



## **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

S. Audie Foster, California American Water  
Caryl Sheehan, Citrus Heights Water District  
Brett Ewart, City of Sacramento  
Darrel Eck, County of Sacramento  
Robert Matteoli, Del Paso Manor Water District  
Randy Marx, Fair Oaks Water District  
Paul Schubert, Golden State Water Company  
John Wingerter, Orange Vale Water Company  
Paul R. Green, Rio Linda/Elverta Community Water District  
Kevin Thomas, Sacramento Suburban Water District  
Pam Tobin, San Juan Water District  
Rink Sanford, Self-Supplied Industry

### Staff Members

Rob Swartz, Ryan Ojakian, Nancy Marrier, Cecilia Partridge, Monica Garcia and Chris Sanders, legal counsel

### Others in Attendance

Trevor Joseph, Dan York, Dave Jones, Joe Duran, Greg Zlotnick, Hilary Straus, David Gordon and Nicole Krotoski

## **2. PUBLIC COMMENT**

None.

## **3. CONSENT CALENDAR**

The minutes of the February 14, 2019 meeting

Motion/Second/Carried (M/S/C) Mr. Eck moved, with a second by Mr. Foster, to approve the February 14, 2019 Sacramento Groundwater Authority (SGA) Board minutes. The motion carried by the unanimous voice vote of all directors present, with the exception of Mr. Ewart who abstained.

#### 4. SGA FISCAL YEAR 2019 – 2020 BUDGET

The Budget Subcommittee (Committee) reviews and makes a recommendation for adoption of the budget. The Fiscal Year 2019-2020 SGA Committee members included Pam Tobin, San Juan Water District (Chair); Caryl Sheehan, Citrus Heights Water District; Marcus Yasutake, City of Folsom; and Paul Schubert, Golden State Water Company. The committee met on March 18, 2019 to discuss the budget goals and fees. The proposed fiscal year 2020 budget (FY20) enclosed in the April 11, 2019 board packet reflects the recommendations of the committee.

Rob Swartz, Interim Executive Director, gave an overview with background information on the SGA Budget. Per unit groundwater fees and base fees for FY20 are proposed to be the same as FY19. Total budgeted fees are lower than FY19 by \$5,300 due to overall lower groundwater pumping. Some members will experience a fee increase, because their groundwater pumping increased from the prior year. The proposed base fee is \$10,100 per agency for up to 6,000 connections plus \$1.31 per connection over 6,000. The base fee covers approximately 40% of expenses. The groundwater pumping fee is \$6.00 per acre foot with each agency's fee different based on their groundwater pumping. The groundwater fee is based on a trailing five year average of groundwater pumped. The latest five year average of groundwater pumping is 66,614 acre feet.

##### *Policies Impacting the Budget*

Mr. Swartz also reviewed some core policies which impact the budget. SGA shares 50% of the common administrative costs incurred by RWA to run both organizations through an Administrative and Management Service Agreement as outlined in Policy 100.2. Additionally, the salary schedule is updated annually to the November CPI, or as compensation surveys are conducted, consistent with RWA Compensation Policy 100.3. As required by CalPERS, SGA adopted pay ranges on February 14, 2019 and the ranges are posted on the SGA website.

Mr. Swartz discussed the Financial Commitment and Assignment Policy 400.2 which provides the framework for operating fund and additional commitments/designations. The operating fund is targeted between four and six months of operation expenses. SGA's projected year end operating fund plus undesignated funds is approximately 8 months at the end of FY20, which is higher than policy. These additional funds will be used in future budget cycles to either buffer fee increases or for potential additional support, depending upon the Boards direction under the new Executive Director.

According to Budget Policy 400.3, the budget must be approved within 90 days of July 1. The budget identifies funding sources to pay for the expenditures, including proposed membership dues and other sources, such as grants. Member and contracting entities will share in the general operating and administrative costs of operating the SGA, as outlined in the annual budget documents.

In following the Defined Benefit Pension Plan Funding Policy 400.4, SGA will make payments towards the unfunded pension plan liability for previous and current

employee service over a four year period based upon the most recent data available from CalPERS for SGA's liability. SGA's objective is to fund 100% of the actuarially accrued liability at a quicker pace than CalPERS annual lump sum payments. This quicker pace does result in greater year to year payment fluctuations, both positive and negative.

*Sustainable Groundwater Management Act*

In September 2014, Governor Brown signed the Sustainable Groundwater Management Act requiring the formation of local groundwater sustainability agencies (GSAs) that must assess conditions in their local water basins and adopt locally-developed management plans. This requirement is expected to increase expenses and, consequently, fees for SGA out into future years. SGMA requires additional modeling work in the NASb to determine the sustainable yield and water budget for the basin. Mr. Swartz reviewed the overall SGMA project budget of \$2,052,069 and how the cost will be shared by each GSA. The five GSAs agreed to distribute funds based on percentage of area.

