



**Regional Water Authority**  
BUILDING ALLIANCES IN NORTHERN CALIFORNIA

**Regional Water Authority  
Executive Committee Meeting  
Final Minutes  
March 25, 2009**

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**1. CALL TO ORDER**

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

Board Members

Andy Soule<sup>3</sup>, California American Water  
Steve Nugent, Carmichael Water District  
Joe Dion, Citrus Heights Water District  
Bill George, El Dorado Irrigation District  
Paul Schubert, Golden State Water Company  
Gray Allen, Placer County Water Agency  
Rob Roscoe, Sacramento Suburban Water District (Vice Chair)  
Shauna Lorance, San Juan Water District (Chair)

Staff Members

John Woodling, Executive Director  
Paul Bartkiewicz, Legal Counsel  
Rob Swartz  
Nancy Marrier  
Cecilia Partridge

**2. PUBLIC COMMENT**

None.

**3. CONSENT CALENDAR**

Draft minutes from the Executive Committee meeting held February 25, 2009. Mr. Roscoe asked to add the following to the third motion on agenda item four: 1) after 43.24% to SGA, add the following "which will be used through FY09". He also asked to add the following to the last sentence in this same motion "for the actual salary costs".

Motion/Second/Carried (M/S/C) Mr. Allen moved, with a second by Mr. Dion, to approve the consent calendar as amended.

#### 4. **FY-2009-2010 BUDGET**

Ms. Nicole Krotoski participated via conference call for this agenda item. Each year the RWA Executive Committee reviews and makes a recommendation for adoption of the budget by the full board at its meeting in May. The proposed budget for FY 2009-2010 was presented to the Committee. The budget document separated the budgets into the core RWA program and subscription based programs.

The FY10 budget proposal projected a rate increase of 11%. The dues increase for FY 2009-2010 will keep up with rising costs while maintaining prudent reserves, as per RWA policy 500.1. A significant impact on the FY09 budget is the expected funding of the other post employment benefits costs (OPEB) as recommended by the Board action on March 12, 2009. Funding the OPEB reduces operating reserves from an expected 4.2 months to 2.5 months in FY09. Included in the OPEB funding decision was to maintain a 2 month operating fund. Another cost impact is allocating the principal project manager 50/50 to the organizations versus a 70/30 SGA/RWA split since the 50/50 has been the service result and is expected to continue to be the service result.

This proposed fee increase is slightly lower than the 12% estimated in the previous year. The previous year budget had approximately \$100,000 estimated for other post employment benefits versus the now actuarial determined amount of \$443,949.

Major budget assumptions used in preparing the budget projections for FY10 include:

##### **CORE PROGRAM**

###### ***Revenues***

1. A fee increase on general dues at 11%.
2. SGA service fees represents 50% cost sharing.
3. Other revenues represent interest income and holiday social revenues.

###### ***Expenses***

1. The core program budget includes the WEP staffing position.
2. Excluding the WEP position, the staffing costs are allocated 50/50 to SGA and RWA, resulting in 3 FTEs for RWA and 2 FTEs for SGA. This allocation mirrors historical results. However, it departs from prior year budgeted allocations of 70% to SGA and 30% to RWA for the principal project manager.
3. Salary reflects a 6% projected increase from prior year, similar to previous years, which include COLA.

4. An actuary calculated the OPEB. The total cost for the prior service employment and the fiscal year 2009 annual (normal) cost is \$443,949 which assumes funding into a formal trust. Utilizing a sub-group methodology which was designed to allocate the costs according to how each authority benefited from the historical employment services, SGA's share in the cost is \$185,226. This budget reflects funding in FY09. Annual OPEB includes an ongoing service cost (normal cost) that will need to be recognized as an obligation of RWA and shared by SGA. This annual amount is estimated at \$32,559 beginning in FY09. The annual payment of these funds will be placed with California Employer Retiree Benefits Trust (CERBT) managed by CalPERS. For FY09, since the prior service cost includes the current retirees' cost of current health benefits, these costs are no longer reflected in health benefit costs. Future retiree costs will be paid out of the CERBT.
5. Office costs generally assume 3% increases unless specific increases have been identified.
6. Professional fees include audit, public relations, accounting, legal, and meeting facilitator.
7. Other includes office equipment purchases.

### ***Revenues net of Expenses***

- 1) Expenses in excess of revenues are substantially funded from the subscription based programs, leaving a net cash outflow of \$17,200 (see cash reserve section, netting \$193,100 loss with \$175,900 in cash contribution from Subscription based programs). The subscription based programs pay for use of staff time as well as some allocated office costs to run these programs.

