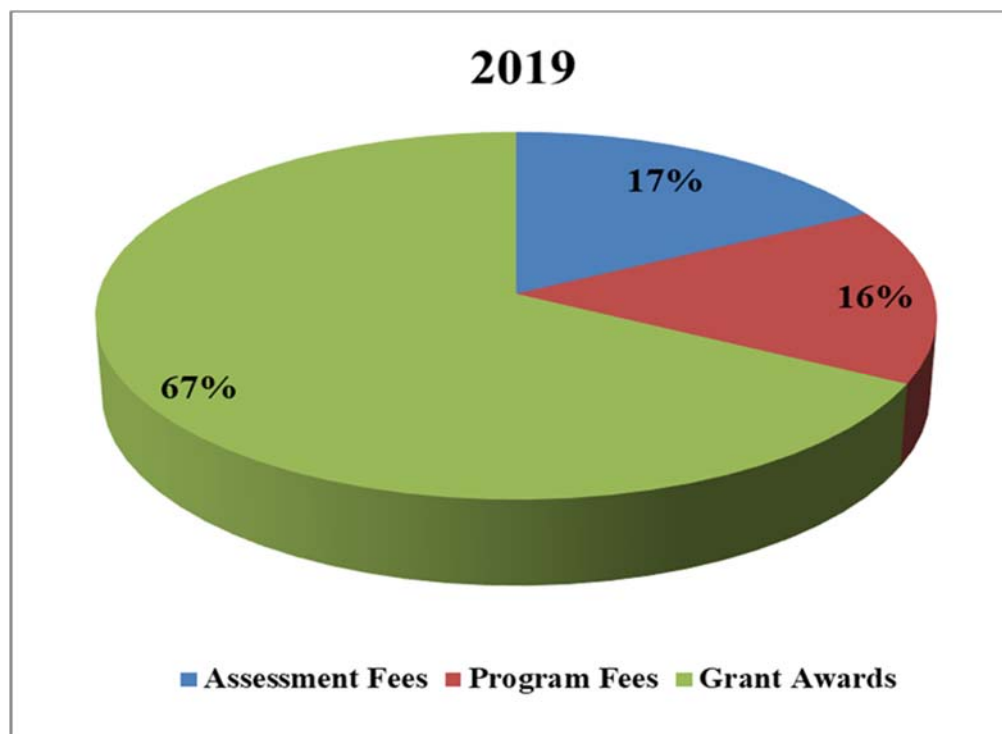
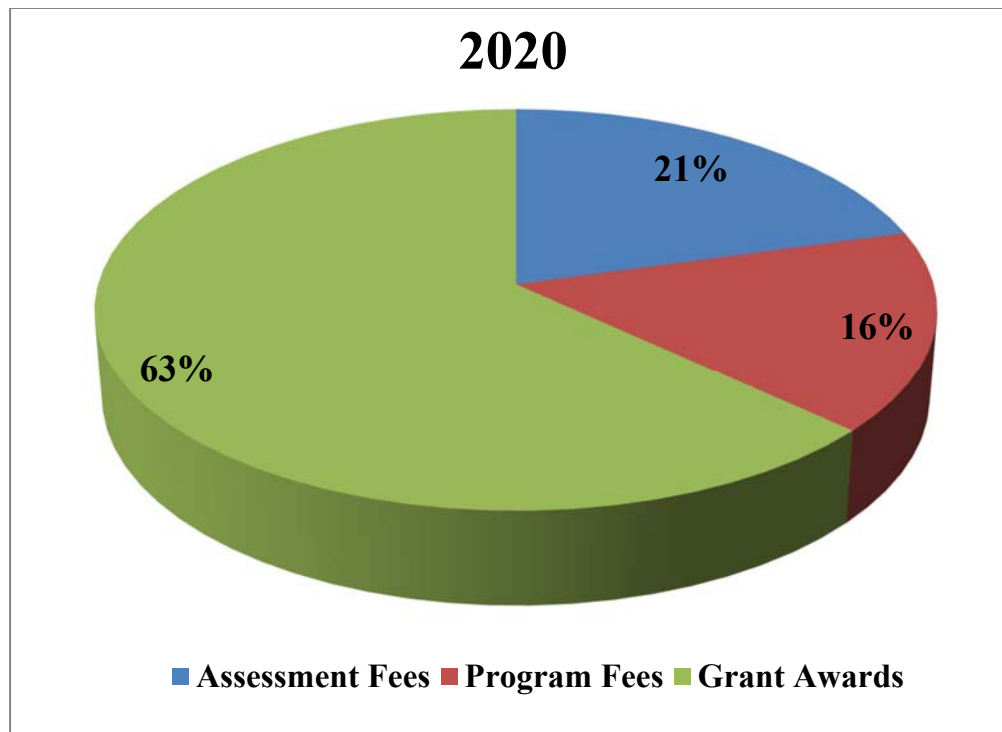
Operating Revenues

RWA's operating revenues are substantially derived from assessment fees, subscription program fees (program fees), and grant awards. Grants and incentives are awarded to RWA from state, federal, or local agencies to fund water related projects and conservation, depending upon the grant program. The following pie charts graphically display the percentages of operating revenues by category.

Over the three-year period, the percentage of program fees have slightly increased or remained static and assessment fees have increased to compensate for declining grant awards.



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Fiscal Year 2021 Compared to Fiscal Year 2020

Operating revenues – Operating revenues totaled \$3,409,743 and was \$1,701,625 lower than the previous year. The decrease is mainly a result of lower grant awards due to completion of some of the multi-year grants and the start of new grants.

Assessment fees – The \$16,271 increase in assessment fees is due to a Board approved dues increase for the year ended June 30, 2021 for the additional funding needed to support the water policy position as part of RWA's core program as well as the continued set aside of future payments for the unfunded pension.

Subscription Program Fees – During fiscal year 2021, RWA mainly earned subscription program fees from the Water Efficiency Program (WEP), the United States Bureau of Reclamation (USBR) Regional Water Bank/Water Management Operations Pilot (WMOP), the Proposition 84 Program (Prop 84), the 2014 Integrated Regional Water Management Drought Proposition 84 Grant (2014 Drought Prop 84), the Prop 84 Round 3 grant, the USBR/CALFED Programs, and Major Projects/Resilience Programs. Program fees are not expected to be comparable from year to year. The program fees decreased overall by \$165,757 mainly due to the timing of these programs as many of them draw near to completion. For the detail of fees earned by program, see the Program Schedule of Revenues, Expenses and Changes in Net Position in the supplementary section of the financial statements.

Incentives, grants, and reimbursements – In fiscal year 2021, RWA earned grant revenues from the WEP, 2014 Drought Prop 84, Prop 84, and the Prop 84 Round 3 grants. These programs contributed largely to the overall \$1.5 million net decrease in grant awards.

- 1) The Prop 84 (Round 1) grant revenue decreased by \$2,226,634 as many of the infrastructure improvement sub-projects were completed in FY20. Only one project still remained to submit for reimbursement in FY21. After FY21, this grant is closed.
- 2) The 2014 Drought Prop 84 grant revenue increased by \$352,082 as a result of a grant extension. This grant provided funding from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 to assist in financing projects associated with the American River Basin Integrated Regional Water Management (IRWM) Plan.
- 3) The Prop 84 Round 3 grant increased by \$346,525. This grant provided funding from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 to Grantee to assist in financing projects associated with the American River Basin IRWM Plan.
- 4) The WEP Program experienced an increase in grant awards of \$20,519.

Both the Core and WEP programs received new grant awards (Proposition 1 Round 1 and BEF grants) during fiscal year 2021. These grant awards will contribute significantly to future revenues. The timing of these awards varies from year to year.

Operating expenses – Operating expenses fall into four major categories: administrative expenses, core program expenses, subscription program direct expenses, and grant awards.

Administrative Expenses – Before allocation to Sacramento Groundwater Authority (SGA), total administrative expenses decreased by \$51,662 from the previous fiscal year resulting from a decrease in office expenses and professional fees due to the COVID-19 pandemic.

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Core Program Expenses – For the year ended June 30, 2021, core expenses showed no change from 2020; continued \$25,000 annual payment related to the Powerhouse Science Center exhibits.

Subscription Program Direct Expenses – During fiscal year 2021, RWA incurred subscription program expenses from the core program, WEP, Regional Water Bank, and Major Projects/Resilience programs. Program expenses are not expected to be comparable from year to year. The program expenses decreased overall by \$145,483. For the detail of fees earned by program, see the Program Schedule of Revenues, Expenses and Changes in Net Position in the supplementary section of the financial statements.

Grant Awards – In fiscal year 2021, RWA earned grant awards from the WEP including Prop 84 Round 1, the 2014 Drought Prop 84 program, Prop 84 Round 3, and a newly-awarded Proposition 1 Round 1 grant. The activity and payments vary on these grants and year to year comparability is not expected. These programs generated over \$1.6 million in grant expense in 2021. The following contributed largely to the overall net decrease of \$1.5 million in grant awards expense from 2020:

- 1) The Prop 84 \$16 million grant award is in the ninth year of this program. With the closing of Round 1 projects and release of retention in fiscal year 2020, there was \$2,777,818 recorded in grant expense. After the final project submission in fiscal year 2021, the grant award expense decreased for a total of \$2,230,719 from 2020.
- 2) WEP grant expenses accounted for \$187,491 in 2021; an increase of \$32,507 from 2020.
- 3) The 2014 Drought Grant started in fiscal year 2015. As the grant nears completion, grant expenses and distributions decrease. In fiscal year 2021, as a result of a grant extension, the Drought Grant incurred \$455,980 in expenses; up (increase) of \$349,050 from the prior year.
- 4) The Prop 84 Round 3 grant expended \$454,500. This is an increase of \$325,188 from 2020.

Both the Core and WEP programs received new grant awards (Proposition 1 Round 1 and BEF grants) during fiscal year 2021. These grant awards will contribute significantly to future expenses. The timing of these award expenses varies from year to year.

Fiscal Year 2020 Compared to Fiscal Year 2019

Operating revenues – Operating revenues totaled \$5,111,368 and was \$592,921 lower than the previous year. The decrease was mainly a result of lower grant awards due to completion of some of the multi-year grants.

Assessment fees – The \$64,482 increase in assessment fees was due to a 5% increase for the year ending June 30, 2020 for the additional funding of the new water policy position as well as the continued set aside of future payments for the unfunded pension liability.

Subscription Program Fees – During fiscal year 2020, RWA mainly earned subscription program fees from the Water Efficiency Program (WEP), the United States Bureau of Reclamation (USBR) Regional Water Bank/Water Management Operations Pilot (WMOP), the Proposition 84 Program (Prop 84), the 2014 Integrated Regional Water Management Drought Proposition 84 Grant (2014 Drought Prop 84), the Prop 84 Round 3 grant, the USBR/CALFED Programs, the Landscape Imagery project, ASR Information Study, Landscape Imagery and Water Transfer Programs. Program fees are not expected to be comparable from year to year.

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Incentives, grants, and reimbursements – In fiscal year 2020, RWA earned grant awards from the WEP, 2018 IRWM Update, Direct Install, 2014 Drought Prop 84, Prop 84, and the Prop 84 Round 3 grants. These programs contributed largely to a \$638,145 decrease in grant awards. The decrease in grant awards was also offset by a \$219,113 increase in grant revenues from Prop 84 and the Proposition 1 IRWM grant application. The net result being approximately \$419,032 decrease in grant awards.

Operating expenses – Operating expenses fall into four major categories: administrative expenses, core program expenses, subscription program direct expenses, and grant awards.

Administrative Expenses – Before allocation to Sacramento Groundwater Authority (SGA), total administrative expenses increased by \$478,142 from the previous fiscal year which included an increase of \$222,210 in staffing costs and an increase of \$256,460 in office expenses and professional fees. The increase in staffing costs resulted from filling the Executive Director vacancy after being vacant for almost 4 months. Net expenses after allocation to SGA were higher than the previous year by \$436,390.

Core Program Expenses – For the year ended June 30, 2020, core expenses showed no change from 2019; continued \$25,000 annual payment related to the Powerhouse Science Center exhibits.

Subscription Program Direct Expenses – During fiscal year 2020, RWA incurred subscription program expenses from the core program, WEP, Regional Water Bank, ASR Study, Landscape Imagery and Water Transfer programs. Program expenses are not expected to be comparable from year to year. The program expenses decreased overall by \$343,726.

Grant Awards – In fiscal year 2020, RWA earned grant awards from the WEP, Prop 84, the 2014 Drought Prop 84 program and the P84 Round 3 grants. The activity and payments vary on these grants and year to year comparability is not expected. These programs generated over \$3.1 million in grant expense in 2020. The following contributed largely to the overall net decrease of \$412,920 in grant awards expense from 2019: 1). With the closing of Proposition 84 Round 1 projects and release of retention, there was \$2,777,818 in grant expense. After taking pass through expenses into account, the grant award increased for a total of \$270,318 from 2019. 2) WEP grant expenses accounted for \$154,984 in 2020; a decrease of \$234,039 from 2019. 3) The 2014 Drought Grant incurred \$106,930 in expenses: down (decrease) \$415,611 from the prior year. 4) The Prop 84 Round 3 grant expended \$129,312. This is a decrease of \$33,588 from 2019.

Capital Assets

Capital asset investment includes office furniture, equipment, website development, and leasehold improvements. The decline in capital assets reflects annual depreciation.

Additional information on the capital assets can be found in Note 3 of this report.

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	2021	2020	Increase	2019
Furniture	\$ 3,722	\$ 3,722	\$ -	\$ 14,464
Equipment	18,885	14,624	4,261	17,307
Website Development	15,604	15,604	-	15,604
Leasehold Improvements	14,785	14,785	-	17,951
Gross Capital Assets	52,996	48,735	4,261	65,326
Less Accumulated Depreciation	(39,690)	(48,735)	9,045	(65,326)
Net Capital Assets	\$ 13,306	\$ -	\$ 13,306	\$ -

Economic factors and assumptions for fiscal year June 30, 2022

Periodically, RWA outlines goals and objectives to assist its members in collaborating on programs that will protect and enhance the quality and reliability of the region's water supplies. These goals and objectives drive the annual budget process. The following economic factors and assumptions affected the budget for fiscal year June 30, 2022.

- 1) In light of the economic conditions resulting from COVID-19 pandemic, an overall 0% increase on all membership fees is proposed for fiscal year 2022. Additionally, RWA has formed an ad hoc committee to review how membership dues are calculated given consideration to size of the agency and a more standardized cost per retail connection. Regardless of member increases, RWA will continue to pay additional sums towards the unfunded pension liability. Even at an overall zero increase, some member's actual increase may be slightly different if water connections changed from the previous year.
- 2) SGA service fees represent 50% sharable costs according to the Administrative Services Agreement, 20% of the Project Assistant position, 10% for the Legislative Program Manager position, and excludes the Water Efficiency Program and Strategic Affairs Manager positions. SGA does pay for 100% of the part-time annuitant and will completely fund a new Associate Program Manager beginning in the latter part of fiscal year 2022.
- 3) Subscription program revenues provide approximately 10% of needed RWA core revenues and reflect income earned from providing staffing and office support to subscription-based programs, including the WEP.
- 4) Powerhouse Science Center (PSC) reflects five years of collection of funds with fiscal year 2019 as the final year, to be paid to PSC over 15 years. Additional members joined which yielded an additional \$13,000, that was credited back to the agencies in FY20.
- 5) The core program budgets for all staffing positions. Shared staffing costs are allocated 50/50 to SGA and RWA. The Legislative Program Manager is 90% funded by RWA and 10% by SGA; the Water Efficiency Program Manager is 100% funded by WEP; the Strategic Affairs Manager is 100% funded by the Major Projects and Resilience Programs and the Project Research Assistant is funded 80% by WEP and 20% by SGA, and RWA hired a part-time annuitant (0.5 FTE) which is 100% reimbursed by SGA and will completely fund a new Associate Program Manager for the last six months of fiscal year 2022. These allocations result in 5.7 FTEs for RWA and 3.3 FTEs for SGA for a total of 9.0 fulltime equivalent positions.

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- 6) Staff salaries are within ranges assigned by the 2017 total compensation survey and reflect a possible 4% increase for merit plus 2% COLA. Beginning in fiscal year 2019, staff pays the full 7% employee share of their pension contributions.
- 7) Benefit costs also include projected increases for OPEB and health care. Benefits also include estimates for future OPEB costs for new employees.
- 8) RWA continues to plan for additional CalPERS pension payments for the unfunded liability. The planned additional payment in FY22 is \$36,700.
- 9) Office cost increases are based upon estimated increases in fiscal year 2022 and also include the increased office lease agreement costs. For FY22 and beyond, office costs are estimated at 3% annual increases or less, unless specific increases have been identified.
- 10) Professional fees include higher audit, accounting and actuarial analysis fees due to the reporting requirement for GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and GASB 75, increased public relations, human resources assistance, increased legal costs associated with advocacy, IRWM consulting costs, water advocacy consulting fees and general consulting costs.
- 11) Other includes office equipment and furniture purchases.
- 12) Core program expenses include costs associated with the Powerhouse Science Center partnership and Integrated Regional Water Management (IRWM).
- 13) Combined core and subscription expenses versus revenues net a projected deficit. Many subscription program expenses will be funded from previously collected funds which have been paid in advance and set aside for this specific purpose.
- 14) Changes to membership are not anticipated, including any decline due to agency consolidations or nonparticipation.

Requests for Information

This financial report is designed to provide a general overview of RWA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance and Administrative Services Manager, Regional Water Authority, 5620 Birdcage Street, Suite 180, Citrus Heights, CA 95610.

