

**SACRAMENTO CENTRAL GROUNDWATER AUTHORITY
REGULAR MEETING OF THE BOARD OF DIRECTORS**

Wednesday, March 14, 2012; 9:00 am

10060 Goethe Road

Sacramento, CA 95827

(SASD South Conference Room No. 1212 – Sunset Maple)

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

The public shall have the opportunity to directly address the Board on any item of interest before and during the Board's consideration of that item. Public comment on items within the jurisdiction of the Board is welcomed, subject to reasonable time limitations for each speaker.

- 1. CALL TO ORDER AND ROLL CALL – 9:00 a.m.**
- 2. PUBLIC COMMENT:** Members of the public who wish to address the Board may do so at this time. Please keep your comments to less than three minutes.
- 3. CONSENT CALENDAR**
 - Minutes of January 11, 2012 Board meeting.
 - Minutes of the January 17, 2012 Ag-Res Water Conservation Subcommittee
 - Minutes of the February 28, 2012 Ag-Res Water Conservation Subcommittee
Action: Approve Consent Calendar items
- 4. CALENDAR YEAR 2012 INVESTMENT POLICY FOR THE POOLED INVESTMENT FUND**
 - Information presentation: SCGA staff.
Action: Receive and file.
- 5. 2010-2011 AUDIT REPORT**
 - Information presentation: Bill Konigsmark, Accounting Manager.
Action: Receive and file.
- 6. FISCAL YEAR 2012/2013 BUDGET**
 - Planning for the 2012/2013 fiscal year budget.
Action: Appoint a budget committee to prepare a budget recommendation for the 2012/2013 fiscal year.
- 7. LOCAL GROUNDWATER ASSISTANCE GRANT**
 - Information presentation and discussion: Jim Blanke, RMC/WRIME, and SCGA staff.
Action: Authorize application for an AB 303 grant and adopt a resolution designating the Executive Director of the Authority as the authorized representative to enter into an agreement with the State for the AB 303 grant.

8. RECOMMENDATIONS TO THE BOARD FROM THE AG/AG RES WATER CONSERVATION SUBCOMMITTEE

- Information presentation and discussion: Amanda Platt, California Association of Resource Conservation Districts.

Action: Authorize the expenditure of \$10,000 to augment the ag-residential irrigation efficiency component of the 2011 Proposition 84 Regional Water Efficiency Project.

9. GROUNDWATER BANKING PROJECTS

- Presentation on groundwater banking projects by Mary Lou Cotton, Senior Water Resources Manager, Kennedy/Jenks Consultants.

Action: Information presentation.

10. EXECUTIVE DIRECTOR'S REPORT

- a) California State Groundwater Elevation Monitoring (CASGEM)
- b) South Area Water Council
- c) Form 700

11. DIRECTORS' COMMENTS

ADJOURNMENT

Upcoming meetings –

Next SCGA Board of Directors Meeting – Wednesday, May 9, 2012, 9 am; 10060 Goethe Road, South Conference Room No. 1212 (Sunset Maple).

AGENDA ITEM 3: CONSENT CALENDER

BACKGROUND:

Minutes of the January 1, 2012 SCGA Board meetings.
Minutes of the January 17, 2012 Ag-Res Water Conservation Subcommittee.
Minutes of the February 28, 2012 Ag-Res Water Conservation Subcommittee.

STAFF RECOMMENDATION:

Action: Approve Consent Calendar items.

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY (SCGA)
Governing Board Meeting
Draft Minutes
January 11, 2012

LOCATION: 10060 Goethe Road, Room 1212
Sacramento, CA 95827
9:00 a.m. to 11:00 a.m.

MINUTES:

1. CALL TO ORDER AND ROLL CALL

The following meeting participants were in attendance:

Board Members (Primary Rep.)

Stuart Helfand, Agricultural-Residential
Rick Bettis, Conservation Landowners
Edwin Smith, Public Agencies Self Supplied
Ron Lowry, Omochumne-Hartnell Water District
Ed Crouse, Rancho Murieta Community Services District
David Armand, California-American Water Company
Dave Ocenosak, Sacramento Regional County Sanitation District

Board Members (Alternate Rep.)

Darren Wilson, City of Elk Grove
Todd Eising, City of Folsom
Elizabeth Sparkman, City of Rancho Cordova
Jim Peifer, City of Sacramento
Herb Niederberger, Sacramento County Water Agency
Paul Schubert, Golden State Water Company
Jose Ramirez, Sacramento Regional County Sanitation District

Staff Members

Darrell Eck, Executive Director
Heather Peek, Board Clerk
Ping Chen
Ramon Roybal

Others in Attendance

Bruce Kamilos, Elk Grove Water District
Mark Roberson, Water Forum
Rob Swartz, Sacramento Groundwater Authority
Rodney Fricke, Aerojet Corporation

Member Agencies Absent

Agricultural Interests

2. PUBLIC COMMENT

None

3. CONSENT CALENDAR

The draft meeting minutes for the SCGA Board Meeting held on November 9, 2011 were considered for approval.

Motion/Second/Carried – Mr. Bettis moved, seconded by Mr. Smith, the motion carried unanimously to approve the minutes.

4. 2009 – 2010 BASIN MANAGEMENT REPORT

Mr. Eck presented the 2009-2010 Basin Management Report while stating that the intent of the report was to document basin wide hydrologic conditions and management activities in an effort to help ensure the long-term sustainability of the region's groundwater resources. Mr. Eck discussed some of the highlights from the report such as a decline in total groundwater pumping since 2007, a general increase in groundwater elevation levels, completion of the HydroDMS, enhanced reporting of groundwater quality, postponement of the Well Protection Program, establishment of the Agriculture/Agriculture Residential Water Conservation Subcommittee, coordination efforts with regulatory agencies and various responsible parties on groundwater remediation efforts, and development of a groundwater level monitoring plan according to CASGEM requirements. Mr. Eck then outlined the recommendations made in the report which included, moving forward with the development of a water accounting framework, to build on the existing measuring and monitoring program, to maintain and build upon the HydroDMS, to periodically review the GMP and update if necessary, to continue coordinating efforts with regulatory agencies and responsible parties on clean-up activities in the Basin, and to continue efforts with the Agriculture/Agriculture Residential Water Conservation Subcommittee .

Mr. Pfeifer asked for more information regarding the water accounting framework. Mr. Eck responded that during previous Board meetings there had been a lot of discussion as far as potential groundwater banking activities within the basin and also about a water accounting framework that could move forward in a way that would provide the maximum benefit to the Central Basin. Mr. Eck further stated that as part of the current fiscal year budget, the Board had authorized some money to move forward with the selecting a consultant to start laying the ground work for a water accounting framework within the Central Basin. Mr. Pfeifer asked if the consultant had already been selected. Mr. Eck said that consultant had not been selected because the primary focus had been on development and completion of the CASGEM monitoring plan per State requirements. Mr. Pfeifer inquired as to the preliminary direction that a consultant would be charged with in terms of developing a water accounting framework. Mr. Eck replied that the initial scope would primarily consist of brain storming sessions to analyze the situation in the Central Basin in order to develop a direction for a program and provide recommendations for consideration by the Board. Mr. Pfeifer asked if the brain storming sessions with would be held with basin stakeholders or primarily conducted with staff. Mr. Eck replied that it would be with Authority staff and that certainly, if there were others who would like to participate, they would be entirely welcome.

Mr. Bettis inquired about access to the data management system (HDMS). Mr. Eck replied that it was his recollection that the website address for access to the HDMS had previously been provided and that interested individuals could inquire with staff in order to be given the proper level of access.

Mr. Bettis then asked if there was any active groundwater banking occurring within the Central Basin. Mr. Eck replied in the negative but added that there were on-going discussions of banking projects such as the Sacramento County Water Agency's (SCWA) grant to look into the feasibility of using gravel mines though the process was in the initial stages. Mr. Bettis asked if there were private land owners still interested or engaged in banking opportunities. Mr. Eck recalled the presentation given to the Board by Curtis Hanford (February 2009) for a potential project located adjacent to the Cosumnes River which had since seen no additional response from Mr. Hanford addressing the institutional and logistical hurdles to move the project further. Mr. Eck then mentioned the development of a potential groundwater banking project between Omochumne-Hartnell WD and Rancho Murieta CSD. Mr. Lowry replied that Omochumne-Hartnell WD had a \$1 million grant that created an opportunity for Omochumne-Hartnell WD to bank surplus water from Rancho Murieta CSD along the north side of the Cosumnes River.

