



1. CALL TO ORDER

Chair Foster 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

S. Audie Foster, California American Water
Caryl Sheehan, Citrus Heights Water District
Marcus Yasutake, City of Folsom
Noelle Mattock, City of Sacramento
Darrell Eck, County of Sacramento
Robert Matteoli, Del Paso Manor Water District
Randy Marx, Fair Oaks Water District
Brett Gray, Natomas Central Mutual Water Company
John Wingerter, Orange Vale Water Company
Paul Green, Rio Linda/Elverta Community Water District
Pam Tobin, San Juan Water District
Mike DeWit, Agriculture
Rink Sanford, Self Supplied Industry

Staff Members

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

Others in Attendance

Roy Leidy, Ellen Green, Marisa Escobar, Laura Forni, Roger Kohne, Paul Wells, Dave Zuber, Jim Blanke, Ali Taghavi, Brett Storey, Kelye McKinney, Abigail Madrone, Linda Dorm, Joe Duran, Dan York, Debra Sedwick, Sergio Guillen, Alan Driscoll, Hilary Straus, Al Dains, David Gordon, Greg Zlotnick, Charles Duncan. Nicole Krotoski participated via the conference phone

2. PUBLIC COMMENT

Mr. Woodling introduced Roy Leidy who will replace John Wallace as SGA representative for Carmichael Water District after he is appointed by Sacramento County in August.

Mr. Green introduced his sister Ellen Louise Green.

3. CONSENT CALENDAR

a. The minutes of the February 8, 2018 meeting

Motion/Second/Carried (M/S/C) Ms. Tobin moved, with a second by Mr. Green, to approve the February 8, 2018 SGA Board minutes. The motion carried by the unanimous voice vote of all directors present.

4. DEFINED BENEFIT PENSION PLAN FUNDING POLICY 400.4

John Woodling, SGA Executive Director, said that there has been discussion on the RWA side trying to make certain that we are keeping the unfunded liability on track to be paid off. The goal is to maintain the consistency that SGA has had with RWA. The intent of this policy is to identify how to reduce the unfunded liability through accelerated additional payments over a shorter time frame than CalPERS currently amortizes these obligations.

The proposed policy mirrors RWA’s adopted funding policy. The unfunded liability will change annually depending on market returns, changes in CalPERS discount rates, and RWA staffing and salaries. As a result, the four year assessment to pay down the liability will fluctuate, adjusting to a new target each year. Each budget cycle, the current unfunded liability will be amortized over a four year funding plan.

The following additional information is included as part of the staff report that accompanied the April 12, 2018 Board packet

As part of the annual budget process, SGA has been paying additional sums over and above the required contributions to the pension plan in order to pay down the unfunded pension liability more quickly. The following additional amounts over and above the required contributions have been contributed or are expected to be contributed towards the pension liability as follows:

Fiscal Year Ending June	SGA ¹
2016 (paid) ²	\$87,600
2017 (paid)	26,900
2018 (paid)	26,900
2019 (proposed budget)	47,500
2020 (estimated future cost)	47,500
2021 (estimated future cost)	47,500
2022 (estimated future cost)	47,500
Total	<u>\$331,400</u>

Even though SGA has been paying the required pension funding contributions and increased additional contributions, SGA still has an unfunded liability. This liability is due to the fact that CalPERS amortizes unfunded liability costs into payments over long periods of time (typically 30 years) so as to smooth out the cash flow requirements from employers. With the recent change in discount rate to 7.0% and

¹ Starting on July 1, 2016 (FYE 2017), SGA has its own CalPERS contract and will pay its own share of normal costs, lump sum contributions and additional payments towards the unfunded liability. FYE 19 to 22 will be paid over four years per the Defined Benefit Pension Plan Funding Policy 400.4.

² FYE 2016 payment was an allocated shared obligation between RWA and SGA. RWA made the actual payment to CalPERS and SGA reimbursed RWA \$87,600 for its allocated share.

a potential decrease to 6.5% over the next few years, SGA's unfunded liabilities will grow again because past liabilities will now be revalued with a lower discount rate.

The SGA staff developed a formalized policy approach to guide the budgeting to pay down these pension liabilities more quickly, and address future changes in a timely manner. Staff presented a draft of Policy 400.4 at the March 12, 2018 SGA Budget Subcommittee meeting. The subcommittee approved sending this policy to the Board for approval. Policy 400.4 represents a formalized funding strategy that would accelerate additional payments towards the unfunded pension liability over a period of four years to achieve a 100% fund ratio (as seen in the table above).

M/S/C Ms. Tobin moved, with a second by Mr. Yasutake, to approve the Defined Benefit Pension Plan Funding Policy 400.4. The motion carried by the unanimous voice vote of all directors present.