### ***Designations***

- 1) The operating fund is targeted at approximately 2 months for FYE 09-10, which falls within the policy guideline of two to four months.
- 2) The designations are detailed by type. The total change in cash from Projected FY09 to Proposed FY10 by subtotal reflects the overall net cash out flow of \$17,200 and the effect on each type of designation.

### **SUBSCRIPTION PROGRAMS**

These subscription based programs are subject to approval by the individual participants. The revenues are included for total estimate purposes. Adopting the fiscal year 2009-2010 budget does not approve the subscription based programs.

- 1) Subscription program revenues are projected for the Water Efficiency Program (WEP), the Prop 50, IRWMP and ARBCUP. The revenues include fees from participants and grant reimbursements from existing grants.

- 2) The WEP program budget information is subject to additional refinement. The FY09 information does reflect the best estimate of costs. However, FY10 and beyond will be revised based upon budget information provided by the WEP manager.
- 3) Subscription program expenses represent the direct consulting and hard costs for these subscription programs. It also includes the costs of using RWA staff and allocated office costs to determine the cash flow effect on these programs. In a combined budget, these costs are netted out to avoid double counting of the costs. See Summary Table - Split Program for a reconciliation of the individual budgets to the overall RWA budget per the Summary Table.
- 4) The subscription restrictions reflect the available funds for these programs. The use of cash projected in FY10 is reflected in the changes in the individual restrictions.
- 5) There are additional program advances that only are recognized as income as the related expenses are incurred. These advances are tracked for budgeting purposes and also included on the detail program only budget sheet. The subscription based programs collect fees in advance of expenses and often straddle several years prior to completion. The funds are held in an advance restriction until the expenses are incurred.

In looking out to the future, RWA will anticipate a 20% increase in dues in FY11 in order to meet expenses and maintain reserves. The large rate increases are in part driven by the need to maintain reserves as well as make up for reduced earnings from lower cash balances. Also, future cost increases reflect the principal project manager allocation of 50/50 between the two organizations.

Ms. Lorange mentioned that she understands the need to keep the rate increase low this year but expressed concern about reducing operating reserves to two months. Mr. Soule' asked about the salary increase. Mr. Woodling explained that the SGA budget committee also expressed concern about the 6% salary increase and settled at a 2% increase. The Executive Committee agreed to reduce the salary line item to 2% but to keep the 11% dues increase and put the remaining money in reserves to help with the future increase of reserve funding. Mr. Allen commented that the dues increase would be much less if we were not funding the OPEB liability and that we need to make it clear to the general membership that this was mandated by the RWA Board. Mr. George also suggested that we remind the board about the benefits of the organization and remind them that the organization is run on a very small budget.

Staff was instructed to reduce the salary increase to 2%, keep reserves at 2 months and evaluate what the dues increase would be after the OPEB liability is paid. Staff was also instructed to analyze the projected 20% increase in FY11. Additionally, staff was instructed to provide the prospective rate increases assuming no OPEB liability to show the effect of the OPEB on the rates. This information will be brought back to the Executive Committee at its April meeting.

## 5. EXECUTIVE DIRECTOR'S REPORT

- **Strategic Plan Update** – The Strategic Planning Committee met February 23, 2009 to finalize work on the Vision, Values, and Foundational Goals for the Strategic Plan. These were presented to the Executive Committee in February and the RWA Board on March 12, 2009, and received general consensus. The Planning Committee directed staff to draft SMART (Specific, Measurable, Achievable, Relevant, and Time Bound) Objectives for the organization, which the Committee will refine at a meeting on April 14<sup>th</sup>. The Objectives will be presented to the Executive Committee on April 22<sup>nd</sup> for comment, and will then be discussed with the RWA Board at an extended May 14<sup>th</sup> Board meeting. The Objectives are the final piece of strategic plan development. Following input at the May Board meeting, staff will draft a Strategic Plan document, which will be reviewed by the Planning Committee and Executive Committee. The target is to have the Strategic Plan adopted by the RWA Board at the July 9, 2009 meeting. Subsequently, staff will evaluate any changes to the founding agreement, or other policies and procedures needed to implement the plan.
- **Legislation Update** – RWA staff are currently tracking 43 water related bills. Notable are five water bond bills, several bills related to implementation of Delta Vision, and a number of water conservation related bills. Staff of Bartkiewicz, Kronick, and Shanahan provided a summary of a number of pieces of legislation.