REGIONAL WATER AUTHORITY

STATEMENTS OF NET POSITION JUNE 30, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and Investments	\$ 1,306,121	\$ 1,238,678
Restricted Cash and Investments	1,701,723	1,091,522
Grants/Incentives Receivable	157,058	130,015
Accounts Receivable	39,137	66,706
Receivable from Sacramento Groundwater Authority (SGA)	76,782	31,705
Other Assets	32,755	36,746
Total Current Assets	3,313,576	2,595,372
Net Other Post Employment Benefits (OPEB) asset	109,488	129,455
Capital Assets, Net	13,306	-
Total Non-Current Assets	122,794	129,455
Total Assets	3,436,370	2,724,827
DEFERRED OUTFLOWS		
Pension	149,687	102,437
OPEB	138,631	163,677
Total Deferred Outflows	288,318	266,114
TOTAL ASSETS AND DEFERRED OUTFLOWS	3,724,688	2,990,941
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	139,335	124,741
Compensated Absences	69,092	68,166
Subscription Program Advances	791,426	348,290
Unearned Revenue	260,047	25,000
Total Current Liabilities	1,259,900	566,197
Non-Current Liabilities		
Compensated Absences	40,500	17,000
Net Pension Liability	106,279	70,367
Unearned Revenue	160,000	150,387
Total Non-Current Liabilities	306,779	237,754
Total Liabilities	1,566,679	803,951
DEFERRED INFLOWS		
Pension	54,876	58,356
OPEB	214,908	274,079
Total Deferred Inflows	269,784	332,435
NET POSITION		
Net Investment in Capital Assets	13,306	-
Restricted	739,694	568,927
Unrestricted	1,135,225	1,285,628
Total Net Position	\$ 1,888,225	\$ 1,854,555

REGIONAL WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Assessment Income	\$ 1,064,385	\$ 1,048,114
Subscription Program Fees	654,556	820,313
Incentives, Grants, and Reimbursements	1,690,067	3,198,249
Other Income	735	44,692
Total Operating Revenues	<u>3,409,743</u>	<u>5,111,368</u>
OPERATING EXPENSES:		
Administrative Expenses	1,346,341	1,398,003
Core Program Expenses	25,000	25,000
Subscription Program Direct Expenses	374,741	520,224
Grant Awards	1,644,998	3,169,044
Total Operating Expenses	<u>3,391,080</u>	<u>5,112,271</u>
OPERATING INCOME (LOSS)	18,663	(903)
OTHER INCOME:		
Interest Income	<u>15,007</u>	<u>56,813</u>
INCREASE IN NET POSITION	<u>33,670</u>	<u>55,910</u>
Net Position, Beginning of Year	<u>1,854,555</u>	<u>1,798,645</u>
NET POSITION, End of Year	<u><u>\$ 1,888,225</u></u>	<u><u>\$ 1,854,555</u></u>

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STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members and participants	\$ 2,434,306	\$ 2,016,252
Cash received from SGA	487,072	545,748
Cash received from grants and other sources	1,663,759	3,221,462
Cash paid to employees, related benefits and taxes	(1,425,844)	(1,235,602)
Cash paid to suppliers	(843,098)	(1,177,615)
Cash paid to subscription program participants	(1,644,998)	(3,242,956)
Net Cash Provided by Operating Activities	671,197	127,289
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(15,256)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash	21,703	60,692
NET INCREASE IN CASH AND CASH EQUIVALENTS	677,644	187,981
CASH AND CASH EQUIVALENTS, Beginning of Year	2,330,200	2,142,219
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 3,007,844</u>	<u>\$ 2,330,200</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET:		
Cash and investments	\$ 1,306,121	\$ 1,238,678
Restricted cash and investments	1,701,723	1,091,522
Total cash and cash equivalents	<u>\$ 3,007,844</u>	<u>\$ 2,330,200</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 18,663	\$ (903)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,950	-
Change in operating assets and liabilities:		
Grants/Incentives receivable	(27,043)	(21,479)
Accounts receivable	27,569	(22,040)
Receivable from SGA	(45,077)	24,343
Other assets	(2,705)	(14,833)
Accounts payable and accrued liabilities	14,594	29,072
Compensated absences	24,426	25,665
Grants payable	-	(73,912)
Subscription program advances	443,136	194,865
Net pension liability	(14,818)	55,571
Net OPEB liability	(14,158)	(44,060)
Unearned revenue	244,660	(25,000)
Net cash provided by operating activities	<u>\$ 671,197</u>	<u>\$ 127,289</u>

REGIONAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity – Regional Water Authority (RWA) was formed under a Joint Exercise of Powers Agreement on March 20, 1990 under the previous name of the Sacramento Metropolitan Water Authority. The members of RWA are governmental units in and around the greater Sacramento area of the State of California. RWA also has associate memberships that include public or private entities with water management responsibilities and who are not municipal water suppliers in this region. Lastly, RWA has an affiliate membership class with the purpose to promote communication between water managers and the community and to support RWA's efforts to educate and inform the public. The mission of RWA is to serve and represent regional water supply interests and assist Regional Water Authority members with protecting and enhancing the reliability, availability, affordability and quality of water resources. RWA promotes regional cooperative projects that will provide reliable long-term water supplies in a cost-effective manner for the benefit of RWA's membership, rate-payers and consumers.

RWA is governed by a board comprised of two representatives from each of the member agencies. The representatives are appointed by the member agencies.

Basis of Accounting – For financial reporting purposes, RWA is considered a special-purpose government engaged in business-only type activities. Accordingly, RWA's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are earned when services are performed and expenses are recorded when an obligation has been incurred.

Operating revenues and expenses are generated and funded through assessments from member agencies, associate and affiliate organizations, and subscription revenues from program participants on a cost reimbursement basis. Additionally, RWA may receive grant awards from federal, state or local agencies. Grants managed on behalf of program participants, administration and depreciation expenses are also considered operating activities. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Administrative expenses are allocated to subscription programs based upon budgeted allocation agreements and based upon staffing resources used.

Future Pronouncements –

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for the year ended June 30, 2022.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement is effective for the year ended June 30, 2022.

RWA will analyze the impact of these new Statements prior to the effective dates listed above.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, the disclosure of contingent assets, deferred outflows, liabilities, and deferred inflows at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statement of cash flows, RWA considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Cash and Investments – RWA participates in an investment pool managed by the State of California, the Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities.

Capital Assets – Capital assets, consisting of furniture, website development costs, office equipment and leasehold improvements in excess of \$2,500 per unit acquired after May 17, 2012, with useful lives of more than one year are stated at historical cost and are included in the financial statements. Before May 17, 2012, assets in excess of \$500 with useful lives of more than one year were capitalized at historical cost. Routine repairs and maintenance are charged to operating expenses in the year the expense is incurred. RWA provides for depreciation using the straight-line method over the estimated useful lives of the assets, which is typically five years or over the lease term for leasehold improvements.

Compensated Absences – Compensated absences are accrued and reported as a liability in the period earned. Amounts payable are included in the Statements of Net Position. RWA's policy provides vacation leave to employees at a rate of 12 to 25 days per year based upon the number of years of employment and is considered earned on a pro-rata basis for each payroll period. Unused earned vacation leave is paid to employees upon separation. Total vacation hours are accrued and capped at 45 days. Vacation leave will resume accrual once the employee's accrued time is less than 45 days. Sick leave accrues at a rate of eight hours per calendar month and is capped at 480 hours per employee. Upon termination of employment, the employee's remaining accrued but unused sick leave will be credited to additional service credit for the California Public Employee Retirement System program (CalPERS) to the extent permitted under the CalPERS-Authority contract and CalPERS law. The Authority does not accrue for unused sick leave since it is not paid out upon termination.

Net Pension Liability and Related Balances – For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

terms. Investments are reported at fair value by CalPERS and not reported by RWA. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications (www.calpers.ca.gov). Reported results pertain to liability and asset information within the following defined timeframes:

	2021	2020
Valuation Date (VD)	June 30, 2019	June 30, 2018
Measurement Date (MD)	June 30, 2020	June 30, 2019
Measurement Period (MP)	July 1, 2019 to June 30, 2020	July 1, 2018 to June 30, 2019

Net Other Post-Employment Benefits (OPEB) Liability – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of RWA's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

	2021	2020
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2019
Measurement Period	July 1, 2019 to June 30, 2020	July 1, 2018 to June 30, 2019

Deferred Outflows and Inflows – Deferred outflows of resources is a consumption of net position by RWA that is applicable to a future period and deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Both deferred inflows and outflows of resources are reported in the statements of net position, but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate. See Note 5 for further details related to the pension deferred outflows and inflows. See Note 6 for additional details related to the OPEB related deferred outflows and inflows.

Subscription Program Advances – Program revenue received in advance of subscription-based program costs are recognized as advances. The purpose of these advances is to pay for subscription-based program costs not paid for by grant awards or to provide a cash flow bridge for grant expenses paid for in advance of grant awards received. These advances will be recognized as revenues as program costs are incurred over the life of the projects. Subscription-based programs often straddle multiple fiscal years. At the completion of the subscription-based program, any unused portion of these fees is typically returned to participants. For the years ended June 30, the advances by subscription programs are as follows:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

	2021	2020
Regional Water Bank - Phase 1	\$ 276,540	\$ 253,247
Regional Water Bank - Phase 2	236,900	-
Major Projects/Resilience Programs	189,652	-
2014 Drought Program Management	27,254	32,518
Prop 84 Program Management	24,010	28,095
RWA Prop 84 Round 3 Program Management	14,207	14,207
Rachio Controller - Members	9,397	-
CALFED Meter	7,131	10,911
USBR Drought Interties	4,030	8,230
Prop1 Round 1 - Members	2,305	-
SRCSO Water Suppliers	-	1,082
Total	<u>\$ 791,426</u>	<u>\$ 348,290</u>

Unearned Revenue – Monies received as assessments relating to subsequent years and received in advance are recorded as unearned revenue. Unearned revenue is comprised of the following at June 30:

	2021	2020
Powerhouse Science Center	\$ 180,000	\$ 175,387
Bonneville Environmental Foundation Grant - WEP	240,047	-
Less: Current Portion	<u>(260,047)</u>	<u>(25,000)</u>
Non-Current Portion	<u>\$ 160,000</u>	<u>\$ 150,387</u>

The unearned revenue relates to the Powerhouse Science Center water exhibit agreement which represents amounts collected from members but not yet remitted to the Powerhouse Science Center and the Bonneville Environmental Foundation Grant which is a new grant received in fiscal year 2021 to RWA's Water Efficiency Program for the purposes of reduction in water and energy use, reduced demand from surface and groundwater resources, enhanced fish and wildlife habitat and climate change mitigation.

Net Position – RWA's net position is classified into the following categories:

Net investment in capital assets: Furniture and equipment, net of accumulated depreciation, if applicable.

Restricted: Represents net position which consists of constraints placed on net asset use through external requirements imposed by creditors, grantors, members, or laws and regulations of other governments or constraints by law through enabling legislation. A portion of net assets have been restricted based upon subscription contractual provisions. The restrictions by contract represent fees by participants in excess of program costs for the specific program. These funds are restricted for the intended program by contract. Expenses to administer these programs will use these restricted funds. Restricted net position consists of cumulative Water Efficiency Program fees in excess expenses incurred of \$739,694 and \$568,927 as of June 30, 2021 and 2020, respectively.

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Unrestricted: Funds not subject to any outside legal restrictions on use of these funds and may be designated for use by management or the Board.

Non-exchange Transactions – The grant awards and incentives received by RWA are considered voluntary non-exchange transactions since these awards and incentives are entered into willingly by the grantors and RWA. In the non-exchange transactions, RWA receives value (benefit) from another party (the grantor) without directly giving equal value in exchange.

Typically, RWA has administrative oversight in distributing these grant and incentive proceeds to program participants. All current grant agreements offer grant awards on a reimbursement basis once allowable costs have been incurred under the program. These requirements must be met in advance of applying for and receiving the funds from the grantors. RWA recognizes revenues and receivables when all applicable eligibility requirements have been met.

Additionally, RWA simultaneously recognizes a grant award expense and grants payable for these grant awards since RWA then will reimburse participating agencies when the actual cash is received. To the extent RWA receives the allowable cost information from the participating agencies in a timely manner, recognition of receivables and revenues are not delayed pending completion of purely routine requirements, such as the filing of claims for allowable costs under a reimbursement program or the filing of progress reports with the provider.

Assessment Income – Each of the member water districts, cities and service districts pay yearly assessments to RWA based on the number of retail water connections each provides. During 2021, the minimum assessment was \$6,386 and a maximum assessment was \$77,751. During 2020, the minimum assessment was \$6,386 and a maximum assessment was \$74,049.

Non-voting associate members pay an annual fee equal to 0.1% of the entity's annual operating budget, rounded to the next even thousand dollars, with a maximum annual fee of \$14,492 per year in 2021 and \$13,802 in 2020, subject to adjustments from time to time by the RWA Board. Lastly, RWA affiliates pay an annual fee of \$750 per year.

Subscription Program Fees – On a subscription basis, RWA provides a water conservation program, media, grant writing, and program and grant administration assistance to certain program participants over and above the core RWA services. Program participants who benefit from these activities reimburse RWA for their share of direct costs and related administrative overhead. For grant and program administration, RWA invoices program revenue in advance to program participants. Amounts received in advance, but not yet earned by RWA for these activities are recorded as subscription program advances in the financial statements.

Grant Revenue – RWA coordinates grant applications among program participants and then administers these grant awards. Typically, the program participants incur the expenses and make payments to vendors and request reimbursement for these expenses from RWA. During fiscal years 2021 and 2020, the Prop 84 and Prop 1 grant also funded Water Efficiency Program (WEP) incurred expenses. RWA has administrative grant responsibilities and submits the grant reimbursement requests to the grantor. The grant reimbursements are recorded in the financial statements as grants revenue and grants receivable. The amounts payable to the program participants and the related expenses are presented in the financial statements as grant awards and grants payable to member agencies.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

Related Parties – RWA invoices the Sacramento Groundwater Authority (SGA) for management services and common office costs. SGA was created in 1998 under another Joint Exercise of Powers Agreement. Many of the member agencies of RWA are also member agencies of SGA. Under an Administrative Services Agreement, SGA and RWA are equally responsible for all costs incurred to operate the joint office. Expenses paid on SGA's behalf by RWA were \$532,149 and \$521,405 for the years ended June 30, 2021 and 2020, respectively. The Statement of Revenues, Expenses, and Changes in Net Position reflect the net expenses of RWA after reimbursement by SGA. The Statement of Cash Flows reflects the cash payments from SGA as well as all expenses paid by RWA to employees and suppliers.

2. CASH AND INVESTMENTS

Cash and investments on the Statement of Net Position consist of the following at June 30:

	2021	2020
Cash and Investments	\$ 1,306,121	\$ 1,238,678
Restricted Cash and Investments	1,701,723	1,091,522
	<u>\$ 3,007,844</u>	<u>\$ 2,330,200</u>

Cash and investments balance at June 30 consist of the following:

	2021	2020
Deposits with financial institutions	\$ 107,420	\$ 38,478
Investments in LAIF	2,900,424	2,291,722
Total cash and investments	<u>\$ 3,007,844</u>	<u>\$ 2,330,200</u>

Investments Authorized by RWA's Investment Policy

RWA's investment policy authorizes investments in the local government investment pool administered by the State of California (LAIF). RWA is a voluntary participant in LAIF that is regulated by the California Government Code under oversight by the Local Investment Advisory Board, which consists of five members as designated by state statute. The fair value of RWA's investment in this pool is reported in the accompanying financial statements at amounts based upon the RWA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The total fair value of all public agencies invested in the LAIF at June 30, 2021 and 2020 was \$37,066,592,514 and \$32,075,372,648, respectively. The LAIF balance is a part of the California Pooled Money Investment Account (PMIA) and includes the Surplus Money Investment Fund and the General Fund. The total fair value of all public agencies invested in PMIA at June 30, 2021 and 2020 was \$193,463,490,765 and \$101,788,256,254, respectively. For information on the types of investments made by LAIF, refer to the State of California Treasurer's separately issued investment reports. Copies of these investment reports may be obtained by calling (916) 653-3001, by writing to LAIF, 915 Capitol Mall, Room 106, Sacramento, CA 95814, or by logging on to the treasurer's website at www.treasurer.ca.gov/pmia-laif/reports/monthly.asp.

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The investment policy does not contain any specific provisions to limit RWA's exposure to interest rate risk, credit risk and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment's sensitivity to the changes in market interest rates increases as the length of maturity increases. The average maturity of the investments in the LAIF investment pool on June 30, 2021 and 2020 was approximately 291 days and 191 days, respectively.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

LAIF has a separate investment policy, governed by Government Code Sections 16480-16481.2 that provides credit standards for its investments. RWA has 96% and 98% of its cash invested in LAIF for the years ended June 30, 2021 and 2020, respectively.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and RWA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as LAIF.

At June 30, 2021 and 2020, RWA's bank balance was \$155,559 and \$167,266, respectively. The RWA bank balance is covered 100% by FDIC insurance up to \$250,000. From time to time RWA will be exposed to custodial credit risk since RWA can receive large deposits and write large checks due to grant activity. RWA does bank with a long-standing reputable national bank to mitigate some of this risk.

