

1. CALL TO ORDER

Chair Lorange called the regular meeting of the Board of Directors to order at 9:00 a.m. at the Carmichael Water District. Individuals in attendance are listed below:

RWA Board Members

Andy Soule¹, California American Water
Steve Nugent, Carmichael Water District
Al Dains, Citrus Heights Water District
Bob Churchill, Citrus Heights Water District
Walt Sadler, City of Folsom
Spencer Short, City of Lincoln
Pauline Roccucci, City of Roseville
Derrick Whitehead, City of Roseville
Dan Sherry, City of Sacramento
John Downing, Del Paso Manor Water District
Debra Sedwick, Del Paso Manor Water District
Bill George, El Dorado Irrigation District
Tom Gray, Fair Oaks Water District
Sharon Wilcox, Orange Vale Water Company
Gray Allen, Placer County Water Agency
Ed Crouse, Rancho Murieta Community SD
Cathy Hood, Rio Linda/Elverta Community Water District
Tom Fellenz, Sacramento Suburban Water District
Rob Roscoe, Sacramento Suburban Water District
Shauna Lorange, San Juan Water District

Staff Members

John Woodling, Executive Director; Paul Bartkiewicz, Legal Counsel; Nancy Marrier, Linda Higgins and Cecilia Partridge.

Others in Attendance: Brian Martin, Neil Schild, Joyce Hafner, Jafar Faghih, Sandy Kozlen, David Kane, Keith Durkin, Ed Formosa, Lisa Maddaus, Victoria Sacksteder, Chuck Rose, Steve Dalrymple, Frank Bradham, Guillermo Garcia, Steve Brown and Mark Salmon.

2. PUBLIC COMMENT

None.

3. CONSENT CALENDAR

The minutes from the RWA Regular Board meeting held March 12, 2009.

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

4a. EXECUTIVE COMMITTEE REPORT

Final minutes of the March 25, 2009 and draft minutes of the April 22, 2009 RWA Executive Committee meetings.

4b. EXECUTIVE COMMITTEE REPORT

At its March 25, 2009 and April 22, 2009 meetings the RWA Executive Committee reviewed the proposed budget for FY 2009-2010. After the initial budget was introduced, staff was instructed to reduce the budget for salaries from 6% down to 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 rate increase was lowered from the originally proposed 11% down to 5%. 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%.

Ms. Roccucci asked about the COLA increase of 2% and suggested that salary increases remain flat for the upcoming fiscal year. Ms. Lorance reported that the increase is at the Executive Director's discretion and that it is not a given. Mr. Woodling added that the SGA board approved the increase with language that stated that the increase was included in the event that it might be needed for employee retention and that it was not expected to be used. Mr. Gray suggested that the increase be labeled something other than a COLA increase and that it would only be used if needed.

M/S/C Mr. Churchill moved, with a second by Mr. Gray, to approve proposed FY 2009-2010 Budget and Fees with the suggested revision.

5. WATER CONSERVATION POLICY UPDATE

The state's development of the 20x2020 program continues. The final workshop has been scheduled for May 29, 2009 at the CALFED building in Sacramento, but the state has released a draft plan for public comment. The draft plan and information on the meeting are available at: http://www.swrcb.ca.gov/water_issues/hot_topics/20x2020/index.shtml

In order to better respond to legislative developments and inform our public in the region, RWA tasked Brown and Caldwell with developing a proactive message that identifies our water conservation accomplishments to date, characterizes some of the challenges to water conservation in our region, and identifies a reasonable set of next steps in the region.

A draft presentation was given at the April 22, 2009 Executive Committee meeting and a special Board meeting held on April 30, 2009. As a result of the findings from the Brown and Caldwell technical work, staff developed a draft of "Water Conservation Policy Principles" and outreach strategy to assist local purveyors in actively responding to the legislative developments.

John Woodling, RWA Executive Director, gave a presentation entitled, "Impacts of Water Conservation Proposals in the Sacramento Region". The presentation included an overview on the water conservation legislative proposals and the problems being developed by the legislation. RWA has been using an Integrated Regional Plan as a foundation for providing for reliability after 2030. This is a key piece of RWA strategy for the future. Mr. Woodling also gave an update on our compliance with BMPs statewide and in the Sacramento region, meter retrofit implementation, historical "quantifiable" water savings and cost effectiveness of water conservation.

Mr. Woodling showed comparisons of urban water supply in southern California and northern California and northern California's proposed target for the 20x2020 Conservation Report. Mr. Woodling offered solutions that need to be presented to our legislators for a full understanding of the issues and where northern California fits into the bigger picture. Mr. Woodling suggested that the policy needs reasonable targets, local cost effectiveness, state funding support (not restrictions), a beneficiary pays policy and protection of water rights. There are various meetings set up with local legislators and information has been presented to policy makers in recent meetings with them.

RWA has obtained a unanimous formal position on water conservation which enables the Executive Director to advocate for RWA. San Juan Water District, the City of Folsom and the City of Roseville are combining efforts for an educational program for state and federal staff. Chair Lorance suggested that RWA make formal comments on DWR's final draft 20x2020 Implementation Plan with comments due by May 22, 2009. Mr. Bartkiewicz and Mr. Woodling met with Assembly Member Feuer. He acknowledged that the information they provided to him had not been available for consideration previously. Educating our legislators and making the appropriate contacts is important to communicate our message.

6. EXECUTIVE DIRECTOR'S REPORT

Sacramento Metro Chamber Cap to Cap Trip – John Woodling attended 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 included: Delta Solution, Lower American River Flow Standard, Groundwater Contamination, Mercury Contamination and Remediation, and Infrastructure Investment. The team met with a number of key committee staff, as well as Congresswoman Matsui, Congressman Lungren, Congressman McClintock, and staff to Senator Feinstein. One of the highlights for the Water Resources Team was a meeting with Mike Connor, who has been nominated to be Commissioner of Reclamation.

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, SSWD and Derrick Whitehead, City of Roseville.

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 concerns. An updated legislation tracking summary and a summary of the provisions of the five water bond bills was included in the packet.

ACWA is opposing SB 681 that has been amended to include new authority, new fines and amendments for water right holders. It was suggested that the City of Sacramento lobbyist review this bill.

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.

Staff is working with members to evaluate grant opportunities that have recently been released by the Bureau of Reclamation.

7. DIRECTORS' COMMENTS

Mr. George informed the board that EID continues their search for a General Manager. El Dorado Irrigation District expects to lift their Stage 1 drought for their area.

Mr. Sherry reported that the City of Sacramento has a code enforcement schedule in effect for residential watering.

Mr. Whitehead thanked Mr. Woodling for assuming the vice chair position for the Cap-to-Cap trip.

Mr. Roscoe announced that they have re-sampled their Poker Lane well and the results were non-detectible for NDMA. He encouraged board members to register for the June 10, 2009 Sacramento Metro Chamber's State Legislative Summit.

Adjournment

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

By:

Chairperson

Attest:

Nancy Marrier, Board Secretary / Treasurer