5. DEVELOPMENT OF SGA FISCAL YEAR 2018 – 2019 BUDGET

Each year the SGA Budget Subcommittee (Committee) reviews and makes a recommendation for adoption of the budget. The Fiscal Year 2018-2019 SGA Committee met on March 12, 2018. The members of the Committee include Audie Foster, California American Water (Chair); Darrell Eck, County of Sacramento; Marcus Yasutake, City of Folsom; Neil Schild, Sacramento Suburban Water District; and Caryl Sheehan, Citrus Heights Water District.

John Woodling presented the budget information to the Board. He discussed that SGA Committee is recommending no fee increases to the FY19 budget. However, if an agency experienced an increase in groundwater pumping, that agency would experience an overall fee increase. Some of SGA's cost increases will be absorbed by undesignated reserves and delays in program implementation. He highlighted that this budget proposal was adjusting the retail connections for two agencies to only reflect the connections within the service area of SGA. This downward adjustment results in approximately \$25,000 lower in fee collection.

Mr. Woodling also highlighted that SGA is requesting to designate approximately \$208,000 from FY18 budget to be spent in FY19 for delayed program implementation. He also discussed SGA's expected additional pension plan payment of \$47,500 that is forecasted based upon the policy previously discussed. Mr. Woodling reviewed new budget impacts, including additional building lease costs, increased legal costs for SGMA, increased audit, actuary and accounting fees for GASB implementation and auditor changes, and increased computer support. Lastly, he mentioned the prospective fee increase of 6.5% for FY20, but indicated it could be higher depending upon the requirements of the SGMA.

Chair Foster thanked the SGA Budget Subcommittee for their time and work on the budget.

Mr. Woodling said that the budget requires both a majority of the directors to vote approval and a majority of the fee payers to vote approval to pass.

The following staff report information was included in the Board packet and here for additional background information.

BUDGET TOPICS

Retail Connection Numbers

This year the Committee discussed changing which retail connection numbers will be included in calculating base fees. The proposed budget for SGA will only include the retail connections within the SGA boundaries starting in FY19. This change will lower the fees that the City of Folsom and San Juan Water District will pay since SGA had previously included connections outside of SGA's boundaries. The fees collected for these two agencies are approximately \$25,000 less than FY18. Notably, the City of Folsom pays fees to the Sacramento Central Groundwater Authority for its connections south of the American River. The West Placer GSA will discuss with San Juan Water District participation relative to connections in Placer County.

Proposed Fees

There is no proposed fee schedule increase in FY19, which results in \$28,000 lower total fees than FY18. Some members will experience a fee increase because their groundwater pumping increased from the prior year. An increase of 5% was anticipated in last year's budget.

The fees for FY19 include \$10,100 base fee, \$1.31 per connection fee for connections greater than 6,000, and \$6.00 per acre foot of groundwater pumped.

Program Objectives

SGA is planning on accomplishing these program objectives during fiscal year 2019:

- 1) Evaluating Administrative Alternatives for Compliance with the Sustainable Groundwater Management Act (SGMA) in the North American Subbasin
- 2) Developing the Groundwater Sustainability Plan
- 3) Monitor Water Quality Levels
- 4) Maintain/Improve the Data Management System
- 5) Monitor Regional Contamination Issues
- 6) Update the Regional Groundwater Model

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 expenses and consequently fees for SGA out into future years. The Board agreed to begin preparing for these requirements. A significant portion of the funding for the program budget will come from carryover/designated funds from FY17 through FY18. The budget projects using \$208,300 in designated funds to pay for the work related to the SGMA.

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.

Update on CalPERS Unfunded Pension Liability

Since FY13, the SGA Board has been incrementally budgeting resources to pay the unfunded pension liability allocated to pooled plan members. SGA became a CalPERS entity and began making its own payments beginning July 1, 2016. Even though SGA has been paying 100% of the annually required contribution, SGA still has an unfunded pension liability. CalPERS has been amortizing these costs over time when determining the annual required contribution. The adoption of Policy 400.4 will formalize the practice of paying additional amounts towards the unfunded liability over four years beginning in FY19. For FY19, this payment is projected to be \$47,500. The FY20 through FY22 budget also reflects additional estimated payments toward the unfunded liability that are now resulting from CalPERS reducing the discount rate from 7.375% to 7.0%.

Staff Compensation

The budget reflects a proposed 7% increase in staffing compensation to reflect 4% for merit and a possible 3% COLA. The increase follows the compensation policy and recommendations made from the most recent salary survey. It reflects potential step increases for the various positions. The COLA for November 2017 was 2.7%.