Restricted Cash

Restricted cash represents cash received by RWA for subscription-based program revenue restricted in use for these programs. The restriction is based upon contractual agreements on how to use the advanced program revenues. Additionally, the amounts received in advance for the Bonneville Environmental Foundation Grant and Powerhouse Science Center have been restricted.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

As of June 30, restricted cash by program is as follows:

	2021	2020
Water Efficiency Program	\$ 499,647	\$ 568,927
Regional Water Bank - Phase 1	276,540	253,247
Bonneville Environmental Foundation Grant - WEP	240,047	-
Regional Water Bank - Phase 2	236,900	-
Major Projects/Resilience Programs	189,652	-
Powerhouse Science Center	180,000	175,387
2014 Drought Program Management	27,254	32,518
Prop 84 Program Management	24,010	28,095
RWA Prop 84 Round 3 Program Management	14,207	14,207
CALFED Meter	7,131	10,911
USBR Drought Interties	4,030	8,230
Prop 1 Round 1 - Members	2,305	-
Total Restricted Cash	<u>\$ 1,701,723</u>	<u>\$ 1,091,522</u>

3. CAPITAL ASSETS

A summary of the capital assets at cost is as follows for the years ended June 30:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Furniture	\$ 3,722	\$ -	\$ -	\$ 3,722
Office Equipment	14,624	15,256	(10,995)	18,885
Website Development	15,604	-	-	15,604
Leasehold Improvements	14,785	-	-	14,785
Total	48,735	15,256	(10,995)	52,996
Less accumulated depreciation	(48,735)	(1,950)	10,995	(39,690)
Capital Assets, Net	<u>\$ -</u>	<u>\$ 13,306</u>	<u>\$ -</u>	<u>\$ 13,306</u>

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Furniture	\$ 14,464	\$ -	\$ (10,742)	\$ 3,722
Office Equipment	17,307	-	(2,683)	14,624
Website Development	15,604	-	-	15,604
Leasehold Improvements	17,951	-	(3,166)	14,785
Total	65,326	-	(16,591)	48,735
Less accumulated depreciation	(65,326)	-	16,591	(48,735)
Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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4. OPERATING LEASE COMMITMENTS

Office Lease

RWA is obligated under an operating lease agreement for office space. RWA's rental expense was \$34,310 and \$31,783 for the years ended June 30, 2021 and 2020, respectively. During fiscal year 2021, RWA renewed its office lease through September 2023. Minimum lease payments are as follows:

Year Ending June 30,	
2022	\$ 35,574
2023	35,574
2024	<u>5,929</u>
Total minimum lease payments	<u>\$ 77,077</u>

Copier Lease

RWA entered into an operating lease agreement during fiscal year 2020 for a copier. The monthly lease payment is \$229, plus taxes and a per copy rate. RWA incurred \$3,210 and \$2,815 in rental expense for the years ended June 30, 2021 and 2020, respectively.

Minimum lease payments are as follows:

Year Ending June 30,	
2022	\$ 2,748
2023	2,748
2024	2,748
2025	<u>1,832</u>
Total minimum lease payments	<u>\$ 10,076</u>

5. EMPLOYEE PENSION PLANS

Plan Description

RWA participates in a public agency cost-sharing multiple-employer defined benefit pension plan (the Plan) administered by California Public Employees' Retirement System (CalPERS). Since RWA has less than 100 active members as of the years ended June 30, 2020 and 2019 (measurement dates), qualified employees are covered under the Miscellaneous 2% at 55 Risk Pool. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

The California Legislature passed and the Governor signed the "Public Employees' Pension Reform Act of 2013" (PEPRA) on September 12, 2012. PEPRA contained a number of provisions intended

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to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 2012. Benefit provisions and other requirements are established by State statute. The miscellaneous plan is closed to new employees unless the new employee is considered a classic member as defined by PEPRA.

Benefits Provided

The benefits for the Plan are established by contract with CalPERS, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. To be eligible for service retirement, members must be at least 50 and have a minimum of five years of CalPERS-credited service. Under the PEPRA plan, members after January 1, 2013 must be at least 52.

Contributions

Section 20814(c) of the PERL requires employer contribution rates for all public employers are determined on an annual basis by the actuary and are effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. RWA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The required contribution rate for the June 30, 2020 and 2019 measurement periods are 12.275% and 11.164%, respectively.

Employer contributions rates may change if plan contracts are amended. For the years ended June 30, 2021 and 2020, the employer required contributions to the plan were \$76,480 and \$62,065, respectively. RWA also made additional non-required employer pension contributions of \$36,700 and \$15,000 for the years ended June 30, 2021 and 2020, respectively, towards payment of its unfunded liability.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

RWA's net pension liability (NPL) for the Plan is measured as the proportionate share of the NPL. The NPL of the Plan is measured as of June 30, 2020 for the year ended June 30, 2021. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. As of June 30, 2021 and 2020, RWA's proportionate share of the Plan's NPL was \$106,279 and \$70,367, respectively.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

Using RWA's individual employer rate plan's share of the risk pool TPL and Fiduciary Net Position (FNP), the proportionate shares of the TPL and FNP at the measurement date are determined for RWA by the actuary for the June 30, 2020 measurement date. The following table shows RWA's employer allocation factors for the Plan as of the measurement dates for June 30, 2020 and 2019:

2020

Proportion - June 30, 2020	0.002520%
Proportion - June 30, 2019	<u>0.001757%</u>
Change – increase	<u>0.000763%</u>

2019

Proportion - June 30, 2019	0.001757%
Proportion - June 30, 2018	<u>0.002383%</u>
Change - decrease	<u>(0.000626)%</u>

For the measurement period ended June 30, 2020 and 2019, RWA incurred a pension expense of \$98,362 and \$55,571, respectively.

At June 30, the deferred outflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	
	2021	2020
Contributions after measurement date	\$ 113,180	\$ 77,065
Difference between actual and expected experience	5,477	4,887
Changes in assumptions	-	3,355
Net difference between projected and actual earnings on plan investments	3,156	-
Adjustments due to differences in proportions	<u>27,874</u>	<u>17,130</u>
	<u>\$ 149,687</u>	<u>\$ 102,437</u>

The \$113,180 and \$77,065 reported as deferred outflows of resources related to employer contributions after the measurement date will be recognized as a reduction of the NPL for the years ended June 30, 2022 and 2021, respectively.

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At June 30, the deferred inflow of resources related to pensions from the following sources:

	Deferred Inflow of Resources	
	2021	2020
Difference between actual and expected experience	\$ -	\$ 379
Changes in assumptions	758	1,189
Net difference between projected and actual earnings on plan investments	-	1,230
Differences between employer contributions and the employer's proportionate share of contributions	44,731	39,294
Adjustments due to differences in proportions	9,388	16,264
	<u>\$ 54,877</u>	<u>\$ 58,356</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized in future pension expense as follows:

2021:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2022	\$ (11,646)
2023	(9,878)
2024	1,642
2025	1,514

2020:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2021	\$ (9,244)
2022	(12,629)
2023	(11,359)
2024	248

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 and 2020

Actuarial Assumptions

For the measurement period ended June 30, 2020, the TPL was determined by rolling forward the June 30, 2019 results. For the measurement period ended June 30, 2019, the TPL was determined by rolling forward the June 30, 2018 results. The TPL was based on the following actuarial methods and assumptions:

For the measurement period ending June 30	<u>2020</u>	<u>2019</u>
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increases	Varies by Entry Age and Service	
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership data for all Funds	
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies	

⁽¹⁾ The mortality table was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Changes in Assumptions

No benefit or assumption changes were made for the measurement periods ended June 30, 2020 and 2019.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2020 and 2019 (the measurement date) was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal years ended June 30, 2020 and 2019.

The tables below reflect the long-term expected real rate of return by asset class as of June 30. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation as follows:

Asset Class(a)	June 30, 2020			June 30, 2019		
	New Strategic	Real Return	Real Return	New Strategic	Real Return	Real Return
	Allocation	Years 1 - 10(b)	Years 11+(c)	Allocation	Years 1 - 10(b)	Years 11+(c)
Global Equity	50.0%	4.80%	5.98%	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%	1.0%	0.00%	-0.92%
Total	100.0%			100.0%		

Sensitivity of the Proportional Share of the NPL to Changes in the Discount Rate

The following presents RWA's Proportional Share of the NPL of the Plan, calculated using the discount rate of 7.15% for the measurement dates June 30, 2020 and 2019, as well as what the Proportional Share of the NPL would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Proportionate Share of Plan's NPL at June 30, 2020	\$440,901	\$106,279	(\$170,208)
Proportionate Share of Plan's NPL at June 30, 2019	\$367,895	\$70,367	(\$175,221)

Payable to the Pension Plan

At June 30, 2021 and 2020, RWA does not have outstanding payables to the pension plan.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

Deferred Compensation Plan

RWA offers its employees a deferred compensation plan (Deferred Plan) created in accordance with Internal Revenue Code Section 457 through CalPERS and is managed by ING. The Deferred Plan is available to all RWA employees and permits them to defer a portion of their salary until future years. The Deferred Plan deferred elections are not available to employees until termination, retirement, death or unforeseeable emergency. RWA does not contribute to the Plan on behalf of its employees. No unfunded accrued liabilities exist for this Plan.

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

RWA has established a retiree healthcare plan that provides other postemployment health care benefits for eligible retired employees and their dependents through the retiree healthcare plan (the Plan). RWA, through the authorization of their Board of Directors, elected to establish an irrevocable trust for the Plan through the California Employers' Retiree Trust (CERBT) fund, an agent multiple-employer plan, administered by CalPERS. The CERBT has pooled administrative and investment functions, while separate employer accounts are maintained to prefund and pay for health care or other postemployment benefits in accordance with the terms of the participating employers' plans. The CERBT offers three investment strategies for employers to choose from depending on their expected levels of return and volatility. Benefit provisions are established by RWA.

Benefits Provided

RWA's OPEB are provided in accordance with the CalPERS Law. The criteria to determine eligibility includes years of CalPERS service, employee age, and disability due to line of duty. Each eligible employee hired before September 1, 2007 who is covered by CalPERS health insurance subject to age and service limitations, is covered by the retiree health benefits insurance contract under Resolution 1993-001. This retiree benefit also covers qualified dependents. RWA pays for the retiree health benefit coverage as approved under Resolution 1993-001 and may be amended from time to time.

For employees hired after September 1, 2007, an employee must be eligible to retire in accordance with the RWA's CalPERS pension plan rules and have at least five years of credited service with RWA. Premiums are set annually by CalPERS for each retiree and eligible dependents. RWA's annual required contribution toward health benefit coverage premiums for these employees will be calculated as a percentage of the total eligible cost of such coverage based on the retired employees' total credited years of qualifying service under CalPERS' service credit rules. These employees with less than 10 years total CalPERS' service and/or less than five years credited service with the RWA will not be eligible for retiree health care coverage under RWA's plan. Any additional health plan premiums not paid by RWA's contribution toward the cost of the retiree's health benefits coverage must be paid by the retired employee.

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NOTES TO THE FINANCIAL STATEMENTS

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Employees Covered

As of the June 30, 2019 actuarial valuation, the following inactive and active employees were covered by the benefit terms under the OPEB Plan:

Inactive employees receiving benefits	3
Inactive employees entitled to but not receiving benefits	1
Participating active employees	<u>8</u>
Total	<u>12</u>

Contributions

RWA makes annual contributions to the CERBT fund. The current policy is to prefund benefits through annual contributions based on an actuarially determined contribution. For the fiscal year ended June 30, 2021, RWA's cash contributions were \$18,690 in payments to the trust and the estimated implied subsidy was \$40,257, resulting in total payments of \$58,947. For the fiscal year ended June 30, 2020, RWA's cash contributions were \$56,504 in payments to the trust and the estimated implied subsidy was \$30,778, resulting in total payments of \$87,282. These assets accumulate and are invested in the CERBT. Employees are currently not required to contribute to the plan.

Net OPEB Liability

The net OPEB liability for June 30, 2021 and 2020, was measured as of June 30, 2020 and 2019, respectively. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 to determine the June 30, 2021 and 2020 total OPEB liability, based on the following actuarial methods and assumptions:

	2021	2020
Valuation Date	June 30, 2019	June 30, 2019
Funding Method	Entry Age Normal, Level Percent of Pay	Entry Age Normal, Level Percent of Pay
Asset Valuation Method	Market Value of Assets	Market Value of Assets
Discount Rate	6.90%	6.90%
Long-term Return on Assets (net of plan investment expenses and inflation)	6.90%	6.90%
Salary Increase	3.25%	3.25%
Inflation Rate	2.75%	2.75%
Mortality Rate	MacLeod Watts Scale 2018 applied generationally ⁽¹⁾	MacLeod Watts Scale 2018 applied generationally ⁽¹⁾
Pre-Retirement Turnover	CalPERS 1997-2015 Experience Study ⁽²⁾	CalPERS 1997-2015 Experience Study ⁽²⁾
Healthcare Trend	6.50% decreasing to 5.0% ⁽³⁾	6.50% decreasing to 5.0% ⁽³⁾

⁽¹⁾ The MacLeod Watts Scale 2018 was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2017 Report, published in October 2017 and (2) the demographic assumptions used in the 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published July 2017.

⁽²⁾ Demographic actuarial assumptions used in this valuation are based on the 2017 experience study of CalPERS using data from 1997 to 2015, except for a different basis used to project future mortality improvements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

⁽³⁾ The healthcare trend ranges from increases of 6.50% starting in 2021 and decrease 0.5% per year to 5.0% in 2025 and beyond.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or more than the target rate of return of 6.90 percent, for measurement periods ended June 30, 2020 and 2019.

The CERBT offers three diversified allocation strategies. RWA has elected to participate in CERBT's Strategy 1 which has the highest long-term expected rate of return and return volatility. The following table shows the target asset allocation for employers participating in CERBT Strategy 1:

Asset Class	2021	2020
Global Equity	59%	59%
Fixed Income	25%	25%
Inflation Assets	8%	8%
REITs	5%	5%
Commodities	3%	3%
Total	100%	100%

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2021 and 2020 was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that RWA contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020**

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2020 Measurement Date 6/30/2019	\$ 1,058,579	\$ 1,188,034	\$ (129,455)
Changes During the Period:			
Service Cost	76,149	-	76,149
Interest Cost	75,707	-	75,707
Employer Contributions	-	87,282	(87,282)
Net Investment Income	-	82,376	(82,376)
Benefit Payments	(75,036)	(75,036)	-
Administrative Expenses	-	(601)	601
Investment Experience	-	(37,168)	37,168
Net Changes in Fiscal Year 2020-2021	76,820	56,853	19,967
Balance at Fiscal Year Ending 6/30/2021 Measurement Date 6/30/2020	\$ 1,135,399	\$ 1,244,887	\$ (109,488)
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2019 Measurement Date 6/30/2018	\$ 1,172,890	\$ 1,088,168	\$ 84,722
Changes During the Period:			
Service Cost	66,236	-	66,236
Interest Cost	84,785	-	84,785
Employer Contributions	-	84,977	(84,977)
Net Investment Income	-	77,184	(77,184)
Changes of Benefit Terms	1,871	-	1,871
Benefit Payments	(55,816)	(55,816)	-
Assumption Changes	(152,520)	-	(152,520)
Administrative Expenses	-	(240)	240
Plan Experience	(58,867)	-	(58,867)
Investment Experience	-	(6,239)	6,239
Net Changes in Fiscal Year 2019-2020	(114,311)	99,866	(214,177)
Balance at Fiscal Year Ending 6/30/2020 Measurement Date 6/30/2019	\$ 1,058,579	\$ 1,188,034	\$ (129,455)

The following presents the net OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement periods ended June 30:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

	Current		
	Discount Rate	Discount Rate	Discount Rate
	-1% (5.90%)	(6.90%)	+1% (7.90%)
Net OPEB liability (asset), June 30, 2020	\$ 20,799	\$ (109,488)	\$ (217,837)

	Current		
	Discount Rate	Discount Rate	Discount Rate
	-1% (5.90%)	(6.90%)	+1% (7.90%)
Net OPEB liability (asset), June 30, 2019	\$ (9,885)	\$ (129,455)	\$ (228,930)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement periods ended June 30:

	Current		
	Medical	Medical	Medical
	Trend Rate	Trend Rate	Trend Rate
	-1% (5.50%)	(6.50%)	+1% (7.50%)
	decreasing to	decreasing to	decreasing to
	4.0%)	5.00%)	6.00%)
Net OPEB Liability (asset) at June 30, 2020	\$ (219,854)	\$ (109,488)	\$ 24,507

	Current		
	Medical	Medical	Medical
	Trend Rate	Trend Rate	Trend Rate
	-1% (5.50%)	(6.50%)	+1% (7.50%)
	decreasing to	decreasing to	decreasing to
	4.0%)	5.00%)	6.00%)
Net OPEB Liability (asset) at June 30, 2019	\$ (232,354)	\$ (129,455)	\$ (4,526)

OPEB plan fiduciary net position

Detailed information about the Plan's fiduciary net position is available on CalPERS' website in an annual report titled "California Employers' Retiree Benefit Trust, Agent Multiple-Employer Other Postemployment Benefits Plan, Schedule of Changes in Fiduciary Net Position by Employer". Additionally, CalPERS annually issues a Comprehensive Annual Financial Report which includes the CERBT fund's financial information.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years at June 30, 2021 and 2020. All other amounts are recognized over the expected average remaining service lifetime (EARS�), which was 8.05 years at June 30, 2021 and 2020.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal years ended June 30, 2021 and 2020, RWA recognized OPEB expense of \$44,789 and \$43,222, respectively. As of fiscal years ending June 30, deferred outflows of resources related to OPEB are from the following sources:

	2021	2020
	Deferred Outflows of Resources	Deferred Outflows of Resources
OPEB contributions subsequent to measurement date	\$ 58,947	\$ 87,282
Changes in assumptions	55,262	76,395
Net differences between projected and actual earnings on OPEB plan investments	<u>24,422</u>	<u>-</u>
Total	<u>\$ 138,631</u>	<u>\$ 163,677</u>

As of fiscal years ended June 30, deferred inflows of resources related to OPEB are from the following sources:

	2021	2020
	Deferred Inflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 100,282	\$ 129,025
Net differences between projected and actual earnings on OPEB plan investments	-	11,481
Changes in assumptions	<u>114,626</u>	<u>133,573</u>
Total	<u>\$ 214,908</u>	<u>\$ 274,079</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

The \$58,947 and \$87,282 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 and 2019 measurement dates will be recognized as a reduction of the net OPEB liability during the fiscal years ended June 30, 2022 and 2021, respectively. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2021:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2022	\$ (25,291)
2023	(19,514)
2024	(17,764)
2025	(18,828)
2026	(26,260)
Thereafter	(27,567)

2020:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2021	\$ (32,726)
2022	(32,725)
2023	(26,948)
2024	(25,198)
2025	(26,260)
Thereafter	(53,827)

7. BOARD DESIGNATIONS

The Board establishes and approves the operating fund, membership dues, strategic plan fund, and subscription program designation target balances on an annual basis as part of the budget process based upon available cash and may modify these targets during the year so as to follow or temporarily modify the Financial/Designation Reserve Policy No. 500.1. The available cash at June 30, 2021 and 2020 is sufficient to set aside the designations for budget purposes.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

The designations as of June 30 are as follows:

	<u>2021</u>	<u>2020</u>
<u>Board Designations</u>		
Operating Fund	\$ 663,193	\$ 708,100
Membership Dues	157,100	149,700
Subscription Programs	21,354	19,400
Office Expansion/Relocation	<u>20,000</u>	<u>-</u>
Total Board Designations	<u>\$ 861,647</u>	<u>\$ 877,200</u>

The operating fund is designed to ensure cash resources are available to fund daily administration and operations for RWA as well as a resource for matching funds for grant partnership opportunities. The operating fund target designation is four to six months of operating expenses. For the years ended June 30, 2021 and 2020, this designation is approximately six months when considering the SGA reimbursement for expenses. The membership dues stabilization fund is fully funded and designed to supplement operating cash flow in the event a member does not renew and is targeted at 15% of membership dues. The subscription program revenue fund is designed to be used in the event subscription program revenue to support operating expenses does not materialize as planned. This fund is set at 10% of net subscription program support revenue. The office expansion/relocation fund is designed to be used for future RWA office expansion/relocation.

