

SPECIAL MEETING OF THE BOARD OF DIRECTORS
DEL PASO MANOR WATER DISTRICT

April 2, 2019
4:30PM

1817 Maryal Drive, Suite 300, Sacramento

A G E N D A

The Board will discuss all items on its agenda, and may take action of any of those items, including information items and continued items. The Board may also discuss other items that do not appear on its agenda, but will not act on those items unless action is urgent, and a resolution is passed by two-thirds (2/3) vote declaring the need for action arose after posting of the agenda.

This agenda has been prepared and posted in compliance with the provisions of the Ralph M. Brown Act, and specifically the provisions of Sections 54954.2 and 54954.3 of the Government Code. Board action may occur on any identified agenda item. Any member of the public may directly address the Board on any identified agenda item of interest, either before or during the Board's consideration of that item. Public comment on items within the jurisdiction of the Board is welcomed, subject to reasonable time limitations for each speaker.

In compliance with the Americans with Disabilities Act, Del Paso Manor Water District encourages those with disabilities to participate fully in the public hearing process. If you have a special need in order to allow you to attend or participate in our public meeting and public hearing processes, including receiving notices, agendas, and other writings in appropriate alternative formats, please contact our office at (916) 487-0419 at least 24 hours in advance of the public meeting or hearing you wish to attend so that we may make every reasonable effort to accommodate you.

1. Call to order and roll call
2. Public Comment
3. CLOSED SESSION: PUBLIC EMPLOYEE PERFORMANCE EVALUATION
(Pursuant to Government Code Section 54957)
Title: General Manager
4. Convene back into open session and report from closed session, if necessary.
5. Adjournment

REGULAR MEETING OF THE BOARD OF DIRECTORS
DEL PASO MANOR WATER DISTRICT

April 2, 2019
6:30PM

1817 Maryal Drive, Suite 300, Sacramento

A G E N D A

The Board will discuss all items on its agenda, and may take action on any of those items, including information items and continued items. The Board may also discuss other items that do not appear on its agenda, but will not act on those items unless action is urgent, and a resolution is passed by two-thirds (2/3) vote declaring the need for action arose after posting of the agenda.

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1. Call to order and roll call
2. Pledge of Allegiance
3. Public Comment: The Public may address the Board on any items not on the agenda which are within the jurisdiction of the Del Paso Manor Water District Board of Directors. Comments shall be limited to five (5) minutes.
4. Old Business:
 - a. Review, discuss and action on request for service at the Del Paso Manor Elementary School Project.
 - b. Review, discuss and give direction to Manager for contracting for email hosting.
 - c. Review Actuarial Study for GASB 74/75. Determine Funding Strategy and Funding & Contribution Method.
 - d. Review, discuss and approve amended District Investment Policy.
 - e. Discuss and possible action for job description for the new general manager, desirable qualifications, salary range, recruitment methods, and proposed process and schedule.

- f. Review and discuss cost of PayPal as a payment option on website.
- 6. New Business:
 - a. Upcoming Meetings:
 - 1. California Special Districts Association's Financial Management, April 25, 2019 in Simi Valley, CA or August 8, 2019 in Sacramento, CA
 - 2. California Special Districts Legislative Days, May 21-22, 2019 in Sacramento, CA
 - 3. California Special Districts Governance Leadership Academy, July 7-10, 2019, Napa, CA
 - b. Appoint additional signee for the Voya Deferred Compensation Plan.
 - c. Review, discuss and approve auditor for the 2018/19 fiscal year.
 - d. Review, discuss and possible action to execute a letter of support for Paradise Irrigation District's (Camp Fire area) request for funding from the State General Fund.
 - e. Review, discuss and possible action to set conservation regulations for the 2019 season.
 - f. Review, discuss and give Manager direction for the development of the Consumer Confidence Report.
 - g. Review, discuss and action on participation in the Sacramento Regional Water Bank Project, Phase 1.
 - h. Review, discuss and possible action to change the May Regular Board meeting date.
 - i. Discussion of a Board Newsletter instead of a District Newsletter.
 - j. Review, discuss, and possible action on outsourcing the District's accounting functions.
- 7. Consent Calendar: Consent Calendar items are expected to be routine and non-controversial, to be acted on by the Board in one motion. Should any Board member, staff member, or interested person request discussion on an item, the Board will consider the item separate from the Consent Calendar.
 - 7.1 Minutes - Special Meeting
 - 7.2 Minutes - Regular Meeting
 - 7.3 Approval of payment of March invoices

8. Report on Meetings:
 - a. Communication Ad-Hoc Committee - Burt/Harrington
 - b. Finance Ad-Hoc Committee Meeting - Burt/Lenahan
 - c. Human Resource Ad-Hoc Committee - Burt/Lenahan
 - d. Policy Manual Review Ad-Hoc Committee Meeting -
Harrington/Burt
 - e. Regional Water Authority Meeting - Sedwick
9. Report from Attorney concerning:
 - a. Non-discussion/action items
10. Report from Manager:
 - a. Status of March operational matters
11. Report from Field Manager:
 - a. Status of February field matters
12. Board General Discussion: Opportunity for Board members to ask questions for clarification, provide information to staff, request staff to report back on a matter, or to direct staff to place a matter on a subsequent agenda.
13. Adjournment

BOARD OF DIRECTORS
 COMPENSATION/EXPENSE SUMMARY
 MARCH 2019

| DATE | MEETING | BURT | HARRINGTON | LENAHAN | MATTEOLI |
|-----------|--|-----------|------------|-----------|-----------|
| | ACWA Fall Conference | | | | |
| | ACWA Spring Conference | | | | |
| | ACWA Meeting | | | | |
| | ACWA Ag Committee Meeting | | | | |
| | ACWA Groundwater Committee Meeting | | | | |
| | ACWA/JPIA | | | | |
| | California Special District's Association | | | | |
| 3/4/2019 | DPMWD - Regular Board Meeting | 1 | 1 | 1 | 1 |
| 3/4/2019 | DPMWD - Special Board Meeting | 1* | 1* | 1* | 1* |
| 3/13/2019 | DPMWD - Adhoc Sucsesson Planning Committee | | 1 | 1 | |
| 3/12/2019 | DPMWD - Adhoc Auditor Selection Committee | 1 | | 1 | |
| | DPMWD - Adhoc Finance Committee | | | | |
| | DPMWD - Adhoc Policy Manual Review Committee | | | | |
| | DPMWD - AB1234 Ethics Training | | | | |
| | DPMWD - AB1825 Sexual Harassment Prevention Training | | | | |
| | Regional Water Authority | | | | |
| | Sacramento Groundwater Authority | | | | |
| | Water Forum Successor Effort | | | | |
| | TOTAL MEETINGS | 2 | 2 | 3 | 1 |
| | TOTAL COMPENSATION | \$ 200.00 | \$ 200.00 | \$ 300.00 | \$ 100.00 |
| | TOTAL EXPENSES | | | | |

* Meetings on same day (only one paid for)
 **Only two meetings per adhoc is allowed compensation
 A - Absent

Debra

From: Hampton, Angela <Hampton.Angela@metrofire.ca.gov>
Sent: Wednesday, March 6, 2019 3:46 PM
To: 'Debra'
Cc: 'Dessling, Andrew'; Hambrick, Michael A.
Subject: RE: Del Paso Manor Elementary School Project

Hello:

As these buildings have fire sprinklers, the required fire flow is 1,500 gpm for 4 hours in accordance with section BB105.1, 2016 CFC. This section allows a 75% reduction in fire flow when the building has fire sprinklers with the minimum being 1,500gpm at schools.

I will be out of the office the first week of April, but I have copied Supervising Inspector Hambrick on this email for the board meeting.

Regards,

Angela Hampton

Sacramento Metropolitan Fire District
Fire Inspector II, Community Risk Reduction Division
10545 Armstrong Ave., Suite 310, Mather, CA 95655
Direct: 916-859-4321
www.metrofire.ca.gov

Please note my working days are Monday through Thursday 6:00 AM - 4:30 PM

Inspections for 95626, 95843, 95673, 95842, 95660, and 95652 will be scheduled on Mondays and Wednesdays.

Inspections for 95821, 95825, 95864, 95827 and 95826 will be scheduled on Tuesdays and Thursdays.

From: Debra [mailto:debrasedwick@sbcglobal.net]
Sent: Wednesday, March 06, 2019 3:28 PM
To: Hampton, Angela <Hampton.Angela@metrofire.ca.gov>
Cc: 'Dessling, Andrew' <ADessling@McCarthy.com>
Subject: RE: Del Paso Manor Elementary School Project

Hi Angela,

I am the General Manager of Del Paso Manor Water District and we are working with San Juan Unified School District on the Del Paso Manor Elementary School project as the project is located in our service area. I have a few Board members who are questioning the 1900gpm fire flow requirement that is being requested. They feel that is too low for a school and have directed me to contact Sacramento Metropolitan Fire District to get the flow requirement for the school project. I contacted Andrew Dessling with McCarthy and he suggested that I contact you since you are the most familiar with the project. Can you assist me? The Del Paso Manor Water District Board also directed me to invite you to our next Board meeting on April 2, 2019.

I truly appreciate your assistance with this matter.

Debra Sedwick
General Manager
Del Paso Manor Water District
(916) 487-0419

**Del Paso Manor Water District
Actuarial Study of
Retiree Health Liabilities Under GASB 74/75
Roll-forward Valuation
Valuation Date: June 30, 2017
Measurement Date: June 30, 2018**

*Prepared by:
Total Compensation Systems, Inc.*

Date: February 6, 2019

Total Compensation Systems, Inc.

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Del Paso Manor Water District Actuarial Study of Retiree Health Liabilities

PART I: EXECUTIVE SUMMARY

A. Introduction

Del Paso Manor Water District engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of June 30, 2018 (the measurement date). This valuation report is based on an earlier GASB 75 valuation as of June 30, 2017. We used standard actuarial “roll-forward” methodology to estimate the Total OPEB Liability (TOL) as of the measurement date. The Fiduciary Net Position (FNP) is based on the actual FNP at June 30, 2018. The numbers in this report are based on the assumption that they will first be used to determine accounting entries for the fiscal year ending June 30, 2018. If the report will first be used for a different fiscal year, the numbers may need to be adjusted accordingly.

This report does not reflect any cash benefits paid unless the retiree is required to provide proof that the cash benefits are used to reimburse the retiree’s cost of health benefits. Costs and liabilities attributable to cash benefits paid to retirees are reportable under applicable Governmental Accounting Standards Board (GASB) Standards.

This actuarial study is intended to serve the following purposes:

- To provide information to enable Del Paso Manor Water District to manage the costs and liabilities associated with its retiree health benefits.
- To provide information to enable Del Paso Manor Water District to communicate the financial implications of retiree health benefits to internal financial staff, the Board, employee groups and other affected parties.
- To provide information needed to comply with Governmental Accounting Standards Board Accounting Standards 74 and 75 related to “other postemployment benefits” (OPEB’s).

Because this report was prepared in compliance with GASB 74 and 75, Del Paso Manor Water District should not use this report for any other purpose without discussion with TCS. This means that any discussions with employee groups, governing Boards, etc. should be restricted to the implications of GASB 74 and 75 compliance.

We calculated the following estimates separately for active employees and retirees. We estimated the following:

- the total liability created. (The actuarial present value of total projected benefit payments or APVPBP)
- ten years of projected benefit payments.
- the “total OPEB liability (TOL).” (The TOL is the portion of the APVPBP attributable to employees’ service prior to the measurement date.)
- the “net OPEB liability” (NOL). For plans funded through a trust, this represents the unfunded portion of the liability.
- the service cost (SC). This is the value of OPEB benefits earned for one year of service.

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- deferred inflows and outflows of resources attributable to the OPEB plan.
- “OPEB expense.” This is the amount recognized in accrual basis financial statements as the current period expense. The OPEB expense includes service cost, interest and certain changes in the OPEB liability, adjusted to reflect deferred inflows and outflows. This amount may need to be adjusted to reflect any contributions received after the Measurement Date.
- Amounts to support financial statement Note Disclosures and Required Supplementary Information (RSI) schedules.

We summarized the data used to perform this study in Appendix A. No effort was made to verify this information beyond brief tests for reasonableness and consistency.

All cost and liability figures contained in this study are estimates of future results. Future results can vary dramatically and the accuracy of estimates contained in this report depends on the actuarial assumptions used. Service costs and liabilities could easily vary by 10 - 20% or more from estimates contained in this report.

B. General Findings

We estimate the “pay-as-you-go” cost of providing retiree health benefits in the year beginning July 1, 2018 to be \$11,766 (see Section IV.A.). The “pay-as-you-go” cost is the cost of benefits for current retirees.

For current employees, the value of benefits “accrued” in the year beginning July 1, 2018 (the service cost) is \$18,644. This service cost would increase each year based on covered payroll. Had Del Paso Manor Water District begun accruing retiree health benefits when each current employee and retiree was hired, a substantial liability would have accumulated. We estimate the amount that would have accumulated at June 30, 2018 to be \$653,869. This amount is called the “Total OPEB Liability” (TOL). Del Paso Manor Water District has set aside funds to cover retiree health liabilities in a GASB 75 qualifying trust. The Fiduciary Net Position of this trust at June 30, 2018 was \$565,712. This leaves a Net OPEB Liability (NOL) of \$88,157.

Based on the information we were provided, the OPEB Expense for the fiscal year ending June 30, 2018 is \$25,460. As noted in this report, adjustments may be needed – particularly if the reporting date is not the same as the measurement date.

We based all of the above estimates on employees as of April, 2017. Over time, liabilities and cash flow will vary based on the number and demographic characteristics of employees and retirees.

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C. Description of Retiree Benefits

Following is a description of the current retiree benefit plan:

| <u>All Employees</u> | |
|-------------------------|--------------|
| Benefit types provided | Medical only |
| Duration of Benefits | Lifetime |
| Required Service | 20 years* |
| Minimum Age | 50 |
| Dependent Coverage | Yes |
| District Contribution % | 100%* |
| District Cap | None |

*The plan pays 50% of premiums after 10 years of service and an additional 5% for each additional year of service, with a maximum as shown above. Those hired prior to 8/1/05 receive full benefits upon retirement.

D. Recommendations

It is outside the scope of this report to make specific recommendations of actions Del Paso Manor Water District should take to manage the liability created by the current retiree health program. Total Compensation Systems, Inc. can assist in identifying and evaluating options once this report has been studied. The following recommendations are intended only to allow the District to get more information from this and future studies. Because we have not conducted a comprehensive administrative audit of Del Paso Manor Water District's practices, it is possible that Del Paso Manor Water District is already complying with some or all of our recommendations.

- We recommend that Del Paso Manor Water District maintain an inventory of all benefits and services provided to retirees – whether contractually or not and whether retiree-paid or not. For each, Del Paso Manor Water District should determine whether the benefit is material and subject to GASB 74 and/or 75.
- We recommend that Del Paso Manor Water District conduct a study whenever events or contemplated actions significantly affect present or future liabilities, but no less frequently than every two years, as required under GASB 74/75.
- Under GASB 75, it is important to isolate the cost of retiree health benefits. Del Paso Manor Water District should have all premiums, claims and expenses for retirees separated from active employee premiums, claims, expenses, etc. To the extent any retiree benefits are made available to retirees over the age of 65 – *even on a retiree-pay-all basis* – all premiums, claims and expenses for post-65 retiree coverage should be segregated from those for pre-65 coverage. Furthermore, Del Paso Manor Water District should arrange for the rates or prices of all retiree benefits to be set on what is expected to be a self-sustaining basis.
- Del Paso Manor Water District should establish a way of designating employees as eligible or ineligible for future OPEB benefits. Ineligible employees can include those in ineligible job classes; those hired after a designated date restricting eligibility; those who, due to their age at hire cannot qualify for District-paid OPEB benefits; employees who exceed the termination age for OPEB benefits, etc.

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- Several assumptions were made in estimating costs and liabilities under Del Paso Manor Water District's retiree health program. Further studies may be desired to validate any assumptions where there is any doubt that the assumption is appropriate. (See Appendices B and C for a list of assumptions and concerns.) For example, Del Paso Manor Water District should maintain a retiree database that includes – in addition to date of birth, gender and employee classification – retirement date and (if applicable) dependent date of birth, relationship and gender. It will also be helpful for Del Paso Manor Water District to maintain employment termination information – namely, the number of OPEB-eligible employees in each employee class that terminate employment each year for reasons other than death, disability or retirement.

E. Certification

The actuarial information in this report is intended solely to assist Del Paso Manor Water District in complying with Governmental Accounting Standards Board Accounting Statements 74 and 75 and, unless otherwise stated, fully and fairly discloses actuarial information required for compliance. Nothing in this report should be construed as an accounting opinion, accounting advice or legal advice. TCS recommends that third parties retain their own actuary or other qualified professionals when reviewing this report. TCS's work is prepared solely for the use and benefit of Del Paso Manor Water District. Release of this report may be subject to provisions of the Agreement between Del Paso Manor Water District and TCS. No third party recipient of this report product should rely on the report for any purpose other than accounting compliance. Any other use of this report is unauthorized without first consulting with TCS.

