

REGIONAL WATER AUTHORITY
REGULAR MEETING OF THE BOARD OF DIRECTORS
Thursday, January 12, 2023; 9:00 a.m.

5620 Birdcage Street, Suite 110
Citrus Heights, CA 95610
(916) 967-7692

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) 967-7692. 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.

Notice: The Board meeting will be held in the RWA Board Room and virtually.
The RWA Board Room will be open for Board members and members of the public.
Board members are strongly encouraged to attend in person but are not required to do so.

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

Join Zoom Meeting

<https://us06web.zoom.us/j/84691777606?pwd=czdXL3ZLQkVzUTdTbVgVzK0pNZm04dz09>

You can also dial in using your phone.

United States: 1 669 444 9171

Meeting ID: 846 9177 7606 **Passcode:** 962924

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. Board Members may request an item be removed for separate consideration.

- a. Authorize a Teleconference Meeting
- b. Adopt the proposed RWA Meeting Schedule for 2023
- c. Approve the minutes of November 10, 2022 board meeting
- d. Approve the 2022 RWA Financial Audit Report
- e. Approve Revisions to RWA Policy 200.3
- f. Approve the 2023 Policy Principles
- g. Approve the 2023 Federal Affairs Platform

Action: Approve Consent Calendar

4. APPOINTMENT OF BOARD SECRETARY

Action: Appoint Ashley Flores as Board Secretary

5. ELECT THE 2023 RWA EXECUTIVE COMMITTEE

Action: Elect the 2023 Executive Committee of the RWA Board of Directors

6. ELECT 2023 RWA CHAIR AND VICE-CHAIR

Action: Elect 2023 Chair and Vice-Chair of the RWA Executive Committee and the RWA Board of Directors

7. EXECUTIVE DIRECTOR'S REPORT

8. DIRECTORS' COMMENTS

ADJOURNMENT

Next RWA Board of Director's Meeting:

March 9, 2023, 9:00 a.m. at the RWA/SGA office, 5620 Birdcage Street, Ste. 110, Citrus Heights. The location is subject to change depending on the COVID-19 emergency.

Next RWA Executive Committee Meeting:

January 25, 2023, 8:30 a.m. at the RWA/SGA office, 5620 Birdcage Street, Ste. 110, Citrus Heights. The location is subject to change depending on the COVID-19 emergency.

Notification will be emailed when the RWA electronic packet is complete and posted on the RWA website at: <https://www.rwah2o.org/meetings/board-meetings/>.

RWA Board of Directors
2022 Chair: Dan York
2022 Vice Chair: Tony Firenzi

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

Caryl Sheehan, Director, Citrus Heights Water District

Raymond Riehle, Director, Citrus Heights Water District

Hilary Straus, General Manager, Citrus Heights Water District (alternate)

Rebecca Scott, Principal Operations Specialist, Citrus Heights Water District (alternate)

vacant, Councilmember, City of Folsom

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

Paul Joiner, Mayor Pro Tem, City of Lincoln

Chuck Poole, Water Facilities Supervisor, City of Lincoln

Bruce Houdesheldt, Councilmember, City of Roseville

Sean Bigley, Assistant Environment Utilities Director, City of Roseville

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

Pauline Roccucci, Councilmember, City of Roseville (alternate)

vacant, Councilmember, City of Sacramento

Brett Ewart, Water Policy & Regional Planning Supervising Engineer, City of Sacramento

Michelle Carrey, Supervising Engineer, City of Sacramento (alternate)

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

Martha Guerrero, Council Member, City of West Sacramento

William Roberts, Director of Public Works and Operations, City of West Sacramento

vacant, Councilmember, City of Yuba City

Diana Langley, City Manager, City of Yuba City

Ryan Saunders, 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

* 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>Michael Saunders</i> , Board Member, Georgetown Divide Public Utility District <i>Nicholas Schneider</i> , General Manager, Georgetown Divide Public Utility District <i>Adam Brown</i> , Operations Manager, Georgetown Divide Public Utility District (alternate)
<i>Paul Schubert</i> , General Manager, Golden State Water Company <i>Ernie Gisler</i> , Capital Program Manager, Golden State Water Company
<i>Ricki Heck</i> , Board Member, Nevada Irrigation District <i>Greg Jones</i> , Assistant General Manager, Nevada Irrigation District <i>Jennifer Hanson</i> , General Manager, Nevada Irrigation District (alternate) <i>Karen Hull</i> , Board Member, Nevada Irrigation District (alternate)
<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, Vice Chair <i>Andy Fecko</i> , General Manager, Placer County Water Agency (alternate) <i>Mike Lee</i> , Board Member, Placer County Water Agency (alternate)
<i>Tim Maybee</i> , Director, Rancho Murieta Community Services District <i>Michael Fritschi</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>Bob Wichert</i> , Board Member, Sacramento Suburban Water District <i>Dan York</i> , General Manager, Sacramento Suburban Water District, 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 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>Paul Lau</i> , General Manager/CEO <i>Christopher Cole</i> , Strategic Account Advisor <i>Ansel Lundberg</i> , Energy Commodity Contracts Specialist
Sacramento Regional County Sanitation District (Regional San)	<i>Mike Huot</i> , Director of Policy and Planning <i>Terrie Mitchell</i> , Manager Legislative and Regulatory Affairs <i>David Ocenosak</i> , Principal Civil Engineer <i>Jose Ramirez</i> , Senior Civil Engineer
Sacramento Area Flood Control Agency (SAFCA)	<i>Richard Johnson</i> , Executive Director
Yuba Water Agency	<i>Adam Robin</i> , Government Relations Manager <i>Willie Whittlesey</i> , General Manager

* Names highlighted in red are Executive Committee members

RWA AFFILIATE MEMBERS	
Organization	Representatives
Black & Veatch	<i>David Carlson</i> , Vice president
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
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>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	<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 board 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. Board members may request an item be removed for separate consideration. The items to be considered and approved include:

- a. Authorize a Teleconference Meeting
- b. Adopt the proposed RWA Meeting Schedule for 2023
- c. Approve the minutes of November 10, 2022 RWA Board Meeting
- d. Approve the 2022 RWA Financial Audit Report
- e. Approve Revisions to RWA Policy 200.3
- f. Approve the 2023 RWA Policy Principles
- g. Approve the 2023 RWA Federal Affairs Platform

Action: Approve Consent Calendar

Attachments:

- 3c. Minutes of the November 10, 2022 RWA Board Meeting
- 3d. 2022 RWA Financial Audit Report
- 3e. Draft Revisions to RWA Policy 200.3
- 3f. Draft 2023 RWA Policy Principles
- 3g. Draft 2023 RWA Federal Affairs Platform

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 corona virus, and the pandemic caused by the resulting disease COVID-19, the Board 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. 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: ADOPT THE PROPOSED RWA MEETING SCHEDULE FOR 2023

BACKGROUND:

RWA Board meetings are normally held on the second Thursday of every other month. The meetings begin at 9:00 am. Following is the proposed schedule of meetings for 2023.

- January 12, 2023
- March 9, 2023
- **May 11, 2023 – CANCELED - ACWA Conference**
- May 18, 2023 – Rescheduled from May 11, 2023
- June 29, 2023 - Rescheduled from July 13, 2023
- **July 13, 2023 – CANCELED – Summer Holiday**
- September 14, 2023
- November 9, 2023

AGENDA ITEM 3c: APPROVE THE MINUTES OF NOVEMBER 10, 2022 RWA BOARD MEETING

Attachment:

November 10, 2022 RWA Board meeting minutes

1. CALL TO ORDER

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

RWA Board Members

Audie Foster, California American Water
Ron Greenwood, Carmichael Water District
Cathy Lee, Carmichael Water District
Caryl Sheehan, Citrus Heights Water District
Hilary Straus, Citrus Heights Water District
Marcus Yasutake, City of Folsom
Chuck Poole, City of Lincoln
Bruce Houdesheldt, City of Roseville
Sean Bigley, City of Roseville
Jeff Harris, City of Sacramento
William Roberts, City of West Sacramento
Diana Langley, City of Yuba City
Grace Espindola, City of Yuba City
Alan Gardner, Del Paso Manor Water District
Brian Mueller, El Dorado Irrigation District
Bruce Kamilos, Elk Grove Water District
Randy Marx, Fair Oaks Water District
Paul Schubert, Golden State Water Company
Greg Jones, Nevada Irrigation District
Robert Hunter, Orange Vale Water Company
Joe Duran, Orange Vale Water Company
Robert Dugan, Placer County Water Agency
Tony Firenzi, Placer County Water Agency
Kerry Schmitz, Sacramento County Water Agency
Dan York, Sacramento Suburban Water District
Greg Zlotnick, San Juan Water District
Dan Rich, San Juan Water District

RWA Associate Members

Ansel Lundberg, SMUD and José Ramirez, SRCSD

RWA Affiliate Members

John Woodling, GEI Consultants and Vanessa Nishikawa, Stantec

Staff Members

Jim Peifer, Rob Swartz, Trevor Joseph, Ryan Ojakian, Michelle Banonis, Amy Talbot, Cecilia Partridge and Andrew Ramos, legal counsel.

Others in Attendance:

Anne Sanger, Brian Sanders, Paul Helliker, Brian Poulsen, Andrew Garcia, Lisa Maddaus, Pauline Roccucci, Andy Fecko, Jay Boatwright and Patty Howard

2. PUBLIC COMMENT

None

3. CONSENT CALENDAR

Motion/Second/Carried (M/S/C) Mr. Houdesheldt moved, with a second by Mr. Dugan, to approve the Consent Calendar. Audie Foster, California American Water, Ron Greenwood, Carmichael Water District, Caryl Sheehan, Citrus Heights Water District, Marcus Yasutake, City of Folsom, Chuck Poole, City of Lincoln, Bruce Houdesheldt, City of Roseville, Jeff Harris, City of Sacramento, William Roberts, City of West Sacramento, Diana Langley, City of Yuba City, Alan Gardner, Del Paso Manor Water District, Brian Mueller, El Dorado Irrigation District, Bruce Kamilos, Elk Grove Water District, Randy Marx, Fair Oaks Water District, Paul Schubert, Golden State Water Company, Greg Jones, Nevada Irrigation District, Robert Hunter, Orange Vale Water Company, Tony Firenzi, Placer County Water Agency, Kerry Schmitz, Sacramento County Water Agency, Dan York, Sacramento Suburban and Greg Zlotnick, San Juan Water District voted yes. The motion passed.

4. APPROVE GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT'S MEMBERSHIP WITH THE RWA

Mr. Peifer said that the Georgetown Divide Public Utility District (GDPU) has expressed an interest in becoming a member of the RWA. The addition of GDPU would provide an opportunity to represent the interests of agencies that are in the foothills.

M/S/C Mr. Firenzi moved, with a second by Mr. Greenwood, to approve Georgetown Divide Public Utility District's Membership with RWA. Audie Foster, California American Water, Ron Greenwood, Carmichael Water District, Caryl Sheehan, Citrus Heights Water District, Marcus Yasutake, City of Folsom, Chuck Poole, City of Lincoln, Bruce Houdesheldt, City of Roseville, Jeff Harris, City of Sacramento, William Roberts, City of West Sacramento, Diana Langley, City of Yuba City, Alan Gardner, Del Paso Manor Water District, Brian Mueller, El Dorado Irrigation District, Bruce Kamilos, Elk Grove Water District, Randy Marx, Fair Oaks Water District,

Paul Schubert, Golden State Water Company, Greg Jones, Nevada Irrigation District, Robert Hunter, Orange Vale Water Company, Tony Firenzi, Placer County Water Agency, Kerry Schmitz, Sacramento County Water Agency, Dan York, Sacramento Suburban and Greg Zlotnick, San Juan Water District voted yes. The motion passed.

5. PRESENTATION OF RESOLUTION 2022-03 HONORING ROB SWARTZ FOR HIS YEARS OF SERVICE

Chair York presented a resolution to Rob Swartz for his significant contributions to RWA and SGA. There were many comments from members on the outstanding work that Mr. Swartz has done. Members thanked him for the time and assistance he provided to their agencies.

M/S/C Mr. Dugan moved, with a second by Mr. Greenwood, to adopt Resolution 2022-03. Audie Foster, California American Water, Ron Greenwood, Carmichael Water District, Caryl Sheehan, Citrus Heights Water District, Marcus Yasutake, City of Folsom, Chuck Poole, City of Lincoln, Bruce Houdesheldt, City of Roseville, Jeff Harris, City of Sacramento, William Roberts, City of West Sacramento, Grace Espindola, City of Yuba City, Alan Gardner, Del Paso Manor Water District, Brian Mueller, El Dorado Irrigation District, Bruce Kamilos, Elk Grove Water District, Randy Marx, Fair Oaks Water District, Paul Schubert, Golden State Water Company, Greg Jones, Nevada Irrigation District, Robert Hunter, Orange Vale Water Company, Tony Firenzi, Placer County Water Agency, Kerry Schmitz, Sacramento County Water Agency, Dan York, Sacramento Suburban and Greg Zlotnick, San Juan Water District voted yes. The motion passed.

6. PRESENTATION OF RESOLUTION 2022-04 HONORING CECILIA PARTRIDGE FOR HER YEARS OF SERVICE

Chair York presented a resolution to Cecilia Partridge for her service to the Regional Water Authority. There were many comments from members on the assistance that Ms. Partridge provided to them and their agencies.

M/S/C Ms. Sheehan moved, with a second by Mr. Greenwood, to adopt Resolution 2022-04. Audie Foster, California American Water, Ron Greenwood, Carmichael Water District, Caryl Sheehan, Citrus Heights Water District, Marcus Yasutake, City of Folsom, Chuck Poole, City of Lincoln, Bruce Houdesheldt, City of Roseville, Jeff Harris, City of Sacramento, William Roberts, City of West Sacramento, Grace Espindola, City of Yuba City, Alan Gardner, Del Paso Manor Water District, Brian Mueller, El Dorado Irrigation District, Bruce Kamilos, Elk Grove Water District, Randy Marx, Fair Oaks Water District, Paul Schubert, Golden State Water Company, Greg Jones, Nevada Irrigation District, Robert Hunter, Orange Vale Water Company, Tony Firenzi, Placer County Water

Agency, Kerry Schmitz, Sacramento County Water Agency, Dan York, Sacramento Suburban and Greg Zlotnick, San Juan Water District voted yes. The motion passed.

7. EMPLOYEE COMPENSATION SURVEY AND RECLASSIFICATION STUDY

Mr. Peifer gave a power point presentation explaining the use of the compensation survey to adjust pay ranges. He gave a review of the RWA policy, proposed new classifications, review of the compensation study process used by RWA's consultant, Regional Government Services (RGS), compensation proposal, budget impacts and discussion and potential action of the compensation proposal. He provided a list of the survey agencies, existing monthly salary schedule of RWA positions, and the proposed monthly salary schedule. The recommended changes to positions and salary ranges were outlined.

There was discussion on the importance of retaining staff with comparable salaries and considering the effects on the budget for the next two years or more. Additional discussion focused on the need to be mindful of how salary increases and/or bonuses effect our member agencies, their rate payers and RWA dues. Mr. Peifer clarified how each position is paid, whether through the RWA core, SGA, Water Efficiency Program or subscription programs. He explained that the salary increases are incorporated in the budget.

Ms. Patty Howard, RGS Lead Advisor, explained how agency information was used for the compensation study using similar position classifications and job descriptions. Recommended salary ranges were determined using positions with the same level of responsibility.

