



Sacramento Groundwater Authority  
Managing Groundwater Resources  
in Northern Sacramento County

**SACRAMENTO GROUNDWATER AUTHORITY**  
**Regular Board Meeting**  
**Final Minutes**  
**April 10, 2008**

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**1. CALL TO ORDER**

Chair Tobin called the meeting of the Board of Directors to order at 9:00 a.m. at the Regional Water Authority/Sacramento Groundwater Authority office. Individuals in attendance are listed below:

Board Members

Pam Tobin, San Juan Water District (Chair)  
Tom Glover, California American Water  
Sandy Kozlen, Carmichael Water District  
Chuck Rose, Citrus Heights Water District  
Walt Sadler, City of Folsom  
Herb Niederberger, County of Sacramento  
Rich Allen, Del Paso Manor Water District  
Neil Schild, Sacramento Suburban Water District  
Jack DeWit, Agriculture  
Terry Jewell, Self Supplied Industry

Staff Members

Jim English, Rob Donlan (Legal Counsel), Rob Swartz, Nancy Marrier and Cecilia Partridge.

Others in Attendance

Al Dains (Citrus Heights Water District alternate), Tammy Coutts, Jim Carson, Jim Crowley, Toni Pezzetti, Jafar Faghieh, Ali Taghavi, Bob Churchill, Tom Gray, Debra Sedwick, Sharon Wilcox, Shauna Lorange, Rob Roscoe and Ed Formosa.

**2. PUBLIC COMMENT**

None

**3. CONSENT CALENDAR**

**a. Minutes of the February 14, 2008 meeting.**

(M/S/C) Mr. Rose moved, with a second by Mr. Schild, that the consent calendar items be approved.

#### **4. FISCAL YEAR 2008-2009 SGA BUDGET**

The budget committee met on March 25, 2008 to discuss and review the proposed SGA FY2008-2009 (FY09) Budget. The FY09 Budget Committee members are Chair Pam Tobin, San Juan Water District; Andy Soule', California American Water; Sandy Kozlen, Carmichael Water District; Chuck Rose, Citrus Heights Water District; Gary Rents, City of Sacramento; Barry Brown, Fair Oaks Water District and Neil Schild, Sacramento Suburban Water District.

Ms. Krotoski, SGA financial consultant, joined the meeting via conference call. She utilized a web-based meeting feature to present a PowerPoint presentation on the budget. Ms. Krotoski's presentation included: (1) SGA's Adopted FY 2008 Goals and Action Plan; (2) a review of projected sources of revenues and expenses; (3) a review of FY08 fee model and budget decisions; (4) review of the historical expenses and fees; (5) a review of the major budget assumptions; (6) the seven year cash flow projections and (7) issues that SGA will need to tackle in FY09.

#### **Goals and Strategies for FY2008-2009**

During the budget planning process, SGA staff normally prepares a proposed set of primary goals and associated strategies/actions for consideration of adoption by the SGA Board. SGA currently has seven primary goals that have remained unchanged since FY2007. These goals are still relevant for the coming year. Given that SGA is currently operating with an interim Executive Director and expects a new Executive Director near the beginning of FY2009, the budget committee recommends a continuation of the current primary goals. This course will allow the new Executive Director to work with the Board in thoroughly evaluating the goals of the organization in the future.

#### **Executive Summary Proposed Budget for FY2008-2009**

The proposed budget recommended for adoption by the budget committee follows the key principles adopted during the FY08 budget process, with some additional cost estimates and designations as discussed below. The attached budget does reflect a proposed **overall** 18% fee increase for FY09. Under the proposed budget, some members will pay more than 18% due to increased groundwater pumping. Included in the packet was each agency's anticipated fees based upon the budget committee's recommended fee increase. Even with this fee increase, SGA's budgeted expenses are projected to exceed revenues by \$47,200. This difference between expenses and fees will be paid from undesignated funds.