This report is for fiscal year July 1, 2017 to June 30, 2018, using a measurement date of June 30, 2018. The calculations in this report have been made based on our understanding of plan provisions and actual practice at the time we were provided the required information. We relied on information provided by Del Paso Manor Water District. Much or all of this information was unaudited at the time of our evaluation. We reviewed the information provided for reasonableness, but this review should not be viewed as fulfilling any audit requirements. Information we relied on is listed in Appendix A.

All costs, liabilities, and other estimates are based on actuarial assumptions and methods that comply with all applicable Actuarial Standards of Practice (ASOPs). Each assumption is deemed to be reasonable by itself, taking into account plan experience and reasonable future expectations.

This report contains estimates of the Plan's financial condition only as of a single date. It cannot predict the Plan's future condition nor guarantee its future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of Plan contributions. While the valuation is based on individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. Determining results using alternative assumptions (except for the alternate discount and trend rates shown in this report) is outside the scope of our engagement.

Future actuarial measurements may differ significantly from those presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the measurement methodology (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. We were not asked to perform analyses to estimate the potential range of such future measurements.

The signing actuary is independent of Del Paso Manor Water District and any plan sponsor. TCS does not intend to benefit from and assumes no duty or liability to other parties who receive this report. TCS is not aware of

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any relationship that would impair the objectivity of the opinion.

On the basis of the foregoing, I hereby certify that, to the best of my knowledge and belief, this report is complete and has been prepared in accordance with generally accepted actuarial principles and practices and all applicable Actuarial Standards of Practice. I am a member of the American Academy of Actuaries and meet the Qualification Standards to render this actuarial opinion.

Respectfully submitted,

Geoffrey L. Kischuk, FSA, MAAA, FCA
Consultant
Total Compensation Systems, Inc.
(805) 496-1700

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PART II: BACKGROUND

A. Summary

Accounting principles provide that the cost of retiree benefits should be “accrued” over employees’ working lifetime. For this reason, the Governmental Accounting Standards Board (GASB) issued in June of 2015 Accounting Standards 74 and 75 for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees (including early retirees), whether they pay directly or indirectly (via an “implicit rate subsidy”).

B. Actuarial Accrual

To actuarially accrue retiree health benefits requires determining the amount to expense each year so that the liability accumulated at retirement is, on average, sufficient (with interest) to cover all retiree health expenditures without the need for additional expenses. There are many different ways to determine the annual accrual amount. The calculation method used is called an “actuarial cost method.”

The actuarial cost method mandated by GASB 75 is the “entry age actuarial cost method”. Under this method, there are two components of actuarial cost – a “service cost” (SC) and the “Total OPEB Liability” (TOL). GASB 75 allows certain changes in the TOL to be deferred (i.e. deferred inflows and outflows of resources).

The service cost can be thought of as the value of the benefit earned each year if benefits are accrued during the working lifetime of employees. Under the entry age actuarial cost method, the actuary determines the annual amount needing to be expensed from hire until retirement to fully accrue the cost of retiree health benefits. This amount is the service cost. Under GASB 75, the service cost is calculated to be a level percentage of each employee’s projected pay.

The service cost is determined using several key assumptions:

- The current *cost of retiree health benefits* (often varying by age, Medicare status and/or dependent coverage). The higher the current cost of retiree benefits, the higher the service cost.
- The “*trend*” *rate* at which retiree health benefits are expected to increase over time. A higher trend rate increases the service cost. A “cap” on District contributions can reduce trend to zero once the cap is reached thereby dramatically reducing service costs.
- *Mortality rates* varying by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.
- *Employment termination rates* have the same effect as mortality inasmuch as higher termination rates reduce service costs. Employment termination can vary considerably between public agencies.
- The *service requirement* reflects years of service required to earn full or partial retiree benefits. While a longer service requirement reduces costs, cost reductions are not usually substantial unless the service period exceeds 20 years of service.

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- *Retirement rates* determine what proportion of employees retire at each age (assuming employees reach the requisite length of service). Retirement rates often vary by employee classification and implicitly reflect the minimum retirement age required for eligibility. Retirement rates also depend on the amount of pension benefits available. Higher retirement rates increase service costs but, except for differences in minimum retirement age, retirement rates tend to be consistent between public agencies for each employee type.
- *Participation rates* indicate what proportion of retirees are expected to elect retiree health benefits if a significant retiree contribution is required. Higher participation rates increase costs.
- The *discount rate* estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets for funded plans. The rate used for a funded plan is the real rate of return expected for plan assets plus long term inflation assumption. For an unfunded plan, the discount rate is based on an index of 20 year General Obligation municipal bonds. For partially funded plans, the discount rate is a blend of the funded and unfunded rates.

The assumptions listed above are not exhaustive, but are the most common assumptions used in actuarial cost calculations. If all actuarial assumptions are exactly met and an employer expensed the service cost every year for all past and current employees and retirees, a sizeable liability would have accumulated (after adding interest and subtracting retiree benefit costs). The liability that would have accumulated is called the Total OPEB Liability (TOL). The excess of TOL over the value of plan assets is called the Net OPEB Liability (NOL). Under GASB 74 and 75, in order for assets to count toward offsetting the TOL, the assets have to be held in an irrevocable trust that is safe from creditors and can only be used to provide OPEB benefits to eligible participants.

The total OPEB liability (TOL) can arise in several ways - e.g., as a result of plan changes or changes in actuarial assumptions. TOL can also arise from actuarial gains and losses. Actuarial gains and losses result from differences between actuarial assumptions and actual plan experience.

Under GASB 74 and 75, a portion of actuarial gains and losses can be deferred as follows:

- Investment gains and losses can be deferred five years
- Experience gains and losses can be deferred over the expected average remaining service lives (EARSL) of plan participants. In calculating the EARSL, terminated employees (primarily retirees) are considered to have a working lifetime of zero. This often makes the EARSL quite short.
- Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working lifetime
- Liability changes resulting from plan changes, for example, cannot be deferred.

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PART III: LIABILITIES AND COSTS FOR RETIREE BENEFITS

A. Introduction

The liability for OPEB benefits was calculated in the valuation as of June 30, 2017 and the methodology was described in our GASB 75 valuation report dated February 6, 2019. In Part III, we show the tables included in our February 6, 2019 valuation report and provide details of our roll-forward valuation.

We summarized actuarial assumptions used for this study in Appendix C.

B. Liability for Retiree Benefits.

Below is the actuarial present value of projected benefit payments (APVPBP) table presented in our February 6, 2019 valuation report.

Actuarial Present Value of Projected Benefit Payments at June 30, 2017

| <u>All Participants</u> | |
|-------------------------|-----------|
| Active: Pre-65 | \$250,650 |
| Post-65 | \$347,531 |
| Subtotal | \$598,181 |
| Retiree: Pre-65 | \$0 |
| Post-65 | \$90,272 |
| Subtotal | \$90,272 |
| Grand Total | \$688,453 |
| Subtotal Pre-65 | \$250,650 |
| Subtotal Post-65 | \$437,803 |

C. Cost to Prefund Retiree Benefits

1. Service Cost

Below is the service cost table included in our February 6, 2019 valuation report. This service cost is used in calculating the OPEB expense.

Service Cost Year Beginning July 1, 2017

| <u>All Participants</u> | |
|-------------------------|----------|
| # of Employees | 4 |
| Per Capita Service Cost | |
| Pre-65 Benefit | \$2,307 |
| Post-65 Benefit | \$2,354 |
| First Year Service Cost | |
| Pre-65 Benefit | \$9,228 |
| Post-65 Benefit | \$9,416 |
| Total | \$18,644 |

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2. Total OPEB Liability (TOL) and Net OPEB Liability (NOL)

The table below shows the TOL included in the February 6, 2019 valuation report. This TOL is used as the beginning of year TOL to roll forward the TOL to June 30, 2018.

Total OPEB Liability (TOL) and Net OPEB Liability (NOL) as of June 30, 2017

| <i>All Participants</i> | |
|--|-----------|
| Active: Pre-65 | \$207,197 |
| Active: Post-65 | \$303,192 |
| Subtotal | \$510,389 |
| Retiree: Pre-65 | \$0 |
| Retiree: Post-65 | \$90,272 |
| Subtotal | \$90,272 |
| Subtotal: Pre-65 | \$207,197 |
| Subtotal: Post-65 | \$393,464 |
| Total OPEB Liability (TOL) | \$600,661 |
| Fiduciary Net Position as of June 30, 2017 | \$509,064 |
| Net OPEB Liability (NOL) | \$91,597 |

In order to determine the June 30, 2018 NOL, we used a "roll-forward" technique for the TOL. The FNP is based on the actual June 30, 2018 FNP. The following table shows the results of the roll-forward.

Changes in Net OPEB Liability as of June 30, 2018

| | TOL | FNP | NOL |
|--|-----------|-----------|------------|
| Balance at June 30, 2017 | \$600,661 | \$509,064 | \$91,597 |
| Service Cost | \$18,644 | \$0 | \$18,644 |
| Interest on TOL | \$42,424 | \$0 | \$42,424 |
| Employer Contributions | \$0 | \$25,000 | (\$25,000) |
| Employee Contributions | \$0 | \$0 | \$0 |
| Assumption Changes | \$0 | \$0 | \$0 |
| Expected Investment Income | \$0 | \$36,202 | (\$36,202) |
| Investment Gains/Losses | \$0 | \$4,218 | (\$4,218) |
| Administrative Expense | \$0 | (\$912) | \$912 |
| Expected Benefit Payments | (\$9,699) | (\$9,699) | \$0 |
| Actual minus Expected Benefit Payments | \$1,839 | \$1,839 | \$0 |
| Other | \$0 | \$0 | \$0 |
| Net Change during 2017-18 | \$53,208 | \$56,648 | (\$3,440) |
| Balance at June 30, 2018 * | \$653,869 | \$565,712 | \$88,157 |

* May include a slight rounding error.

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3. OPEB Expense

Under GASB 74 and 75, OPEB expense includes service cost, interest cost, change in TOL due to plan changes; all adjusted for deferred inflows and outflows. Following is the OPEB expense for the fiscal year ending June 30, 2018. The OPEB expense shown below is considered to be preliminary because there can be employer specific deferred items (e.g., contributions made after the measurement date, and active employee contributions toward the OPEB plan).

OPEB Expense Fiscal Year Ending June 30, 2018

| | <i>Total</i> |
|---|-----------------------|
| Service Cost | \$18,644 |
| Interest on Total OPEB Liability (TOL) | \$42,424 |
| Employee Contributions | \$0 |
| Recognized Experience Gains/Losses | \$526 |
| Recognized Assumption Changes | \$0 |
| Expected Investment Income | (\$36,202) |
| Recognized Investment Gains/Losses | (\$844) |
| Contributions After Measurement Date* | \$0 |
| Liability Change Due to Benefit Changes | \$0 |
| Administrative Expense | \$912 |
| | <u>OPEB Expense**</u> |
| | \$25,460 |

* Should be added by Del Paso Manor Water District if reporting date is after the measurement date.

** May include a slight rounding error.

The above OPEB expense does not include an estimated \$25,000 in employer contributions.

4. Deferred Inflows and Outflows

Certain types of TOL changes are subject to deferral, as are investment gains/losses. Appendix F provides details of any deferred inflows and/or outflows included in the OPEB expense.

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PART IV: "PAY AS YOU GO" FUNDING OF RETIREE BENEFITS

We used the actuarial assumptions shown in Appendix C to project the District's ten year retiree benefit outlay, including any implicit rate subsidy. Because these cost estimates reflect average assumptions applied to a relatively small number of employees, estimates for individual years are certain to be *inaccurate*. However, these estimates show the size of cash outflow.

The following table shows a projection of annual amounts needed to pay the District's share of retiree health costs, including any implicit rate subsidy, that was included in the February 6, 2019 valuation report.

| <i>Year Beginning July 1</i> | <i>All Participants</i> |
|----------------------------------|-------------------------|
| 2017 | \$9,699 |
| 2018 | \$11,766 |
| 2019 | \$18,216 |
| 2020 | \$26,421 |
| 2021 | \$35,097 |
| 2022 | \$44,946 |
| 2023 | \$54,574 |
| 2024 | \$63,897 |
| 2025 | \$59,478 |
| 2026 | \$66,786 |

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PART V: RECOMMENDATIONS FOR FUTURE VALUATIONS

To effectively manage benefit costs, an employer must periodically examine the existing liability for retiree benefits as well as future annual expected premium costs. GASB 74/75 require biennial valuations. In addition, a valuation should be conducted whenever plan changes, changes in actuarial assumptions or other employer actions are likely to cause a material change in accrual costs and/or liabilities.

Following are examples of actions that could trigger a new valuation.

- An employer should perform a valuation whenever the employer considers or puts in place an early retirement incentive program.
- An employer should perform a valuation whenever the employer adopts a retiree benefit plan for some or all employees.
- An employer should perform a valuation whenever the employer considers or implements changes to retiree benefit provisions or eligibility requirements.
- An employer should perform a valuation whenever the employer introduces or changes retiree contributions.
- An employer should perform a valuation whenever the employer forms a qualifying trust or changes its investment policy.
- An employer should perform a valuation whenever the employer adds or terminates a group of participants that constitutes a significant part of the covered group.

We recommend Del Paso Manor Water District take the following actions to ease future valuations.

- We have used our training, experience and information available to us to establish the actuarial assumptions used in this valuation. We have no information to indicate that any of the assumptions do not reasonably reflect future plan experience. However, the District should review the actuarial assumptions in Appendix C carefully. If the District has any reason to believe that any of these assumptions do not reasonably represent the expected future experience of the retiree health plan, the District should engage in discussions or perform analyses to determine the best estimate of the assumption in question.

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PART VI: APPENDICES

APPENDIX A: MATERIALS USED FOR THIS STUDY

We relied on the following materials to complete this study.

- We used paper reports and digital files containing employee demographic data from the District personnel records.
- We used relevant sections of collective bargaining agreements provided by the District.

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APPENDIX B: EFFECT OF ASSUMPTIONS USED IN CALCULATIONS

While we believe the estimates in this study are reasonable overall, it was necessary for us to use assumptions which inevitably introduce errors. We believe that the errors caused by our assumptions will not materially affect study results. If the District wants more refined estimates for decision-making, we recommend additional investigation.

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APPENDIX C: ACTUARIAL ASSUMPTIONS AND METHODS

Following is a summary of actuarial assumptions and methods used in this study. The District should carefully review these assumptions and methods to make sure they reflect the District's assessment of its underlying experience. It is important for Del Paso Manor Water District to understand that the appropriateness of all selected actuarial assumptions and methods are Del Paso Manor Water District's responsibility. Unless otherwise disclosed in this report, TCS believes that all methods and assumptions are within a reasonable range based on the provisions of GASB 74 and 75, applicable actuarial standards of practice, Del Paso Manor Water District's actual historical experience, and TCS's judgment based on experience and training.

ACTUARIAL METHODS AND ASSUMPTIONS:

ACTUARIAL COST METHOD: GASB 74/75 require use of the entry age actuarial cost method.

Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The APVPBP and present value of future service costs are determined on an employee by employee basis and then aggregated.

To the extent that different benefit formulas apply to different employees of the same class, the service cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees). This greatly simplifies administration and accounting, as well as resulting in the correct service cost for new hires.

SUBSTANTIVE PLAN: As required under GASB 74 and 75, we based the valuation on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by Del Paso Manor Water District regarding practices with respect to employer and employee contributions and other relevant factors.

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ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 27 (ASOP 27). Among other things, ASOP 27 provides that economic assumptions should reflect a consistent underlying rate of general inflation. For that reason, we show our assumed long-term inflation rate below.

INFLATION: We assumed 2.75% per year used for pension purposes. Actuarial standards require using the same rate for OPEB that is used for pension.

INVESTMENT RETURN / DISCOUNT RATE: We assumed 7% per year net of expenses. This is based on assumed long-term return on plan assets assuming 100% funding through CERBT. We used the "Building Block Method". (See Appendix E, Paragraph 53 for more information).

TREND: We assumed 4% per year. Our long-term trend assumption is based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Trend increases in excess of general inflation result in dramatic increases in unemployment, the number of uninsured and the number of underinsured. These effects are nearing a tipping point which will inevitably result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. We do not believe it is reasonable to project historical trend vs. inflation differences several decades into the future.

PAYROLL INCREASE: We assumed 2.75% per year. Since benefits do not depend on salary (as they do for pensions), using an aggregate payroll assumption for the purpose of calculating the service cost results in a negligible error.

FIDUCIARY NET POSITION (FNP): The following table shows the beginning and ending FNP numbers that were provided by Del Paso Manor Water District.

| | <u>06/30/2017</u> | <u>06/30/2018</u> |
|--------------------------|-------------------|-------------------|
| Cash and Equivalents | \$0 | \$0 |
| Contributions Receivable | \$0 | \$0 |
| Total Investments | \$509,064 | \$565,712 |
| Capital Assets | \$0 | \$0 |
| Total Assets | \$509,064 | \$565,712 |
| Benefits Payable | \$0 | \$0 |
| Fiduciary Net Position | \$509,064 | \$565,712 |

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NON-ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 35 (ASOP 35). See Appendix E, Paragraph 52 for more information.

