

**Agenda**  
**Rio Linda / Elverta Community Water District**  
**Executive Committee**

Visitors/Depot Center  
6730 Front Street  
Rio Linda, CA 95673

**Conference Call Number**  
**(712) 770-4921**  
**Access Code 386089**

May 4, 2020  
6:00 p.m.

Public documents relating to any open session items listed on this agenda that are distributed to the Committee members less than 72 hours before the meeting are available for public inspection on the counter of the District Office at the address listed above.

The public may address the Committee concerning any item of interest. Persons who wish to comment on either agenda or non-agenda items should address the Executive Committee Chair. The Committee Chair will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability related modification or accommodation to participate in this meeting, then please contact the District office at (916) 991-1000. Requests must be made as early as possible and at least one full business day before the start of the meeting.

**Call to Order**

**Public Comment**

This is an opportunity for the public to comment on non-agenda items within the subject matter jurisdiction of the Committee. Comments are limited to 3 minutes.

**Items for Discussion:**

1. Review and discuss the expenditures of the District for the month of March 2020.
2. Review and discuss the financial reports for the month of March 2020.
3. Discuss the process for addressing doubtful recovery debt.
4. Discuss implementing a form to be used for Board consideration of customer waivers and appeals of charges.
5. Discuss amending/revising the threshold for capitalized assets and the threshold for refunding the balance of closed accounts.
6. Discuss remote participation in District public meetings (committee and board meetings).
7. Update from the Contract District Engineer.
8. Discuss the need to consider withdrawing from membership in the Regional Water Authority.

**Directors' and General Manager Comments**

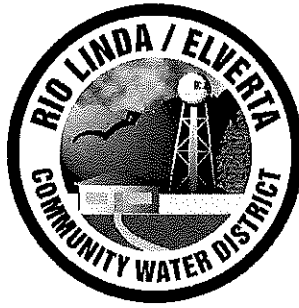
**Items Requested for Next Month's Committee Agenda**

**Adjournment**

Next Executive Committee meeting: Monday, June 1, 2020 at 6:00 p.m. Visitor's/Depot Center, 6730 Front Street, Rio Linda, CA 95673

**ADA COMPLIANCE STATEMENT**

*In compliance with the Americans with Disabilities Act, if you need special assistance or materials to participate in this meeting, please contact the District Office at 916-991-1000. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting and agenda materials.*



## **Executive Committee Agenda Item: 1**

**Date:** May 4, 2020

**Subject:** Expenditure Summary

**Staff Contact:** Timothy R. Shaw, General Manager

### **Recommended Committee Action:**

It is recommended that the Executive Committee review the expenditures for March 2020, then forward the item to the May 18th Board agenda, consent section, with a recommendation for approval.

### **Current Background and Justification:**

These expenditures were necessary and prudent for operation of the District and consistent with the policies and budget adopted by the Board of Directors. The Expenditure Summary provides the listing of expenditures which have occurred since the last regular meeting of the Board.

### **Conclusion:**

Consistent with the District policies, the Expenditure Summary is to be reviewed by the Executive Committee and approved by the Board of Directors.

**Rio Linda Elverta Community Water District**  
**Expenditure Report**  
**March 2020**

Type	Date	Num	Name	Memo	Amount
Liability Check	03/11/2020	EFT	QuickBooks Payroll Service	For PP Ending 03/07/20 Paydate 03/17/2020	15,779.32
Liability Check	03/12/2020	EFT	CalPERS	For PP Ending 03/07/20 Paydate 03/17/2020	2,063.28
Liability Check	03/12/2020	EFT	CalPERS	For PP Ending 03/07/20 Paydate 03/17/2020	1,055.60
Liability Check	03/12/2020	EFT	Nationwide	Deferred Compensation Plan	1,567.26
Bill Pmt -Check	03/12/2020	EFT	Adept Solutions	Computer Maintenance	1,333.00
Bill Pmt -Check	03/12/2020	EFT	Comcast	Phone/Internet	234.93
Bill Pmt -Check	03/12/2020	EFT	Republic Services	Utilities	87.28
Liability Check	03/12/2020	EFT	Internal Revenue Service	Employment Taxes	5,656.48
Liability Check	03/12/2020	EFT	Employment Development	Employment Taxes	1,083.66
Check	03/12/2020	EFT	Umpqua Bank Credit Card	Computer, Office, Postage, Trans Maint	1,434.47
Transfer	03/12/2020	EFT	RLECWD	Umpqua Bank Monthly Debt Service Transfer	16,500.00
Bill Pmt -Check	03/12/2020	1169	Teamsters Local #150	Union Dues	529.00
Check	03/12/2020	1170	Customer	Final Bill Refund	39.91
Bill Pmt -Check	03/12/2020	1171	ABS Direct, Inc.	Printing	225.02
Bill Pmt -Check	03/12/2020	1172	Cintas Corporation	Safety	28.55
Bill Pmt -Check	03/12/2020	1173	CoreLogic Solutions	Metro Scan	134.75
Bill Pmt -Check	03/12/2020	1174	County of Sacramento	Utilities	192.00
Bill Pmt -Check	03/12/2020	1175	EKI Environmental & Water	Engineering	5,000.00
Bill Pmt -Check	03/12/2020	1176	Intermedia.net	Telephone	75.69
Bill Pmt -Check	03/12/2020	1177	OPUS Bank	Surcharge 2 Loan Payment	155,922.65
Bill Pmt -Check	03/12/2020	1178	Oreilly Automotive	Transportation: Maintenance	71.07
Bill Pmt -Check	03/12/2020	1179	Rio Linda Elverta Recreation & Park Dist	Meeting Expense	50.00
Bill Pmt -Check	03/12/2020	1180	Rio Linda Hardware & Building Supply	Shop Supplies	256.11
Bill Pmt -Check	03/12/2020	1181	Sacramento County Utilities	Utilities	113.70
Bill Pmt -Check	03/12/2020	1182	Sierra Chemical Company	Chemical Supplies	1,336.32
Bill Pmt -Check	03/12/2020	1183	SMUD	Utilities	11,528.51
Bill Pmt -Check	03/12/2020	1184	Spok, Inc.	Field Communication	15.21
Bill Pmt -Check	03/12/2020	1185	Vanguard Cleaning	Janitorial	195.00
Check	03/17/2020	EFT	ARCO	Transportation: Fuel	489.43
Check	03/19/2020	EFT	WageWorks	FSA Administration Fee	76.25
Liability Check	03/25/2020	EFT	QuickBooks Payroll Service	For PP Ending 03/21/2020 Paydate 03/26/2020	16,622.77
Liability Check	03/26/2020	EFT	CalPERS	For PP Ending 03/21/2020 Paydate 03/26/2020	2,071.84
Liability Check	03/26/2020	EFT	CalPERS	For PP Ending 03/21/2020 Paydate 03/26/2020	1,055.60
Liability Check	03/26/2020	EFT	Nationwide	Deferred Compensation Plan: Employer & Employee Share	1,571.54
Liability Check	03/26/2020	EFT	Internal Revenue Service	Employment Taxes	5,842.76
Liability Check	03/26/2020	EFT	Employment Development	Employment Taxes	1,120.31
Liability Check	03/26/2020	EFT	Kaiser Permanente	Health Insurance	862.39
Liability Check	03/26/2020	EFT	Principal	Dental & Vision Insurance	1,158.65
Liability Check	03/26/2020	EFT	Western Health Advantage	Health Insurance	8,676.62
Bill Pmt -Check	03/26/2020	EFT	PG&E	Utilities	84.09
Bill Pmt -Check	03/26/2020	EFT	Verizon	Field Communication, Field IT	524.90
Check	03/26/2020	EFT	RLECWD - Capital Improvement	Current Monthly Transfer	34,000.00
Check	03/26/2020	1186	Customer	Hydrant Meter Deposit Refund	898.30

