



Sacramento Groundwater Authority
Managing Groundwater Resources
in Northern Sacramento County

SACRAMENTO GROUNDWATER AUTHORITY
Regular Board Meeting
Final Minutes
April 12, 2007

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)
Andy Soule', California American Water
Sandy Kozlen, Carmichael Water District
Chuck Rose, Citrus Heights Water District
Gary Reents, City of Sacramento
Herb Niederberger, County of Sacramento
Rich Allen, Del Paso Manor Water District
Barry Brown, Fair Oaks Water District
Scott Fort, Golden State Water Company
Mary Harris, Rio Linda/Elverta Community Water District
Neil Schild, Sacramento Suburban Water District
Jack DeWit, Agriculture
Terry Jewell, Self Supplied Industry

Staff Members

Ed Winkler, Rob Donlan (Legal Counsel), Rob Swartz, Nancy Egger, and Cecilia Partridge.

Others in Attendance

Al Dains (Citrus Heights Water District alternate), Stephen Hanson (Sacramento Suburban Water District alternate); David Simpson, Rob Roscoe, Nicole Krotoski, Ed Formosa, Aaron Ferguson, Tom Gray, Keith Durkin, Jim Crowley, Trevor Joseph, Bob Churchill, Richard Shatz, Steve Nugent, Chris Petersen, Roger Putty, Dee Dillon, Sharon Wilcox, and Dave Cook.

2. PUBLIC COMMENT

None.

3. CONSENT CALENDAR

a. Minutes of the February 8, 2007 meeting.

Motion/Second/Carried (M/S/C) Mr. Rose moved, with a second by Ms. Harris, that the consent calendar items be approved.

4. FISCAL YEAR 2007-2008 SGA BUDGET

Mr. Winkler reported that last year's adopted Goals, Objectives and Actions, which resulted from considerable input and discussion from the full board, are still very much relevant for the coming year. The SGA Budget Committee recommended approval of the proposed document with some minor edits. Mr. Winkler informed the board that he and Chair Tobin will be scheduling presentations over the next couple of months, with several SGA member agencies, to talk about the role of SGA, where we have been and where we are going. Mr. Kozlen asked to go on record regarding looking into establishing a strategy regarding Aerojet, in conjunction with the South County. He did not ask to make any changes to this year's goal with regard to this item. Mr. Winkler suggested that the item be brought to the Contamination Committee for discussion.

M/S/C Mr. Brown moved, with a second by Mr. Rose, to approve the Proposed FY 2007-2008 Objectives/Strategies/Actions.

The proposed budget for FY 2007-2008 was presented, discussed and approved by the SGA Budget Committee on March 29, 2007. Budget Committee members include Pam Tobin (Chair), Andy Soule', Chuck Rose, Sandy Kozlen, Gary Reents, Barry Brown and Neil Schild. Notes from the budget committee meeting were included in the packet.

When adopting the FY 2005-2006 budget (two years ago), members requested the budget committee review and explore alternative fee models that would provide a more stable financial footing for future operations. 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. The new fee model adopted for the FY 2006-2007 budget (last year) accomplished the following:

1. Charged a portion of the fees based upon a per connection fee formula (approximately \$1 per connection) similar to the Regional Water Authority fee formula, subject to a minimum amount of \$6,000 and a maximum charge of \$25,000;
2. The remaining portion of the fees would be based upon the volume of pumped groundwater;

3. Changed the groundwater extraction basis from a three-year running average to a five year running average; and
4. Maintained a minimum four-month operating reserve instead of a two month minimum operating reserve to provide sufficient cash reserves to manage anticipated state grant contracts.

This funding model was approved by the SGA Board in June 2006, with a caveat that the methodology be revisited for the FY 2007-2008 budget to fine tune the following items: (1) consider removing the \$25,000 cap at the top end of the administrative fee schedule; (2) address staffing shortfall issues; and (3) consider increasing to a 3 to 6 month reserve rather than the 2 to 4 month reserve.

