



1. CALL TO ORDER

Chair Allen 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

John Wallace, Carmichael Water District
Caryl Sheehan, Citrus Heights Water District
Noelle Mattock, City of Sacramento
Darrell Eck, County of Sacramento
Rich Allen, Del Paso Manor Water District
Randy Marx, Fair Oaks Water District
Paul Schubert, Golden State Water Company
David Simpson, Orange Vale Water Company
Paul Green, Rio Linda/Elverta Community Water District
Kevin Thomas, Sacramento Suburban Water District
Pam Tobin, San Juan Water District
Jack De Wit, Agriculture
Rink Sanford, Self-Supplied Industry

Staff Members

John Woodling, Rob Swartz, Nancy Marrier, Cecilia Partridge and Rob Donlan, legal counsel.

Others in Attendance

Brian Hensley, Al Dains, Hilary Straus, Greg Zlotnick, Ralph Felix, Shauna Lorange, Mitch Dion, Robert Matteoli, Ted Costa, Rodney Fricke, Abigail Madrone, Joe Duran, Sharon Wilcox, Debra Sedwick, Rob Roscoe and Paul Helliker. Nicole Krotoski participated via conference phone.

2. PUBLIC COMMENT

None.

3. CONSENT CALENDAR

a. The minutes of the February 9, 2016 meeting

Motion/Second/Carried (M/S/C) Ms. Mattock moved, with a second by Mr. Eck, to approve the February 9, 2016 SGA Board minutes. The motion carried by the unanimous voice vote of all directors present.

4. ADOPT RESOLUTION 2017-03 AUTHORIZING SOCIAL SECURITY COVERAGE FOR SGA EMPLOYEES

SGA is attempting to mirror the Regional Water Authority's (RWA) contract with California Public Employees' Retirement System (CalPERS). On February 13, 2017 SGA employees voted to participate in the federal social security program. The votes were tallied and sent to CalPERS. CalPERS is now requesting the SGA Board of Director's adopt Resolution 2017-03, which authorizes the execution of the application for social security coverage for the employees of the SGA who are members of CalPERS.

M/S/C Mr. Wallace moved, with a second by Mr. Sanford, to adopt Resolution 2017-03 Authorizing Social Security Coverage for SGA Employees. The motion carried by the unanimous voice vote of all directors present.

5. DEVELOPMENT OF SGA FISCAL YEAR 2017 – 2018 BUDGET

The Fiscal Year 2017-2018 SGA Budget Committee met on March 23, 2017 via conference call. The members of the Committee include Paul Schubert, Golden State Water Company; Pam Tobin, San Juan Water District; Noelle Mattock, City of Sacramento; Caryl Sheehan, Citrus Heights Water District; and Darrell Eck, County of Sacramento. Both Paul Schubert and Pam Tobin could not participate on the call. The committee reviewed the significant budget topics.

John Woodling, Executive Director, gave an overview of how the budget is constructed. An increase in the proposed rate is approximately 9%, which was anticipated in last year's budget. For several years, SGA members have been advised that fees¹ would need to increase in future periods to compensate for rising costs. For 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 nominal or no rate increases². The expected CalPERS early unfunded liability payment of \$87,600 in FY16 also helped to decrease the carry over funds. An increase for FY18 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

¹ The JPA agreement refers to fee assessment to fund the work of SGA whereas the joint powers code describes them as contributions. For purposes of common understanding, the staff report will use the term as expressed in the JPA agreement.

² From FY10 to FY15, overall fees declined during this period by almost 4%, while expenses increased by approximately 27%.

basins and adopt locally-based management plans. This requirement is expected to increase expenses and consequently 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 9% still results in an approximately \$175,350 negative cash shortfall that will be absorbed by designated and undesignated carry over funds from previous years.

SGA is planning to accomplish program objectives during fiscal year 2018 including evaluating administrative alternatives for compliance with the SGMA, beginning development of the Groundwater Sustainability Plan (GSP), monitoring water quality and levels, maintaining and improving the Data Management System, monitoring regional contamination issues, groundwater modeling and grant application assistance.

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 anticipates hiring additional outside consultants to accomplish some of the program objectives.