Mr. Niederberger recalled that during the Sacramento Groundwater Authority's (SGA) development of a water accounting framework, a consultant gave a presentation that evaluated most of the State's major water banks. Mr. Niederberger suggested that it might be advantageous for a similar presentation to be made for those interested on the SCGA Board in order to gain a better perspective on the subject and to see the variety of applications of banking projects based on the unique conditions found throughout the State. Mr. Schubert asked if it was something to put on a future Board agenda. Mr. Eck said that it could be something useful in order to generate feedback to aid in the planned brainstorming sessions. Mr. Niederberger stated that there were probably several opportunities for banking in the Central Basin and that the East Bay Municipal Utility District (EBMUD) had expressed interest in using the Central Basin as a groundwater bank. Mr. Eck confirmed Mr. Niederberger's statement while citing that the City of Folsom had also expressed interest.

Mr. Schubert made a call to receive and file the suggestion to host a presentation on groundwater banking projects throughout the State.

5. 2011 – 2012 BUDGET STATUS

Mr. Eck provided a brief update of the current fiscal year budget. He reminded everyone the total budget that was approved by the Authority was for \$264,000 and that, as of the end of December, which represented the halfway point of the budget year, thirty-eight percent of the budget or \$101,144 had been spent. Mr. Bettis asked if there were un-committed monies at the present time. Mr. Eck replied in the affirmative and further explained that there was a balance in the reserve account and that it was available as necessary. Mr. Schubert inquired as to the projection of spending through the end of the fiscal year and whether or not it would be in the vicinity of one hundred percent. Mr. Eck replied that would be close to one hundred percent.

6. EXECUTIVE DIRECTOR'S REPORT

Mr. Eck reported on the following:

- a) **California State Groundwater Elevation Monitoring (CASGEM)** – On December 20, 2010, the Authority submitted a statement to the California Department of Water Resources (DWR) expressing interest in being designated as monitoring entity for the South American Subbasin for the recently created CASGEM program. After collaborating with DWR, the Authority submitted a groundwater monitoring plan on December 16, 2011 that met all requirements set forth in CASGEM guidelines. In advance of the January 1, 2012 deadline, the authority submitted their first monitoring report under the program on December 28, 2011. DWR provided notification on January, 2012 that the Authority had been designated as the monitoring entity in the South American Subbasin. Formal notification has been received that the Authority is the official monitoring entity. A copy of the monitoring plan is posted on the Authority's website.
- b) **Audit Report** – The report for the last fiscal year will be available for review and discussion at the March 14 Board meeting.
- c) **Grant Update** – The State of California plans to release Revised Draft Guidelines and PSP for Local Groundwater Assistance Grants (AB 303) for public review and comment in January 2012. The release of Final Guidelines and PSP along with the application due date is expected in the spring of 2012. Approximately \$4.7 million will be made available through Proposition 84 to fund these grants. Staff will be meeting with WRIME later this month to discuss the Authority's approach on the upcoming application. Mr. Eck recalled that potential work to be requested for funding under AB303 were discussed at the November 2010 Board meeting and included additional tools for the HDMS, BMO threshold development, reconciliation of data overlap areas between SGA and SCGA, development of the ability to input surface water data and additional hydrological data, and also maintenance and online user support.
- d) **South Area Water Council** – The Southeast Sacramento County Agricultural Water Authority is considering revising their JPA to establish a governance body to adopt and implement the South Basin groundwater management plan. Other participants in the expanded JPA potentially include the County of Sacramento, Sloughhouse Resource Conservation District, the City of Galt, and Rancho Murieta Community Services District. The County met with a representative of the Ag Water Authority on December 5, 2011 to discuss their "intent and expectation" for being a part of the expanded JPA. Follow-up meetings involving the various parties have not yet been scheduled. A copy of the South Area Water Council's draft groundwater management plan can be found at the website cited in the Board package.
- e) **Form 700** – Reminder the State of California requires designated positions within the Authority to file Conflict of Interest Form 700 by April 1. Please send to Ramon Roybal.

7. DIRECTORS' COMMENTS

Mr. Helfand asked if the Vineyard Surface Water project was preparing for further development in the vicinity of Sunrise Boulevard and Douglas Road. Mr. Niederberger clarified that Mr. Helfand was referring to SCWA's plans for a North Service Area (NSA) pipeline and that the pipeline was supposed run from the Vineyard Surface Water Treatment Plant up Sunrise Boulevard to the Sunrise-Douglas planning area. Mr. Niederberger stated that it was a seventy million dollar project and that currently there was no need for that infrastructure due to capacity available via the Anatolia Water Treatment Plant. Mr. Niederberger stated that the pipeline had been delayed until 2021 and reminded that at one time, the Anatolia development was scheduled to be build out by now.

Mr. Niederberger mentioned that a settlement had been reached between the County of Sacramento and Aerojet-Boeing Corporation for damage to SCWA's Sunrise Douglas system.

Mr. Pfeifer announced that the City of Sacramento would begin soliciting for statements of qualification for the design of two groundwater wells for construction with the next year and which were to be located south of the American River.

Mr. Armand announced that the California American Water Company was preparing to submit their permit for consolidation of the Rosemont and Suburban systems. They're going to move forward with performance testing of the pump station within the next month pending department approval.

Mr. Schubert announced that Golden State Water Company offices would be relocating within the next couple of months.

ADJOURNMENT

Upcoming Meetings –

Next SCGA Board of Directors Meeting – Wednesday, March 14th, 2012. 10060 Goethe Road, Sacramento, CA; SASD South Conference Room 1212 (Sunset Maple).

By:

Chairperson

Date

Date

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY (SCGA)
Agricultural-Residential Water Conservation Sub-Committee Meeting
Draft Minutes
January 17, 2012

LOCATION: 827 7th Street, Room 301
Sacramento, CA 95814
2:00 p.m.

MINUTES:

1. Call to Order and Roll Call

Meeting commenced at 2:15 p.m.

The following meeting participants were in attendance:

Board Members (Primary Rep.)

Rick Bettis, Conservation Landowners
Ron Lowry, Omochumne-Hartnell Water District

Others in Attendance

Amanda Platt, California Association of Resource Conservation Districts
Mark Roberson, Water Forum

Staff Members

Darrell Eck, Executive Director, SCGA
Ping Chen, SCGA
Ramón Roybal, SCGA

2. Public Comment

None

3. Water Conservation Best Management Practices and Outreach

Ms. Platt provided an update of Sacramento County's adoption of the State's Grey Water legislation reporting that the County has adopted a "Laundry to Landscape" program. Mr. Eck asked which department in the County is handling the grey water program. Ms. Platt replied that she had initially talked to the Environmental Management Department (EMD) but was forwarded to the Building Department as she was told that it was more of a building permit issue although no permits are required for "Laundry to Landscape" systems. Ms. Platt stated that the laundry to landscape systems are the most common type of grey water but that more complicated systems may require County action such as a plumbing permit. Mr. Eck asked if the Statewide push for grey water was mainly intended for rural areas. Ms. Platt

responded that actually, grey water legislation was very actively pushed through by urban areas such as the San Francisco Bay Area. Ms. Platt mentioned the Greywater Alliance which operates out of the Bay Area but is willing to travel to the Sacramento region in order to provide training.

Ms. Platt distributed copies of the “Conservation Home Assessment” which was a checklist to assess a property’s effectiveness at limiting runoff and erosion, conserving water and energy etc. The assessment was used for residents in the Cosumnes River watershed and was provided by Ms. Platt as an example of an effective outreach mechanism to be applied within the SCGA boundary. Mr. Lowry inquired about establishing contact with ag-res users and mentioned that SMUD has a special charge code for different user types than can also be organized by zip code and stated that it may be an effective to target ag-res users via mailers. Ms. Platt stated that outreach via established community organizations such as the Wilton Action Group or the Sheldon Community Association is particularly effective. She further mentioned that the Sheldon Community Association had already expressed interest in participating in a pilot program for water conservation.

Mr. Bettis asked about funding sources for outreach efforts. Mr. Roberson re-iterated that there was funding available through the IRWMP and that he envisioned the SCGA outreach effort to serve as a pilot program for a larger, regional program. Mr. Roberson also suggested that it would be ideal if SCGA could augment funding.

Cost elements of an outreach program were generally discussed and included; 1) promotion, 2) Handouts/mailers, 3) Presenters/workshops, 4) Home audits.

The general consensus was to re-convene the committee at the end of February to develop detailed plan elements and a budget for presentation at the March SCGA Board meeting. SCGA staff agreed to look at the Authority’s budget to determine how much the Authority could contribute.

4. Adjournment

With no further business to discuss meeting adjourns at 3:00 p.m.

By:

Chairperson

Date

Attest:

Date

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY (SCGA)
Agricultural-Residential Water Conservation Sub-Committee Meeting
Draft Minutes
February 28, 2012

LOCATION: 827 7th Street, Room 301
Sacramento, CA 95814
1:30 p.m.