Ms. Krotoski reported that the Committee discussed these items and recommends adopting the proposed budget. The proposed fee schedule for FY08 (1) removes the \$25,000 cap on the connection-based component; (2) the minimum base administrative fee is set at \$6,000 plus 75 cents per connection for connections over 6,000; (3) the base administrative fee including the minimum \$6,000 fee is set to increase annually by the overall percentage of expense increase for administrative costs; (4) the groundwater fee is proposed at \$3.25 per acre foot; and (5) the new fee schedule decreases the percentage that the base administrative fee contributes from 40% to 30%.

A comparison table of the proposed FY 2007-2008 dues was also included in the packet that compares the FY 2006-2007 dues to the following:

- 1) FY 2008 fees under the old FY 2005-2006 model;
- 2) FY 2008 fees using the model adopted in FY 2006-2007;
- 3) FY 2008 fees using the modified FY 2006-2007 model described above.

The FY 2007-2008 budget proposed expenses assume the following:

- 1) The general assessment fee assumes an average annual groundwater extraction of 86,127 acre-feet, which is approximately 3,000 acre-feet less than the previous year average. This volume is based upon the five-year historical average provided by members;
- 2) Senior project manager is allocated at 70% reflecting workload activities between SGA and Regional Water Authority (RWA) activities;
- 3) Staffing expense increase budgeted up to 10% in FY08 pursuant to direction of the RWA Executive Committee to provide a contingency to support staffing in the upcoming budget to cover any potential increases that may occur as a result of a salary compensation study that is currently underway;

- 4) Common costs for staffing, office, some professional fees, and other expenses are shared with RWA at 50/50, resulting in 2.2 FTEs for SGA;
- 5) The SGA consulting budget reflects \$100,000 in out-sourced support activities in FY08, which includes (among other items) \$20,000 for the biennial Basin Management Report, and \$15,000 in FY08 and \$20,000 in FY09 to update the GMP as required in December, 2008; and
- 6) Ms. Krotoski pointed out that expenses are expected to exceed income by approximately \$112,300 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 2007-2008 to pay for expenses in excess of fees collected.

Ms. Krotoski reminded members that beginning in FY 2008-2009, the current forecast is that fees charged to members will need to increase substantially to pay for expenses incurred, including maintaining a four month operating fund designation. The four month operating fund will allow the organization to have the available resources to participate in grant funding/matching opportunities. The jump in expected fees is due to the fact that annual dues have not sufficiently kept up with increased operating expenses over the last few years. SGA has been using designations to pay for the difference between fees and expenses over the last few years.

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.

The current budget does not reflect the potential costs associated with recognizing the retirement health liability as suggested by Marcia Fritz & Co "Comments and Observations", dated June 30, 2005. Governmental Accounting Standards Board (GASB) 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions ("OPEB")" requires recognizing a pro-rata current expense for the future liability of this obligation. The RWA Executive Committee has requested an estimate of the pre-funding OPEB amount using San Juan Water District's methodology and will potentially include this amount in the RWA budget. A very rough estimate of the total pre-funding liability is approximately \$60,000, of which SGA would be responsible for approximately 50%. Ms. Krotoski noted that this amount is subject to refinement and may be higher or lower than estimated and is not included in the currently proposed budget. Additionally, this amount may be amortized over a number of years, depending upon the actuarial and funding recommendations.

In order to determine an accurate OPEB liability estimate and to allow both SGA and RWA future budget planning, this year's budget includes dollars for an actuarial calculation of this future liability.

Mr. Kozlen mentioned that he would like to see RWA bring on a staff person for the RWA Water Efficiency Program, so that SGA can utilize the existing project manager to the full extent (70%). He also believes that 4 months of cash reserves is not enough. Cash in the bank would help in the event a grant opportunity becomes available.

Mr. Niederberger mentioned that he was asked by Natomas Central Mutual Water Company to vote in proxy against the budget resolution and asked Mr. Donlan whether this was acceptable. Mr. Donlan replied that this would be against the SGA Rules.

