



1. CALL TO ORDER

Chair Sheehan 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

Audie S. Foster, California American Water
John Wallace, Carmichael Water District
Caryl Sheehan, Citrus Heights Water District
Marcus Yasutake, City of Folsom
Noelle Mattock, City of Sacramento
Robert Matteoli, Del Paso Manor Water District
Randy Marx, Fair Oaks Water District
Paul Schubert, Golden State Water Company
Brett Gray, Natomas Central Mutual Water Company
Craig Davis, Orange Vale Water Company
Paul Green, Rio Linda/Elverta Community Water District
Neil Schild, Sacramento Suburban Water District
Pam Tobin, San Juan Water District
Rink Sanford, Self-Supplied Industry

Staff Members

John Woodling, Rob Swartz, Nancy Marrier, Monica Garcia and Chris Sanders, legal counsel.

Others in Attendance

Al Dains, Kerri Howell, Mary Harris, Kevin Thomas, Mike O'Hagan, Bob Kunz, Charles Duncan, Abigail Madmore, Richard Shatz, Mary Henrici, Ralph Felix, Steve Nugent, Debra Sedwick, Dan York, Rodney Fricke, Evan Perez, Eddy Teasdale, Robert Kunz, Tom Gray, Bob Churchill, Shauna Lorance, Keane Chukwuneta and Abigail Madrone. Nicole Krotoski and Isabel Safie participated via conference phone.

2. PUBLIC COMMENT

None.

3. CONSENT CALENDAR

The minutes of the February 11, 2016 meeting

Motion/Second/Carried (M/S/C) Ms. Tobin moved, with a second by Mr. Wallace, that the December 10, 2015 SGA Board minutes be approved. The motion carried by the unanimous voice vote of all directors present.

4. CLOSED SESSION UNDER GOVERNMENT CODE SECTIONS 54954.5(C) AND 54956.9(D) – UPDATE ON CALPERS AUDIT OF RWA AND CALPERS CONTINUED OBLIGATION TO PROVIDE PENSION BENEFITS TO RWA EMPLOYEES.

It was determined that there was no need for a closed session.

5. CONSIDER AND ADOPT RESOLUTION OF INTENTION TO APPROVE A CONTRACT WITH THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM, RESOLUTION TO TAX DEFER MEMBER PAID CONTRIBUTIONS AND OTHER REQUIRED ACTIONS

John Woodling, Executive Director, explained that there are four actions required by CalPERS to finalize SGA becoming a CalPERS member. These actions include approving a Resolution of Intention to Approve a Contract with CalPERS, approve a Resolution to Tax Defer Member Paid Contribution IRC 414(h)(2) Employer Pick-up, approve the Reallocation Agreement, and direct the Executive Director to execute the Reallocation Agreement on behalf of SGA and direct staff to submit the documents to CalPERS after the requisite employee elections are concluded.

There was discussion on the tax deferment. Ms. Sofie explained that employees will not pay taxes up front, but will pay them at the time of their retirement distribution. Mr. Woodling explained that one reason for the Tax Deferred Resolution is to bring equality between the SGA and RWA contracts. Ms. Sofie also noted that the employee voting is to be by secret ballot.

M/S/C Ms. Tobin moved, with a second by Mr. Sanford, to approve the Resolution of Intention to Approve a Contract with the California Public Employees' Retirement System, to approve the Resolution to Tax Defer Member Paid Contributions – IRC 414(h)(2) Employer Pick-Up, to approve the Reallocation Agreement and direct the Executive Director to execute the Reallocation Agreement on behalf of SGA and to direct staff to submit the above referenced documents to CalPERS after the requisite employee elections are concluded. The motion carried by the unanimous voice vote of all directors present.

6. DEVELOPMENT OF SGA FISCAL YEAR 2016 – 2017 BUDGET

The Fiscal Year 2016-2017 SGA Budget Committee met on March 16, 2016. The members include Caryl Sheehan, Citrus Heights Water District; Rich Allen, Del Paso

Manor Water District; Mary Harris, Rio Linda/Elverta Community Water District; Pam Tobin, San Juan Water District; and Neil Schild, Sacramento Suburban Water District.

