



Sacramento Groundwater Authority  
Managing Groundwater Resources  
in Northern Sacramento County

**SACRAMENTO GROUNDWATER AUTHORITY**  
**Regular Board Meeting**  
**Draft Minutes**  
**April 9, 2009**

## **1. CALL TO ORDER**

Chair Schubert 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

Paul Schubert, Golden State Water Company (Chair)  
Sandy Kozlen, Carmichael Water District  
Chuck Rose, Citrus Heights Water District  
Walt Sadler, City of Folsom  
Marty Hanneman, City of Sacramento  
Herb Niederberger, County of Sacramento  
Rich Allen, Del Paso Manor Water District  
Randy Marx, Fair Oaks Water District  
David Simpson, Orange Vale Water Company  
Mary Harris, Rio Linda/Elverta Community Water District  
Neil Schild, Sacramento Suburban Water District

### Staff Members

John Woodling, Rob Donlan (Legal Counsel), Nancy Marrier, Rob Swartz, Linda Higgins and Cecilia Partridge.

### Others in Attendance

Cathy Hood, Jon Goetz, Keith Wallace, Dan Sherry, Rob Roscoe, Nicole Krotoski, Debra Sedwick, Shauna Lorange and Sharon Wilcox.

## **2. PUBLIC COMMENT**

None

## **3. CONSENT CALENDAR**

The minutes of the February 12, 2009 meeting.

Motion/Second/Carried (M/S/C) Mr. Kozlen moved, with a second by Mr. Schild, that the consent calendar items be approved.

#### 4. FISCAL YEAR 2009-2010 SGA BUDGET

Mr. Woodling gave an overview on SGA's background, mission and the importance of groundwater management. He explained that groundwater management satisfies the Water Forum groundwater management element, preserves local control and satisfies grant requirements. SGA's role in groundwater management is to provide an effective institutional framework for managing the basin and to develop and implement a groundwater management program. Included in the development of the groundwater management program is the data management system, monitoring the basin, managing the modeling tools that are utilized to study the basin and providing regular biennial assessments. SGA also provides a forum for collaboration within the SGA region and other institutions that are involved in groundwater management regionally and throughout the state. In the past fiscal year SGA has completed the comprehensive update of the Groundwater Management Plan and the Basin Management Report. SGA was awarded a state grant to study the potential impact of our contaminant plumes on our water resources into the future.

Mr. Woodling reported that the budget committee met on March 24 and March 30, 2009 to discuss and review the proposed SGA FY2009-2010 (FY10) Budget. The FY10 Budget Committee members include Paul Schubert, Golden State Water Company; Pam Tobin, San Juan Water District; Sandy Kozlen, Carmichael Water District; Chuck Rose, Citrus Heights Water District; Walt Sadler, City of Folsom; Dan Sherry, City of Sacramento and Neil Schild, Sacramento Suburban Water District.

#### **OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

In preparing for compliance with GASB 45, **Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions**, Bickmore Risk Services and Consulting (BRS) conducted an actuarial evaluation of the Regional Water Authority's OPEB obligation.

BRS calculated an unfunded actuarially accrued liability (UAAL) for past service of retirees and employees through June 1, 2008. Assuming that RWA uses an irrevocable trust and intends to fund all or a portion of the UAAL, the liability was estimated to be \$381,801 on July 1, 2008. Accounting for additional interest costs and current annual funding costs for the ongoing liability (or normal costs); the total estimated liability at June 30, 2009 is \$443,949<sup>1</sup>.

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<sup>1</sup> Approximately \$15,500 of this cost will have been funded during the year since the current retiree benefits are being paid on a pay as you go basis.

An Ad Hoc OPEB Committee was appointed with the following RWA members: Rob Roscoe, Paul Schubert, Joe Dion and Derrick Whitehead. The Committee was charged with coming up with recommendations on 1) when to disclose the liability in the financial statements; 2) how the organization is going to fund the liability and at what level; and 3) the appropriate investment vehicle to use if the organization decides to pre-fund.

Recommendations were brought to the RWA Executive Committee on January 28, 2009. The Ad Hoc Committee recommended that RWA disclose and fully fund the calculated past service liability at the end of fiscal year 2009. Staff looked at the reserves available from RWA and SGA to pay for both active and retired employees' health benefit promises for work conducted by the employees through the evaluation date of July 1, 2008 and concluded that there are enough reserves to fund the current existing liabilities. The available resources for funding OPEB were determined as follows:

- 1) The available OPEB designation funds that were set aside in the FY09 budget;
- 2) Utilizing resources resulting from better than expected budget versus actual results from FY2008; plus
- 3) Utilizing up to two of the four months operating funds for each entity<sup>2</sup>.

