



1. CALL TO ORDER

Chair Sheehan called the meeting of the Board of Directors to order at 9:00 a.m. as a teleconference meeting. Individuals in attendance are listed below:

Board Members

Roy Leidy, Carmichael Water District
Caryl Sheehan, Citrus Heights Water District
Marcus Yasutake, City of Folsom
Brett Ewart, City of Sacramento
Linda Dorn, County of Sacramento
Randy Marx, Fair Oaks Water District
Paul Schubert, Golden State Water Company
Brett Gray, Natomas Central Mutual Water Company
Mary Harris, Rio Linda/Elverta Community Water District
Bob Wichert, Sacramento Suburban Water District
Ted Costa, San Juan Water District
Mike DeWit, Agriculture
Rink Sanford, Self-Supplied Industry

Staff Members

Jim Peifer, Rob Swartz, Ryan Ojakian, Josette Reina-Luken, Cecilia Partridge, Monica Garcia and Chris Sanders, legal counsel

Others in Attendance

Mark Emmerson, David Wheaton, Robert Reisig, Bob Wichert, Kevin Thomas, Kathleen McPherson, Pam Tobin, Marty Hanneman, Dan York, Craig Locke, Alan Driscoll, Nicole Krotoski, Greg Zlotnick, Paul Helliker, Alan Vail, Paul Selsky, Jeff Harris, David Gordon, Todd Eising, John Woodling, Cathy Lee, Ali Taghavi and Jafar Faghih

2. PUBLIC COMMENT

Mr. Leidy introduced Cathy Lee as the new general manager for Carmichael Water District. Ms. Lee said she was anxious to start working with everyone.

3. CONSENT CALENDAR

Approval of the minutes from the February 13, 2020 Board meeting

Mr. Peifer noted that the December 12, 2019 SGA Board meeting minutes will be included on the June 2020 SGA agenda for approval.

Motion/Second Carried (M/S/C) Ms. Harris moved, with a second by Mr. Ewart, to approve the February 13, 2020 SGA Board meeting minutes. Roy Leidy, Carmichael Water District, Caryl Sheehan, Citrus Heights Water District, Marcus Yasutake, City of Folsom, Brett Ewart, City of Sacramento, Linda Dorn, County of Sacramento, Randy Marx, Fair Oaks Water District, Paul Schubert, Golden State Water Company, Brett Gray, Natomas Central MWC, Mary Harris, Rio Linda/Elverta CWD, Craig Locke, Sacramento Suburban Water District, Ted Costa, San Juan Water District, Mike DeWit, Agriculture and Rink Sanford Self-Supplied Industry voted yes. The motion carried by the unanimous vote of all directors present.

4. SGA FISCAL YEAR 2020 – 2021 BUDGET

Each year the SGA Budget Subcommittee (Committee) reviews and makes a recommendation for adoption of the budget. The Fiscal Year 2020-2021 (FY21) SGA Committee members include Brett Ewart, City of Sacramento (Vice Chair); Mary Harris, Rio Linda/Elverta Community Water District; Kathleen McPherson, Sacramento Suburban Water District; Paul Schubert, Golden State Water Company; and Marcus Yasutake, City of Folsom. The committee held a teleconference on March 27, 2020 to discuss the budget goals and fees. Ms. Harris, Mr. Shubert and Mr. Ewart participated in the teleconference.

Josette Reina-Luken, Finance and Administrative Services Manager gave an overview of the proposed budget including the proposed fees for FY21, budget policies, CalPERS unfunded pension liability, the Sustainable Groundwater Management Act, program objectives for the FY21 budget, SGMA designation, other budget assumptions and the future budget outlook.

Overall, the proposed fee increase for groundwater and base fees for FY21 is approximately four percent (4%). Total fees are higher by approximately \$27,000. Some members will experience a higher fee increase because of their groundwater extraction.

The proposed fees per unit for FY21 are as follows: the base fee for agencies is \$10,605, with a per connection fee of \$1.37 for each connection above 6,000 connections; and the groundwater fee is \$6.60 per acre foot.