Rob Swartz, Manager of Technical Services, presented information on the RWA Regional Reliability Plan, the program objectives and also explained the benefit of integration of SGA and RWA. In the RWA 2013 Strategic Plan, an objective to develop a Regional Reliability Plan was adopted. Mr. Swartz gave examples of some agency near- and long-term vulnerabilities within our system and strategies to address the vulnerabilities. A chief mitigation action is to expand the conjunctive use program, which will help demonstrate that the groundwater basin can be managed as a reservoir. When the State Water Resources Control Board is looking for future cutbacks we can potentially rely on that system as part of our alternative to simply cutting back on our supply. RWA will evaluate expanded conjunctive use as a key mitigation action, establish a regional water bank, evaluate new regional diversions and develop modeling tools. The entire plan will be a significant effort over multiple years and will involve the development of technical tools.

He also explained that under SGMA we will be required to have a Groundwater Sustainability Plan (GSP) by 2022. SGA will be working on modeling tools that will be complimentary to this effort. Over the next several years, RWA will be working on the regional reliability plan that will identify the vulnerabilities and mitigation actions. In the next few years, staff will be looking to update a regional model that will cover the North American Subbasin and South American Subbasin. That model will be updated as a tool to support the documentation that is submitted to establish the regional water bank. The technical work that needs to be done by the region as a whole is complimentary to what SGA has to do and staff wants to plan to participate in that effort as the groundwater authority. Having that model will help demonstrate the sustainable yield of the basin. Program objectives for fiscal year 2017 include evaluating administrative alternatives for compliance with the Sustainable Groundwater Management Act, possibly preparing an alternative to a GSP, monitoring water quality levels, maintain/improve the Data Management System, monitor and coordinate on regional contamination issues, groundwater modeling and possible grant application funding. It's important to be in a position to have access to available funding, so that SGA can make a contribution if opportunities arise in the next fiscal year.

Mr. Woodling said that the staff objective in development of the conjunctive use program and any regional projects is for each individual agency to make the decisions on how they want to participate, solve their own challenges and also take advantage of opportunities.

Mr. Swartz said that preparation of a Basin Management Report is included in the current budget to look at the legislative and regulatory requirements and prepare a report that we think will be in compliance with the SGMA requirements.

Mr. Woodling presented an overview of the SGA budget with two major pieces, one piece is the base fees and the other piece is based on groundwater pumping. The increase in the proposed rate is approximately 13%, which is less than anticipated

from last year's budget at approximately 17%. For several years, SGA members have been advised that fees would need to increase in future periods to compensate for rising costs. For the last several years, these rising costs have been absorbed by reserves that occurred from either project savings or program objective delays. The SGA membership had several years of minimal or no rate increases. FY16 had a fee increase to begin to close the gap between expenses versus fees. A fee increase for FY17 is still needed to continue with program objectives and to implement the strategic decisions.

In September 2014, Governor Brown signed the Sustainable Groundwater Management Act (SGMA). The act requires the formation of local groundwater sustainability agencies (GSAs) that must assess conditions in their local water basins and adopt locally-based management plans. This requirement is expected to increase fees for SGA out into future years. The Board agreed to increase fees to begin preparing for these requirements.

The current proposed fee increase of approximately 13% still results in an approximately \$133,500 negative cash shortfall that will be absorbed by designated and undesignated carry over funds from previous years. The expected CalPERS early unfunded liability payment of \$87,600 in FY16 also helped to decrease the carry over funds.

In addition to sharing in 50% of non-WEP administrative staff time from RWA, SGA plans to continue to use 20% of RWA's project assistant to assist in accomplishing these objectives. SGA may also hire additional outside consultants to accomplish some of the program objectives.