Staff attended the ACWA Legislative Briefing on March 18, 2009. Legislators present included Senator Fran Pavley, Chair of Senate Natural Resources and Water; Senator Lois Wolk; Senator Alex Padilla; Senator Dave Cogdill; Senator Joe Simitian; Assemblymember Jared Huffman, Chair of Assembly Water, Parks and Wildlife; and Assemblymember Jean Fuller. There were several common themes, including the need for a water bond to fund a comprehensive Delta solution and meet other water needs in the state, but that good policy on the Delta needed to precede the funding. Senator Pavley's Committee will hold a hearing on paying for California's water infrastructure on March 24, 2009.

Water Conservation was a major focus. Assemblymember Huffman, co-author of AB 49, explained the intent of the bill was to meet the goal of 20% reduction in per capita water use by 2020. He indicated that agencies that had already done a lot (he used Marin Municipal Water District as an example) couldn't be expected to do a whole lot more, but that there would be high expectations of those who hadn't done as much (using Sacramento's lack of water meters as an example). AB 49 is scheduled to be heard in Committee on April 14<sup>th</sup>.

Senator Padilla discussed his SB 407, which is ACWA sponsored, that would require retrofit of plumbing fixtures on sale of a home in California. Two agencies, Marin Municipal Water District and City of San Diego, presented their experiences with retrofit on resale ordinances. Marin abandoned their ordinance after three years and relies on rebates and direct install programs for toilet retrofits. They have determined that \$1000 per acre-foot is cost effective for a residential direct install program. San Diego's program is driven by a court order in response to Clean Water Act violations related to sewage releases. They indicated that the program costs them about \$100 per certification, although they only charge a \$10 fee.

- **Economic Stimulus Update** – Many RWA members have submitted preliminary applications for economic stimulus funds from both the Clean Water and Drinking Water State Revolving Funds. At the request of Nathan Dietrich, staff to Congresswoman Matsui, Mr. Woodling has compiled a list of projects and provided him a summary.
- **Grant Funding Update** – Despite the passage of a state budget, the status of our grant funded projects remains up in the air. The Pooled Money Investment Board, which oversees the sale of bonds to fund general obligation bond funded programs, has indicated that money may start to flow in April, but criteria would need to be developed to prioritize which projects get notice to proceed.
- **Water Forum Update** - Water Forum staff have proposed to do a comprehensive update and republication of the Water Forum Agreement. This would include making changes to improve clarity, updating new information (such as the names of water purveyors), and documenting any agreements that have occurred subsequent to the original agreement. Mr. Woodling has agreed to coordinate water purveyor input and will keep RWA members informed on the schedule and process.

Work on the American River Flow Management Standard (FMS) environmental documentation is underway. Mr. Woodling will be serving on the FMS Steering Committee, whose charge it is to evaluate the progress of work, ensure that the four Water Forum Caucuses have input in the development of the EIR, and provide direction to staff and consultants on any policy issues that arise. The Steering Committee will generally meet bi-weekly through the course of the work. A memorandum on the status of the FMS work was included in the packet.

- **AB 1420 Implementation** - AB 1420, which passed in 2007 requires urban water suppliers to be in compliance with all 14 water conservation BMPs in order to be eligible for state grant funding for water related projects. Alternatively, a supplier may submit a schedule and financing plan for compliance, which will become a part of any grant agreement. DWR released draft requirements for AB 1420 compliance, and RWA staff attended a public

workshop on the topic. Staff proposes to work with RWA members to determine our current level of compliance with BMPs and identify actions necessary to maintain both individual and regional eligibility for grant funding.

**9. DIRECTORS' COMMENTS**

At the March 12, 2009 RWA Board meeting Mr. Soule' suggested that RWA entertain the idea of putting up a billboard on one of the main freeways to promote water conservation. He asked if there had been any progress on this topic. Mr. Woodling explained that RWA has a small contract with IN Communications and has been doing quite a bit of public service announcements and television spots.

Mr. Roscoe commented that it would be nice to get all agencies in the region to use the same definition of conservation stages. He would like RWA to take the lead in getting this accomplished. He also commented that he is working on a common emergency mutual aid agreement that everyone can use.

**ADJOURNMENT**

With no further business to come before the Board, Chair Lorance adjourned the meeting at 10:13 a.m.

By:

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Chairperson

Attest:

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Nancy Marrier, Board Secretary / Treasurer