M/S/C Mr. Schubert moved, with a second by Mr. Harris, to approve the proposed salary ranges, approve classifications for Government Relations Manager and Project Research Assistant II to become effective in Fiscal Year 2023/2024 and change title of the Finance and Administrative Manager I to Finance and Administrative Manager. Audie Foster, California American Water, Ron Greenwood, Carmichael Water District, Caryl Sheehan, Citrus Heights Water District, Marcus Yasutake, City of Folsom, Chuck Poole, City of Lincoln, Bruce Houdesheldt, City of Roseville, Jeff Harris, City of Sacramento, William Roberts, City of West Sacramento, Grace Espindola, City of Yuba City, Alan Gardner, Del Paso Manor Water District, Brian Mueller, El Dorado Irrigation District, Bruce Kamilos, Elk Grove Water District, Randy Marx, Fair Oaks Water District, Paul Schubert, Golden State Water Company, Greg Jones, Nevada Irrigation District, Robert Hunter, Orange Vale Water Company, Tony Firenzi, Placer County Water Agency, Kerry Schmitz, Sacramento County Water Agency, Dan York, Sacramento Suburban voted yes. Dan Rich, San Juan Water District voted no. The motion passed.

8. RWA POLICY 200.3 REVISIONS - PROCEDURES FOR THE SELECTION OF EXECUTIVE COMMITTEE MEMBERS

Ms. Schmitz said that the task given to the Ad Hoc Committee was to determine a more efficient way to elect the RWA Executive Committee Chair, Vice Chair and committee members through a voting process. The current process requires multiple rounds of voting to ensure the committee is diverse and a good representation of RWA membership. She explained how the voting would be accomplished with the proposed process and how the ballots would be calculated.

There was discussion on variables that may happen during the voting process. Legal counsel explained that contingencies were incorporated into the process so it could progress smoothly.

Ms. Schmitz said that she appreciated the positive feedback from the RWA board and requested any additional comments be sent to her. The proposed procedure for the selection of the Executive Committee members would be approved in early 2023 and then initiated for the Executive Committee elections for the 2024 term.

9. STRATEGIC PLAN UPDATE

Mr. Peifer provided an update on the Strategic Plan Implementation. He provided information on the groundwater bank, coalition building, member funding through grant solicitation, state direction on grant making, adapting our strategy to state and federal funding opportunities and water transfers. He explained the strategic plan prioritization survey and project list.

10. COMMON INTEREST MANGEMENT SERVICES (CIMS) PROGRAM

Mr. Ramos, legal counsel, gave background on the Major Projects Management Services Subscription Program Agreement (MPMS) that preceded the CIMS program agreement. Nine of the ten-member agency participants requested the MPMS be dissolved and the CIMS program become a replacement. The CIMS program will be similar to a subscription program and RWA will serve as the project manager with 100% of the costs to be covered by CIMS participants. CIMS includes a confidentiality provision as part of the agreement.

M/S/C Mr. Dugan moved, with a second by Ms. Sheehan, to approve the CIMS Program. Audie Foster, California American Water, Ron Greenwood, Carmichael Water District, Caryl Sheehan, Citrus Heights Water District, Marcus Yasutake, City of Folsom, Chuck Poole, City of Lincoln, Bruce Houdesheldt, City of Roseville, William Roberts, City of West Sacramento, Grace Espindola, City of Yuba City, Alan Gardner, Del Paso Manor Water District, Brian Mueller, El Dorado Irrigation District, Bruce Kamilos, Elk Grove Water District, Randy Marx, Fair Oaks Water District, Paul Schubert, Golden State Water Company, Greg Jones, Nevada Irrigation District, Robert Hunter, Orange Vale Water Company, Tony Firenzi, Placer County Water Agency, Kerry Schmitz, Sacramento

County Water Agency, Dan York, Sacramento Suburban voted yes. Dan Rich, San Juan Water District abstained. The motion passed.

11. SPACE PLANNING UPDATE

Mr. Peifer reported on discussions from the Space Planning Ad Hoc Committee. The committee has decided that the services of a commercial real estate broker are needed. He requested input from the members on the potential use of member agency board rooms for meetings. He said that there are a number of issues at the current office site. Several members from Placer and Sacramento counties spoke suggesting their conference rooms could be used for board meetings and suggested rotating the locations of board meetings in order to reduce the cost of a future RWA office location.

12. EXECUTIVE DIRECTOR'S REPORT

Mr. Peifer reminded the board that the RWA Annual Holiday Social will be held December 8th at the Del Paso Country Club.

13. DIRECTORS' COMMENTS

Mr. Houdesheldt congratulated Ms. Roccucci on her reelection to the Roseville City Council.

Mr. Dugan requested the meeting be adjourned in honor of the 247th Birthday of the Marine Corp.

Chair York said that Jay Boatwright was elected as director for Sacramento Suburban Water District.

ADJOURNMENT

With no further business to come before the Board, Chair York adjourned the meeting at 12:16 p.m. in honor of Veterans and the 247th Birthday of the Marine Corp.

By:

Chairperson

Attest:

Cecilia Partridge

AGENDA ITEM 3d: APPROVE THE 2022 RWA FINANCIAL AUDIT REPORT

BACKGROUND:

On December 14, 2022, Ms. Vande Vooren, Gilbert Associates, Inc. presented the draft audit report for June 30, 2022 to the RWA Executive Committee. There is an unqualified opinion which is the cleanest possible opinion that can be provided. As such, the Executive Committee unanimously recommended the audit report be forwarded to the Board of the Directors for approval. The full audit report is attached.

Attachment:

2022 RWA Financial Audit Report

REGIONAL WATER AUTHORITY

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

JUNE 30, 2022

REGIONAL WATER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Regional Water Authority
Sacramento, California**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Regional Water Authority (the Authority) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2022, and the changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not

a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Program Schedule of Revenues, Expenses, and Changes in Net Position, and Schedule of Allocated Administrative Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Program Schedule of Revenues, Expenses, and Changes in Net Position, and Schedule of Allocated Administrative Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Gilbert CPAs

**GILBERT CPAs
Sacramento, California**

December 14, 2022

REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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 year ending June 30, 2022. This discussion and analysis should be read in conjunction with the financial statements, which can be found on pages 14 to 36 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 statement of net position includes 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 statement of revenues, expenses, and changes in net position reports all of RWA's revenues and expenses during the period 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 statement of cash flows shows 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 17 to 36 of this report.

REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Condensed Statements of Net Position

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

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Current Assets	\$ 3,394,268	\$ 3,313,576	\$ 80,692
Non-Current Assets	788,863	109,488	679,375
Capital Assets	<u>58,163</u>	<u>93,413</u>	<u>(35,250)</u>
 Total Assets	 4,241,294	 3,516,477	 724,817
 Deferred Outflows	 <u>585,643</u>	 <u>288,318</u>	 <u>297,325</u>
Total Assets and Deferred Outflows	<u>4,826,937</u>	<u>3,804,795</u>	<u>1,022,142</u>
 Current Liabilities	 1,353,997	 1,259,900	 94,097
Non-Current Liabilities	<u>260,325</u>	<u>386,886</u>	<u>(126,561)</u>
 Total Liabilities	 <u>1,614,322</u>	 <u>1,646,786</u>	 <u>(32,464)</u>
 Deferred Inflows	 <u>580,225</u>	 <u>269,784</u>	 <u>310,441</u>
 Net Position:			
Invested in capital assets	12,238	22,250	(10,012)
Restricted	599,879	739,694	(139,815)
Unrestricted	<u>2,020,273</u>	<u>1,126,281</u>	<u>893,992</u>
 Total net position	 <u>\$ 2,632,390</u>	 <u>\$ 1,888,225</u>	 <u>\$ 744,165</u>

Fiscal Year 2022 Compared to Fiscal Year 2021

Total current assets have increased \$80,692. This increase is primarily due to increase in cash and investments. Current assets also include grant receivables which were higher from the prior year due to completion and release of project retainage of some of the multi-year grants. The June 30, 2022 receivables reflect amounts earned for fulfillment of obligations from the Proposition 1 (Round 1), Proposition 84 (Round 3), 2014 Drought grant, Regional Water Bank project, Bonneville Environmental Foundation (BEF), USBR Drought Interties and SRCSD incentive programs.

REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

The non-current assets increased \$679,375 due to the market conditions of the Pension and Net Other Post-Employment Benefits (OPEB) asset. As of the pension valuation date of June 30, 2020 and OPEB valuation date of June 30, 2021, investment income on the investment pools were unusually large, which resulted in a significant reduction in the net pension liability of the plan and caused RWA's share of the plan assets to be higher than its share of the pension liability, resulting in a net pension asset. Additional contributions RWA has made to the plan also contributed to RWA having a net pension asset.

The deferred outflows net increase of \$297,325 is due to the large investment earnings as of the June 30, 2020 valuation date that increased the pension assets held by the plan. Deferred outflows decreased by \$5,440 and increased by \$302,765 related to OPEB and pension, respectively.

There was a \$94,097 increase in current liabilities in fiscal year 2022 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), 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 decreased by \$126,561 due to a decrease in lease liability and unearned revenue.

The increase of \$310,441 in deferred inflows represents an increase of \$301,404 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 \$9,037 primarily due to changes in assumptions by CalPERS as of the June 30, 2021 measurement date.

Restricted net position decreased by \$139,815 due to RWA Core and Water Efficiency Program (WEP) having a decrease in their net earnings in excess of expenses in current fiscal year primarily due to prior advanced payments of subscription programs and grant awards being spent down

Unrestricted net position of \$2,020,273 reflects an increase of \$893,992, due to a decrease 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.

REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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:

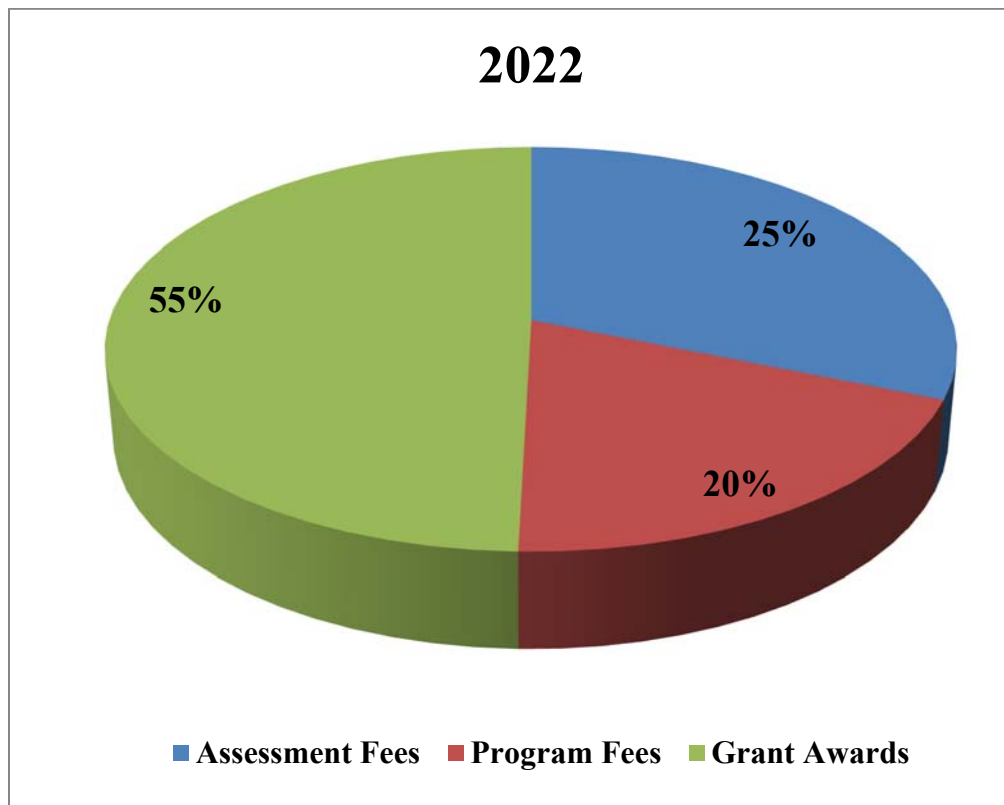
	2022	2021	Change
Operating revenues:			
Assessment Income	\$ 1,074,246	\$ 1,064,385	\$ 9,861
Subscription Program Fees	869,785	654,556	215,229
Incentives, Grants and Reimbursements	2,420,970	1,690,067	730,903
Other Income	6,270	735	5,535
Total Operating Revenues	4,371,271	3,409,743	961,528
Interest Income	11,937	15,007	(3,070)
Total Revenues	4,383,208	3,424,750	958,458
Operating Expenses:			
Administrative Expenses	855,870	1,346,341	(490,471)
Core Program Expenses	25,000	25,000	-
Subscription Program Direct Expenses	382,010	374,741	7,269
Grant Awards	2,372,023	1,644,998	727,025
Total Operating Expenses	3,634,903	3,391,080	243,823
Interest Expense	4,140	-	4,140
Total Expenses	3,639,043	3,391,080	247,963
Increase in Net Position	744,165	33,670	710,495
Net Position, July 1	1,888,225	1,854,555	33,670
Net Position, June 30	\$ 2,632,390	\$ 1,888,225	\$ 744,165

REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

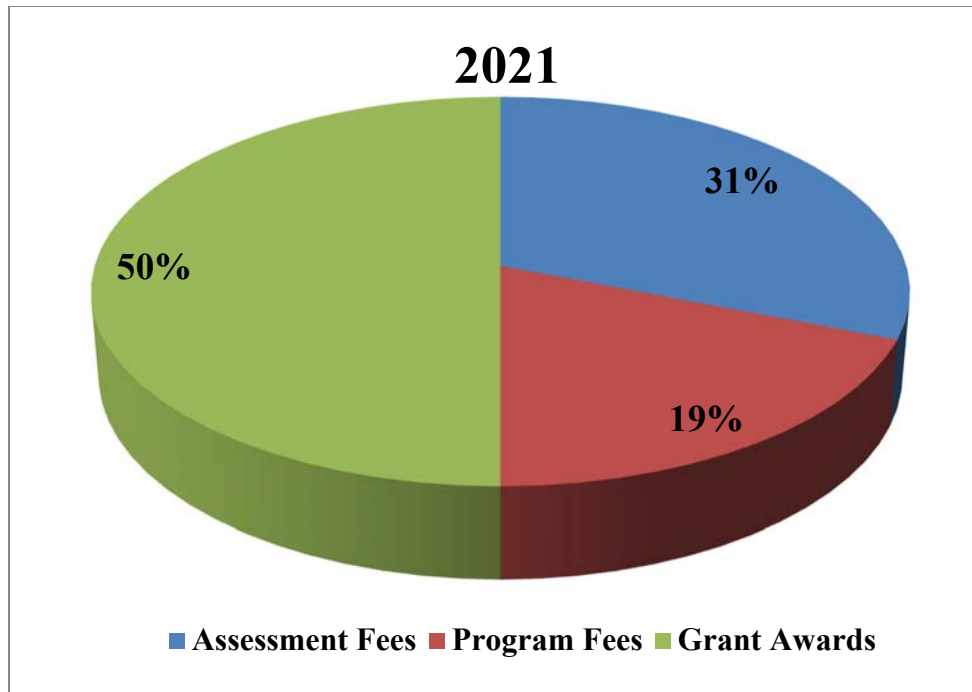
Operating Revenues

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 chart graphically displays the percentage of operating revenues by category.

For fiscal year 2022, the percentage of program fees have increased slightly and assessment fees have decreased slightly in response to increasing grant awards from the prior year. These percentages will fluctuate from year to year depending on the amount of grant awards.



REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022



Fiscal Year 2022 Compared to Fiscal Year 2021

Operating revenues – Operating revenues totaled \$4,371,271 and was \$961,528 higher than the previous year. The increase is mainly a result of higher grant awards due to completion of some of the multi-year grants and the start of new grants.