Planned spending in FY20 for the SGMA is budgeted for \$450,000, funded by expected grant income of \$350,000, partner fees of \$52,800, and the balance of \$47,200 funded by a carryover SGMA designation from FY18 and FY19. SGA budgeting for a model update commencing in FY17 and continued on through FY18. Total funds of \$208,300 were designated and approved at the SGA board meeting on April 12, 2018 for FY18 to be used in FY19. Additional unused funds from the program budget in FY19 are proposed to be added to the SGMA for an approximate total \$237,200 in SGMA funding to be used in FY20 and beyond.

<b>Designations</b>	<b>FY18 (a)</b>	<b>FY19</b>	<b>Net used in FY19 (b)</b>	<b>Total designated FY19 for FY20</b>
Update GSP	\$50,000			
Maintain/Improve DMS	10,000			
Groundwater Modeling	148,300			
Program Budget		\$54,400		
<b>Total for SGMA</b>	<b>\$208,300</b>	<b>\$54,400</b>	<b>(\$25,500)</b>	<b>\$237,200</b>

(a) Designated in FY18 for FY19 Budget

(b) FY19 Grant income of \$225,000 plus partner fee of \$149,500 less \$400,000 in expenses = (\$25,500)

These funds are needed for SGA's contribution to the NASb model development in support of SGMA. Future years' budgets do not include any additional costs for potential ongoing SGMA costs other than for the initial implementation.

### *Program Budget Objectives*

Mr. Swartz reviewed the program objectives budget of \$60,000 proposed for consulting support for GSP updating, monitoring water levels and quality, maintaining and improving the data system, the basin management report and groundwater modeling.

### *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 annual required contribution, SGA still has an unfunded pension liability. CalPERS has been amortizing these costs over 20 to 30 years when determining the annual required contribution. Per a July 26, 2018 CalPERS letter to SGA, the estimated June 30, 2019 unfunded pension liability balance is approximately \$56,500. SGA is scheduling payment of the unfunded liability over four years, plus some interest costs. For FY20, SGA's budgeted payment is \$14,500 versus the \$47,500 expected payment based upon the prior estimated unfunded liability balance. The amount to pay in FY21 will be recalculated based upon updated balance data and could be higher or lower than \$14,500. These payments reflect SGA's liabilities. The reduced liability reflects better market performance compared to assumptions.

### *Other Budget Assumptions*

Mr. Swartz reminded the Board that proposed budget results may not be achieved. He also discussed other budget factors, such as the building lease cost increases, consulting costs for human resource support, increased legal costs associated with the SGMA, increased computer support including cloud backup service, and increased audit, actuary, and accounting fees for recent additional GASB compliance and new auditors. He also discussed unused office costs budgeted in FY18 that were moved to FY19 will now be used in FY20, matching RWA's designation. Lastly, staffing costs do not reflect any potential adjustments for the new Executive Director or finance manager positions. There is \$10,000 budgeted for possible overlap of the finance manager position. This will allow the retiring finance manager to provide training to the new finance manager when that transition occurs in late 2019.

The future budget outlook includes an approximately 4.4% projected increase in FY21. Future increases could be higher depending on the magnitude of required obligations from SGMA and the continued payments of unfunded pension liability. SGA does not yet know the extent and cost of these future obligations. Approving the FY20 proposed budget does not approve future budget projections. Budget and

projection results may not be achieved. The budget assumes a continued common cost sharing between RWA and SGA.

Additional budget information can be found in the April 11, 2019 staff report and proposed budget document.

M/S/C Mr. Foster moved, with a second by Mr. Green, to approve the adoption of Resolution No. 2019-01 to fund the administrative and program budgets for FY 2019 – 2020, and providing for the collection of said funds; to designate the remaining FY19 program budget of approximately \$54,400 for the Sustainable Groundwater Management ACT (SGMA) cost share; to move the remaining approximate \$182,800 in designated funds from the FY19 program budget to the SGMA cost share and to designate \$6,050 in unused office move costs from FY18 to FY19. The motion carried by the unanimous voice vote of all directors' present.

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

On June 14, 2018, the SGA Board of Directors approved a contract for professional auditing services for a five-year term, with a provision that requires the SGA Board to approve the contract annually. The Fiscal Year 2019 audit will be the second year that SGA may contract with Gilbert and Associates.

M/S/C Mr. Schubert moved, with a second by Mr. Foster, to authorize the Interim Executive Director to contract with Gilbert and Associates to provide for professional auditing services for SGA's fiscal year 2019 audit. The motion carried by the unanimous voice vote of all directors' present.

## **6. SUSTAINABLE GROUNDWATER MANAGEMENT ACT (SGMA) UPDATE**

Rob Swartz reported that staff continues to coordinate with the other four GSAs in the NASb. The NASb GSAs met on April 8<sup>th</sup>. The funding Memorandum of Agreement has been approved by all five GSAs and nearly all year-one contributions have been received. He provided an updated financial report on the contributions and expenses related to the joint SGMA activities of the GSAs partners to the Board. A Prop 1 Sustainable Groundwater Management Grant Program Budget was enclosed in the packet that showed funds, expenses, cash balance and the net program balance. A table was enclosed in the packet that provided an updated activity status for the NASb Groundwater Sustainability Plan Development.