In the proposed budget, the minimum base administrative fee is set to increase from \$6,000 to \$6,690. The connection fee is set to increase from 75 cents to 84 cents per connection. The total base administrative fee would contribute

approximately 35% to the overall budget. The pumped groundwater fee per acre-foot is set to increase from \$3.25 to \$3.85. The total groundwater fees would contribute approximately 56% to the overall budget. Nine percent of the remaining budget will be paid from undesignated funds.

## **Budget History**

For the last few years, SGA's budgets have been adopted with the expectation that expenses would exceed revenues. The short-fall had been historically funded from non-designated funds. During the FY2007-2008 budget, it became evident that fees would soon need to increase substantially to begin to make up for the short-fall of revenues. In fact, the FY08 budget projected a potential 28% overall dues increase in FY09. The FY08 budget committee as well as the full board was advised there would be a significant fee increase in FY09.

Over the last few years, SGA's budget committee has diligently worked on the fee model. Significant changes were made both in FY2006-2007 and FY2007-2008. The goal of the new fee model was to provide a more stable and equitable base of operational funding to support SGA's core and administrative activities, as these activities do not vary with hydrologic conditions or with the amount of basin pumping.

During the FY08 budget process, key principles of the fee calculation were adopted. They were:

- 1) Base connection fee was .75 cents per connection, with a minimum of \$6,000 fee;
- 2) Removing the \$25,000 cap on the base connection fee;
- 3) Annually increasing base connection fees by the overall expected increase in costs, excluding the program consultant costs;
- 4) The balance of the fees would be collected from groundwater fees;
- 5) The groundwater fee was based upon a historical five-year average;
- 6) Maintain a minimum four-month operating designation to provide sufficient cash reserves to manage anticipated state grant contracts; and
- 7) SGA's planned expenses would exceed revenues. The amount in excess of revenues would be paid for by using SGA's undesignated funds.

Other issues during the FY08 budget process were raised, some of which remain not completely resolved. Most significantly, how will SGA's operational costs be paid for if groundwater pumping continues to decline over the long-term? Additionally, there were differences in opinion as to the sufficiency of the operating fund designation and perhaps consideration of other types of designations, including a fee stabilization fund and a grant program fund to take advantage of grant opportunities.

## **FY09 Budget Issues and Assumptions**

Other issues raised in the FY09 budget committee meeting included questioning the equity of fees generated by the base administrative fee versus generated by the groundwater fees. Additionally, some committee members questioned the application methodology of the fee increase for FY09.

The budget committee acknowledges these issues raised in FY09 and FY08 budget process are valid and recommends addressing the issues in a policy committee with the new Executive Director.

The proposed FY09 budget maintains the principles adopted during the FY08 budget process. The FY09 budget proposed expenses assume the following:

- 1) The general assessment fee assumes an average annual groundwater extraction of 85,918 acre-feet, which is approximately 209 acre-feet lower than the previous year average. All members now have provided their data and the averages reflect those adjustments for the previously incomplete data. The acre-feet are based upon the five-year historical average data provided by member information. Future years assume an annual 5% reduction in groundwater pumping. The budget committee acknowledged and recommended that updated future groundwater pumping plans should be provided to SGA for the FY10 budget;
- 2) Program manager is allocated at 70% reflecting workload activities between SGA and RWA activities, reflecting 2.2 FTE's;
- 3) Staffing expense increase budgeted up to 6% in FY09 similar to years prior to FY08, which includes the COLA;
- 4) Common costs for staffing, office, some professional fees, and other expenses are shared with RWA at 50/50;
- 5) Other Post Employment Benefit (OPEB) costs are expected to be paid in FY10. For FY09, an amount is proposed to be set aside for OPEB designation, representing 50% of SGA's guesstimated obligation to RWA for the OPEB costs. Note that funding of the OPEB may occur in FY09 and most likely is significantly higher than previously estimated.
- 6) The SGA consulting budget reflects \$90,000 in out-sourced support activities in FY09, which includes (among other items) \$20,000 for grant application assistance, \$10,000 for regional contamination issues; \$35,000 in FY09 to update the GMP as required in December 2008; and
- 7) Expenses are expected to exceed fee income by approximately \$47,200 and will be funded from the operating fund. This fund follows the SGA designation policy and was started in FY 2004-2005 as a result of successful program activities in excess of program expenses and watchful cost management in carrying out the business activities.