**Rio Linda Elverta Community Water District  
Expenditure Report  
March 2020**

Type	Date	Num	Name	Memo	Amount
Bill Pmt -Check	03/26/2020	1187	BSK Associates	Lab Fees	240.00
Bill Pmt -Check	03/26/2020	1188	Buckmaster Office Solutions	Office Equipment Expense	38.21
Bill Pmt -Check	03/26/2020	1189	Churchwell White	Legal	1,818.50
Bill Pmt -Check	03/26/2020	1190	Ferguson Enterprises	Meter Maintenance	27,742.11
Bill Pmt -Check	03/26/2020	1191	Henrici, Mary	Retiree Insurance	900.00
Bill Pmt -Check	03/26/2020	1192	ICONIX Waterworks	Distribution Supplies	1,204.65
Bill Pmt -Check	03/26/2020	1193	Pacific Shredding	Office Expense	39.00
Bill Pmt -Check	03/26/2020	1194	Quill	Office Expense	50.60
Bill Pmt -Check	03/26/2020	1195	VOID	VOID	0.00
Bill Pmt -Check	03/26/2020	1196	Unifirst Corporation	Uniforms	289.27
Bill Pmt -Check	03/26/2020	1187	Demsey, Filiger & Associates	Auditor-GASB 75 Valuation	3,000.00
<b>Total 10000 - Bank - Operating Account</b>					<b><u>332,886.56</u></b>

Rio Linda Elverta Community Water District  
**Expenditure Report**  
March 2020

Type	Date	Num	Payee	Memo	Amount
Check	03/12/2020	EFT	RLECWD	Transfer Loan Payment paid by Operating Funds	155,922.65
<b>10375 · Surcharge Account 2</b>					<u><b>155,922.65</b></u>



## **Executive Committee Agenda Item: 2**

**Date:** May 4, 2020

**Subject:** Financial Reports

**Staff Contact:** Timothy R. Shaw, General Manager

### **Recommended Committee Action:**

The Executive Committee should review the Finance Reports of the District for the month of May 2020, then forward the report onto the May 18th Board agenda with the Committee's recommendation for Board approval.

### **Current Background and Justification:**

The financial reports are the District's balance sheet, profit and loss, and capital improvements year to date. This report provides the snapshot of the District's fiscal health for the period covered.

### **Conclusion:**

Consistent with District policies, these financials are to be reviewed by this committee and presented to the Board of Directors to inform them of the District's current financial situation.

**Rio Linda Elverta Community Water District**  
**Balance Sheet**  
**As of March 31, 2020**

**ASSETS**

<b>Current Assets</b>		
<b>Checking/Savings</b>		
100 · Cash & Cash Equivalents		
10000 · Operating Account		
10020 · Operating Fund-Umpqua	624,854.81	
<b>Total 10000 · Operating Account</b>	<u>624,854.81</u>	306000
10475 · Capital Improvement		
10480 · General	1,762,793.38	
10485 · Vehicle Replacement Reserve	15,000.00	
<b>Total 10450 · Capital Improvement</b>	<u>1,777,793.38</u>	
<b>Total 100 · Cash &amp; Cash Equivalents</b>	<u>2,402,648.19</u>	
102 · Restricted Assets		
102.1 · Restricted Capital Improvements		
10700 · ZIONS Inv/Surcharge Reserve	484,205.34	
<b>Total 102.1 · Restricted Capital Improvements</b>	<u>484,205.34</u>	
102.2 · Restricted for Debt Service		
10300 · Surcharge 1 Account	707,541.22	
10350 · Umpqua Bank Debt Service	102,635.96	
10380 · Surcharge 2 Account	188,939.27	
10385 · OpusBank Checking	3,120,625.96	
<b>Total 102.2 · Restricted for Debt Service</b>	<u>4,119,742.41</u>	
102.4 · Restricted Other Purposes		
10600 · LAIF Account	293,949.73	
10650 · Operating Reserve Fund	301,578.30	
<b>Total 102.4 · Restricted Other Purposes</b>	<u>595,528.03</u>	
<b>Total 102 · Restricted Assets</b>	<u>5,199,475.78</u>	
<b>Total Checking/Savings</b>	7,602,123.97	
<b>Accounts Receivable</b>	-723.70	
<b>Other Current Assets</b>		
12000 · Water Utility Receivable	523,289.94	
12200 · Accrued Revenue	0.00	
12250 · Accrued Interest Receivable	2,153.92	
15000 · Inventory Asset	56,276.61	
16000 · Prepaid Expense	42,202.51	
<b>Total Other Current Assets</b>	<u>623,922.98</u>	
<b>Total Current Assets</b>	<u>8,225,323.25</u>	
<b>Fixed Assets</b>		
17000 · General Plant Assets	727,153.00	
17100 · Water System Facilites	20,760,310.67	
17300 · Intangible Assets	373,043.42	
17500 · Accum Depreciation & Amort	-9,282,773.19	
18000 · Construction in Progress	1,313,099.20	
18100 · Land	576,673.45	
<b>Total Fixed Assets</b>	<u>14,467,506.55</u>	
<b>Other Assets</b>		
19000 · Deferred Outflows	262,764.00	
19900 · Suspense Account	-239.07	
<b>Total Other Assets</b>	<u>262,524.93</u>	
<b>TOTAL ASSETS</b>	<u><u>22,955,354.73</u></u>	

## Rio Linda Elverta Community Water District

## Balance Sheet

As of March 31, 2020

## LIABILITIES &amp; EQUITY

## Liabilities

## Current Liabilities

Accounts Payable	29,799.80
Credit Cards	0.00
Other Current Liabilities	577,618.27

<b>Total Current Liabilities</b>	<b>607,418.07</b>
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## Long Term Liabilities

23000 · OPEB Liability	211,573.00
23500 · Lease Buy-Back	705,797.27
25000 · Surcharge 1 Loan	4,189,831.90
25050 · Surcharge 2 Loan	3,210,040.16
26000 · Water Rev Refunding	1,952,591.00
27000 · Community Business Bank	294,204.88
29000 · Net Pension Liability	987,630.00
29500 · Deferred Inflows-Pension	5,192.00
29600 · Deferred Inflows-OPEB	26,811.00

<b>Total Long Term Liabilities</b>	<b>11,583,671.21</b>
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<b>Total Liabilities</b>	<b>12,191,089.28</b>
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## Equity

31500 · Invested in Capital Assets, Net	7,681,067.46
32000 · Restricted for Debt Service	702,232.24
38000 · Unrestricted Equity	1,674,622.00
Net Income	706,343.75

<b>Total Equity</b>	<b>10,764,265.45</b>
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<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>22,955,354.73</b>
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Rio Linda Elverta Community Water District

CERBT Strategy 2

Entity #: SKB7-3301590511-001

Quarter Ended March 31, 2020



Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$17,425.18	\$16,461.38
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	(1,812.25)	(841.12)
Administrative Expenses	(1.95)	(5.91)
Investment Expense	(1.59)	(4.96)
Other	0.00	0.00
Ending Balance	\$15,609.39	\$15,609.39
FY End Contrib per GASB 74 Para 22	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$15,609.39	\$15,609.39

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	957.468	957.468
Unit Purchases from Contributions	0.000	0.000
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	957.468	957.468
Period Beginning Unit Value	18.199360	17.192611
Period Ending Unit Value	16.302865	16.302865

Please note the Grand Total is your actual fund account balance at the end of the period, including all contributions per GASB 74 paragraph 22 and accrued disbursements. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CERBT4U@calpers.ca.gov.