Since FY13, the RWA and SGA Boards have been incrementally budgeting resources to pay the unfunded pension liability allocated to pooled plan members. SGA became a CalPERS entity and began making their own payments beginning July 1, 2016. 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 and SGA. CalPERS has been amortizing these costs over time when determining the annual required contribution. Similar to the adopted FY17 budget, the FY18 proposed budget for SGA reflects an additional payment of approximately \$26,900 towards the unfunded liability. The FY19 through FY22 budget also reflects a best guess at increased required costs and additional payments toward the unfunded liability that are now resulting from CalPERS reducing the discount rate from 7.5% to 7.0% as announced in December 2016. Staff will continue to work to quantify the unfunded pension liability and options for funding.

The overall combined fee increase is proposed at approximately 9%. Each agency's specific fee depends on the changes in connections and groundwater pumping from the previous year. The fee calculations will continue to be based upon base fees plus groundwater fees. The base fees target objective is to cover 40% of costs, where groundwater fees are targeted to cover 60% of costs and is expected to be achieved over time once the accelerated pension plan payments are completed.

In the proposed budget, the minimum base administrative fee is \$10,100 plus \$1.31 per connection for connections over 6,000. The pumped groundwater fee per acre-foot is proposed at \$6.00 per acre foot. A five year trailing average of groundwater pumping is used to develop the groundwater fees for FY18. The five year trailing average of groundwater pumping is expected to continue to decline over time, but the expenses to support the work of SGA is not expected to decline. Declining groundwater pumping increases the per acre-foot charge.

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 will not be allocated to SGA. Likewise, costs benefiting only SGA will be paid by SGA. Staff salaries are within ranges assigned by a 2012 total compensation survey and reflect a possible 5% increase for merit (including COLA), plus 2% to compensate for the employees picking up 2% of their PERS retirement contribution. By FY19, all employees will be paying their entire 7% portion of PERS. Total FTE count for SGA is proposed to be 2.2 FTEs. Benefit costs also include projected increases for OPEB and health care, and a reduction of the 2% employer pick up of the employee portion of PERS retirement benefits.

RWA will conduct a compensation survey during fiscal year 2018. There may be additional changes that will result from this survey that are currently not reflected in the proposed budget. A \$26,900 payment to RWA (or CalPERS) is budgeted in FY18 as an incremental early payment of SGA's allocated unfunded liability. Professional fees include public relations, accounting, and legal. It also includes higher actuarial costs due to anticipated GASB rule changes for OPEB accounting. The SGA consulting budget reflects \$150,000 in out-sourced support activities for the groundwater management report, monitoring water quality, grant application assistance, maintaining the data management system, regional contamination, and groundwater modeling. An additional \$98,300 in consulting fees will be designated from FY16 and FY17 to be spent in FY18 on groundwater modeling. The operating fund is projected to be approximately five months for FY18, which meets policy guidelines and helps buffer anticipated costs related to recently passed legislation.

Staff negotiated a very favorable lease rate at the time ACWA JPIA moved out of the building. The building lease will expire in September 2018. Potential moving costs are included in the FY18 budget. There is a subcommittee through RWA that is working on negotiating a new lease. There may be a significant increase for a new lease beginning in FY19.

SGA can anticipate an additional rate increase in the future of at least 5.0% in FY19 and could be higher depending upon the cost obligations that SGA will incur acting as the GSA for groundwater management. SGA does not yet know the extent and cost of these future obligations.

SGA has been able to project out grant funding for SGMA and project costs over the next few years. With our four GSA partners in the North American Subbasin, we have jointly hired a consultant to look at a scope for developing a GSP to be in a position to apply for grants. Over the next six months staff will have a better idea of the costs involved, the development and detailed scope of work that it will take to develop a GSP and what it will take to develop the tools to support that.

M/S/C Mr. Wallace moved, with a second by Ms. Mattock, to adopt Resolution 2017-02 to fund the administrative and program budgets for FY 2017 – 2018, and providing for the collection of said funds. The motion carried by the unanimous voice vote of all directors present.

M/S/C Ms. Tobin moved, with a second by Ms. Mattock, to designate \$98,300 to FY18 for Groundwater Modeling. The motion carried by the unanimous voice vote of all directors present.