MORTALITY

| <u>Participant Type</u> | <u>Mortality Tables</u> |
|-------------------------|---|
| Miscellaneous | 2014 CalPERS Active Mortality for Miscellaneous Employees |

RETIREMENT RATES

| <u>Employee Type</u> | <u>Retirement Rate Tables</u> |
|----------------------|--|
| Miscellaneous | 2009 CalPERS 2.0% @ 55 Rates for Miscellaneous Employees |

SERVICE REQUIREMENT

| <u>Employee Type</u> | <u>Service Requirement Tables</u> |
|----------------------|--|
| All Participants | 50% of the employer contribution @ 10 years of service + 5% per additional year to a maximum of 100% @ 20 or more years of service |

COSTS FOR RETIREE COVERAGE

Actuarial Standard of Practice 6 (ASOP 6) provides that, as a general rule, retiree costs should be based on actual claim costs or age-adjusted premiums. This is true even for many medical plans that are commonly considered to be “community-rated.” However, ASOP 6 contains a provision – specifically section 3.7.7(c) – that allows use of unadjusted premiums in certain circumstances.

It is my opinion that the section 3.7.7(c)(4) exception allows use of unadjusted premium for PEMHCA agencies if certain conditions are met. Following are the criteria we applied to Del Paso Manor Water District to determine that it is reasonable to assume that Del Paso Manor Water District’s future participation in PEMHCA is likely and that the CalPERS medical program as well as its premium structure are sustainable. (We also have an extensive white paper on this subject that provides a basis for our rationale entirely within the context of ASOP 6. We will make this white paper available upon request.)

- Plan qualifies as a “pooled health plan.” ASOP 6 defines a “pooled health plan” as one in which premiums are based at least in part on the claims experience of groups other than the one being valued.” Since CalPERS rates are the same for all employers in each region, rates are clearly based on the experience of many groups.
- Rates not based to any extent on the agency’s claim experience. As mentioned above, rates are the same for all participating employers regardless of claim experience or size.
- Rates not based to any extent on the agency’s demographics. As mentioned above, rates are the same for all participating employers regardless of demographics.
- No refunds or charges based on the agency’s claim experience or demographics. The terms of operation of the CalPERS program are set by statute and there is no provision for any refunds and charges that vary from employer to employer for any reason. The only charges are uniform administrative charges.
- Plan in existence 20 or more years. Enabling legislation to allow “contracting agencies” to participate in the CalPERS program was passed in 1967. The CalPERS medical plan has been successfully operating for almost 50 years. As far back as we can obtain records, the rating structure has been consistent, with the only difference having been a move to regional rating which is unrelated to age-adjusted rating.

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- No recent large increases or decreases in the number of participating plans or enrollment. The CalPERS medical plan has shown remarkably stable enrollment. In the past 10 years, there has been small growth in the number of employers in most years – with the maximum being a little over 2% and a very small decrease in one year. Average year over year growth in the number of employers over the last 10 years has been about 0.75% per year. Groups have been consistently leaving the CalPERS medical plan while other groups have been joining with no disruption to its stability.
- Agency is not expecting to leave plan in foreseeable future. The District does not plan to leave CalPERS at present.
- No indication the plan will be discontinued. We are unaware of anything that would cause the CalPERS medical plan to cease or to significantly change its operation in a way that would affect this determination.
- The agency does not represent a large part of the pool. The District is in the CalPERS Sacramento Area region. Based on the information we have, the District constitutes no more than 0.02% of the Sacramento Area pool. In our opinion, this is not enough for the District to have a measurable effect on the rates or viability of the Sacramento Area pool.

Retiree liabilities are based on actual retiree costs. Liabilities for active participants are based on the first year costs shown below. Subsequent years' costs are based on first year costs adjusted for trend and limited by any District contribution caps.

| <i>Participant Type</i> | <i>Future Retirees Pre-65</i> | <i>Future Retirees Post-65</i> |
|-------------------------|-------------------------------|--------------------------------|
| All Participants | \$20,140 | \$8,419 |

PARTICIPATION RATES

| | | |
|----------------------|--|-------------------------------------|
| <i>Employee Type</i> | <i><65 Non-Medicare Participation %</i> | <i>65+ Medicare Participation %</i> |
| Miscellaneous | 100% | 100% |

TURNOVER

| <i>Employee Type</i> | <i>Turnover Rate Tables</i> |
|----------------------|---|
| Miscellaneous | 2009 CalPERS Turnover for Miscellaneous Employees |

SPOUSE PREVALENCE

To the extent not provided and when needed to calculate benefit liabilities, 80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality.

SPOUSE AGES

To the extent spouse dates of birth are not provided and when needed to calculate benefit liabilities, female spouse assumed to be three years younger than male.

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APPENDIX D: DISTRIBUTION OF ELIGIBLE PARTICIPANTS BY AGE

ELIGIBLE ACTIVE EMPLOYEES

| <i>Age</i> | <i>All Participants</i> |
|--------------|-------------------------|
| Under 25 | 0 |
| 25-29 | 0 |
| 30-34 | 0 |
| 35-39 | 0 |
| 40-44 | 0 |
| 45-49 | 0 |
| 50-54 | 2 |
| 55-59 | 2 |
| 60-64 | 0 |
| 65 and older | 0 |
| Total | 4 |

ELIGIBLE RETIREES

| <i>Age</i> | <i>All Participants</i> |
|--------------|-------------------------|
| Under 50 | 0 |
| 50-54 | 0 |
| 55-59 | 0 |
| 60-64 | 0 |
| 65-69 | 0 |
| 70-74 | 1 |
| 75-79 | 0 |
| 80-84 | 0 |
| 85-89 | 0 |
| 90 and older | 0 |
| Total | 1 |

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APPENDIX E: GASB 74/75 ACCOUNTING ENTRIES AND DISCLOSURES

This report does not necessarily include the entire accounting values. As mentioned earlier, there are certain deferred items that are employer-specific. The District should consult with its auditor if there are any questions about what, if any, adjustments may be appropriate.

GASB 74/75 include a large number of items that should be included in the Note Disclosures and Required Supplementary Information (RSI) Schedules. Many of these items are outside the scope of the actuarial valuation. However, following is information to assist the District in complying with GASB 74/75 disclosure requirements:

Paragraph 50:

Information about the OPEB Plan

Most of the information about the OPEB plan should be supplied by Del Paso Manor Water District. Following is information to help fulfill Paragraph 50 reporting requirements.

50.c: Following is a table of plan participants

| | |
|--|------------------------|
| Inactive Employees Receiving Benefits | Number of Participants |
| Inactive Employees Entitled to But Not Receiving Benefits* | 1 |
| Participating Active Employees | 0 |
| | 4 |
| | <u>5</u> |

Total Number of participants

*We were not provided with information about any terminated, vested employees

Paragraph 51:

Significant Assumptions and Other Inputs

shown in Appendix C.

Paragraph 52:

Information Related to Assumptions and Other Inputs

The following information is intended to assist Del Paso Manor Water District in complying with the requirements of Paragraph 52.

52.b: Mortality Assumptions Following are the tables the mortality assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

| | |
|----------------------------|---|
| Mortality Table Disclosure | 2014 CalPERS Active Mortality for Miscellaneous Employees |
| | The mortality assumptions are based on the 2014 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis. |

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| | |
|----------------------------|--|
| Mortality Table Disclosure | 2014 CalPERS Retiree Mortality for Miscellaneous Employees The mortality assumptions are based on the 2014 CalPERS Retiree Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis. |
|----------------------------|--|

52.c: Experience Studies Following are the tables the retirement and turnover assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

Retirement Tables

| | |
|-----------------------------|--|
| Retirement Table Disclosure | 2009 CalPERS 2.0%@55 Rates for Miscellaneous Employees The retirement assumptions are based on the 2009 CalPERS 2.0%@55 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool. |
|-----------------------------|--|

Turnover Tables

| | |
|---------------------------|--|
| Turnover Table Disclosure | 2009 CalPERS Turnover for Miscellaneous Employees The turnover assumptions are based on the 2009 CalPERS Turnover for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool. |
|---------------------------|--|

For other assumptions, we use actual plan provisions and plan data.

52.d: The alternative measurement method was not used in this valuation.

52.e: NOL Using alternative trend assumptions The following table shows the Net OPEB Liability with a health care cost trend rate 1% higher and 1% lower than assumed in the valuation.

| | | | |
|--------------------|----------------------------|-----------------------------|------------------------------|
| Net OPEB Liability | Trend 1% Lower \$14,443 | Valuation Trend \$88,157 | Trend 1% Higher \$173,921 |
|--------------------|----------------------------|-----------------------------|------------------------------|

Paragraph 53:

Discount Rate

The following information is intended to assist Del Paso Manor Water District to comply with Paragraph 53 requirements.

53.a: A discount rate of 7% was used in the valuation.

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53.b: We assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years.

53.c: We used historic 23 year real rates of return for each asset class along with our assumed long-term inflation assumption to set the discount rate. We offset the expected investment return by investment expenses of 25 basis points.

53.d and 53.e.: Not applicable.

53.f: Following is the assumed asset allocation and assumed rate of return for each. CERBT - Strategy 1

| Asset Class | Percentage of Portfolio | Assumed Gross Return |
|--|-------------------------|----------------------|
| US Large Cap | 43.0000 | 7.7950 |
| US Small Cap | 23.0000 | 7.7950 |
| Long-Term Corporate Bonds | 12.0000 | 5.2950 |
| Long-Term Government Bonds | 6.0000 | 4.5000 |
| Treasury Inflation Protected Securities (TIPS) | 5.0000 | 7.7950 |
| US Real Estate | 8.0000 | 7.7950 |
| All Commodities | 3.0000 | 7.7950 |

We looked at rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset class don't necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. We used geometric means.

53.g: The following table shows the Net OPEB liability with a discount rate 1% higher and 1% lower than assumed in the valuation.

| | | | |
|--------------------|-----------------------|---------------------------|-----------------------|
| Net OPEB Liability | Discount Rate | Valuation | Discount Rate |
| | 1% Lower \$169,606 | Discount Rate \$88,157 | 1% Higher \$20,132 |

Paragraph 55:

Changes in the Net OPEB Liability

Please see reconciliation on page 11. Please see the notes for Paragraph 244 below for more information.

Paragraph 56:

Additional Net OPEB Liability Information

The following information is intended to assist Del Paso Manor Water District to comply with Paragraph 56 requirements.

- 56.a: The valuation date is June 30, 2017.
The measurement date is June 30, 2018.
- 56.b; 56.c; 56.d; 56.e; 56.f: Not applicable
- 56.g: To be determined by the employer
- 56.h.(1) through (4): Not applicable
- 56.h.(5): To be determined by the employer
- 56.i: Not applicable

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Paragraph 57:

Required Supplementary Information

- 57.a: Please see reconciliation on page 11. Please see the notes for Paragraph 244 below for more information.
- 57.b: These items are provided on page 11 for the current valuation, except for covered payroll, which should be determined based on appropriate methods.
- 57.c: We have not been asked to calculate an actuarially determined contribution amount. We assume the District contributes on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 23 years.
- 57.d: We are not aware that there are any statutory or contractually established contribution requirements.

Paragraph 58:

Actuarially Determined Contributions

We have not been asked to calculate an actuarially determined contribution amount. We assume the District contributes on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 23 years.

Paragraph 244:

Transition Option

Prior periods were not restated due to the fact that prior valuations were not rerun in accordance with GASB 75. It was determined that the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified.

APPENDIX F: DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

EXPERIENCE GAINS AND LOSSES

Increase (Decrease) in OPFB Expense Arising from the Recognition of Effects of Experience Gains and Losses
(Measurement Periods)

| Measurement Period | Experience Gain/Loss | Original Recognition Period (Years) | Amounts Recognized in OPFB Expense through 2017 | 2018 | Amounts to be Recognized in OPFB Expense after 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter |
|--|----------------------|-------------------------------------|---|-------|---|-------|-------|-------|------|------|------------|
| 2017-18 | \$1,839 | 3.5 | \$0 | \$526 | \$1,313 | \$526 | \$526 | \$261 | | | |
| Net Increase (Decrease) in OPFB Expense | | | | | | | | | | | |
| | | | \$0 | \$526 | \$1,313 | \$526 | \$526 | \$261 | \$0 | \$0 | \$0 |

CHANGES OF ASSUMPTIONS

Increase (Decrease) in OPB Expense Arising from the Recognition of Effects of Changes of Assumptions (Measurement Periods)

| Measurement Period | Changes of Assumptions | Original Recognition Period (Years) | Amounts Recognized in OPB Expense through 2017 | Amounts to be Recognized in OPB Expense after 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter |
|--------------------|------------------------|-------------------------------------|--|--|------|------|------|------|------|------------|
| 2017-18 | \$0 | 0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

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INVESTMENT GAINS AND LOSSES

Increase (Decrease) in OPFB Expense Arising from the Recognition of Effects of Investment Gains and Losses
(Measurement Periods)

| Measurement Period | Investment Gain/Loss | Original Recognition Period (Years) | Amounts Recognized in OPFB Expense through 2017 | Amounts to be Recognized in OPFB Expense after 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter |
|---|----------------------|-------------------------------------|---|---|---------|---------|---------|---------|------------|
| 2017-18 | (\$4,218) | 5 | \$0 | (\$844) | (\$844) | (\$844) | (\$844) | (\$842) | \$0 |
| Net Increase (Decrease) in OPFB Expense | | | | | | | | | |
| | | | \$0 | (\$844) | (\$844) | (\$844) | (\$844) | (\$842) | \$0 |

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APPENDIX G: GLOSSARY OF RETIREE HEALTH VALUATION TERMS

Note: The following definitions are intended to help a *non*-actuary understand concepts related to retiree health valuations. Therefore, the definitions may not be actuarially accurate.

Actuarial Cost Method:

A mathematical model for allocating OPEB costs by year of service. The only actuarial cost method allowed under GASB 74/75 is the entry age actuarial cost method.

Actuarial Present Value of Projected Benefit Payments:

The projected amount of all OPEB benefits to be paid to current and future retirees discounted back to the valuation or measurement date.

Deferred Inflows/Outflows of Resources:

A portion of certain items that can be deferred to future periods or that weren't reflected in the valuation. The former includes investment gains/losses, actuarial gains/losses, and gains/losses due to changes in actuarial assumptions or methods. The latter includes contributions made to a trust subsequent to the measurement date but before the statement date.

Discount Rate:

Assumed investment return net of all investment expenses. Generally, a higher assumed interest rate leads to lower service costs and total OPEB liability.

Fiduciary Net Position:

Net assets (liability) of a qualifying OPEB "plan" (i.e. qualifying irrevocable trust or equivalent arrangement).

Implicit Rate Subsidy:

The estimated amount by which retiree rates are understated in situations where, for rating purposes, retirees are combined with active employees and the employer is expected, in the long run, to pay the underlying cost of retiree benefits.

Measurement Date:

The date at which assets and liabilities are determined in order to estimate TOL and NOL.

Mortality Rate:

Assumed proportion of people who die each year. Mortality rates always vary by age and often by sex. A mortality table should always be selected that is based on a similar "population" to the one being studied.

Net OPEB Liability (NOL):

The Total OPEB Liability minus the Fiduciary Net Position.

OPEB Benefits:

Other Post Employment Benefits. Generally medical, dental, prescription drug, life, long-term care or other postemployment benefits that are not pension benefits.

OPEB Expense:

This is the amount employers must recognize as an expense each year. The annual OPEB expense is equal to the Service Cost plus interest on the Total OPEB Liability (TOL) plus change in TOL due to plan changes minus projected investment income, all adjusted to reflect deferred inflows and outflows of resources.

Participation Rate:

The proportion of retirees who elect to receive retiree benefits. A lower

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participation rate results in lower service cost and a TOL. The participation rate often is related to retiree contributions.

Retirement Rate:

The proportion of active employees who retire each year. Retirement rates are usually based on age and/or length of service. (Retirement rates can be used in conjunction with the service requirement to reflect both age and length of service). The more likely employees are to retire early, the higher service costs and actuarial accrued liability will be.

Service Cost:

The annual dollar value of the "earned" portion of retiree health benefits if retiree health benefits are to be fully accrued at retirement.

Service Requirement:

The proportion of retiree benefits payable under the OPEB plan, based on length of service and, sometimes, age. A shorter service requirement increases service costs and TOL.

Total OPEB Liability (TOL):

The amount of the actuarial present value of projected benefit payments attributable to employees' past service based on the actuarial cost method used.

Trend Rate:

The rate at which the employer's share of the cost of retiree benefits is expected to increase over time. The trend rate usually varies by type of benefit (e.g. medical, dental, vision, etc.) and may vary over time. A higher trend rate results in higher service costs and TOL.

Turnover Rate:

The rate at which employees cease employment due to reasons other than death, disability or retirement. Turnover rates usually vary based on length of service and may vary by other factors. Higher turnover rates reduce service costs and TOL.

Valuation Date:

The date as of which the OPEB obligation is determined by means of an actuarial valuation. Under GASB 74 and 75, the valuation date does not have to coincide with the statement date, but can't be more than 30 months prior.



**CERTIFICATION OF OPEB FUNDING POLICY &
GASB OPEB STANDARDS REPORTING COMPLIANCE**

SECTION I: CERBT Asset Allocation Strategy Selection

As the employer, I certify that my agency chooses the following CERBT asset allocation strategy.