This fund is being used in FY 2008-2009 to pay for expenses in excess of fees collected.

### **Budget Projections Beyond FY09**

Compounding the future fee increases and current year increases is the new requirement of Governmental Accounting Standards Board (GASB) 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions ("OPEB")," which requires recognizing a pro-rata current expense for the future liability of this obligation. SGA shares in the retiree related health benefit cost paid by RWA. During the FY08 budget process, the committee and SGA board was advised the amount **was not** included in the budget forecasts as an estimate, for the amount was calculated subsequent to the committee's recommendation of the budget. While the estimate of the OPEB is yet to be actuarially determined, the estimated amount is now included in SGA's budget.

**However, the actual prior service amount could be higher than previously estimated by a factor of five to eight.** No changes have been reflected in the attached budget for the likely increase in OPEB costs. No additional funding mechanism is incorporated into the budget at this time. These items will be more fully addressed once the actuarial analysis is complete and the funding options can be explored soon after the new Executive Director is hired. RWA currently is soliciting Requests for Quotes to obtain actuarial services. However, the actual analysis most likely will be completed after the new fiscal year begins for RWA and SGA.

The estimated OPEB amount significantly impacts SGA's budget. RWA set aside a designation in its FY08 budget for the estimated costs. RWA's current budget assumes funding in FY10 based upon the current estimate of prior service costs. However, funding of the obligation could occur earlier. The earlier the prior service cost obligation is funded, the lower the long-term costs to both organizations will be. The attached budget proposal recommends setting aside 50% of SGA's obligation of the guesstimated OPEB liability in FY09, with funding the obligation in FY10. **Ms. Krotoski noted that the estimate could be higher by a factor of five to eight.**

In FY 2009-2010, the current projection is that fees charged to members will again increase by approximately 16%. Even with the planned increase, SGA is still expected to use approximately \$32,800 of undesignated funds in FY10. The operating fund designation is expected to be between three and four months which follows policy guidelines.

The increase in expected fees is largely due to the fact that annual dues have not sufficiently kept up with increased operating expenses over the last few years. The OPEB liability is also a factor in the fee increase. SGA has been

using designations to pay for the difference between fees and expenses over the last few years and therefore have kept fees artificially lower than required.

For the projected five year period, most expenses are projected to increase at 3% while staffing related costs are projected at 6% per year. The projections also continue to assume sharing of staff and overhead costs with the RWA.

Mr. Kozlen requested that Mr. English compose a letter to the agency general managers about SGA's funding process and their future obligations to SGA. The letter should request that the general manager share the letter with their district board. Ms. Tobin suggested that the information that was sent to the SGA budget committee by staff be used in the letter.

Ms. Tobin noted that the budget committee asked that the administrative fee continue to be increased in order to become more equitable with the groundwater fees. The committee will work with the new Executive Director on establishing a policy regarding the percentage allocation of the administrative fees in relation to the groundwater fees while keeping in mind that the future funding fee model needs to fund the organization irrespective of groundwater expectations.

M/S/C Mr. Kozlen moved, with a second by Mr. Schild, to approve SGA FY 2008-2009 Goals and Action Plan and to adopt Resolution No. 2008-01 to fund the administrative and program budgets for FY 2008-2009, and providing for the collection of said funds. The outcome included a majority vote of 10 members that were present, with the weighted vote at 68.01% in favor of the Resolution to adopt the SGA budget (Passed by both majority and weighted vote).