SGA is planning on accomplishing program objectives during fiscal year 2021 that include the Annual Basin Management Report, Updating the Groundwater Sustainability Plan, Monitoring Water Quality Levels, Maintaining/Improving the Data Management System, updating the Regional Groundwater Model and continuing compliance with the Sustainable Groundwater Management Act (SGMA) in the North American Subbasin.

SGA follows several policies in preparation of the annual budget. They include SGA Budget Policy 400.3 that outlines that the annual operating budget is a summary of proposed expenditures for a particular fiscal year. The budget identifies funding sources to pay for the expenditures, including proposed membership dues and other sources, such as grants. The budget must be approved within 90 days of July 1. Member and contracting entities will share in the general operating and administrative costs of operating the SGA, as outlined in the annual budget documents.

SGA shares 50% of the administrative costs incurred by RWA to run both organizations. In addition to sharing in 50% of administrative staff time from RWA, SGA plans to continue to use 20% of RWA's project assistant, 10% of RWA's legislative affairs position, and a half-time retired annuitant. Total FTE count for SGA is proposed to be 2.8 FTEs. Expenses only benefitting RWA will not be allocated to SGA. Likewise, costs only benefitting SGA will be paid by SGA. The budget reflects SGA's share of common administrative costs.

Consistent with the Administrative Services Agreement, SGA recognizes a need to have consistent compensation levels with RWA and thereby adopts the monthly salary schedule of SGA positions which is updated annually to the November Consumer Price Index and/or when a new salary survey is conducted. The SGA Board adopted updated pay ranges for positions at the February 13, 2020 meeting and they are posted on the SGA website.

The FY21 budget reflects a proposed 6% increase in staffing compensation to reflect 4% for merit and a possible 2% Cost of Living Allowance (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 2019 was 2.5%. Salaries in FY21 budget reflect the Executive Director and Finance and Administrative Services Manager at the current salary which is lower than FY20 budgeted staff costs due to retirements/staff turnover. Staffing expense in FY21 covers the cost of compensation increases, the annuitant annual salary costs estimated at \$60,000, and approximately \$24,000 in salary costs from the portion of RWA's Legislative Manager. Salary costs also include some expenses for employee development, training and travel.

Beginning July 1, 2016, SGA became a CalPERS entity and began making its own pension payments for the employee portion that it uses. 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 formalized the practice of paying additional amounts towards the unfunded liability over four years beginning in FY19. Per a July 26, 2018 CalPERS letter to SGA, the estimated June 30, 2019 unfunded pension liability balance is approximately \$56,500. In October of 2019, SGA received a revised estimate from CalPERS. The revised unfunded pension liability balance is \$94,530. The increase is a result from CalPERS change in methodology, revised discount rate, and updated mortality tables. This change will increase SGA's

future payments to \$26,700 for the remaining three years (up from \$14,500) in order to stay within the policy's intent.

The liability can be affected by market performance compared to assumptions. CalPERS provides annual updates. Paying the liability over shorter time frames does result in greater payment swings, both positive and negative.

SGA refers to funding commitment and assignments as designations in the budget. In general, 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.

RWA and SGA budgeted some office costs for a potential office move in FY18. The unspent funds were designated by RWA to be spent in FY19 and FY20 on office improvement related costs. Due to unexpected circumstances, the RWA and SGA funds for office improvement were used to pay for temporary office relocation as a result of a building flood. Some of these funds may be recouped through insurance reimbursement, but the anticipated claim will not be finalized until next fiscal year. As the reimbursement would be paying FY20 incurred expenses, there are no future funds allocated for office improvements in FY21 going forward.

SGA may also designate additional funds for other purposes, such as the SGMA program, for the attached budget.

Overall FY21 expenses are expected to exceed fees by \$251,993 which includes SGMA invoice retainage. The operating fund plus undesignated cash is projected to be 4.7 months for FY21 which is within policy limits. SGMA implementation designation used for FY20 is estimated at \$208,000 with the remaining balance being used for FY21 SGMA expenses. There are no remaining SGMA designations after FY21. This designation will be dependent upon the actual expenses incurred in FY20 and the timing of grant funds received.