M/S/C Mr. Kozlen moved, with a second by Mr. Rose, to Adopt Resolution 2007-01 to fund the administrative and program budgets for FY 2007-2008, and providing for the collection of said funds. A roll call vote was taken. The outcome included a majority vote of 13 members that were present, with the weighted vote at 93.45% in favor of the Resolution to adopt the SGA budget (Passed by both majority and weighted vote).

5. CONTRACT FOR PROFESSIONAL AUDITING SERVICES

A Request for Proposals for Professional Auditing Services was mailed to 10 firms on February 2, 2007. The due date for proposals was March 1, 2007. Proposals were received from the following three firms: Bartig, Basler & Ray, LLP; Gilbert Associates, Inc; and Cook CPA Group.

The selection committee included Dave Kane, Assistant General Manager, Citrus Heights Water District; Mary Morris, Finance & Administrative Services Manager, San Juan Water District; Ed Winkler, RWA/SGA Executive Director; and Nancy Egger, RWA/SGA Administrative Services Manager. The three firms were interviewed and scored on four criteria: (1) qualifications, (2) knowledge/experience; (3) ability to meet the needs of RWA/SGA; and (4) project cost.

Following is a breakdown of the proposed fees quoted by the participating firms over five years.

Consulting Firm	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total 5-yr contract
Bartig, Basler & Ray	\$25,000	\$25,800	\$26,600	\$27,400	\$28,200	\$133,000
Gilbert Associates*	\$21,600	\$22,600	\$23,700	\$24,800	\$26,000	\$118,700
Cook CPA Group	\$18,795	\$19,295	\$20,195	\$21,280	\$22,235	\$101,800

*Gilbert Associates estimated \$24,000 for a single year audit (FY07).

The Selection Committee and the RWA Executive Committee recommended that Cook CPA Group be retained to provide professional auditing services for a five year term, with a provision that requires annual approval.

M/S/C Mr. Reents moved, with a second by Mr. Fort, to authorize the Executive Director to work with the RWA Executive Committee to negotiate a five-year contract with Cook CPA Group to provide for professional auditing services for SGA, with a contract provision requiring annual approval and ratification by the SGA Board. The contract shall not exceed \$20,000 for the FY 2007 audit.

6. PLACER GROUNDWATER MANAGEMENT PROGRAM

In 2005, the City of Roseville and Placer County Water Agency launched an effort to update an existing Groundwater Management Plan for western Placer County (fact sheet included in packet). In 2006, the City of Lincoln joined that effort. As part of outreach in development of the GMP, the plan participants are reaching out to regional stakeholders to brief them on their activities. The SGA has been identified as a key stakeholder.

Trevor Joseph, Montgomery Watson Harza, gave an update on the Western Placer County Groundwater Management Plan (WPCGMP). Mr. Joseph represents the City of Roseville, City of Lincoln, Placer County Water Agency and California American Water in preparing this plan. The goal of the plan is to develop a groundwater strategy for western Placer County and to implement the strategy. The goal is to maintain the quality and ensure the long-term availability of groundwater to meet backup, emergency, and peak demands without adversely affecting other groundwater users within the WPCGMP area. The WPCGMP is currently on track to be adopted by the four participants in early 2007.

7. GROUNDWATER MANAGEMENT PROGRAM UPDATE

Rob Swartz, Senior Project Manager with SGA, gave an update on the latest activities of the SGA Groundwater Management Program. Implementation of the groundwater management program continues. In April 2007, SGA staff issued requests (sample letter was enclosed in packet) to member agencies to update their 2005-2006 groundwater-related data for purposes of updating the Data Management System (DMS). Information requested includes monthly groundwater extraction, well status, information on newly constructed wells, water quality and water elevation data. This data is requested by May 4, 2007, and will be used in updating the biennial Basin Management Report in 2008.

In April 2007, staff will coordinate with Shaw Environmental to collect water quality samples from six wells in the regional monitoring well network that was constructed through an AB303 grant awarded by DWR in 2004.