8. COMPENSATED ABSENCES

The changes to compensated absences balances at June 30 are as follows:

<u>Balance 2020</u>	<u>Earned</u>	<u>Used</u>	<u>Balance 2021</u>	<u>Due Within One Year</u>	<u>Long-term</u>
\$ 85,166	\$ 75,123	\$ (50,697)	\$ 109,592	\$ 69,092	\$ 40,500

<u>Balance 2019</u>	<u>Earned</u>	<u>Used</u>	<u>Balance 2020</u>	<u>Due Within One Year</u>	<u>Long-term</u>
\$ 59,501	\$ 73,153	\$ (47,488)	\$ 85,166	\$ 68,166	\$ 17,000

9. INSURANCE

RWA participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA), a public entity risk pool of California water agencies, for general liability, public officials' liability, property damage, fidelity insurance, workers' compensation and employer's liability. ACWA/JPIA provides insurance through the pool up to a certain level.

RWA pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate ACWA/JPIA.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

RWA's deductibles and maximum coverage are as follows:

Coverage	ACWA/JPIA	Commercial Insurance	Deductible
General, Auto and Public Officials, Errors & Omissions Liability	\$ 5,000,000	\$ 50,000,000	None
Cyber Liability	-	5,000,000	None
Property Coverage	100,000	499,900,000	\$1,000 - \$25,000/\$100,000 (1)
Fidelity Insurance	100,000	-	1,000
Workers' Compensation Insurance	2,000,000	Statutory	None

(1) Earthquake deductible varies

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Copies of ACWA/JPIA's annual financial reports and other pertinent data may be obtained from their website at www.acwajpia.org, their office at 2100 Professional Drive, Roseville, CA 95661-3700 or by calling (800) 231-5742.

10. CONTINGENCIES

Grant Awards and Payments

RWA participates in numerous grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies. Therefore, to the extent that RWA has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021 and 2020 may be impaired. In the opinion of RWA's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

According to the voluntary grant agreements with the California Department of Water Resources (DWR), five to ten percent of the eligible grant award payment is withheld until program completion. Program completion is considered an eligibility requirement. Since these retention payments are withheld until the program is complete, the revenues related to these eligible and allowable costs are not reflected in the financial statements until the program is complete. Once the retention is received, RWA will then pay the program participants for the eligible costs incurred. This contingent grant award revenue and the related liability to program participants is estimated at \$214,279 and \$736,477 at June 30, 2021 and 2020, respectively, and is not currently reflected in the financial statements.

Powerhouse Science Center

RWA entered into an agreement with the Powerhouse Science to be a title sponsor for two water-related exhibits in the amount of \$500,000. These exhibits will be displayed in the science center in Sacramento and provide educational opportunities on the important role of reliable water supplies and efficient water use in protecting public health and the environment. After RWA's initial \$50,000 payment made July 7, 2014, fixed annual payments of \$25,000 are scheduled to be made over a 14 year period, for a total of \$400,000. The California Water Awareness Campaign (CWAC) paid the

REGIONAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

remaining \$100,000 to Powerhouse. RWA will provide on-going input for these exhibits and the related programming and materials provided at Powerhouse. RWA levied members an annual assessment over five years to fund this commitment through fiscal year 2019.

Contingencies due to COVID

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on member agencies, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

11. ECONOMIC DEPENDENCIES

RWA incurs common administrative expenses to operate both RWA and SGA. RWA relies upon reimbursement of these expenses by SGA. As discussed in Note 1, summary of significant accounting policies, SGA reimbursed \$532,149 and \$521,405 for the years ended June 30, 2021 and 2020 which represents 28% and 27% of RWA's total administrative expenses, respectively. Additionally, RWA relies upon subscription-based programs to pay for administration expenses of 21% and 13% for the years ended June 30, 2021 and 2020, respectively. The WEP represents a substantial portion of the subscription-based programs that contributes towards administrative expenses. To the extent subscription-based programs did not exist or were reduced, RWA membership dues would need to increase to fund operating expenses.

REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY Last Ten Years

	Measurement Date						
	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.002520%	0.001757%	0.002383%	0.003917%	0.004247%	0.012618%	0.013650%
Proportionate share of the net pension liability	\$ 106,279	\$ 70,367	\$ 89,817	\$ 154,391	\$ 147,540	\$ 346,165	\$ 337,276
Covered - employee payroll	\$ 598,436	\$ 511,721	\$ 536,680	\$ 466,290	\$ 365,294	\$ 592,756	\$ 565,797
Proportionate share of the net pension liability as a percentage of covered payroll	17.76%	13.75%	16.74%	33.11%	40.39%	58.40%	59.61%
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	75.10%	75.26%	75.26%	73.31%	75.87%	78.40%	79.82%
RWA fiduciary net position as a percentage of the RWA pension liability	95.77%	96.82%	95.45%	90.24%	89.09%	83.50%	83.03%

Notes to Schedule:

For the measurement period ending June 30, 2020, there were no assumption changes.

For the measurement period ending June 30, 2019, there were no assumption changes.

For the measurement period ending June 30, 2018, the inflation rate was lowered from 2.75% to 2.5%.

For the measurement period ending June 30, 2017, the discount rate decreased from 7.65% to 7.15% due to an assumption change.

For the measurement period ending June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses) to 7.65% to correct for an adjustment to exclude administrative expenses.

There were no benefit changes in any of the years presented.

Historical information is only required for the years in which GASB 68 is applicable. Future years' information will be displayed for up to 10 years as information becomes available.

REGIONAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN FOR THE YEARS ENDED JUNE 30

	Fiscal Year							
	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Contractually required contribution (actuarially determined)	\$ 76,480	\$ 62,065	\$ 51,840	\$ 49,160	\$ 47,566	\$ 44,595	\$ 70,182	\$ 62,822
Contributions in relation to the actuarially determined contributions	113,180	77,065	114,840	91,160	89,566	181,995	70,182	62,822
Contribution deficiency (excess)	<u>\$ (36,700)</u>	<u>\$ (15,000)</u>	<u>\$ (63,000)</u>	<u>\$ (42,000)</u>	<u>\$ (42,000)</u>	<u>\$ (137,400)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 711,891	\$ 598,436	\$ 511,721	\$ 536,680	\$ 466,290	\$ 365,294	\$ 592,756	\$ 565,797
Contributions as a percentage of covered - employee payroll	15.90%	12.88%	22.44%	16.99%	19.21%	49.82%	11.84%	11.10%
Contributions valuation date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011
Contributions measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry age normal							
Amortization Method	Level percentage of payroll, closed							
Remaining amortization period	Varies, not more than 30 years							
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Investment Rate of Return	7.00% ⁽¹⁾	7.25% ⁽¹⁾	7.375% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾
Inflation	2.500%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Payroll Growth	2.750%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Salary Increases	Varies by entry age and service							
Mortality	(3)	(3)	(3)	(2)	(2)	(2)	(2)	(2)

Notes to Schedule:

- (1) Net of administrative expenses, includes inflation.
(2) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007.
(3) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.

Historical information is only required for the years in which GASB 68 is applicable. Future years' information will be displayed for up to 10 years as information becomes available.

REGIONAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIO FOR THE MEASUREMENT PERIOD ENDING JUNE 30

Measurement Period	2020	2019	2018	2017
Total OPEB Liability				
Service Cost	\$ 76,149	\$ 66,236	\$ 64,152	\$ 57,930
Interest Cost	75,707	84,785	78,135	71,699
Changes of Benefit Terms	-	1,871	-	-
Actual and Expected Experience Difference	-	(58,867)	-	(141,761)
Assumption Changes	-	(152,520)	-	139,794
Benefit Payments	<u>(75,036)</u>	<u>(55,816)</u>	<u>(42,919)</u>	<u>(40,972)</u>
Net change in OPEB Liability	76,820	(114,311)	99,368	86,690
Total OPEB Liability - Beginning	<u>1,058,579</u>	<u>1,172,890</u>	<u>1,073,522</u>	<u>986,832</u>
Total OPEB Liability - Ending (a)	<u>\$ 1,135,399</u>	<u>\$ 1,058,579</u>	<u>\$ 1,172,890</u>	<u>\$ 1,073,522</u>
Plan Fiduciary Net Position				
Employer Contributions	\$ 87,282	\$ 84,977	\$ 73,980	\$ 72,745
Net Investment Income	45,208	70,945	77,895	90,150
Benefit Payments	(75,036)	(55,816)	(42,919)	(40,972)
Administrative Expenses	(601)	(240)	(520)	(460)
Other Expenses	<u>-</u>	<u>-</u>	<u>(1,297)</u>	<u>-</u>
Net change in plan fiduciary net position	56,853	99,866	107,139	121,463
Plan fiduciary net position - Beginning	<u>1,188,034</u>	<u>1,088,168</u>	<u>981,029</u>	<u>859,566</u>
Plan fiduciary net position - Ending (b)	<u>\$ 1,244,887</u>	<u>\$ 1,188,034</u>	<u>\$ 1,088,168</u>	<u>\$ 981,029</u>
Net OPEB (Asset) Liability (a) - (b) = (c)	<u>\$ (109,488)</u>	<u>\$ (129,455)</u>	<u>\$ 84,722</u>	<u>\$ 92,493</u>
Plan fiduciary net position as a percentage of OPEB liability (b)/(a)	109.64%	112.23%	92.78%	91.38%
Covered Payroll (d)	\$ 933,449	\$ 799,048	\$ 834,157	\$ 752,115
Net OPEB (Asset) Liability as a percentage of covered payroll (c)/(d)	-11.73%	-16.20%	10.16%	12.30%

Notes to Schedule:

Historical information is only required for the years which GASB 75 is applicable. Future years' information will be displayed for up to 10 years as information becomes available.

REGIONAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF OPEB CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30

Fiscal Year Ended June 30	2021	2020	2019	2018
Actuarially Determined Contribution (ADC) (a)	\$ 58,626	\$ 87,603	\$ 84,977	\$ 73,980
Contributions in Relation to ADC	(58,947)	(87,282)	(84,977)	(73,980)
Contribution Deficit (Excess)	<u>\$ (321)</u>	<u>\$ 321</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll (b)	\$ 1,018,771	\$ 933,449	\$ 799,048	\$ 833,750
ADC as a % of covered employee payroll (a)/(b)	5.79%	9.35%	10.63%	8.87%

Notes to Schedule:

Valuation Date	June 30, 2019	June 30, 2017	June 30, 2017	July 1, 2015
Actuarial Cost Method	Entry Age Normal			
Amortization Method/Period	Level Percent of Pay over a closed 10-year period			
Asset Valuation Method	Market Value of Assets			
Inflation	2.75%			
Salary Increase	3.25% per year, used only to allocate the cost of benefits between service years			
Investment Rate of Return	6.90%	7.00%		
Healthcare Trend	6.50% in 2021, stepping down by 0.5% to 5.00% in 2024	6.50% in 2021, stepping down by 0.5% to 5.00% in 2024		7.50% in 2017, stepping down by 0.5% to 4.50% in 2023
Retirement Age	From 50 to 75			
Mortality	CalPERS 2017 Experience Study; Projected with MacLeod Watts Scale 2018	CalPERS 2014 Experience Study; Projected with MacLeod Watts Scale 2017		CalPERS 2014 Experience Study; Projected with MacLeod Watts Scale 2014

Notes to Schedule:

Historical information is only required for the years which GASB 75 is applicable. Future years' information will be displayed for up to 10 years as information becomes available.

SUPPLEMENTARY INFORMATION

REGIONAL WATER AUTHORITY

PROGRAM SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2021

	Agency Core Program	Water Efficiency Program	PROP 84	2014 Drought PROP 84	PROP 84 Round 3	Prop 1 Round 1	USBR CALFED Program	Landscape Imagery Program	Water Transfer	USBR Drought Interties	Regional Water Bank Phase 1	Regional Water Bank Phase 2	Major Projects Resilience Programs	Total RWA
Operating Revenues														
Assessment Income	\$ 1,064,385	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,064,385
Subscription Program Fees	-	463,021	-	-	-	5,927	-	27,533	31,033	4,200	36,707	600	85,535	654,556
Incentives, Grants, and Reimbursements	-	187,247	551,184	462,870	466,808	18,178	3,780	-	-	-	-	-	-	1,690,067
Other Income	735	-	-	-	-	-	-	-	-	-	-	-	-	735
Total Operating Revenues	<u>1,065,120</u>	<u>650,268</u>	<u>551,184</u>	<u>462,870</u>	<u>466,808</u>	<u>24,105</u>	<u>3,780</u>	<u>27,533</u>	<u>31,033</u>	<u>4,200</u>	<u>36,707</u>	<u>600</u>	<u>85,535</u>	<u>3,409,743</u>
Operating Expenses														
Administrative Expenses	949,087	221,446	4,085	6,962	12,308	24,105	3,780	-	31,033	4,200	3,200	600	85,535	1,346,341
Core Program Expenses	20,000	5,000	-	-	-	-	-	-	-	-	-	-	-	25,000
Subscription Program Direct Expenses	29,351	284,350	-	-	-	-	-	27,533	-	-	33,507	-	-	374,741
Grant Awards	-	187,491	547,099	455,908	454,500	-	-	-	-	-	-	-	-	1,644,998
Total Operating Expenses	<u>998,438</u>	<u>698,287</u>	<u>551,184</u>	<u>462,870</u>	<u>466,808</u>	<u>24,105</u>	<u>3,780</u>	<u>27,533</u>	<u>31,033</u>	<u>4,200</u>	<u>36,707</u>	<u>600</u>	<u>85,535</u>	<u>3,391,080</u>
Net Operating Income	<u>66,682</u>	<u>(48,019)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,663</u>
Interest Income	<u>15,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,007</u>
Net Income (Loss)	<u>\$ 81,689</u>	<u>\$ (48,019)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>33,670</u>
Net Position, Beginning of the Year														<u>1,854,555</u>
Net Position, End of the Year														<u>\$ 1,888,225</u>

REGIONAL WATER AUTHORITY

PROGRAM SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2020

	Agency Core Program	Water Efficiency Program	PROP 84	2014 Drought PROP 84	PROP 84 Round 3	USBR CALFED Program	Landscape Imagery Program	ASR Information Study	Water Transfer	Prop 1 IRWM	USBR Drought Interties	Regional Water Bank	Total RWA
Operating Revenues													
Assessment Income	\$ 1,048,114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,048,114
Subscription Program Fees	26,806	479,055	21,458	2,684	11,495	-	15,117	60,000	19,385	-	4,560	179,753	820,313
Incentives, Grants, and Reimbursements	-	166,728	2,777,818	110,788	120,283	1,837	-	-	-	20,795	-	-	3,198,249
Other Income	44,692	-	-	-	-	-	-	-	-	-	-	-	44,692
Total Operating Revenues	<u>1,119,612</u>	<u>645,783</u>	<u>2,799,276</u>	<u>113,472</u>	<u>131,778</u>	<u>1,837</u>	<u>15,117</u>	<u>60,000</u>	<u>19,385</u>	<u>20,795</u>	<u>4,560</u>	<u>179,753</u>	<u>5,111,368</u>
Operating Expenses													
Administrative Expenses	1,142,042	164,004	21,458	6,542	12,305	1,837	-	4,750	19,385	21,120	4,560	-	1,398,003
Core Program Expenses	20,000	5,000	-	-	-	-	-	-	-	-	-	-	25,000
Subscription Program Direct Expenses	10,469	259,652	-	-	-	-	15,117	55,233	-	-	-	179,753	520,224
Grant Awards	-	154,984	2,777,818	106,930	129,312	-	-	-	-	-	-	-	3,169,044
Total Operating Expenses	<u>1,172,511</u>	<u>583,640</u>	<u>2,799,276</u>	<u>113,472</u>	<u>141,617</u>	<u>1,837</u>	<u>15,117</u>	<u>59,983</u>	<u>19,385</u>	<u>21,120</u>	<u>4,560</u>	<u>179,753</u>	<u>5,112,271</u>
Net Operating Income	<u>(52,899)</u>	<u>62,143</u>	<u>-</u>	<u>-</u>	<u>(9,839)</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>(325)</u>	<u>-</u>	<u>-</u>	<u>(903)</u>
Interest Income	<u>56,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,813</u>
Net Income (Loss)	<u>\$ 3,914</u>	<u>\$ 62,143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,839)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ (325)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>55,910</u>
Net Position, Beginning of the Year													<u>1,798,645</u>
Net Position, End of the Year													<u>\$ 1,854,555</u>

REGIONAL WATER AUTHORITY

SCHEDULE OF ALLOCATED ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED JUNE 30, 2021

RWA manages the SGA and shares 50% of the common administrative costs. Additionally, RWA administers subscription-based programs and allocates administrative costs to run these programs. The subscription-based programs include the ongoing Water Efficiency Program as well as one-time projects that may span over several years. The information below details total administrative expenses incurred by RWA by type and how these costs are then allocated to SGA and the various subscription-based programs. The remaining net agency administrative expenses are expected to be paid for by member annual assessment dues or by designations.