MINUTES:

1. Call to Order and Roll Call

Meeting commenced at 1:30 p.m.

The following meeting participants were in attendance:

Board Members (Primary Rep.)

Rick Bettis, Conservation Landowners
Ron Lowry, Omochumne-Hartnell Water District

Others in Attendance

Amanda Platt, California Association of Resource Conservation Districts
Mark Roberson, Water Forum
Ellen Carlson, Florin Resource Conservation District

Staff Members

Darrell Eck, Executive Director, SCGA
Ping Chen, SCGA
Ramón Roybal, SCGA

2. Public Comment

Ellen Carlson from the Florin Resource Conservation District introduced herself and stated that she was sitting in as an interested party.

3. Outreach Plan and Budget

Mr. Roberson explained that grant funding for ag-res water conservation outreach was made available through a 2011 Prop. 84 Regional Water Efficiency grant awarded to the Regional Water Authority (RWA). Mr. Roberson further explained that the Water Forum would act as the administrator of the grant which was divided into an urban and an agricultural component and that Ms. Platt would be in charge of the agricultural component.

Ms. Platt distributed a draft outreach plan explaining that it followed the requirements set forth in the grant program. Ms. Platt pointed out that the outreach plan was designed to

outreach to established community organizations that had previously demonstrated interest or which had attended previous water efficiency workshops. Generally the plan consisted of conducting 10-12 workshops, with each lasting 2-3 hours, while covering about three Best Management Practices (BMP's). Ms. Platt identified the BMP's to consist of 1) high efficiency landscaping; 2) grey water systems; 3) rain water harvesting. Additionally, follow up home audits based on BMP implementation were also included in the plan. Ms. Platt identified Placer, El Dorado, and Sacramento Counties as the target area for outreach.

Ms. Platt then addressed the draft budget saying that the grant rules called for a majority of the cost to be allotted for staff time and thus no travel expensive were included. The budget called for conducting ten to twelve public workshops. Mr. Roberson pointed out that one-half to two-thirds of total staff time was allotted for development of the workshop presentations. Mr. Eck asked how many presentations would be conducted in each county. Ms. Platt responded that she would have to look at population targets in each county to make a determination. She stated that she would aim to distribute the presentations evenly but that ultimately, population figures would be the determining factor. Ms. Platt speculated that since Sacramento County had the largest population and target area, it likely could end up with highest number of presentations.

Ms. Platt pointed out that publicity and marketing costs had not been included in the draft budget and thus would be an additional cost. Mr. Bettis recalled that SCGA might be able to contribute additional funding for such activities through un-allotted funds from the SCGA budget. Mr. Eck confirmed Mr. Bettis' statement, adding that the SCGA Board would have to approve such an action and determine whether the contribution would apply only to marketing in the SCGA area or generally for the entire program area. Mr. Roberson asked Ms. Platt if she had an idea of the potential marketing costs. Ms. Platt estimated that it might cost an additional three thousand dollars and would effectively be conducted through 'grass roots' efforts, newspaper ads, SMUD mailers, and word of mouth. Ms. Platt also suggested that marketing efforts could be modeled after the "Blue Thumb" campaign, a water efficiency program that advertised via radio and television.

Mr. Bettis asked if the agricultural-residential wells referred to in the Central Basin GMP had any associated pumping data. Mr. Chen responded in the negative.

Mr. Eck sought clarification that the budget as proposed, was based on what was available through the grant award, and that additional efforts such as marketing would have to be funded through additional funding from another source such as SCGA. Ms. Platt replied in the affirmative, adding that if SCGA wanted more focused marketing, it could be done with additional funding.

Mr. Lowry inquired about a specific budget item identified as "incentives". Mr. Roberson explained that it referred to an incentive to pay an individual ag-res owner up to \$500 for efficient landscaping/irrigation supplies which would be provided in conjunction with a water efficiency survey and associated recommendations. Mr. Lowry stated that he thought the figure was on the high side and that if the incentive were lowered, it could be spread out to more ag-res users. Mr. Roberson reiterated that the incentive was tied to a survey and recommendations based on the survey and that the cost associated with the incentive were based on urban irrigation equipment costs such as sprinkler controls and high-efficiency sprinkler heads. Mr. Roberson added that SCGA could choose to fund additional water efficiency surveys to augment to cost identified in the draft budget.

Mr. Lowry suggested coming up with a standard list of drought tolerant plants to distribute at

the proposed workshops. Ms. Platt responded that it was a great idea and that she had already begun contacting various local nurseries to get an idea of their inventories and costs for those items.

Mr. Bettis inquired as to how the recommendations from the meeting would be presented at the next regular SCGA Board meeting. Mr. Eck replied that it was on the agenda and asked Ms. Platt if she could present the program to the Board. Ms. Platt agreed. Mr. Eck then asked Ms. Platt if she could provide a more specific budget detailing marketing costs within the SCGA area for presentation to the Board. Mr. Eck suggested that the recommendation to the Board could be to fund the targeted marketing campaign.

Mr. Bettis inquired as to the specific amount of funding that could be made available via the SCGA budget. Mr. Eck responded that up to ten thousand dollars could be made available but that he would hesitate to recommend spending the entire amount and thus leave the budget with zero un-allotted dollars.

Mr. Roberson pointed out that the program was planned to run through the year 2013. He suggested that if possible, it would be beneficial for funding via SCGA be made prior to the end of the current fiscal year in order to get a start on marketing efforts. Mr. Roberson stated that fiscal contributions from SCGA may serve as a good starting point for making similar requests to Sacramento Groundwater Authority (SGA) and the Water Forum. Mr. Roberson asked Mr. Eck about the possibility of having SCGA initially fund the entire program during the period in which grant funding is dispersed from the State and disseminated via Regional Water Authority (RWA) and the Water Forum. Mr. Roberson clarified that his concern was that fund disbursement through the grant program may take a significant amount of time and that he would like to see the program commence during the current fiscal year. Interim funding via SCGA would allow Ms. Platt to begin working on implementation of the program without a protracted delay. Mr. Eck replied that it could be a possibility but that he would require more details about the specific funding mechanisms, timing, and amounts and that he would have to discuss these items with the appropriate people.

4. Adjournment

With no further business to discuss meeting adjourns at 2:30 p.m.

By:

Chairperson

Date

Attest:

Date

**AGENDA ITEM 4: CALENDAR YEAR 2012 INVESTMENT POLICY FOR
THE POOLED INVESTMENT FUND**

BACKGROUND:

As the Authority's funds are held by the County of Sacramento they are part of the County's Pooled Investment Fund and are subject to investment policies which are reviewed by the Board of Supervisors on an annual basis. A copy of the investment policy for 2012 has been provided for the Board's information. The Director of Finance for the County of Sacramento recommends that this report be received and filed by this Board.

STAFF RECOMMENDATION:

Action: Receive and file.



SACRAMENTO COUNTY

**Annual Investment Policy
of the Pooled Investment Fund**

CALENDAR YEAR 2012

*Approved by the
Sacramento County Board of Supervisors*

December 13, 2011
Resolution No. 2011-0918

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SACRAMENTO COUNTY

**Annual Investment Policy
of the Pooled Investment Fund**

CALENDAR YEAR 2012

I. Authority

Under the Sacramento County Charter, the Board of Supervisors established the position of Director of Finance and by ordinance will annually review and renew the Director of Finance's authority to invest and reinvest all the funds in the County Treasury.

II. Policy Statement

This Investment Policy (Policy) establishes cash management and investment guidelines for the Director of Finance, who is responsible for the stewardship of the Sacramento County Pooled Investment Fund. Each transaction and the entire portfolio must comply with California Government Code and this Policy. All portfolio activities will be judged by the standards of the Policy and its investment objectives. Activities that violate its spirit and intent will be considered contrary to the Policy.

III. Standard of Care

The Director of Finance is the Trustee of the Pooled Investment Fund and therefore, a fiduciary subject to the prudent investor standard. The Director of Finance, employees involved in the investment process, and members of the Sacramento County Treasury Oversight Committee (Oversight Committee) shall refrain from all personal business activities that could conflict with the management of the investment program. All individuals involved will be required to report all gifts and income in accordance with California state law. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the Director of Finance shall act with care, skill, prudence, and diligence to meet the aims of the investment objectives listed in Section IV, Investment Objectives.

IV. Investment Objectives

The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for governmental purposes. The specific objectives for the Pooled Investment Fund are ranked in order of importance.

A. Safety of Principal

The preservation of principal is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they be from securities default or erosion of market value.

B. Liquidity

As a second objective, the Pooled Investment Fund should remain sufficiently flexible to enable the Director of Finance to meet all operating requirements that may be reasonably anticipated in any depositor's fund.