Assessment fees – The \$9,861 increase in assessment fees is due to a Board approved dues increase for the year ended June 30, 2022 and the addition of one new RWA member to be used 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 2022, 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), Proposition 1 Round 1, the 2014 Integrated Regional Water Management Drought Proposition 84 Grant (2014 Drought Prop 84), the Prop 84 Round 3 grant, Major Projects/Resilience Programs, Regional Emergency Preparedness Program (REPP), and water transfers. Program fees are not expected to be comparable from year to year. The program fees increased by \$215,229 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 2022, RWA earned grant revenues from the WEP, 2014 Drought Prop 84, Proposition 1 Round 1, Prop 84 Round 3, and some revenues from a new grant, 2021 Urban Drought Implementation. These programs contributed largely to the overall \$730,903 net increase in grant awards.

REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

- 1) The 2014 Drought Prop 84 grant revenue increased by \$1,058,156 as a result of a grant extension due to an unprecedented drought. 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.
- 2) The Prop 84 Round 3 grant revenue decreased to \$160,107. 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.
- 3) The Proposition 1 Round 1 grant is in its first year and accounted for \$804,849 in revenues during fiscal year 2022.
- 4) The WEP Program experienced an increase in grant awards totaling \$391,067.
- 5) As the Urban Drought Implementation grant was recently awarded, the revenues are \$6,237.

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 \$490,471 from the previous fiscal year resulting from the pension and OPEB net asset and a decrease in office expenses and professional fees due to the COVID-19 pandemic which still affected operations for more than six months of fiscal year 2022.

Core Program Expenses – For the year ended June 30, 2022, core expenses showed no change from 2021; continued \$25,000 annual payment related to the Powerhouse Science Center exhibits.

Subscription Program Direct Expenses – During fiscal year 2022, RWA incurred subscription program expenses from the core program, WEP, Regional Water Bank, Major Projects/Resilience programs and REPP. Program expenses are not expected to be comparable from year to year. The program expenses increased overall by \$7,269. 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 2022, RWA earned grant awards from the WEP including the 2014 Drought Prop 84 program, Prop 84 Round 3, Proposition 1 Round 1 grant and newly award 2021 Urban Drought Implementation grant. The activity and payments vary on these grants and year to year comparability is not expected. These programs generated over \$2.3 million in grant expense in 2022. The following contributed largely to the overall net increase of \$727,025 in grant awards expense from 2021:

- 1) The 2014 Drought Grant started in fiscal year 2015. As the grant nears completion, grant expenses and distributions usually decrease. However, in fiscal year 2022, a grant extension was approved. Due to an unprecedented drought and the final distribution of the last capital improvement project, the Drought Grant incurred \$1,068,026 in expenses; an increase of \$612,046 from the prior year.
- 2) The Prop 84 Round 3 grant expended \$163,925. This is a decrease of \$290,575 from 2021.
- 3) The Proposition 1 Round 1 grant is in its first full year and accounted for \$818,842 in expenses during fiscal year 2022.

REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

- 4) WEP grant expenses accounted for \$385,375 in 2022; an increase of \$197,884 from 2021.
- 5) Urban Drought Implementation expenses accounted for \$6,930.

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.

	<u>2022</u>	<u>2021</u>	<u>Increase</u>
Furniture	\$ 3,722	\$ 3,722	\$ -
Equipment	22,190	18,885	3,305
Website Development	15,604	15,604	-
Leasehold Improvements	14,785	14,785	-
Leased Buildings	71,163	71,163	-
Leased Equipment	8,944	8,944	-
Gross Capital Assets	<u>136,408</u>	<u>133,103</u>	<u>3,305</u>
Less Accumulated Depreciation	(42,962)	(39,690)	(3,272)
Less Accumulated Amortization	<u>(35,283)</u>	<u>-</u>	<u>(35,283)</u>
Total Accumulated Depreciation and Amortization	<u>(78,245)</u>	<u>(39,690)</u>	<u>(38,555)</u>
Net Capital Assets	<u>\$ 58,163</u>	<u>\$ 93,413</u>	<u>\$ (35,250)</u>

Economic factors and assumptions for fiscal year June 30, 2023

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, 2023.

- 1) In accordance with the RWA Board of Directors approved dues structure, an overall 3.7 % increase on all membership fees is proposed for fiscal year 2023 using a base retail connection fee of \$2.28 per connection. Some member's actual increase may be slightly different if the number of water connections changed from the previous year. Regardless of member increases, RWA will continue to pay additional sums towards the unfunded pension liability.
- 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 will pay for 100% of the new Associate Program Manager position beginning in fiscal year 2023.

REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 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 and Major Projects/Resilience Programs.
- 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 Affair 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 new Associate Program Manager in early fiscal year 2023 which is 100% reimbursed by SGA. These allocations result in 5.7 FTEs for RWA and 3.3 FTEs for SGA for a total of 9.0 fulltime equivalent positions.
- 6) Beginning in fiscal year 2019, staff pays the full 7% employee share of their pension contributions. Staff salaries are within ranges assigned by the 2017 total compensation survey and reflect a possible 4% increase for merit plus 4% COLA. RWA started a compensation survey in 2022 in accordance with their policy to ensure that staff compensation is market competitive. It is expected that these results will be made available at mid-year. The budget impact based on the salary survey is unknown at this time.
- 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 FY23 is \$36,700.
- 9) Office cost increases are based upon estimated increases in fiscal year 2023 and also include increased office lease agreement costs. For FY23 and beyond, office costs are estimated at 3% annual increases or less, unless specific increases have been identified.
- 10) Professional fees include audit, accounting and actuarial analysis fees due to the reporting requirement for GASB Statement No. 68, 75 and 87, 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 expenses 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.

REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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

STATEMENT OF NET POSITION JUNE 30, 2022

ASSETS

Current Assets

Cash and Investments	\$ 1,390,567
Restricted Cash and Investments	1,620,999
Grants/Incentives Receivable	241,714
Accounts Receivable	27,265
Receivable from Sacramento Groundwater Authority (SGA)	75,526
Other Assets	38,197
Total Current Assets	<u>3,394,268</u>

Net Pension Asset	293,724
Net Other Post Employment Benefits (OPEB) Asset	495,139
Capital Assets, Net	58,163
Total Non-Current Assets	<u>847,026</u>
Total Assets	<u>4,241,294</u>

DEFERRED OUTFLOWS

Pension	452,452
OPEB	133,191
Total Deferred Outflows	<u>585,643</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS

4,826,937

LIABILITIES

Current Liabilities

Accounts Payable and Accrued Liabilities	210,783
Compensated Absences	65,912
Subscription Program Advances	865,267
Unearned Revenue	212,035
Total Current Liabilities	<u>1,353,997</u>

Non-Current Liabilities

Compensated Absences	74,400
Lease Liability	45,925
Unearned Revenue	140,000
Total Non-Current Liabilities	<u>260,325</u>
Total Liabilities	<u>1,614,322</u>

DEFERRED INFLOWS

Pension	63,913
OPEB	516,312
Total Deferred Inflows	<u>580,225</u>

NET POSITION

Net Investment in Capital Assets	12,238
Restricted	599,879
Unrestricted	2,020,273
Total Net Position	<u>\$ 2,632,390</u>

REGIONAL WATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2022

OPERATING REVENUES:

Assessment Income	\$ 1,074,246
Subscription Program Fees	869,785
Incentives, Grants, and Reimbursements	2,420,970
Other Income	6,270
Total Operating Revenues	<u>4,371,271</u>

OPERATING EXPENSES:

Administrative Expenses	855,870
Core Program Expenses	25,000
Subscription Program Direct Expenses	382,010
Grant Awards	2,372,023
Total Operating Expenses	<u>3,634,903</u>

OPERATING INCOME (LOSS)	736,368
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NONOPERATING REVENUES (EXPENSES)

Interest Income	11,937
Interest Expense	(4,140)
Total Nonoperating Revenues	<u>7,797</u>

INCREASE IN NET POSITION	744,165
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Net Position, Beginning of Year	<u>1,888,225</u>
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NET POSITION, End of Year	<u><u>\$ 2,632,390</u></u>
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REGIONAL WATER AUTHORITY

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from members and participants	\$ 2,022,017
Cash received from SGA	527,428
Cash received from grants and other sources	2,270,427
Cash paid to employees, related benefits and taxes	(1,555,644)
Cash paid to suppliers	(1,240,843)
Cash paid to subscription program participants	(1,986,648)
Net Cash Provided by Operating Activities	<u>36,737</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of capital assets	(3,305)
Payments on lease liability	(34,182)
Interest payments on lease liability	(4,140)
Net Cash Used by Capital and Related Financing Activities	<u>(41,627)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on cash	<u>8,612</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>3,722</u>
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>3,007,844</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 3,011,566</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET:	
Cash and investments	\$ 1,390,567
Restricted cash and investments	<u>1,620,999</u>
Total cash and cash equivalents	<u>\$ 3,011,566</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 736,368
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,272
Amortization	35,283
Change in operating assets and liabilities:	
Grants/Incentives receivable	(84,656)
Accounts receivable	11,872
Receivable from SGA	1,256
Other assets	(2,117)
Net pension asset/liability	(400,003)
Net OPEB asset	(385,651)
Accounts payable and accrued liabilities	71,448
Compensated absences	30,720
Subscription program advances	73,841
Unearned revenue	(68,012)
Change in deferred outflows/inflows of resources for pension	14,477
Change in deferred outflows/inflows of resources for OPEB	(1,361)
Net cash provided by operating activities	<u>\$ 36,737</u>

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 2022, the GASB issued Statement No. 101, Compensated Absences. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.

RWA will analyze the impact of this new statement prior to the effective date listed above.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 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:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

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:

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

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 year ended June 30, 2022 the advances by subscription programs are as follows:

Regional Water Bank - Phase 2	\$	458,598
Regional Water Bank - Phase 1		275,720
Prop1 Round 1 - Members		46,636
REPP Agency Fees		28,750
Prop 84 Program Management		21,510
2014 Drought Program Management		17,384
RWA Prop 84 Round 3 Program Management		12,442
Rachio Controller - Members		3,439
SRCS Water Suppliers		788
		<hr/>
Total	\$	<u>865,267</u>

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2022:

Bonneville Environmental Foundation Grant - WEP	\$	174,160
Powerhouse Science Center		160,000
Annual Assessment		17,875
Less: Current Portion		<u>(212,035)</u>
Non-Current Portion	\$	<u>140,000</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, the Bonneville Environmental Foundation Grant received by 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 and a prepayment by a member for the 2023 annual assessment.

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 of expenses incurred of \$599,879 as of June 30, 2022.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 2022, the minimum assessment was \$3,962 and a maximum assessment was \$90,724.

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 2022, 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 year 2022, 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.

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 \$526,172 for the year ended June 30, 2022. 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 2022:

Cash and Investments	\$ 1,390,567
Restricted Cash and Investments	<u>1,620,999</u>
	<u>\$ 3,011,566</u>

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Cash and investments balance at June 30, 2022 consist of the following:

Deposits with financial institutions	\$ 102,530
Investments in LAIF	<u>2,909,036</u>
Total cash and investments	<u>\$ 3,011,566</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, 2022 was \$35,761,173,309. 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, 2022 was \$231,867,874,452. 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.

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, 2022 was approximately 311 days.

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 97% of its cash invested in LAIF for the year ended June 30, 2022.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, RWA's bank balance was \$172,333. 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.

As of June 30 2022, restricted cash by program is as follows:

Regional Water Bank - Phase 2	\$ 458,598
Water Efficiency Program	425,799
Regional Water Bank - Phase 1	275,720
Bonneville Environmental Foundation Grant - WEP	174,160
Powerhouse Science Center	160,000
Prop 1 Round 1 - Members	46,636
REPP Agency Fees	28,750
Prop 84 Program Management	21,510
2014 Drought Program Management	17,384
RWA Prop 84 Round 3 Program Management	12,442
Total Restricted Cash	<u>\$ 1,620,999</u>

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

3. CAPITAL ASSETS

A summary of the capital assets at cost is as follows for the year ended June 30, 2022:

	June 30, 2021, as Restated	Increases	Decreases	Balance June 30, 2022
Furniture	\$ 3,722	\$ -	\$ -	\$ 3,722
Office Equipment	18,885	3,305	-	22,190
Website Development	15,604	-	-	15,604
Leasehold Improvements	14,785	-	-	14,785
Leased Buildings	71,163	-	-	71,163
Leased Equipment	8,944	-	-	8,944
Total Capital Assets	133,103	3,305	-	136,408
Less Accumulated Depreciation	(39,690)	(3,272)	-	(42,962)
Less Accumulated Amortization	-	(35,283)	-	(35,283)
Total Accumulated Depreciation and Amortization	(39,690)	(38,555)	-	(78,245)
Capital Assets, Net	\$ 93,413	\$ (35,250)	\$ -	\$ 58,163

In fiscal year 2022, RWA implemented the guidance in GASBS No. 87, *Leases*, retroactive to July 1, 2021. RWA recognized the value of office space and copier leased under long-term contracts.

RWA entered into a lease agreement for office space at 5620 Birdcage Street Suite 110 and 180 in Citrus Heights, California beginning September 1, 2018 for a period of 60 months. The intangible right of use asset is being amortized over the remaining term of the lease. Terms of this lease are described in Note 4.

RWA entered into a 60 month lease agreement for a copier beginning February 20, 2020. The intangible right of use asset is being amortized over the remaining term of the lease. Terms of this lease are described in Note 4.

4. LONG-TERM LIABILITIES

RWA entered into a lease agreement for office space at 5620 Birdcage Street Suite 110 and 180 in Citrus Heights, California beginning September 1, 2018. The lease extends through August 31, 2023 and contains base rents of \$2,695 to \$2,965 per month. For purposes of discounting future payments on the lease, the RWA used the discount rate of 4.75%.

On February 20, 2020, RWA leased a copier for a term of 60 months at \$229 per month. For purposes of discounting future payments on the leases, the RWA used the discount rate 4.75%.

The leased building and equipment and accumulated amortization of the right-to-use assets are outlined in Note 3. Minimum lease payments over the remaining term of the leases include:

Year ended June 30,	Principal	Interest	Totals
2023	\$ 36,003	\$ 2,319	\$ 38,322
2024	8,177	500	8,677
2025	1,745	87	1,832
Total	\$ 45,925	\$ 2,906	\$ 48,831

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 year ended June 30, 2021 (measurement date), 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 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 year ended June 30, 2022 is 12.44%.

Employer contributions rates may change if plan contracts are amended. For the year ended June 30, 2022, the employer required contributions to the plan were \$89,293. RWA also made additional non-required employer pension contributions of \$36,700 for the year ended June 30, 2022 towards payment of its unfunded liability.

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

RWA's net pension asset/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, 2021 for the year ended June 30, 2022. The

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. As of June 30, 2022 RWA's proportionate share of the Plan's NPL was \$(293,724).

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, 2021 measurement date. The following table shows RWA's employer allocation factors for the Plan as of the measurement date for June 30, 2021:

Proportion - June 30, 2021	(0.01547)%
Proportion - June 30, 2020	<u>0.00252%</u>
Change – decrease	<u>(0.01799)%</u>

For the measurement period ended June 30, 2021, RWA incurred a pension credit of \$567,738.

At June 30, 2022, the deferred outflows of resources related to pensions were from the following sources:

Contributions after measurement date	\$ 125,993
Net difference between projected and actual earnings on plan investments	256,404
Adjustments due to differences in proportions	<u>70,055</u>
	<u>\$ 452,452</u>

The \$125,993 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 year ended June 30, 2023.

At June 30, 2022, the deferred inflow of resources related to pensions from the following sources:

Difference between actual and expected experience	\$ 32,938
Differences between employer contributions and the employer's proportionate share of contributions	26,803
Adjustments due to differences in proportions	<u>4,172</u>
	<u>\$ 63,913</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized in future pension expense as follows at June 30, 2022:

<u>Measurement Period Ended June 30:</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2023	\$ 52,902
2024	68,574
2025	70,213
2026	70,856

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Actuarial Assumptions

For the measurement period ended June 30, 2021, the TPL was determined by rolling forward the June 30, 2020 results. The TPL was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	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 period ended June 30, 2021.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2021 (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 YEAR ENDED JUNE 30, 2022

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' Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021.