The allocation of administrative expenses for the year ended June 30, 2021 is:

	Staff Expenses	Office Expenses	Professional Fees	Total Administrative Expenses
RWA Administrative Expenses	\$ 1,344,869	\$ 168,219	\$ 365,402	\$ 1,878,490
Allocated to Sacramento Groundwater Authority	<u>(420,614)</u>	<u>(67,350)</u>	<u>(44,185)</u>	<u>(532,149)</u>
Total RWA Administrative Expenses - Net of SGA allocation	<u>924,255</u>	<u>100,869</u>	<u>321,217</u>	<u>1,346,341</u>
Allocated Administrative Expenses to Subscription Programs				
Water Efficiency Program	(191,434)	(18,242)	(11,770)	(221,446)
Proposition 84 Grant	(4,085)	-	-	(4,085)
2014 Drought Proposition 84	(6,962)	-	-	(6,962)
Proposition 84 Round 3	(12,308)	-	-	(12,308)
Proposition 1 Round 1	(24,105)	-	-	(24,105)
USBR CalFED Program	(3,780)	-	-	(3,780)
Water Transfer	(31,033)	-	-	(31,033)
USBR Drought Interties	(4,200)	-	-	(4,200)
Regional Water Bank - Phase 1	(3,200)	-	-	(3,200)
Regional Water Bank - Phase 2	(600)	-	-	(600)
Major Projects/Resilience Programs	<u>(79,539)</u>	<u>(4,434)</u>	<u>(1,562)</u>	<u>(85,535)</u>
Total Allocated Administrative Expenses - Subscription Programs	<u>(361,246)</u>	<u>(22,676)</u>	<u>(13,332)</u>	<u>(397,254)</u>
Net Agency Administrative Expenses - Agency Core Program	<u>\$ 563,009</u>	<u>\$ 78,193</u>	<u>\$ 307,885</u>	<u>\$ 949,087</u>

REGIONAL WATER AUTHORITY

SCHEDULE OF ALLOCATED ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

The allocation of administrative expenses for the year ended June 30, 2020 is:

	Staff Expenses	Office Expenses	Professional Fees	Total Administrative Expenses
RWA Administrative Expenses	\$ 1,303,640	\$ 171,897	\$ 443,871	\$ 1,919,408
Allocated to Sacramento Groundwater Authority	<u>(402,480)</u>	<u>(60,839)</u>	<u>(58,086)</u>	<u>(521,405)</u>
Total RWA Administrative Expenses - Net of SGA allocation	<u>901,160</u>	<u>111,058</u>	<u>385,785</u>	<u>1,398,003</u>
Allocated Administrative Expenses to Subscription Programs				
Water Efficiency Program	(140,682)	(12,545)	(10,777)	(164,004)
Proposition 84 Grant	(21,458)	-	-	(21,458)
2014 Drought Proposition 84	(6,542)	-	-	(6,542)
Proposition 84 Round 3	(12,305)	-	-	(12,305)
USBR CalFED Program	(1,837)	-	-	(1,837)
ASR Information Study	(4,750)	-	-	(4,750)
Water Transfer	(19,385)	-	-	(19,385)
Prop 1 IRWM	(21,120)	-	-	(21,120)
USBR Drought Interties	<u>(4,560)</u>	<u>-</u>	<u>-</u>	<u>(4,560)</u>
Total Allocated Administrative Expenses - Subscription Programs	<u>(232,639)</u>	<u>(12,545)</u>	<u>(10,777)</u>	<u>(255,961)</u>
Net Agency Administrative Expenses - Agency Core Program	<u>\$ 668,521</u>	<u>\$ 98,513</u>	<u>\$ 375,008</u>	<u>\$ 1,142,042</u>

OTHER REPORT

INSERT REPORT ON COMPLIANCE

AGENDA ITEM 5: ANNUAL REVIEW OF RWA INVESTMENT POLICY 500.2 AND OTHER POST EMPLOYMENT BENEFIT (OPEB)

BACKGROUND:

In accordance with Government Accounting Standards Board Statement 31, RWA's governing board is required annually to review its investment policy and associated investment selections. This review is typically completed as part of the overall annual audit process. RWA Policy 500.2 outlines the various types of suitable and acceptable investments that RWA can invest its surplus cash (attached). Since its policy inception, RWA has selected to invest its surplus cash in the Local Agency Investment Fund (LAIF) under the expertise of the State Treasurer's Office Investment staff. With a pooled money investment account exceeding \$179 billion, LAIF is considered one of the soundest investment options available to government agencies and special districts. LAIF has performed well over the years for RWA, and the interest earnings are reported in the annual audit. Last fiscal year, RWA earned approximately \$15,000 in interest income which is significantly lower than prior year interest earnings. Lower interest rates may result in less than budgeted interest income for fiscal year 2022. RWA's LAIF account balance as of November 2021 exceeds \$3.2 million.

Additionally, RWA also invests funds into a CalPERS trust, California Employee Retirement Benefits Trust (CERBT), to provide Other Post Employment Benefit (OPEB) for current and future retirees utilizing Investment Strategy 1 (the most aggressive strategy). Despite the economic downturn in 2020, RWA's CERBT has fully recovered any losses and has achieved its highest all-time balance. The current balance in RWA's CERBT is just under \$1.6 million.

STAFF RECOMMENDATION:

At this time, staff does not foresee a reason to change the current investment selection. If approved, this item will move forward for RWA Board approval at the January 13, 2022 board meeting.

Action: Recommend no changes to Policy 500.2 and/or OPEB investment portfolio to the Board of Directors

Information and Discussion: Josette Reina-Luken, Finance and Administrative Services Manager.

Attachments:

RWA Policy 500.2
November 2021 LAIF STATEMENT
CERBT STATEMENT as of 12-06-2021

REGIONAL WATER AUTHORITY POLICIES AND PROCEDURES MANUAL

Policy Type : Fiscal Management
Policy Title : Investment Policy
Policy Number : 500.2
Date Adopted : March 9, 2006
Date Amended : November 8, 2012

REGIONAL WATER AUTHORITY INVESTMENT POLICY

1.0 Purpose

The purpose of this Investment Policy (Policy) is to establish cash management and investment guidelines for the Treasurer, who is responsible for investing and safeguarding the Regional Water Authority's (RWA) surplus funds. Each transaction and the entire portfolio must comply with California Government Code (the "Code") Sections 53600 through 53610 (Investment of Surplus), Sections 53630 through 53686 (Deposit of Funds), and this Policy.

2.0 Scope

This Policy applies to all surplus financial funds of RWA that may be invested because they are not needed for immediate payment of expenses. These funds are accounted for in RWA's audited annual financial report and include:

1. Enterprise Funds
2. Trust and Agency Funds
3. Any new fund created by the legislative body, unless specifically exempted.

Except for cash in certain restricted and special funds, RWA will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles. In addition, the costs of managing the investment portfolio, including but not limited to the costs of investment management, custody of assets, managing and accounting for banking, and oversight controls, will be charged to investment earnings based upon actual hours of labor devoted to managing each of the funds.

3.0 General Objectives

In accordance with the Code, the primary objectives, in priority order, of investment activities will be safety, liquidity, and yield:

1. Safety. Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. Each investment transaction will be entered into with consideration for the quality of the issuer and of the underlying security and collateral.

2. Liquidity. The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Liquidity will be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands whenever feasible. A portion or the entire portfolio also may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

3. Yield. The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

4.0 Standards of Care

1. Prudent Investor Standard. In accordance with Section 53600.3, the RWA Board and Treasurer are trustees and fiduciaries subject to the "Prudent Investor Standard." The Prudent Investor Standard requires the Board and Treasurer, when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing the RWA's funds, to act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the RWA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the RWA. This standard will be applied in all investment decisions, including those related to hedging interest rate risks associated with debt financing. This standard will be applied in all investment decisions.

2. Ethics and Conflicts of Interest. The Treasurer and any other officers and employees involved in the investment process will refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Such officers and employees will disclose to the Board of Directors any material interests in financial institutions with which they conduct business. They will further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Affected officers and employees will refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of RWA. All such

officers and employees are prohibited from accepting honoraria, gifts and from financial dealers and financial institutions.

3. Delegation of Authority. Under Section 53607 of the Code, authority to manage RWA's investment portfolio is expressly delegated to the Board of Directors, which may delegate its authority to the Treasurer. In accordance with Section 53607, the Board hereby delegates its responsibility for the operation of the investment program to the Treasurer, who will act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Policy.

5.0 Safekeeping and Custody

1. Authorized Financial Dealers and Institutions. The Treasurer will maintain a list of financial institutions authorized to provide investment services and a list of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include primary dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

RWA will only deposit funds in a depository that is established and operated in accordance with applicable federal and state laws and regulations.

All financial institutions and broker/dealers who desire to become qualified to conduct investment transactions for RWA must supply the following to the Treasurer as requested:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Trading resolution
- Proof of state registration
- Completed broker/dealer questionnaire
- Certification signed by an authorized officer that he or she has read and understood and that the institution agrees to comply with this Policy.

The Treasurer will conduct an annual review of the financial condition and registration of qualified financial institutions and broker/dealers. A current audited financial statement is required to be on file for each financial institution and broker/dealer in or through which RWA invests. No broker, dealer, or securities firm will be eligible to provide services to RWA within 24 months of making a campaign contribution to any RWA Board member, if the contribution exceeds the limits contained in Rule G-37 of the Municipal Securities Rulemaking Board.

2. Delivery vs. Payment. Where applicable, all trades will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

6.0 Suitable and Authorized Investments

The Treasurer is authorized to make investments in accordance with the general categories and limitations established by Sections 53601, 53601.6, 53601.8, 53635, 53635.2, 53638 and 53684 of the Code. Authorized investments also will include investment into the Local Agency Investment Fund ("LAIF") in accordance with Section 16429.1 of the Code. See Appendix A, which summarizes the categories of permitted investments.

1. U.S. Government, Agencies, State and Local Government Sponsored Enterprises

- a. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- b. Registered state warrants or treasury notes or bonds of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.
- c. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.
- d. Bonds, notes, warrants, or other evidences of indebtedness of a local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency or authority of the local agency; provided, however, that any bond or certificate of participation investments in member agencies require prior Board approval.
- e. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- f. These investments have a maximum maturity of five years.

2. Bankers Acceptance Notes

- a. Investments in prime bankers' acceptances may not exceed 40 percent of the portfolio in effect on the date of purchase of any such investment.
- b. No more than 30 percent of this category of investments may be invested in any one commercial bank's acceptances.
- c. The maximum maturity shall be limited to 180 days.

3. Commercial Paper

- a. Only commercial paper of prime quality of the highest ranking or of the highest letter and numerical rating, at the time of purchase, as provided by Moody's Investors Services or Standard & Poor's Corporation may be purchased.
- b. Investments in commercial paper shall not exceed 25 percent of the portfolio in effect on the date of purchase of any such investment.
- c. Each investment shall not exceed 270 days maturity.
- d. No more than 10 percent of the outstanding commercial paper of an issuing corporation may be purchased.
- e. The issuer is either: (1) organized and operating in the United States as a general corporation and has total assets in excess of \$500 million. If the entity has debt other than commercial paper, it is rated "A", "A-2" or higher by a nationally recognized rating agency; or (2) is organized within the United States as a special purpose corporation, trust or limited liability company. Has program-wide credit enhancements including, but not limited to, over-collateralization, letters of credit or surety bond. Has commercial paper that is rated "A-1", "A+" or higher by a nationally recognized rating agency.

4. Negotiable Certificates of Deposit

- a. A negotiable certificate of deposit must be issued by a nationally or state-chartered bank, a state or federal savings and loan association or savings bank, a state or federal credit union, or by a federally-licensed or state-licensed branch of a foreign bank and be rated "A" or better by at least one nationally recognized rating agency.
- b. Investments in negotiable certificates of deposit may not exceed 30 percent of the total portfolio in effect on the date of purchase of any such investment.
- c. The investment will not exceed the total of the net worth of any depository savings and loan association, except that investments up to a total of \$500,000 may be made to a savings and loan

association without regard to the net worth of that depository, if such investments are insured or secured as required by law..

- d. The investment shall not exceed the shareholders' equity of any depository bank. For the purpose of this constraint, shareholders' equity shall be deemed to include capital notes and debentures.
- e. The RWA Board and the Treasurer or other official of the RWA having legal custody of the moneys are prohibited from investing RWA funds, or funds in the custody of the RWA, in negotiable certificates of deposit issued by a state or federal credit union if a member of the RWA's Board, or a person with investment decision making authority at the RWA also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.
- f. The maximum maturity is limited to five years.

5. Medium-term notes

- a. Investment in medium-term notes are limited to corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
- b. Purchases of medium-term notes will be limited to a maximum maturity of five years.
- c. Purchases of medium-term notes may not exceed 30 percent of the portfolio.
- d. Notes eligible for investment shall be rated in a rating category of at least "A" or its equivalent or better by a nationally recognized rating service.

6. Shares of Beneficial Interest (Money Market Funds)

- a. Investment in shares of beneficial interest issued by eligible diversified management companies that invest in securities that comply with Section 53601 and 53635 of the Code or are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940.
- b. These eligible companies must meet the following criteria:
 - i. Attain the highest ranking of the highest letter and numerical rating provided by not less than two nationally recognized rating agencies
 - ii. Retain an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market funds with assets under management in excess of \$500 million.

- c. The purchase price of the shares will not include any commission that the companies may charge and will not exceed 20 percent of the portfolio.
- d. No more than 10 percent of portfolio may be invested in one mutual fund.

7. Collateralized Bank Deposits

- a. Maximum maturity is limited to five years.
- b. Collateralization must be consistent with the requirements of Sections 53651 through 53652 of the Code.

8. Time Deposits

- a. For purposes of this Policy, collateralized time deposits will be considered investments.
- b. The financial institution used must have been in existence for at least five years.
- c. The financial institution must have received an overall rating of not less than “satisfactory” in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California’s communities.
- d. Eligibility for deposits will be limited to those financial institutions that have a branch in the State of California and maintain a rating equivalent to Thompson BankWatch Service of “B” or better.
- e. Credit requirements may be waived for a \$100,000 time deposit that is federally insured.
- f. The deposit will not exceed the shareholders’ equity of any depository bank. For the purpose of this constraint, shareholders’ equity will be deemed to include capital notes and debentures.
- g. The deposit will not exceed the total of the net worth of any depository savings and loan association, except that deposits not exceeding a total of \$500,000 may be made to a savings and loan association without regard to the net worth of that depository, if such deposits are insured or secured as required by law.
- h. Deposits must be insured up to the FDIC’s current limit. For uninsured deposits, the financial institution will maintain in the collateral pool securities having a market value of at least 10 percent in excess of the total amount deposited. RWA, at its discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. RWA shall have a signed agreement with any depository accepting RWA funds. Promissory notes secured by real estate mortgages or deeds of trust are not acceptable as collateral.
- i. When other factors are equal, appropriate consideration will be given to a financial institution that either individually or as a member

of a syndicate bids on or makes a substantial investment in the RWA's securities, contributes service to the RWA, and offers significant assistance to the RWA, so as to provide for distribution of total deposits among eligible financial institutions.

- j. Purchased time deposits will be limited to a maximum maturity of five years.

9. Local Agency Investment Fund

- a. Deposits for the purpose of investment in the Local Agency Investment Fund of the State of California may be made up to the maximum amount permitted by State Treasury policy.

7.0 Reporting

1. Required Periodic Reports. The Treasurer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the members of the RWA Board of Directors and Executive Director to ascertain whether investment activities during the reporting period have conformed to this Policy. The report shall be provided to the Board of Directors and the Executive Director. If applicable, the investment report will include the following:

- o Listing of individual securities held at the end of the reporting period by investment category.
- o Average life and final maturity of all investments listed
- o Coupon, discount, or earnings rate
- o Par value, amortized book value and market value
- o Percentage of portfolio represented by the investment category

2. LAIF Reporting. If the surplus funds are solely invested in the Local Agency Investment Fund (LAIF), the monthly LAIF statement shall be sufficient for reporting purposes.

8.0 Policy Considerations

1. Amendments. This Policy will be reviewed by the Treasurer on an annual basis. Any changes to this Policy recommended by the Treasurer must be approved by the Executive Committee and Board of Directors, after review and comment by the individual(s) charged with maintaining internal controls.

2. Administration. The Treasurer may at any time further restrict the securities approved for investment as deemed prudent. From time to time, the established portfolio limitations may be exceeded due to irregular cash

flows or in certain economic conditions. In such cases, the Treasurer will inform the Executive Committee and Executive Director and take action consistent with the prudent investor standard to ensure that no category of investments exceeds the statutory limitations provided in the Code.

3. Performance Review. The Treasurer will conduct an annual appraisal of RWA's investment portfolio to evaluate its effectiveness and conformance with this Policy. To the extent necessary or appropriate, the Treasurer will make recommendations to the Executive Committee concerning the improvement and/or restructuring of the portfolio.

4. Existing Investments. Any investment held by RWA at the time this Policy is first adopted or revised to conform to changes in law or this Policy will not be sold because of a failure to conform to this Policy, unless the Treasurer deems sale of the investment to be prudent or required by law.

