



Regional Water Authority
BUILDING ALLIANCES IN NORTHERN CALIFORNIA

**Regional Water Authority
Executive Committee Meeting
Final Minutes
April 22, 2009**

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

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
Linda Higgins
Cecilia Partridge

Others in Attendance

Neil Schild, Dan Sherry and Lisa Maddaus.

2. PUBLIC COMMENT

None.

3. CONSENT CALENDAR

Draft minutes from the Executive Committee meeting held March 25, 2009.

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

4. FY 2009-2010 BUDGET

At its March 25, 2009 meeting the RWA Executive Committee reviewed the initial proposed budget for FY 2009-2010. Staff was instructed to reduce the budget for salaries to reflect only a 2% increase, keep reserves at two months and evaluate the resulting dues increase after the Other Post Employment Benefit (OPEB) liability is paid. With the budgeted staff salary increases lowered to 2%, along with some additional budget cuts, expenses were reduced by \$38,000.

The new FY10 budget proposal projects a rate increase of 5%, as compared to the originally proposed 11%. This change will allow the reserves to remain at the two-month level, but does require using reserves to fund \$15,000 of expenses in excess of fees. In order to balance the FY10 budget, a 9% rate increase would be needed.

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

CORE PROGRAM

Revenues

1. A fee increase on general dues at 5%.
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 2% projected increase from prior year which includes COLA, giving the Executive Director limited discretion on salary increases.
4. An actuary calculated the OPEB. The total cost for the prior service employment (Unfunded Actuarially Accrued Liability) 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 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 or decreases 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 \$15,000 (see cash reserve section, netting \$197,900 loss with \$182,900 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 \$15,000 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, generating approximately \$75,000 in additional dues (\$3,700 per 1% increase). This significant dues increase helps catch up the FY10 expenses in excess of fees of \$15,000, replacing a \$20,000 copier (deferred from FY10), making up for lower earnings from lower cash balances, and paying for the cost increases “budgeted” for FY11. However, approving the proposed budget does not approve the FY11 through FY 14 budgets. This forward looking information is provided for planning purposes.

Proposed rate increases if RWA did not have an OPEB liability

The impact of the OPEB liability is significant. For comparison purposes, if RWA did not have the OPEB obligation, RWA could have proposed a 0% rate increase in FY10, with expected expenses exceeding revenues by \$11,300. A 4% rate increase would have balanced the budget in FY10 versus 9% in FY10. In FY11, the proposed rate increase would have been 7% versus the current 20%.

Mr. Schild asked if the 2% labor increase would be an automatic increase. Ms. Lorange explained that it would not be automatic increase. The intent was to allow the Executive Director the discretion to use if needed to retain high quality staff.

M/S/C Mr. Dion moved, with a second by Mr. Roscoe, to recommend RWA Board approval of proposed FY 2009-2010 Budget and Fees.

5. RWA COMMITTEE APPOINTMENTS

Chair Lorange appointed RWA board member Joe Dion to the Ad Hoc 2009 Executive Director Review Committee. Paul Schubert will serve as SGA Chair and will appoint one other SGA board member to the Ad Hoc Committee.

6. WATER CONSERVATION POLICY UPDATE

Mr. Woodling reported that Brown & Caldwell has been hired to compile information and data on water use and water conservation for the region. Mr. Woodling gave a presentation and asked for input on how to use this information to affect legislation, as well as using the information to outreach to the media to help change public perception. The presentation provided an overview on the water conservation policy, key characteristics of the Sacramento region, our region’s water management plan and how it can fit with water conservation, and the impacts of statewide policy development.

Executive Committee members reviewed the data analysis and gave direction to add additional information to the current data set that will clarify and better shape the message. The Committee approved an extension of the Brown and Caldwell task order, contingent upon approval from the WEP participants. The additional funds may be collected from WEP participants upon completion of the project as this qualifies as a below-the-green-line project. A special RWA board meeting will be scheduled to convey this information to the RWA Board of Directors. The meeting will be held on April 30th at 3:30 p.m.

M/S/C Mr. Roscoe moved, with a second by Mr. Nugent, to grant advance approval for a \$15,000 extension of the current Brown & Caldwell task order for the Water Conservation Analysis based on obtaining majority approval of the Water Efficiency program participants. The funds will to be used at the Executive Director's discretion to cover additional development costs.

7. EXECUTIVE DIRECTOR'S REPORT

Cap to Cap Trip – John Woodling will be attending the 2009 Metro Chamber Cap-to-Cap trip as co-chair of the Water Resources Team. The Water Resources Team identified four primary issues, as well as a number of appropriation and authorization requests. Issue papers include: Delta Solution, Lower American River Flow Standard, Groundwater Contamination, Mercury Contamination and Remediation, and Infrastructure Investment.