C. Public Trust

In managing the Pooled Investment Fund, the Director of Finance and the authorized investment traders should avoid any transactions that might impair public confidence in Sacramento County and the participating local agencies. Investments should be made with precision and care, considering the probable safety of the capital as well as the probable income to be derived.

D. Maximum Rate of Return

As the fourth objective, the Pooled Investment Fund should be designed to attain a market average rate of return through budgetary and economic cycles, consistent with the risk limitations, prudent investment principles and cash flow characteristics identified herein. For comparative purposes, the State of California Local Agency Investment Fund (LAIF) will be used as a performance benchmark. The Pooled Investment Fund quarterly performance benchmark target has been set at or above LAIF's yield. This benchmark was chosen because LAIF's portfolio structure is similar to the Pooled Investment Fund.

V. Pooled Investment Fund Investors

The Pooled Investment Fund investors are comprised of Sacramento County, school and community college districts, districts directed by the Board of Supervisors, and independent special districts whose treasurer is the Director of Finance. Any local agencies not included in this category are subject to California Government Code section 53684 and are referred to as outside investors.

VI. Implementation

In order to provide direction to those responsible for management of the Pooled Investment Fund, the Director of Finance has established this Policy and will provide it to the Oversight Committee and render it to legislative bodies of local agencies that participate in the Pooled Investment Fund. In accordance with California Government Code section 53646, et seq., the Board of Supervisors shall review and approve this Policy annually.

This Policy provides a detailed description of investment parameters used to implement the investment process and includes the following: investable funds; authorized instruments; prohibited investments; credit requirements; maximum maturities and concentrations; repurchase agreements; Community Reinvestment Act Program; criteria and qualifications of broker/dealers and direct issuers; investment guidelines, management style and strategy; Approved Lists; and calculation of yield and costs.

VII. Internal Controls

The Director of Finance shall establish internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, or misuse. To assist in implementation and internal controls, the Director of Finance has established an Investment Group and a Review Group.

The Investment Group, which is comprised of the Director of Finance and his/her designees, is responsible for maintenance of the investment guidelines and Approved Lists. These guidelines and lists can be altered daily, if needed, to adjust to the ever-changing financial markets. The guidelines can be more conservative or match the policy language. In no case can the guidelines override the Policy.

The Review Group, which is comprised of the Director of Finance and his/her designees, is responsible for the monthly review and appraisal of all the investments purchased by the Director of Finance and staff. This review includes bond proceeds, which are invested separately from the Pooled Investment Fund and are not governed by this Policy.

The Director of Finance shall establish a process for daily, monthly, quarterly, and annual review and monitoring of the Pooled Investment Fund activity. The following articles, in order of supremacy, govern the Pooled Investment Fund:

1. California Government Code
2. Annual Investment Policy
3. Current Investment Guidelines
4. Approved Lists (see page 9, Section IX.K)

The Director of Finance shall review the daily investment activity and corresponding bank balances.

Monthly, the Review Group shall review all investment activity and its compliance to the corresponding governing articles and investment objectives.

Quarterly, the Director of Finance will provide the Oversight Committee with a copy of the Pooled Investment Fund activity and its compliance to the annual Policy and California Government Code.

Annually, the Oversight Committee shall cause an annual audit of the activities within the Pooled Investment Fund to be conducted to determine compliance to the Policy and California Government Code. This audit will include issues relating to the structure of the investment portfolio and risk.

All securities purchased, with the exception of time deposits, money market mutual funds, LAIF and Wells Fargo's overnight investment fund, shall be delivered to the independent third-party custodian selected by the Director of Finance. This includes all collateral for repurchase agreements. All trades, where applicable, will be executed by delivery versus payment by the designated third-party custodian.

VIII. Sacramento County Treasury Oversight Committee

In accordance with California Government Code section 27130 et seq., the Board of Supervisors, in consultation with the Director of Finance, has created the Sacramento County Treasury Oversight Committee (Oversight Committee). Annually, the Director of Finance shall prepare an Investment Policy that will be forwarded to and monitored by the Oversight Committee and rendered to Boards of all local agency participants. The Board of Supervisors shall review and approve the Policy during public session. Quarterly, the Director of Finance shall provide the Oversight Committee a report of all investment activities of the Pooled Investment Fund to ensure compliance to the Policy. Annually, the Oversight Committee shall cause an audit to be conducted on the Pooled Investment Fund. The meetings of the Oversight Committee shall be open to the public and subject to the Ralph M. Brown Act.

A member of the Oversight Committee may not be employed by an entity that has contributed to the campaign of a candidate for the office of local treasurer, or contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the Oversight Committee. A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the Sacramento County Board of Supervisors or governing board of any local agency that has deposited funds in the county treasury while a member of the Oversight Committee. Finally, a member may not secure employment with, or be employed by bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the treasurer is doing business during the period that the person is a member of the Oversight Committee or for one year after leaving the committee.

The Oversight Committee is not allowed to direct individual investment decisions, select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the Department of Finance treasury and investment operations.

IX. Investment Parameters

A. Investable Funds

Total Investable Funds (TIF) for purposes of this Policy are all Pooled Investment Fund moneys that are available for investment at any one time, including the estimated bank account float. Included in TIF are funds of outside investors, if applicable, for which the Director of Finance provides investment services. Excluded from TIF are all bond proceeds.

The Cash Flow Horizon is the period in which the Pooled Investment Fund cash flow can be reasonably forecasted. This Policy establishes the Cash Flow Horizon to be one (1) year.

Once the Director of Finance has deemed that the cash flow forecast can be met, the Director of Finance may invest funds with maturities beyond one year. These securities will be referred to as the Core Portfolio.

B. Authorized Investments

Authorized investments shall match the general categories established by the California Government Code sections 53601 et seq. and 53635 et seq. Authorized investments shall

include, in accordance with California Government Code section 16429.1, investments into LAIF. Authorization for specific instruments within these general categories, as well as narrower portfolio concentration and maturity limits, will be established and maintained by the Investment Group as part of the Investment Guidelines. As the California Government Code is amended, this Policy shall likewise become amended.

C. Prohibited Investments

No investments shall be authorized that have the possibility of returning a zero or negative yield if held to maturity. These shall include inverse floaters, range notes, and interest only strips derived from a pool of mortgages.

All legal investments issued by a tobacco-related company are prohibited. A tobacco-related company is defined as an entity that makes smoking products from tobacco used in cigarettes, cigars, or snuff or for smoking in pipes. The tobacco-related issuers restricted from any investment are Alliance One, Altria Group, Inc., Auri Inc., British American Tobacco PLC, Imperial Tobacco Group PLC, Kirin International Holding Inc., Lorillard, Philip Morris International, Reynolds American, Inc., Schweitzer-Mauduit International Inc., Smokefree Innotec Inc., Star Scientific Inc., Universal Corp., and Vector Group, Ltd. Annually the Director of Finance and/or his designee will update the list of tobacco-related companies.

D. Credit Requirements

Except for municipal obligations and Community Reinvestment Act (CRA) bank deposits and certificates of deposit, the issuer's short-term credit ratings shall be at or above A-1 by Standard & Poor's, P-1 by Moody's, and, if available, F1 by Fitch, and the issuer's long-term credit ratings shall be at or above A by Standard & Poor's, A2 by Moody's, and, if available, A by Fitch. There are no credit requirements for Registered State Warrants. All other municipal obligations shall be at or above a short-term rating of SP-1 by Standard & Poor's, MIG1 by Moody's, and, if available, F1 by Fitch. In addition, domestic banks are limited to those with a Fitch Individual bank rating of B or better. The Investment Group is granted the authority to specify approved California banks with Fitch Individual bank ratings of B/C or C but they must have a Support rating of 1 where appropriate. Foreign banks with domestic licensed offices must have a Fitch Sovereign rating of AAA and a Fitch Individual bank rating of B or better; however, a foreign bank may have a rating of B/C or C but they must have a Support rating of 1. Domestic savings banks must be rated B or better or may have a rating of B/C or C but they must have a Support rating of 1.

Community Reinvestment Act Program Credit Requirements

Maximum Amount	Minimum Requirements
Up to the FDIC- or NCUSIF-insured limit for the term of the deposit	Banks — FDIC Insurance Coverage
	Credit Unions — NCUSIF Insurance Coverage <i>Credit unions are limited to a maximum deposit of the NCUSIF-insured limit since they are not rated by nationally recognized rating agencies and are not required to provide collateral on public deposits.</i>
Over the FDIC- or NCUSIF-insured limit to \$10 million Collateral is required	(Any 2 of 3 ratings) S&P: A-2 Moody's: P-2 Fitch: F-2

Eligible banks must have Community Reinvestment Act performance ratings of “satisfactory” or “outstanding” from each financial institution’s regulatory authority. In addition, deposits greater than the federally-insured amount must be collateralized. Banks must place securities worth between 110% and 150% of the value of the deposit with the Federal Reserve Bank of San Francisco, the Home Loan Bank of San Francisco, or a trust bank.