5. Conflict With Statute. In the event that any provision of this Policy conflicts with the Code or any other applicable state or federal statute, the provisions of any such statute will govern.

APPENDIX A

PERMITTED INVESTMENT INSTRUMENTS PER GOVERNMENT CODE (AS OF JANUARY 1, 2012) ¹

Investment Type	Maximum Maturity	Maximum Specified % of Portfolio	Minimum Quality Requirement
Local Agency Bonds	5 years	100	None
U.S. Treasury Obligations	5 years	100	None
State Obligations—CA And Others	5 years	100	None
CA Local Agency Obligations	5 years	100	None
U.S Agency Obligations	5 years	100	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper—Select Agencies	270 days	25% of the agency's money	"A-1" if the issuer has issued long-term debt it must be rated "A" without regard to modifiers
Commercial Paper—Other Agencies	270 days	40% of the agency's money	"A-1" if the issuer has issued long-term debt it must be rated "A" without regard to modifiers
Negotiable Certificates of Deposit and CD Placement Service	5 years	30%	None
Medium-Term Notes	5 years	30%	"A" Rating
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	100	None
Bank/Time Deposits	5 years	100	None
County Pooled Investment Funds	N/A	100	None
Joint Powers Authority Pool	N/A	100	Multiple
Local Agency Investment Fund (LAIF)	N/A	100	None

¹ See Article 6 of the Policy for a more complete description of each permitted investment and related limitations.

California State Treasurer
Fiona Ma, CPA



Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

December 07, 2021

[LAIF Home](#)
[PMIA Average Monthly
Yields](#)

REGIONAL WATER AUTHORITY

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

[Tran Type Definitions](#)

Account Number: 90-34-019

November 2021 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	3,204,654.01
Total Withdrawal:	0.00	Ending Balance:	3,204,654.01

CERBT and CEPPT Plan Portal

» [CERBT and CEPPT]: rwah2oorg00

My Accounts

As of the financial markets most recent close of business (12/06/2021), the total value of your account(s) is **\$1,599,894.31**.

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 serving 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

AGENDA ITEM 6: BUREAU OF RECLAMATION MEMORANDUM OF AGREEMENT

BACKGROUND: The Bureau of Reclamation (Reclamation) is in the final stages of approving a Memorandum of Agreement (MOA) for Completion of the Sacramento Regional Water Bank (SRWB) Project and Sharing of Costs. This MOA seeks to provide federal cost share via the Water Infrastructure Improvements for the Nation (WIIN) Act, §4007 Storage Projects, to the Regional Water Authority (RWA) for the development of actions, such as a feasibility study, which will further the SRWB at the federal level. The MOA, signed by Reclamation, could come to RWA for corresponding signature as early as next week. A discussion will occur to discuss the MOA, provided here in its draft form as it is not final until all parties sign, and to gain approval by RWA members to sign the document.

Discussion: Michelle Banonis, Manager of Strategic Affairs

Action: Recommend approval of the Bureau of Reclamation MOA to the RWA Board of Directors

Attachment: Proposed Draft Memorandum of Agreement

MEMORANDUM OF AGREEMENT
FOR COMPLETION OF THE
SACRAMENTO REGIONAL WATER BANK PROJECT
AND SHARING OF COSTS

By and Between

U.S. Department of the Interior,
Bureau of Reclamation
and

Regional Water Authority and Sacramento Groundwater Authority

This Memorandum of Agreement (MOA) is made and entered into by and between the United States Department of the Interior, Bureau of Reclamation, Interior Region 10, California-Great Basin (Reclamation) and the Regional Water Authority (RWA), and Sacramento Groundwater Authority (SGA), hereinafter referred to as “Non-Federal Partner(s),” for the purpose of undertaking and completing feasibility studies and related environmental compliance activities for the Sacramento Regional Water Bank (SRWB) project. SRWB is one of the Water Storage Infrastructure Improvements for the Nation Act (WIIN) storage studies identified in the congressionally approved allocations in Section 4007, Water Storage (January 2021) and additional study authorizations cited herein.

WHEREAS, Reclamation and the Non-Federal Partner(s) will embark upon an effort to jointly develop alternatives for a federally acknowledged water bank to improve regional water supply reliability, improve Reclamation’s flexibility in operating Folsom Reservoir and assist in Reclamation’s Central Valley Project (CVP) operations. This Agreement, among other things, establishes the terms that will guide the performance of the feasibility study and provides the terms for funding the feasibility study.

WHEREAS, the Non-Federal Partner(s) will share costs to complete the SRWB investigation and so far has expended \$113,772.43 on the investigation including the developing the framework and technical details; coordination with key local, state, and federal staff; consultant services for initial water bank development; and legal review on the federal feasibility study. Future costs will be accounted for and in-kind services valued in accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR § 200). Further, costs associated with SRWB-related expenditures will be considered for reimbursement by Reclamation and will be allowable to the extent they would have been allowable if incurred after the date of the contract (48 CFR § 31.205-32); and

Commented [A1]: Update prior to routing for signatures

WHEREAS, Reclamation is the lead agency under the National Environmental Policy Act (NEPA) and the Non-Federal Partner(s) will select the lead state agency pursuant to the California Environmental Quality Act; and;

WHEREAS, Reclamation is the lead agency for compliance with the Endangered Species Act (ESA) as it pertains to all actions in which there is discretionary Federal involvement or control; and the Non-Federal Partner(s) are the lead agencies for compliance with the California Endangered Species Act, if any is required, and for all components of the Project which do not fall under Reclamation's discretionary Federal involvement or control;

WHEREAS, the Non-Federal Partner(s) are the lead agencies for the purpose of compliance with Section 401 and 404 of the Clean Water Act; and

WHEREAS, Reclamation and the Non-Federal Partner(s) will coordinate with each other and jointly with the State Water Resources Control Board (SWRCB), as appropriate, on any changes to existing water rights that may be required to enable Project operations; and

WHEREAS, Reclamation is hereby joining the Project Sponsors in conducting and advancing the SRWB Project Feasibility Investigation, and each entity recognizes the unique relationships and opportunities, mutual and exclusive needs and dependencies, Federal and non-Federal standards and procedures, potential outcomes and applications of the study results, and related decision-making and approval processes; and

WHEREAS, the Non-Federal Partner(s) are the lead agencies for the purpose of compliance with any additional requirements not listed here.

NOW, THEREFORE, in consideration of mutual and dependent covenants and conditions contained herein, which each Party acknowledges results in respective benefit, the Parties agree as follows:

SECTIONS

1. **Definitions:** The following terms shall have the following meanings when used in this MOA:
 - 1(a). **Parties:** means Reclamation and Non-Federal Partner(s).
 - 1(b). **Reclamation:** means the United States Department of the Interior, Bureau of Reclamation, California Great-Basin Region
 - 1(c). **Non-Federal Partner(s):** means all non-federal parties participating in the Project including the Regional Water Authority and Sacramento Groundwater Authority.
 - 1(d). **Contributed Funds Agreement:** means a legal financial agreement used by Reclamation to receive "all moneys... from any State, municipality, corporation, association, firm, district, or individual for investigations, surveys, construction work, or any other development work incident thereto involving operations similar to those provided for by the Reclamation law, are covered into the Reclamation fund and shall be available for expenditure for the purposes for which contributed in like manner as if said sums had been specifically appropriated for said purposes." 43 USC § 395. Any such Contributed Funds Agreement would be separate from this MOA.

- 1(e). Confidential Information: means any information that is privileged or protected from public release under the Freedom of Information Act (FOIA), 5 USC § 552(b), or the California Public Records Act (CPRA), California Government Code § 6250 *et seq.*
- 1(f). Confidential Business Information: means trade secrets or commercial or financial information that is privileged or confidential under the meaning of FOIA, 5 USC § 552(b)(4), or the CPRA. Information shall be marked or identified as provided for in Article 7(c) of this MOA.
- 1(g). Cost-Share: means the Parties' contributions as in-kind services as further defined in Articles 1(h) and 5(a) of this MOA, and contributed funds, if a separate Contributed Funds Agreement referenced in Article 1(d) is completed.
- 1(h). In-Kind Services: means eligible donated time and effort, real and personal property, and goods and services, as defined by the Department of the Interior. In-kind services may be used as a cost-share, but the value of the in-kind contributions must be evaluated and documented. Valuation of in-kind services shall be in accordance with 2 CFR Part 200.
- 1(i). Non-Federal Proportionate Cost-Share: The percentage of the total project or program cost of the Project assigned to the Non-Federal Partner(s), in accordance with Article 5(a) of this MOA.
- 1(j). Federal Proportionate Cost-Share: The percentage of the total project or program cost of the Project assigned to the Federal Government, in accordance with Article 5(a) of this MOA.
- 1(k). Intellectual Property: means any invention that is legally protected through patents, copyrights, trademarks, and trade secrets or otherwise protectable under Title 35 of the United States Code, under 7 USC § 2321, *et seq.*, or under the patent laws of a foreign country.
- 1(l). Key Personnel: Shall mean Reclamation and Non-Federal Partner(s) involved in the administration, management, or performance of the studies as defined in this MOA.
- 1(m). Scope of Work: means those activities set forth in Attachment 1 of this Agreement.
- 1(n). Subject Invention: Shall mean any invention or other intellectual property conceived or first reduced to practice under this MOA which is patentable or otherwise protectable under Title 35 of the United States Code, under 7 USC § 2321, *et seq.*, or under the patent laws of a foreign country.
- 1(o). Term of MOA: Shall mean the period set forth under Section 6, Article 6(a), Term.
- 1(p). Project Charter: Shall mean Reclamation's internal document which defines the scope of work for the SRWB Project, how the SRWB Project will be managed, and the major

roles and responsibilities that will be carried out through the duration of the SRWB Project.”

- 1(q). Project Management Plan (PMP): Shall mean the document prepared by Reclamation in coordination with the Non-Federal Partner(s), and routinely updated by Reclamation throughout the duration of the SRWB project to reflect current project schedule and approach, that serves as a guideline describing how the Parties will manage and conduct the investigation.
 - 1(r). Scope of the SRWB Project: Those activities, actions, and products set forth in the PMP that will be conducted during the Term of the MOA that are subject to the requirements of the MOA.
 - 1(s). Uncontrollable Force means any cause beyond the control of the Party affected. Uncontrollable Forces shall include but are not limited to, drought, facilities failure, flood, earthquake, storm, lighting, fire, epidemic, war, riot, civil disturbance, labor disturbance, sabotage, and restraint by court or public authority which by exercise of due diligence and foresight such Party could not have been reasonably expected to avoid.
2. Purpose of the MOA: The Parties herein agree that the purpose of this MOA is to clearly define and implement the activities, schedule, and responsibilities to complete the Sacramento Regional Water Bank project study and specified documents consistent with the PMP, and to share costs as outlined in this MOA, consistent with the authorizations identified below and other pertinent Federal, State, and local laws and policy. If mutually agreed, the Parties may amend this MOA to cooperatively proceed with additional activities which would be identified in a revised Scope of the SRWB project as incorporated into the PMP consistent with Section III(B) of this MOA.
3. Authorities and Financial Obligations
- 3(a). Authorities: Nothing in this Agreement alters the statutory authorities or any other authorities of the Non-Federal Partner(s) or Reclamation. This Agreement is intended to facilitate cooperative efforts for mutual provision of services and support, and technical assistance by both Parties in the conduct of meeting the objectives and scope of this MOA. This MOA does not supersede or void existing agreements between the Non-Federal Partner(s) and Reclamation.
- Reclamation’s authority to enter into this Agreement include the following:*
- 3(b). Reclamation Act of June 17, 1902 (ch. 1093, 32 Stat. 388; 43 U.S.C. 372, *et seq.*) and acts amendatory thereof and supplementary thereto.
 - 3(c). Public Law 114-322, Water Infrastructure Improvements for the Nation Act (WIIN) of December 16, 2016 (Section 4007 Storage Projects, 33 U.S.C. 2201, *et seq.*) and acts amendatory thereof and supplementary thereto.
 - 3(d). Feasibility Study Act, 1980 (P.L. 96-375).

- 3(e). Central Valley Project Improvement Act, 1992 (Title 34 of P.L. 102-575).
- 3(f). Consolidated Appropriations Act, 2021 (P.L. 116-260).
- 3(g). Consolidated Appropriations Act, 2014 (P.L. 113-76, Sec. 208).

Non-Federal Partner(s)' authority to enter into this Agreement include the following:

- 3(h). RWA Joint Exercise of Powers Agreement as amended October 8, 2013, Section 7.a.4: "Cooperate, act in conjunction and contract with the United States, the State of California, or any agency thereof, counties, municipalities, public and private corporations of any kind (including, without limitation, investor-owned utilities), and persons, or any of them, for any and all purposes necessary or convenient for the full exercise of the powers of the Regional Authority."
- 3(i). SGA Joint Powers Agreement as amended May 7, 2002, Section 16.c.vi: "To act jointly, or cooperate, with the United States or any agency thereof, the state, or any county or agency thereof, or any political subdivision or district therein, including flood control districts, private and public corporations, and any person, so that the powers of the Authority may be fully and economically exercised."

4. Roles and Responsibilities of Reclamation and Non-Federal Partner(s)

- 4(a). Executive Steering Committee (ESC): Each Party to this MOA will assign an executive-leadership-level representative to participate on the ESC for the duration of the term of this MOA. Members of the ESC will provide both program and project leadership, address issues affecting Project progress, and identify, and develop strategies to resolve, evolving issues or conditions. The ESC will meet on an as-needed basis.
- 4(b). Project Management Team (PMT): Each Party to this MOA will assign an executive- or leadership-level representative to participate on the Project Management Team for the duration of the study. Members on the PMT will provide both program and project leadership, address issues affecting study progress, and identify and strategize resolution of evolving issues or conditions. The PMT will meet on an as-needed bases.
- 4(c). A Project Development Team (PDT) shall be established. Each Party will identify a Project Manager and representatives to participate on the PDT, and any technical teams and subgroups as specified in the attached PMP (Attachment A). Reclamation shall chair the PDT. Meetings will be held as needed and used to track status of the studies, coordinate reviews of documents, share the Parties' perspectives on various topics, prepare briefings for the Project Management Team, and any other items the Parties wish to discuss related to the studies. It is anticipated that PDT meetings will be held bi-weekly. Meetings are intended to be in-person but may use remote technology. The PDT shall, on a quarterly basis, share an accounting of the actual expenses incurred by each Party under this MOA in accordance with Article 5 of this MOA.

- 4(d). Cooperative Partnership: The Parties will participate cooperatively as both cost-share and study partners to complete the PMP activities effectively and efficiently, with intent to manage and perform joint and/or separate activities; monitor and account for actions; produce documents for review, revision, and distribution to support decision making, approval, and related actions. The Parties commit to sharing all required documents (e.g., technical memoranda, draft and final reports, supporting materials, work products, and summaries of expenditures and expenses) within their respective authorities. Each Party is responsible for ensuring their respective policy, technical and legal requirements are met.
- 4(e). Coordination with Local Agencies: The Non-Federal Partner(s) will coordinate with the local agencies if and when any additional parties sign an MOA with the Project Sponsors with the intent to perform joint and/or separate activities needed to contribute to the Project, including but not limited to development of local water supply demands and reservoir facilities and operations.

5. Financial Obligations

- 5(a). Cost Sharing: Reclamation and the Non-Federal Partner(s) will share the eligible costs of preparing the Draft and Final Feasibility Reports, the Draft and Final EIS, and supporting documentation as required. All or part of the Non-Federal Partner(s)' share may be provided as in-kind services. Pursuant to the WIIN Act, the Non-Federal Partner(s) expenditures must be 75% or more of total project costs, and Reclamation may expend up to 25% of total project costs. Valuation of in-kind services shall be in accordance with 2 CFR Part 225, Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87).
- 5(a)(1). In accordance with Reclamation Directives and Standards, the Non-Federal Partner(s) shall account for the actual expense incurred. A record of these expenses shall be provided to Reclamation on at least a quarterly basis, or intermittently upon Reclamation's request, from the date of execution of this agreement. Requirements of such accounting shall, at a minimum, include the following:
- 5(a)(1)i. An explanation, in the form of a progress report, of the work performed for each activity completed during the reported quarter.
- 5(a)(1)ii. Progress reports shall include a summary of all costs incurred by the Non-Federal Partner(s). Allowable costs include payroll costs, contract costs, overhead cost, expense vouchers, and other costs as provided in the applicable Office of Management and Budget (OMB) regulations. Each activity should be supported by reports from the Non-Federal Partner(s)' financial system providing a breakdown of actual costs incurred for the current submission and total cost to date for each activity.

- 5(a)(1)iii. A cover letter or memorandum signed by an authorized representative of the Non-Federal Partner(s) should accompany the submission. The cover letter shall reference this MOA and any enclosures (i.e., progress report, expenses/payroll summary).
- 5(a)(1)iv. Reclamation will prepare similar progress reports describing costs incurred by Reclamation and will submit them to the Non-Federal Partner(s).
- 5(b). Financial Obligations: This MOA is not a funding document and does not obligate or transfer funds between the Parties.
- 5(c). Scope PMP: The Project Management Plan (PMP) to be included as Attachment A details the initial scope of work and level of effort. When the Parties identify new tasks, specific scopes and requirements will be negotiated between the Parties. Attachment A to this MOA will be routinely updated by Reclamation as required and the Non-Federal Partner(s).
- 5(d). In-Kind Services: Submission of documentation for in-kind services shall be submitted quarterly by the Non-Federal Partner(s). Quarterly accounting must detail work done for agreed-upon items. Only costs incurred against a cost-share agreement need to be documented and submitted for approval. Project Numbers must be used to distinguish various tasks and work phases. Items required for proper verification of work done include certified payroll, applicable contract numbers (i.e., consultant contracts), quarterly reports that coincide with Federal reporting requirements and generally accepted accounting principles, identification of cost-share partners, and scopes of work. Services cannot be included in any other Federal award in a current or prior period and their value must be based upon current market prices. Services that can not be included are:
 - 5(d)1. Refinement of a CalSim 3 model application to formulate and evaluate SRWB operations. This includes support for a Study Management Team, a Technical Team, and Stakeholder Engagement for the Pilot Project.