The tables below reflect the long-term expected real rate of return by asset class as of June 30, 2022. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation as follows:

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

(a) In the System's ACFR, Fixed income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

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 date June 30, 2021, 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:

	<u>Discount Rate - 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
Proportionate Share of Plan's NPL at June 30, 2021	\$68,454	(\$293,724)	(\$593,132)

Payable to the Pension Plan

At June 30, 2022, RWA does not have an outstanding payable to the pension plan.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 FOR THE YEAR ENDED JUNE 30, 2022

Employees Covered

As of the June 30, 2021 actuarial valuation, the following inactive and active employees were covered by the benefit terms under the OPEB Plan:

Inactive employees receiving benefits	4
Inactive employees entitled to but not receiving benefits	1
Participating active employees	<u>8</u>
Total	<u>13</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, 2022, RWA's cash contributions were \$33,515 in payments to the trust and the estimated implied subsidy was \$23,195, resulting in total payments of \$56,710. 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, 2022, was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021 to determine the June 30, 2022 total OPEB liability, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Funding Method	Entry Age Normal, Level Percent of Pay
Asset Valuation Method	Market Value of Assets
Discount Rate	6.50%
Long-term Return on Assets (net of plan investment expenses and inflation)	6.50%
Salary Increase	3.00%
Inflation Rate	2.50%
Mortality Rate	MacLeod Watts Scale 2022 applied generationally ⁽¹⁾
Pre-Retirement Turnover	CalPERS 1997-2015 Experience Study ⁽²⁾
Healthcare Trend	5.60% decreasing to 3.90% ⁽³⁾

⁽¹⁾ The MacLeod Watts Scale 2022 was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2021 Report, published in October 2021 and (2) the demographic assumptions used in the 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published August 2021.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

- (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.
- (3) The healthcare trend ranges from increases of 5.60% in 2023 to 3.90% in 2075 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 6.50%, for measurement period ended June 30, 2021.

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:

<u>Asset Class</u>	
Global Equity	59%
Fixed Income	25%
Inflation Assets	8%
REITs	5%
Commodities	3%
Total	<u>100%</u>

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2022 was 6.50%. 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Changes in the OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2021			
Measurement Date 6/30/2020	\$ 1,135,399	\$ 1,244,887	\$ (109,488)
Changes During the Period:			
Service Cost	78,624	-	78,624
Interest Cost	81,028	-	81,028
Employer Contributions	-	58,947	(58,947)
Net Investment Income	-	85,175	(85,175)
Benefit Payments	(79,394)	(79,394)	-
Assumption Changes	49,216	-	49,216
Administrative Expenses	-	(475)	475
Plan Experience	(190,864)	-	(190,864)
Investment Experience	-	260,008	(260,008)
Net Changes in Fiscal Year 2021-2022	(61,390)	324,261	(385,651)
Balance at Fiscal Year Ending 6/30/2022			
Measurement Date 6/30/2021	\$ 1,074,009	\$ 1,569,148	\$ (495,139)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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, 2021:

	Current		
	Discount Rate -1% (5.50%)	Discount Rate (6.50%)	Discount Rate +1% (7.50%)
Net OPEB liability (asset)	\$ (368,381)	\$ (495,139)	\$ (601,048)

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, 2021:

	Medical Trend Rate -1%	Current Medical Trend Rate	Medical Trend Rate +1%
Net OPEB Liability (asset)	\$ (610,527)	\$ (495,139)	\$ (355,245)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 ACFR 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.

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, 2022. All other amounts are recognized over the expected average remaining service lifetime (EARSL), which was 7.17 years at June 30, 2022.

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

For the fiscal year ended June 30, 2022, RWA recognized OPEB credit of \$22,097. As of fiscal year ending June 30, 2022, deferred outflows of resources related to OPEB are from the following sources:

	Deferred Outflows of Resources
OPEB contributions subsequent to measurement date	\$ 56,710
Changes in assumptions	<u>76,481</u>
Total	<u><u>\$ 133,191</u></u>

As of fiscal year ended June 30, 2022, deferred inflows of resources related to OPEB are from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 235,783
Net differences between projected and actual earnings on OPEB plan investments	184,850
Changes in assumptions	<u>95,679</u>
Total	<u><u>\$ 516,312</u></u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The \$56,710 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal years ended June 30, 2023, respectively. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended June 30:</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2023	\$ (91,272)
2024	(89,522)
2025	(90,586)
2026	(98,016)
2027	(46,016)
Thereafter	(24,419)

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, 2022 is sufficient to set aside the designations for budget purposes.

The designations as of June 30, 2022 are as follows:

Operating Fund	\$ 729,271
Membership Dues	168,100
Subscription Programs	<u>52,357</u>
Total Board Designations	<u>\$ 949,728</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 year ended June 30, 2022, this designation is approximately 4.7 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

8. COMPENSATED ABSENCES

The changes to compensated absences balances at June 30, 2022 are as follows:

Balance 2021	Earned	Used	Balance 2022	Due Within One Year	Long-term
\$ 109,592	\$ 92,166	\$ (61,446)	\$ 140,312	\$ 65,912	\$ 74,400

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.

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, 2022 may be impaired. In the opinion of RWA's

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 \$72,997 at June 30, 2022, 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 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.

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 \$526,172 for the year ended June 30, 2022 which represents 38% of RWA's total administrative expenses. Additionally, RWA relies upon subscription-based programs to pay for administration expenses of 63% for the year ended June 30, 2022. 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 ASSET/LIABILITY Last Ten Years

	Measurement Date							
	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension (asset)/liability	-0.015469%	0.002520%	0.001757%	0.002383%	0.003917%	0.004247%	0.012618%	0.013650%
Proportionate share of the net pension (asset)/liability	\$ (293,724)	\$ 106,279	\$ 70,367	\$ 89,817	\$ 154,391	\$ 147,540	\$ 346,165	\$ 337,276
Covered - employee payroll	\$ 711,891	\$ 598,436	\$ 511,721	\$ 536,680	\$ 466,290	\$ 365,294	\$ 592,756	\$ 565,797
Proportionate share of the net pension (asset)/liability as a percentage of covered payroll	-41.26%	17.76%	13.75%	16.74%	33.11%	40.39%	58.40%	59.61%
Plan fiduciary net position as a percentage of the total pension liability	88.29%	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 (asset)/liability	110.71%	95.77%	96.82%	95.45%	90.24%	89.09%	83.50%	83.03%

Notes to Schedule:

For the measurement periods ending June 30, 2021, 2020 and 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.

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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE CONTRIBUTIONS TO THE PENSION PLAN

Last Ten Years

	Fiscal Year								
	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Contractually required contribution (actuarially determined)	\$ 89,293	\$ 76,480	\$ 62,065	\$ 51,840	\$ 49,160	\$ 47,566	\$ 44,595	\$ 70,182	\$ 62,822
Contributions in relation to the actuarially determined contributions	125,993	113,180	77,065	114,840	91,160	89,566	181,995	70,182	62,822
Contribution deficiency (excess)	\$ (36,700)	\$ (36,700)	\$ (15,000)	\$ (63,000)	\$ (42,000)	\$ (42,000)	\$ (137,400)	\$ -	\$ -
Covered - employee payroll	\$ 847,507	\$ 711,891	\$ 598,436	\$ 511,721	\$ 536,680	\$ 466,290	\$ 365,294	\$ 592,756	\$ 565,797
Contributions as a percentage of covered - employee payroll	14.87%	15.90%	12.88%	22.44%	16.99%	19.21%	49.82%	11.84%	11.10%
Contributions valuation 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	June 30, 2011
Contributions measurement date	June 30, 2020	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	Market Value	15-year smoothed market
Investment Rate of Return	7.00%	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%	7.50%
Inflation	2.500%	2.500%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Payroll Growth	2.750%	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	Most recent CalPERS Experience Study								

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.

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REQUIRED SUPPLEMENTARY INFORMATION

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

Measurement Period	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Cost	\$ 78,624	\$ 76,149	\$ 66,236	\$ 64,152	\$ 57,930
Interest Cost	81,028	75,707	84,785	78,135	71,699
Changes of Benefit Terms	-	-	1,871	-	-
Actual and Expected Experience Difference	(190,864)	-	(58,867)	-	(141,761)
Assumption Changes	49,216	-	(152,520)	-	139,794
Benefit Payments	(79,394)	(75,036)	(55,816)	(42,919)	(40,972)
Net change in OPEB Liability	(61,390)	76,820	(114,311)	99,368	86,690
Total OPEB Liability - Beginning	1,135,399	1,058,579	1,172,890	1,073,522	986,832
Total OPEB Liability - Ending (a)	<u>\$ 1,074,009</u>	<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	\$ 58,947	\$ 87,282	\$ 84,977	\$ 73,980	\$ 72,745
Net Investment Income	345,183	45,208	70,945	77,895	90,150
Benefit Payments	(79,394)	(75,036)	(55,816)	(42,919)	(40,972)
Administrative Expenses	(475)	(601)	(240)	(520)	(460)
Other Expenses	-	-	-	(1,297)	-
Net change in plan fiduciary net position	324,261	56,853	99,866	107,139	121,463
Plan fiduciary net position - Beginning	1,244,887	1,188,034	1,088,168	981,029	859,566
Plan fiduciary net position - Ending (b)	<u>\$ 1,569,148</u>	<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>\$ (495,139)</u>	<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)	146.10%	109.64%	112.23%	92.78%	91.38%
Covered Payroll (d)	\$ 1,018,771	\$ 933,449	\$ 799,048	\$ 834,157	\$ 752,115
Net OPEB (Asset) Liability as a percentage of covered payroll (c)/(d)	-48.60%	-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.

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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF OPEB CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30

Fiscal Year Ended June 30	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC) (a)	\$ 56,710	\$ 58,626	\$ 87,603	\$ 84,977	\$ 73,980
Contributions in Relation to ADC	(56,710)	(58,947)	(87,282)	(84,977)	(73,980)
Contribution Deficit (Excess)	\$ -	\$ (321)	\$ 321	\$ -	\$ -
Covered employee payroll (b)	\$ 1,049,334	\$ 1,018,771	\$ 933,449	\$ 799,048	\$ 833,750
ADC as a % of covered employee payroll (a)/(b)	5.40%	5.79%	9.35%	10.63%	8.87%
Notes to Schedule:					
Valuation Date	June 30, 2021	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 30-year period				
Asset Valuation Method	Market Value of Assets				
Inflation	2.50%		2.75%		
Salary Increase	3.00%		3.25%		
Investment Rate of Return	6.50%	6.90%	7.00%		
Healthcare Trend	5.6% in 2023, fluctuating down to 3.9% by 2075	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 2022	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

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PROGRAM SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2022

	Agency Core Program	Water Efficiency Program	PROP 84	2014 Drought PROP 84	PROP 84 Round 3	Prop 1 Round 1	Water Transfer	USBR Drought Interties	Regional Water Bank Phase 1	Regional Water Bank Phase 2	Major Projects Resilience Program	Urban Drought	Urban Planning	Regional Emergency Preparedness	Total RWA
Operating Revenues															
Assessment Income	\$ 1,074,246	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,074,246
Subscription Program Fees	-	497,401	2,500	9,870	1,765	13,293	32,339	4,030	820	48,302	229,465	-	-	30,000	869,785
Incentives, Grants, and Reimbursements	-	391,067	-	1,058,156	160,107	804,849	-	-	-	-	-	6,237	554	-	2,420,970
Other Income	6,270	-	-	-	-	-	-	-	-	-	-	-	-	-	6,270
Total Operating Revenues	<u>1,080,516</u>	<u>888,468</u>	<u>2,500</u>	<u>1,068,026</u>	<u>161,872</u>	<u>818,142</u>	<u>32,339</u>	<u>4,030</u>	<u>820</u>	<u>48,302</u>	<u>229,465</u>	<u>6,237</u>	<u>554</u>	<u>30,000</u>	<u>4,371,271</u>
Operating Expenses															
Administrative Expenses	314,760	210,515	-	9,870	27,125	26,450	21,940	2,665	820	4,715	229,465	6,930	615	-	855,870
Core Program Expenses	20,000	5,000	-	-	-	-	-	-	-	-	-	-	-	-	25,000
Subscription Program Direct Expenses	-	295,524	2,500	-	-	-	10,399	-	-	43,587	-	-	-	30,000	382,010
Grant Awards	-	385,375	-	1,058,156	136,800	791,692	-	-	-	-	-	-	-	-	2,372,023
Total Operating Expenses	<u>334,760</u>	<u>896,414</u>	<u>2,500</u>	<u>1,068,026</u>	<u>163,925</u>	<u>818,142</u>	<u>32,339</u>	<u>2,665</u>	<u>820</u>	<u>48,302</u>	<u>229,465</u>	<u>6,930</u>	<u>615</u>	<u>30,000</u>	<u>3,634,903</u>
Net Operating Income	<u>745,756</u>	<u>(7,946)</u>	<u>-</u>	<u>-</u>	<u>(2,053)</u>	<u>-</u>	<u>-</u>	<u>1,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(693)</u>	<u>(61)</u>	<u>-</u>	<u>736,368</u>
Nonoperating Revenues	<u>7,797</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>-</u>	<u>7,797</u>
Net Income (Loss)	<u>\$ 753,553</u>	<u>\$ (7,946)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,053)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (693)</u>	<u>\$ (61)</u>	<u>\$ -</u>	<u>744,165</u>
Net Position, Beginning of the Year															<u>1,888,225</u>
Net Position, End of the Year															<u>\$ 2,632,390</u>

REGIONAL WATER AUTHORITY

SCHEDULE OF ALLOCATED ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED JUNE 30, 2022

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, 2022 is:

	Staff Expenses	Office Expenses	Professional Fees	Total Administrative Expenses
RWA Administrative Expenses	\$ 835,128	\$ 148,666	\$ 398,248	\$ 1,382,042
Allocated to Sacramento Groundwater Authority	<u>(401,944)</u>	<u>(77,852)</u>	<u>(46,376)</u>	<u>(526,172)</u>
Total RWA Administrative Expenses - Net of SGA allocation	<u>433,184</u>	<u>70,814</u>	<u>351,872</u>	<u>855,870</u>
Allocated Administrative Expenses to Subscription Programs				
Water Efficiency Program	(185,170)	(10,237)	(15,108)	(210,515)
2014 Drought Proposition 84	(9,870)	-	-	(9,870)
Proposition 84 Round 3	(27,125)	-	-	(27,125)
Prop 1 Round 1	(26,450)	-	-	(26,450)
Water Transfer	(21,940)	-	-	(21,940)
USBR Drought Interties	(2,665)	-	-	(2,665)
Regional Water Bank Phase 1	(820)	-	-	(820)
Regional Water Bank Phase 2	(4,715)	-	-	(4,715)
Major Projects Resilience Program	(229,244)	-	(221)	(229,465)
Urban Drought	(6,930)	-	-	(6,930)
Urban Planning	<u>(615)</u>	<u>-</u>	<u>-</u>	<u>(615)</u>
Total Allocated Administrative Expenses - Subscription Programs	<u>(515,544)</u>	<u>(10,237)</u>	<u>(15,329)</u>	<u>(541,110)</u>
Net Agency Administrative Expenses - Agency Core Program	<u>\$ (82,360)</u>	<u>\$ 60,577</u>	<u>\$ 336,543</u>	<u>\$ 314,760</u>

OTHER REPORT

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

**Board of Directors
Regional Water Authority
Sacramento, California**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Regional Water Authority (the Authority) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 14, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Gilbert CPAs". The script is cursive and fluid.