Since credit unions do not have Community Reinvestment Act performance ratings, they must demonstrate their commitment to meeting the community reinvestment lending and charitable activities, which are also required of banks.

All commercial paper and medium-term note issues must be issued by corporations operating within the United States and having total assets in excess of one billion dollars (\$1,000,000,000).

The Investment Group may raise these credit standards as part of the Investment Guidelines and Approved Lists. Appendix A provides a Comparison and Interpretation of Credit Ratings by Standard & Poor’s, Moody’s, and Fitch.

E. Maximum Maturities

Due to the nature of the invested funds, no investment with limited market liquidity should be used. Appropriate amounts of highly-liquid investments, such as Treasury and Agency securities, should be maintained to accommodate unforeseen withdrawals.

The maximum maturity, determined as the term from the date of ownership to the date of maturity, for each investment shall be established as follows:

U.S. Treasury Notes and Agency Obligations	5 years
Bonds issued by local agencies	5 years
Registered State Warrants and Municipal Notes	5 years
Bankers Acceptances	180 days
Commercial Paper	270 days
Negotiable Certificates of Deposit.....	180 days
CRA Bank Deposit/Certificates of Deposit	1 year
Repurchase Agreements	1 year
Reverse Repurchase Agreements	92 days
Medium Term Corporate Notes.....	180 days
Shares of a Money Market Mutual Fund.....	(per SEC regulations) ¹
Collateralized Mortgage Obligations	180 days

The Investment Group may reduce these maturity limits to a shorter term as part of the Investment Guidelines and the Approved Lists.

The ultimate maximum maturity of any investment shall be five (5) years. The dollar-weighted average maturity of all securities shall be equal to or less than three (3) years.

F. Maximum Concentrations

No more than 80% of the portfolio may be invested in issues other than United States Treasuries and Government Agencies. The maximum allowable percentage for each type of security is set forth as follows:

U.S. Treasury and Agency Securities	100%
Bonds issued by local agencies	80%
Registered State Warrants and Municipal Notes	80%
Bankers Acceptances	40%
Commercial Paper	40%
Negotiable or CRA Bank Deposit/Certificates of Deposit.....	30%
Repurchase Agreements	30%
Reverse Repurchase Agreements	20%
Medium Term Corporate Notes.....	30%
Shares of a diversified Money Market Mutual Fund.....	20%
Collateralized Mortgage Obligations	20%
Local Agency Investment Fund (LAIF).....	(per State limit) ²

The Investment Group may reduce these concentrations as part of the Investment Guidelines and the Approved Lists.

¹ Money Market mutual funds are regulated by the Securities and Exchange Commission under §270.2a-7 and are required to maintain a dollar-weighted average portfolio maturity of 60 days or less.

² LAIF current maximum allowed is \$50 million.

No more than 10% of the portfolio, except Treasuries and Agencies, may be invested in securities of a single issuer including its related entities.

Where a percentage limitation is established above, for the purpose of determining investment compliance, that maximum percentage will be applied on the date of purchase.

G. Repurchase Agreements

Under California Government Code section 53601, paragraph (j) and section 53635, the Director of Finance may enter into Repurchase Agreements and Reverse Repurchase Agreements. The maximum maturity of a Repurchase Agreement shall be one year. The maximum maturity of a reverse repurchase agreement shall be 92 days, and the proceeds of a reverse repurchase agreement may not be invested beyond the expiration of the agreement. The reverse repurchase agreement must be "matched to maturity" and meet all other requirements in the code.

All repurchase agreements must have an executed Sacramento County Master Repurchase Agreement on file with both the Director of Finance and the Broker/Dealer. Repurchase Agreements executed with approved broker-dealers must be collateralized with either: (1) U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily; or (2) money market instruments which are on the Approved Lists of the County and which meet the qualifications of the Policy, with a market value of 102%. Since the market value of the underlying securities is subject to daily market fluctuations, investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. Use of mortgage-backed securities for collateral is not permitted. Strictly for purposes of investing the daily excess bank balance, the collateral provided by the Sacramento County's depository bank can be Treasuries or Agencies valued at 110%, or mortgage-backed securities valued at 150%.

H. Community Reinvestment Act Program

The Director of Finance has allocated within the Pooled Investment Fund, a maximum of \$90 million for the Community Reinvestment Act Program to encourage community investment by financial institutions, which includes community banks and credit unions, and to acknowledge and reward local financial institutions which support the community's financial needs. The Director of Finance may increase this amount, as appropriate, while staying within the investment policy objectives and maximum maturity and concentration limits. The eligible banks and savings banks must have Community Reinvestment Act performance ratings of "satisfactory" or "outstanding" from each financial institution's regulatory authority. The minimum credit requirements are located on page 5 of Section IX.D.

I. Criteria and Qualifications of Brokers/Dealers and Direct Issuers

All transactions initiated on behalf of the Pooled Investment Fund and Sacramento County shall be executed through either government security dealers reporting as primary dealers to the Market Reports Division of the Federal Reserve Bank of New York or direct issuers that directly issue their own securities which have been placed on the Approved List of

brokers/dealers and direct issuers. Further, these firms must have an investment grade rating from at least two national rating services, if available.

Brokers/Dealers and direct issuers which have exceeded the political contribution limits, as contained in Rule G-37 of the Municipal Securities Rulemaking Board, within the preceding four year period to the Director of Finance or any member of the governing board of a local agency or any candidate for those offices, are prohibited from the Approved List of brokers/dealers and direct issuers.

Each broker/dealer and direct issuer will be sent a copy of this Policy and a list of those persons authorized to execute investment transactions. Each firm must acknowledge receipt of such materials to qualify for the Approved List of brokers/dealers and direct issuers.

Each broker/dealer and direct issuer authorized to do business with Sacramento County shall, at least annually, supply the Director of Finance with audited financial statements.

J. Investment Guidelines, Management Style and Strategy

The Investment Group, named by the Director of Finance, shall issue and maintain Investment Guidelines specifying authorized investments, credit requirements, permitted transactions, and issue maturity and concentration limits which are consistent with this Policy.

The Investment Group shall also issue a statement describing the investment management style and current strategy for the entire investment program. The management style and strategy can be changed to accommodate shifts in the financial markets, but at all times they must be consistent with this Policy and its objectives.

K. Approved Lists

The Investment Group, named by the Director of Finance, shall issue and maintain various Approved Lists. These lists are:

1. Approved Domestic Banks for all legal investments.
2. Approved Foreign Banks for all legal investments.
3. Approved Commercial Paper and Medium Term Note Issuers.
4. Approved Money Market Mutual Funds.
5. Approved Firms for Purchase or Sale of Securities (Brokers/Dealers and Direct Issuers).
6. Approved Banks / Credit Unions for the Community Reinvestment Act Program.

L. Calculation of Yield and Costs

The costs of managing the investment portfolio, including but not limited to: investment management; accounting for the investment activity; custody of the assets; managing and accounting for the banking; receiving and remitting deposits; oversight controls; and indirect and overhead expenses are charged to the investment earnings based upon actual labor hours worked in respective areas. Costs of these respective areas are accumulated by specific cost

accounting projects and charged to the Pooled Investment Fund on a quarterly basis throughout the fiscal year.

The Department of Finance will allocate the net interest earnings of the Pooled Investment Fund quarterly. The net interest earnings are allocated based upon the average daily cash balance of each Pooled Investment Fund participant.

X. Reviewing, Monitoring and Reporting of the Portfolio

The Review Group will prepare and present to the Director of Finance at least monthly a comprehensive review and evaluation of the transactions, positions, performance of the Pooled Investment Fund and compliance to the California Government Code, Policy, and Investment Guidelines.

Quarterly, the Director of Finance will provide to the Oversight Committee and to any local agency participant that requests a copy, a detailed report on the Pooled Investment Fund. Pursuant to California Government Code section 53646, the report will list the type of investments, name of issuer, maturity date, par and dollar amount of the investment. For the total Pooled Investment Fund, the report will list average maturity, the market value, and the pricing source. Additionally, the report will show any funds under the management of contracting parties, a statement of compliance to the Policy and a statement of the Pooled Investment Fund's ability to meet the expected expenditure requirements for the next six months.

Each quarter, the Director of Finance shall provide to the Board of Supervisors and interested parties a comprehensive report on the Pooled Investment Fund.