SGA can anticipate additional rate increases in the future in order to fund staff positions. The current proposed budget does reflect approximately a 15% increase for FY22 and 17% increase in FY23 to cover the cost of the retired annuitant and the transition of adding an Associate/Senior Project Manager position (1 FTE). Thereafter, the rate of increase stabilizes. Fee increases could be higher in FY22 depending upon the cost obligations that SGA will incur acting as the GSA for groundwater management, but that would be a shared cost amongst the five GSAs. SGA does not yet know the extent and cost of these future obligations. Approving the FY21 proposed budget does not approve future budget projections. Budget and projection results may not be achieved.

Ms. Reina-Luken answered Ms. Harris questions on the increase in agency dues and employee benefit contributions.

Chris Sanders said that there was no motion or second needed due to the formal roll call. Roy Leidy, Carmichael Water District, Caryl Sheehan, Citrus Heights Water District, Marcus Yasutake, City of Folsom, Brett Ewart, City of Sacramento, Linda Dorn, County of Sacramento, Randy Marx, Fair Oaks Water District, Paul Schubert, Golden State Water Company, Brett Gray, Natomas Mutual Central WD, Bob Wichert, Sacramento Suburban Water District, Ted Costa, San Juan Water District, Mike DeWit, Agriculture and Rink Sanford Self-Supplied Industry voted yes. Mary Harris, Rio Linda/Elverta CWD opposed the motion. The action to adopt Resolution No. 2020-01 to fund the administrative and program budgets for FY 2020 – 2021, and providing for the collection of said funds carried by double majority vote of 78.88% (must be greater than 50% of weighted votes in order to pass) of the directors present.

5. CHECK SIGNING AUTHORITY POLICY UNDER THE COVID-19 STATE OF EMERGENCY (SGA POLICY 400.5)

Jim Peifer, Executive Director, said that the SGA Policy 400.5 defines who may sign checks for the SGA. The policy requires that under certain circumstances, a check must be signed by two individuals depending on the amount, which would include the Board Chair or Vice Chair, in addition to the Executive Director (ED), Manager of Technical Services (MTS), or the Finance and Administrative Services Manager (FASM). For example, for amounts over \$10,000 paid from the General Fund Account, two signatures are required. A copy of policy 400.5 was included in the packet.

While the policy allows for either the ED, MTS, or FASM to sign checks, in practice, the ED signs checks unless he is out of the office for an extended period.

The SGA banks with the Bank of America. The Bank of America does not require two signatures on a check and will process a check with one signature.

The various State and Local orders to shelter in place and social distancing will make the acquisition of two signatures impractical for the near future. SGA staff proposes that checks that require two signatures be authorized by the Board Chair or Vice Chair via email approval for the duration of the emergency. The emails will be archived and made available to auditors or others as necessary. Checks will be signed by the FASM for the duration of the emergency with the approval of the ED.

There was discussion on the check signing options available and the proposed practice. This will not be long term but will only be while the state of emergency is in place. If the state of emergency lasts longer than four months, this will be brought back to the SGA board for further consideration.

6. SACRAMENTO CENTRAL GROUNDWATER AUTHORITY

Mr. Peifer said that at the March 11, 2020, Sacramento Central Groundwater Authority (SCGA) Board meeting, the SCGA Board directed the Chair and Vice Chair to “bring a roadmap for getting from A to B” with regard to the potential for the RWA to provide staffing services for the SCGA. There was a request during the SCGA Board meeting to establish a joint committee of the RWA, SGA and SCGA chairs and vice chairs for the purpose of facilitating discussions between the three boards. The joint committee would be known as a “2x3 committee.” Chair Sheehan has appointed herself and Vice Chair Brett Ewart to an ad hoc committee, which would be part of the 2x3 committee.

The 2x3 Committee met on April 2, 2020 to begin the discussions. A request from Chair Sheehan was to have SCGA submit a proposal to SGA for consideration. The ad hoc committee will continue to meet and provide updates for SCGA, SGA and RWA. There is interest for a proposal that will provide better understanding for members.