GILBERT CPAs
Sacramento, California

December 14, 2022

AGENDA ITEM 3e: APPROVE REVISIONS TO RWA POLICY 200.3

BACKGROUND:

In early 2022, Chair York formed an ad hoc committee to recommend changes to RWA Policy 200.3 in order to reduce the time to conduct elections to the Executive Committee and to potentially diversify the Executive Committee. On November 10, 2022, Director Kerry Schmitz made a presentation to the Board of Directors summarizing the Ad Hoc Committee's proposed revisions and to receive feedback. The response from the Board of Directors was positive and did not result in any changes. The effective date of this change would occur in the 2024 Executive Committee elections.

Attachment:

Draft Revisions to RWA Policy 200.3

REGIONAL WATER AUTHORITY POLICIES AND PROCEDURES MANUAL

Policy Type	:	Board of Directors
Policy Title	:	Procedures for Selection of the Executive Committee
Policy Number	:	200.3
Date Adopted	:	November 19, 2001
Date Amended	:	March 10, 2005
Date Amended	:	November 13, 2014
Date Amended	:	_____, 2022

REGIONAL WATER AUTHORITY PROCEDURES FOR SELECTION OF THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS AND THE CHAIR AND VICE-CHAIR OF THE EXECUTIVE COMMITTEE AND THE BOARD OF DIRECTORS

Background

The Joint Exercise of Powers Agreement (“JPA”) under which the Regional Water Authority (“RWA”) was formed and operates provides for the selection of (1) the members of the Executive Committee of the Board of Directors, and (2) the Chair and Vice-Chair of the Board of Directors. (See Articles 10 and 18, respectively, of the JPA.) The Board of Directors will follow the procedures set forth in this document for the nomination and election of the members of the Executive Committee and the Chair and Vice-Chair. This document may be amended at any time by the Board of Directors.

In accordance with Article 8 of the JPA, each Member and Contracting Entity (as defined in Article 3 of the JPA) have two representatives on the Board of Directors, either of whom may cast a single vote on behalf of his or her Member or Contracting Entity. It will be the responsibility of a Member and Contracting Entity to notify RWA in writing from time to time of (1) its designated representatives to the Board of Directors, including alternates who may act in the absence of a representative, and (2) the priority for voting of its representatives to the Board of Directors of RWA. In the absence of such written notification, the Secretary of RWA will determine that an elected representative of a Member will have voting priority over the Member’s non-elected representative to the Board of Directors, and a Member or Contracting Entity’s senior management staff will have priority over the Member or Contracting Entity’s junior management staff, in the event that the Member or Contracting Entity’s two representatives disagree as to who should cast a vote on behalf of the Member or Contracting Entity concerning a particular matter. These rules shall also apply in the case of nominations under this Policy.

Reference in this document to a majority vote of the Board of Directors will refer

to the affirmative vote of a majority of the representatives (one for each Member and Contracting Entity) on the Board of Directors who are entitled to vote on a matter and who are present at the Board meeting during the vote. A seat on the Board of Directors of RWA will become vacant when a representative of a Member or Contracting Entity no longer meets the qualifications set forth in Article 8 of the JPA, or upon the happening of any of the events set forth in Government Code section 1770.

The Executive Committee will be a standing committee of the Board of Directors of RWA, and will be selected as individuals from the membership of the Board of Directors, except that, no Member or Contracting Entity of RWA will have more than one representative on the Executive Committee.

Executive Committee meetings will be open to the public (except for authorized closed sessions), noticed and conducted in accordance with applicable law. A majority of all of the members of the Executive Committee (i.e., five members on a nine-member Executive Committee) will (a) constitute a quorum for the purpose of transacting business, and (b) be required for an affirmative vote to take action.

Members of the RWA Board of Directors who are not members of the Executive Committee may attend an Executive Committee meeting only as observers, and they will not participate in the committee meeting, ask questions or sit with the committee members at the Board table. (See subsection (c)(6) of Government Code section 54952.2 and 81 Ops.Cal.Atty.Gen. 156 (1998).)

In accordance with the Brown Act (Government Code section 54952), the Executive Committee will comprise less than a quorum of the number of members of the Board of Directors. The Executive Committee of RWA will consist of nine members, subject to the Board of Directors approving a smaller odd-number of members of the Executive Committee to avoid a violation of the Brown Act. These procedures assume that the Executive Committee will comprise nine members.

The election of the Chair, Vice-Chair, and members of the Executive Committee will generally follow the three-step process described in this Policy: (a) election of a new Chair at a meeting held near the end of the calendar year; (b) receipt of nominations for Vice-Chair and members of the Executive Committee; and (c) election of a slate of nominees for Vice-Chair and members of the Executive Committee.

I. Election of the Incoming Chair and Identification of Candidates for Vice-Chair and the Executive Committee

1. At a meeting held prior to December 31 of each year, the Board of

Directors will elect the Incoming Chair for the next year. The current Chair shall conduct the election. The Incoming Chair's term will commence on the January 1 following the Board meeting.

2. To elect the Incoming Chair, the Board of Directors will vote on the question, "Shall the current Vice-Chair of the Board of Directors be elected Chair?" If the current Vice-Chair is unable to serve, or if the Vice-Chair is not elected as Incoming Chair by a majority of the Board of Directors, then another Incoming Chair shall be nominated by motion and elected by at least a majority vote.
3. The Chair or the Chair's designee will then conduct a roll call of Directors to state their candidacy for Vice-Chair and the Executive Committee. Each Director may make an oral presentation of not more than two minutes concerning the Director's qualifications to serve as Vice-Chair or as a member of the Executive Committee. A Director who is not present may not be included as a candidate unless the Director or the RWA entity that he or she represents has notified the current Chair that the Director wishes to be included as a candidate.

II. Nomination of Candidates for Vice-Chair and the Executive Committee

1. If only one candidate was identified for Vice-Chair, then that candidate shall be deemed the nominee for Vice-Chair. If there were only three candidates identified for members of the Executive Committee, then those three candidates shall be deemed the nominees for those offices. If the nominees for Vice-Chair or Executive Committee are not determined under this step, then the Executive Director or designee shall conduct the nomination of candidates for the unfilled office or offices as described below.
2. The Executive Director shall prepare and distribute to each RWA Member or Contracting Entity a written nomination form listing the Directors who were previously identified as candidates. The nomination form shall request that each RWA Member or Contracting Entity nominate a Vice-Chair and three members of the Executive Committee by ranking as candidates as they wish in order of preference. Candidates for Vice-Chair shall also be listed as candidates for the Executive Committee on the nomination form.

*Example Nomination Form:*¹

¹ The examples presented in this policy are illustrative and not binding.

Nomination Form

Name of RWA Member of Contracting Entity: _____

Please rank each of the candidates below in order of preference from highest to lowest and return this form to the RWA Executive Director no later than _____ (date).

Candidates for Vice-Chair	1st	2nd	3rd
Candidate A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Candidate B	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Candidate C	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Candidates for Executive Committee	1st	2nd	3rd	4th	5th	6th	7th
Candidate A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Candidate B	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Candidate C	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Candidate D	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Candidate E	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Candidate F	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Name of Agency Representative: _____

Signature of Agency Representative: _____

3. Nomination forms shall be completed, signed, and returned to the Executive Director or designee no later than the date stated on the form. Only one form may be submitted by each Member or Contracting Entity. No Director may discuss or deliberate with any Director of another RWA Member or Contracting Entity concerning the responses to the nomination forms. RWA staff and representatives shall not discuss with any Director the results of any nominations until after the nominees are publicly identified as provided in this Policy.
4. To determine the nominee for Vice-Chair, the Executive Director or designee shall tally the nomination forms in rounds until a candidate has a majority of nominations. In each round, if no candidate has a majority of nominations, the candidate with the fewest number of nominations is eliminated. The eliminated candidate's nominations are then redistributed based on the nominator's next preference to the remaining candidates until one candidate has a majority of nominations and is nominated Vice-

Chair.² If two or more candidates are tied for the fewest number of nominations in any round, or the only remaining candidates are tied, then the candidate with fewest first round nominations shall be eliminated, and, if the candidates are tied for the fewest first round nominations, then the fewest second round nominations, and so on.

Illustrative Example:

Candidates A, B, and C are candidates for Vice-Chair. Of 21 nominations made, Candidate A received 10 nominations, Candidate B received 6 nominations, and Candidate C received 5 nominations. Candidate C is eliminated with the fewest nominations, so the 5 nominations cast for Candidate C are redistributed to those nominators' next choice candidates in the next round. Of the agencies who nominated Candidate C, 1 chose Candidate A bringing him to 11 nominations and 4 chose Candidate B bringing her to 10 nominations. Candidate A has a majority (11 of 21 votes) making him the successful nominee for Vice-Chair after 2 rounds of nominations.

5. To determine the nominees for members of the Executive Committee, the Executive Director or designee shall tally the nomination forms in rounds until three candidates have reached a "Nomination Threshold." The Nomination Threshold is defined as the total number of nominations received divided by 4, with the result rounded up to the nearest 1.³ In the first round, the successful nominee for Vice-Chair shall be eliminated and that candidate's nominations are then redistributed based on the nominator's next preference to the remaining candidates. In subsequent rounds, the candidate with the fewest number of nominations is eliminated and the nominations distributed on the basis of preferences to the remaining candidates until three candidates reach the Nomination Threshold. No candidate can receive any more nominations after the candidate has met the Nomination Threshold in any round. If two or more candidates are tied in any round of nominations, or the only remaining candidates are tied, then the candidate with fewer first round nominations shall be eliminated, and, if the tied candidates are tied for the most fewest round nominations, then the eliminated candidate shall be the one with the fewest second round nominations, and so on.

Because each RWA Member or Contracting Agency may only have one Director become a member of the Executive Committee, a special procedure is required if two Directors from the same RWA Member or

² Reference is made to the "Instant Runoff" form of preferential voting.

³ Four is the sum of the number of Executive Committee nominees (three) plus one.

Contracting Agency reach the Nomination Threshold. The Director with fewer nominations shall be eliminated. If this elimination results in fewer than three candidates remaining, then the candidate who was previously most recently eliminated shall be reinstated and deemed to have reached the Nomination Threshold.

Illustrative Example:

Candidates A through F are candidates for membership on the Executive Committee. With 21 nominations submitted, the Nomination Threshold is 6 (21 divided by 4 is 5.25, rounded up to 6). The Candidates receive the following first round nominations:

Candidate	First Round Nominations
Candidate A	3
Candidate B	3
Candidate C	5
Candidate D	3
Candidate E	4
Candidate F	3
Total	21

No candidate has met the Nomination Threshold by receiving 6 or more nominations. In the first round, Candidate A is eliminated because he was nominated for Vice-Chair under the prior step. All of his nominations are redistributed to his nominators' second-choice candidates. In the second round, the nominations are now as follows:

Candidate	Second Round Nominations
Candidate A	0 (Eliminated as Vice-Chair)
Candidate B	3
Candidate C	6 (Nominated to EC)
Candidate D	5
Candidate E	4
Candidate F	3
Total	21

Candidate C has reached the Nomination Threshold with 6 nominations and is nominated to membership on the Executive Committee. Candidates B and F are tied for the fewest nominations. Under the tie-breaking rules, Candidates B and F are tied for first-choice nominations, and Candidate B has 5 second-choice nominations to Candidate F's 1 second-choice nomination. Candidate F is therefore eliminated in the second round and

his nominations are redistributed to his nominators' next-choice candidates.

Candidate	Third Round Nominations
Candidate A	0 (Eliminated as Vice-Chair)
Candidate B	5
Candidate C	6 (Nominated to EC)
Candidate D	5
Candidate E	5
Candidate F	0 (Eliminated)
Total	21

At the third round, Candidates B, D, and E are tied with 5 nominations. Under the tie-breaking rules, Candidate E has the most first-round nominations and is not eliminated. Candidates B and D are tied for first-choice nominations, but Candidate B has more second-choice nominations. Candidate D is therefore eliminated in the third round.

Candidate	Fourth Round Nominations
Candidate A	0 (Eliminated as Vice-Chair)
Candidate B	7 (Nominated to EC)
Candidate C	6 (Nominated to EC)
Candidate D	0 (Eliminated)
Candidate E	8 (Nominated to EC)
Candidate F	0 (Eliminated)
Total	21

At the fourth round, Candidates B and E have reached the Nomination Threshold. They join Candidate C as nominees for membership on the Executive Committee.

6. After the date set for return of nomination forms, the Executive Director or designee shall tally all nominations received according to this Policy. No late nominations shall be accepted. The tallied results shall be reviewed and certified by the Incoming Chair and RWA counsel. The Executive Director or designee shall then make the list of the proposed nominees for Vice-Chair and the three nominees for members of the Executive Committee publicly available. Any documents showing how the Executive Director or designee tallied the nominations, as well as all completed nomination forms, shall be retained by RWA and available for public review in the same manner as other public records. The Executive Director in consultation with RWA counsel is directed and empowered to interpret these rules as necessary to ensure the fair and timely completion of the nomination tally process.

III. Election of the Vice-Chair and the Executive Committee

1. At a meeting held after January 1 of each year, the Board of Directors will elect the Vice-Chair and the Executive Committee. At or prior to the meeting, the Incoming Chair shall take office and shall conduct the election as Chair.
2. The proposed slate of nominees presented for election by the Board of Directors shall be as follows:
 - a. The Vice-Chair nominee determined above under this Policy.
 - b. The three nominees for members of the Executive Committee determined above under this Policy.
 - c. A Director nominated by the Contracting Entities of RWA (as defined in Article 3(d) of the JPA), which nomination shall be sent to the Executive Director or designee in writing prior to the meeting.
 - d. A Director nominated by the current Chair of the Sacramento Groundwater Authority (SGA) (regardless of whether the current Chair is a Director on the RWA Board of Directors), which nomination shall be sent to the Executive Director or designee in writing prior to the meeting.
 - e. Two Directors nominated by the Chair. In making these nominations, the Chair shall evaluate and consider the makeup of the other nominees to the Executive Committee based on the following RWA member characteristics:
 - i. Size of Member agency service area and customer base;
 - ii. Water supplies;
 - iii. Geography;
 - iv. Demographics;
 - v. Prior representation on the Executive Committee; and
 - vi. Any other factors necessary to ensure diverse representation of RWA members on the Executive Committee.

To ensure that at least two of the members of the Executive Committee (inclusive of the Chair and Vice Vice-Chair) shall be members of a governing board of a Member of RWA (as defined in

Articles 2 and 3(i) of the JPA), then the Chair shall ensure this requirement is met through the Chair's nominations if it has not otherwise been met.

3. The Board of Directors will then vote in a single election on the question, "Shall the proposed nominees for Vice-Chair and members of the Executive Committee be elected?" If any of the proposed nominees are unable to serve, or are not elected by a majority of the Board of Directors, then one or more alternative nominees shall be nominated by motion and elected by at least a majority vote.

IV. Procedures for Filling a Post-Election Vacancy on the Executive Committee

1. In the event that a vacancy occurs on the Executive Committee the Member or Contracting Entity whose representative held the Executive Committee seat that was vacated may recommend a replacement by sending the Chair of the Board of Directors a letter making that recommendation.
2. The recommended Executive Committee replacement must be one of the two identified representatives on the Board of Directors for that Member or Contracting Entity, provided the nomination is consistent with the RWA JPA and the Executive Committee Election Policy.
3. The recommended replacement to the Executive Committee may begin to serve immediately, but must be approved by a majority vote of the Board of Directors at its next regularly scheduled meeting.
4. In the event that a recommended replacement is not identified or not approved, then another Director shall be nominated by motion and elected by at least a majority vote.

AGENDA ITEM 3f: APPROVE THE 2023 RWA POLICY PRINCIPLES

BACKGROUND:

The RWA policy principles are updated annually. The 2023 policy principles are largely the same as the adopted 2022 policy principles. The only changes in the proposed 2023 policy principles from the adopted 2022 policy principles were minor additions to the priority issues related to “Protect the Water Rights and Entitlements of RWA Member Agencies”, “Promote Balanced Statewide Water Management Solutions Beneficial to the Greater Sacramento Region”, and “Promote Water Efficiency and Water Conservation.” The entire Policy Principles document with track changes from the adopted 2022 policy principles is included in the packet. On December 14, 2022, the Executive Committee unanimously recommended the 2023 Regional Water Authority Policy Principles be forwarded to the Board of the Directors for approval.