Since FY13, the RWA and SGA Boards have been incrementally budgeting resources to reflect the payment of the unfunded pension liability allocated to pooled plan members. Even though RWA and SGA have been paying 100% of the annually required contribution, and have paid off the side-fund, there is still an unfunded pension liability allocated to RWA. CalPERS has been amortizing these costs over time when determining the annual required contribution. The latest CalPERS report, dated June 30, 2014, reflects an approximate allocated liability of \$302,700 as of June 30, 2016. RWA recently paid \$225,000 of the amount. SGA's portion of the obligation was \$87,600 (39%) to pay a portion of this unfunded liability since RWA has been providing staffing services to SGA through a memorandum of understanding. Beginning in FY17, RWA and SGA will make their own payments since SGA is expected to become a CalPERS agency beginning July 1, 2016. Additional annual payments are currently projected to continue to pay towards the unfunded pension liability.

SGA will continue to share 50/50 in the administrative costs incurred by RWA to run both organizations under the agreement between RWA and SGA for administrative and management services. Costs benefiting only RWA work will not be allocated to SGA. Likewise, costs benefiting only SGA will be paid by SGA.

Specific increased expenses are included in the projected FY2017-18 budget. RWA/SGA's lease will be coming up for renewal in calendar year 2018. Staff negotiated a very favorable lease rate at the time ACWA JPIA moved out of the building. SGA needs to plan for a significant increase (and a potential move) in the office lease in 2018.

The RWA Employee Compensation Policy 400.2 states that "The Executive Committee (EC) will conduct a compensation survey at least every five years to ensure that the compensation offered by the Authority is consistent with this policy." RWA last completed a compensation survey in November 2012 and will need to budget for a compensation survey to be completed in fiscal year 2018, as well as plan for potential increased payroll costs as a result of the survey.

Noelle Mattock, City of Sacramento, entered the meeting.

SGA can anticipate additional rate increases in the future of approximately 9% in FY18.

M/S/C Mr. Schubert moved, with a second by Mr. Green, to adopt Resolution NO. 2016-1 to fund the administrative and program budgets for FY 2016 – 2017, and providing for the collection of said funds and to designate \$58,300 to FY16 for Groundwater Modeling. The motion carried by the unanimous voice vote of all directors present.

7. GROUNDWATER PROGRAM UPDATE

Rob Swartz, Manager of Technical Services, reported that Staff continues to work on the following groundwater management priority areas: 1) the study of the occurrence of tetrachloroethene (PCE) contamination in the California American Water Lincoln Oaks Service Area; 2) the effort to further characterize what would be considered a "normal" expected concentration of hexavalent chromium (CrVI) in the central portion of the SGA area in light of the recent health-based standard for CrVI; and 3) continued monthly monitoring of groundwater elevations in response to drought conditions. Additionally, staff has collected updated groundwater extraction data for 2015 and is requesting additional detailed annual data from SGA member agencies as called for in the 2014 SGA Groundwater Management Plan.

For the PCE study, staff is working closely with California American Water (Cal Am) to identify and fill data gaps with respect to available PCE information. The SGA portion of the PCE study is funded largely through a local groundwater assistance grant from the Department of Water Resources (DWR). SGA has successfully worked with DWR to extend the term of the grant to a completion date of June 30, 2016. This will provide the time needed to collect and interpret additional data. Staff is also coordinating with Cal Am, the Central Valley Regional Water Quality Control Board (CVRWQCB) and the State Water Resources Control Board to discuss potential funding opportunities for additional study of the PCE contamination.

For the CrVI study, data was collected from 15 monitoring wells, two shallow domestic wells, and one shallow agricultural well in October 2015. Those results were shared with the SGA Board at its February 2016 meeting. Staff is continuing to coordinate with the CVRWQCB and Air Force Real Property Agency to better understand the effort to determine background and offsite concentrations of CrVI at the former McClellan Air Force Base.