The committee reasoned that since the OPEB obligation was based upon employment service up through July 1, 2008, it made sense to fund the UAAL from existing reserves since the membership up to this date had benefited and utilized the employment services. The Executive Committee concurred with the recommendation to fully fund the calculated past service liability subject to SGA's Board approval.

The Ad-Hoc committee also recommended allocating the liability following a sub-group actuarial analysis, splitting the employees into three groups as follows: 1) RWA/SGA pool, representing one retiree that has served both organizations as well as the obligations for four of the current staff<sup>3</sup>; 2) RWA-only pool, which would include one employee who worked exclusively for Sacramento Metropolitan Water Authority (SMWA), which was superseded by RWA; and 3) Water Efficiency Program (WEP) pool, which would include one retiree that worked exclusively for the WEP program and any obligation for the current WEP program manager. This additional sub-group analysis prepared by BRS is attached. The resulting analysis allocates 56.76% of the

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<sup>2</sup> Utilizing these operating funds will lower the expected interest earnings for each organization. This lower interest effect as well as the prospect of building the operating fund back up to four months will increase fees for both organizations.

<sup>3</sup> This allocation methodology between the two organizations has mirrored the actual salary allocations between the two organizations over the last three fiscal years.

UAAL to RWA (which includes WEP) and 43.24% to SGA. The net allocated cost is \$185,226 to SGA and is \$243,150 to RWA<sup>4</sup>. The Executive Committee concurred with this allocation methodology.

The Ad Hoc Committee also requested that staff evaluate funding vehicles. Information gathered and presented by Sacramento Suburban Water District discussed different funding vehicles. From this analysis, the Executive Committee agreed that the California Employers' Retiree Benefit Trust (CERBT) was a prudent choice for RWA. The CERBT, which is managed by the California Public Employees' Retirement System (CalPERS), offers lower fees, higher discount rates, organizational stability and reputation and is easy to implement and use. Additionally, the method used to calculate the UAAL by BRS has been an accepted method by CERBT.

The RWA Board, at its March 12, 2009 board meeting, voted to accept the recommendations and fund the OPEB liability. Additionally, the SGA Budget Committee also recommended that the SGA Board fund its portion of the OPEB past liability.

### **EXECUTIVE SUMMARY PROPOSED BUDGET FOR FY2009-2010**

The proposed budget recommended for adoption by the budget committee follows the key principles adopted during the FY09 budget process. The attached budget reflects a proposed **overall 1%** fee increase for FY10. Included in the packet is each agency's anticipated fees based upon the budget committee's recommended fee increase. Some agencies will see fees reduce by 3.11% while others will see fees increase by 11.47%. Each agency's specific fee change depends upon the changes in connections and groundwater pumping from the previous year.

In the proposed budget, the minimum base administrative fee is set to increase from \$6,690 to \$6,740. The connection fee is set to increase from 84 cents to 85 cents per connection. The total base administrative fee would contribute approximately 39% to the overall budget. The pumped groundwater fee per acre-foot is set to increase from \$3.85 to \$4.00. The total groundwater fees would contribute approximately 61% to the overall budget.

The proposed budget also includes receiving \$250,000 in grant reimbursement in FY10 for incurring \$225,000 grant related expenses in FY10. The balance of the grant related expenses of \$25,000 will be incurred in FY09.

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<sup>4</sup> The net allocated costs are net of retiree payments already made by RWA during FY09 and shared by SGA.

The proposed FY10 budget maintains the principles adopted during the FY09 budget process. The FY10 budget proposed expenses assume the following:

- 1) The general assessment fee assumes an average annual groundwater extraction of 83,037 acre-feet, which is approximately 2,881 acre-feet lower than the previous year average. All members now have provided their data and the averages reflect those adjustments for the previously incomplete data. The acre-feet are based upon the five-year historical average data provided by member information.
- 2) Program manager is allocated at 50% reflecting workload activities between SGA and RWA activities (as opposed to 70% in past years), reflecting 2 FTE's;
- 3) Staff salaries include four full time positions for both SGA and RWA, each split equally between the organizations, for a total of 2 FTEs for SGA. A 2% budget increase in salaries is reflected, representing both the cost of living and possible merit adjustments, at the discretion of the Executive Director. This percentage is lower than years prior, in which a 6% increase was routinely budgeted.
- 4) Common costs for staffing, office, some professional fees, and other expenses are shared with RWA at 50/50;
- 5) Other Post Employment Benefit (OPEB) costs are expected to be paid in FY09. The analysis calculated the true prior service costs as well as the on-going service costs for future retirees. The prior service cost is estimated at \$185,226 for SGA's cost share. The RWA Executive Committee, the Ad Hoc OPEB Committee, and the SGA Budget Committee have recommended paying the lump sum for the prior service cost in FY09 using available designations. Since RWA and SGA have already benefited from the past service of employees, a logical outcome was to pay for the prior service costs from previously accumulated designations/reserves.
- 6) In FY10, it is anticipated that SGA revenues will be slightly higher than expenses. This net result assumes SGA will be reimbursed with grant proceeds in FY10 for approximately \$25,000 in project related costs paid for in FY09. If this does not occur, expenses will exceed fees in FY10.
- 7) The SGA consulting budget reflects \$87,000 in out-sourced support activities in FY10, which includes updating the groundwater management plan, grant application assistance, maintaining the data management system, regional contamination, monitoring water quality levels, and banking and exchange; and

- 8) The operating fund is targeted at four months for FY10, which falls with the policy guidelines.

For several years, SGA had incurred costs greater than revenue as part of its planned budget. The difference has been funded from savings. However, because fees have not kept up with costs, the fee increase in FY09 was higher to bring back in balance fees and expenses. As part of an overall budget strategy for its members, proposed fee increases were kept as low as possible in FY10. As noted in the budget document, future year rate increases will most likely be higher in future fiscal years.

Mr. Schild explained that the budget committee agreed that the salary increase of 2% will not be an automatic increase and was included for the primary purpose of employee retention and was only to be used if needed, at the discretion of the Executive Director. Mr. Kozlen proposed amending note 5 to say "A 2% increase in the salaries budget is reflected representing both COLA and merit adjustments."

M/S/C Mr. Rose moved, with a second by Ms. Tobin, to approve the reallocation of \$185,226 from the Operating fund from Fiscal Year 2009 to fund the July 1, 2008 OPEB liability by June 30, 2009 for prior employment service of current and retired employees (the Unfunded Actuarial Accrued Liability (UAAL)) plus the FY 2009 normal cost for the existing employees.

M/S/C Mr. Rose moved, with a second by Ms. Tobin, to adopt Resolution No. 2009-01 to fund the administrative and program budgets for FY 2009-2010, and providing for the collection of said funds, with the above noted change to note 5.

Ms. Harris abstained.

## **5. PLACER COUNTY GROUNDWATER MANAGEMENT PROGRAM UPDATE**

At the direction of the SGA Board, staff is in regular contact with groundwater management efforts of adjacent regions. SGA was recently contacted by the Western Placer County Groundwater Management Plan (WPCGMP) participating agencies to provide an update of activities. One of the identified goals of the WPCGMP is to focus outreach efforts to agencies such as SGA that have a strong interest and similar objectives in managing the groundwater basin. The outreach program includes the development of a WPCGMP informational presentation that summarizes completed and on-going activities related to the WPCGMP implementation.

Jon Goetz, with Montgomery Watson Harza, gave a presentation update on the Placer County Groundwater Management Program, their MOU and

development of a groundwater management plan. Mr. Goetz emphasized the differences between the SGA and Placer County with regards to groundwater. Placer County group is developing data management system to house its groundwater data similar to the SGA data management system. They have installed a number of monitoring wells. Mr. Goetz described how they find wells and identify whether they are working wells or abandoned wells that need to be properly abandoned. Placer County expects to complete a basin management report by 2012.

## **6. GROUNDWATER MANAGEMENT PROGRAM UPDATE**

**Water Accounting Framework** – Staff has continued its coordination with the Department of Water Resources (DWR) and the U.S. Bureau of Reclamation for both the 2009 Groundwater Substitution Transfers Program and a more permanent groundwater banking and exchange program. The intent of this coordination is to incorporate elements of these programs into the SGA Model Banking Program to ensure compatibility with federal or state criteria; this is important given that exchanges would likely be completed through federal or state facilities. Additionally, staff has begun working with WRIME, Inc. to develop a scope of work to use the SGA groundwater model to estimate potential losses associated with performing banking and exchange operations in the basin.

Staff anticipates that many of the required elements of a Model Banking Program can be drafted based on existing DWR and USBR programs, and staff plans to have a draft of this by the June SGA Board meeting. However, the definition of what constitutes “banked water” for the purpose of potential future exchanges continues to be a difficult issue.

Mr. Swartz handed out the SGA Water Accounting Framework Phase II Effort dated April 10, 2007. This document has taken some time to complete due to constantly changing data. The Water Accounting Framework is a set of policies and procedures intended to encourage conjunctive use operations within the SGA area to insure the underlying groundwater basin’s long-term sustainability. Staff will provide a more complete update at the June 2009 SGA Board meeting.

**Groundwater Quality Risks Study** – In mid-January, SGA was notified that the state has suspended all reimbursements from general obligation bonds including the recently received Local Groundwater Assistance Grant from DWR. This is the only source of funding for the study, so commencement of the work is being deferred at this time. Staff will continue to report back to the Board on the status of funding.

## 7. EXECUTIVE DIRECTOR'S REPORT

- **SGA Regional Contamination Issues Committee (RCIC)** – The RCIC will meet on February 26, 2009 at Sacramento Suburban Water District. Among the topics discussed was an update from the Air Force Real Property Agency on the effectiveness of recent groundwater remediation efforts (meeting notes were included in the packet).
- **Cap to Cap Groundwater Issues Paper** – Executive Director Woodling will serve as Co-chair of the Water Resources team for the 2009 Metro Chamber Cap-to-Cap trip. The team is promoting a regional position on four issues 1) a Delta solution, 2) Lower American River Flow Standard, 3) groundwater remediation, and 4) remediation of legacy mercury.
- **Water Conditions Update** – Rains in late February and March greatly improved the water supply picture this year. The United States Bureau of Reclamation (USBR) increased the allocation to M&I water users to 55%. Snowpack is at 84% of normal statewide and 89% of normal in the northern Sierra. Folsom Reservoir is at 76% of storage capacity, about 119% of normal for this time of year.

On February 27, Governor Schwarzenegger declared a state of emergency and requested all M&I water purveyors to achieve 20% conservation in 2009. Water purveyors in the Sacramento region are at a variety of stages in their water shortage contingency plans.

- **Legislation Update** – Staff are currently tracking 43 water related bills. Notable are five water bond bills, several bills related to implementation of Delta Vision, and a number of water conservation related bills. Staff of Bartkiewicz, Kronick, and Shanahan provided a summary of a number of pieces of legislation.

Staff attended the ACWA Legislative Briefing on March 18, 2009. Legislators present included Senator Fran Pavley, Chair of Senate Natural Resources and Water; Senator Lois Wolk; Senator Alex Padilla; Senator Dave Cogdill; Senator Joe Simitian; Assembly member Jared Huffman, Chair of Assembly Water, Parks and Wildlife; and Assembly member Jean Fuller. There were several common themes, including the need for a water bond to fund a comprehensive Delta solution and meet other water needs in the state, but that good policy on the Delta needed to precede the funding.

Water Conservation was a major focus. Assembly member Huffman, co-author of AB 49, explained the intent of the bill was to meet the goal of 20% reduction in per capita water use by 2020. He indicated that agencies that had already done a lot (he used Marin Municipal Water

District as an example) couldn't be expected to do a whole lot more, but that there would be high expectations of those who hadn't done as much (using Sacramento's lack of water meters as an example). AB 49 is scheduled to be heard in Committee on April 14<sup>th</sup>.

- **Sacramento County General Plan Update** – Staff was contacted by the Sacramento County Department of Environmental Review and Assessment (DERA) on March 25<sup>th</sup>. DERA is working on an update to the Sacramento County General Plan. In particular, DERA staff has asked for SGA input on a section of the plan that focuses on the potential impact of additional groundwater pumping in the north County to meet additional development resulting from the General Plan update. DERA has asked for input by mid-April.

## 8. DIRECTORS' COMMENTS

Mr. Kozlen commented that ACWA is trying to publish a document on strategies and management of groundwater in California.

Mr. Hanneman reported that the City of Sacramento is pushing water conservation. They are seeking state and federal funding for meter retrofit. He asked if the City and SGA or RWA can combine their efforts on the legislative front.

Mr. Schubert appointed Mr. Schild to continue as the SGA representative on the ACWA JPIA Executive Committee.

Mr. Schubert thanked the SGA Ad Hoc Budget Committee for its hard work.

## Adjournment

With no further business to come before the Board, Chair Schubert adjourned the meeting at 11:10 a.m.

By:

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Chairperson

Attest:

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Nancy Marrier, Finance and Administrative Services Officer