6. Terms and Termination

- 6(a). Term: This MOA shall take effect upon the date of signature by both Parties and, unless terminated per Article 6(d), will expire 5 years from the date of Reclamation's signature to this MOA.
- 6(b). Amendment: If either Party desires a modification in this MOA, the Parties shall confer in good faith to determine the desirability of such modification. Any amendment must be

mutually agreed upon in writing by Reclamation and the Non-Federal Partner(s). Any such modification shall not be effective until a written amendment to this MOA is signed by Reclamation and the Non-Federal Partner(s).

- 6(c). Addition of non-Federal Cost-Share Partners by the Non-Federal Partner(s): The Non-Federal Partner(s) retains sole discretion to add local agencies as signatories to the Cost-Share Agreement for SRWB Project Planning for the purpose of considering these agencies as potential partners in Project implementation, including appropriate cost-share arrangements. The Non-Federal Partner(s) shall notify Reclamation of such additions, if they occur.
- 6(d). Termination and Suspension: Prior to the expiration of this MOA, upon sixty (60) calendar days written notice to the other Party, either Party may elect without penalty to terminate this MOA or to suspend future performance under this MOA. In the event that either Party elects to terminate this MOA, pursuant to this Article, the Parties shall conclude their activities relating to the Project and proceed to a final accounting in accordance with Article 5 of this MOA. Any termination of this MOA in accordance with this Article shall not relieve the Parties of liability for any obligation previously incurred.
- 6(e). Suspension: If either Party suspends its performance, the other Party is relieved of any obligation to perform under this MOA until the suspension is terminated. Any such suspension shall remain in effect until either Reclamation or the Non-Federal Partner(s) terminates this MOA, the MOA terminates per Article 6(a), or the suspending Party notifies the other Party of its intent to end the suspension and perform in accordance with this MOA. Any suspension of future-performance under this MOA in accordance with this Article shall not relieve the Parties of liability for any obligation previously incurred. Financial Obligations and payment for in-kind services to the date of suspension or termination shall be satisfied.

7. Publications, Reports, and Confidentiality

- 7(a). Publications: The Parties understand and agree this MOA may be disclosed to the public in accordance with the FOIA or the ~~(C)PRA~~. Subject to the requirements of confidentiality, intellectual property, and preservation of rights in Subject Inventions, as further described in Article 1(e), 1(f), 1(k), and 1(n) herein, either Party may publish the results of the SRWB Project study described in this MOA. Any formally published or publicly shared report, memorandum, white paper, technical report, or other document must be consistent with applicable Department of the Interior and Reclamation procedures, requirements, policy, and Attachment A, provided:

- 7(a)(1). The other Party is allowed reasonable time to review the proposed publication(s) at least 20 work days prior to submission for publication by submission to the authorized agent.

- 7(a)(2). The final decision as to the publication content rests with the Party that writes the publication(s).
- 7(b). **Reports:** The results of the science, engineering, operations, and technology data that are collected, compiled, and evaluated pursuant to this MOA, including interim administrative drafts, and final draft reports and/or supporting documents, shall be shared and mutually exchanged by the Parties, consistent with Article 4 of this MOA and pertinent Reclamation directives, standards, and policy.
- 7(c). **Confidentiality:** Any Confidential Information or Confidential Business Information used in implementing this MOA shall be clearly marked “CONFIDENTIAL” or “PROPRIETARY” by the submitter, and shall not be disclosed by the recipient without permission of the owner in accordance with applicable law (e.g., E.O. 12600) and this MOA. To the extent either Party orally submits such Confidential Business Information to the other Party, the submitting Party will prepare a document marked “CONFIDENTIAL” or “PROPRIETARY” embodying or identifying in reasonable detail such orally submitted confidential information and provide the document to the other Party within 30 days of disclosure.
- Any Confidential Information or Confidential Business Information disclosed by one Party to the other Party shall remain confidential and protected from disclosure to the maximum extent allowed by applicable law. Neither Party shall be bound by confidentiality if the confidential information received from the other Party:
- 7(c)(1). Is already available to the public or the recipient.
- 7(c)(2). Becomes available to the public through no fault of the recipient.
- 7(c)(3). Is non-confidentially received from another Party legally entitled to it.

It shall not be a breach of this MOA if the recipient of Confidential Information is required to disclose Confidential Information by a valid order of a court or other government body, or as otherwise required by law, or as necessary to establish the rights of either Party under this MOA, provided that the recipient of Confidential Information shall provide prompt prior notice thereof to the other Party in order to seek a protective order or otherwise prevent such disclosure, and provided further that the Confidential Information otherwise shall continue to be kept confidential.

- 7(d). **Intellectual Property:** Unless otherwise agreed by the Parties, custody and administration of the inventions, including Subject Inventions, made as a consequence of, or in direct relation to, the performance of activities under this MOA shall remain with the respective inventing Party. In the event that a Subject Invention is made jointly by employees of the Parties or an employee of an agency’s contractor, the Parties shall consult and agree as to the future actions toward establishment of patent protection for the Subject Invention.

8. General

- 8(a). **Liability:** It is understood and agreed that no Party to this MOA shall be responsible for any damages or injuries arising out of the conduct of activities governed by this MOA, except to the extent that such damages or injuries were caused by the negligent or wrongful acts or omissions of its employees, agents, or officers. Reclamation's liability shall be limited by the Federal Tort Claims Act, 28 USC § 2671, *et seq.*, while the Non-Federal Partner(s) liability shall be limited by the California Government Claims Act, California Government Code § 810 *et seq.* No Party shall be liable for the negligent or wrongful acts or omissions of the other Party's employees, agents, or officers.
- 8(b). **Limitations:** This MOA sets out the Parties' intentions and objectives and does not apply to any person outside RWA, SGA and Reclamation. This MOA is not intended to, and does not create, any right, benefit, or trust responsibility, substantive or procedural, enforceable at law or equity, by anyone against the United States, its agencies, its officers, or any person.
- 8(c). **Notices:** Notices between the signatories and copies of correspondence shall be sent to the Reclamation and RWA point of contact below:

Mr. James Peifer
Executive Director
Regional Water Authority/
Sacramento Groundwater Authority
5620 Birdcage Street, Suite 180
Citrus Heights, CA 95610
Telephone: 916-967-7692

Ernest Conant
Regional Director
Bureau of Reclamation
2800 Cottage Way
Sacramento, CA 95825
Telephone: 916-978-5000

- 8(d). **Anti-Deficiency Act:** All activities, responsibilities, and commitments made under or pursuant to this MOA are subject to the availability of funds and each Parties' budget priorities, as determined by each Party. No provision herein shall be interpreted to require obligation or payment of funds. Further, no provision shall be interpreted in violation of the Anti-Deficiency Act, 31 U.S.C. § 1341, and no liability shall accrue to the United States in the event that funds are not appropriated or allotted. No liability of one party may be transferred to the other party.
- 8(e). **Counterparts:** This MOA shall be executed in duplicate and each original, once fully executed, shall be equally effective.
- 8(f). **Subcontracting Approval:** A Party hereto desiring to obtain and use the services of a third party via contract or otherwise shall give prior notice to the other Party, including details of the contract or other arrangement. This requirement is to assure confidentiality of

Confidential Information is not breached and rights in Subject Inventions are not compromised.

- 8(g). **Assignment:** Neither Party has the right to assign this MOA or any of its responsibilities hereunder, without the written consent of the non-assigning Party.
- 8(h). **Endorsement:** The Non-Federal Partner(s) shall not in any way state or imply that this MOA, or the results of this MOA, is an endorsement by the Federal government, Department of the Interior, or Reclamation or its organizational units, employees, products, or services except to the extent permission is granted by an authorized representative of Reclamation.
- 8(i). **Regulatory Compliance:** Both Parties acknowledge and agree to comply with all applicable laws and regulations of the Federal, State, and local environmental, cultural, and paleontological resource protection laws and regulations as applicable to the activities or projects for the MOA. These regulatory compliance requirements may include but are not limited to the National Environmental Policy Act (NEPA) including the Council on Environmental Quality and Department of the Interior regulations implementing NEPA, the Clean Water Act, the State and Federal Endangered Species Act, the California Environmental Quality Act, consultation with potentially affected tribes, and consultation with the State Historic Preservation Office.
- 8(j). **Disputes:** Any dispute arising under this MOA which cannot be readily resolved shall be submitted jointly to the Key Personnel officials identified above. Each Party agrees to seek in good faith to resolve the issue through negotiation, or other forms of nonbinding dispute resolution processes, if mutually acceptable to the Parties. Pending the resolution of any dispute or claim, the Parties agree that performance of all obligations shall be pursued diligently.

9. Signatures and Authorities. In Witness Whereof, the Parties execute this MOA on the date and year indicated below.

9(a). Bureau of Reclamation

U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
INTERIOR REGION 10 CALIFORNIA GREAT BASIN

Dated: _____

By: _____
Ernest Conant
Regional Director
Bureau of Reclamation

9(b). Non-Federal Parties

REGIONAL WATER AUTHORITY (RWA), and SACRAMENTO GROUNDWATER AUTHORITY
(SGA)

Dated: _____

By: _____
Mr. James Peifer
Executive Director
Regional Water Authority/
Sacramento Groundwater Authority

AGENDA ITEM 7: REGIONAL EMERGENCY PREPAREDNESS PROGRAM

BACKGROUND: Certain RWA members have expressed an interest in sharing the costs of a Regional Emergency Preparedness Program (REPP) to support improved coordination and develop an approach that accounts for risks and responses at a regional scale. The members who have expressed interest include City of Folsom, City of Roseville, City of Sacramento, Citrus Heights Water District, Golden State Water Company, Elk Grove Water District, Orange Vale Water Company, Rancho Murietta Community Services District, Placer County Water Agency, Sacramento County Water Agency, and Sacramento Suburban Water Agency.

The initial outcomes of the REPP include a seminar to share and gather information and to provide recommendations to those interested RWA members on how to integrate and coordinate member capabilities, alleviate risks and limitations, and create a unified incident response command. The initial up-front cost of this work, which includes hiring a contractor who is experienced in large-scale emergency planning and response activities, is anticipated to be \$30,000. When spread over the 11 RWA members who expressed interest in furthering this effort, it comes out to \$2,727 per member.

Based on the recommendations from the initial REPP process and the desire of the engaged RWA member agencies, further activities, such as the development of a more comprehensive plan for the region and the execution of a region-wide tabletop emergency exercise may also be undertaken. Considering the potential costs of these further optional actions, the additional amount would not exceed \$45,000, which could amount to \$4,091 per participating RWA member.

A draft REPP Subscription Program Agreement has been prepared to account for both: 1) the initial phase of plan development and recommendations, at a cost of \$30,000 total, or \$2,727 per participating agency; and 2) an optional secondary phase of development at a cost of \$45,000 total, or \$4,091 per participating agency. The total amount of the agreement is not to exceed \$75,000, or \$6,818 per participating agency.

Discussion: Michelle Banonis, Manager of Strategic Affairs

Action: Discuss and Approve Emergency Preparedness Program Subscription Agreement

Attachment: Emergency Preparedness Program Subscription Agreement

REGIONAL WATER AUTHORITY PROGRAM AGREEMENT

REGIONAL EMERGENCY PREPAREDNESS PROGRAM

This Agreement is made and entered into as of the ____ day of _____, 20__, by and between the Regional Water Authority (“RWA”), a joint exercise of powers authority formed under California Government Code section 6500, and following, and the Members and Contracting Entities of RWA listed in Exhibit 1 to this Agreement, upon their execution of this Agreement (who are collectively referred to in this Agreement as “Participants”), to provide for carrying out a project or program that is within the authorized purposes of RWA, and sharing in the cost and benefits by the Participants.

RECITALS

A. RWA is a joint powers authority, formed to serve and represent regional water supply interests and to assist its members in protecting and enhancing the reliability, availability, affordability and quality of water resources.

B. The joint powers agreement (“RWA JPA”) pursuant to which RWA was formed and operates, and as was amended on October 8, 2013, authorizes RWA to enter into a “Project or Program Agreement,” which is defined in the RWA JPA as an agreement between RWA and two or more of its Members or Contracting Entities to provide for carrying out a project or program that is within the authorized purposes of RWA, and sharing in the cost and benefits by the parties to the Project or Program Agreement.

C. Article 21 of the RWA JPA states: “The Regional Authority’s projects are intended to facilitate and coordinate the development, design, construction, rehabilitation, acquisition or financing of water-related facilities (including sharing in the cost of federal, State or local projects) on behalf of Members and/or Contracting Entities. The Regional Authority may undertake the development, design, construction, rehabilitation, acquisition or funding of all or any portion of such projects on behalf of Members and/or Contracting Entities in the manner and to the extent authorized by such Members and/or Contracting Entities as provided in this Agreement, but shall not accomplish these functions, nor acquire or own water-related facilities in its own name.”

D. Article 22 of the RWA JPA states: “Prior to undertaking a project or program, the Members and/or Contracting Entities who elect to participate in a project or program shall enter into a Project or Program Agreement. Thereafter, all assets, benefits and obligations attributable to the project shall be assets, benefits and obligations of those Members and/or Contracting Entities that have entered into the Project or Program Agreement. Any debts, liabilities, obligations or indebtedness incurred by the Regional Authority in regard to a particular project or program, including startup costs advanced by the Regional Authority, shall be obligations of the

participating Members and/or Contracting Entities, and shall not be the debts, liabilities, obligations and indebtedness of those Members and/or Contracting Entities who have not executed the Project or Program Agreement.”

E. RWA and the Participants desire to carry out a program as more fully described below and share in the costs and benefits of the program, as a Project or Program Agreement as provided for in Articles 21 and 22 of the RWA JPA.

In consideration of the promises, terms, conditions and covenants contained herein, the parties to this Agreement hereby agree as follows:

1. Recitals Incorporated. The foregoing recitals are hereby incorporated by reference.

2. Defined Terms. Terms defined in the RWA JPA will have the same meaning in this Agreement.

3. Description of the Program. The RWA and the Participants desire to create and carry out a Regional Emergency Preparedness Program (“Program”). The Program will help support member agency efforts to improve regional emergency preparedness in the greater Sacramento region and will include, but is not limited to, the tasks listed below:

- To collaborate with participating water providers to develop an emergency plan that accounts for potential risks and responses on a regional scale.
- To provide a forum to share information in a transparent and meaningful way in order to plan and prepare for emergencies.
- To conduct a seminar with Program members to identify current water provider capabilities, risks, limitations, and individual agency response command.
- Based on learning from the seminar, provide recommendations for the region that look to integrate and coordinate member capabilities, alleviate risks and limitations, and create a unified incident response command.
- Develop a regional-scale emergency response plan to fully coordinate regional resources.
- To develop and participate in tabletop exercise(s), the frequency to be determined by Program members, to ensure coordinated response to emergency scenarios.
- To provide support for grant applications and other funding requests that provide for advancement of regional emergency planning activities.
- To identify needed mutual aid agreements among Program members and provide a forum for executing those agreements.

4. Program Committee. The Participants hereby form a Program Committee consisting of one representative (and alternates) designated by each Participant. The Program Committee will meet as necessary from time to time to administer and implement this Agreement on behalf of the Participants. The Program Committee will appoint a Chair and Vice-Chair from among its

members. A majority of the total members of the Program Committee will constitute a quorum. Each member of the Program Committee will have one vote, either by its representative or an alternate. To proceed with a vote to take action, a quorum must be present at a meeting, with a majority of the number present required for an affirmative vote.

5. Program Staffing and Resources. RWA will utilize existing staff to implement the program, primarily the Manager of Strategic Affairs.

6. Work Products. Participants shall have full access to the work products of the Program, which will be provided upon execution of each member agency of a nondisclosure agreement.

7. Sharing in Program Costs and Benefits. The assessments for each Participant are further described and attached hereto as Exhibit 2 ("Financing Plan"). Each of the Participants will make one or more payments to RWA as long as they are a member of the Program. In accordance with the provisions of Articles 21 and 22 of the RWA JPA, any debts, liabilities, obligations or indebtedness incurred by RWA in regard to the Program will be the obligations of the Participants, and will not be the debts, liabilities, obligations and indebtedness of those Members and/or Contracting Entities who have not executed this Agreement. The total cost for the Program is estimated not to exceed \$75,000. The first phase of the program is estimated to cost \$30,000 to pay for consulting services. The program committee will determine if additional services are needed and will potentially authorize the second phase for \$45,000. Future costs and allocations will be determined through a Work Plan approved by the Program Committee.

8. Role of RWA. The RWA will (a) ensure that the interests of Members and Contracting Entities of RWA who do not participate in this Program are not adversely affected in performing this Agreement, (b) provide information to the Participants on the status of implementation of the Program, (c) assist the Program Committee in carrying out its activities under this Agreement, d) secure consultant support services through a competitive selection process as identified in RWA Policy 300.2, where applicable; and e) manage consultant support services in completion of the Program.

9. Authorization to Proceed with the Program. The Regional Emergency Preparedness Program is authorized to proceed upon the commitment of \$30,000 to fund initial costs, including the seminar and recommendations. Upon execution of this Agreement, the Participants agree to fund their portion of the Program costs in an amount and manner as described in Exhibit 3 ("Financing Plan") to this Agreement.

10. Term. This Agreement will remain in effect for so long as any obligations under this Agreement and/or obligations from other sources of funding secured remain outstanding.