Attachment:

Draft 2023 Regional Water Authority Policy Principles

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RWA Legislative and Regulatory Priority and Policy Issues

(Approved by the Board on ~~January 13, 2022~~ January 12, 2023)

This updates the policy principles adopted by the board on January 13, 2022 by revising the policy principles priority issues related to [“Protect the Water Rights and Entitlements of RWA Member Agencies”](#), [“Promote Balanced Statewide Water Management Solutions Beneficial to the Greater Sacramento Region”](#), and [“Promote Water Efficiency and Water Conservation.”](#)

Introduction

The Regional Water Authority (RWA) Legislative and Regulatory Advocacy Program (Advocacy Program) has been created as part of the commitment to regional collaboration and unity in pursuit of the region’s common goals as acknowledged by the “RWA Strategic Plan”. The intent of the Advocacy Program is to positively influence legislative and regulatory actions to protect, preserve and improve the region’s water supply reliability.

This advocacy effort takes on many forms including high level commitment to increasing the region’s profile in California water politics; a focused and agreed upon set of priorities; a clear and resolute set of Policy Principles to guide advocacy positions and decisions; and fostering beneficial coalitions with allied organizations. The success of these advocacy efforts will be directly linked to maintaining the level of excellence this region has demonstrated in the stewardship of our water resources. This stewardship has resulted in the preservation and enhancement of our local watersheds; protection of a federally designated Wild and Scenic River running through a metropolitan area of over 2 million people (the Lower American River); and a reliable and diverse water supply supporting the growth of the local economy.

The Priority Issues and companion Policy Principles that are adopted by the RWA Board and included herein serve as the foundation for RWA’s Advocacy Program. The Priority Issues are the long-standing, foundational issues that are at the core of RWA’s mission and stand the test of time. An example of a Priority Issue adopted as part of the Advocacy Program is the “protection of the water rights and entitlements of RWA member agencies”. Vigilant protection of these valuable, local assets will be a perpetual priority for RWA and its member agencies. The Policy Principles that support each of the Priority Issues are also long-term in nature though the RWA Advocacy Program should carefully consider and modify these on a regular basis to stay abreast of the ever-changing politics of California’s water resources management.

Combined, the Priority Issues and Policy Principles adopted by the Board of Directors serve as the Advocacy Platform that will guide development of annual legislative and regulatory work plans. The advocacy platform allows RWA staff and member agencies to operate within an agreed upon set of guidelines when advocating for the region’s common goals.

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Following the Priority Issues and Policy Principles are the guidelines the Advocacy Program will use for determining recommended positions and prioritizing legislation that is introduced as part of each legislative session.

Finally, this document includes an overview of the California legislative process and calendar, as well as an overview of key state agencies in which we engage.

Priority Issues

Ensure a Diverse, Resilient, and Reliable Water Supply

Conjunctive use of surface and groundwater resources along with cost-effective investments in recycled water, stormwater capture, water efficiency, and water conservation can significantly drought proof the region's water supply, protect the region's water resources and environment, and assure the continued growth of the region's economy.

Policy Principles

- Promote legislative and regulatory measures that enhance local agencies' ability to share regional water resources.
- Promote and support the development and expansion of the Sacramento Regional Water Bank. Enhance state support of the Water Bank through bond funds or other funding sources.
- Support and participate in Folsom Reservoir and Central Valley Project operational improvements to assure a reliable surface water supply to RWA agencies.
- Develop infrastructure necessary to access surface water entitlements.
- Advance efforts to streamline CEQA compliance for water resource projects that diversify or strengthen this regions water supply reliability.
- Promote and support development of regulations that enhance water supply reliability and protect groundwater resources under local management by the region's groundwater sustainability agencies.
- Support measures that help expedite and cost-effectively integrate new water resources such as stormwater reuse and recycled water into the regions water supply portfolio.
- Continue to increase conjunctive use capabilities within the region.
- Sponsor and/or support legislation that guarantees investments made in regional water supply reliability and drought resilience are available for their intended purposes.
- Support cost-effective surface water and groundwater storage projects.

Protect the Water Rights and Entitlements of RWA Member Agencies

Water rights issues are complex and contentious. This region's surface water rights and entitlements and long-standing management of groundwater resources have been critical in the shaping of the local economy and are vital for the future. Our reasonable use of water has

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and will continue to assure the region's water rights and entitlements provide the region with abundant, affordable and high quality water while maintaining and protecting the environmental resources of the Lower American River and the region's watersheds.

Policy Principles

- Support and defend the existing water rights priority system. [Support legislation or administration to authorize more effective enforcement of water-right priorities in order to affirm existing water rights, with safeguards to ensure that additional enforcement does not impair those rights.](#)
- Support enforcement of the existing water rights laws.
- Maintain area-of-origin protections.
- Oppose any unreasonable curtailments of our area's water rights that impact our beneficial use of water.
- Promote legislation that supports and clarifies the multiple beneficial uses of water.
- Support legislation like the Sustainable Groundwater Management Act and regulatory action that allows for retaining groundwater rights and local groundwater management.
- Support new laws, policies, and regulations embracing the concept that recognize inherent regional differences that drive water use efficiency, conservation and conjunctive use.
- Ensure that water rights are preserved, recognized and supported by all federal, state and local agencies. This includes rights to conserved water.
- Promote system operations that ensure delivery of water supplies based on water rights and contract obligations.
- Proactively engage with the SWRCB and other state and federal agencies, and other stakeholders, concerning the Bay-Delta water quality control plan and any related water-right matters in coordination with affected member agencies.
- Support and emphasize adherence to existing law applying to the state required reporting to "identify opportunities for streamlined reporting, and eliminate redundant data submissions" as a prism through which all future state proposals and current requirements should be evaluated.

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Maximize Funding Opportunities Beneficial to RWA Member Agencies

The region is prepared to make and support investments that will improve water supply reliability and protect the environment, including the Lower American River. Large-scale infrastructure projects such as improvements at Folsom Reservoir, increased or new storage capacity, additional facilities on the Sacramento River, and expanded groundwater, recycled water, transmission and distribution facilities will help prepare the region for the future while protecting the environment and increasing water supply reliability.

Policy Principles

- Assure that any funding that is required from this region be returned to this region for the benefit of this region.
- Support policies that provide funding allocations based on merit of the project and the impact or benefit.
- Promote the statewide benefits that our actions provide due to our unique location within the State's water system.
- Support Proposition 218 reform that improves water agencies ability to fund programs that help diversify the region's water supply portfolio.
- Promote statewide funding to increase flexibility for the CVP.
- Support legislation that provides funding for local and regional water resources infrastructure projects.
- Support funding for agencies to develop and utilize storm water capture projects.
- Ensure state funding is available for state-imposed mandates.

Protect Local Authority to Set Water Rates Appropriate for Accessible and Reliable Service.

RWA is comprised of public water suppliers. Local agencies provide approximately 85 percent of all funding for water management in California. Climate change driven changes in hydrology, aging infrastructure and deferred maintenance, and population growth, are increasing the need for additional investments and creating higher costs for local agencies. Additionally, the affordability of water for those least fortunate has been receiving more scrutiny. Further complicating the situation Proposition 218 limits the ability to both raise revenue and address affordability concerns through rate management.

Each water system is unique. Careful balancing and thoughtful prioritization are necessary for water agencies to allocate their limited rate payer resources to reliably deliver high quality affordable water on an on-going basis.

Recently, state agencies have taken actions to require both robust conservation signals and ensure access to water for all. Taken in totality, these efforts would appear to necessitate water to be both expensive and cheap at the same time. Additionally, retail water is used for multiple purposes, indoor, outdoor, and fire protection, among others, and water pricing reflects the need to meet all of these purposes.

Local agencies are best positioned to set water rates that meet all of these sometimes competing challenges. RWA supports policies that maintain local agencies' authority to set their agency's water rates as they determine appropriate to ensure the continued reliable delivery of high quality affordable water to their communities.

Policy Principles

- Help develop and support policies that meet water management goals without also exacerbating the challenge of water affordability.

- Help develop and support policies that preserve limited water agency funds to be used for their self-identified highest priority projects to adapt to climate change, increase water use efficiency, and minimize impacts to affordability.
- Help develop and support policies that promote investments from water suppliers statewide in their local and sometimes distant source watershed to maintain and enhance water quantity and quality and maintain and improve environmental conditions.
- Help develop and support policies that reduce the local agency investment load to more equitable levels than the current 85 percent.
- Support policies that recognize existing affordability assistance programs and expand on affordability assistance opportunities, from Proposition 218 compliant, non-ratepayer sources.
- Support ratepayer assistance programs only if funded from progressive sources of revenue and without the use of a water tax.
- Support ratepayer debt relief and/or prohibitions on late fees and penalties only if water agencies are made whole from state or federal funds.

Ensure The Region Has Tools To Adapt To Climate Change

The primary impacts in California from climate change include the loss of snowpack, increasing volatility in precipitation patterns, rising temperature stress on riverine ecosystems, sea level rise, and expanding intensity and number of wildfires. Water management is already being challenged by these climate driven alterations. Challenges that will only be exacerbated in the future. However, the specific impacts will vary from watershed to watershed. The water supply and environmental effects experienced will depend on a number of variables that will be different for each water agency and in each source watershed.

In the American River watershed, as part of a basin study, several future scenarios are being analyzed out to the year 2085. Initial results show precipitation will come more as rain and occur in a narrower more volatile window. This will disrupt current water management operations balancing water supply, flood control, and environmental flows. Additionally, historical fire management practices have increased the threat of severe fire in the upper watershed along with resulting effects intensifying – including increasingly negative water quality impacts.

These hydrologic changes will necessitate changes to water management and future water management planning. Immediate action to address and mitigate these impacts is necessary to ensure the resiliency of the region. The region is prepared to invest our share, but those investments must correspond to benefits in our source watershed and in the region. There must be recognition that the lion share of water originating in the region has been developed for use outside of the region and that those outside entities should invest equally in the benefits they receive from the region.

Policy Principles

- Support policies that will enhance the analysis and characterization of the impacts of climate change on a watershed scale.
- Support policies to develop plans to address climate change through existing local agencies and integrated regional water management processes in a holistic way.
 - Plans should address source watersheds and connect surface, groundwater, and environmental stewardship. Plans should address geographically specific climate impacts expected. Making a “single standard” by which plans are structured is impractical.
 - Plans should be able to demonstrate resiliency to drought, flood, and fire threats, demonstrate durable environmental sustainability, demonstrate scalability to limit stranding investments, and demonstrate the ability for long-term sustainability.
- Support incentives for collaboration across disciplines. To efficiently address surface water, groundwater, and environmental reliability there is a need for enhanced collaboration and joint scientific, technical and implementation efforts.
- Support policies that enhance the ability to implement regional conjunctive use, and water banking.
- Support policies that prioritizes state funding assistance for plans that can be verified to comprehensively include adaptation, particularly in source watersheds, and address statewide impacts from climate change.

Promote Balanced Statewide Water Management Solutions Beneficial to the Greater Sacramento Region

RWA recognizes the need for a statewide water plan that assures a reliable water supply for all regions in the state. RWA supports a statewide solution, including protection of the Delta that is balanced and beneficial to the Sacramento region’s water supply reliability. This includes both surface water reliability and groundwater reliability as managed pursuant to the Sustainable Groundwater Management Act (SGMA).

Policy Principles

- Ensure improvements or modifications to the statewide water system are protective of this region’s water supply, including groundwater use and banking consistent with this region’s groundwater sustainability plans.
- Support statewide water plans and policies that recognize and honor previous investments made to assure this region’s water supply reliability.
- Encourage revisions to policies and operations that streamline water transfers, including transfers of conserved water.

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- Support statewide water storage solutions that provide benefit or are neutral to the region's water supply reliability and flood protection. [Support legislation, policies, and regulation that advances groundwater recharge. Support policies that acknowledge climate change is diminishing snowpack and the ability of the State Water Project and Federal Central Valley Project to meet demands and recognize that groundwater recharge is necessary to address these hydrologic changes.](#)
- Encourage statewide water planning efforts that recognizes water management differs based on climate, population density, return flows, and other regional geographic and hydrologic factors.
- Promote modifications to state and federal operations that protect the region's ability to use regional resources.

Promote Water Efficiency and Water Conservation

Our region invests in water efficiency and water conservation that are locally cost effective, feasible, and improve the water supply reliability of the region. Water efficiency makes good business sense and is key to assuring we continue our reasonable use of water consistent with our water rights and contracts. The biggest driver of water use in the region is outdoor use in hot dry summers. In the 2015 drought the region led the state in water savings producing 12 percent of savings while making-up only 5 percent of the state's population. Continued improvement on water use efficiency will depend on a consistent regulatory target.

Policy Principles

- Assure any water efficiency or conservation requirements balance costs with benefits.
- Assure any water loss requirements are cost effective.
- Unique factors such as climate, land use, and return flows must be taken into consideration when developing statewide laws and regulations.
- Assure policies [and regulations](#) avoid negative impacts on urban tree canopy and other beneficial landscape.
- Promote policies that recognize the differences between water efficiency and water conservation.
- Promote a better understanding of water use efficiency based on local supplies and site-specific factors.
- Define appropriate water efficiency and or conservation goals and objectives that consider local conditions.
- Develop partnerships with other local agencies on public affairs campaigns/messaging.
- Promote public-private partnerships with businesses that lead to greater water efficiency and benefit the local economy.
- Assure that the region receives the benefit of its water efficiency and conservation efforts, including through water transfers consistent with state laws recognizing the transferability of conserved water.

Support Stewardship of the Region's Environmental Resources

The region's management of water resources is committed to the preservation of the Lower American River and tributary watersheds as demonstrated by the historic Water Forum Agreement enacted in 2000. The Lower American River is a federally designated Wild and Scenic River running through a metropolitan area of over 2 million people that still supports one of the prime cold water fisheries in the State and is home to Chinook Salmon and threatened Central Valley Steelhead.

Policy Principles

- Support flow management standards that protect the ecosystem of the Lower American River, prevent low storage in Folsom Reservoir that would interfere with this region's water supplies, and improve flood safety.
- Promote legislative and regulatory initiatives supporting conjunctive use that will make more surface water available for the Lower American River in dry years.
- Support implementation of infrastructure projects that will improve temperature control and access to cold water at Folsom Reservoir.
- Promote regulatory practices and budget reforms that improve forest management and prioritize funding to support such practices. Ensure all beneficiaries fund the practices.

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RWA Legislative Analysis Process

Process for Adopting Positions on Introduced Legislation

The Priority Issues and Policy Principles will be adopted by the RWA Board of Directors and serve as the Advocacy Platform, for which RWA works from in the legislative and regulatory arenas.

Each new legislative session, RWA staff and the contract lobbyist will screen newly introduced legislation using the adopted Advocacy Platform as a guide. Bills that are relative to RWA's platform or are otherwise considered noteworthy to RWA interests are presented to the Regulatory and Advocacy Program (RAP) committee for analysis and consideration.

Through this collaborative process, the RAP committee determines a recommended position on each bill and then assigns a priority (see the list of formal positions and priorities below). During this process, bills may be removed from further consideration and additional bills may be added to RWA's list based on input from the RAP committee or other factors. The committee's recommendations are taken to the RWA Executive Committee for further discussion and approval, consistent with RWA Policy 100.5.