## **5. CONTRACT FOR PROFESSIONAL AUDITING SERVICES**

On April 12, 2007 the SGA Board approved a contract with Cook CPA Group for professional auditing services. The contract was for a five year term, with a provision that required annual approval by the Board. Cook CPA Group completed the audit for fiscal year 2007. The audit was accepted by the Board in December, 2007.

M/S/C Mr. Kozlen moved, with a second by Mr. Rose, to authorize the Executive Director to contract with Cook CPA Group to provide for professional auditing services for SGA in 2008. The contract shall not exceed \$20,000 for the FY 2008 audit.

## **6. WATER ACCOUNTING FRAMEWORK**

In June 2007, the SGA Board adopted Phase II of the Water Accounting Framework. Upon adoption, SGA was directed to continue with Phase III,

including a survey of existing successful groundwater banks in the state and development of a model groundwater banking program based on the results of that survey.

The first step in the model banking program process was to learn how existing water banks in the state have been operating. To do this, Kennedy/Jenks (K/J) has been contracted with RWA (RWA was awarded a grant through Prop 50 to fund WAF development) to develop, complete, and summarize a survey of the characteristics of seven existing banks.

In October 2007, the SGA Chair appointed an oversight committee to review the proposed survey and results, and provide guidance on the next steps of the model groundwater banking program development. The committee has met three times to provide input on the survey and the proposed agencies to be surveyed, and to begin discussing expected outcomes of what a model groundwater banking program should include. The committee met most recently on March 20, 2007 to review the results of 5 of the 7 surveys received back to date. Respondents include: United Water Conservation District, Semitropic Water Storage District, Kern Water Bank Authority, Mojave Water Agency, and San Bernardino Valley Water Conservation District. Upon completion of all surveys, a report of survey results will be available upon request. Also at the March 20 meeting, the committee began discussing keys elements to address in the model groundwater banking program. These elements include:

- What constitutes banked water?
- How far back can we go to claim banked water?
- What losses should apply to banked water?
- Should the banking program include an oversight committee?
- If the banking program includes an oversight committee, what should its composition and authority be?
- What will the “product” (the Model Banking Program document) look like?

The committee’s objective is to have the data compiled to meet a December 2008 deadline.

## **7. GROUNDWATER MANAGEMENT PROGRAM UPDATE**

The period has been a busy one for the groundwater management program. Specific activities included:

- Continued collecting member agency data for data management system and Basin Management Report (BMR) preparation.
- Responded to a February 26 notice from the Corps of Engineers regarding the preparation of an Environmental Impact Statement/Report for the Common Features Project for flood control on the lower American River.

- Coordinated with the City of Roseville to help support the web broadcasting of the March 19, 2008 managed underground storage forum in Washington, DC, and participated in live broadcast.
- Convened the Regional Contamination Issues Committee on March 27, and briefed the committee on our recent SGA grant application submission. Meeting notes are available upon request.
- Convened the Groundwater Management Plan Implementation Committee on March 28 (further discussion below).
- Briefed staff of Congressman Dan Lungren on April 1 regarding groundwater management issues in the SGA area including conjunctive use (ASR projects) and water quality issues. The meeting was requested by the Congressman's staff as a result of SGA's thank-you letter for his support of our recent grant application.

In order to prepare the 2008 update to the biennial SGA Basin Management Report, staff needs assistance in populating member agency data into the existing database and in preparing updated figures for the BMR based on the data. Staff is requesting to execute a task order with Montgomery Watson Harza (MWH), while waiving SGA Policy 300.1 for consulting services. The waiver is needed because SGA has relied on MWH for this activity in the past and the total dollar value of past work on this type of work is in excess of \$20,000. Staff recommends waiving the policy because MWH originally developed the database and their continued expertise allows them to be cost effective, while ensuring a high level of quality control on the data input. Additionally, SGA needs the work product in the next several weeks to assist in preparation of the BMR.