Annually, the Director of Finance shall provide to the Oversight Committee the Investment Policy. Additionally, the Director of Finance will render a copy of the Investment Policy to the legislative body of the local agencies that participate in the Pooled Investment Fund.

XI. Withdrawal Requests for Pooled Fund Investors

The Director of Finance will honor all requests to withdraw funds for normal cash flow purposes that are approved by the Director of Finance at a one dollar net asset value. Any requests to withdraw funds for purposes other than immediate cash flow needs, such as for external investing, are subject to the consent of the Director of Finance. In accordance with California Government Code Sections 27133(h) and 27136, such requests for withdrawals must first be made in writing to the Director of Finance. When evaluating a request to withdraw funds, the Director of Finance will take into account the effect of a withdrawal on the stability and predictability of the Pooled Investment Fund and the interests of other depositors. Any withdrawal for such purposes will be at the market value of the Pooled Investment Fund on the date of the withdrawal.

XII. Limits on Honoraria, Gifts, and Gratuities

In accordance with California Government Code Section 27133(d), this Policy establishes limits for the Director of Finance; individuals responsible for management of the portfolios; and members of the Investment Group and Review Group who direct individual investment decisions, select individual investment advisors and broker/dealers, and conduct day-to-day investment

trading activity. The limits also apply to members of the Oversight Committee. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of \$50 in a calendar year from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the designated filing official and complete the appropriate State forms.

No individual may receive aggregate gifts, honoraria, and gratuities in a calendar year in excess of the amount specified in Section 18940.2(a) of Title 2, Division 6 of the California Code of Regulations. This limitation is \$420 for the period January 1, 2011, to December 31, 2012. Any violation must be reported to the State Fair Political Practices Commission.

XIII. Terms and Conditions for Outside Investors

Outside investors may invest in the Pooled Investment Fund through California Government Code Section 53684. Their deposits are subject to the consent of the Director of Finance. The legislative body of the local agency must approve the Sacramento County Pooled Investment Fund as an authorized investment and execute a Memorandum of Understanding. Any withdrawal of these deposits must be made in writing 30 days in advance and will be paid based upon the market value of the Pooled Investment Fund. If the Director of Finance considers it appropriate, the deposits may be returned at any time to the local agency.

Appendix A

Comparison and Interpretation of Credit Ratings

Long Term Debt & Individual Bank Ratings				
Rating Interpretation	Moody's	S&P	Fitch	Fitch Individual Bank Rating
<i>Best-quality grade</i>	Aaa	AAA	AAA	A
<i>High-quality grade</i>	Aa1	AA+	AA+	A
	Aa2	AA	AA	A/B
	Aa3	AA-	AA-	B
<i>Upper Medium Grade</i>	A1	A+	A+	B
	A2	A	A	B/C
	A3	A-	A-	B/C
<i>Medium Grade</i>	Baa1	BBB+	BBB+	C
	Baa2	BBB	BBB	C/D
	Baa3	BBB-	BBB-	C/D
<i>Speculative Grade</i>	Ba1	BB+	BB+	D
	Ba2	BB	BB	D
	Ba3	BB-	BB-	D
<i>Low Grade</i>	B1	B+	B+	D/E
	B2	B	B	D/E
	B3	B-	B-	D/E
<i>Poor Grade to Default</i>	Caa	CCC+	CCC	D/E
<i>In Poor Standing</i>	-	CCC	-	D/E
	-	CCC-	-	D/E
<i>Highly Speculative Default</i>	Ca	CC	CC	D/E
	C	-	-	E
<i>Default</i>	-	-	DDD	E
	-	-	DD	E
	-	D	D	E

Short Term / Municipal Note Investment Grade Ratings			
Rating Interpretation	Moody's	S&P	Fitch
<i>Superior Capacity</i>	MIG-1	SP-1+/SP-1	F1+/F1
<i>Strong Capacity</i>	MIG-2	SP-2	F2
<i>Acceptable Capacity</i>	MIG-3	SP-3	F3

Appendix A

Short Term / Commercial Paper Investment Grade Ratings			
Rating Interpretation	Moody's	S&P	Fitch
<i>Superior Capacity</i>	P-1	A-1+/A-1	F1+/F1
<i>Strong Capacity</i>	P-2	A-2	F2
<i>Acceptable Capacity</i>	P-3	A-3	F3

Fitch Support Ratings (related to Fitch Individual Bank Ratings)	
<i>Rating</i>	<i>Interpretation</i>
1	A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'A-'.
2	A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'BBB-'.
3	A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'BB-'.
4	A bank for which there is a limited probability of support because of significant uncertainties about the ability or propensity of any possible provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'B-'.
5	A bank for which external support, although possible, cannot be relied upon. This may be due to a lack of propensity to provide support or to very weak financial ability to do so. This probability of support indicates a Long-Term Rating floor no higher than 'B-' and in many cases no floor at all.

Appendix A

Fitch Sovereign Risk Ratings	
<i>Rating</i>	<i>Interpretation</i>
AAA	Highest credit quality. 'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality. 'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High credit quality. 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality. 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for timely payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative. 'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative. 'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	High default risk. Default is a real possibility.
CC	Very high levels of credit risk. Default of some kind appears probable.
C	Exceptionally high levels of credit risk. Default appears imminent or inevitable.
D	<p>Default. Indicates a default. Default generally is defined as one of the following:</p> <ul style="list-style-type: none"> • Failure to make payment of principal and/or interest under the contractual terms of the rated obligation; • The bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of the business of an issuer/obligor; or • The coercive exchange of an obligation, where creditors were offered securities with diminished structural or economic terms compared with the existing obligation.

AGENDA ITEM 5: 2010-2011 AUDIT REPORT

BACKGROUND:

Information presentation on the annual audit of the Authority for the fiscal year ending June 30, 2011 by Bill Konigsmark, Accounting Manager.

STAFF RECOMMENDATION:

Action: Receive and file.

AGENDA ITEM 6: FISCAL YEAR 2012/2013 BUDGET

BACKGROUND:

In order to have the budget for the 2012/2013 fiscal year in place by the beginning of the upcoming fiscal year the budget will need to be approved by the Board at the May 9, 2012 meeting. To facilitate this, staff is requesting that the Board appoint a budget committee to work with staff in making a budget recommendation to the Board for the 2012/2013 fiscal year.

STAFF RECOMMENDATION:

Action: Appoint a budget committee to prepare a budget recommendation for the 2012/2013 fiscal year.

AGENDA ITEM 7: LOCAL GROUNDWATER ASSISTANCE GRANT

BACKGROUND:

The Local Groundwater Management Assistance Act of 2000, or AB 303, was enacted to provide grants to local public agencies to conduct groundwater studies or to carry out groundwater monitoring and management activities. According to DWR's website, Proposal Solicitation Packages for this grant are expected to be released in spring 2012 with proposal applications due in spring/summer 2012 (grants are expected to be awarded in summer 2012). Local public agencies with authority to manage groundwater may apply for up to \$250,000 (source of funding is Proposition 84). Pursuing an AB 303 grant provides an opportunity for the Authority to continue to build on work that is currently underway.

Jim Blanke from RMC/WRIME is here today to describe the proposed project should the Authority be awarded a grant.

Staff requests the Board to authorize application for an AB 303 grant and adopt a resolution designating the Executive Director of the Authority as the authorized representative to enter into an agreement with the State for the AB 303 grant.

STAFF RECOMMENDATION:

Action: Authorize application for an AB 303 grant and adopt a resolution designating the Executive Director of the Authority as the authorized representative to enter into an agreement with the State for the AB 303 grant.

Local Groundwater Assistance (LGA) Grant Program

LGA grants provide local public agencies with up to \$250,000 to conduct groundwater studies or carry out groundwater monitoring and management activities. Approximately \$4.7 million in funding from Proposition 84 is anticipated for the fiscal year 2011-2012 LGA Grant Program.

Applicant: Local public agencies with authority to manage groundwater resources.

Projects: Groundwater data collection, modeling, monitoring and management studies; monitoring programs and installation of equipment; basin management; development of information systems; and other groundwater related work as authorized in California Water Code Section 10795 *et seq.*

Funding: Up to \$250,000 per eligible applicant.