SUMMARY BUDGET OVERVIEW

Based upon the committee review and discussions, the draft budget included in the packet is based upon the following fees and expenditures.

Fees

- 1) No overall fee schedule increase is proposed for FY19.
- 2) 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%.
- 3) Each agency's specific fee depends on the changes in connections and groundwater pumping from the previous year. Each agency will experience a different fee decrease or increase, depending upon their groundwater pumping averages and their number of connections that have changed from year to year.
- 4) 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 FY19. 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 necessitate an increase in the per acre-foot charge over time.

- 5) Grant income is expected from the DWR grant award received related to the Groundwater Sustainability Plan (GSP).

Expenses

- 1) 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.
- 2) Staff salaries are within ranges assigned by a 2017 total compensation survey and reflect a possible 4% increase for merit and a possible COLA of 3%. Starting on July 1, 2019, all employees will be paying their entire 7% portion of PERS.
- 3) In addition to sharing in 50% of administrative staff time from RWA, SGA plans to continue to use 20% of RWA's project assistant. Total FTE count for SGA is proposed to be 2.2 FTEs.
- 4) Benefit costs also include projected increases for OPEB and health care, and a reduction of the final 1% employer pick up of the employee portion of PERS retirement benefits.
- 5) A \$47,500 payment to CalPERS is budgeted in FY19 as an incremental early payment of SGA's allocated unfunded liability.
- 6) Professional fees include public relations, human resources, accounting, and legal. It also includes higher actuarial and accounting costs due to anticipated GASB 75 rule implementation for OPEB accounting.
- 7) SGA expects to incur increased audit costs. SGA has been using Richardson & Associates for six years, one year past the current policy, with RWA board approval. Staff is currently working on a request for proposals for auditors which will result in an expected audit price increase in FY 2019 and beyond.
- 8) Staff is proposing to hire a human resource consultant to assist with various projects including updating the employee manual. This assistance will be included in consulting costs.
- 9) A new contract was signed for computer maintenance to include full support and cloud back up replacing the tape backup system. This coverage is needed to increase security and should reduce downtime of the server if compromised.
- 10) RWA staff negotiated a very favorable lease rate at the time ACWA JPIA moved out of the building in September 2011. The RWA Board approved a new lease at its meeting on January 11, 2018, which will become effective in September 2018. The new lease will increase costs to \$1.00 square foot for two years and \$1.10 square foot for three additional years.
- 11) The SGA consulting budget reflects \$273,300 in out-sourced support activities for a review of the groundwater management report, monitoring water quality, grant application assistance, maintaining the data management system, regional contamination, groundwater modeling and the Sustainable Groundwater Management Act (SGMA) cost share. Of the \$273,300 in costs, \$208,300 in consulting fees will be paid for from designations from FY18 to be spent in FY19 for the SGMA cost share.
- 12) The operating fund is projected to be approximately seven months for FY19 and helps buffer anticipated costs related to recently passed legislation over the next few years.

- 13) Overall expenses are expected to exceed fees by \$262,900 and are largely funded from the FY18 program designations and undesignated funds.

Future budget outlook

SGA can anticipate additional rate increases in the future of at least 6.5% in FY20 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.

M/S/C Ms. Mattock moved, with a second by Mr. Eck, to adopt Resolution No. 2081-01 to fund the administrative and program budgets for FY 2018 – 2019, and providing for the collections of said funds and to designate \$208,300 from FY18 to FY19 for the Sustainable Groundwater Management (SGMA) Cost Share. The motions carried by the unanimous voice vote of all directors present.

Mr. Woodling exited the meeting for a prior commitment.

6. GROUNDWATER MANAGEMENT PROGRAM UPDATE

Rob Swartz, Manager of Technical Services, provided an update on items relevant to the SGA groundwater management program. Staff will collect semi-annual groundwater elevation measurements on April 13, 2018. These semi-annual measurements are required as part of the California Statewide Groundwater Elevation Monitoring (CASGEM) Program. Within the SGA area, Sacramento Suburban Water District also collects these measurements in cooperation with SGA for submittal to the state for CASGEM compliance.

Staff has collected groundwater extraction data for the area subject to the SGA Water Accounting Framework. A summary of the results through 2017 was included in the packet. Staff provided a brief refresher to the Board on the background of the Framework and discussed the current results. Mr. Swartz outlined the framework approach, sustainability goal, framework principles and initial framework balances. The principles include a sustainability goal that can be met simply by pumping less than the target. Agencies start with a zero balance for a basin sustainability goal, a negative sustainability balance can accumulate and basin sustainability balances are not transferrable. While exchangeable water balance may be transferred to meet sustainability balances, surface water deliveries in excess of goals after 1998 are credited to exchangeable water, agencies must have a sustainability balance to transfer exchangeable water outside the basin, a 5% loss factor applies to exchanges outside the basin. Mr. Swartz showed the current accounting framework status through 2017.