Statement of Transaction Detail for the Quarter Ending 03/31/2020

Rio Linda Elverta Community Water District

Entity #: SKB7-3301590511-001



Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
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Client Contact:  
CERBT4U@CalPERS.ca.gov

If you have any questions or comments regarding the new statement format please contact CERBT4U@CalPERS.ca.gov



# PMIA/LAIF Performance Report as of 04/13/20



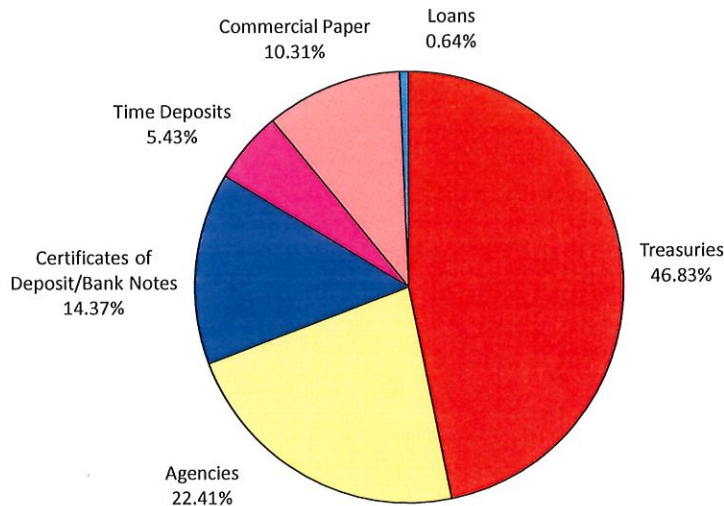
## PMIA Average Monthly Effective Yields<sup>(1)</sup>

Mar	1.787
Feb	1.912
Jan	1.967

## LAIF Quarterly Performance Quarter Ended 12/31/19

Apportionment Rate <sup>(2)</sup> :	2.29
Earnings Ratio <sup>(2)</sup> :	0.000062500857789
Fair Value Factor <sup>(1)</sup> :	1.007481015
Daily <sup>(1)</sup> :	2.02%
Quarter to Date <sup>(1)</sup> :	2.11%
Average Life <sup>(1)</sup> :	226

## Pooled Money Investment Account Portfolio Composition <sup>(1)</sup> 03/31/20 \$98.1 billion



Percentages may not total 100% due to rounding

Daily rates are now available here. [View PMIA Daily Rates](#)

Notes: The apportionment rate includes interest earned on the CalPERS Supplemental Pension Payment pursuant to Government Code 20825 (c)(1) and interest earned on the Wildfire Fund loan pursuant to Public Utility Code 3288 (a).

Source:

<sup>(1)</sup> State of California, Office of the Treasurer

<sup>(2)</sup> State of California, Office of the Controller



## Executive Committee Agenda Item: 3

**Date:** May 4, 2020

**Subject:** Process for addressing doubtful recovery debt

**Staff Contact:** Timothy R. Shaw, General Manager

### **Recommended Committee Action:**

The Executive Committee should forward an item onto the May 18<sup>th</sup> Board agenda to:

- Enable discussion by the full Board on all the District's processes for recovering debt associated with customer non-payment.
- Enable the Board to consider authorizing the annual declaration ("write off") of doubtful recovery debt.

### **Current Background and Justification:**

The District is a tax-exempt, non-profit government agency owned by the Rio Linda/Elverta community. When customers do not pay for the water services provided, and for which the District has incurred costs (payroll, energy, materials, etc.), the District has a responsibility to recover the costs via all reasonable methods. Failure to collect the cost of providing service results in transferring the cost burden from the non-paying customers to the paying customers. Pursuant to statutory requirements and District policy, the District must make all reasonable efforts to recover the cost of providing service. Means to compel payment include:

1. Discontinuation of service until the unpaid balance is addressed. (statistically the most effective, but now more complex with the implementation of SB 998)
2. Recording a lien against the property (effectiveness limited by property sale, many customers ignore the lien if sale of the property is not anticipated)
3. Direct Assessment, places a charge directly on the property owner's tax bill. If the charge remains unpaid for several years, the County has the authority to auction off the property for at least the amount of unpaid taxes. (effective but limited to once per calendar year).

The District regularly performs methods 1 and 2. The District, although authorized by statute and District policy (4.31.290), does not currently practice method 3, Direct Assessments. In my opinion, due to the requirements of SB 998 codified in the District's Discontinuation of

Residential Water Service for Non-payment, the District is compelled to include Direct Assessments in its “reasonable efforts” to recover costs.

Sometimes, despite all reasonable efforts, the District cannot recover the cost of providing service. Circumstances leading to non-recovery of costs include; bankruptcy declarations, short sells and other means of transferring property ownership faster than the District can record liens, failure by the District to exercise all reasonable efforts within the statutory time limits and/or pursuant to statutory requirements.

In the circumstances where the district cannot recover the cost of providing service, the District is compelled to declare the debt as “doubtful recovery” AKA write off (although the term write off is prone to connote the private sector accounting principle of writing off the loss as a tax deduction. The District, a tax-exempt entity, has no such benefit. Failure to declare doubtful recovery debt has the potential to lead to findings in our annual, independent audit because the District’s financial records could fail to fairly and accurately reflect the District’s financial position.

Pursuant to District Policy 3.05.140, included with your Committee packets is the list of account for consideration to be declared as doubtful recovery.

**Department Staff Recommendation:**

**Conclusion:**

I recommend the Executive Committee forward an item onto the May 18<sup>th</sup> Board agenda to consider approving the list of doubtful recovery. I further recommend the Committee review and discuss initiating (reinitiating) the process for direct assessments.

**3.05.140 Write-off of Uncollectible Accounts Receivable** *(approved 9/15/2014)* After all reasonable efforts have been made to collect accounts, the District will write-off the uncollectible amount. The amount is to be split between water service fees and surcharge fees of \$19.00 per service per billing cycle.

The method of writing off bad accounts will be as follows:

1. A report shall be created that lists all accounts that were not able to be collected. The list shall include the account number, address and the total amount due.
2. The list shall be presented to the Board of Directors once per fiscal year at the April meeting of the Board.
3. Upon approval of the Board of Directors to write off the presented amount, a journal entry will be made moving each account presented to water and surcharge bad debts, clearing accounts receivable.

**4.31.290 Liens for Unpaid Charges.** Water delivered to real property by said District shall be deemed an improvement to said real property, and the legal charge therefore shall constitute a lien thereon which shall only be discharged by payment thereof.

California law allows the District to record liens in order to secure payment of unpaid and delinquent charges for water or services provided to District customers. Depending upon the circumstances, the District may be able to place a lien against the property receiving the water service or against all real property owned within the county by the person responsible for paying the water charges for water or other services provided.

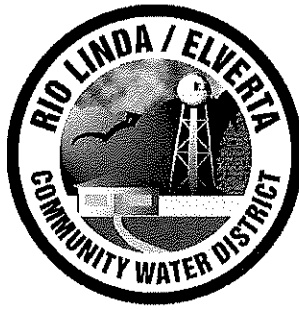
When a Customer's water bill becomes delinquent and/or when the District terminates water service or when the District has determined that the recovery of the amount due may be uncertain due to

abandonment of a Parcel and/or Service Connection, then the District may secure the unpaid charges at any time by filing a certificate with the Sacramento County Recorder, which states the name and address of the Customer responsible for paying the charges. Pursuant to Water Code §31701.7, the unpaid charges along with penalties and interest shall be a lien against all real property owned by the responsible Customer.