Many of these initial positions and priorities will change as bills are amended throughout the course of the legislative process. The RAP committee will be routinely updated on the status of bills as they move through the legislative process and will decide upon changes in position and priority as the process dictates. In time sensitive situations, RWA staff may change a current position and/or priority with the approval of the RWA Executive Director and concurrence of general counsel. Such changes will be done using the adopted Priority and Policy Issues Platform as guidance. The RAP committee will be updated of changes as soon as possible and the Executive Committee will be asked to ratify such changes at its first meeting following the changes.

Formal Positions

Support - A bill that would benefit RWA or one or more RWA members (without detriment to others), and/or is generally good public policy

Support if Amended - A bill that could benefit RWA, or one or more RWA members, if amended. This position implies that RWA is ready to offer specific amendments.

Oppose - A bill detrimental to RWA or one or more RWA members.

Oppose Unless Amended - A bill that is detrimental to RWA or one or more RWA members, that could be amended to remove the detrimental provisions. This position implies that RWA is ready to offer specific amendments, and will move to a neutral position if accepted.

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Watch - A bill of interest to RWA and its members that does not affect RWA directly, or for other reasons does not yet merit a position. May be a “spot” or “intent” bill that does not yet have meaningful language.

Neutral - Generally a bill from which we have removed an Oppose or Oppose Unless Amended position due to amendments or other factors.

Bill Priorities

High Priority - A bill of major significance with direct impact to RWA or a number of RWA members. RWA has a formal position and is actively lobbying, writing letters, offering amendments, testifying in committee, and taking other direct actions as necessary. “Watch” bills can be considered high priority, especially early in the legislative process, depending on the topic, the author, or other factors that warrant heightened monitoring.

Medium Priority - A bill of interest but not anticipated to have major significance to RWA or more than a few of its members. RWA has a formal position but is not actively lobbying legislators. RWA and/or RWA members may submit letters, provide testimony or take other actions as part of other groups or coalition or, in some situations, directly. Individual RWA members may be more active depending on the topic of the bill.

Low Priority - A bill in an area of interest to RWA, but with little potential impact. RWA will only have a Watch position on such bills. No immediate action is planned but these bills will be monitored to assure they don’t evolve into a high priority status. Individual RWA members may be more active depending on the nature of the bill.

The California Legislative Process Calendar

Below is a general guideline to the legislative calendar. Both the Senate and Assembly develop (coordinated) calendars each year and those calendars should be referenced for specifics.

January – February

- Bills are introduced in their houses of origin. All introduced bills must be drafted in Legislative Counsel form by the Legislative Counsel's Office. Legislative Counsel's deadline for submission is three weeks prior to the bill introduction deadline.
- Deadline for introducing bills to be heard that year is the end of the third week of February.
- Bill is given a "first reading" in its house of origin, and must be in print for 30 days before they can be acted on.
- In even numbered years bills still in their house of origin must pass through that house by the end of January.

March – April

- Bills are heard in their respective policy committees.
 - Bills with a fiscal impact must be out by the beginning of May.
 - Bills without fiscal impact must be out by late May.

May

- Fiscal committees in house of origin hear bills
- Bills go to the "floor" for vote by full house by last week of May.

June – August

- Process is repeated in the other house.
 - June through early July in policy committees
 - Recess for most of July
 - Mid-August considered by fiscal committees.

August-September

- Floor sessions held in both houses.
- All bills must be out of the Legislature and to the Governor's desk by August 31st in even numbered years and early September in odd numbered year.

Governor has 30 days from the end of session to take action on bills.

State Regulatory Agencies and Processes

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State Water Resources Control Board

- Water Rights
- Water Conservation
- Drinking Water Program
- Grants
- Discharge Programs (through the Regional Water Quality Control Boards)

Department of Water Resources

- Sustainable Groundwater Management Act Regulations and Implementation
- Water Efficiency
- State Water Project
- Grants - IRWM

AGENDA ITEM 3g: APPROVE THE 2023 RWA FEDERAL AFFAIRS PLATFORM

BACKGROUND:

The RWA Strategic Plan requires the “annual update of the RWA Policy Principles and Federal legislative platforms to effectively advocate for the region.” (Advocacy Goal, Objective A, 1). On December 14, 2022, the Executive Committee unanimously recommended the 2023 RWA Federal Affairs Platform be forwarded to the Board of the Directors for approval.

Attachment:

Draft 2023 Regional Water Authority Federal Affairs Platform

2023 Regional Water Authority Federal Legislative Platform

Who We Are

The Sacramento region is home to multiple watersheds which include the American, Consumes, Yuba, Bear, and Sacramento rivers from which our water resources are captured. The Regional Water Authority, on behalf of its twenty water purveyor members, helps to sustainably manage the water resources for nearly 2 million people. Collectively, RWA members are guided by the co-equal goals of water supply reliability and stewardship of the region's natural and recreational assets. The following are issues related to federal action that impact the pursuit of the co-equal goals by RWA and its members.

A Warmer Future

The American River Basin Study, a joint effort with RWA and the U.S. Bureau of Reclamation, recently indicated the upper American River watershed may experience up to a 7 F° temperature increase by 2080. This presents ongoing serious challenges to regional water management as we are forecast to lose 50-75% of our snowpack and peak runoff will occur an estimated 45 days earlier than it does today with highly variable flows. This temperature increase, and other related changes, will continue to exacerbate floods, fires, and droughts, which are already impacting our way of life.

Adapting to a Changing Climate

A key to adapting to our changing climate and optimizing water resources for both water supply and the environment is enhanced management and storage through development of a more diversified and resilient water supply portfolio. Our region is fortunate to have access to both surface water and groundwater, but we are limited in our ability to store it and convey it for human use and in our ability to regulate its temperature for environmental benefits. Informed by regional plans and studies, there are several efforts underway to address these limitations to better achieve the co-equal goals, including investing in both natural and constructed infrastructure, as well as instituting operational changes to help improve water temperature management. Part of this work will include implementation of a Modified Flow Management Standard and Folsom Reservoir planning minimum with our federal partners.

Building Groundwater Resiliency

Over the last 20 years, in accordance with the Water Forum collaborative, the Sacramento region has successfully recovered and maintained healthy local groundwater levels. Water agencies voluntarily shift to more surface water use in wet years, which results in increased aquifer storage, and those groundwater supplies being available to meet local needs in dry years. But we can, and seek to, do more to enhance that conjunctive use capability.

The Sacramento Regional Water Bank (Water Bank)

We are fortunate to have about 1.8 million acre-feet of available storage capacity under our feet (about twice the size of Folsom Reservoir). To take advantage of this natural storage capacity, RWA is spearheading an effort to increase utilization of the Water Bank in the near term with potential additional recharge of 60,000 acre-feet annually in wet years for future use in dry years, with this potentially expanding to beyond 90,000 acre-feet in the near future if necessary infrastructure investments can be realized. This volume is almost equal to the water supply of cities the size of Sacramento. The Water Bank could also benefit Central Valley Project operations, so Reclamation has provided funding to support technical work and planning to

support the Water Bank's expansion. Future federal recognition of the Water Bank is critical to increasing its capabilities, as well as federal funding to help build new infrastructure.

- **RWA Supports:** Federal investment in the Sacramento Regional Water Bank to support technical, governance and operational framework development, as well as related infrastructure for future expansion. Funding sources include USBR, USACE and USEPA.

Folsom Cold Water Pool Management

During the 5-year drought period that ended in 2016, elevated water temperatures on the American River were devastating to fisheries. We anticipate with a warmer climate and earlier runoff; cold water will become more critically important. To improve cold water pool management at Folsom Reservoir, the Army Corps of Engineers has already been authorized to construct a new Temperature Control Device (TCD) and has appropriated almost \$38 million toward its construction.

- **RWA Supports:** The inclusion of the TCD as an Army Corps of Engineers priority project.

Watershed Stewardship and Forest Management

Managing our water resources from their origin at the headwaters and in the upper watershed is critical. Unmanaged and unhealthy forests extend and intensify fire seasons. Runoff from heavy rain events after wildfires contaminate water resources with topsoil, contaminants and ash, as well as sending eroded soils into downstream reservoirs.

- **RWA Supports:** Increased and predictable funding for greater investments in ecological forest management and fire suppression practices on U.S. forest lands consistent with the 2020 Memorandum of Understanding with the State of California.

Water Use Efficiency

The Sacramento region has increased its efforts in Water Use Efficiency in recent decades. Over the last 20 years, the region's water use has been steady even though the population grew 37 percent from 1.5 million to 2.1 million people. Increasing water use efficiency will be important to align this region with the State's policy of "Making Water Conservation a California Way of Life." Financial assistance will be necessary to continue to increase efficiency.

- **RWA Supports:** Increased funding assistance in the form of grants in existing programs such as Reclamation's Water Smart program and similar Federal Assistance programs.

Legacy Groundwater Issues

As a critical part of our water portfolio, groundwater comes with its own challenges. One is contamination, including the family of PFAS chemicals. Without remediation, the ability to optimize conjunctive use and expansion of the Water Bank cannot be fully realized.

- **RWA Supports:** The federal government should accept responsibility and partner with communities to fund clean-up of legacy contamination from the operation of military bases and other federal facilities, while also securing financial support from polluters.

Infrastructure Investment and Financing

The pandemic has highlighted the critical value of reliable water service, so much so that water service shut offs for lack of payment has been widely prohibited. There is a long-standing, multi-

billion-dollar deficit in necessary investment in new water infrastructure, as well as rehabilitation of existing facilities.

- **RWA Supports:** Significant federal funding of programs that provide job recovery, financial support and grants to leverage local investments (e.g. WaterSMART, WIFIA, State Revolving Funds, etc.), as well as increased direct capital investment funding for Reclamation, EPA, and the Corps of Engineers.

RiverArc

The RiverArc project would enable large parts of both Sacramento and Placer counties to divert water supplies from the Sacramento River instead of the American River. This would allow more cold water to be preserved at Folsom Reservoir and improve environmental management of American River flows, both to benefit fisheries. RiverArc can also increase the upper potential of the Water Bank by increasing regional conjunctive use capabilities, as well as enhancing Central Valley Project operational flexibility with respect to managing demands on Folsom Reservoir. Reclamation has supported the project by helping to fund initial technical studies.

- **RWA Supports:** Continued federal financial support of the RiverArc project for technical, governance and operational framework development, as well as funding for the project's conveyance, treatment and related infrastructure.

AGENDA ITEM 4: APPOINTMENT OF BOARD SECRETARY

BACKGROUND:

Resulting from the recommendations of the RGS Classification and Compensation Study, this item is to appoint the Executive Assistant as Board Secretary in order to better balance the roles and responsibilities of the administrative staff. The Financial and Administrative Services Manager (FASM) will remain as Board Treasurer.

Action: Appoint Ashley Flores as Board Secretary

AGENDA ITEM 5: ELECT THE 2023 RWA EXECUTIVE COMMITTEE

BACKGROUND:

A copy of the procedures for selection of the Executive Committee of the Board of Directors is attached. The election process involves multiple rounds of balloting to achieve a total of nine members with the following:

- At least two seats on the Executive Committee will be held by members of the Board of Directors who are members of a governing board of a Member of RWA (as defined in Articles 2 and 3(i) of the JPA).
- At least two seats on the Executive Committee will be held by members of the Board of Directors who are members of management staff of a Member of RWA.
- At least one seat on the Executive Committee will be held by a member of the Board of Directors who represents a City or County Member of RWA.
- At least one seat on the Executive Committee will be held by a member of the Board of Directors who represents a Contracting Entity of RWA (as defined in Article 3(d) of the JPA).
- A majority of the seats on the Executive Committee (i.e., five seats on a nine member Executive Committee) will be held by members of the Board of Directors who represent a Member of RWA.

Action: Elect the 2023 Executive Committee of the RWA Board of Directors

Attachment:

RWA Policy 200.3 - Procedures for Selection of the Executive Committee

REGIONAL WATER AUTHORITY POLICIES AND PROCEDURES MANUAL

Policy Type	:	Board of Directors
Policy Title	:	Procedures for Selection of the Executive Committee
Policy Number	:	200.3
Date Adopted	:	November 19, 2001
Date Amended	:	March 10, 2005
Date Amended	:	November 13, 2014

REGIONAL WATER AUTHORITY PROCEDURES FOR SELECTION OF THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS AND THE CHAIR AND VICE-CHAIR OF THE EXECUTIVE COMMITTEE AND THE BOARD OF DIRECTORS

Background

The Joint Exercise of Powers Agreement (“JPA”) under which the Regional Water Authority (“RWA”) was formed and operates provides for the selection of (1) the members of the Executive Committee of the Board of Directors, and (2) the Chair and Vice-Chair of the Board of Directors. (See Articles 10 and 18, respectively, of the JPA.) The Board of Directors will follow the procedures set forth in this document for the selection of the members of the Executive Committee and the Chair and Vice-Chair. This document may be amended at any time by the Board of Directors.

In accordance with Article 8 of the JPA, each Member and Contracting Entity (as defined in Article 3 of the JPA) will have two representatives on the Board of Directors, either of whom may cast a single vote on behalf of his or her Member or Contracting Entity. It will be the responsibility of a Member and Contracting Entity to notify RWA in writing from time to time of (1) its designated representatives to the Board of Directors, including alternates who may act in the absence of a representative, and (2) the priority for voting of its representatives to the Board of Directors of RWA. In the absence of such written notification, the Secretary of RWA will determine that an elected representative of a Member will have voting priority over the Member’s non-elected representative to the Board of Directors, and a Member or Contracting Entity’s senior management staff will have priority over the Member or Contracting Entity’s junior management staff, in the event that the Member or Contracting Entity’s two representatives disagree as to who should cast a vote on behalf of the Member or Contracting Entity concerning a particular matter.

Reference in this document to a majority vote of the Board of Directors will refer to the affirmative vote of a majority of the representatives (one for each Member and Contracting Entity) on the Board of Directors who are entitled to vote on a matter and who are present at the Board meeting during the vote. A seat on the Board of Directors

of RWA will become vacant when a representative of a Member or Contracting Entity no longer meets the qualifications set forth in Article 8 of the JPA, or upon the happening of any of the events set forth in Government Code section 1770.

I. Procedures for Election of the Executive Committee of the Board of Directors

1. The Executive Committee will be a standing committee of the Board of Directors of RWA, and will be selected as individuals from the membership of the Board of Directors, except that, no Member or Contracting Entity of RWA will have more than one representative on the Executive Committee.
2. In accordance with the Brown Act (Government Code section 54952), the Executive Committee will comprise less than a quorum of the number of members of the Board of Directors. The Executive Committee of RWA will consist of nine members, subject to the Board of Directors approving a smaller odd-number of members of the Executive Committee to avoid a violation of the Brown Act. These procedures assume that the Executive Committee will comprise nine members.
3. The nine members of the Executive Committee will be selected by the Board of Directors according to the following procedures:
 - a. At least two seats on the Executive Committee will be held by members of the Board of Directors who are members of a governing board of a Member of RWA (as defined in Articles 2 and 3(i) of the JPA).
 - b. At least two seats on the Executive Committee will be held by members of the Board of Directors who are members of management staff of a Member of RWA.
 - c. At least one seat on the Executive Committee will be held by a member of the Board of Directors who represents a City or County Member of RWA.
 - d. At least one seat on the Executive Committee will be held by a member of the Board of Directors who represents a Contracting Entity of RWA (as defined in Article 3(d) of the JPA).
 - e. A majority of the seats on the Executive Committee (i.e., five seats on a nine-member Executive Committee) will be held by members of the Board of Directors who represent a Member of RWA.