11. Withdrawal. A Participant may withdraw from this Agreement without requiring termination of this Agreement, effective upon ninety days' notice to RWA and the other Participants, provided that, the withdrawing Participant will remain responsible for any

indebtedness incurred by the Participant under this Agreement prior to the effective date of withdrawal. If any surplus funds remain after the withdrawing Participant has met all of its financial obligations under this Agreement, then such funds will be returned to the withdrawing Participant in proportion to the total contribution made by each Participant.

12. Amendments. This Agreement may be amended from time to time with the approval of a simple majority vote of the Participants and RWA.

13. Privileges and Immunities. All of the privileges and immunities from liability; exemptions from laws, ordinances and rules; and all pension, relief, disability, worker's compensation and other benefits that apply to the activity of officers, agents or employees of RWA or the Participants when performing their respective functions for those agencies will, to the extent permitted by law, apply to them to the same degree and extent while engaged in the performance of any of the functions and other duties under this Agreement. It is further understood and agreed by RWA and the Participants that, notwithstanding anything contained herein, the employees of RWA and of each Participant shall continue to be entirely and exclusively under the direction, supervision and control of the employing party.

14. No Third Party Beneficiary. RWA and the Participants understand and agree that this Agreement creates rights and obligations solely between RWA and the Participants and is not intended to benefit any other party. No provision of this Agreement shall in any way inure to the benefit of any third person so as to constitute any such third person as a third-party beneficiary of this Agreement or any of its items of conditions, or otherwise give rise to any cause of action in any person not a party hereto.

15. Liabilities. With respect to this Agreement, RWA and the Participants expressly agree that the debts, liabilities and obligations of RWA and of each Participant shall remain the debts, liabilities and obligations of that party alone and shall not be the debts, liabilities and obligations of any other party to this Agreement, except as may be otherwise set forth herein or in an amendment to this Agreement.

16. Audits and Accounting. All funds provided under this Agreement shall be separately accounted for and maintained, with books and records of such funding open to inspection by the Participants. Funding under this Agreement shall be subject to and consistent with the audit and accounting procedures set forth in Articles 27 and 28 of the RWA JPA.

17. General Provisions. Any notice to be given under this Agreement shall be made by: (a) depositing in any United States Post Office, postage prepaid, and shall be deemed received at the expiration of 72 hours after its deposit; (b) transmission by facsimile copy; (c) transmission by electronic mail; or (d) personal delivery. This Agreement shall be governed by the laws of the State of California. The contact information for each Participant with respect to this section of the Agreement is set forth in Exhibit 3 ("Notice Information"). This Agreement may be executed by the parties in counterpart and by facsimile or PDF signatures, each of which when executed and delivered shall be an original and all of which together will constitute one and the same document.

18. Signatories' Authority. The signatories to this Agreement represent that they have authority to execute this Agreement and to bind the Participant on whose behalf they execute it.

The foregoing Regional Emergency Preparedness Program Agreement is hereby agreed to by RWA and the Participants.

Dated: _____, 20__

_____, 20__

James Peifer
Executive Director

Regional Water Authority

Sean Bigley
Assistant Environmental Utilities
Director
City of Roseville

List of Agreement Exhibits

Exhibit 1 – Program Participants

Exhibit 2 – Financing Plan

Exhibit 3 – Notice Information

EXHIBIT 1

PROGRAM PARTICIPANTS

REGIONAL WATER AUTHORITY

REGIONAL EMERGENCY PREPAREDNESS PROGRAM

Agency (Proposed)

City of Folsom
City of Roseville
City of Sacramento
Citrus Heights Water District
Golden State Water Company
Elk Grove Water District
Orange Vale Water Company
Rancho Murietta Community Services District
Placer County Water Agency
Sacramento County Water Agency
Sacramento Suburban Water District

EXHIBIT 2

FINANCING PLAN

REGIONAL WATER AUTHORITY

REGIONAL EMERGENCY PREPAREDNESS PROGRAM

The fee for each Participant is shown in the table below. A Participant's fee will not be increased without the approval of that Participant.

Proposed Fee Table

Agency	Not-to-Exceed Fee
City of Folsom	\$6,819
City of Roseville	\$6,819
City of Sacramento	\$6,818
Citrus Heights Water District	\$6,818
Golden State Water Company	\$6,818
Elk Grove Water District	\$6,818
Orange Vale Water Company	\$6,818
Rancho Murietta Community Services District	\$6,818
Placer County Water Agency	\$6,818
Sacramento County Water Agency	\$6,818
Sacramento Suburban Water Agency	\$6,818
Total	\$75,000

EXHIBIT 3

NOTICE INFORMATION

REGIONAL WATER AUTHORITY

REGIONAL EMERGENCY PREPAREDNESS PROGRAM

City of Folsom
Attn: Marcus Yasutake
50 Natoma Street
Folsom, CA 95630
Phone: (916) 461-6161
Email: myasutake@folsom.ca.us

City of Roseville
Attn: Sean Bigley
2005 Hilltop Circle
Roseville, CA 95747
Phone: (916) 774-5513
Email: sbigley@roseville.ca.us

City of Sacramento
Attn: Michelle Carrey
1395 35th Avenue
Sacramento, CA 95822
Phone: (916) 808-1725
Email: mcarrey@cityofsacramento.org

Citrus Heights Water District
Attn: Hilary Staus
P.O. Box 286
Citrus Heights, CA 95611
Phone: (916) 735-7715
Email: hstaus@chwd.org

Golden State Water Company
Attn: Paul Schubert
3005 Gold Canal Drive
Rancho Cordova, CA, 95670
Phone: (916) 420-6879
Email: PSCHUBERT@gswater.com

Elk Grove Water District
Attn: Bruce Kamilos
9257 Elk Grove Boulevard
Elk Grove, CA 95624
Phone: (916) 585-9385
Email: bkamilos@egwd.org

Orange Vale Water Company
Attn: Joe Duran
9031 Central Avenue

Orangevale, CA 95662
Phone: (916) 337-9098
Email: jduran@orangevalewater.com

Rancho Murieta Community Services District
Attn: Tom Hennig
15160 Jackson Road
Rancho Murieta, CA 95683
Phone: (916) 354-3700
Email: thennig@rmcsd.com

Placer County Water Agency
Attn: Andy Fecko
144 Ferguson Road
Auburn, CA 95603
Phone: (530) 823-4965
Email: afecko@pcwa.net

Sacramento County Water Agency
Attn: Kerry Schmitz
827 7th Street, Room 301
Sacramento, CA 95814
Phone: (916) 874-4681
Fax: (916) 874-8693
Email: schmitzk@SacCounty.NET

Sacramento Suburban Water District
Attn: Dan York
3701 Marconi #100
Sacramento, CA 95821
Phone: (916) 679-3973
Fax: (916) 972-7639
Email: dyork@sswd.org

Regional Water Authority
Attn: James Peifer
5620 Birdcage Street, Suite 180
Citrus Heights, CA 95610
Phone: (916) 967-7692
Email: jpeifer@rwah2o

AGENDA ITEM 8: STATE WATER BOARD EMERGENCY RULEMAKING; WASTEFUL WATER USE

BACKGROUND: The State Water Resources Control Board (SWB) has initiated the process under emergency rule making to prohibit certain wasteful water uses. The SWB is scheduled to take action on the emergency rule making on January 4, 2022, and written comments are due by 12 noon on December 23, 2021. The wasteful water uses include but are not limited to irrigating after a measurable rain event, using water in a non-recycling water fountain, washing cars without a shutoff on the hose, hosing down sidewalks and hardscapes. Additionally, the rule making would limit the ability of homeowners' associations (and similar organizations) from requiring certain landscape maintenance and cities and counties from issuing fines for not maintaining certain outdoor landscape. One of the additional benefits that the notice highlights is "increased drought awareness and shared sense of responsibility among urban water users."

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

Action: Take a Position on the State Water Board Emergency Rulemaking

Attachment: Proposed text of emergency regulations

PROPOSED TEXT OF EMERGENCY REGULATIONS

Title 23. Waters

Division 3. State Water Resources Control Board and Regional Water Quality Control Boards

Chapter 3.5. Urban Water Use Efficiency and Conservation

Article 2. Prevention of Drought Wasteful Water Uses

Article 2. Drought Wasteful Water Uses

§ 995. Wasteful and Unreasonable Water Uses.

(a) As used in this section:

(1) "Turf" has the same meaning as in section 491.

(2) "Incidental runoff" means unintended amounts (volume) of runoff, such as unintended, minimal overspray from sprinklers that escapes the area of intended use. Water leaving an intended use area is not considered incidental if it is part of the facility or system design, if it is due to excessive application, if it is due to intentional overflow or application, or if it is due to negligence.

(b)(1) To prevent the unreasonable use of water and to promote water conservation, the use of water is prohibited as identified in this subdivision for the following actions:

(A) The application of potable water to outdoor landscapes in a manner that causes more than incidental runoff such that water flows onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots, or structures;

(B) The use of a hose that dispenses water to wash a motor vehicle, except where the hose is fitted with a shut-off nozzle or device attached to it that causes it to cease dispensing water immediately when not in use;

(C) The use of potable water for washing sidewalks, driveways, buildings, structures, patios, parking lots, or other hard surfaced areas, except in cases where health and safety are at risk;

(D) The use of potable water for street cleaning or construction purposes, unless no other method can be used to protect the health and safety of the public;

(E) The use of potable water for decorative fountains or the filling or topping-off of decorative lakes or ponds, with exceptions for those decorative fountains, lakes, or ponds that use pumps to recirculate water and only require refilling to replace evaporative losses;

(F) The application of water to irrigate turf and ornamental landscapes during and within 48 hours after measurable rainfall of at least one fourth of one inch of rain. In determining whether measurable rainfall of at least fourth of one inch of rain occurred in a given area, enforcement may be

based on records of the National Weather Service, the closest CIMIS station to the parcel, or any other reliable source of rainfall data available to the entity undertaking enforcement of this subdivision; and
(G) The use of potable water for irrigation of turf on public street medians or publicly owned or maintained landscaped areas between the street and sidewalk.

(2) Notwithstanding subdivision (b)(1), the use of water is not prohibited by this section to the extent necessary to address an immediate health and safety need. This may include, but is not limited to, the use of potable water in a fountain or water feature when required to be potable because human contact is expected to occur.

(c)(1) To prevent the unreasonable use of water and to promote water conservation, any homeowners' association or community service organization or similar entity is prohibited from:

(A) Taking or threatening to take any action to enforce any provision of the governing documents or architectural or landscaping guidelines or policies of a common interest development where that provision is void or unenforceable under section 4735, subdivisions (a) and (b) of the Civil Code;

(B) Imposing or threatening to impose a fine, assessment, or other monetary penalty against any owner of a separate interest for reducing or eliminating the watering of vegetation or lawns during a declared drought emergency, as described in section 4735, subdivision (c) of the Civil Code; or

(C) Requiring an owner of a separate interest upon which water-efficient landscaping measures have been installed in response to a declared drought emergency, as described in section 4735, subdivisions (c) and (d) of the Civil Code, to reverse or remove the water-efficient landscaping measures upon the conclusion of the state of emergency.

(2) As used in this subdivision:

(A) "Architectural or landscaping guidelines or policies" includes any formal or informal rules other than the governing documents of a common interest development.

(B) "Homeowners' association" means an "association" as defined in section 4080 of the Civil Code.

(C) "Common interest development" has the same meaning as in section 4100 of the Civil Code.

(D) "Community service organization or similar entity" has the same meaning as in section 4110 of the Civil Code.

(E) "Governing documents" has the same meaning as in section 4150 of the Civil Code.

(F) "Separate interest" has the same meaning as in section 4185 of the Civil Code.

(3) If a disciplinary proceeding or other proceeding to enforce a rule in violation of subdivision (c)(1) is initiated, each day the proceeding remains pending shall constitute a separate violation of this regulation.

(d) To prevent the unreasonable use of water and to promote water conservation, any city, county, or city and county is prohibited from imposing a fine under any local maintenance ordinance or other relevant ordinance as prohibited by section 8627.7 of the Government Code.

(e) The taking of any action prohibited in subdivision (b), (c) or (d) is an infraction punishable by a fine of up to five hundred dollars (\$500) for each day in which the violation occurs. The fine for the infraction is in addition to, and does not supersede or limit, any other remedies, civil or criminal.

(f) A decision or order issued under this section by the Board or an officer or employee of the Board is subject to reconsideration under article 2 (commencing with section 1122) of chapter 4 of part 1 of division 2 of the Water Code.

Authority: Section 1058.5, Water Code.

References: Article X, Section 2, California Constitution; Sections 4080, 4100, 4110, 4150, 4185, and 4735, Civil Code; Section 8627.7, Government Code; Sections 102, 104, 105, 275, 350, 491, and 1122, Water Code; *Light v. State Water Resources Control Board* (2014) 226 Cal.App.4th 1463; *Stanford Vina Ranch Irrigation Co. v. State of California* (2020) 50 Cal.App.5th 976.

AGENDA ITEM 9: LEGISLATIVE/REGULATORY UPDATE

BACKGROUND: The Legislature reconvenes on January 3, 2022. Two-year bills that are in their house of origin must pass out of their house by the end of January. AB 1434 (Friedman D- Glendale) related to indoor water use efficiency standards is expected to be heard in the Assembly in January. A second two-year bill, SB 222 (Dodd D-Napa) related to water rate assistance is eligible to be heard any time once the Legislature reconvenes. Bill introduction deadline is February 18, 2022. There is reason to believe that a bill will be introduced related to turf prohibitions. There is also reason to believe there may be a bill introduced related to the water energy nexus. Lastly, there is a projected budget surplus in the coming budget year (2022-2023), and there is reason to believe that individual members will have an ability to advocate for specific funding in their respective districts.

Discussion: Ryan Ojakian, Legislative and Regulatory Affairs Manager

AGENDA ITEM 10: WATER QUALITY AD HOC COMMITTEE

BACKGROUND: The long dry period followed by a large precipitation event around October 25th resulted in surface water quality impacts to several of the RWA member agencies. Chair Bigley requested that a meeting to the RWA member agencies that divert and treat surface water be assembled and that meeting occurred on November 2nd. The meeting was to coordinate between the member agencies and to share information on best practices. A request from the meeting participants was to form an Ad Hoc committee to make recommendations to the Board of Directors to prepare for future events similar to the October 25th rainfall event.

Chair Bigley would like to form an Ad Hoc Committee and appoint members from the staff of member agencies that have a background in operations and water quality. Items that may be addressed by the Ad Hoc committee include:

1. Establishing a Water Quality List Serve
2. Potentially seeking consulting services to address and mitigate future water quality impacts
3. Establishing a structure between the member agencies to prepare immediately ahead of large storm events
4. Coordinate on communications, including with the press
5. How the work of the Ad Hoc committee may overlap with American River Watershed Technical Committee and how to avoid duplication of efforts
6. Other items the Chair or the Ad Hoc committee may want to address

Discussion: Sean Bigley, Chair

Action: Chair Bigley to form an Ad Hoc Committee and Appoint Committee Members

AGENDA ITEM 11: JANUARY 13, 2022 RWA BOARD MEETING AGENDA

Action: Approve January 13, 2022 proposed RWA Board Meeting agenda

Attachment:

January 13, 2022 proposed RWA Board Meeting agenda

**REGIONAL WATER AUTHORITY
REGULAR MEETING OF THE BOARD OF DIRECTORS
Thursday, January 13, 2022 - 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.

Meeting Information:

RWA Board meeting
Thu, Jan 13, 2022 9:00 AM - 11:30 AM (PST)

Please join my meeting from your computer, tablet or smartphone.

<https://global.gotomeeting.com/join/239406421>

You can also dial in using your phone.

United States: [+1 \(872\) 240-3212](tel:+18722403212)

Access Code: 239-406-421

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. Authorize a Teleconference Meeting
- b. Minutes of the November 4, 2021 Board of Directors Meeting
- c. Adopt proposed RWA Board Meetings Scheduled for 2022
- d. Accept the 2021 RWA Financial Audit Report
- e. Approve the Bureau of Reclamation Memorandum of Agreement
- f. Annual review of RWA Investment Policy 500.2 and OPEB Strategy

Action: Approve Consent Calendar

4. CLOSED SESSION – PUBLIC EMPLOYEE PERFORMANCE EVALUATION AND APPOINTMENT

Government Code §§ 54954.5(e), 54957(b)(1)

Title: Executive Director

5. CLOSED SESSION – CONFERENCE WITH LABOR NEGOTIATORS

Government Code, §§ 54954.5(f), 54957.6

Agency designated representatives: Sean Bigley and Dan York

Unrepresented employee: Executive Director

6. EXECUTIVE DIRECTOR APPOINTMENT AND EMPLOYMENT AGREEMENT

Action: Receive Executive Committee recommendation for renewing and amending the Executive Director's employment agreement and take action to renew and amend the employment agreement

7. 2022 POLICY PRINCIPLES

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

Action: Approve the 2022 Policy Principles

8. 2022 FEDERAL AFFAIRS PLATFORM

Presentation and Discussion: Jim Peifer, Executive Director and Michelle Banonis, Manager of Strategic Affairs

Action: Adopt the 2022 Federal Legislative Platform

9. ELECT 2022 RWA EXECUTIVE COMMITTEE

Action: Elect the 2022 Executive Committee of the RWA Board of Directors

10. ELECT 2022 RWA CHAIR AND VICE-CHAIR

Action: Elect 2022 Chair and Vice-Chair of the RWA Executive Committee

11. EXECUTIVE DIRECTOR'S REPORT

12. DIRECTORS' COMMENTS

ADJOURNMENT

Upcoming Meetings:

Executive Committee Meeting: Wednesday, January 26, 2022, 8:30 a.m. at the RWA Office, the location is subject to change depending on the COVID-19 emergency.

Regular Board Meeting: Thursday, March 10, 2022, 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/> to access and print the packet.

AGENDA ITEM 12: EXECUTIVE DIRECTOR'S REPORT

A verbal report will be provided.

AGENDA ITEM 13: DIRECTORS' COMMENTS