Select one CERBT Asset Allocation Strategy:

| CERBT Asset Allocation Strategy | Long-Term Expected Rate of Return | Standard Deviation of Expected Return |
|--|-----------------------------------|---------------------------------------|
| <input checked="" type="checkbox"/> Strategy 1 | 7.28% | 11.74% |
| <input type="checkbox"/> Strategy 2 | 6.73% | 9.32% |
| <input type="checkbox"/> Strategy 3 | 6.12% | 7.14% |

SECTION II: Funding Method

As the employer, I certify that our OPEB funding method and intent for the period covered by our current OPEB cost report (valuation or AMM) is to contribute consistently an amount that is equal to (select one):

ADC funding method: _____% of the Actuarially Determined Contribution (ADC) as determined in our OPEB actuarial cost report (valuation or AMM) dated _____, 20____. If using an ADC, please provide the ADC amount (1 and/or 2 years) in the comment section below.

Other funding method: We will contribute to the trust using an approach not directly related to the ADC (please describe below):

**CERTIFICATION OF OPEB FUNDING POLICY &
GASB OPEB STANDARDS REPORTING COMPLIANCE**

SECTION III: Contribution and Disbursement Method

As the employer, I certify that we intend to make CERBT contributions and request eligible disbursements in the following manner (select one):

Contribute full ADC payments to the trust and seek disbursements for pay-go costs.

Contribute ADC payments to the CERBT net of pay-go costs and not seek disbursements (ADC minus pay-go = Trust Contribution).

Other contribution and/or disbursement method, e.g. initial/ ad hoc lump sum contribution (please describe below):

SECTION IV: OPEB Cost Report Coverage Years

As the employer, I certify that this OPEB cost report (valuation or AMM) will be used for GASB 75-compliant financial reporting and as the basis for any CERBT funding for the following fiscal years:

First Year:

Fiscal Year for GASB 75 reporting: from 07/01/2016 through 06/30/2017

Measurement period for CERBT funding: from 07/01/2016 through 06/30/2017

Second Year:

Fiscal Year for GASB 75 reporting: from 07/01/2017 through 06/30/2018

Measurement period for CERBT funding: from 07/01/2017 through 06/30/2018

**CERTIFICATION OF OPEB FUNDING POLICY &
GASB OPEB STANDARDS REPORTING COMPLIANCE**

We understand that we must obtain an actuarial valuation (or AMM if applicable) on at least a biennial basis.

We understand that we will be asked to provide accounting information to CalPERS as required to facilitate CalPERS compliance with Governmental Accounting Standards Board (GASB) Statements for Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB Standards) reporting requirements and we agree to make any information requested available to CalPERS on a timely basis.

We understand that CalPERS will provide us the Schedule of Changes in Fiduciary Net Position, which can be used to prepare our GASB OPEB Standards reporting. CalPERS will report information pertaining to GASB OPEB Standards for Agent OPEB Plans.

October 14, 2018

Date of OPEB Cost Report (Valuation or AMM)

Del Paso Manor Water District

Name of Employer

Printed Name of Person Signing the Form

Title of Person Signing the Form

Signature

Date

Designated Employer Contact Name for GASB Reporting

Title of Designated Employer Contact for GASB Reporting

Phone #

Email Address



CERTIFICATION OF OPEB ACTUARIAL INFORMATION

As Actuary of the plan, I certify that the Other Post-Employment Benefits (OPEB) actuarial valuation upon which the enclosed summary of actuarial information is based meets the following criteria:

- The valuation has been prepared and signed by a Fellow or Associate of the Society of Actuaries, or an Enrolled Actuary of the Joint Board for the Enrollment of Actuaries, and a Member of the American Academy of Actuaries.¹
- The valuation has been prepared in accordance with the Actuarial Standards of Practice.
- If the valuation is an accounting valuation, then it has been prepared in accordance with the requirements set forth in Governmental Accounting Standards Board (GASB) Statements related to OPEB reporting.
- If employer assets to pre-fund other post-employment benefits are invested in an irrevocable OPEB trust other than the CERBT, the liabilities associated with those assets are not included in the summary of actuarial information.

I further certify that the discount rate is consistent with the anticipated level of funding pursuant to the relevant sections in GASB and ASOP, and the employer's certification.

Del Paso Manor Water District

Name of Employer

06/30/2017

Valuation Date

Geoffrey L. Kischuk, FSA, MAAA, FCA

Printed Name of Actuary and Designation

A handwritten signature in black ink, appearing to read "Geoffrey L. Kischuk".

02/06/2019

Signature Date

¹ In cases where the actuary performing the work does not meet these criteria, the valuation may be acceptable if the person has equivalent qualifications that are acceptable to the CalPERS Board. Please provide the qualifications of the actuary performing the valuation.

RESOLUTION No. 20190402

RESOLUTION OF THE BOARD OF DIRECTORS OF THE DEL PASO MANOR WATER DISTRICT IMPLEMENTING THE INVESTMENT POLICY

WHEREAS, the DEL PASO MANOR COUNTY WATER DISTRICT (hereinafter referred to as “District”) DESIRES TO IMPLEMENT A Statement of Investment Policy the “Policy”; and

WHEREAS, the purpose of the Policy is to provide a framework for the management of District Assets; and

WHEREAS, the said provisions of the Act also contain a requirement that all public agencies, including the District, shall adopt and promulgate a conflict of interest code; and

WHEREAS, the Policy sets forth the appropriate guidelines in consideration of the needs of the investment program. The Policy provides criteria against which investment results will be measured and serves as a review document to guide ongoing operations and oversight; and

WHEREAS, any existing Statement of Investment Policies, are hereby repealed in their entirety and hereby superseded by this resolution.

NOW, THEREFORE, BE IT RESOLVED that the District hereby adopts the Statement of Investment Policy attached hereto and incorporated herein by this reference.

Section 1. Definitions.

The definitions contained in the California Government Code Section 53600 et seq, and any amendments to the Code or regulations, are incorporated by reference into this Statement of Investment Policy.

Section 2. Incorporation of State Regulations by Reference.

With the additions noted below, the terms of Section 53600-53684 and Sections 16429.1 to 16429.3 of the Government Code of the State of California and any amendments to it duly adopted are hereby incorporated by reference and made a part of this Statement of Investment Policy.

Section 3. Purpose.

The purpose of the Policy is to provide a framework for the management of the District’s

assets. The Policy is designed to monitor and forecast expenditures and revenues, keeping funds invested to the fullest extent. The Policy also encourages effective communication, facilitates transparency and compliance, and provides a framework for investments.

The Policy sets forth the appropriate guidelines in consideration of the needs of the investment program. The Policy provides criteria against which investment results will be measured and serves as a review document to guide ongoing operations and oversight.

Section 4. Designated Employees.

The persons holding positions listed in Appendix A are designated employees. It has been determined that these persons make or participate in the making of decisions which may foreseeably have a material effect on economic interest.

Section 5. Revisions to the District's Conflict of Interest Code.

The Statement of Investment Policy shall be reviewed at least bi-annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return on investment, and its relevance to current law and financial and economic trends. Any amendments to this policy shall be forwarded to the Board of Directors for approval.

PASSED AND ADOPTED this 2nd day of April, 2019.

AYES:

NOES:

ABSENT:

DEL PASO MANOR WATER DISTRICT

By: _____
Board President

ATTEST:

By: _____
Board Secretary

DEL PASO MANOR WATER DISTRICT

INVESTMENT POLICY

This policy is effective immediately upon adoption and supersedes all previous Statement of Investment Policies.

I. PURPOSE

The purpose of this ‘Policy’, is to provide a framework for the management of Del Paso Manor Water District (“District”) assets. The Policy is designed to monitor and forecast expenditures and revenues, keeping funds invested to the fullest extent. The Policy also encourages effective communication, facilitates transparency and compliance, and provides a framework for investments.

The Policy sets forth the appropriate guidelines in consideration of the needs of the investment program. The Policy provides criteria against which investment results will be measured and serves as a review document to guide ongoing operations and oversight.

The Policy will be modified periodically to reflect the changing nature of the District assets and investment programs, benefit and structural changes, and economic conditions.

II. STRATEGIC OBJECTIVE

The District’s general investment goals are broad in nature. The overall objective of the District’s investment program is to provide members and beneficiaries with benefits as required by law. This will be accomplished through a carefully planned and executed long-term investment program that efficiently and effectively allocates and manages the assets of the District.

The Policy has been designed to allow the District to achieve a long-term total return. As such, prudent risk-taking is appropriate within the context of overall diversification to meet the District’s long-term investment objectives. The assets of the District will be broadly diversified to minimize the effect of short-term losses within any investment program. In accordance with Government Code Section 53601, the District may invest in the following types of investments:

1. Bonds issued by the State of California and/or any local agency within the State of California
2. Securities of the U.S. Government, or its agencies

3. Certificates of Deposit (or Time Deposit) placed with commercial banks and/or savings and loan companies
4. Bankers Acceptances
5. Commercial Acceptances
6. Local Agency Investment Fund (State Pool) Demand Deposits
7. Investment Trust of California (CalTRUST)
8. Repurchase Agreements (Repos)
9. Passbook Savings Account Demand Deposit
10. Reverse Repurchase Agreements
11. Medium Term Corporate Notes
12. Mutual Funds holding the above allowable investments

III. RISK MANAGEMENT

Risk management is central to managing the assets of the District and to achieving the strategic objectives. A framework for risk management is established through the adoption of investment policies for total fund strategic asset allocation, individual asset classes and portfolios with appropriate benchmarks and reasonable risk limits for the implementation of the program. The level of risk assumed will be monitored and reported.

Investment of District monies, not required for immediate expenditure, will be made as provided by law for the investment of public funds. Investments are made under the terms and conditions of Section 53600-53684 and Sections 16429.1 to 16429.3 of the Government Code of the State of California. The criteria for selecting investments and the order of priority are: safety, liquidity, and return on investment.

1. Safety of Principal - Safety of principal is the foremost objective of the District. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institution default or erosion of market value of securities. The District shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.
2. Credit Risk – Credit risk, defined as the risk of loss due to failure of any issuer of a security, shall be mitigated by investing in only financially sound institutions and/or investment in State of California Local Agency Investment Fund (LAIF).
3. Market Risk – The risk of market value fluctuations due to overall changes in the general level of market interest rates. It is explicitly recognized herein that occasional losses in a diversified portfolio are inevitable, and must be considered within the context of the overall investment returns.

4. Liquidity - Liquidity is the second most important objective of the District's investment policy. It is important that an investment contain the feature of being easily sold or withdrawn at any time with a minimal risk of loss of some portion of principal or interest. Investments shall be as liquid as required. Term investments shall be selected to anticipate cash needs to avoid forced liquidation and loss of interest or payment of penalties.

5. Return on Investment - The District shall seek to attain a market-average rate of return throughout economic cycles. The market-average rate of return is defined as the average return on two year U.S. Treasury Bonds.

IV. RESPONSIBILITIES

In accordance with section 53600 et. seq. of the Government Code of the State of California (Government Code), the authority to invest public funds is expressly delegated to the Board of Directors who may re-delegate to an appointed designee (the "Designee") by Board action. The Designee will prepare a monthly transactions report for the Board of Directors in accordance with Section 53607 of the Government Code.

Within 30 days after the end of each quarter, the Designee will provide the Board of Directors a report which will include the investment type, issuer, maturity dates, and dollar value.

A. The Designee's responsibilities include, but are not limited to:

1. Developing and adopting policies to achieve the District's strategic objectives.
2. Reviewing policy recommendations made by the Board of Directors.
3. Recommending policies for the Board of Director's consideration.

B. The Board of Director's independent investment consultants' responsibilities include, but are not limited to:

1. Providing independent review, analysis, and recommendations regarding the development and revision of policies to ensure overall consistency, use of best practices, a systemwide approach, and implementation of the District's policies.
2. Reporting to the Board of Director's and Designee as appropriate.

V. INVESTMENT APPROACHES AND PARAMETERS

All money shall be deposited for safekeeping in state or national banks, state or federal savings and loan associations, or the State of California Local Agency Investment Fund (LAIF).

Investment of funds under the above provisions shall be limited as follows:

1. Non-transferable Certificates of Deposit that are insured by the FDIC, or in short term U.S. Treasury Certificates.
2. Funds invested in the Local Agency Investment Fund will be limited to an amount of \$4,000,000.
3. Funds invested in the Investment Trust of California (CalTRUST) will be limited to an amount of \$4,000,000.
4. LAIF funds and CalTRUST funds may exceed \$4,000,000 for up to three months. The Treasurer will present the Board with a revised investment policy if funds will exceed the stated limits.

VI. RESOLUTION

The Del Paso Manor Water District investment policy shall be adopted by resolution of the Board of Directors. This investment policy shall be reviewed at least bi-annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return on investment, and its relevance to current law and financial and economic trends. Any amendments to this policy shall be forwarded to the Board of Directors for approval.

Debra

From: Tim Shaw <GM@rlecwd.com>
Sent: Monday, March 18, 2019 5:01 PM
To: RLECWD Questions
Subject: FW: Backfill Funding for Paradise Irrigation District - Request for Support
Attachments: FY 19-20 Budget Request Letter_PID_GovDOF.docx.pdf; PID Template Ltr of Support FINAL.docx

All:

Please consider executing a letter of support to our California legislative representatives (e.g. Senator Nielson and Assemblyman Gallagher) for Paradise Irrigation District's (the drinking water agency for Paradise, Camp Fire victims) request for funding. The numbers speak for themselves.

Imagine having virtually all of the operating cost for treating and supplying drinking water to 10,500 customer connections, but only having less than 700 active customers to bill.

Feel free to forward this along to any other agencies that may be inclined to sign a letter of support.

Timothy R. Shaw
General Manager
Rio Linda / Elverta Community Water District
(916) 991-8891

From: Dustin Cooper <dcooper@minasianlaw.com>
Sent: Monday, March 18, 2019 4:10 PM
To: Tim Shaw <GM@rlecwd.com>
Subject: Backfill Funding for Paradise Irrigation District - Request for Support

Hi Tim – please consider having your district support Paradise Irrigation District's funding backfill request as it begins the recovery effort following the November 2018 Camp Fire. Assemblyman Gallagher's and Senator Nielsen's backfill request on behalf of PID is attached and includes background on PID's current financial condition. Also attached is a template letter of support.

Please also consider forwarding this request to others that you think may be interested in supporting PID. Mr. Gallagher and Nielsen have indicated that numerous letters of support would be appreciated.

Hope you and your family are doing well. If you have any questions, please contact me. Thanks, Dustin

DEL PASO MANOR *Water District*

PHONE (916) 487-0419 FAX (916) 487-8534

1817 MARYAL DRIVE, SUITE 300 • SACRAMENTO, CA 95864

April 2, 2019

Senator Jim Nielsen
State Capitol, Room 5064
Sacramento, CA 95814-4900

RE: SUPPORT FOR BACKFILL FUNDING FOR PARADISE IRRIGATION DISTRICT

Dear Senator Nielsen,

Del Paso Manor Water District writes to support backfill funding for Paradise Irrigation District (PID). The one-time appropriation of \$21,693,203.00 from the General Fund is essential and necessary to keep PID operating while Paradise recovers and rebuilds from the November 2018 Camp Fire.

The Camp Fire devastated the Town of Paradise, which mirrors PID's service area. Pre-fire, PID served approximately 10,500 customer connections in the Town of Paradise. Today, approximately 1,500 of those connections remain, but only about 700 are currently active given infrastructure damage and other issues. Funding for PID's infrastructure damage and Fire-related water quality issues are being addressed through FEMA/OES and insurance proceeds. However, there is no current funding source to sustain PID's operational expenses given the overwhelming property losses suffered by PID's customers. Even though PID currently serves a smaller population, PID's cost of service is mostly (over 95%) fixed.

Maintaining PID as a viable public agency water supplier is vital to the recovery and rebuilding effort in Paradise. This short-term funding solution allows PID to continue to focus its efforts on Fire recovery, and will ensure that the men and women who work for PID and serve the community – most of whom were also affected by the Fire – will be able to maintain their employment.

Sincerely,

Debra Sedwick
General Manager

DEL PASO MANOR *Water District*

PHONE (916) 487-0419 FAX (916) 487-8534

1817 MARYAL DRIVE, SUITE 300 • SACRAMENTO, CA 95864

April 2, 2019

Assemblyman James Gallagher
P.O. Box 942849
Sacramento, CA 94249-0003

RE: SUPPORT FOR BACKFILL FUNDING FOR PARADISE IRRIGATION DISTRICT

Dear Assemblyman Gallagher,

Del Paso Manor Water District writes to support backfill funding for Paradise Irrigation District (PID). The one-time appropriation of \$21,693,203.00 from the General Fund is essential and necessary to keep PID operating while Paradise recovers and rebuilds from the November 2018 Camp Fire.

The Camp Fire devastated the Town of Paradise, which mirrors PID's service area. Pre-fire, PID served approximately 10,500 customer connections in the Town of Paradise. Today, approximately 1,500 of those connections remain, but only about 700 are currently active given infrastructure damage and other issues. Funding for PID's infrastructure damage and Fire-related water quality issues are being addressed through FEMA/OES and insurance proceeds. However, there is no current funding source to sustain PID's operational expenses given the overwhelming property losses suffered by PID's customers. Even though PID currently serves a smaller population, PID's cost of service is mostly (over 95%) fixed.