Additionally, the District shall furnish the Sacramento County Board of Supervisors with an annual report before August first (1<sup>st</sup>) that includes a statement of delinquent and unpaid charges for water and other services requested by a property owner in writing if they remain delinquent and unpaid for sixty (60) days on July first (1<sup>st</sup>), as determined by the District Board of Directors. Pursuant to Water Code §31701.5, these unpaid amounts shall be added to and become a part of the annual property taxes levied against the real property receiving the water services.

The District also may choose to collect any delinquent charges by any other legally-permitted means within its authority.

If a lien placed on a property is not paid and released within one (1) year and additional charges are incurred, the lien will be released and relined by the District annually until all outstanding fees are paid. An additional Property Lien Fee charge found in the current Fee Ordinance will be applied with each lien of the property.



## **Executive Committee Agenda Item: 4**

**Date:** May 4, 2020

**Subject:** Discuss implementing a form to be used for Board consideration for waivers and appeals of charges.

**Staff Contact:** Timothy R. Shaw, General Manager

### **Recommended Committee Action:**

It is not anticipated that the Executive Committee will forward an item onto the May 18<sup>th</sup> Board agenda corresponding to this item. The Committee should receive the report and corresponding documents and provide feedback as appropriate.

### **Current Background and Justification:**

The recently adopted policies and practices pursuant to SB 998 for discontinuation of residential service for non-payment and Executive Order N-42-20 have illuminated the need to standardize the District's process for considering customer appeals of charges.

There are various statutory limitations and privacy issues precluding the dissemination of detailed customer billing/payment records as public records documents, e.g. included and publicly posted with the agenda packets. However, a redacted version of a customer billing history can mitigate the privacy issues while enabling Board Members to make informed decisions on customer's appeals.

### **Department Staff Recommendation:**

### **Conclusion:**

I recommend the Executive Committee provide feedback. Implementation of this form does not require Board authorization, and the form can be revised as needed to suit the ongoing needs of the District.



**Rio Linda Elverta Community Water District**  
**Request for Consideration of Billing Issues by the Board of Directors**



Account Holder: \_\_\_\_\_ Account #: \_\_\_\_\_

Service Address: \_\_\_\_\_

Check the appropriate box(s) and specify which fees you are requesting the Board to waive:

- Account Deposit            Amount: \$ \_\_\_\_\_
- Delinquency Notice Fee    Amount: \$ \_\_\_\_\_
- 48 Hour Notice Fee        Amount: \$ \_\_\_\_\_
- Service Charges            Amount: \$ \_\_\_\_\_
- Shutoff Fee                 Amount: \$ \_\_\_\_\_
- Tampering Fee              Amount: \$ \_\_\_\_\_
- Other                         Amount: \$ \_\_\_\_\_

*Notice: This request may be considered at a public Board Meeting. This document may become a part of the Board meeting agenda which is accessible to the public by request or via the District website. However, the District will make reasonable attempts to preserve customer privacy via redaction, e.g. addresses, phone, email etc.*

Total: \$ \_\_\_\_\_

**Justifying Information to Support Your Request:** \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

(Attached additional sheets if necessary)

By signing below you are; attesting to the accuracy of the information you have provided and fraudulent submittal may result in Board denial , you acknowledge that all correspondence between yourself and the District is subject to California Public Records Act laws, and you further acknowledge the Board of Directors' rulings are final.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

**Account Holder Contact Information:**  
 In case you are unable to attend the Board Meeting, please provide with your preferred method for us to contact you regarding the Board's decision.  
 Email Address: \_\_\_\_\_  
 Phone Number: \_\_\_\_\_  
 US Mail (provide mailing address): \_\_\_\_\_

**Business Office**

**Account History – This includes all transactions up to the date form is signed**

\_\_\_\_\_ Number of times Delinquency Notice sent in the past 12 months

\_\_\_\_\_ Number of times 48 Hour Notice sent in the past 12 months

\_\_\_\_\_ Number of times service was terminated for non-payment over the past 12 months

Amortization Agreement on File: \_\_\_\_\_ YES \_\_\_\_\_ NO

Additional Information: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Resolution of the Issue and Feedback to Customer:**

Board Action Taken: \_\_\_\_\_

\_\_\_\_\_

Customer was contacted by \_\_\_\_\_ Phone, \_\_\_\_\_ US mail, \_\_\_\_\_ Email.

Date: \_\_\_\_\_ Initials: \_\_\_\_\_

Appropriate adjustments made to the account: Date: \_\_\_\_\_ Initials: \_\_\_\_\_

Notes added to the account: Date: \_\_\_\_\_ Initials: \_\_\_\_\_



## Executive Committee Agenda Item: 5

**Date:** May 4, 2020

**Subject:** Establishing Policies on the Threshold for Capitalized Assets and (separately) the Threshold for Closed Account Refunds.

**Staff Contact:** Timothy R. Shaw, General Manager

**Recommended Committee Action:**

The Executive Committee should review the material associated with this item and forward the item onto the May 18<sup>th</sup> Board agenda with the Committee's recommendation for Board approval.

**Current Background and Justification:**

The District currently has no policies on the threshold for capitalizing assets. A document, *GFOA Primer Capitalization Thresholds*, is included with your Committee packets. The Government Finance Officers Association (GFOA) document provides a concise explanation and reasoning a for establishing a threshold for capitalizing assets.

Despite the above stated absence of a policy, our annual independent audit report inaccurately conveys the District has a policy and established threshold. Other District practices and documents are consistent with this de facto threshold for capitalizing assets at \$1,500. This threshold is uncommonly low. It should be raised, as recommended by GFOA, to \$5,000,

The District also does not have a policy of the minimum amount of refund to process when a customer's account is closed. This results in waste and inefficiency when refund checks are processed for small amounts. Checks are processed now for a few cents, e.g. \$0.68. In context, the District cost for processing a refund check is at least \$15. This excludes any valuation of the Board Members' time for signing checks, and sometimes Q&A on why we process such small check amounts.

**Conclusion:**

I recommend the Executive Committee forward the proposed policy on capitalized assets threshold and the proposed policy on closed account refund threshold to the May 18<sup>th</sup> Board agenda with the Committee's recommendation for Board approvals.



# Capitalization Thresholds for Capital Assets

PRIMER

The term capital assets is used to describe assets that are used in operations and that have initial lives extending beyond a single reporting period. Capital assets may be either intangible (e.g., easements, water rights, licenses, leases) or tangible (e.g., land, buildings, building improvements, vehicles, machinery, equipment and infrastructure).

As a practical application of the materiality principle, not all tangible capital-type items with useful lives extending beyond a single reporting period are required to be reported in a government's statement of net position. Items with extremely short useful lives (e.g., less than 2 years) and/or of small monetary value are properly reported as an "expense" or "expenditure" in the period in which they are acquired.

When outlays for capital-type items are, in fact, reported on the statement of net position, they are said to be capitalized. The monetary criterion used to determine whether a given capital asset should be reported on the statement of net position is known as the capitalization threshold. A government may establish a single capitalization threshold for all of its capital assets, or it may establish different capitalization thresholds for different classes of capital assets. In selecting capitalization thresholds, governments should be able to report and depreciate substantially all capital asset value while eliminating the cost of tracking a large number of small-value items.