On February 9, 2018, staff released two separate requests for qualifications (RFQ) for consulting support that will result in a Groundwater Sustainability Plan (GSP) for the North American Subbasin (NASb). The RFQ was: 1) posted on the SGA website; 2) announced to an e-mail distribution list of parties that indicated an interest in receiving RFQs; and 3) distributed to the other four Groundwater Sustainability Agencies (GSAs) in the NASb. The first RFQ, worth roughly

\$500,000, is for support services to assist filling data gaps and preparing the GSP. The second RFQ is for modeling services for updating our groundwater model to provide answers that are required in the GSP on sustainable yield in the basin and other water budget information. The estimated value of the second RFQ is \$500,000. March 9, 2018 was the deadline for a response to the RFQs. Only one response was received to each of the RFQs. GEI Consultants responded to the RFQ for support services and Woodard & Curran responded to the RFQ for modeling support services. Each of the five GSAs reviewed the submitted RFQs. The GSAs met on April 2nd, 2018 and unanimously recommended approval of these firms for consideration by the SGA Board.

There was discussion that the reason this is being done with task orders is due to the indefinite scope and quantity of work and to monitor the costs making certain they are reasonable and necessary. The scope of work has been defined by GEI and Woodard and Curran for the technical side of their work with a resulting good budget estimate. It is anticipated that information will be presented at the June SGA Board meeting with details of what is proposed.

Chair Foster noted that the other GSAs and SGA have met and have gone over the proposals agreeing that there will be continued meetings between SGA and leadership of the other Groundwater Sustainability groups as the proposals move forward to help manage budgets and to report to SGA as a managing partner.

M/S/C Mr. Yasutake moved, with a second by Ms. Tobin to approve of selection of consultants to prepare the GSP. The motion carried by the unanimous voice vote of all directors present.

7. EXECUTIVE DIRECTOR'S REPORT

Legislative Update – RWA Staff is tracking and taking action on a number of bills, foremost of which are the water efficiency and drought planning bills carried over from last year, SB 606 and AB 1668, as well as SB 623 and a budget trailer bill that would provide for a tax on water to fund the needs of disadvantaged communities.

SGA Outreach – Mr. Swartz, as the program manager for groundwater sustainability plan development for the North American Subbasin is in the process of briefing the other groundwater sustainability agencies in the basin, including the Pleasant Grove-Verona Mutual Water Company on March 26, 2018 and Reclamation District 1001 planned on April 25, 2018. Mr. Woodling will chair the meeting of the ACWA Groundwater Committee on May 8th, and will be a speaker at the Groundwater Resources Association's GSA Summit on June 6th.

Sustainable Groundwater Management Act (SGMA) Update – DWR will hold a series of SGMA Assistance workshops in April at the following locations:
April 23, 2018 – Chico Masonic Family Center 1:00 p.m. to 4:00 p.m., Chico.
April 24, 2018 – Clovis Veteran's Memorial District, 1:00 p.m. to 4:00 p.m., Clovis.
April 25, 2018 – Saticoy Operations Yard, 1:00 p.m. to 4:00 p.m., Ventura.
April 27, 2018 – Online Webcast, 12:00 p.m. to 2:00 p.m.

The U.C. Berkeley Center for Law, Energy and the Environment released a report, "Navigating Groundwater-Surface Water Interactions under the Sustainable Groundwater Management Act".

SGA Anniversary – 2018 marks the 20th year since the creation of the Sacramento Groundwater Authority in 1998. Staff is planning to develop a presentation for the Board/Councils of the four JPA signatories during 2018 and to formally recognize the 20th Anniversary at the October meeting of the Board of Directors.

Financial Documents – The financial reports for the period ending March 31, 2018 were included in the packet.

8. DIRECTORS' COMMENTS

Mr. Leidy thanked the board for their hospitality and said that he can see he will have a learning curve.

Ms. Tobin said that she will be attending Cap-to-Cap that begins Monday. The group has expectations of doing some good things while there.

Mr. Yasutake reported that next Tuesday at the City of Folsom Utility Commission they will be presenting a proposed rate adjustment for the next five fiscal years for both water and sewer.

Chair Foster reminded everyone that the next SGA Board meeting is scheduled for June 14, 2018.

Adjournment

With no further business to come before the Board, Chair Foster adjourned the meeting at 10:03 a.m.

By:

Chairperson

Attest:

Nancy Marrier, Finance and Administrative Services Manager