Tentative Schedule

Date	Event
02/01/12	Release Draft LGA Guidelines and PSP for Public Review
02/23/12	Public Meeting to obtain comments on Draft LGA Guidelines and PSP
03/01/12	Public Comment Period Ends
Spring 2012	Release Final LGA Guidelines and PSP
Spring/Summer 2012	Proposal Applications Due
Summer 2012	Public Release of Draft Award Recommendations

**SACRAMENTO CENTRAL GROUNDWATER AUTHORITY
CALIFORNIA**

For the Agenda of:
March 14, 2012

To: Board of Directors
Sacramento Central Groundwater Authority

From: Staff

Subject: Resolution Authorizing Submittal Of An Application To The California Department of Water Resources For A Local Groundwater Assistance Grant Pursuant To The Water Security, Clean Drinking Water, Coastal And Beach Protection Act Of 2002 (AB 303)

Contact: Darrell Eck, Executive Director, 874-5039

Overview

The Sacramento Central Groundwater Authority (Authority) has adopted a groundwater management plan to maintain a sustainable, high-quality groundwater resource for the users of the Central Basin. Further development and improvement of the Authority's groundwater data collection and monitoring program is critical to the implementation of the Basin Management Objectives which are key to successfully managing and monitoring the basin to the benefit of all groundwater users within the Central Basin. Grant money from the California Department of Water Resources Local Groundwater Assistance Program will assist the Authority in implementing this critical program.

Recommendations

1. Authorize application for the AB 303 grant.
2. Designate the Executive Director of the Authority, or his designee, as the authorized representative to enter into an agreement with the State for the AB 303 grant.

Fiscal Impact

Development of the AB 303 Grant Application will be through the on-call contract with WRIME, Inc. approved by the Board on May 12, 2010. Funding for the grant application of up to \$20,000 was approved in the fiscal year 2011-2012 budget. Granted funds, if awarded, will provide up to \$250,000 in funding for improvements to the Central Basin's groundwater data collection and monitoring program.

BACKGROUND

On August 29, 2006 the Cities of Folsom, Elk Grove, Rancho Cordova and Sacramento and the County of Sacramento executed a joint powers agreement creating the Sacramento Central Groundwater Authority (Authority). The purpose of the Authority is to maintain the long-term sustainable yield of the Central Basin; ensure implementation of the basin management objectives (BMOs) that are prescribed by the Central Sacramento County Groundwater Management Plan (GMP); oversee the operation of any Well Protection Program that may be prescribed by the GMP; manage the use of groundwater in the Central Basin and facilitate implementation of an appropriate conjunctive use program by water purveyors; coordinate efforts among those entities represented on the governing body of the joint powers authority to devise and implement strategies to safeguard groundwater quality; and work collaboratively with other entities, including the Sacramento Groundwater Authority, the Southeast Sacramento County Agriculture Water Authority and other groundwater management authorities that may be formed in the County of Sacramento and adjacent political jurisdictions, in order to promote coordination of policies and activities throughout the region. On November 8, 2006, the Board of the Authority adopted the GMP.

On November 14, 2007, the Board authorized the Executive Director to submit an application to the California Department of Water Resources for a Local Groundwater Assistance Grant (AB 303). The purpose of this grant was to further develop and improve the Authority's Data Management System (DMS) which is critical to the implementation of the BMOs which are key to successfully managing and monitoring the basin to the benefit of all groundwater users. Work on the HydroDMS was completed in March 2011.

DISCUSSION

Implementation of the BMOs described in the GMP requires both a data collection and monitoring program and analytical tools that, when fully operational, will be capable of assessing the current status of the basin and predicting responses in the basin that are a result of future management actions. The Central Basin monitoring program includes collection of groundwater elevation data, groundwater quality data, monitoring and assessing the potential for land surface subsidence resulting from groundwater extraction, and developing a better understanding of the relationship between surface water and groundwater along the American, Cosumnes, and Sacramento rivers. The analytical tools used in the Central Basin include the HydroDMS and the SacIWRM. The Authority has completed the process of updating the HydroDMS which provides comprehensive data compilation, consolidation, and quality control, improved access to data, improved analysis capabilities, and the ability to quantify progress in implementation of various BMOs.

Building on these improvements, the Authority proposes to move forward with a project that would provide a tool for implementing BMO No. 2, Maintain specific groundwater elevations within all areas of the basin consistent with the Water Forum "solution." Tool development would include, in part, updating the SacIWRM hydrologic data, aggregation of polygons, identifying data gaps, and incorporation of results into the HydroDMS.

Resolution Authorizing Submittal Of An Application To The California Department of Water Resources For A Local Groundwater Assistance Grant Pursuant To The Water Security, Clean Drinking Water, Coastal And Beach Protection Act Of 2002 (AB 303)
Page 3

A second component is also included that would develop a groundwater recharge map for the basin in compliance with AB 359.

The Local Groundwater Management Assistance Act of 2000 (California Water Code Section 10795 *et seq.* (Assembly Bill 303)) was enacted to provide grants to local public agencies to conduct groundwater studies or to carry out groundwater monitoring and management activities. The Authority plans to apply for a grant of up to \$250,000 under the Act to assist in the development of this project.

Respectfully submitted,

Darrell K. Eck, Executive Director
Sacramento Central Groundwater Authority

Attachment: Resolution

cc: Susan Purdin, Remie Diva - SCGA

RESOLUTION NO. 2012-01

RESOLUTION AUTHORIZING SUBMITTAL OF AN APPLICATION TO THE CALIFORNIA DEPARTMENT OF WATER RESOURCES FOR A LOCAL GROUNDWATER ASSISTANCE GRANT PURSUANT TO THE WATER SECURITY, CLEAN DRINKING WATER, COASTAL AND BEACH PROTECTION ACT OF 2002

WHEREAS, on August 29, 2006 the Sacramento Central Groundwater Authority (AUTHORITY) was formed through a Joint Powers Agreement (JPA) between the City of Elk Grove, the City of Folsom, the City of Rancho Cordova, the City of Sacramento and the County of Sacramento.; and

WHEREAS, the purpose of the AUTHORITY is to maintain the long-term sustainable yield of the Central Basin; ensure implementation of the Basin Management Objectives prescribed in the Groundwater Management Plan; oversee the operation of a Well Protection Program; manage the use of groundwater in the Central Basin and facilitate implementation of an appropriate conjunctive use program by water purveyors; coordinate efforts among those entities represented on the governing body of the AUTHORITY to devise and implement strategies to safeguard groundwater quality; and to work collaboratively with other entities in order to promote coordination of groundwater policies and activities throughout the region; and

WHEREAS, the AUTHORITY adopted the Central Sacramento County Groundwater Management Plan (CSCGMP) on November 8, 2006; and

WHEREAS, the CSCGMP reviews current and future water supply and demands, contains basin management objectives (BMO) addressing rate of groundwater extraction, groundwater elevations, land subsidence, surface water flows and groundwater contamination; and

WHEREAS, the CSCGMP also contains “trigger points” and remedies to ensure full implementation of the BMOs; and

WHEREAS, on-going development and improvement to the AUTHORITY’s groundwater data collection and monitoring program is critical to the successful implementation of the CSCGMP and of managing and monitoring the basin to the benefit of all groundwater users in the Central Basin as described in said BMOs; and

WHEREAS, the Local Groundwater Management Assistance Act of 2000 (California Water Code Section 10795 *et seq.* (Assembly Bill 303)) was enacted to provide grants to local public agencies to conduct groundwater studies or to carry out groundwater monitoring and management activities.

NOW, THEREFORE, be it resolved by the AUTHORITY as follows:

1. That application be made to the California Department of Water Resources for a Local Groundwater Assistance Grant pursuant to the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Water Code Section 79560 *et seq.*), and to enter into an agreement to receive a grant for further development and improvement to the AUTHORITY'S groundwater data collection and monitoring program, and
2. The AUTHORITY finds and determines that the Executive Director of the Sacramento Central Groundwater Authority is hereby authorized to do and perform everything reasonable, convenient, and necessary to carry out the purpose and intent of this Resolution.

Resolution Authorizing Submittal of an Application to the California Department of Water Resources for a Local Groundwater Assistance Grant Pursuant to the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002
Page 3

ON A MOTION by Director _____, seconded by Director _____, the foregoing resolution was passed and adopted by the Board of Directors of the Sacramento Central Groundwater Authority, State of California, this day 14 of March, 2012 with the following vote, to wit:

AYES: Directors,

NOES: Directors,

ABSENT: Directors,

ABSTAIN: Directors,

Chair of the Board of Directors of the
Sacramento Central Groundwater Authority

(S E A L)

ATTEST: _____
Clerk of the Board of the Authority

**AGENDA ITEM 8: RECOMMENDATIONS TO THE BOARD FROM THE
AG/AG RES WATER CONSERVATION SUBCOMMITTEE**

BACKGROUND:

Information presentation and discussion by Amanda Platt, California Association of Resource Conservation Districts, on the Ag-Residential Irrigation Efficiency Component of the 2011 Proposition 84 Regional Water Efficiency Project.

Staff requests the Board authorize the expenditure of \$10,000 to augment monies received from the above grant. This money would go toward supporting workshops and increasing the number of surveys and incentives provided to the ag-res community within the Central Basin. This money has been budgeted for in the current fiscal year budget.