A government's threshold for capitalization does not need to be calculated in the same way that the government would measure the asset, if it is ultimately capitalized, for reporting in accordance with GAAP. For example, a government's capitalization policy may be to determine whether improvements to an office building (primarily plumbing and electrical upgrades) meet a dollar threshold (\$20,000) before including the cost of new window and floor treatments, which will be part of the improvements, because it does not consider those to be "core costs" of the asset improvement. For assets constructed by a government's own employees, the dollar threshold might distinguish between direct costs (time spent by construction workers, architects and engineers on that project) and indirect costs (allocated costs of the capital improvements department of public works).<sup>1</sup>

The capitalization threshold should not be the only factor used when determining if an item should be capitalized. A government should be cognizant of whether similar items are capitalized in order to be consistent in reporting. For example, assume a government, with a capitalization threshold of \$10,000, purchases two pieces of similar equipment. Item A was purchased three years ago for \$11,000, and item B was purchased in the current year for \$9,000. The government also incurred its own direct costs (time spent by construction

workers, architects and engineers on that project) and indirect costs (allocated costs of the capital improvements department of public works) for both items, which increased the values of the items to \$13,000 for item A, and \$11,000 for item B. Without the inclusion of the government's own costs, item B would not have been capitalized, while other similar items would be capitalized because they were purchased at a higher price. In this case, the government may choose to capitalize item B for the sake of consistent treatment.

Capitalization is, of its nature, primarily a financial reporting matter. That is, a government's principal concern in establishing specific capitalization thresholds ought to be the anticipated information needs of the users of the government's external financial reports. While it is essential to maintain control over all potentially capitalizable items, there are more efficient means than capitalization for accomplishing this objective in the case of a government's smaller tangible capital-type items.<sup>2</sup> Furthermore, practice has demonstrated that capital asset management systems that attempt to incorporate data on numerous smaller items are often costly and difficult to maintain and operate.

GFOA recommends that state and local governments adhere to the following guidelines for capitalization thresholds:

- Establish minimum cost and useful-life based thresholds to avoid the cost of capitalizing immaterial items; Establish a minimum capitalization threshold of \$5,000 for any individual item;
- Establish a minimum capitalization threshold of at least a two-year useful life for any individual item;
- Consider establishing different dollar capitalization thresholds for different classes of capital assets (i.e. land, infrastructure, buildings and improvements, and equipment);
- Capitalization thresholds are best applied to individual items rather than to groups of similar items (e.g., desks and tables), unless the effect of doing so would be to eliminate a significant portion of total capital assets (e.g., books of a library district);
- Governments should perform a periodic review of their capitalization thresholds;
- In establishing capitalization thresholds, governments that are recipients of federal awards should be aware of federal capitalization thresholds requirements;<sup>3</sup> and
- Governments should exercise control over potentially capitalizable items that fall under the operative capitalization threshold but require special attention.

<sup>1</sup> Note that while indirect costs pertaining only to capital projects should be capitalized, general overhead costs such as human resources services or the commissioner's office staff of an agency not exclusively performing capital work should not be allocated to capital projects and capitalized. [Accounting for Capital Assets, A Guide for State and Local Governments, Stephen J. Gauthier, GFOA, 2008].

<sup>2</sup> See GFOA's best practice on Control over Items that Are Not Capitalized (2019).

<sup>3</sup> See Title 2 Code of Federal Regulations Part 200 "Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Grants" for specific information ( <https://www.govinfo.gov/app/details/CFR-2014-title2-vol1/CFR-2014-title2-vol1-part200> )

### **3.05.170 Customer Final Bill Refunds**

Customers with a credit balance on an account upon closure will normally be issued a refund for credit balances in excess of \$10.00. The \$10.00 threshold is less than the District's cost to process a final bill refund. If the customer contacts the District and requests the payment of the credit be refunded by check, the District will explain the cost for processing the final check and ask the customer to confirm his/her request. Credit balances of less than \$10.00 will be deposited into the District's operating fund by default.

### **3.05.180 Capital Assets**

The term Capital Assets is used to describe assets that are used in operations and that initial lives extending beyond a single reporting period. Capital assets may be either intangible (e.g., easements, water rights, and annexations) or tangible (e.g., land, buildings, building improvements, vehicles, machinery, equipment, and infrastructure).

The District defines a capital asset as having a useful life in excess of two or more years and acquisition cost of \$5,000.00 or more per unit. Generally, assets meeting this definition should be recorded on the District's Capital Asset Listing.

For a replacement to be capitalized, it must be a part of a major repair or rehabilitation project, which increases the value and/or useful life of the building, equipment or machinery. A replacement may also be capitalized if the new item or part is of significantly improved quality and higher value compared to the old item or part.

If similar items are purchased together, or items to be used as one system, which total \$5,000.00 in aggregate, should be capitalized.

The cost of an accessory purchased separately, after the equipment has been received and made operable, should be added to the value of an item of capital equipment.

Items costing less than \$5,000.00 would not be recorded as capital asset, but their costs would be recorded as expenditure (Office Equipment, Computer Equipment, etc.).

**Rio Linda Elverta Community Water District  
Cost Analysis to Process Final Bill Refunds by Check**

	TOTAL		
	Hours	Total 3 EE's	Average Hourly
<b>Employee Wages, Taxes and Adjustments</b>			
<b>Total Gross Pay to Average 3 Employees</b>	240.00	6,713.60	27.97
<b>Total Employer Taxes and Contributions</b>		2,852.51	12.13
<b>Total Average Employee Cost Per Hour</b>			\$40.10
<b>Administration time: 20 minutes</b>			13.37
<b>Check &amp; Envelope Cost</b>			0.27
<b>Postage</b>			0.50
<b>Total District Cost</b>			14.14
<b>Round up Cost</b>			\$15.00



## **Executive Committee Agenda Item: 6**

**Date:** May 4, 2020

**Subject:** Remote Participation in District Public Meetings (committee and board meetings)

**Staff Contact:** Timothy R. Shaw, General Manager

### **Recommended Committee Action:**

The Executive Committee should review the material, engage in discussion, and provide direction to staff on the most appropriate near-term forms of District public meetings.

### **Current Background and Justification:**

Those of us who participated in or observed the April 20<sup>th</sup> Board meeting would likely concede that the logistics and audio were less than ideal. Accordingly, this item is intended to revisit the recommended tools employed by the District for near-term public meetings within the restrictions of social distancing and shelter in place.

Examples of how other agencies are meeting the same challenges are many. However, most agencies are not hindered by the same limitations as the District. Most agencies have their own facilities with phone lines, WiFi, etc. Many agencies have Board Clerks or other staff that attend the meetings to attend to supporting roles. Many agencies do not rely solely on an external recording of the meeting to produce minutes.

### **Conclusion:**

I recommend the Committee provide feedback to staff on means to conduct the next public meeting.





## **Executive Committee Agenda Item: 7**

**Date:** May 4, 2020

**Subject:** General Status Update from the District Engineer

**Contact:** Mike Vasquez, PE, PLS, Contract District Engineer

### **Recommended Committee Action:**

Receive a status report on specific focus items currently being addressed by the District Engineer.

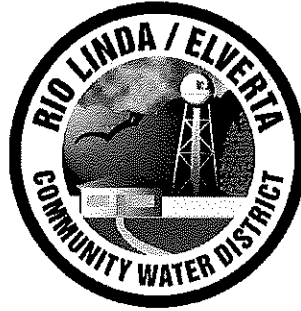
### **Current Background and Justification:**

Subjects anticipated for discussion include:

- Well 16 Pump Station Construction
- Electric Avenue Residential Development
- Fox Hollow Residential Development

### **Conclusion:**

I recommend the Executive Committee receive the status report from the District Engineer. Then, if necessary and appropriate, forward an item(s) onto the May 18, 2020 Board of Directors Meeting agenda with recommendations as necessary.



## **Executive Committee Agenda Item: 8**

**Date:** May 4, 2020

**Subject:** Contemplate Withdrawal from the Regional Water Authority (RWA)

**Staff Contact:** Timothy R. Shaw, General Manager

### **Recommended Committee Action:**

The Executive Committee should consider this report and other documents associated with this item, then forward an item onto the May 18<sup>th</sup> Board agenda to allow consideration by all Board Members.

### **Current Background and Justification:**

The RLECWD Board began its last discussed withdrawing from RWA when RWA adopted its policy, 500.16 clarifying how withdrawing member agencies obligation to fund unfunded liabilities. The Board discussions endured sporadically for about one year and concluded last spring with the turnover on the RLECWD Board.

More recently RLECWD and RWA have experience philosophical and programmatic divergence in the areas of expanding scope (e.g. Federal Affairs and Voluntary Agreements) and governance transparency (e.g. Brown Act compliance and perpetual advisory or ad hoc committees). The RLECWD Board has authorized a letter expressing the District's concerns without achieving the desired RWA redress. Multiple email outreach attempts in plain language have either been ignored, defended with narrowly construed interpretation or brushed off. These responses and lack thereof are not necessarily the opinions of the RWA Board of Directors.

Existing RWA policy empowers a single Board Member to place an item on an upcoming RWA agenda. One possible RLECWD approach could be to neutralize the current influence of the RWA Executive Director, Board Chair and like minded RWA members to place policy revisions onto the upcoming RWA Board agenda. If that does not produce the desired outcome, the District is free to exercise its withdrawal option, which has financial consequences.

### **Conclusion:**

Review and discuss, then forward an item onto the May 18<sup>th</sup> Board agenda to allow discussion and possible action by the RLECWD Board of Directors.

# Regional Water Authority

## Brown Act Concerns and Principles for Legislative and Other Coordination Meetings

The Brown Act generally does not allow a quorum of an agency's governing board to discuss the agency's business outside of a noticed public meeting. This fundamental rule presents complications for coordination meetings of RWA members, given that: (1) RWA effectively has two governing boards for Brown Act purposes; and (2) RWA's Board of Directors consists two representatives from each member or contracting entity and either representative can cast his or her member's or contracting entity's vote in the absence of the other. Accordingly, the key principles to keep in mind in organizing and attending coordination meetings among RWA's members and contracting entities are as follows:

- No more than four members of RWA's nine-member Executive Committee should be present at a meeting concerning a subject within RWA's jurisdiction because five members of that committee constitute a quorum.
- Members of RWA's Board of Directors representing no more than 10 of RWA's members and contracting entities should be present at a meeting concerning a subject within RWA's jurisdiction because representatives of 11 members and contracting entities are a quorum of the Board of Directors.
- Subjects within RWA's jurisdiction generally include subjects on which RWA's Executive Committee or Board of Directors may make a decision, but arguably do not include subjects on which agencies would be take individual actions without RWA making a decision. For example, a meeting to discuss RWA's federal or state legislative efforts would be within RWA's jurisdiction at this time, but a meeting to discuss individual agencies' decisions about buying software might not be.

Practical methods of dealing with the above concerns could include the following:

- RWA members and contracting entities could fill their "staff" seats on RWA's Board of Directors with employees who are unlikely to attend coordination meetings.
- RWA members and contracting entities could: (1) ensure that their "staff" representative on the Board of Directors does not attend any of RWA's coordination meetings; and (2) instead could send a different employee.
- RWA members and contracting entities with representatives on the Executive Committee could ensure that those representatives do not attend RWA's coordination meetings.
- Where an RWA coordination meeting involves a matter that is unlikely to be presented to the Board of Directors or Executive Committee for a decision by RWA as a whole, RWA staff could document that fact in an organizing memorandum to attendees of the coordination meeting ahead of the meeting so that all attendees have a common understanding on that point.

## **RULE 11 - AGENDA AND AGENDA MATERIALS**

The Executive Director will be responsible for preparing the agenda for regular Board meetings and meetings of the Executive Committee and other standing committees (see Government Code section 54952 and Rules 21 and 22), and having it posted at the Authority office in a location freely accessible to the public no later than

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Page 4 of 15

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seventy-two hours before a regular meeting. The Executive Director will also be responsible for preparing the agenda for *ad hoc* advisory committee meetings. The agenda will specify the time and location of the meeting and contain a brief, general description of each item of business to be transacted or discussed at the meeting, including closed session items. (See Government Code section 54954.2.) Any member of the Board may request that the Executive Director place an item for discussion or action on the agenda. In order to allow sufficient time to prepare the agenda and back-up materials, the deadline for adding items to the agenda for a regular meeting will be at noon, five working days before the meeting.

**Tim Shaw**

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**Subject:** FW: Federal Affairs Ad Hoc Committee Meeting

-----Original Message-----

From: Schmitz, Kerry <schmitzk@SacCounty.NET>  
Sent: Wednesday, April 29, 2020 10:09 AM  
To: Tim Shaw <GM@rlecwd.com>  
Cc: Ryan Bezerra <RSB@bkslawfirm.com>; Jim Peifer <jpeifer@rwah2o.org>  
Subject: Re: Federal Affairs Ad Hoc Committee Meeting

Tim-

Thanks for the input. I look forward to hearing from you at the Board meeting. Take care- Kerry

Sent from my iPad

On Apr 29, 2020, at 9:58 AM, Tim Shaw <GM@rlecwd.com> wrote:

EXTERNAL EMAIL: If unknown sender, do not click links/attachments.

Kerry:

The January EC action report email and the posted minutes of the January EC reflect that the same members were reappointed. That action failed to comport with the Brown Act requirement that advisory committees be limited term and focused on a specific task. For the federal affairs committee, that task was completed in November, and the committee should have been disbanded. For the VA committee, that task was completed in January (I believe) with the transmittal of the memo to the Board. The RWA policy does give the Chair the ability to establish committees. However, the Brown Act and litigation therefrom behoove you to comply with the stipulated requirements (limited, specified scope and limited duration) when appointing an advisory (AKA ad hoc) committee. I respectfully disagree that renaming the same members satisfies the requisite actions under the act. You cannot simply just call something advisory to exempt yourself from open meeting laws, then function as a standing committee and/or perform functions that are already within the scope of the governing body's subject matter jurisdiction. The March 19th Board Action makes federal affairs within the subject matter jurisdiction of the RWA Board. The ad hoc should be considered de facto dissolved. Any meeting on the subject matter, considering the overwhelming interests among member agencies, should be via special meeting.

The only reference in the minutes of the March 25, 2020 Executive Committee to the federal affairs ad hoc committee (which had by then completed its work) was - from the ED's report:

"There is interest in a federal infrastructure stimulus package where the Federal Affairs Ad Hoc Committee, in accordance with the Brown Act could participate. The objective is to present ideas and projects that would be helpful to our DC delegation and to the advocates who work for our member agencies and for the RWA."

The fact is the federal affairs ad hoc committee had stopped operating as an ad hoc committee at that point, and had become a discussion forum. There was no "direction" given to the committee by the Chair at the March 25 meeting.

The minutes of the March 19 RWA Board meeting have not been released yet. However If the Board discussion was for a standing committee in March (as you assert) then why are we still ad hoc on April 29th? The RWA policies do not require Board approval to create a standing committee...so why is it being made so cumbersome to create this standing committee when making and extending the ad hocs was so casual? Who is making it this way?

I can forward you the assertions that the Executive Director made regarding the proposals he expected at last weeks EC regarding transitioning the Federal Affairs meeting from ad hoc to special. That email thread requires introduction because the Chair and Legal Counsel comments are responding to another Board Member with similar concerns about the format of the next Fed Affairs meeting. Nevertheless, imagine my shock to have read that the Exec. Director and Legal Counsel are conceding the meeting should be a special meeting, then getting an email from RWA conveying the meeting will be ad hoc AND we're going to stand on our heads and eat a bug to preclude Brown Act violations in a desperate and unjustified effort for sustaining the ad hoc status.

Why? Have you considered the consequences?

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

From: Schmitz, Kerry <schmitzk@SacCounty.NET>  
Sent: Tuesday, April 28, 2020 4:12 PM  
To: Tim Shaw <GM@rlecwd.com>  
Cc: jpeifer@rwah2o.org  
Subject: Federal Affairs Ad Hoc Committee Meeting

Tim-

Please see responses below. This information is all available in the meeting minutes for the RWA Board and EC meetings on the RWA website or in the RWA meeting reports sent to all Board members – all very transparent. Feel free to call me if you have further questions – 916-316-8516.

Kerry

From: Tim Shaw <GM@rlecwd.com<mailto:GM@rlecwd.com>>  
Sent: Tuesday, April 28, 2020 7:39 AM  
To: Jim Peifer <jpeifer@rwah2o.org<mailto:jpeifer@rwah2o.org>>  
Cc: Schmitz, Kerry <schmitzk@SacCounty.NET<mailto:schmitzk@SacCounty.NET>>  
Subject: RE: Federal Affairs Ad Hoc Committee Meeting

EXTERNAL EMAIL: If unknown sender, do not click links/attachments.

Jim:

I look forward to you answering my questions because you have not yet done so. These questions are straight forward:

1. When and how did Chair Schmitz convey to the RWA Board that she had “renewed” the Fed Affairs and VA Ad Hoc Committees? The Federal Affairs and VA Ad Hoc Committees were renewed at the January 22, 2020 Executive Committee meeting, and this was relayed to the full Board via the Executive Committee Report which was sent to the full RWA Board on January 28, 2020.

2. What did Chair Schmitz establish as the scope and term of the renewed committees? At the 3/25 Executive Committee Meeting (Executive Committee Report was sent to the full RWA Board on April 1, 2020) the Federal Affairs

Ad Hoc Committee was tasked with determining an approach to recommend projects for federal funding and this work is in progress. While a specific term wasn't specified, the timeline for the task is tied to possible federal stimulus funds. At the March 29, 2020 Board meeting, I provided a memo on the status of the work for the Voluntary Agreement Ad Hoc Committee, and recommended that this work transition to the Strategic Planning process moving forward.

3. What happened to your expected push at Executive Committee to cover Fed Affairs issues via a special meeting instead of the darkness of ad hoc? I can't speak to an "expected push" for a special meeting, but at the Board Meeting on March 19, the Federal Affairs Committee recommended that the "RWA should form a volunteer standing committee as a dedicated forum for coordination, collaboration, education and vetting on federal policy areas of regional interest." This topic is on the Agenda for the May 14th RWA Board meeting and all input on the topic is welcome.

I find your reluctance to answer reasonable, relevant questions from a member agency unprofessional. I don't believe it is judicious to expect the May 14th RWA Board meeting will answer my questions. However, I opine that the answer to these questions is relevant to the Board's needed decision on refining your authority and the Chair's authority to establish indefinite ad hoc committees. Your continued evasion on the subject compels suspicion of your and/or Chair Schmitz' motives.

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

From: Jim Peifer <jpeifer@rwah2o.org<mailto:jpeifer@rwah2o.org>>  
Sent: Monday, April 27, 2020 4:55 PM  
To: Tim Shaw <GM@rlecwd.com<mailto:GM@rlecwd.com>>  
Cc: Ryan Bezerra <RSB@bkslawfirm.com<mailto:RSB@bkslawfirm.com>>; Chris Gifford <cgifford@rlecwd.com<mailto:cgifford@rlecwd.com>>  
Subject: Re: Federal Affairs Ad Hoc Committee Meeting

Tim - I am proposing the May 14 RWA board agenda will have an item on committees. I would like to discuss the guidance document that Ryan drafted and I think it would be appropriate to discuss the proposal from the Federal Affairs Ad Hoc Committee on forming a committee dealing with federal affairs.

The guidance document will touch upon many different types of committee meetings at the RWA.

I encourage you to bring up comments regarding these matters at the board meeting.

Thank you,

Jim  
Sent from my iPhone

On Apr 24, 2020, at 3:39 PM, Tim Shaw <GM@rlecwd.com<mailto:GM@rlecwd.com>> wrote:

Jim:  
When did Chair Schmitz renew the Fed Affairs Ad Hoc? Where/how was that conveyed to the RWA Board? What exactly was Chair Schmitz stated new scope for the ad hoc?

I note there is no coverage in the RWA policy manual for sunseting ad hoc assignments. It appears to be an indefinite assignment and prone to abuse. Abuse begets restrictions.



Help me understand why you, Paul Shubert and Kerry Schmitz want/need the occlusion of transparency so desperately. Help me understand why you haven't responded to my request for what happened to your expectations that an Executive Committee member would request transition from ad hoc to special board meeting.

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

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**From:** Paul Helliker  
**Sent:** Tuesday, April 28, 2020 7:55 AM  
**To:** Jim Peifer; Sean Bigley; Anne Sanger  
**Cc:** Ryan Bezerra; Greg Zlotnick  
**Subject:** Fw: Federal Affairs Ad Hoc Committee Meeting

Hi - per our conversation last week about the "coordination meeting principles," my understanding was that the alternative of noticing the federal issues discussion meetings as special RWA Board meetings would be included on the list. I had to leave the Executive Committee prior to the discussion about this item, so I don't know how this option was addressed. However, I have not seen a notice about the meeting tomorrow being a special RWA Board meeting, so is that the plan to address the potential that a quorum of the Board will attend? If so, the notice will need to be posted before 2:30 p.m. today. If RWA Board members want to attend, I don't think it would be wise to either dissuade them from doing so, or to terminate the meeting if a quorum is present and proper notice has not been posted.

I would also suggest ending the practice of calling these meetings "ad-hoc committee" meetings. The federal affairs ad hoc committee was formed for the purpose of providing recommendations on certain issues to the RWA Board, which it did in November (including transition to a discussion forum). Under the Brown Act, ad hoc committees cannot continue to meet on an ongoing basis on issues under the purview of the Board of Directors - such meetings would constitute meetings of a standing committee, and other Board members not on the committee would not be allowed to participate.

Thanks,  
Paul

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**From:** Cecilia Partridge <[cecilia@rwah2o.org](mailto:cecilia@rwah2o.org)>  
**Sent:** Friday, April 24, 2020 7:38 AM  
**Subject:** Federal Affairs Ad Hoc Committee Meeting

Hello –  
The RWA Federal Affairs Ad Hoc Committee will be holding its next meeting on: April 29, 2020 at 2:30 pm  
GoToMeeting/Call-In Details –  
Federal Affairs Ad Hoc Committee Meeting  
Wed, Apr 29, 2020 2:30 PM - 5:00 PM (PDT)

**Please join my meeting from your computer, tablet or smartphone.**

<https://global.gotomeeting.com/join/602008789>

**You can also dial in using your phone.**

United States: +1 (224) 501-3412

**Access Code:**602-008-789

New to GoToMeeting? Get the app now and be ready when your first meeting starts:

<https://global.gotomeeting.com/install/602008789>

If you plan to attend, please RSVP with Noelle Mattock at [ncmattock@roseville.ca.us](mailto:ncmattock@roseville.ca.us).

The meeting will be conducted using the attached guidance provided by RWA legal counsel to the RWA Executive Committee on April 22, 2020 to ensure both the ability for all member agencies to participate and ensure Brown Act compliance. The guidance can be found here -

<https://rwah2o.org/wp-content/uploads/2020/04/2020-04-21-Coordination-Meeting-Principles.pdf>

We will be doing a roll call before the meeting begins to ensure that we do not have a quorum of both the RWA Board or the RWA Executive Committee. Agencies are encouraged, where they can, to send staff representatives (not on the RWA Board) in lieu of sending RWA Board members. If a quorum is reached, we will have to cancel the RWA Federal Affairs Ad Hoc meeting.

Thank you,

**Sean Bigley**<sup>[L]</sup><sub>[SEP]</sub>

*Assistant Environmental Utilities Director*

*Environmental Utilities – Water Utility & Government Relations*

**o:** (916) 774-5513

**c:** (916) 605-9780

**Corporation Yard | 2005 Hilltop Circle | Roseville, CA | 95747**

# REGIONAL WATER AUTHORITY POLICIES AND PROCEDURES MANUAL

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Policy Type : Fiscal Management  
Policy Title : Allocating Liabilities to Withdrawing Members  
Policy Number : 500.16  
Date Adopted : March 8, 2018  
Date Amended :

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## ALLOCATING LIABILITIES TO WITHDRAWING MEMBERS

### Background

Members of RWA operate under a joint exercise of powers agreement that outlines powers and responsibilities of RWA and of members. The Amended and Restated Joint Exercise of Powers Agreement of the Regional Water Authority, dated October 8, 2013, provides for the voluntary withdrawal from membership subsequent to 90 days' notice. Such withdrawal is subject to the provision that the withdrawing member "shall remain responsible for any indebtedness incurred by the Member under any Project or Program Agreement to which the Member is a party, and further provided that the withdrawing Member pays or agrees to pay its share of debts, liabilities and obligations of the Regional Water Authority incurred by the Member under this Agreement prior to the effective date of such withdrawal."

Most of RWA's obligations are budgeted for on an annual basis and incorporated into the annual budget. Some obligations are incurred during the membership, but the payment is made over several future periods. Examples of these types of delayed payments for past services include unfunded pension and other post-employment benefit ("OPEB") liabilities. Required payments of these future obligations based upon prior and current service are dependent upon estimates since investment performance and experience may be different than forecasted.

This policy outlines the framework to allocate debts, liabilities and obligations of the Regional Water Authority.

### Unfunded Pension Liabilities

RWA provides defined pension benefits for plan participants that meet the vesting criteria as established by CalPERS, the California Public Employees' Pension Reform Act (PEPRA)<sup>1</sup>. The fundamental financial objective of an employee defined

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<sup>1</sup> Any current or future changes to the pension laws will dictate available benefits to employees or retirees.

benefit pension plan is to fund the long-term costs of benefits promised to the plan participants. In a defined benefit plan, an employer has promised a benefit and must make contributions to the plan in order to meet the promised benefit<sup>2</sup>. In order to assure the pension benefits will remain sustainable, RWA should accumulate adequate resources for future benefit payments in a systematic and disciplined manner during the active service life of the benefitting employees.

These pension plan obligations are accumulated over the life time of employee service. RWA's pension plan payments have been based upon CalPERS Annual Valuation reports which specify the amount of payments RWA is required to make to fund these pension plan obligations. RWA has paid 100% of the annual required contributions towards the pension plan. However, due to amortization policies<sup>3</sup> of the CalPERS pension plan that account for differences between actuarial assumptions and actual results, RWA's actuarially determined pension liabilities for prior employee service has not yet been fully funded. Because RWA's membership is voluntary, RWA has adopted Policy 500.15 Defined Benefit Pension Plan Funding Policy. The goal of Policy 500.15 is to accelerate additional payments towards the unfunded pension liability over a period of four years so as to achieve a 100% funded ratio. A 100% funded ratio is calculated by comparing the allocated market value of pension assets compared to the actuarial accrued liability for RWA's plan. However, since every year new liabilities can be created when actual pension plan results don't match the actuarial assumptions or assumptions change, new additional unfunded liabilities can be created.

Since RWA membership is voluntary, it is important that the pension costs for employee services incurred while serving active members is adequately and timely funded by these RWA members as they receive these services so as to achieve intergenerational equity. The unfunded liability represents pension costs associated with past service of employees that have been received by RWA members. These past services have contributed to the current influence and success of RWA as a regional water advocate.

RWA's unfunded pension liability is considered incurred by the member for services received during membership. This liability shall be calculated and allocated to members who withdraw based upon the following framework:

1. Determine the withdrawing member's proportion of annual dues for all years of membership.
2. Determine total RWA membership dues since organization inception in July 2001 for all remaining members, including the withdrawing member.
3. Calculate an allocation percentage for the withdrawing member by taking the dues in step one divided by the dues in step two.

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<sup>2</sup> The required contributions are typically variable in nature due to variable market performance and changing assumptions.

<sup>3</sup> CalPERS has amortization policies that typically amortize these differences over 30 years with a five-year ramp up of amortization costs.

4. Obtain the unfunded hypothetical termination liability (“UHTL”) as prepared by the latest available CalPERS annual valuation report using the highest discount rate available as calculated for the UHTL. The hypothetical termination liability assumes that once the termination liability is “paid” by the employer, the pension plan will no longer continue to receive employer funds and therefore must be self-sustaining to pay for legal pension obligations. A lower discount rate is assumed for this calculation to mitigate the risk of funds being insufficient to pay for pension obligations due to changes in assumptions. Even if RWA has fully paid its unfunded liability as determined by CalPERS using funding discount rates,<sup>4</sup> RWA can still have an unfunded hypothetical termination liability since lower discount rates are used.
5. The members’ allocation percentage as calculated in step 3 multiplied by the UHTL in step 4 will result in a pension liability payment due from the withdrawing member.

Any funds received by RWA specifically for the pension plan obligations as calculated above will be remitted to CalPERS pension plan as part of the annual additional lump sum payment(s) made by RWA in excess of the required annual contributions. Based upon staff recommendations, the Board may exercise discretion in regards to the timing of the payment to CalPERS for these type of payments.

#### **Unfunded Other Post-Employment Liabilities (“OPEB”)**

Bi-annually, RWA has an actuary calculate the unfunded OPEB. Beginning in fiscal year 2017, the unfunded liability includes two components – an explicit and implicit liability. RWA has been funding both portions of this liability since fiscal year 2017. The annual required contribution for OPEB pays for the current year employees OPEB benefits and for the prior year unfunded benefits. In determining the portion to allocate to a withdrawing member, the unfunded actuarial accrued liability as determined by the latest actuary report, including both the explicit and implicit liability, will be the liability basis used to allocate to the member. This unfunded actuarial accrued liability allocation will be determined in the same manner as the unfunded pension liability allocation.

#### **Dues Surcharges**

From time to time, RWA may incur obligations that benefit members but may be paid for over a period of several years, such as the Powerhouse Science center project. RWA may make one-time or multi-year special assessments to fund these opportunities. Withdrawing members will be responsible for the allocated obligation of these special assessments, including any future unpaid multi-year assessments. These obligations due from the withdrawing member will be calculated using the same allocation basis to derive the special assessments.

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<sup>4</sup> The discount rates for funding have varied over the years. Historically, the discount rate was 7.75% and is expected to decrease to at least 7.0 and perhaps further in future years.

### **Project or Program Management Liabilities**

These specific liabilities are based upon project management agreements between various members, depending upon the project. As stated in the joint powers agreement, the withdrawing member shall be obligated to pay its portion of liabilities as agreed to according to the project or program management agreement and approved by the Project Committee as of the date of withdrawal.

### **Leases**

If leases represent use of space or equipment on a prospective or ongoing use basis, these obligations are accounted for in current dues and would typically not be allocated to withdrawing members.

### **Payment to RWA**

Payment for these obligations and liabilities are payable to RWA within 90 days of invoice.