- f. The Chair of the Board of Directors will conduct the election of the Executive Committee. The Chair may appoint an elections committee to assist the Chair and the RWA Secretary in preparing and counting ballots. No secret ballot will be used for the election. (See Government Code section 54953(c) of the Brown Act: “No legislative body will take action by secret ballot, whether preliminary or final.”)
- g. For each ballot, the Chair will ask which members of the Board want to be included on that ballot for election for membership on the Executive Committee. A Board member who is not present at the time of the election will not be included as a candidate unless the Board member or the RWA entity that he or she represents has notified the Executive Director that the Board member wishes to be included as a candidate.
- h. Candidates for election to the Executive Committee may prepare and distribute to the members of the Board of Directors a statement of their qualifications. Prior to the vote on a ballot on which a candidate’s name appears, a candidate for election to the Executive Committee will have an opportunity to make an oral presentation of not more than two minutes concerning his or her qualifications to serve on the Executive Committee.
- i. The first election will be to fill two seats on the Executive Committee to be held by members of a governing board of a Member of RWA. The RWA Secretary will prepare a ballot comprising the names of the members of the RWA Board of Directors who are eligible to fill these seats, excluding from the ballot any member of the Board of Directors who has indicated that he or she does not wish to serve on the Executive Committee. The ballot will state: “Vote for two seats,” and it will have on it the name of the Member or Contracting Entity that is casting the ballot. The representatives on the Board of Directors will cast votes on the ballot on behalf of the Member or Contracting Entity that they represent, i.e., each Member and Contracting Entity can return one ballot. In order to be counted as a valid ballot, a ballot must have a vote cast for each seat that is to be voted on, e.g., if there are two seats to be voted on, a ballot will not be counted if it is returned with a vote for one or none of the candidates. No cumulative voting will be allowed, i.e., a Member or Contracting Entity cannot cast two votes on the same ballot for the same candidate. In order to be elected on the first ballot, a candidate must receive no less than a majority of the votes of the Board of Directors who are present at

the time of the vote. The two candidates who receive the highest number of votes will be elected to the Executive Committee. One or more runoff elections will be held among the three remaining candidates (plus ties) who received the highest number of votes if the election does not fill both seats on the ballot. For a runoff election, the candidate who receives the highest number of votes will be elected, even if it represents less than a majority vote of the Board of Directors. If an election on a ballot with only three candidates does not result in the election of a member of the Executive Committee, then the next runoff ballot will include the two candidates who received the highest number of votes on the previous ballot, and (1) the candidate who receives the higher number of votes (even if less than a majority) will be elected; and (2) in case of a tie, a coin flip will determine the winner.

- j. Upon the filling of the first two seats on the Executive Committee, the Chair will call for the election to fill two seats on the Executive Committee to be held by members of management staff of a Member of RWA. The Chair will follow the voting procedures set forth above to fill these seats on the Executive Committee.
- k. The Chair will next call for the election to fill one seat on the Executive Committee to be held by a member of the Board of Directors who represents a City or County Member of RWA, to the extent that this seat has not already been filled. The Chair will follow the voting procedures set forth above to fill this seat on the Executive Committee.
- l. The Chair will next call for the election to fill one seat on the Executive Committee to be held by a member of the Board of Directors who represents a Contracting Entity of RWA. The Chair will follow the voting procedures set forth above to fill this seat on the Executive Committee.
- m. The Chair will next determine whether a majority of the seats on the Executive Committee are held by members of the Board of Directors who represent Members of RWA. (Under the above-referenced procedures, a minimum of four seats on the Executive Committee would have already been filled by representatives of Members of RWA.) If they have not, then the Chair will call for the election for the seat on the Executive Committee needed to result in a majority of the seats being held by members of the Board of Directors who represent Members of RWA. In that case, the Chair will follow the voting procedures set forth above to fill this seat on the Executive committee.

- n. The Chair will next call for the election to fill the remaining seats on the Executive Committee. The Chair will follow the voting procedures set forth above to fill these seats on the Executive Committee.
 - o. In the event that vacancies arise from time to time on the Executive Committee, such vacancies will be filled following these procedures concerning the composition and selection of the Executive Committee.
 - p. There will be no alternate members of the Executive Committee.
4. Prior to January 31 each year, the Board of Directors will elect the members of the Executive Committee for the following year. The members of the Executive Committee will serve a term that commences at the conclusion of the Board meeting during which they were selected, and runs until their successors take office.
 5. The RWA Board of Directors will select from the Executive Committee membership a Chair and Vice-Chair, who will also serve as the Chair and Vice-Chair of the RWA Board of Directors. The procedures for selecting the Chair and the Vice-Chair are set forth below.
 6. Executive Committee meetings will be open to the public (except for authorized closed sessions), noticed and conducted in accordance with applicable law. A majority of all of the members of the Executive Committee (i.e., five members on a nine-member Executive Committee) will (a) constitute a quorum for the purpose of transacting business, and (b) be required for an affirmative vote to take action.
 7. Members of the RWA Board of Directors who are not members of the Executive Committee may attend an Executive Committee meeting only as observers, and they will not participate in the committee meeting, ask questions or sit with the committee members at the Board table. (See subsection (c)(6) of Government Code section 54952.2 and 81 Ops.Cal.Atty.Gen. 156 (1998).)

II. Procedures for Election of Chair and Vice-Chair of the Executive Committee and the Board of Directors

1. The Chair and Vice-Chair will be elected by the Board of Directors from the membership of the Executive Committee.
2. The current Chair of the Board of Directors will conduct the election of the

Chair and Vice-Chair of the Executive Committee as separate elections. The Chair may appoint an elections committee to assist the Chair and the RWA Secretary in preparing and counting ballots. No secret ballot will be used for the election. (See Government Code section 54953(c) of the Brown Act.)

3. The Chair will ask which members of the Executive Committee want to be considered at the election for Chair of the Executive Committee. A Board member who is not present at the time of the election will not be included as a candidate unless the Board member or the RWA entity that he or she represents has notified the Executive Director that the Board member wishes to be included as a candidate.
4. Candidates for election as Chair of the Executive Committee may prepare and distribute to the members of the Board of Directors a statement of their qualifications. Prior to the vote, a candidate will have an opportunity to make an oral presentation of not more than two minutes concerning his or her qualifications to serve as Chair.
5. The RWA Secretary will prepare a ballot for Chair comprising the names of the members of the Executive Committee, excluding from the ballot any member of the Executive Committee who has indicated that he or she does not wish to serve as Chair. To the extent applicable, the procedures set forth above for the election of members of the Executive Committee will be followed for the election of the Chair of the Executive Committee, until the Chair has been elected. The candidate who receives the highest number of votes on the first ballot, and at least a majority of the vote of the Board of Directors who are present at the time of the vote, will be elected Chair. One or more runoff elections will be held, if necessary, among the three candidates (plus ties) who received the highest number of votes on the previous ballot. For a runoff election, the candidate who receives the highest number of votes will be elected, even if it represents less than a majority vote of the Board of Directors. If an election on a ballot with only three candidates does not result in the election of the Chair, then the next runoff ballot will include the two candidates who received the highest number of votes on the previous ballot, and (a) the candidate who receives the higher number of votes (even if less than a majority) will be elected; and (2) in case of a tie, a coin flip will determine the winner.
6. The Chair will follow the same procedures for the election of Vice-Chair of the Executive Committee.
7. Prior to January 31 of each year, the Board of Directors will elect the Chair and Vice-Chair of the Executive Committee for the following year. The

Chair and Vice-Chair will serve a term that commences at the conclusion of the Board meeting during which they were selected, and runs until their successors take office.

8. In the event that the Chair does not serve his or her full term, the Vice-Chair will succeed the Chair, and the Board of Directors will elect a Vice-Chair following these procedures.

III. Procedures for Filling a Post-Election Vacancy on the Executive Committee

1. In the event that a vacancy occurs on the Executive Committee the Member or Contracting Entity whose representative held the Executive Committee seat that was vacated may recommend a replacement by sending the Chair of the Board of Directors a letter making that recommendation.
2. The recommended Executive Committee replacement must be one of the two identified representatives on the Board of Directors for that Member or Contracting Entity, provided the nomination is consistent with the RWA JPA and the Executive Committee Election Policy.
3. The recommended replacement to the Executive Committee may begin to serve immediately, but must be approved by a majority vote of the Board of Directors at its next regularly scheduled meeting.
4. In the event that a recommended replacement is not identified or not approved, the Board of Directors will select a member consistent with the procedures identified in Section I. of this policy.

AGENDA ITEM 6: ELECT 2023 RWA CHAIR AND VICE-CHAIR

BACKGROUND:

The Chair and Vice-Chair are to be elected by the Board of Directors from the membership of the Executive Committee.

Action: Elect 2023 Chair and Vice-Chair of the RWA Executive Committee and RWA Board of Directors

AGENDA ITEM 7: EXECUTIVE DIRECTOR'S REPORT

JANUARY 12, 2023

TO: RWA BOARD OF DIRECTORS

FROM: JIM PEIFER

RE: EXECUTIVE DIRECTOR'S REPORT

- a. Welcome Ashley Flores** – Ms. Flores joined the RWA and SGA on January 9th as the RWA's new Board Secretary and Executive Assistant. Ashley comes to RWA from the California Special Districts Association where she has served as a Management Analyst/Clerk of the Board for the past three years.
- b. Communication and Outreach** – Mr. Peifer attended a listening session on infrastructure investments with California's Infrastructure Advisor and former Los Angeles Mayor Antonio Villaraigosa on December 15th. This was the final of 23 listening sessions hosted by Villaraigosa throughout California as the state hear from local leaders on regional investments.

The Water Bank Program Team will launch a new email feature, "Water Bank Questions of the Week," to keep stakeholders updated about the Water Bank's progress and address questions between Stakeholder Forums. Each week, the team will answer Water Bank-related questions in detail from those submitted by stakeholders. Questions/answers will also be posted to the Water Bank Engagement page at rwah2o.org/waterbankengage.

- c. RWA/SGA 2022 Holiday Social and Awards Ceremony** - Thanks to all those who attended the RWA/SGA Holiday Social on December 8th. Awardees include Water Statesperson of the Year honoree John Woodling of GEI and Interim Executive Director of the South Central Groundwater Authority; Regional Water Management Award winner the American River Basin Study; and Distinguished Service Award honorees Jeff Harris of the City of Sacramento, Rob Swartz of the Regional Water Authority and Forrest Williams Jr. of the Sacramento County Water Agency.
- d. RWA's first Coffee and Conversation event of the year with [Felicia Marcus](#) on Thursday, January 19, 2023 at 10 am** - Executive Director Jim Peifer will engage Felicia in a virtual discussion about what it will take for California to adapt its water system to climate change and how initiatives like the Sacramento Regional Water Bank could be part of the solution. Please submit any specific topics or questions that you would like Felicia Marcus to address by Monday, January 16, 2023, to Christine Kohn at christine@INprOnline.com.
- e. Financial Reports** – Unaudited RWA financial reports including income statement and quarterly balance through December 31, 2022 are attached.

Attachment:

Financial Reports

California State Treasurer
Fiona Ma, CPA



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

January 05, 2023

[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

December 2022 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
12/13/2022	12/13/2022	RW	1719071	1679395	JOSETTE REINA-LUKEN	-100,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	3,466,545.25
Total Withdrawal:	-100,000.00	Ending Balance:	3,366,545.25



CERBT and CEPPT Plan Portal

» [CERBT and CEPPT]: rwah2oorg00

My Accounts

As of the financial markets most recent close of business (01/04/2023), the total value of your account(s) is **\$1,353,793.78**.

Get Account Data

Website Contact

Contributions to the CERBT AND CEPPT :

Contributions to the CERBT and CEPPT may be initiated through myCalPERS.

Contributions may be submitted using four different transmittal methods.

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

* CalPERS preferred contribution method.

For more information on this process, please see the [Prefunding Programs' myCalPERS Contributions Guide](#). The Prefunding Programs team is happy to walk you through the contribution process. If you have any questions or would like to set up a walk through, please email CERBT4U@CalPERS.ca.gov or CEPPT4U@CalPERS.ca.gov

Please note: Contributions by Wire Transfer 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



Per California Government Code 6505.5 (e), RWA reports the following unaudited information:

For the period ending December 2022

Cash in checking account:	\$	350,266
LAIF Balance	\$	3,366,545

For the period of October 1, 2022 to December 31, 2022

Total cash receipts for the period:	\$	1,685,167
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Total cash disbursements for the period:	\$	1,437,984
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REGIONAL WATER AUTHORITY

Income Statement

Year-to-Date Performance, December 2022

	<i>6 Months Ended December 31, 2022</i>	<i>Annual Budget</i>	<i>Unused</i>	<i>% Used</i>
REVENUES				
Annual Assessments	1,111,142.00	1,052,415.00	(58,727.00)	105.6 %
SGA Service Agreement Fees	371,020.63	857,842.00	486,821.37	43.3 %
Program Revenues	181,174.90	315,000.00	133,825.10	57.5 %
Holiday Social Revenue	2,760.00	7,800.00	5,040.00	35.4 %
Miscellaneous Revenue	200,791.63	0.00	(200,791.63)	
State Revenues	0.00	91,900.00	91,900.00	
Cash Discounts	393.54	0.00	(393.54)	
Interest on S/T Investments	16,509.35	12,500.00	(4,009.35)	132.1 %
TOTAL REVENUES	1,883,792.05	2,411,951.00	528,158.95	78.1 %
TOTAL REVENUE	1,883,792.35	2,411,951.00	528,158.65	78.1 %
GROSS PROFIT	1,883,792.35	2,337,457.00	453,664.65	78.1 %
OPERATING EXPENDITURES				
Staff Expenses				
General Salaries	590,918.09	1,426,985.00	836,066.91	41.4 %
Benefits/Taxes	157,221.43	555,328.00	398,106.57	28.3 %
Travel / Meals	11,371.45	43,700.00	32,328.55	26.0 %
Professional Development	2,460.00	10,000.00	7,540.00	24.6 %
TOTAL Staff Expenses	761,970.97	2,036,013.00	1,274,042.03	37.4 %
Office Expenses				
Rent & Utilities	19,036.98	35,600.00	16,563.02	53.5 %
Insurance	40,068.44	33,000.00	(7,068.44)	121.4 %
Office Maintenance	700.00	1,000.00	300.00	70.0 %
Telephone	4,683.91	10,000.00	5,316.09	46.8 %
Dues and Subscription	4,125.00	25,000.00	20,875.00	16.5 %
Printing & Supplies	8,083.01	23,000.00	14,916.99	35.1 %
Postage	818.54	3,600.00	2,781.46	22.7 %
Meetings	8,876.42	14,000.00	5,123.58	63.4 %

	<i>6 Months Ended December 31, 2022</i>	<i>Annual Budget</i>	<i>Unused</i>	<i>% Used</i>
Computer Equipment/Support	22,358.81	33,000.00	10,641.19	67.8 %
TOTAL Office Expenses	108,751.11	178,200.00	69,448.89	61.1 %
Office Furniture & Equipment				
Office Move	0.00	20,000.00	20,000.00	
TOTAL Office Furniture & Equipment	0.00	20,000.00	20,000.00	
Professional Fees				
ADP / Banking Charges	1,258.44	3,600.00	2,341.56	35.0 %
Audit Fees	30,000.00	30,800.00	800.00	97.4 %
Legal Fees	43,759.43	75,000.00	31,240.57	58.3 %
GASB 68 reporting fee	700.00	0.00	(700.00)	
Consulting Expenses - General	164,689.29	394,300.00	229,610.71	41.8 %
Powerhouse Science Center Payments	0.00	25,000.00	25,000.00	
TOTAL Professional Fees	240,407.16	528,700.00	288,292.84	45.5 %
Miscellaneous Expense	200,000.00	0.00	(200,000.00)	
TOTAL OPERATING EXPENDITURES	1,311,129.24	2,762,913.00	1,451,783.76	47.4 %
OPERATING INCOME (LOSS)	572,663.11	(350,962.00)	(923,625.11)	-162.5 %
NET OPERATING INCOME (LOSS)	572,663.11	(350,962.00)	(923,625.11)	-163.5 %
NET INCOME (LOSS) NET OF PROGRAM	572,663.11	(350,962.00)	(923,625.11)	-163.5 %

AGENDA ITEM 8: DIRECTORS' COMMENTS