Maintaining PID as a viable public agency water supplier is vital to the recovery and rebuilding effort in Paradise. This short-term funding solution allows PID to continue to focus its efforts on Fire recovery, will allow time for it to develop long-term funding models as Paradise rebuilds over the coming years, and will ensure that the men and women who work for PID and serve the community – most of whom were also affected by the Fire – will be able to maintain their employment.

Sincerely,

Debra Sedwick
General Manager

COMMITTEES
VICE CHAIR: WATER, PARKS AND WILDLIFE
AGRICULTURE
APPROPRIATIONS
GOVERNMENTAL ORGANIZATION

Assembly California Legislature

E-MAIL
Assemblymember.Gallagher@assembly.ca.gov



JAMES GALLAGHER
ASSEMBLYMEMBER, THIRD DISTRICT

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0003
(916) 319-2003
FAX (916) 319-2103

DISTRICT OFFICES
1130 CIVIC CENTER BOULEVARD, SUITE F
YUBA CITY, CA 95993
(530) 671-0303
FAX (530) 671-0308

2060 TALBERT DRIVE, SUITE 110
CHICO, CA 95928
(530) 895-4217
FAX (530) 895-4218

March 1, 2019

Governor Gavin Newsom
State Capitol, Governor's Office
Sacramento, CA 95814

Re: Backfill Funding for Paradise Irrigation District


Dear Governor Newsom:

We respectfully request your support for a one-time appropriation of \$21,693,203 from the General Fund to the Paradise Irrigation District (PID) to allocate toward the District's operations and maintenance costs over the next three fiscal years. PID is a special district providing water service to the town of Paradise. PID was hit hard by the Camp Fire in 2018 and faces a significant reduction in operating capital for the next few years (see attachments). Although PID currently has approximately \$3 million held in reserves, it anticipates facing insolvency in less than 6 months without State action.

The district has explored funding opportunities to address damaged infrastructure and water quality issues, however, no funding avenues are currently available for maintenance and operations costs. Even though the district currently serves a smaller population, PID's cost of service is mostly (over 95%) fixed.

Providing a short-term funding solution to allow the district to develop long-term funding models will ensure that the residents returning to Paradise will not have to worry about access to clean, safe drinking water. Backfilled revenues by the State ensure that the men and women who work for and service the District – the majority of whom were also affected by the fire – will be able to maintain their employment and provide a measure of economic stability to the region.

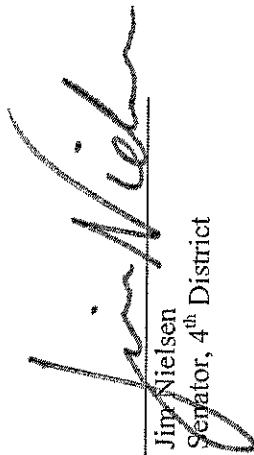
Respectfully,


James Gallagher
Assemblyman, 3rd District

Encl. 1- PID Background
Encl. 2- PID Revenue Needs
Encl. 3- PID Operating Expenses

Cc:

Keely Bosler, Director, Department of Finance
Members, Senate Committee on Budget and Fiscal Review
Members, Assembly Committee on Budget


Jim Nielsen
Senator, 4th District



PARADISE IRRIGATION DISTRICT

6332 Clark Road, Paradise CA 95969 | Phone (530)877-4971 | Fax (530)876-0483

Revenue Backfill Request

Background

Paradise Irrigation District (PID) is a local public agency formed in 1916 and operating under Division 11 of the California Water Code. It is governed by a five-member elected Board of Directors and has powers and purposes attendant to a government agency. PID serves only drinking water to the homes and businesses within the Town of Paradise, despite its "irrigation" name.

Before the November 8, 2018 Camp Fire, PID provided drinking water to approximately 10,500 customer connections. Today, approximately 1,500 connections remain; however, only about 700 of those connections are active given various reasons, including damage to PID's infrastructure and use limitations given water quality concerns.

Revenue Backfill Request – \$21,693,203.00

The unprecedented Camp Fire has left PID in financial crisis without enough revenue to meet ongoing operational expenses. The cost to replace and repair PID's infrastructure will be addressed through FEMA/CalOES and PID's insurance provider. The State's recent approval of a three-year property tax backfill for Butte County (AB 72, February 13, 2019) does not address PID's financial crisis because its revenue is predominantly (+90%) derived from customer fees, not property taxes. The attached revenue worksheet shows PID's budgeted revenue for operations and resulting shortfall totaling \$21,693,203.00. Like AB 72, PID's backfill request would be appropriated this fiscal year and then prorated out over a total of three fiscal years.

PID's Operational Costs Are Mostly Fixed

PID's cost of service is mostly (over 95%) fixed, meaning its cost to store, treat and deliver water to 1 customer connection is roughly the same as it is for 10,500 connections. PID's operational expenses do not decrease because it is serving water to fewer connections. The attached cost worksheet shows PID's budgeted costs pre-Fire and post-Fire in greater detail.

Parallel Processes – PID in the Future

PID recognizes that its financial challenges will likely extend beyond the requested three-year backfill. For that reason, it is actively analyzing ways to address its financial situation so that it can be positioned to reliably serve drinking water to the residents and businesses of Paradise in the future. Current concepts being discussed include PID wholesaling treated water through more expansive regional intertie projects or deliveries to water users to help achieve groundwater sustainability under the Sustainable Groundwater Management Act. PID will also be at the forefront of efforts to harden its water system to make it more resilient to the threat of climate change and the reality of larger and more dangerous wildfires.

The requested three year backfill is essential to keep PID solvent and to afford it time and resources to address this unprecedented catastrophe.

Paradise Irrigation District CAMP Fire Revenue Needs
February 2019

The information below shows PID's 2018/19 budgeted water rate revenue, 2019/20 budgeted water rate revenue, 2019/20 budgeted water rate revenue, which included an approved (Proposition 218) rate increase and 2020/21 budgeted water rate revenue.

| Description | Customers | Pre-Fire | | | |
|-----------------|-----------|----------------|----------------|----------------|---------------|
| | | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget | Total Revenue |
| Service Charge | 10,500 | 5,148,252 | 5,646,258 | 5,646,258 | 16,440,768 |
| Quantity Charge | 10,500 | 2,833,600 | 2,833,600 | 2,833,600 | 8,500,800 |
| Penalty Charges | 10,500 | 65,000 | 65,000 | 65,000 | 195,000 |

Total Annual Water Rate Revenue 8,046,852 8,544,858 8,544,858 25,136,568

Below is the post-CAMP fire revenue projections based on 1,500 customers.

| Description | Customers | Post-Fire | | | |
|-----------------|-----------|----------------|----------------|----------------|---------------|
| | | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget | Total Revenue |
| Service Charge | 1,500 | 705,240 | 773,460 | 773,460 | 2,252,160 |
| Quantity Charge | 1,500 | 388,164 | 388,164 | 388,164 | 1,164,493 |
| Penalty Charges | 1,500 | 8,904 | 8,904 | 8,904 | 26,712 |

Total Annual Water Rate Revenue 1,102,308 1,170,528 1,170,528 3,443,365

Below is the annual loss of revenue due to the Camp Fire

| Description | Customers | Annual Loss due to CAMP fire | | | |
|-----------------|-----------|------------------------------|----------------|----------------|---------------|
| | | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget | Total Revenue |
| Service Charge | 1,500 | 4,443,012 | 4,872,798 | 4,872,798 | 14,188,608 |
| Quantity Charge | 1,500 | 2,445,436 | 2,445,436 | 2,445,436 | 7,336,307 |
| Penalty Charges | 1,500 | 56,096 | 56,096 | 56,096 | 168,288 |

Total Annual Water Rate Revenue Loss 6,944,544 7,374,330 7,374,330 21,693,203

**Paradise Irrigation District Post-CAMP Fire Operating Expenses
February 2019**

PID's annual operating expenses are over 95% fixed. PID has two surface water reservoirs and a treatment plant that requires 24-hour staffing. PID also has 171 miles of distribution pipes that are 90% feed by gravity.

Below is an expense comparison from pre-fire to post fire.

| | Pre-Fire Budgeted Expense | | Post Fire Estimate |
|--------------------------------|----------------------------------|--------------------------|---------------------------|
| | FY 2018/19 Budget | FY 2019/20 Budget | |
| Salary and Benefits | 4,462,340 | 4,631,009 | 3,730,870 |
| Materials and Supplies | 852,500 | 916,450 | 500,000 |
| Outside Services | 521,520 | 443,420 | 1,750,000 |
| Utilities | 286,285 | 284,385 | 284,385 |
| Insurance | 105,339 | 105,339 | 105,339 |
| Board | 61,049 | 40,375 | 40,375 |
| Total Operating Expense | 6,289,032 | 6,420,977 | 6,410,969 |
| Debt Service | 963,307 | 963,677 | 963,667 |
| | 7,252,339 | 7,384,654 | 7,374,636 |

Pre-Fire and Post Fire expense differences:

1. Salaries and Benefits have decreased due to the post-fire reduction in personnel from early retirement of long-term employees and other employees leaving the area for personal reasons. Despite the need, PID has not backfilled these positions because it is actively trying to keep its long-term expenses to a minimum.
2. Materials and Supplies expenses will decrease due to operational maintenance costs shifting to disaster recovery expenses that will be reimbursed through FEMA/OES.
3. Outside Services will increase due to the lack of regular full-time employees. For example, PID must hire outside consultants to assist it with engineering, GIS, project management, contract management and many other services that it cannot currently perform in-house with limited staffing.

PID currently has approximately \$3,000,000 in reserves that it is using to maintain operations. Based on these estimates, and unless the requested backfill is approved, PID will be insolvent in less than 6 months.

**DEL PASO MANOR WATER
DISTRICT**

**DROUGHT PREPAREDNESS
AND
WATER SHORTAGE PLAN**

September 2009

DROUGHT AND WATER SHORTAGE PLAN

PURPOSE:

The purpose of this plan is to set guidelines in the event of a drought or other circumstances that may lead to a water shortage for the Del Paso Manor Water District.

WATER SUPPLY:

Del Paso Manor Water District's water supply comes from groundwater. The District's supply is not directly affected by drought conditions as it would be if the District relied on surface water. However, the groundwater basin is declining. In dry years, other Districts that use surface water rely more on groundwater which creates a greater demand on the basin. Historical data shows that long term drought conditions have a negative affect on the groundwater basin.

Other impacts to groundwater supplies are contamination issues. The District needs to be prepared in the event that the District's water supply is reduced due to a contamination issue that affects the region or the District directly.

The District maintains interties with neighboring water districts that can be used in the event of emergency. The District has developed an Emergency Response Plan that will be used in the event of an emergency. The purpose of the interties is not for foreseeable events such as a drought. It is necessary for the District to be prepared for events that may lead to a water supply shortage and to have an action plan in place to meet the water needs of the District's customers in these events.

DROUGHT OR WATER SHORTAGE PHASES:

During a water supply shortage, the priorities of the District are to maintain water quality, maintain fire flow capability, and maintain safe operating conditions, while minimizing economic impacts to both residents and commercial customers.

This Drought Preparedness Plan serves as a guide for the District to follow for any event that leads to a water supply shortage. During normal water conditions, the District requests that every customer use water wisely and not intentionally waste water. When a drought or water shortage may impact the District or region, the District has set five phases that present conditions, actions, and goals to achieve to meet the projected water supply reduction:

- Phase 1: Water Shortage Watch
- Phase 2: Water Shortage Warning
- Phase 3: Water Shortage Emergency
- Phase 4: Water Supply Critical
- Phase 5: Water Supply Critical/State Mandate for Reduction

Based on water conditions in the District, surrounding community and region, as well as the State, the Board will determine if the District needs to declare a drought or water shortage and the drought phase that needs to be implemented. There may be times that the Board may declare a Drought but, due to special circumstances, may implement a modified phase to achieve the needed reduction.

The following table outlines each phase in a drought stage given the District's actions, the requested customer actions, and penalties that may be invoked.

Drought Preparedness Plan – Del Paso Manor Water District

| | | | |
|---|---|---|--|
| Drought Stage | Public Agency Actions | Requested Consumer Actions | Penalties (in progressive order) |
| <p>Phase 1 – Watch 5-10% Shortage (Voluntary Reductions)</p> | <p>Water Agencies Initiate public information campaign. Explain drought situation to the public and governmental bodies. Request voluntary conservation by requesting such actions as:</p> <ul style="list-style-type: none"> • Odd/Even outside watering schedule • Washing paved surfaces only for health and safety reasons • Irrigation during non-peak periods • No water running off property • Repaired leaks • Re-circulating pumps required for fountains, ponds, pools, etc. | <p>All Customers Implement voluntary water-use reductions.</p> | <p>Water Waste Actions</p> <ol style="list-style-type: none"> 1. Educational letter or visit. 2. Written notice of violation 3. Citation or fine. 4. Shut-off and reconnection fee. |
| | <p>Water Agencies Prepare and disseminate educational brochures, bill inserts, and so forth. Set up public information booths urging water conservation and showing ways the public can save water during events held within the District. Coordinate media outreach program. Begin advertising campaign to remind consumers of the need to save water. Recruit and train employees for speakers bureau, ordinance enforcement, and so on.</p> | | |

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| Drought Stage | <p>Phase 2 – Warning 10-20% Shortage (Voluntary or Mandatory Reductions)</p> |
| Public Agency Actions | <p>Water Agencies Mandate voluntary conservation actions listed in Phase 1.</p> <p>Enforce more conservation measures such as, car washing allowed only with a bucket and hose equipped with shut-off nozzle and washing of paved surfaces for health reasons on limited times.</p> <p>Continue rigorous public information campaign. Explain drought conditions. Distribute technical conservation information.</p> <p>Support passage of drought ordinances by appropriate government agencies. If reductions are mandatory, investigate methods for enforcement.</p> <p>Make low-flow showerheads and water-saving toilet devices available to public.</p> <p>Ask consumers for 10-15% mandatory or voluntary water-use reductions.</p> |
| Requested Consumer Actions | <p>All Customers Adhere to nonessential-use ordinances.</p> <p>Industrial/Commercial Customers Voluntarily implement contingency action plan.</p> <p>Voluntary reduction of water use for street cleaning, main flushing, and landscaping.</p> <p>Restaurants to serve water only upon request.</p> |
| Penalties (in progressive order) | <p>Water Waste Actions</p> <ol style="list-style-type: none"> 1. Education Letter or visit. 2. Educational visit and warning. 3. Citation or fine. 4. Installation of flow restrictor. 5. Shutoff and reconnection fee. |

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| <p>Drought Stage</p> <p>Phase 3 – Emergency 10-35% Shortage (Mandatory Reductions)</p> | <p>Public Agency Actions</p> <p>Mandate all conservation measures in Stage 2.</p> <p>Ask consumers to reduce their water use 15-20% by implementing further conservation measures including:</p> <ul style="list-style-type: none"> • Limit outside watering to 2 days per week. • Re-filling of ponds, pools, or spas not allowed. • Restrict outside watering time from 9pm to 9am. • Washing paved surfaces for health reasons limited to once per month. • Car washing with bucket and hose equipped with shut-off nozzle must be done on lawn. | <p>Requested Consumer Actions</p> <p>All Customers Adhere to conservation ordinance. Limit all non-essential use of water.</p> <p>Industrial/Commercial Customers Implement the water-use contingency plan they may have.</p> | <p>Penalties (in progressive order)</p> <p>Water Waste Actions</p> <ol style="list-style-type: none"> 1. Educational letters or visit. 2. Educational visit and warning. 3. Citation or Fine. 4. Installation of flow restrictor. 5. Shutoff and reconnection fee. 6. Install a meter on flat rate service. |
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| <p>Drought Stage</p> <p>Phase 4 - Critical 35-50% Shortage (Mandatory Reductions)</p> | <p>Public Agency Actions</p> <p>All of emergency stage (Phase 3) steps enforced.</p> <p>Mandate further conservation measures to achieve a 25-30% reduction in water uses including:</p> <ul style="list-style-type: none"> • Limit outside watering to one day per week. • No car washing at residence. <p>Monitor production for compliance with necessary reductions weekly.</p> | <p>Requested Consumer Actions</p> <p>All Customers Adhere to conservation ordinance.</p> <p>Industrial/Commercial Customers Suggest daily/weekly water meter reading.</p> <p>Hydrant permits will be issued on a limited basis, if at all.</p> | <p>Penalties (in progressive order)</p> <p>Water Waste Actions</p> <ol style="list-style-type: none"> 1. Educational letters or visit. 2. Educational visit and warning. 3. Citation or Fine. 4. Installation of flow restrictor. 5. Shutoff and reconnection fee. 6. Install meter on flat rate service. |
|---|--|--|---|