Todd Eising said that discussions are very preliminary. At the latest SGA Board meeting there was a request for a plan for what SCGA can bring to the group, what the regional benefits would be and any potential risks. There is an SCGA ad hoc committee that will be meeting soon to formulate a plan to be presented to SCGA, RWA and SGA including a transition plan and costs involved.

Chair Sheehan said that RWA and SGA are evaluating the potential proposal and accessing the potential risks as well as making a tentative plan on how they would work this out practically including a time frame. SGA and RWA are looking for additional information from SCGA for further discussion.

It was requested that a proposed time line with additional information from SCGA be presented at the June SGA Board meeting.

7. SUSTAINABLE GROUNDWATER MANAGEMENT ACT (SGMA) – RELATED AND GROUNDWATER MANAGEMENT PROGRAM UPDATES

Mr. Swartz said that progress continues on development of the North American Basin (NASb) Groundwater Sustainability Plan (GSP). The consulting teams supporting plan development have successfully transitioned to telecommuting, so there are no significant anticipated delays associated the current COVID-19 situation. A status table of NASb tasks as related to the Proposition 1 Sustainable Groundwater Program Grant was enclosed in the packet. A budget status table of revenues, expenses, and receivables as of March 31, 2020 was also enclosed in the packet. The NASb Groundwater Sustainability Agency Coordination Committee met via teleconference on April 6, 2020.

Staff has collected groundwater extraction data and entered it into the Water Accounting Framework tracking spreadsheet that was enclosed in the packet. In

2019, significant amounts of surface water were used in the central part of SGA, resulting in a net banked water increase of 24,400 acre-feet from 2018.

Staff collected required semi-annual California Statewide Groundwater Elevation Monitoring (CASGEM) in April. An update on groundwater elevations in select monitoring wells was provided to the Board.

8. EXECUTIVE DIRECTOR'S REPORT

Staff vacated the temporary office and moved back into their Birdcage offices in early March. There are still unpacked boxes and replacement of water damaged furniture is still needed.

The Governor has sent a letter to the Secretary of the Interior requesting federal support for the Water Bank. A copy of the letter was included in the packet. We will be able to utilize this when we are seeking future financing and grants.

The Governor issued an Executive Order N-42-20 (EO) on April 2, 2020 which required water systems to not discontinue service for non-payment under certain circumstances. The EO requires service to be resumed for any residential service that have been discontinued since March 4, 2020. A press release issued by RWA in response to the order was included in the packet.

The Water Forum has delayed its initial steering committee due to unforeseen circumstances. The meeting has been rescheduled for next month. The primary steering committee members will include Paul Shubert (Golden State Water Company), Dan York (Sacramento Suburban Water District), Darin Reintjes (Placer County Water Agency), Greg Zlotnick (San Juan Water District) and Jim Peifer (RWA) for the water caucus. Public caucus members include Kerry Schmitz (Sacramento County Water Agency) and Bill Busath (City of Sacramento). The board will receive updates on the progress of the meetings.

RWA and SGA staff are working from home, except for very infrequent trips to the office, and only if necessary. I have authorized all staff to be paid for using their cell phone during the duration of the emergency consistent with RWA policy 500.17, unless they have an RWA issued cell phone and service plan.

9. DIRECTORS' COMMENTS

Mr. Schubert said that Golden State Water Company is looking at groundwater substitution transfers this year coming from the South American Subbasin.

Ms. Harris thanked staff for their presentations during the meeting.

Mr. Ewart said that the City of Sacramento is exploring the possibility of engaging in groundwater substitutions this year.

Mr. Wichert said that the Sacramento Suburban Water District board has given the general manager the authority to look into groundwater transfers.

Ms. Tobin thanked staff for the time and work they put into the meeting presentations. She especially thanked Mr. Swartz for the diagrams on the wells.

ADJOURNMENT

With no further business to come before the board, Chair Sheehan adjourned the meeting at 10:27 a.m.

By:

Chairperson

Attest:

Josette Reina-Luken, Board Secretary/Treasurer