STAFF RECOMMENDATION:

Action: Authorize the expenditure of \$10,000 to augment the ag-residential irrigation efficiency component of the 2011 Proposition 84 Regional Water Efficiency Project.

To: Central Basin Groundwater Authority
From: Agricultural-Residential Water Conservation Committee
Date: March 9, 12
Subject: Committee recommendations for Ag-Res BMP Water Conservation Program

The RWA, on behalf of the American River Basin IRWMP, was awarded a grant to implement a regional water efficiency program for both urban and agricultural-residential (ag.-res.) water users. The total award was for \$988,000 with \$63,500 for ag.-res. properties. A unique feature of the grant is that no local cost share is required. Details are available at: www.rwah20.org/rwa/programs/irwmp.

In addition to this funding the Water Forum will contribute \$2,500, both in-kind services and cash, to assist with the publicizing of this program throughout the region.

For the ag.-res. effort, the IRWMP funding breakdown will be based on the proportion of ag.-res. land acreage within the American River Basin IRWMP. The proportion of ag.-res. acreage is depicted below.

Ag.-Res. land use within the American River Basin

Boundaries	Approximate total of ag.-res. acreage	Percentage of total within ARB
American River Basin (ARB)	27,986	100%
Sacramento County*	27,300	98%
Central Basin	7,572	27%
Placer County*	>586	2%
El Dorado County*	100	0.4%

Approximately 27% of the ag.-res. acreage in the American River Basin is located within the boundaries of the Sacramento Central Basin Groundwater Authority.

Therefore approximately \$17,145 will be allocated to the Central Basin for the program.

Within the ag.-res. component there are two tasks; regional workshops and on-site surveys that include incentives for qualifying properties that make irrigation efficiency improvements. The objective of the workshop task is to prepare a single presentation that contains narrative and photographic descriptions of management practices that can be implemented by the ag.-res. community. It is assumed that presentations will be given at local meetings such as CPAC's or other watershed-based organizations. The goal of the survey task is to provide property owners with a quantitative and qualitative review of their property and to suggest management practices to meet resource objectives. In addition, there is incentive funding available to encourage the implementation of water use efficiency practices.

The ag.-res. subcommittee is requesting that the Central Basin Authority augment the irrigation efficiency component of this grant by \$10,000 to support workshops and to increase the number of surveys and incentives provided to the ag.-res. community within the Central Basin.

Timeline

Although there is no signed contractual agreement between RWA and the State at this time, the State has indicated that project is currently eligible for reimbursement. All funds must be spent by December 2013.

The remainder of this memo provides detail for each task including a work plan, proposed budget, and an implementation timeline.

Task 1. Regional Ag-Residential Workshops

Workshops will take place at strategic locations throughout the AR Basin region. Workshops will be one to two hours and will be scheduled around existing meetings such as CPAC’s, homeowners associations, resource conservation district board meetings, and other interested groups. Integrating these presentations with local community meetings will allow for targeting the ag-res community that this funding focuses on. It is expected that at least 10 workshops will be given throughout the region between spring 2012 and fall 2013.

Budget

Total budget for the entire American River Basin IRWMP for this effort is \$23,800 for labor and printing cost, No travel expenses were assumed for the project.

From the IRWMP grant funds, approximately \$6,426 will go for workshops in the Central Basin. This funding will be augmented by \$2,500 through the Central Basin Groundwater Authority providing a total of \$8926. The following is a breakdown for the workshops in the Central Basin.

Workshop Budget Breakdown for Central Basin

Budget Item	hours	\$/hr	\$
Travel (\$0.55/mile)			135
Materials Printing			135
Staff Labor	113	65	7,368
Staff Management Labor (admin.)	17	75	1,288
Total			\$8,926

Work Plan

CARCD staff will prepare a presentation that contains information on proven management practices that can be implemented on ag.-res. properties, which provide a watershed perspective and encourage natural resource conservation. This presentation will have an outline the process of developing a ‘conservation plan’ on a homeowner’s property. An introduction on the importance of best management practices (BMP), the process of determining cost and benefits of different practices, the practices themselves, and how to get support for implementation. In addition to a presentation the CARCD will prepare handouts with details on BMPs and outlining the watershed perspective. This preparation of this presentation will be considered a one-time event.

The introduction on practices will discuss resource protection objectives, such as: water conservation, surface and ground water quality protection, soils health, and habitat. The cost and benefits section will help a homeowner to understand that each property is unique, where different BMPs will be more or less effective depending on characteristics of the property. This section will provide a simple view of how to determine the costs of a practice and how to establish the benefits of implementation. This section will not be technical in nature but rather it will provide a qualitative description of how to exam cost and benefits. The management practices section will contain information on efficient drip irrigation, landscaping and plant choice, gray water use, and rain water harvesting with the following content for each practice: practice description, objective of implementation, methods of implementation, pictures or narratives describing successful implementation, known implementation issues, and costing information. The remainder of the presentation will be next steps information such as who to contact.

Task 2. Ag-Residential Surveys and Incentives

Surveys on ag-res properties will be provided at no charge to property owners. In addition to surveys, property owners are eligible for incentive reimbursement per property for implementation of management practices.

Budget

The total budget for the entire American River Basin IRWMP for this task is \$32,400 with the majority of these funds being dedicated to incentives. Survey labor is estimated at 1 hour of driving time, 2 hours of on-site effort and 1 hour of report preparation and homeowner follow-up. Support staff will be required to help with scheduling and management time is assumed for invoice preparation and general oversight.

From the IRWMP grant funds, approximately \$8,700 will go for survey and incentives in the Central Basin. This funding will be augmented by \$7,500 through the Central Basin Groundwater Authority providing a total of \$16,200. The following is a breakdown for the surveys and incentives in the Central Basin.

Survey and Incentive Budget Breakdown for Central Basin

Budget Item	Count	hours	\$/hr	\$	\$
Incentives	~40			160	6,400
Materials Printed				15	300
Survey Labor		3	60		8000
Staff Labor		0.25	45		550
Staff Management Labor		0.25	75		950
Total					16,200

Work Plan

Agency staff will contact eligible property owners, based on workshop responses and other means of contact, and arrange for site assessment. Site assessment will include a review of storm water runoff and erosion prevention, water and energy savings opportunities, habitat value on the property, and improving soil quality.

For each survey a written report that identifies potential management practice that could be implemented will be provided. In addition, necessary paperwork will be provided for property owners who are interested in receiving a financial incentive. No incentives will be provided without a completed survey. All participants who receive an incentive will be required to allow photo documentation of the implementation.

Sacramento Central Groundwater Authority Board Meeting
March 14, 2012

AGENDA ITEM 8: GROUNDWATER BANKING PROJECTS

BACKGROUND:

Presentation on groundwater banking projects by Mary Lou Cotton, Senior Water Resources Manager, Kennedy/Jenks Consultants.

STAFF RECOMMENDATION:

Action: Information presentation.

AGENDA ITEM 10: EXECUTIVE DIRECTOR'S REPORT

- a) California State Groundwater Elevation Monitoring (CASGEM)
- b) South Area Water Council
- c) Form 700

March 14, 2012

TO: SACRAMENTO CENTRAL GROUNDWATER AUTHORITY BOARD

FROM: DARRELL ECK

RE: EXECUTIVE DIRECTOR'S REPORT

- a) **California State Groundwater Elevation Monitoring (CASGEM)** – State DWR requested the Authority resubmit their groundwater monitoring to include three additional monitoring wells located in the City of Folsom. After working through the details with the City, the Authority resubmitted the groundwater monitoring plan to DWR in late February 2012. DWR formally accepted the resubmitted plan on March 5, 2012. A copy of the monitoring plan is posted on the Authority's website at <http://www.scgah2o.org/>.
- b) **South Area Water Council** – The Southeast Sacramento County Agricultural Water Authority met on March 6, 2012 to consider resolutions providing direction on moving forward with developing a governance structure, amending their current JPA, and adopting a groundwater management plan. The Ag Water Authority Board adopted a resolution that provides for a single representative from designated stakeholder groups and makes recommendations for potential funding. Follow-up meetings involving the provisions of the resolution and the participating parties have not yet been scheduled. A copy of the South Area Water Council's draft groundwater management plan can be found at <http://www.ohwd.org/southgmp.html>.
- c) **Form 700** – At the beginning of each year the State of California requires designated positions within the Authority to file Conflict of Interest Form 700 (see Authority Policy 100.2 for disclosure categories). These forms are to be submitted to the SCGA office no later than April 1, 2012. Please address them c/o Ramon Roybal, 827 Seventh Street, Room 301, Sacramento, CA 95814. Forms can be located online at:

<http://www.fppc.ca.gov/index.php?id=500>