The GMP Implementation Committee convened on March 28, 2008 to discuss the plan to update the SGA GMP by December 2008. SGA has budgeted \$15,000 in the current fiscal year, and \$35,000 in FY 2009 for a total of \$50,000 for the update. Staff is requesting to execute a task order with MWH to complete the initial tasks of the update with the currently budgeted \$15,000. The committee unanimously supported the staff recommendation to use MWH for the GMP update. Staff is also requesting to waive SGA Policy 300.1. The waiver is needed because the entire update (including the FY 2009 budget) may require up to \$50,000 in funding. Staff recommends waiving the policy because MWH successfully helped develop the initial SGA GMP. MWH also has a strong working knowledge of the GMP that will help keep the effort cost-effective. Additionally, MWH's involvement in the development and the ongoing update of the region's Integrated Regional Water Management Plan (IRWMP) will help ensure the highest level of coordination between the efforts. This will be very important to future funding opportunities for both SGA and the Regional Water Authority.

On April 24, 2008, the Central Valley Water Quality Control Board will include, as part of its regular meeting, a workshop on aquifer storage and recovery

projects. Staff will attend this meeting as some SGA member agencies have expressed a desire to investigate the use of this methodology to potentially recharge portions of the underlying groundwater basin.

M/S/C Mr. Kozlen moved, with a second by Mr. Sadler, to waive the competitive proposal process for professional services identified in SGA Architectural and Engineering Services Selection Policy (Policy Number 300.1) and authorize the Executive Director to execute "Task Order SGA MWH 08-01" with MWH with a not-to-exceed amount of \$20,000; and to waive the competitive proposal process for professional services identified in SGA Architectural and Engineering Services Selection Policy and authorize the Executive Director to execute "Task Order SGA MWH 08-02" with MWH with a not-to-exceed amount of \$15,000.

Chair Tobin directed staff to write thank you letters to the 2008 Washington D.C. Cap-to-Cap trip co-chairs, Derrick Whitehead and Greg Eldridge thanking them for their preparation efforts for this trip.

Ms. Lorance suggested discussion with RWA and SGA regarding the possibility of hiring a federal lobbyist for future efforts. Chair Tobin appointed an Ad hoc Lobbyist Committee to include SGA staff, Rob Roscoe, Derrick Whitehead, Steve Nugent and Shauna Lorance. There was discussion on the timing of presentations representing our region's concerns to the legislatures both locally and in Washington D.C. and who should be involved with the presentations.

## 8. EXECUTIVE DIRECTOR'S REPORT

- **SGA Board Appointments** – Mr. English reminded members that appointments to the SGA board are coming up for renewal. He requested that appointment letters are needed from agencies (sent to SGA) whose appointing authority is the City of Sacramento and the City of Folsom. The appointments need to be placed on the City Council agenda in a timely matter to ensure that SGA voting is not affected.
- **ACWA Huell Howser Sacramento Water Forum** – ACWA will be hosting a Water Forum Town Hall that will be emceed by Huell Howser on Thursday, April 17, from 6:00 p.m. to 8:30 p.m. at the Crest Theatre in Sacramento.

Chair Tobin gave a brief update on the Executive Director Search. She reported that over 36 applications were received by CPS Executive Search, 13 of which will be interviewed. On April 16<sup>th</sup> CPS will be bringing forward a list of candidates that the Executive Director Search Committee will be interviewing on April 29<sup>th</sup> and 30<sup>th</sup>.

## 9. DIRECTORS' COMMENTS

Mr. Rose reported that he voted no on a 500-acre annexation of farm land in Sacramento County (Greenbriar). It was voted on and approved by the city and the county. Mr. Rose said that the project approval allows residential building to commence where there are detrimental factors that should be considered.

### Adjournment

With no further business to come before the Board, Chair Tobin adjourned the meeting at 10:46 a.m.

By:

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Chairperson

Attest:

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Nancy Marrier, Finance and Administrative Services Officer