6. SUSTAINABLE GROUNDWATER MANAGEMENT ACT (SGMA) UPDATE

SGA executed a task order for \$5,000 with GEI Consulting, in coordination with the other potential GSAs within the North American Subbasin to develop a scope of work for a GSP for the subbasin. The scope will serve as the basis for a grant application to seek funding to support the effort. Staff is meeting monthly with representatives of Sutter County, Natomas Central Mutual Water Company, Reclamation District 1001, Pleasant Grove-Verona Mutual Water Company, South Sutter Water District, and the West Placer Groundwater Management Group (City of Roseville, City of Lincoln, Placer County, Placer County Water Agency, California-American Water, and Nevada Irrigation District) to coordinate SGMA compliance. Efforts are currently still on track to ensure that the entire subbasin is represented by GSAs before the July 1, 2017 deadline.

7. GROUNDWATER MANAGEMENT PROGRAM UPDATE

Rob Swartz, Manager of Technical Services, said that the water accounting framework was adopted in 2010 and tracking began in 2012. We are now at the five year point where we intended to reevaluate the framework tracking. Staff provided an update on recent activities under the SGA groundwater management program. This includes a collection of member agency groundwater extractions for 2016 and an update of the Water Accounting Framework (WAF) through 2016. During 2016, all agencies subject to the WAF met their basin annual basin sustainability target. In the five years of tracking, the area subject to the WAF has exceeded its sustainability goal by a cumulative volume of more than 120,000 acre-feet. A WAF table for 2016 was enclosed in the packet.

Staff collected spring 2017 semi-annual groundwater elevation measurements on April 12. Updated hydrographs were provided to the Board at the SGA meeting.

8. EXECUTIVE DIRECTOR'S REPORT

Water Efficiency Update – RWA is sponsoring two bills, AB 1654 and AB 968, authored by Assemblymember Blanca Rubio, that would make changes to the Urban Water Planning Act and set water efficiency standards beyond 2020, respectively. These bills are an attempt to find an alternative to what the administration's proposal would be to give the State Water Resources Control Board permanent authority to create new standards for how low water use should be.

Drought Update – DWR conducted the Sierra Nevada snow survey on March 30, 2017, and snowpack stands at more than 160% of the long term average for April 1. The governor declared that the drought is over. However the monthly reporting to the State Water Resources Control Board continues.

SGA Outreach – Mr. Woodling continues as Chair of the ACWA Groundwater Committee, which will meet on May 9, 2017 in Monterey. On April 20, Mr. Woodling will be a panelist to address the California Water Commission on local progress in implementing SGMA. Mr. Woodling has been invited to represent California on the National Water Resources Association Groundwater Committee. There is a lot to learn from other states as we become increasingly engaged with Reclamation as part of our groundwater bank. There is potential litigation against those responsible for hexavalent chromium in our groundwater basin that impacts the water supply wells. Claims have been presented to the Air Force pursuant to the Federal Tort Claims Act and also notice of the intent to assert claims under the Federal Resource Conservation and Recovery Act. Potential lawsuits against the Air Force from McClellan and others are moving forward.

Financial Documents – The financial reports for the period ending January 31, 2017 were included in the packet.

9. DIRECTORS' COMMENTS

Mr. DeWit commented that he has too much water on his farmland, but it's better than being dry.

Mr. Wallace announced that Carmichael Water District received the Sacramento Environmental Commission Award. The award was received for the conveyance project with Golden State Water Company and the pipeline that goes underneath the river, the environmental restoration of the bank and removing the old pipeline.

Mr. Eck mentioned that the Board of Supervisors is moving forward with being the presumptive GSA in unmanaged areas of Sacramento County; they will begin moving forward on exactly what that means in the future.

Mr. Marx said that Fair Oaks Water District has a full board with the addition of Director Gary Page.

Mr. Roscoe reported that Sacramento Suburban Water District just won a Capio Excellence in Communications Award for their outreach on drought and the customer programs they provided during the drought. They won an award from the American Society of Civil Engineers for their Rutland well site for energy achievement. Their operations staff took third in California-Nevada in the top Ops competition in Anaheim.

Chair Allen mentioned that Del Paso Manor Water District has been mentioned in the newspaper lately relative to their rate increase. There is a lot of work ahead, but they will survive.

Adjournment

With no further business to come before the Board, Chair Allen adjourned the meeting at 10:08 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Finance and Administrative Services Manager