

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Foster City Community Building – 1000 E. Hillsdale Blvd., Foster City**

**Wind Room**

*(Directions on Page 2)*

**Thursday, July 21, 2011**

**7:00 P.M.**

*(One member of the Board may participate in this meeting by Teleconference. Locales shall be: 1000 E. Hillsdale Blvd., Foster City, Wind Room and 3149 Delwood Way, Sacramento, CA 95821. If any member of the board participates by teleconference, all votes taken at this meeting will be by roll call vote.)*

**AGENDA**

- 1. Call to Order/Roll Call/Salute to Flag** (Pierce)
- 2. Comments by the Chair** (Pierce)
- 3. Break for San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting** (Pierce)
- 4. Reconvene following San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting** (Pierce)
- 5. Board Policy Committee Report** *(Attachment)* (Klein)
- 6. Public Comments** (Pierce)  
*Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.*
- 7. Consent Calendar** (Pierce)
  - A. Approve Minutes of the May 19, 2011 Meeting *(Attachment)*
  - B. Receive and File Budget Status Report – As of June 30, 2011 *(Attachment)*
  - C. Receive and File Investment Report – As of June 30, 2011 *(Attachment)*
  - D. Receive and File Directors’ Reimbursement Report – As of June 30, 2011 *(Attachment)*
  - E. Review and consideration of minor revisions to BAWSCA Investment Policy *(Attachment)* (Jensen)  
*The Board Policy Committee unanimously recommends approval of the proposed Board action*
  - F. Professional Services Contract with CSG Engineering *(Attachment)* (Jensen)  
*The Board Policy Committee unanimously recommends approval of the proposed Board action*
  - G. Professional Services Contract with EKI *(Attachment)* (Jensen)  
*The Board Policy Committee unanimously recommends approval of the proposed Board action.*
  - H. Professional Services Contract with Brown & Caldwell *(Attachment)* (Jensen)  
*The Board Policy Committee unanimously recommends approval of the proposed Board action.*

**8. Action Calendar**

- A. Review and Consideration of Changes to the General Reserve Policy *(Attachment) Requires a roll call vote.* **(Jensen)**  
*The Board Policy Committee unanimously recommends approval of the proposed Board action*
- B. Review and Consideration of Changes to the Rules of the Board *(Attachment)*  
*The Board Policy Committee unanimously recommends approval of the proposed Board action*

**9. SFPUC Report** **(Harrington)**

**10. Reports and Discussions** **(Jensen)**

- A. SFPUC Water Supply Improvement Program (WSIP) – Update
  - 1. Report on SFPUC modifications to the WSIP
  - 2. BAWSCA Report on SFPUC Contract Awards *(Attachment)*
- B. Long-Term Reliable Water Supply Strategy – Schedule for Policy Decisions *(Attachment)*
- C. Water Conservation
  - 1. Status of grant program
  - 2. Status of Landscape Education Program

**11. Directors’ Discussion: Comments, Questions and Agenda Requests** **(Pierce)**

**12. Date, Time and Location of Future Meetings** **(Pierce)**  
**(See attached schedule of meetings)**

**13. Adjourn to next meeting scheduled for September 15, 2011 at 7pm** **(Pierce)**

*Upon request, the Bay Area Water Supply and Conservation Agency will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and the preferred alternative format or auxiliary aid or service at least two (2) days before the meeting. Requests should be sent to: **Bay Area Water Supply & Conservation Agency, 155 Bovet Road, Suite 302, San Mateo, CA 94402** or by e-mail at [bawasca@bawasca.org](mailto:bawasca@bawasca.org)*

*All public records that relate to an open session item of a meeting of the BAWSCA Board that are distributed to a majority of the Committee less than 72 hours before the meeting, excluding records that are exempt from disclosure pursuant to the California Public Records Act, will be available for inspection at **BAWSCA, 155 Bovet Road, Suite 302, San Mateo, CA 94402** at the same time that those records are distributed or made available to a majority of the Committee.*

**Directions to Foster City Community Bldg. – 1000 E. Hillsdale Blvd., Foster City**

**From Hwy. 101**, take the Hillsdale Ave. exit East. Turn Right into the parking lot just after the intersection with Shell Blvd. The Community Bldg. entrance is separate from the Library entrance and is marked by signage. The Wind Room will be at the top of the stairs on the right, across from the reception station (there is also an elevator).