8. EXECUTIVE DIRECTOR'S REPORT

- **Water Accounting Framework** – As requested at the February SGA meeting the Water Account Framework has been redrafted based on key themes and suggestions from members. It is agreed that the policies are important, should be well thought out to mesh with important conjunctive use arrangements between members and that staff should refocus the policies on the opportunity side emphasizing incentives for members to practice conjunctive use. Mr. Winkler highlighted the key changes in the redrafted pyramid chart that was handed out. A glossary of terms has been developed that has been added at the end of the framework. Mr. Rose suggested a meeting be held in conjunction with the Citrus Heights Water District Board meeting in lieu of a workshop on this subject. Mr. Winkler stated that the redrafted Framework will be distributed to all members following this meeting with a request for written comments by May 11, 2007. Staff plans to bring a final version of the Phase II Framework to the SGA Board for adoption in June.
- **Elverta Specific Plan (ESP)** – Roger Putty, Montgomery Watson Harza, gave an update on the Elverta Specific Plan. Mr. Putty has been supporting the Rio Linda/Elverta Community Water District on developing a water supply plan for the Elverta Specific Plan area. A meeting was held March 28th on the ESP, which gave an opportunity to update SGA staff and also bring the primary parties together for discussion. The ESP is a mixed use plan development and the plan identifies the Rio Linda/Elverta Community Water District and California American Water as its principle water suppliers. One of the conditions of the ESP is Sacramento County Policy PF-8, which identifies a requirement that a water supply plan be developed for the ESP that ensures no net increase of groundwater extraction within the SGA area as a result of this project.
- **March 19 Rancho Cordova City Council Meeting: Aerojet GET Facility** – This meeting was well attended with Aerojet making recommendations on the plume cleanup efforts. Tom Gray, Paul Schubert, Sandy Kozlen, Andy Soule', Tom Gohring, and Ed Winkler presented statements at this meeting, and letters of support were sent by Sacramento County Water Agency and Sacramento Suburban Water District. The council ended up voting against the planning commission to proceed with the resolution to approve the necessary entitlements to proceed with the groundwater treatment facilities (a good outcome). Details were included in the packet.
- **SGA Information Presentations** – Chair Pam Tobin and Executive Director Ed Winkler will be making presentations to interested agencies. These presentations are part of an outreach effort to educate agency Directors on what SGA is about as well as future goals.

- **SB 395 (Cox)** – Rob Roscoe asked for support of SB 395 (Cox). Mr. Roscoe explained that two years ago, a similar bill -- SB 773 was introduced. As part of RWA’s Proposition 13 American River Basin Conjunctive Use Program grant, the City of Roseville received state money to build an ASR well, but they have been unable to obtain a permit to operate the well. The efforts from SB 773 prompted the Central Valley Regional board to cooperate with Roseville to complete their pilot program, but Roseville still does not have a final permit to operate their full system. SB 395 has been referred to the Senate Committee on Environmental Quality and Natural Resources and Water (a copy of the bill was handed out). SB 395 seeks to remove unreasonable regulatory obstacles to ASR in the North American Subbasin. It was suggested that SGA send a letter of support to the committee chairs.

M/S/C Mr. Kozlen moved, with a second by Mr. Reents to authorize the Executive Director to draft a letter of support for SB 395, with a draft to be sent to all board members for the opportunity for comment. Barring significant objections to the draft letter by April 13, the Executive Director is authorized to transmit the letter.

9. DIRECTORS’ COMMENTS

Mr. Kozlen talked about his concerns that the “tenant” language contained in AB 1260 could pose a problem for future rate increases. Mr. Winkler will take this matter up with Ron Davis, ACWA State Legislative Director.

10. CLOSED SESSION

At 11:17 a.m. the open session portion of the meeting was adjourned to closed session under Government Code section 54956.9(a): The People of the State of California, et al. v. Unocal Corp., et al. (Sacramento Superior Court No. 03AS05452). The closed session meeting was closed and duly reported, and the public meeting was reconvened in open session at 11:42 a.m.; no information was reported.

Adjournment

By:

Chairperson

Attest:

Nancy Egger, Administrative Services Manager