There will be four shallow wells that will be near each other, one will be on the Bear River and one on the Feather River. There will be two deep wells, one in Sutter County and one in Placer County. Each well will have two separate intervals of monitoring. There will be a total of eight wells in four different locations.

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

Mr. Swartz provided an update of groundwater management program activities. The activities include the latest tracking of the SGA Water Accounting Framework, collection of Spring groundwater elevations and requests made of groundwater agencies for monthly pumping by well and information on groundwater quality.

SGA was formed to maintain long term sustainable yield in the north area basin and to facilitate implementation of an appropriate conjunctive use program by water purveyors. SGA established the accounting framework to help establish the appropriate conjunctive use program. Mr. Swartz showed the framework approach and sustainability goals. The framework principles address all agencies, but sustainability goals are only established in the central area. The framework principles create and track two balances, the basin sustainability goal including the reduction in demand for groundwater in the basin and exchangeable water that is imported surface water in excess of that needed to meet basin sustainability goals. There has been effective tracking since 2012. Sustainability goals can be met simply by pumping less than the target, agencies start with a zero balance for a basin sustainability goal, negative sustainability balance can accumulate and basin sustainability balance are not transferrable. Exchangeable water balances may be transferred to meet sustainability balances, but an agency must have a positive sustainability balance to transfer exchangeable water outside the basin. A 5% loss factor applies to exchanges outside the basin. The framework was planned to be revisited every five years, but review has been deferred because of the current effort to prepare a groundwater sustainability plan in the NASb.

Groundwater data requests are identified in the 2014 SGA Groundwater Management Plan as an important SGA function. The requests to local agencies and provide data for monthly pumping by well and water quality concerns. The data collected will be used for groundwater model updates for SGMA. Surface water agencies will see a monthly diversion data request in the near future.

Included in the packet was a detailed accounting by agency with the latest numbers for the current state of the Water Accounting Framework. Most of the agencies listed have positive balances in terms of their sustainability. When the program was started, exchangeable water balance credit had been given for past actions prior to the 2012 accounting. If you could show after SGA formed that you had taken action in that period you were given credit on the positive side of the ledger. Mr. Swartz gave an update on the water elevations in the intermediate months and with spring elevation. The recently collected spring elevations show that throughout the basin elevations are higher than they were in 2018.

## **8. EXECUTIVE DIRECTOR'S REPORT**

Mr. Swartz introduced Ryan Ojakian, Legislative and Regulatory Affairs Manager, to the SGA Board of Directors. Mr. Ojakian is fully funded through RWA. However, SGA benefits from his monitoring and tracking groundwater legislation.

Mr. Ojakian said that he came to RWA from the legislature where he spent 12 years working in the capitol with everything related to water. He was the analyst on the water efficiency legislation. The relations that he formed during his years at the capitol will be an important asset for his work with RWA.

**Legislative Update** – Mr. Ojakian said that there are two bills in the legislature that address groundwater recharge. The first is AB 658 (E. Garcia), which is an extension of the work that SGA staff and ACWA has been engaged in to streamline a temporary (five-year) water rights permit for groundwater recharge. The second is AB 441 (Eggman), which would define groundwater recharge as a beneficial use.

The primary legislative issue for the water industry remains a water tax to fund safe drinking water in disadvantaged communities. It appears that most proposals have been introduced – a tax (budget trailer), a trust (SB 669), and a combination of the two (AB 217). AB 217 was recently introduced, and contains both a trust and a tax. The RWA is opposed unless the tax provisions are amended out of the bill. There are efforts toward develop of an additional non-tax option based on additional revenue coming to the state from new online sales taxes. RWA continues to work closely with the larger water industry on a non-water tax solution that addresses safe drinking water.

**SGA Outreach** – Mr. Swartz has been invited to participate in a small group Public Policy Institute of California (PPIC) workshop on “Water Trading, Water Banking, and Sustainable Groundwater Management” on April 19 in Sacramento.

**Executive Director Recruitment Process Update** – The deadline for applications was March 18, 2019. The consultant screened the candidates and presented results to the RWA Executive Committee on March 27, with interviews to be scheduled in late April.

## 9. DIRECTORS' COMMENTS

Mr. Ewart thanked Chair Tobin for the welcome and said he was happy to be a participant on the SGA Board.

Mr. Schubert reported that Golden State Water Company's Westborough Water Supply Assessment (WSA) may be released by the end of the year.

Ms. Tobin thanked Ms. Sheehan and Mr. Schubert for their participation on the SGA Budget Committee.

Mr. Green asked if SGA has taken a position on the water tax. Mr. Swartz responded by saying that SGA does not take positions on bills. Mr. Ojakian said that RWA has taken an oppose position on things that are a tax on water suppliers or on our customers, and we have taken a support position on solutions that are finding a funding stream that is not a tax.

## **Adjournment**

With no further business to come before the Board, Chair Tobin adjourned the meeting at 9:55 a.m.

By:

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Chairperson

Attest:

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Nancy Marrier, Finance and Administrative Services Manager