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| <p>Drought Stage</p> | <p>Public Agency Actions</p> | <p>Water Agencies Enforce all phase 4 steps.</p> | <p>Phase 5 - Essential Critical/State Mandated 35-50% Shortage (Mandatory Reductions)</p> |
| <p>All Customers Adhere to conservation ordinance.</p> <p>Industrial/Commercial Customers Suggest daily/weekly water meter reading.</p> <p>No hydrant permits will be issued.</p> | <p>Water Agencies Enforce all phase 4 steps.</p> <p>Mandate further conservation measures to achieve a 40-50% reduction in water uses including:</p> <ul style="list-style-type: none"> • No outside watering allowed. • All leaks must be fixed immediately to avoid termination of water service. <p>Monitor production for compliance with necessary reductions weekly.</p> <p>Implement measure to increase fines for non-compliance.</p> | <p>Water Agencies Enforce all phase 4 steps.</p> <p>Mandate further conservation measures to achieve a 40-50% reduction in water uses including:</p> <ul style="list-style-type: none"> • No outside watering allowed. • All leaks must be fixed immediately to avoid termination of water service. <p>Monitor production for compliance with necessary reductions weekly.</p> <p>Implement measure to increase fines for non-compliance.</p> | <p>Water Agencies Enforce all phase 4 steps.</p> <p>Mandate further conservation measures to achieve a 40-50% reduction in water uses including:</p> <ul style="list-style-type: none"> • No outside watering allowed. • All leaks must be fixed immediately to avoid termination of water service. <p>Monitor production for compliance with necessary reductions weekly.</p> <p>Implement measure to increase fines for non-compliance.</p> |
| <p>Penalties (in progressive order)</p> <p>Water Waste Actions</p> <ol style="list-style-type: none"> 1. Educational letters or visit. 2. Educational visit and warning. 3. Citation or Fine. 4. Installation of flow restrictor. 5. Shutoff and reconnection fee. 6. Install meter on flat rate service. | <p>All Customers Adhere to conservation ordinance.</p> <p>Industrial/Commercial Customers Suggest daily/weekly water meter reading.</p> <p>No hydrant permits will be issued.</p> | <p>Water Agencies Enforce all phase 4 steps.</p> <p>Mandate further conservation measures to achieve a 40-50% reduction in water uses including:</p> <ul style="list-style-type: none"> • No outside watering allowed. • All leaks must be fixed immediately to avoid termination of water service. <p>Monitor production for compliance with necessary reductions weekly.</p> <p>Implement measure to increase fines for non-compliance.</p> | <p>Water Agencies Enforce all phase 4 steps.</p> <p>Mandate further conservation measures to achieve a 40-50% reduction in water uses including:</p> <ul style="list-style-type: none"> • No outside watering allowed. • All leaks must be fixed immediately to avoid termination of water service. <p>Monitor production for compliance with necessary reductions weekly.</p> <p>Implement measure to increase fines for non-compliance.</p> |

| CONSERVATION STAGES - SUMMARY | | | | | |
|---|---|---|--|---|--------------------------------------|
| | Stage 1 | Stage 2 | Stage 3 | Stage 4 | Stage 5 |
| Limited Watering | Request Odd/Even | Odd/Even | 2 days per week odd - Tues & Sat even - Wed & Sun | 1 day per week odd - Sat even - Sun | no outside watering |
| Time of day watering | request non-peak times | request non-peak times | 9pm - 9am | 9pm - 9am | n/a |
| Water running off property | No | No | No | No | No |
| Fix Leaks | 1 week | 1 week | 5 calendar days | 3 calendar days | immediately-water off until fixed |
| Recirculating Pumps on fountains, ponds, pools, etc. | yes | yes | yes | yes | yes |
| Re-filling of pools, spas, & ponds | For health reasons | For health reasons w/notice | no | no | no |
| No Open Hoses | no | no | no | no | no |
| Hosing off driveways, patios, porches, etc. | request to limit for health reasons only | permitted for health reasons no more than once per week | permitted for health reasons no more than once per month | no | no |
| Car/Boat Washing w/bucket and hose with shut-off nozzle | yes | yes | if on lawn | no | no |

| | | | | | | | | |
|-----------------|---|-------------------|-------------------|-------------------|-------------------|--|--|--|
| Restaurants - | | | | | | | | |
| Serving water | okay | upon request only | upon request only | upon request only | upon request only | | | |
| % of reduction | 5-10% | 10-15% | 15-20% | 25-30% | 40% | | | |
| Hydrant Permits | All hydrant permits will be reviewed on a case by case basis no mater what stage. | | | | | | | |
| Penalties | Penalties are incorporated into our rate ordinance. | | | | | | | |

Debra

From: Steve Nugent <steve@carmichaelwd.org>
Sent: Monday, March 11, 2019 1:28 PM
To: Debbie Sedwick (debrasedwick@sbcglobal.net)
Subject: CCR

Debra:

CWD has reviewed your request for assistance with Del Paso Manor Water District CCR. The District staff does complete the CWD report in-house, however with our own reporting needs and providing information to our partner Golden State Water Company, staff would not have time to create a CCR for the Del Paso Manor Water District. In addition CWD would not want to take on any liability associated with creating the report based on information that CWD doesn't have control over.

Sincerely,

Steve

Debra

From: Dan York <dyork@sswd.org>
Sent: Monday, February 25, 2019 2:23 PM
To: Debra
Subject: DPMWD 2018 Consumer Confidence Report

Deb,

Per our discussion last week regarding SSWD generating DPMWDs 2018 CCR, I will have to respectfully decline the request. SSWD has 80+ groundwater wells and also utilized its contract water rights with PCWA in 2018. Due to that, our CCR is quite large, therefore, we have to outsource the publishing, printing and postage of the subject report. But most importantly, this is a regulatory requirement and it is very critical that it is completed correctly. If SSWD conducted the task of completing DPMWDs 2018 CCR, we would be responsible for the final product and mailing. If something were to occur to where the regulatory requirements were not met, I would not want SSWD to be responsible.

However, if you would like me to see if DPMWD can potentially benefit bulk cost savings by using our printing/postage vendors, I can look to see if our contract allows such.

Thanks,
Dan

Dan York
General Manager
Sacramento Suburban Water District
3701 Marconi Avenue, Suite 100
Sacramento, CA 95821
Office: 916-679-3973
Cell: 916-869-7349
sswd.org



Regional Locations

Northeast
209 W Central Street
Suite 102
Natick, MA 01760

Southeast
2423 SW 147th Avenue
Miami, FL 33185

Central
6539 Harrison Avenue
Cincinnati, OH 45247

Southwest
12680 W Lake Houston Pkwy
Suite 510
Houston, TX 77044

West
3705 W. Pico Blvd
Los Angeles, CA 90019

Debra Sedwick
Del Paso Manor County WD
1817 Maryal Drive
Suite 300
Sacramento, CA 95864

Dear Debra,

Thank you for requesting information about our Consumer Confidence Report Management Services. As promised, please find attached a proposal detailing your cost for complete CCR management services. I have also included a brochure and samples of our work for your review.

Since 1998, we've delivered more than 80 million compliant consumer confidence reports to communities across the country. Year after year, our clients have trusted us to produce the highest quality reports that meet all their state's unique requirements. Whether you need to print and mail hardcopies or just need an electronic version to put on your web page, we have the perfect solution for you.

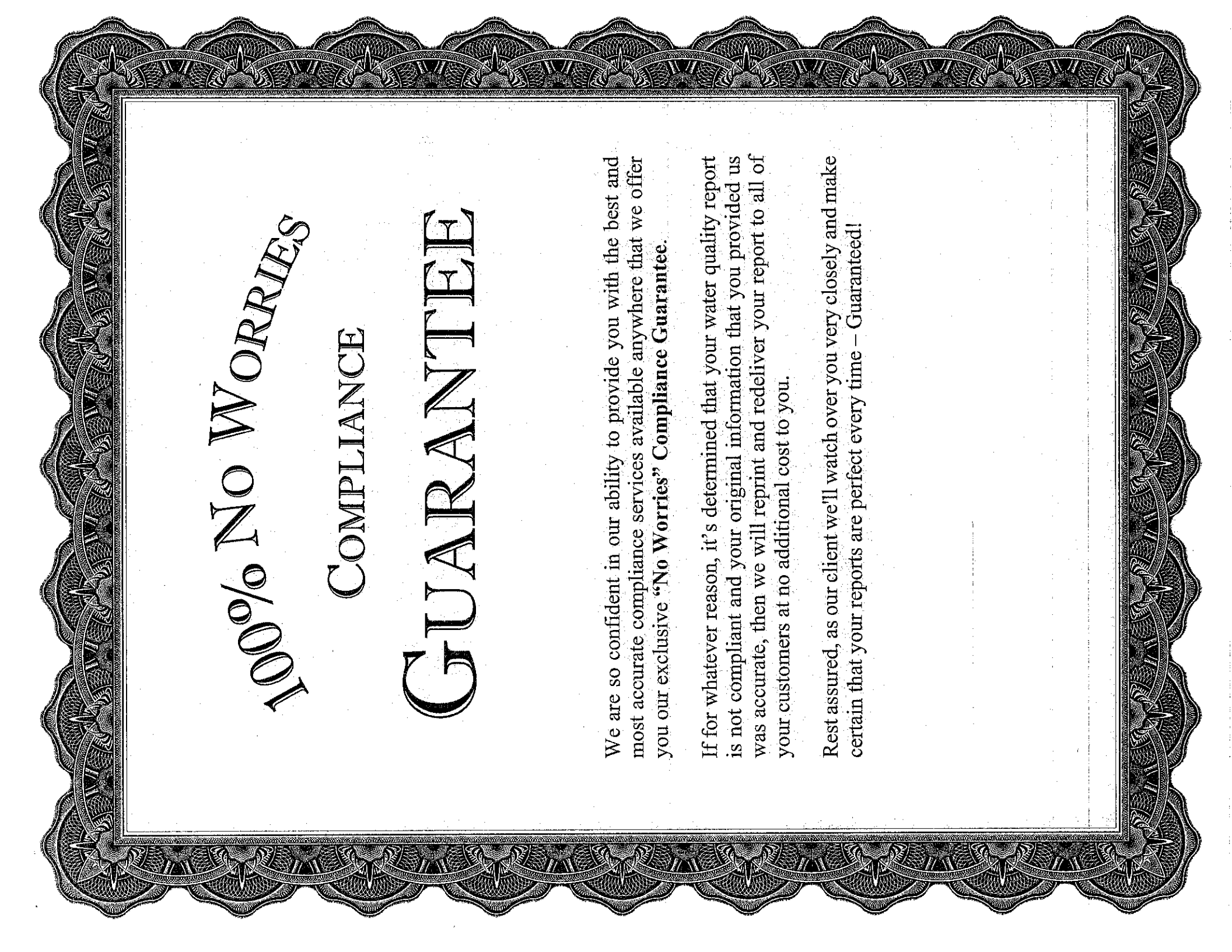
Our process is fast and easy – just answer some questions and you're done! We manage everything else and with our 100% No-Worries Compliance Guarantee you can be confident that your CCR will be perfectly compliant every time. Let Gemini Group provide you with what we've been providing to our clients for over 20 years:

- We help you write a compliant CCR
- We know all of your state's additional reporting requirements
- 100% No-Worries Guarantee – your CCRs will always be compliant
- Knowledgeable and friendly staff always here when you need us
- Compliance consultants to answer all your questions
- Printing, mailing and much, much more

I hope you find this information helpful and to your satisfaction. To obtain a more detailed cost quote, please visit us at www.GemGrip.com and click 'My Project Center'. If you have any questions, please call me at (800) 254-9761 ext. 213. Again, thank you for your interest in Gemini Group, and we look forward to the opportunity to serve you.

Sincerely,

Michael W. Keegan
Senior Managing Partner



100% NO WORRIES

COMPLIANCE

GUARANTEE

We are so confident in our ability to provide you with the best and most accurate compliance services available anywhere that we offer you our exclusive "No Worries" Compliance Guarantee.

If for whatever reason, it's determined that your water quality report is not compliant and your original information that you provided us was accurate, then we will reprint and redeliver your report to all of your customers at no additional cost to you.

Rest assured, as our client we'll watch over you very closely and make certain that your reports are perfect every time - Guaranteed!

**CCR Management Service
Program Options For
Del Paso Manor County WD**

Please visit us on the Web at www.GemGrp.com to learn more about the options listed below.

Our process is quick, simple, and guaranteed to be perfectly compliant. We handle everything from start to finish. Once you complete the short interview using our online report generator, our compliance team reviews your report to make certain that all of your state's requirements are included. Your report then goes to an editor where it will be checked for correct spelling and grammar. We then design your report using your chosen brochure style and include colorful photos and illustrations (yours or ours), logos, maps, and so on. Finally, we send you a proof for your approval, and you're done!

- We'll help you write your report
- 100% No-Worries Guarantee - your CCRs will always be compliant
- Get a digital copy of your CCR for posting on your web page
- Printing, mailing, hosting, translations and much, much more
- Knowledgeable and friendly staff always here when you need us
- Unlimited access to compliance consultants to answer all your questions
- Educate your customers with engaging, prewritten and editable articles from our library

Traditional Delivery Option - including 2,000 report copies:

Most Popular

| C Style | A&B Styles |
|--------------|--------------|
| 18% Discount | 53% Discount |
| \$3,849 | \$2,566 |

Electronic Delivery Option – with unlimited printing-on-demand: \$2,486

(For a more detailed quote, login to www.gemgrp.com, click 'My Project Center', then click 'Step 1')

Mailing Service

Our optional mailing service is based on an all-inclusive rate which includes postage, CASS Certification, setup, sorting, labeling, tabbing and delivery to the Post Office. If you provide us an electronic file of your mailing list your cost is \$0.33/mailer. If you mail to everyone in your code(s) your cost is \$0.31/mailer.

Please call us with any questions you may have (800) 254-9761

Visit us at www.GemGrp.com

**REGIONAL WATER AUTHORITY
PROJECT AGREEMENT**

SACRAMENTO REGIONAL WATER BANK, PHASE 1

This Agreement is made and entered into as of the ____ day of ____, 2019, by and between the Regional Water Authority (“RWA”), a joint exercise of powers authority formed under California Government Code section 6500, and following, and the Members and Contracting Entities of RWA listed in Exhibit 1 to this Agreement, upon their execution of this Agreement (who are collectively referred to in this Agreement as “Participants”), to provide for carrying out a project or program that is within the authorized purposes of RWA, and sharing in the cost and benefits by the Participants.

RECITALS

- A. RWA is a joint powers authority, formed to serve and represent regional water supply interests and to assist its members in protecting and enhancing the reliability, availability, affordability and quality of water resources.
- B. The joint powers agreement (“RWA JPA”) pursuant to which RWA was formed and operates, authorizes RWA to enter into a “Project or Program Agreement,” which is defined in the RWA JPA as an agreement between RWA and two or more of its Members or Contracting Entities to provide for carrying out a project or program that is within the authorized purposes of RWA, and sharing in the cost and benefits by the parties to the Project or Program Agreement.
- C. Article 21 of the RWA JPA states: “The Regional Authority’s projects are intended to facilitate and coordinate the development, design, construction, rehabilitation, acquisition or financing of water-related facilities (including sharing in the cost of federal, State or local projects) on behalf of Members and/or Contracting Entities. The Regional Authority may undertake the development, design, construction, rehabilitation, acquisition or funding of all or any portion of such projects on behalf of Members and/or Contracting Entities in the manner and to the extent authorized by such Members and/or Contracting Entities as provided in this Agreement, but shall not accomplish these functions, nor acquire or own water-related facilities in its own name.”

D. Article 22 of the RWA JPA states: “Prior to undertaking a project or program, the Members and/or Contracting Entities who elect to participate in a project or program shall enter into a Project or Program Agreement. Thereafter, all assets, benefits and obligations attributable to the project shall be assets, benefits and obligations of those Members and/or Contracting Entities that have entered into the Project or Program Agreement. Any debts, liabilities, obligations or indebtedness incurred by the Regional Authority in regard to a particular project or program, including startup costs advanced by the Regional Authority, shall be obligations of the participating Members and/or Contracting Entities, and shall not be the debts, liabilities, obligations and indebtedness of those Members and/or Contracting Entities who have not executed

the Project or Program Agreement.”

E. RWA and the Participants desire to carry out a project and share in the costs and benefits of the project, as a Project or Program Agreement as provided for in Articles 21 and 22 of the RWA JPA.

In consideration of the promises, terms, conditions and covenants contained herein, the parties to this Agreement hereby agree as follows:

- 1. Recitals Incorporated.** The foregoing recitals are hereby incorporated by reference.
- 2. Defined Terms.** Terms defined in the RWA JPA will have the same meaning in this Agreement.
- 3. Description of the Project.** The project (“Project”) that RWA and the Participants desire to carry out is the development of the first phase of activities required to establish the Sacramento Regional Water Bank (“Water Bank”). The Water Bank will be a sustainable groundwater storage and recovery program intended to increase conjunctive use capacity and operations in the region to improve the long-term reliability of water supplies. The Water Bank will include an accounting system of storage and recovery with a monitoring program to ensure long-term groundwater basin sustainability. Phase 1 consists of work that is primarily associated with pre-feasibility activities. The Phase 2 scope of work and budget will be further developed during Phase 1 activities and will be focused on final feasibility determinations, including environmental analysis. Near the completion of Phase 1, the Participants will decide upon commencing with Phase 2. The completion of Phase 2 is expected to result in an operational Water Bank, with a target completion by January 2022. Phase 2 would be subject to approval of a separate Project Agreement. A scope of work for Phase 1 is attached hereto as Exhibit 2 (“Project Description”).
- 4. Project Committee.** The Participants hereby form a Project Committee consisting of one representative (and alternates) designated by each Participant. The Project Committee will meet as necessary from time to time to administer and implement this Agreement on behalf of the Participants. A majority of the total members of the Project Committee will constitute a quorum, and a majority of the total members of the Project Committee present at a meeting will be required for an affirmative vote to take action on behalf of the Participants. Each member of the Project Committee will have one vote, either by its representative or an alternate. Where a vote to take action will occur, notice of at least seven days shall be provided to all Project Committee members so that they may have a reasonable opportunity to participate in the consideration of the action item.
- 5. Sharing in Project Costs and Benefits.** The total estimated cost to complete the Water Bank, Phase 1 Project is estimated at \$500,000. A not-to-exceed estimate of \$600,000 was established to account for the possibility that not all proposed agencies will participate and to allow for a contingency in the event of unanticipated expenses. The not-to-exceed fee includes an

additional 20 percent of the planned Phase 1 fee. Other than to fund the shortage of the planned Phase 1 fee, the not-to-exceed fee shall not be assessed or used for any other purpose, including as a contingency for unanticipated expenses, without prior approval of the Project Committee. The assessments and not-to exceed budgets for each Participant are further described and attached hereto as Exhibit 3 (“Financing Plan”). Each of the Participants will make one or more payments to RWA for completion of the Project. Participants shall have full access to the work products of the Project.