The Metro Chamber had its first planning meeting for the Water Resources Team for State Legislative Summit (SLS), which will be held June 10, 2009. Co-Chairs for Water Resources at this year's SLS will be Rob Roscoe and Derrick Whitehead.

Legislation Update – The most notable changes in legislation are amendments that add detail to three bills addressing the Governor's call for 20% reduction in per capita demand by 2020, AB 49, SB 261, and SB 460. AB 49 passed out of the Assembly Water, Parks and Wildlife Committee. Notably, the committee analysis for AB 49 points out that, "Today, the Sacramento region uses approximately twice the water used by Southern Californians on a per capita, per day basis." SB 407, requiring plumbing retrofit on resale of residential or commercial property was amended, and no longer places the requirement on water agencies, but rather becomes a condition of escrow.

A number of Delta related bills have passed out of committee, including SB 12, SB 229, SB 457, SB 458, AB 13 and AB 39. AB 28, on which RWA sent a unanimous opinion to the author has been modified to include all urban water suppliers (as opposed to just public agencies), which was one of our minor concerns. An update legislation tracking summary and a summary of the provisions of the five water bond bills was included in the packet.

RWA staff will meet with several RWA members and their lobbyists on April 20, 2009 to continue to develop a legislative strategy.

Grant Funding Update – On April 3, 2009, the Department of Finance (DOF) issued a letter stating that because its March 24, 2009 general obligation bond sale had gone much better than expected, approximately \$2.67 billion would be available to pay past obligations (outstanding reimbursement invoices) and to resume some critical transportation, flood, and water management projects. However, DOF must first complete and execute a tax compliance certificate prior to authorizing the use of any funds.

Projects specifically cited to resume include local groundwater assistance grants and IRWM planning grants. While not specifically cited, DWR was authorized funding for Prop 50 funding, which may include implementation (construction) grants. Staff will follow up with DWR. The entire memo and actions taken by the Pooled Money Investment Board are available at http://www.treasurer.ca.gov/pmia-laif/pmib-staff/20090406_4.pdf. No estimate of when funds would be available was given.

Integrated Regional Water Management Update – Staff and MWH are working on completing the Region Acceptance Process (RAP) application, which is due on April 29, 2009. The RAP is the first step in determining the eligibility of a region to apply for grants funded through Proposition 84. DWR expects to conduct follow-up interviews with regions during May through July, and to make final recommendations on eligible regions by September. This would be followed closely by the release of the first grant funding application for Prop 84 IRWMP funds. The RWA Board approved development and submittal of the RAP application at the March Board meeting.

Regional Water Efficiency Update – WEP has partnered with the Sacramento River Cats to promote water efficiency and encourage water audits in lieu of the Garden makeover contest this year. Highlights of the partnership package include up to 1,000 Delta box tickets to incentivize residential water audits, clings in over 140 restroom stalls promoting water efficiency toilets and rebates, and a joint table during Green Awareness Weekend with the Sacramento Stormwater Quality Partnership and an additional 300 lawn seats to give away for booth visitors. River Cats demographic information shows attendance of residents from throughout the RWA region.

Staff attended a Drought/Save Our Water Meeting hosted by ACWA that summarized the key findings from a recent survey of California water users. ACWA plans to launch a Save Our Water campaign on April 21, 2009 focused on what consumers can do to save water. Specific details of the campaign have not been determined with the exception of a logo similar to the Flex Your Power logo, a www.saveourh2o.org website and bumper stickers for state vehicles.

Billboard Public Service Announcements Cost estimate:

- \$715 for graphic design of billboard
- 10 hours to coordinate pitching, placement and tracking with contacts at Clear Channel and CBS Outdoor (13 hours @ \$115: \$1,495)
- \$300 per location to cover (union) printing and installation fees
- Cost to purchase billboard space is donated/free
PSAs would need to be negotiated at least two weeks out.

RWA Strategic Plan Update – The Strategic Planning Committee met April 14, 2009. They finalized the Goals and made significant progress on Objectives for the RWA Strategic Plan. The Committee expects to complete its work on the objectives and bring final Vision, Values, Goals, and Objectives to the Executive Committee for consideration in June and a draft Strategic Plan to the RWA Board in July 2009.

9. DIRECTORS' COMMENTS

Mr. Roscoe reported that NDMA has been detected in one of Sacramento Suburban Water District's wells.

ADJOURNMENT

With no further business to come before the Board, Chair Lorange adjourned the meeting at 10:30 p.m.

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer