

**MEETING OF THE
STATE AND FEDERAL CONTRACTORS WATER AGENCY
BOARD OF DIRECTORS
February 16, 2023
1:00 pm**

Hybrid Meeting

In Person:

*State Water Contractors Conference Room
1121 L Street, Suite 1050
Sacramento, CA 95818*

Remote:

*Microsoft Teams meeting
Join on your computer, mobile app or room device*

[Click here to join the meeting](#)

Meeting ID: 277 450 445 540

Passcode: jmbtbo

Or call in (audio only)

[+1 860-241-5247,,986431085#](#) United States, Hartford

Phone Conference ID: 986 431 085#

MEETING AGENDA

1.0 CALL TO ORDER

- 1-1 The Board will Consider Corrections or Additions to the Agenda of Items Requiring Immediate Action that have come to the Attention of the Board after Posting the Agenda
- 1-2 Public Comment – Opportunity for members of the public to address the Agency on matters within the Agency’s jurisdiction (as required by Gov. Code Section 54954.3(a))

2.0 ACTION ITEMS (15 MIN)

- 2-1 Adopt Resolution 2023-1 making findings and determinations authorizing virtual teleconference meetings under Government Code Section 54953(e) (AB 361).
- 2-2 Adopt Resolution 2023-2 authorizing the Chair to verify financial accounting for SFCWA for fiscal years 2020/2021 and 2021/2022.
- 2-3 Consider approval of Board Meeting Minutes of November 18, 2021 - (Wallace)
Recommendation: That the Board approve of the above-mentioned minutes by minute order – Attachment
- 2-4 Consider electing Board members Craig Wallace, Thomas Pate and Robert Cheng to serve as SFCWA Board President, Secretary and Treasurer respectively for Fiscal Year 2023/24. - (Wallace)
Recommendation: That the Board approve of the above-mentioned election of officers.

- 2.5 Consider schedule for future SFCWA Board meetings (Wallace)
Recommendation: Future meetings - April 20, 2023 at 1pm.
- 2.6 Consider approving a no cost time extension amendment to the contract with Julie Ramsay for accounting services to extend the term to February 28, 2022 – (Wallace)
Recommendation: That the Board approve of the above-mentioned amendment – Attachment
- 2.7 Consider approving a no cost time extension amendment to the contract with The Essex Partnership for Executive Director services to extend the term to February 28, 2024 – (Wallace)
Recommendation: That the Board approve of the above-mentioned amendment – Attachment
- 2.8 Consider adopting a FY2023/24 budget as attached. – (Wallace)
Recommendation: That the Board approve the proposed FY2023/24 budget. – Attachment

3.0 INFORMATION REPORTS (40 MIN)

- 3-1 Tule Red and Lower Yolo Ranch - (DiGennaro) – Attachment
- 3-2 CalPERS Contract Options - (DiGennaro) – Attachment

4.0 ADJOURNMENT

NOTE:

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Agency Administrator in advance of the meeting to ensure availability of the requested service or accommodation. At the discretion of the Board, all items appearing on this agenda and all committee agendas, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

RESOLUTION NO. 2023-1

RESOLUTION OF THE
STATE AND FEDERAL CONTRACTORS WATER AGENCY BOARD OF DIRECTORS (SFCWA)
MAKING FINDINGS AND DETERMINATIONS AUTHORIZING VIRTUAL TELECONFERENCE
MEETINGS UNDER GOVERNMENT CODE SECTION 54953(E) (AB 361).

WHEREAS, SFCWA is committed to preserving and nurturing public access and participation in meetings of the Board; and

WHEREAS, Governor Newsom signed AB 361, amending the Brown Act, including Government Code section 54953(e), which makes provisions for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code section 54953(b)(3), subject to the existence of certain conditions; and

WHEREAS, such conditions now exist in the State, specifically, the Governor of the State of California proclaimed a state of emergency on March 4, 2020, related to the threat of COVID-19, which remains partially in effect; and

WHEREAS, the hybrid meeting model allows each individual attendee of the meeting to assess his or her own risk, and the risk they may pose to others, based on vaccination status, health conditions, age, or any other factor which may dissuade a person from attending an in-person meeting; and

WHEREAS, the hybrid meeting model also provides those that wish to attend meetings in-person the ability to do so; and

WHEREAS, the Board of Directors does hereby find that emergency conditions continue to persist within the County of Sacramento due to the COVID-19 emergency, the state of emergency continues to **directly impact the ability of the members to meet safely in person, and the Governor's state of emergency** proclamation, state regulations and local recommendations related to social distancing and remote meetings continue.

NOW, THEREFORE, BE IT RESOLVED THAT THE BOARD OF DIRECTORS DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

1. The recitals set forth above are true and correct and are incorporated into this Resolution by this reference.
2. The Board hereby finds that it has considered the state of emergency and that meeting in person for meetings of all Commission related legislative bodies subject to the Ralph M. Brown Act would present imminent risks to the health and safety of attendees.
3. Holding hybrid meetings will reduce the possibility of COVID-19 transmission during meetings by allowing those who are at risk or potentially suffering COVID-19 symptoms to participate in meetings without physically attending.

4. SFCWA shall hold their meetings in hybrid format offering attendees both in-person and videoconference/teleconference access. Any public comment period during any such meeting shall be taken in the same form and fashion from in-person and remote attendees. If at any time during any such meeting the ability to broadcast the meeting and accept public comments from remote attendees through videoconference/teleconference is disrupted, the body holding the meeting shall recess until the disruption is resolved or continue the meeting to a later date when videoconference/teleconference participation can be restored.

5. Staff is further directed to continue to monitor the health and safety conditions related to COVID-19, **the status of the Governor's state of emergency, the state regulations** related to social distancing, and the local orders related to health and safety, and present to the Board at its next regularly scheduled meeting the related information and recommendations for hybrid meetings pursuant to the provisions of paragraph Government Code section 54953, subdivision (e)(3), and to consider extending the time during which the Commission may continue to meet by teleconference without compliance with paragraph (3) of subdivision (b) of section 54953.

THE BOARD OF DIRECTORS FURTHER RESOLVES THAT:

This Resolution shall take effect from and after the date of its passage and adoption.

* * * * *

PASSED AND ADOPTED this 16th day of February, 2023, by the following vote:

AYES:

NOES:

ABSENT:

Craig Wallace, Chairperson

ATTEST:

Bruce DiGennaro, Secretary

RESOLUTION NO. 2023-2

RESOLUTION OF THE
STATE AND FEDERAL CONTRACTORS WATER AGENCY BOARD OF DIRECTORS (SFCWA)
AUTHORIZING THE CHAIRPERSON TO VERIFY SFCWA FINANCIAL ACCOUNTING FOR FISCAL
YEARS 2020/2021 AND 2021/2022 PURSUANT TO GOVERNMENT CODE SECTION 6500 ET. SEQ.

WHEREAS, SFCWA is prepared to complete their financial accounting through Fiscal Years 2020/2021 and 2021/2022;

NOW, THEREFORE, the Board of Directors hereby finds and approves as follows:

1. Authorizing the Chairperson to verify SFCWA Financial Accounting for Fiscal Years 2020/2021 and 2021/2022 pursuant to Gov Code Section 6500 et. seq.; and
2. The State of California has verified SFCWA expenditures with respect to the Tule Red Project for Fiscal Years 2020/2021 and 2021/2022. This verification was consistent with Federal accounting practices and SFCWA has not received revenue from any other source during the above fiscal years.

THE BOARD OF DIRECTORS FURTHER RESOLVES THAT:

This Resolution shall take effect from and after the date of its passage and adoption.

* * * * *

PASSED AND ADOPTED this 16th day of February, 2023, by the following vote:

AYES:

NOES:

ABSENT:

Craig Wallace, Chairperson

ATTEST:

Bruce DiGennaro, Secretary

STATE AND FEDERAL CONTRACTORS WATER AGENCY
DRAFT MEETING MINUTES
November 18, 2021

Directors Present: Federico Barajas, San Luis Delta Mendota Water Authority
Frances Brewster, Valley Water District
Rick Gilmore, Byron Bethany Irrigation district
Jose Gutierrez, Westlands Water District
Anthea Hansen, Del Puerto Water District
Randall Neudeck, Metropolitan Water District of Southern California
Thomas Pate, SCWA- DSPC
Craig Wallace, Kern County Water Agency

Staff Present: Bruce DiGennaro, SFCWA staff
Nancy Miller, Renne Sloan Holtzman Sakai LLP

CALL TO ORDER

Call to order: President Wallace called the meeting to order at 12:01 pm.

1-1 The Board will Consider Corrections or Additions to the Agenda of Items Requiring Immediate Action that have come to the Attention of the Board after Posting the Agenda

There were none.

1-2 Public Comment – Opportunity for members of the public to address the Agency on matters within the Agency’s jurisdiction (as required by Gov. Code Section 54954.3(a))

There were none.

ACTION ITEMS

2-1 Consider approval of Board Meeting Minutes of March 18, 2021 – (Wallace)

The board approved the above-mentioned minutes by unanimous vote

2.2 Consider resolution to continue meeting remotely – (Wallace)

The board will take up a resolution at its next meeting.

INFORMATION REPORTS

3-1 Executive Director Report (DiGennaro)

The Executive Director reported on the status of the CalPERS contract, the Tule Red Habitat Restoration Project and the Lower Yolo Ranch Habitat Restoration Project.

ADJOURNMENT

Director Wallace adjourned the meeting at 12:15 pm.

February 8, 2021

TO: Board of Directors

FROM: Bruce DiGennaro, Executive Director

RE: No Cost Contract Extension for Julie Ramsey

SFCWA entered into a contract (Contract No. 18-11) with Julie Ramsey in 2018 for \$30,000 for accounting and administrative services. The contract was amended in 2020 and 2021 to add additional funds (\$20,000) and to extend the term. I'm requesting that the Board consider a no cost extension to extend the term of the contract to February 28, 2024 (end of FY 2023/24).

Total expenditures under the contract have been \$_____ to date (representing a 5-year period). I anticipate that the remaining balance in the contract will be sufficient for accounting and administrative costs in FY 2023/24.

Julie has done an outstanding job at maintaining the SFCWA books and managing our administrative needs over the past 5 years at a very cost-effective rate (less than \$10,000/year).

The proposed contract amendment is attached.

State and Federal Contractors Water Agency

AMENDMENT NO. 4 TO CONSULTING SERVICES AGREEMENT WITH

Julie Ramsay

SFCWA Contract 18-11-4

This Amendment No. 4 to the Personal Services Agreement 18-11, hereafter referred to as "Agreement," is entered into this __ day of ____ 2023, by and between the State and Federal Contractors Water Agency, hereafter referred to as "SFCWA", and Julie Ramsay, hereafter referred to as "Contractor". The following amendments are hereby incorporated into the Agreement.

Article 2 is modified to extend the term of the contract and read:

Time is of the essence in the performance of services under this Agreement. This Agreement is in effect from March 1, 2018 through February 28, 2022, subject to earlier termination pursuant to Section 24 below, or extension by written agreement of the parties.

IN WITNESS THEREOF, SFCWA and Contractor have executed this Amendment No. 4 to the Agreement on the date set forth below.

STATE AND FEDERAL CONTRACTORS WATER AGENCY:

BY: _____
Bruce DiGennaro
Executive Director

DATE: _____

CONTRACTOR:

BY: _____
Julie Ramsay

DATE: _____

ATTEST:

Craig Wallace
Board President

February 8, 2021

TO: Board of Directors

FROM: Bruce DiGennaro, Executive Director

RE: No Cost Contract Extension for The Essex Partnership (Bruce DiGennaro)

SFCWA entered into a contract (Contract No. 18-12) with The Essex Partnership in 2018 for \$85,000 for Executive Director services. The contract was amended in 2020 and 2021 to add additional funds (\$70,000) and to extend the term. I'm requesting that the Board consider a no cost extension to extend the term of the contract to February 28, 2024 (end of FY 2023/24).

Total expenditures under the contract have been \$129,270 to date (representing a 5-year period for an average annual cost of roughly \$25,000/year). I anticipate that the remaining balance of the contract will be sufficient for Executive Director services in FY 2023/24.

The proposed contract amendment is attached.

State and Federal Contractors Water Agency

AMENDMENT NO. 3 TO CONSULTING SERVICES AGREEMENT WITH

The Essex Partnership, LLC

SFCWA Contract 18-12-3

This Amendment No. 3 to the Personal Services Agreement 18-12, hereafter referred to as "Agreement," is entered into this __ day of ____ 2023, by and between the State and Federal Contractors Water Agency, hereafter referred to as "SFCWA", and The Essex Partnership, LLC hereafter referred to as "Contractor". The following amendments are hereby incorporated into the Agreement.

Article 2 is modified to extend the term of the contract and read:

Time is of the essence in the performance of services under this Agreement. This Agreement is in effect from July 1, 2018 through February 28, 2024, subject to earlier termination pursuant to Section 24 below, or extension by written agreement of the parties.

IN WITNESS THEREOF, SFCWA and Contractor have executed this Amendment No. 3 to the Agreement on the date set forth below.

STATE AND FEDERAL CONTRACTORS WATER AGENCY:

BY: _____
Craig Wallace
Board President

DATE: _____

CONTRACTOR:

BY: _____
Bruce DiGennaro

DATE: _____

ATTEST:

Thomas Pate
Board Secretary

February 9, 2023

TO: Board of Directors

FROM: Bruce DiGennaro, Executive Director

RE: FY 2022/23 Revenue and Expenses, and Proposed FY 2023/24 Budget

A. FY 2022/23 Revenue and Expenses

As of January 31, 2023, SFCWA had \$4,465,089 in total assets (including \$4,311,668 in cash) and \$200,172 in liabilities for a total retained earnings of \$4,264,917 (see attached Balance Sheet).

Revenue and expenses for FY 2022/23 were associated with SFCWA Administration (including CalPERS payments) and closing out the Tule Red Restoration Project.

SFCWA Administrative revenue of \$536 (interest) was off-set by expenses of \$13,734 for a net expense of \$13,198. Administrative expenses include payments to CalPERS, costs for accounting, legal and executive director services and network and computer support. See attached for details.

For the Tule Red Restoration Project, SFCWA incurred reimbursable expenses of \$33,628, which were paid by DWR. See attached for details.

B. FY 2023/24 Budget

A proposed budget for FY2023/24 is attached. The budget assumes ongoing administrative costs of \$20,000 plus CalPERS payments of \$20,000 for a total expense of \$40,000.

The attached budget assumes revenue from the Lower Yolo Ranch payment of \$4,344,000 (see Agenda Item 3.1 attachments) and existing cash reserves of \$ 4,265,000 for total revenues of \$8,609,000.

Revenues minus expenses are expected to result in a net surplus of \$8,569,000.

State & Federal Contractors Water Agency

Balance Sheet

FY 2022/23 as of January 31, 2023

Dollars (\$)

		FY 2022/23 Actual
CURRENT ASSETS		
	Cash	4,311,668
		4,311,668
OTHER ASSETS		
	Deferred Outflows-Pension	153,421
TOTAL ASSETS		4,465,089
CURRENT LIABILITIES		
	Accounts Payable	14,273
	Deferred Inflows-Pension	11,929
		26,202
OTHER LIABILITIES		
	Net Pension Liability	173,970
TOTAL LIABILITIES		200,172
RETAINED EARNINGS		4,264,917
NET INCOME		4,465,089

State & Federal Contractors Water Agency Administration Fund

FY 2022/23 as of January 31, 2023

Dollars (\$)

		FY 2022/23 Actual
REVENUES		
	Interest	536
TOTAL REVENUES		536
CONSULTANT AND STAFF SERVICES		
	CalPERS	700
	CalPERS Health	759
	Executive Director	7,900
	Accounting Support	2,025
	Other Office Expenses	1,487
	Network & Computer Support	863
TOTAL EXPENSES		13,734
NET INCOME		\$ (13,198)

State & Federal Contractors Water Agency

Habitat Implementation Fund

FY 2022/23 as of January 31, 2023

Dollars (\$)

	FY 2022/23 Actual
REVENUES	
Construction Financing Tule Red	-
TOTAL REVENUES	-
CONSULTANT AND STAFF SERVICES	
Executive Director	3,995
Legal Counsel	-
TULE RED PLANNING & PERMITTING	
Final Design, Permitting and Construction Bidding	29,310
Permitting	323
TOTAL EXPENSES	33,628
NET INCOME	\$ (33,628)

FY 2023 Budget	
<u>Expenses - Program Category</u>	Proposed FY-23
Administration	\$ 20,000
CalPERS Pension	\$ 20,000
Habitat Implementation	\$ -
Total Expenditures	\$ 40,000
<u>Revenue</u>	
Cash (retained earnings)	\$ 4,265,000
Lower Yolo Ranch Payment	\$ 4,344,000
Subtotal	\$ 8,609,000
<u>Member Charges for FY-2019</u>	
SWPCA General Charges	\$ -
SWC Charges	\$ -
SLDMWA Charges	\$ -
Cash Reserves for funding equity	\$ -
Total Dues Revenue	\$ -
Total Revenue	\$ 8,609,000
Surplus	\$ 8,569,000

February 8, 2023

TO: Board of Directors

FROM: Bruce DiGennaro, Executive Director

RE: Tule Red and Lower Yolo Ranch Habitat Restoration Projects

A. Tule Red

- Construction at Tule Red was completed in 2020 and the property was transferred to DWR in 2021.
- DWR exercised an option in the contract between SFCWA and DWR for SFCWA to perform management and monitoring services in 2021 and early 2022. SFCWA extended its contract with WES to perform these services and billed DWR accordingly. These services were completed at the end of March 2022. DWR has since taken over responsibility for all site management and monitoring in accordance with the Adaptive Management and Monitoring Plan approved by the resource agencies.
- All work under the contract has been completed and all invoices have been paid by DWR.
- Total costs for the project were approximately \$15 million, which were fully reimbursed by DWR.
- DWR is in the process of securing the habitat credits with U.S. Fish and Wildlife and the National Marine Fisheries Service. I anticipate the credits will be secured later this year

B. Lower Yolo Ranch

- Westlands Water District (WWD) completed construction of the Lower Yolo Ranch Habitat Restoration Project in 2022 and has received payment from DWR for the project.
- WWD agreed to reimburse SFCWA \$4,343,595.89 for previous expenses associated with project development once it was paid by DWR (see attached resolution approved by the Board on September 15, 2016). SFCWA will request in writing the reimbursement of these funds.
- I propose that the SFCWA Board consider distribution of the Lower Yolo Ranch funds once a decision has been made regarding the CalPERS contracts. Distribution would be in accordance with the contributions made by member agencies during the period of time that SFCWA funded development costs (2010-2015).
- \$675,305.64 of the SFCWA funded development costs were paid for directly by MWD for EIR preparation. The remainder of the SFCWA costs (\$3,668,290.25) were paid by SFCWA with dues collected from its member agencies, including WWD via SLDMWA.

**AGREEMENT FOR THE REIMBURSEMENT OF EXPENSES SPENT
FOR THE LOWER YOLO RANCH RESTORATION PROJECT**

This Agreement for the Reimbursement of Expenses (“Agreement”) is effective as of _____, 2016, (“Effective Date”) between Westlands Water District (“Westlands”) and the State and Federal Contractors Water Agency, (“SFCWA”).

Recitals

WHEREAS, Westlands owns property in the lower Yolo By-Pass (“Property”) that has been identified by state and federal agencies as a site for which tidal marsh restoration and wetlands enhancement (“Habitat Restoration”) would provide benefits to Delta smelt, out-migrating salmonids, and other aquatic and wetland-dependent species; and

WHEREAS, Westlands desires to complete Habitat Restoration on the Property for the benefit of Delta smelt, out-migrating salmonids, and other aquatic and wetland-dependent species; and

WHEREAS, SFCWA has previously undertaken planning and design work for Habitat Restoration on the Property; and

WHEREAS, Westlands’ use of the planning and design work undertaken by SFCWA would expedite permitting and construction of the Habitat Restoration on the Property; and

WHEREAS, it is in the interests of Westlands, SFCWA, and SFCWA member agencies to complete Habitat Restoration on the Property at the earliest possible date; and

WHEREAS, SFCWA desires to cooperate with Westlands in completing Habitat Restoration on the Property; and

WHEREAS, Westlands and SFCWA anticipate that, upon completion of Habitat Restoration on the Property, title of the portion of the Property that has undergone Habitat Restoration will be conveyed to the California Department of Water Resources.

NOW, THEREFORE, in consideration of the above recitals and of the mutual promises, terms, covenants and conditions set forth herein, the parties hereto agree as follows:

1. SFCWA shall authorize and direct cbec, inc., eco engineering (“cbec”) to provide Westlands and its project manager use of all existing documentation prepared by cbec for the Lower Yolo Restoration Project (“Project”).
2. SFCWA will not object to cbec contracting directly with Westlands or its project manager for the remaining design, engineering, and construction services required for the completion of the Project.

3. SFCWA shall authorize and direct ICF International (“ICF”) to provide Westlands and its project manager use of all existing documentation prepared by ICF for the Project.
4. SFCWA will not object to ICF contracting directly with Westlands or its project manager for the remaining environmental and permitting services required for the completion of the Project.
5. SFCWA shall provide copies of all permits and permit applications submitted to the United States Army Corp of Engineers and other permitting agencies for the Project. For any existing permit or permit application, SFCWA shall authorize a change in the applicant/ permittee from SFCWA to Westlands for all permits and permit applications submitted to the United States Army Corp of Engineers and other permitting agencies for the Project.
6. Westlands shall reimburse SFCWA for payments made by SFCWA prior to the Effective Date of Agreement for design, engineering, environmental review, and permitting work undertaken on SFCWA’s behalf in connection with the Project, which are listed in Exhibit A hereto, at the earlier of:
 - a. Progress payments to Westlands made by the California Department of Water Resources of sufficient amounts to fully reimburse SFCWA for the expenditures it made, as described in this paragraph; or,
 - b. The initiation of construction of the Project.
7. Westlands and SFCWA shall in good faith cooperate with one-another in connection with completion of the Project.
8. SFCWA shall, without unreasonable delay, execute all documents necessary to implement this Agreement.
9. Nothing in this Agreement is intended to impose upon SFCWA any obligation to make monetary contributions to Westlands for the design, engineering, environmental review, permitting, or construction of the Project.
10. Nothing in this Agreement is intended to and shall not be construed to create a partnership or joint venture in connection with the design, permitting, or construction of the Project.
11. Westlands shall defend, indemnify, and hold harmless, SFCWA, its directors, officers, and employees against all claims, damages, losses, or judgments arising out of any act or omission of Westlands, its agents, or representatives in Westlands’ performance of this Agreement or the design, permitting, or construction of the Project. SFCWA shall defend, indemnify, and hold harmless, Westlands, its directors, officers, and employees against all claims, damages, losses, or judgments arising out of any act or omission of SFCWA, its

agents, or representatives in SFCWA's performance of this Agreement or work related to the Project undertaken by SFCWA prior to the Effective Date of this Agreement

12. This Agreement may be executed in counterparts. Facsimile or copied signatures are to be deemed originals.

CONFIDENTIAL WORKING DRAFT

EXHIBIT A:									
	Vendor	Descriptions	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Engineering and Design									\$ 1,786,507
	CBEC		\$0.00	\$176,573.00	\$122,145.00	\$402,171.00	\$432,188.00	\$3,616.00	\$1,136,693.00
	MacFarlane		\$0.00	\$0.00	\$0.00	\$52,013.00	\$33,394.00	\$0.00	\$85,407.00
	Blaesi		\$0.00	\$0.00	\$0.00	\$0.00	\$26,550.00	\$9,469.00	\$36,019.00
	Schmutte		\$0.00	\$78,840.00	\$133,878.00	\$107,879.00	\$109,570.00	\$30,088.00	\$460,255.00
	Laugenour & Meikle		\$0.00	\$0.00	\$0.00	\$0.00	\$44,100.00	\$0.00	\$44,100.00
	Moffat & Nichol		\$0.00	\$0.00	\$0.00	\$13,631.00	\$0.00	\$0.00	\$13,631.00
	KSNI		\$0.00	\$0.00	\$0.00	\$0.00	\$10,402.00	\$0.00	\$10,402.00
Permitting Process									\$492,952.00
	ICFI		\$0.00	\$0.00	\$0.00	\$142,039.00	\$319,750.00	\$31,163.00	\$492,952.00
Legal									\$389,468.00
	KMTG		\$910.00	\$15,174.00	\$8,697.00	\$0.00	\$0.00	\$0.00	\$23,871.00
	OPLL		\$0.00	\$0.00	\$94,803.00	\$125.00	\$0.00	\$0.00	\$94,928.00
	M&O		\$0.00	\$0.00	\$0.00	\$80,689.00	\$173,942.00	\$16,038.00	\$270,669.00
Project Management									\$1,098,132.00
	WWRI	Project Management	\$0.00	\$0.00	\$148,130.00	\$0.00	\$0.00	\$0.00	\$148,130.00
	WWRI	Final Design	\$0.00	\$0.00	\$103,014.00	\$0.00	\$0.00	\$0.00	\$103,014.00
	WWRI	CEQA	\$0.00	\$0.00	\$564,828.00	\$0.00	\$0.00	\$0.00	\$564,828.00
	WWRI	Permits	\$0.00	\$0.00	\$277,432.00	\$0.00	\$0.00	\$0.00	\$277,432.00
	WWRI	Adaptive Management	\$0.00	\$0.00	\$4,728.00	\$0.00	\$0.00	\$0.00	\$4,728.00
EIR									\$576,536.89
	MWD	Professional Services	\$0.00	\$10,450.35	\$56,486.68	\$15,388.13	\$0.00	\$0.00	\$82,325.16
	MWD	Employee Non-Labor	\$0.00	\$3,622.74	\$104.23	\$0.00	\$0.00	\$0.00	\$3,726.97
	MWD	Reimbursable Labor	\$0.00	\$249,943.85	\$218,381.91	\$21,789.43	\$369.57	\$0.00	\$490,484.76
	MWD	Legal Sevices 2011-2014	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$98,768.75
TOTAL REIMBURSABLE SPENT COSTS									\$4,343,595.89

MEMORANDUM

February 8, 2023

TO: SFCWA Board
FROM: Bruce DiGennaro, Executive Director
RE: Options Regarding CalPERS Contracts

A. Background

- SFCWA has two contracts with CalPERS for pension benefits, a Classic Plan and a PEPPA Plan.
- The funded status of the two plans **as of June 30, 2021** is listed in the table below.

	<i>Classic Plan</i>	<i>PEPPA Plan</i>	<i>Total</i>
<i>Present Value of Projected Benefits</i>	\$ 1,716,509	\$ 111,986	\$ 1,828,495
<i>Plan's Market Value of Assets</i>	\$ 1,518,774	\$ 113,563	\$ 1,632,337
<i>Unfunded Accrued Liability</i>	\$ 197,735	\$ (1,577)	\$ 196,158

- Given market losses in 2022, the current combined market value of assets of the two plans is likely closer to \$1.3mm and the current unfunded liability is likely closer to \$300,000.
- Here are the member counts in each plan:

	Classic	PEPPA
Transferred (another CalPERS employer)	1	0
Separated (but not receiving benefits)	1	3
Retired receiving benefits	2	1
Total	4	4

- The CalPERS contracts also provide for health benefits, but none of the past SFCWA employees are currently utilizing these benefits. The one SFCWA retiree has switched to Medicare.
- In June 2020, the SFCWA Board decided to delay termination of the CalPERS contracts due to the unfavorable market conditions at that time, and the high cost of termination.

B. CalPERS Contract Options

The following outlines three potential options for managing the existing CalPERS contracts.

1. Terminate the Contracts

As discussed in 2020, terminating the CalPERS contracts would be a very expensive option. All terminated contracts are placed into a "Terminated Agency Pool". CalPERS relies on a projection of 20-year treasury notes to set the discount rate for terminated contracts. These rates are historically very low (around 2.5%) providing a hedge against future uncertainty. CalPERS unfunded termination liability as of June 30, 2021 ranged from \$2.0 mil to \$2.8 mil (total for both contracts) based on a 2.25% and a 1.00% discount rate respectively. As noted above, the current termination cost is expected to be higher due to poor market performance in 2022.

Discussions with MacLeod Watts suggest CalPERS Hypothetical Termination Liability is extremely conservative, perhaps by a factor of two or more of the actual exposure. Terminating the contracts would allow the SFCWA Joint Powers Authority (JPA) to be dissolved, thus alleviating the need to maintain a board and pay operating expenses. Terminating the contracts would require assigning potential future liabilities to another entity.

2. Maintain Status Quo

Under this option, SFCWA would operate as it currently does for another 12 years, including making payments to CalPERS on a periodic basis to maintain the existing contracts. This would involve estimated annual operating expenses of \$40,000 (including CalPERS payments). The June 30, 2021 CalPERS Valuation report, SFCWA's pension liability estimates full funding after 12 years at current annual funding rate (\$17,586). However, there is considerable uncertainty in future market conditions and future retirements that could change SFCWA's liability over time. This option would require holding annual board meetings and making routine filings. This option assumes that after 12 years, potential future liabilities would be assumed by another entity and that some payment would be made to that entity for assuming the potential risk.

3. Manage the Contracts to Reduce Long-term Risk and Transfer them to a Member Agency

This option would entail:

- a. Paying down the current unfunded liability (estimated to be around \$300,000) to establish a new baseline and minimize future interest costs;
- b. Continuing to make annual payments to CalPERS for the next few years to reduce uncertainty and associated future liability risk as transferred and separated workers in the SFCWA pension plans get closer to retirement or retire;
- c. Calculating a future liability based on conservative rates of return, inflation, and actuarial mortality, but not as conservative as the CalPERS termination calculation; and
- d. Providing funds equal to the liability calculation to member agencies interested in accepting the contracts in exchange for the upside potential (CalPERS Hypothetical Termination Liability minus the calculated conservative liability).

This option would require SFCWA to continue to exist until the contracts could be transferred and would involve estimated annual operating expenses of \$35,000 (exclusive of CalPERS payments). This option would also require holding annual board meetings and making routine filings.

The estimated cost of each option, in 2023 dollars is listed in Table 1 below. Each assumes no future gains or losses that would change the unfunded liability.

Table 1 – Estimated Cost of Options for Managing Existing CalPERS Contracts and Associated Liabilities.

Option	Cost in 2023 Dollars	Comments
1. Terminate the Contracts	\$2.83 million	Based on 2021 CalPERS evaluation at a 1% discount rate (worst case) plus \$35k in operating costs and 5% contingency.
2. Maintain Status Quo	\$377,000	Assumes 12 years of annual payments with no buy-down of unfunded liability and annual operating costs of \$20k and 5% contingency. Does not account for potential future liability after 12 years
3. Manage the Contracts to Reduce Long-term Risk and Transfer them to a Member Agency	\$272,000	Assumes CalPERS payments would be accelerated to pay off the current liability in 5 years. Contracts would be transferred to another entity along with a payment for assuming potential future liability. The actual transfer payment amount would be determined by an actuarial evaluation.