At the conclusion of the Project, the Project Committee will take action on the dispensation of any remaining funds, which may include designating funds to the Regional Water Bank, Phase 2 effort. If the Project Committee elects to return the surplus funds to the Participants, RWA will pay back such funds to the Participants on a pro rata basis reflecting the amount of the payments made by each of the Participants. In accordance with the provisions of Articles 21 and 22 of the RWA JPA, any debts, liabilities, obligations or indebtedness incurred by RWA in regard to the Project will be the obligations of the Participants, and will not be the debts, liabilities, obligations and indebtedness of those Members and/or Contracting Entities who have not executed this Agreement.

6. Role of RWA. The RWA will (a) ensure that the interests of Members and Contracting Entities of RWA who do not participate in this Project are not adversely affected in performing this Agreement, (b) provide information to the Participants on the status of implementation of the Project, (c) assist the Project Committee in carrying out its activities under this Agreement, d) secure consultant support services through a competitive selection process as identified in RWA Policy 300.2, where applicable; and e) manage consultant support services in completion of the Project.

7. Authorization to Proceed with the Project. The Project is authorized to proceed upon the commitment of \$250,000 from Project Participants to fund initial Project costs. Upon execution of this Agreement, the Participants agree to fund their portion of the Project costs in an amount and manner as described in Exhibit 3 (“Financing Plan”) to this Agreement.

8. Term. This Agreement will remain in effect for so long as any obligations under this Agreement and/or obligations from other sources of funding secured for completing the Project remain outstanding.

9. Withdrawal. A Participant may withdraw from this Agreement without requiring termination of this Agreement, effective upon ninety days’ notice to RWA and the other Participants, provided that, the withdrawing Participant will remain responsible for any indebtedness incurred by the Participant under this Agreement prior to the effective date of withdrawal. If any surplus funds remain after the withdrawing Participant has met all of its financial obligations under this Agreement, then such funds will be returned to the withdrawing Participant in proportion to the total contribution made by each Participant.

10. Amendments. This Agreement may be amended from time to time with the approval

of all of the Participants and RWA.

11. Privileges and Immunities. All of the privileges and immunities from liability; exemptions from laws, ordinances and rules; and all pension, relief, disability, worker's compensation and other benefits that apply to the activity of officers, agents or employees of RWA or the Participants when performing their respective functions for those agencies will, to the extent permitted by law, apply to them to the same degree and extent while engaged in the performance of any of the functions and other duties under this Agreement. It is further understood and agreed by RWA and the Participants that, notwithstanding anything contained herein, the employees of RWA and of each Participant shall continue to be entirely and exclusively under the direction, supervision and control of the employing party.

12. No Third Party Beneficiary. RWA and the Participants understand and agree that this Agreement creates rights and obligations solely between RWA and the Participants and is not intended to benefit any other party. No provision of this Agreement shall in any way inure to the benefit of any third person so as to constitute any such third person as a third-party beneficiary of this Agreement or any of its items of conditions, or otherwise give rise to any cause of action in any person not a party hereto.

13. Liabilities. With respect to this Agreement, RWA and the Participants expressly agree that the debts, liabilities and obligations of RWA and of each Participant shall remain the debts, liabilities and obligations of that party alone and shall not be the debts, liabilities and obligations of any other party to this Agreement, except as may be otherwise set forth herein or in an amendment to this Agreement.

14. Audits and Accounting. All funds provided under this Agreement shall be separately accounted for and maintained, with books and records of such funding open to inspection by the Participants. Funding under this Agreement shall be subject to and consistent with the audit and accounting procedures set forth in Articles 27 and 28 of the RWA JPA.

15. General Provisions. Any notice to be given under this Agreement may be made by: (a) depositing in any United States Post Office, postage prepaid, and shall be deemed received at the expiration of 72 hours after its deposit; (b) transmission by facsimile copy; (c) transmission by electronic mail; or (d) personal delivery. This Agreement shall be governed by the laws of the State of California. The contact information for each Participant with respect to this section of the Agreement is set forth in Exhibit 4 ("Notice Information"). This Agreement may be executed by the parties in counterpart, each of which when executed and delivered shall be an original and all of which together will constitute one and the same document.

16. Signatories' Authority. The signatories to this Agreement represent that they have authority to execute this Agreement and to bind the Participant on whose behalf they execute it.

The foregoing Sacramento Regional Water Bank, Phase 1 Project Agreement is hereby agreed to by RWA and the Participants.

Dated: _____, 2019

_____, 2019

Signature

Signature

Name

Name

Regional Water Authority

Agency

List of Agreement Exhibits

- Exhibit 1 – Project Participants
- Exhibit 2 – Project Description
- Exhibit 3 – Financing Plan
- Exhibit 4 – Notice Information

EXHIBIT 1

PROJECT PARTICIPANTS

REGIONAL WATER AUTHORITY

SACRAMENTO REGIONAL WATER BANK, PHASE 1 PROJECT

Agency (Proposed)

California American Water
Carmichael Water District
Citrus Heights Water District
City of Folsom
City of Lincoln
City of Roseville
City of Sacramento
Del Paso Manor Water District
El Dorado County Water Agency
El Dorado Irrigation District
Elk Grove Water District
Fair Oaks Water District
Golden State Water Company
Orange Vale Water Company
Placer County
Placer County Water Agency
Rio Linda/Elverta Community Water District
Sacramento County Water Agency
Sacramento Regional County Sanitation District
Sacramento Suburban Water District
San Juan Water District

EXHIBIT 2

PROJECT DESCRIPTION

REGIONAL WATER AUTHORITY

SACRAMENTO REGIONAL WATER BANK, PHASE 1 PROJECT

The Sacramento Regional Water Bank Project is being implemented in two distinct phases. Phase 1 consists of work that is still primarily associated with pre-feasibility activities. The Phase 2 scope of work and budget will be further developed during Phase 1 activities and will be focused on final feasibility determinations including environmental analysis. The Phase 1 scope of work is described below in four primary tasks.

SCOPE OF WORK

The following tasks describe the overall work activities expected for the Sacramento Regional Water Bank (“Water Bank”) Project, Phase 1. More detailed scopes of work and deliverables would be specified upon the issuance of task orders to authorize the work.

Task 1: Support Water Bank Project Committee Meetings

Support up to nine Water Bank Project Committee meetings during Phase 1 implementation. All meetings are assumed to be in-person. Up to the currently budgeted amount, this task will include the following:

- Develop supporting meeting materials (as appropriate)
- Conduct meetings
- Develop meeting summaries
- Development of template staff reports

Up to three template staff reports on the Water Bank will be prepared for Project Committee participants to utilize with their respective organizations. Staff reports are anticipated to be needed at the onset of Phase 1, during Phase 1 as an update on progress, and at the end of Phase 1 as a recap of accomplishments and preview of next steps. Staff reports will be prepared at the direction of RWA.

Deliverables:

- Meeting materials (as appropriate) – electronic and hard copies
- Template staff reports – up to three; three pages in length; draft, final (both in MSWord)

Task 2: Facilitate Water Bank Communications Working Group

Support and facilitate up to six Water Bank Communications Working Group (“Comms WG”) meetings during Phase 1 implementation. The meetings will be a combination of in-person and through online meeting services (via services such as GoToMeeting). Up to the currently budgeted amount, this task will include the following:

- Develop supporting meeting materials (as appropriate)
 - Facilitate meetings
 - Develop meeting summaries
- Deliverables:**
- Meeting materials (as appropriate) – electronic and hard copies

Task 3: Develop Water Bank Outreach Materials

Support development of branding and outreach materials as part of Phase 1 implementation of the Water Bank Communications Strategy. Up to the currently budgeted amount, this task will include the following:

- Water Bank key messages – Support the Comms WG with development of Water Bank key messages. These messages are the main points that audiences should know about the Water Bank and will be used throughout all communications platforms and activities to maintain consistent messaging.
- Water Bank one-page fact sheets/inserts – Support the Comms WG with development and production of an initial set of stand-alone one-page (back and front) fact sheets/inserts related to the Water Bank. These fact sheets/inserts are intended to address key issues, benefits, and technical topics associated with the Water Bank and are intended to be for public distribution. Prior to development of fact sheets/inserts, support the Comms WG with determination of the initial list of topics to be covered and sequencing during Phase 1.

Deliverables:

- Water Bank key messages – draft, revised draft, final (all in MSWord)
- Water Bank one-page fact sheets/inserts – up to eight fact sheets/inserts; draft, revised draft, final of each insert (draft in MSWord, revised draft and final in InDesign); production of 100 copies of each insert

Task 4: Integrated Water Flow Model Development

- Develop a comprehensive model, using the California Department of Water Resources (“DWR”) Integrated Water Flow Model (“IWFModel-2015”) Code for the South American

Subbasin of Sacramento Valley Groundwater Basin. Note that the North American Subbasin is already funded through another source.

- Develop a new finite element grid network and populate the model with existing time series and spatial input data files including data from the Sacramento Area Integrated Water Resources Model (“SacIWRM”), California Central Valley Groundwater-Surface Water Simulation Model – fine finite element grid (“C2VSim-FG”), and Sacramento Valley Groundwater-Surface Water Simulation Model (“SVSim”) applications.
- Calibrate the model using manual methods and refine using automated calibration with PEST (model-independent parameter estimator) software. Perform sensitivity analysis and refine model parameters, as needed.
- Develop baseline models for existing and future conditions within the model area.
- Run up to four model scenarios to determine the storage, storage losses, and local and regional groundwater elevation changes associated with water bank operations in both the North American and South American subbasins. Scenarios will include simulations of water bank operations in the urban distribution systems as well as proposed operations associated with the Sacramento Regional County Sanitation District’s (“Regional San’s”) South County Ag Program.

Deliverables:

- Complete populated and calibrated model files on IWFEM-2015 platform
- Model files for baseline conditions, current conditions, future conditions, and scenarios.
- Report documenting model development, calibration, model scenarios and results, and changes made based on stakeholder input.

Estimated Budget by Task

| | |
|---|------------------|
| Task 1. Project Committee Support | \$41,000 |
| Task 2. Communications Work Group Support | \$17,000 |
| Task 3. Outreach Materials Development | \$75,000 |
| Task 4. Integrated Water Flow Model Development | \$367,000 |
| Total | \$500,000 |

EXHIBIT 3

FINANCING PLAN

REGIONAL WATER AUTHORITY

SACRAMENTO REGIONAL WATER BANK, PHASE 1 PROJECT

In developing the proposed fees for each agency, factors such as agency size and the likelihood and level of participation in a future bank were considered. One of the most significant considerations is whether the agency is also located within the South American Subbasin. This is because agencies in the North American Subbasin are funding much of the cost for the update of that portion of the model through a separate effort. A not-to-exceed fee was established to account for the possibility that not all proposed agencies will participate and to allow for a contingency in the event of unanticipated expenses. The not-to-exceed fee includes an additional 20 percent of the planned Phase 1 fee for each agency.

Proposed Fee Table

| Agency | Planned Phase 1 Fee (1) | Not-to-Exceed Fee |
|--|--------------------------------|--------------------------|
| California American Water (2) | \$ 50,000 | \$ 60,000 |
| Carmichael Water District | \$ 10,000 | \$ 12,000 |
| Citrus Heights Water District | \$ 20,000 | \$ 24,000 |
| City of Folsom (2) | \$ 30,000 | \$ 36,000 |
| City of Lincoln | \$ 15,000 | \$ 18,000 |
| City of Roseville | \$ 30,000 | \$ 36,000 |
| City of Sacramento (2) | \$ 60,000 | \$ 72,000 |
| Del Paso Manor Water District | \$ 3,000 | \$ 3,600 |
| El Dorado County Water Agency | \$ 10,000 | \$ 12,000 |
| El Dorado Irrigation District | \$ 10,000 | \$ 12,000 |
| Elk Grove Water District (2) | \$ 15,000 | \$ 18,000 |
| Fair Oaks Water District | \$ 20,000 | \$ 24,000 |
| Golden State Water Company (2) | \$ 20,000 | \$ 24,000 |
| Orange Vale Water Company | \$ 3,000 | \$ 3,600 |
| Placer County | \$ 3,000 | \$ 3,600 |
| Placer County Water Agency | \$ 30,000 | \$ 36,000 |
| Rio Linda/Elverta Community Water District | \$ 4,000 | \$ 4,800 |
| Sacramento County Water Agency (2) | \$ 60,000 | \$ 72,000 |
| Sacramento Regional County Sanitation District (2) | \$ 50,000 | \$ 60,000 |
| Sacramento Suburban Water District | \$ 35,000 | \$ 42,000 |
| San Juan Water District | \$ 25,000 | \$ 30,000 |

Notes to Proposed Fee Table

(1) If every proposed agency participates in the Project, the fees collected would be \$503,000. Any surplus funds at the end of the Project will be dispensed in the manner described in Section 17 of this Project Agreement.

(2) Agency in South American Subbasin.

At the outset of the study, the intent is to collect funding for \$500,000 of work described in Exhibit 2. In the event an agency is unable to participate, the remaining agencies will cover the unfunded amount to reach the \$500,000 funding level on a prorated basis of their original fee up to their not-to-exceed amount. Other than to fund any shortage of the \$500,000 planned Phase 1 fees, the not-to-exceed fee shall not be assessed or used for any other purpose, including as a contingency for unanticipated expenses, without prior approval of the Project Committee.

EXHIBIT 4 [CONTACT INFO TO BE ADDED BELOW UPON CONFIRMATION OF PARTICIPANTS]

NOTICE INFORMATION

REGIONAL WATER AUTHORITY

SACRAMENTO REGIONAL WATER BANK, PHASE 1 PROJECT

California American Water

City of Roseville

Carmichael Water District

City of Sacramento

Citrus Heights Water District

Del Paso Manor Water District

City of Folsom

El Dorado County Water Agency

City of Lincoln

El Dorado Irrigation District

Elk Grove Water District

Rio Linda/Elverta Community Water District

Fair Oaks Water District

Sacramento County Water Agency

Golden State Water Company

Sacramento Regional County Sanitation District

Orange Vale Water Company

Sacramento Suburban Water District

Placer County

San Juan Water District

Placer County Water Agency
Attn: Brian Rickards
144 Ferguson Road
Auburn, CA 95603
Phone: (530) 823-4845
Email: brickards@pcwa.net

Regional Water Authority
Attn: Rob Swartz
5620 Birdcage Street, Suite 180
Citrus Heights, CA 95610
Phone: (916) 967-7692
Fax: (916) 967-7322
Email: rswartz@rwh2o.org

MINUTES OF SPECIAL BOARD MEETING
OF THE BOARD OF DIRECTORS OF
DEL PASO MANOR WATER DISTRICT

March 4, 2019

The Board of Directors of the Del Paso Manor Water District held a special meeting at the District office located at 1817 Maryal Drive, Suite 300, Sacramento, California on March 4, 2019 at 6:00PM.

President Lenahan called the meeting to order. All Board members were present, except Richard Allen who was absent due to illness. Also present were Attorney Adam Brown and Manager Debra Sedwick.

PUBLIC COMMENT:

None.

CLOSED SESSION:

The Board convened into closed session at 6:02PM for a performance evaluation of Manager Sedwick to reset her goals for 2019.

The Board convened back into open session at 6:58PM.

Attorney Brown reported the Board conducted an evaluation in the light of goals for the coming year for the General Manager. No action was taken.

With no further business, the Board President adjourned the meeting at 7:00PM.

ATTEST:

John Lenahan, President

Debra Sedwick, Secretary

**MINUTES OF REGULAR BOARD MEETING
OF THE BOARD OF DIRECTORS OF
DEL PASO MANOR WATER DISTRICT**

March 4, 2019

The Board of Directors of the Del Paso Manor Water District held its regular meeting at the District office located at 1817 Maryal Drive, Suite 300, Sacramento, California on March 4, 2019 at 7:30PM.

President Lenahan called the meeting to order. Vice President Harrington, Director Burt, and Director Matteoli were also present. Director Allen was absent due to illness. Also present were Attorney Adam Brown, Manager Debra Sedwick, Field Manager Rich Bolton, Field Technician Ken Ingle, and Office Administrator Lori Hensley. There were several residents and members of the public also present.