Staff continues to monitor several wells on a monthly basis as the Executive Order declaring a statewide drought emergency continues. Water levels are continuing to recover in these wells as we progress into spring. The key indicator for long-term conditions in the groundwater basin will be the spring elevations to be taken by April 13th. Staff will provide updated hydrographs for the wells to the SGA Board.

Results of the SGA Water Accounting Framework through 2015 were included in the board packet. In 2015, all agencies met their target groundwater extraction for basin sustainability.

8. SUSTAINABLE GROUNDWATER MANAGEMENT ACT (SGMA) IMPLEMENTATION UPDATE

John Woodling, Executive Director, said that staff will meet with representatives of the Placer and Sutter County portions of the North American Subbasin to begin to discuss the preparation of a Groundwater Sustainability Plan or the alternative that is allowed under the Act.

Staff provided a comprehensive comment letter on the draft emergency regulations for groundwater sustainability plans and alternatives, and also coordinated an ACWA comment letter through the Groundwater Committee. RWA and NCWA submitted a joint letter commenting on the regulations.

In summary, the draft regulations need significant modification to address the following concerns:

- The regulations go beyond both the language and intent of SGMA in a number of areas.
- The regulations call for data, information, and analysis that go far beyond what will generally be needed to plan for and demonstrate groundwater sustainability.
- Through excessively prescriptive requirements, the regulations undermine local control and flexibility that was intended to be the foundation of SGMA.
- Some of the requirements of the regulations may contribute to conflict rather than collaboration in managing a basin.

DWR will brief the California Water Commission (CWC) on April 20, 2016 on the draft regulations, and will seek approval by the CWC in May. Staff has attended several meetings with DWR since the regulations were released. Staff is concerned

that the DWR regulation rewrites will not be enough. The cost to do the work to prepare a compliant plan and the implementation remains an important unknown.

Within the North American Subbasin, we are in good shape to get everyone compliant with creating Groundwater Sustainability Agencies, and moving forward with a GSP or an alternative for the entire subbasin.

9. EXECUTIVE DIRECTOR'S REPORT

Government Affairs Update – The Legislative session for 2016 is well underway. RWA staff is tracking the introduction of new bills and the status of two-year bills from last year. A summary of legislation being tracked is on the RWA website, rwah2o.org.

The State Water Resources Control Board will meet on April 20 to discuss changes to the emergency regulations for water conservation in light of the significant changes in hydrologic conditions that have occurred since early February. RWA has requested that the State Water Board rescind the mandatory conservation requirements for the Sacramento region. On April 20 the State Water Board will receive input on how they should change the emergency regulations.

A bill authored by Senator Wolk requires counties to make the issuance of well permits a conditional use permit in the basins that are identified as medium and high priority.

Drought Update – A lot has changed since the last SGA meeting in February. Folsom Lake storage is about 110% of average with more than 700,000 acre-feet in storage. Releases for flood control during March were as high as 20,000 cubic feet per second. Shasta and Oroville Reservoirs are similarly full. As of April 4, 2016, nearly 8 million acre-feet of water are in storage in the three reservoirs, compared to about 5 million acre-feet last year on the same date. Snowpack for the American River watershed was 88% on April 1st. Groundwater levels, which SGA has been measuring monthly during the drought have recovered to levels higher than in Spring of 2015, in response to recharge from precipitation and high river flows.

Mr. Woodling reported that the recent Cap-to-Cap trip generated a lot of good discussions including groundwater banking and the new Sacramento River Diversion resulting in positive feedback from our local delegation, Reclamation and Interior, from the Resources Agency Staff and the Governor's Staff in DC.

Financial Documents – The financial reports for the period ending March 31, 2016 were included in the board packet.

10. DIRECTORS' COMMENTS

Mr. Green introduced Ralph Felix as the new General Manager for Rio Linda/Elverta CWD effective June 15, 2016.

Mr. Woodling thanked the board for passing the budget the first time it was presented. Everyone seems to recognize the level of effort going forward.

Adjournment

With no further business to come before the Board, Chair Sheehan adjourned the meeting at 10:34 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Finance and Administrative Services Manager