PLEDGE OF ALLEGIANCE:

Field Manager Bolton led the Pledge of Allegiance.

PUBLIC COMMENT:

Resident Gwynne Pratt handed out copies of her letter to the Board and staff. She thanked the staff for their service and commented on the importance and professionalism of the WaterSpots newsletter, especially the article on the Sustainable Groundwater Management Act. Resident Carl Dolk commented that he would like to know where the District is with the Master Plan update and appreciates some of the agenda shifts; however, he questioned why the Attorney's report is at the end of the meeting as he feels his report should be moved up on the agenda. He also thanked Manager Sedwick and Field Manager Bolton for their written reports per his suggestion. Resident Deake Marschall informed the District of the 2019 Sacramento Funding Fair will be on April 17th and thought it would be nice to have a Board or staff person attend to obtain information on infrastructure grants, loans, and bond financing programs and options. Resident Charles Marshall lodged a complaint about water waste by his neighbors and proposed a 50% fee increase to duplexes and that they be metered. He stated he called the office and it was explained that per State law as long as there was a shut off nozzle on the hose, the washing of the vehicles is permitted in the District and nothing can be done unless they were watering their property within 48 hours after measurable rainfall. He felt this was ridiculous. Mr. Marshall also suggested that property owners for 48 years plus should be entitled to a long time District owner discount. Director Burt also met with Mr. Marshall earlier to hear his concerns. Manager Sedwick and Attorney Brown both said the District is not able to bill one class of residents differently than the other. All new construction is metered per law. Manager Sedwick also stated that the District's conservation rules are slated to be discussed in April. Resident Chris Nelson

commented he just had a very negative experience with a cable outfit parking on his lawn leaving deep ruts, parking in front of his garage, and stringing cable everywhere in the way. He wanted to thank the District for a positive experience a couple of years ago when there was water main break in his backyard with water and mud everywhere. When he came home a couple days later it was all cleaned up like it had never happened. He thanked the staff for taking pride in their work and apologized for not thanking them at the time.

OLD BUSINESS:

1. The Board reviewed and discussed the status of the Del Paso Manor Elementary School Project. Manager Sedwick reported the field work was delayed due to the rain. The District's NPDES permit does not allow water flowing from hydrants for non-emergency events within 48 hours of rain. However, all field work was completed by February 22nd. Forsgren is inputting the data along with data from the District's SCADA system. The goal is to have the input and model runs completed by March 18th. Vice President Harrington asked about cost reimbursement, the change in well pumping, and the letter from Sacramento Metro Fire stating the required fire flow requirements for the school project. Manager Sedwick stated the reimbursement agreement from San Juan Unified School District was received in January. As far as the well pumping, nothing has changed since 2014 due to limited funds for pipe replacement. As far as the letter from Sacramento Metropolitan Fire District, she has requested it several times and has not received one yet. Director Matteoli stated he knows the District can meet the fire flow of 1900gpm at the school; however, it puts a strain on other areas in the District where small mains exist. It will be the schools engineer that signs off for the plans and fire protection. Director Burt suggested maybe Sacramento Metro Fire would be willing to attend a Board meeting and the Board directed Manager Sedwick to invite Sacramento Metro Fire to the next Board meeting.
2. The Board reviewed and discussed email hosting. Manager Sedwick checked with Streamline and they do not provide email hosting. Manager Sedwick asked if the Board was interested in AT&T, Go-Daddy, or if there were other options they would like her to pursue. President Lenahan mentioned that there is a corporate Gmail accounts but there is a cost involved. Director Burt suggested that Manager Sedwick talk with Streamline for ideas. Manager Sedwick is to report back next month.
3. Resolution 20190304 "Amending the Day and Time of the Regular Board Meetings" was reviewed. Manager Sedwick reviewed the last Ordinance amendment and language was included that allows changes to the time and day to be done by resolution. A motion was made by Director Burt and seconded by Vice President Harrington to adopt Resolution 20190304 to change the regular Board meetings to the first Tuesday of the month beginning at 6:30PM. With no further Board or public comments, Resolution 20190304 passed by the following roll call vote:

Ayes: Burt, Harrington, Lenahan, and Matteoli
Noes: None
Abstain/Absent: Allen

The next regular Board meeting will be Tuesday, April 2, 2019 at 6:30PM.

NEW BUSINESS:

1. Upcoming Meeting(s):

a. California Special Districts Association's "Governance Leadership Academy", April 7-10, 2019 in San Diego, California. Director Burt is looking forward to attending CSDA in July as she received a scholarship award to attend from CSDA.

b. Association of California Water Agencies Spring Conference, May 7-10, 2019 in Monterey, California.

2. President Lenahan appointed Vice President Harrington and Director Burt to the Communication Ad-Hoc Committee to create quarterly newsletters.

3. President Lenahan appointed Director Burt and himself to the Human Resources Ad-hoc Committee.

4. The Board tabled the approval of the Actuarial Study for GASB 74/75 and the funding strategy and funding and contribution method until next month.

5. President Lenahan appointed himself as the additional signer for the Voya Deferred Compensation Plan.

6. The Board reviewed and discussed the nomination of a Board member to the California Special Districts Association Board of Directors, Seat B. No action was taken.

7. Reviewed and discussed the District Investment Policy. Director Burt looked into CalTrust for investments rather than just the Local Agency Investment Trust (LAIF). Resident Carol Rose believes LAIF is a good idea. Director Burt said CalTrust has a good investment performance history. Vice President Harrington inquired about funds being insured. The Board directed Manager Sedwick to amend the policy to add CalTrust as an investment tool and to make CalTrust and LAIF both at \$4,000,000 and to bring back next month for adoption.

8. The Board reviewed and discussed the General Manager's signing authority. Director Burt found no limit on the General Manager spending limit authority and then read in Ordinance #2 dated in 1955 that requires the Board President to sign all District contracts. Attorney Brown explained that there is a code that gives the authority for the Manager to sign and it is acceptable for the Board to authorize the Manager to sign by action at a Board meeting. Director Matteoli stated he trusts the staff and management as they do a good job and feels there is no reason to micro manage them. Director Burt felt there should not be a limit on emergencies but there should be one for other spending. She feels that an

“emergency” needs to be defined. President Lenahan suggested a spending limit of \$5,000. Manager Sedwick requested a clear policy and also reminded the Board that checks and balances are in place since every check requires two signatures. Director Matteoli suggested the Policy Review Ad-hoc Committee bring back a policy recommendation to the Board. Resident Roger Nelson suggested that the Board view an emergency issue in the broader sense; it is important to look at emergencies with respect to leaks including yard repair in addition to well issues. Resident Greg Schneider suggested that the President of the Board be required to sign any and all contracts as Ordinance #2 states or to develop a new policy.

9. Manager Sedwick provided the Board with cost estimates for new padded chairs for the audience. The Board discussed purchasing of the new chairs. Vice President Harrington asked why only new chairs and not used chairs from the State surplus office were looked at. President Lenahan explained that the cost of staff time to get used chairs would equal the cost of new chairs. Residents Carol Rose and Diane Graves commented that this was a silly conversation and no new chairs are needed. Resident Roger Nelson stated that he would be willing to go to the Dollar Store and purchase cushions if this was really important. Resident Debra Simpson said that the chairs are hard but she has no intention of coming to every Board meeting so it really isn't a concern. After more Board discussion, no action was taken.

10. The Board reviewed and discussed a job description for the new general manager that the committee presented. The Board discussed the required qualifications and desired qualifications included in the job description. The consensus was the job description was fine with a few minor changes. Next they reviewed the salary survey that the committee provided which was developed from the State Compensation website. The Committee recommended a range of \$55,000 to \$100,000. Director Burt felt the salary range should be closer to \$90,000 with a \$100,000 cap with eight years of prior experience and five years management experience. Director Matteoli questioned the numbers in the survey. If they came from the State site, they are 2017 numbers and not current. He also stated that many numbers included are not accurate as he called several of the companies listed and found the Manager's salary to be much higher than stated. He also showed where one agency was an Ag District so this survey is comparing apples to oranges. He feels a new survey needs to be done by the committee and they need to actually call and get current information. Director Burt agreed that a new survey is needed and it should only include Districts in our area. President Lenahan and Vice President Harrington thanked the Directors for the good discussion. Next, the Board discussed recruitment methods. Director Matteoli asked Manager Sedwick what she suggested. She suggested to advertise on the District's web site, a one day listing in the Sacramento Bee, RWA email list, CRWA, CSDA, BCJobs, and possibly CA/NV AWWA. Vice President Harrington also suggested the local universities, UC Davis and Sacramento State. Next, they discussed a proposed schedule and process. President Lenahan stated the proposed

schedule has the new Manager starting in September giving a couple months of overlap for training.

Director Burt wants only one month of training. Resident Carol Rose stated she does not have a lot of confidence that the Board has the experience in hiring a new General Manager for our District. Director Matteoli suggested that the committee come back with better numbers and a complete hiring package including the recruitment notice/flyer because right now they have nothing to review and accept. Vice President Harrington stated she has experience hiring, just not in water. President Lenahan responded that he has hired controllers before. Resident Carl Dolk asked Manager Sedwick if she was being pushed out as the General Manager and if she was given the option to stay. Manager Sedwick stated her contract ends in November 2019 and the Board from last year felt it was up to whomever was elected to engage with her for a contract extension. She further stated that she let all parties know, including the new Board that she was willing to engage in that conversation. Resident Carl Dolk then asked Manager Sedwick if she would extend her contract if that was offered. Manager Sedwick replied that an offer is not on the table so she could not answer. Resident Greg Schneider appreciated all the work done by the committee. He is not fond of the spreadsheet layout but is thankful for the detail. He was also surprised to learn that Board members are included as employees in the District count.

11. The Board reviewed and discussed accepting payments by PayPal on the District website.

President Lenahan stated PayPal is an easy way to allow customers to pay with credit card and other forms of payment with little or no fees. No credit cards would be accepted at the office, the customer would have to go to the website. Director Matteoli stated he is fine with it as long as the District does not pay any fees as it would be considered a gift of public funds. Attorney Brown stated that it could be problematic with one class subsidizing another; he has found that many agencies use a third party vendor to get around this issue as the customer using this form of payment pays the fee associated with it to the third party vendor. Vice President Harrington also expressed concerns with the District paying any fees. Director Burt suggested that Manager Sedwick reach out to Streamline to see how to set up PayPal without fees. Resident Ken Ingle stated that, from his experience, it may not be as seamless as the Board thinks. Resident Roy Wilson commented that he likes using his bank bill pay service which is no cost to him nor the District and is concerned with using PayPal and having any fees especially to the District. Director Burt made a motion for Manager Sedwick to set up the website to begin accepting payments by PayPal providing there are no fees to be paid by the District. Vice President Harrington seconded the motion. With no further public or Board comments, the motion carried by the following roll call vote:

Ayes: Burt, Harrington, Lenahan, and Matteoli
Noes: None
Absent/Abstain: Allen

REPORT ON MEETINGS:

The Finance Ad-Hoc Committee reported that they are looking at different banks to reduce fees. They are also looking at QuickBooks which they feel is an inexpensive way to computerize the accounting system.

The Auditor Selection Ad-Hoc Committee reported there were four bids received, two of which will be interviewed. A recommendation will come to the Board at the April meeting.

The Policy Manual Review Ad-Hoc Committee reported that even though Rio Linda Water District has offered to share their manual with us, upon review it appears it may be outdated. Director Burt met with representatives from California Special District Association this afternoon. They discussed the sample policy manual they have for purchase. It is \$100 and comes with updates of any new laws via email. The Committee sees this as a benefit and requested the District to purchase it. Attorney Brown agreed that CSDA has a good sample policy handbook.

President Lenahan attended the Water Forum Successor Effort meeting. The meeting was very well attended even though it was held on Valentines Day. A presentation on the Cordova Creek Project located in Rancho Cordova within the American Parkway was given.

Vice President Harrington attended the Regional Water Authority Special Meeting. The Executive Director recruitment process and schedule was presented. The Interim Executive Director appointment of Robert J. Swartz was made. His appointment begins on March 1, 2019 until a new permanent Executive Director begins work on June 30, 2019 whichever comes first. Vice President Harrington question why we are members of RWA and felt the District may want to look at dropping our membership.

CONSENT CALENDAR:

Director Burt requested to have the regular minutes for February and invoices for February pulled. Vice President Harrington made a motion to approve the minutes of the Special Board meeting for February 4, 2019 as presented. Director Burt seconded the motion. With no further public or Board comment, the motion carried by the following roll call vote:

Ayes: Burt, Harrington, Lenahan, and Matteoli
Noes: None
Absent/Abstain: Allen

Director Burt requested additional verbiage in the old business discussion of the Burrell Court project. Manager Sedwick read the paragraph Director Burt would like added to the minutes. Resident Carol Rose stated that her paragraph is incorrect as she did not present anything to the Board, Field Manager Bolton did. Director Burt agreed that Field Manager Bolton gave the presentation. Vice President Harrington made a motion to approve the February 4th Regular Meeting minutes adding

Director Burt's paragraph as corrected. Director Burt seconded the motion. With no further public or

Board comments, the motion carried by the following roll call vote:

Ayes: Burt, Harrington, Lenahan, and Matteoli
Noes: None
Abstain/Absent: Allen

Manager Sedwick answered a couple of invoice questions from the Directors. Director Burt made a motion for the approval of payment for the February invoices which was seconded by Vice President Harrington. With no further public or Board comments, the motion carried to pay the February invoices by the following roll call vote:

Ayes: Burt, Harrington, Lenahan, and Matteoli
Noes: None
Abstain/Absent: Allen

| <u>CHECKS DRAWN</u> | <u>CHECK NO.</u> | <u>AMOUNT</u> |
|---|------------------|---------------|
| Primetax Service Charge 2/5 | EFT | 319.83 |
| AT&T 2/13 | 9017 | 177.70 |
| AT&T 2/13 | 9018 | 55.00 |
| Primetax - Payroll 2/15 | EFT | 9133.15 |
| Primetax - Payroll Taxes 2/15 | EFT | 4997.93 |
| Sacramento LAFCo (Special District Assessment) 2/19 | 9019 | 232.00 |
| Jiffy Lube (Replacement of ck.#9003) 2/19 | 9020 | 47.52 |
| City of Sacramento (Replacement of ck.#8999) 2/19 | 9021 | 2823.98 |
| ACWA (Spring Conference) 2/22 | 9022 | 2175.00 |
| PERS/Health 2/28 | EFT | 6966.83 |
| PERS/Retirement 2/28 | EFT | 4585.62 |
| VOID | 9023 | 0.00 |
| Primetax - Payroll 2/28 | EFT | 9010.71 |
| Primetax - Payroll taxes 2/28 | EFT | 4819.76 |
| ACWA/JPIA 2/28 | 9024 | 620.60 |
| Voya Financial | 9025 | 1800.00 |
| AT&T | 9026 | 67.23 |
| Hill Rivkins Brown & Associates | 9027 | 5950.00 |
| BSK Associates | 9028 | 84.00 |
| Chevron | 9029 | 358.75 |
| Lucy & Company (Final) | 9030 | 2877.30 |
| Emigh Hardware | 9031 | 9.46 |
| Inland Business Systems | 9032 | 177.12 |
| Charles Moore/Effective Phone Solutions, Inc. | 9033 | 546.25 |
| P.G. & E. | 9034 | 8.33 |
| Petty Cash | 9035 | 31.32 |
| The Sacramento Bee (RFP Notice) | 9036 | 277.24 |
| SMUD | 9037 | 5516.20 |
| Streamline | 9038 | 200.00 |
| Total Compensation Systems, Inc. | 9039 | 630.00 |
| Uinta Holdings, LLC | 9040 | 2045.00 |
| Stericycle Communication Solutions | 9041 | 195.93 |
| YP | 9042 | 15.50 |
| | | <hr/> |
| | | 66755.26 |

REPORT FROM FIELD MANAGER CONCERNING:
February field matters:

A written report was provided. Vice President Harrington inquired as to why the District was waiting on the return of the Hold Harmless Agreement from Kensington Apartments. Field Manager Bolton explained the need for the hold harmless agreement to use their sewer outlet for flushing when working on Well #8.

REPORT FROM MANAGER CONCERNING:

February operational matters:

A written report was provided. Vice President Harrington questioned what does "TAF" mean in the report on the Unimpaired Inflow into Folsom Reservoir and what did "Hodge" year mean. Manager Sedwick replied that "TAF" stands for Total Acre Feet and "Hodge" year refers to a decision made by Judge Hodge regarding the flow requirement in the Lower American River.

REPORT FROM ATTORNEY CONCERNING:

Attorney Brown commented on a public official's absence/vacancy per the request of Vice President Harrington. He stated directors can miss three consecutive months as no shows with the exception of sickness or notification given that they will be absent. The idea is they need to make contact with the District.

BOARD GENERAL DISCUSSION:

Director Burt requested to look at water conservation next month as we have a concerned rate payer. Vice President Harrington stated again she would like to receive a letter from Sacramento Metro Fire with the fire flow requirements for Del Paso Manor School.

There being no further business to come before the Board, President Lenahan adjourned the meeting at 10:38PM.

ATTEST:

Debra Sedwick, Secretary

John Lenahan, President