**From the East Bay**, take Hwy. 92 West, exiting at Foster City Blvd., and going South on Foster City Blvd. to Hillsdale. Turn Right (West) onto Hillsdale and proceed to Shell Blvd., making a U-turn to be able to pull into parking lot on SE corner of Hillsdale and Shell. See underlined sentence of first paragraph above for remainder of directions.

# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

155 Bovet Road, Suite 302  
San Mateo, California 94402  
(650) 349-3000 tel. (650) 349-8395 fax

## **MEMORANDUM**

TO: BAWSCA Board Members  
FROM: Arthur R. Jensen, Chief Executive Officer  
DATE: July 15, 2011  
SUBJECT: Summary of Board Policy Committee meeting held June 8, 2011

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The Committee meeting was called to order at 1:32 pm by Committee Chair, Larry Klein. A list of Committee members present and absent, and of other attendees is attached.

The Committee took the following actions and discussed the following topics:

### **Consent Calendar:**

Approval of the Minutes from the April 13, 2011 Meeting: The Committee approved the minutes from the meeting of April 13, 2011.

Review and Consideration of BAWSCA Statement of Investment Policy: The Committee voted unanimously to recommend Board approval of the proposed modification to the Investment Policy language.

### **Action Calendar:**

Review and Consideration of Changes to Rules of the Board: This item was moved from consent calendar to action calendar. Recommended changes to the Rules of the Board include: 1) adding a process for filling vacancies of the Vice Chair; 2) citing the Board Policy Committee as a standing committee; and 3) adjusting weighted voting to reflect the acquisition of two member agencies by the California Water Service Company.

An additional change staff was asked to consider is whether the BPC Chair or Vice Chair could be authorized to act as Board Chair if the Chair and Vice Chair of the board are absent. Two questions were posed for Committee discussion

1. While the Board officers are elected, the Committee officers are appointed. One question presented for discussion was whether their status as appointed, as opposed to elected officers is important to Board members.

2. Would the Policy Committee officer have the full authority of the Chair, or limited authority, and should the period to act as Chair be specified?

Legal counsel Allison Schutte added an additional question of whether the authority should be restricted to the items on the agenda for which the person is acting as Chair.

The Committee agreed with the three changes recommended in the staff memo, and discussed the questions related to Committee officers standing in for Board officers.

The Committee concluded that a Committee officer should be authorized to conduct a Board meeting in the absence of the Board Chair and Vice Chair. The Committee also concluded that the person's authority should be limited to conducting the meeting and items on that meeting's agenda. The Committee discussed that the Board might need to consider and vote on expanding the person's authority beyond the agenda for the given meeting to accommodate emergencies and critical items that need to be added to the agenda.

Director Quirk moved that the Committee recommend Board approval of the proposed changes as presented in the staff memo, and direct legal counsel to come back to the Board with additional language that states a Committee officer could conduct a Board meeting in the absence of the Board Chair and Vice Chair, provided that the limitation of the authority to be within the agenda for the given meeting, with the exception of the Board's vote to expand the authority to accommodate emergencies and additional items that need to be added to the agenda. Director Anderson seconded the motion. The motion passed unanimously.

Professional Services Contract with CSG Engineering: Ms. Sandkulla reported that in order to complete the adopted Work Plan for FY 2011-12 and achieve the critical results needed next year, additional technical support for water conservation and water supply activities is needed during a period of an approved and legally required leave of absence. The necessary requirements to provide the additional support BAWSCA needs are met and exceeded by Ed Cooney with CSG Consultants, Inc.

Mr. Cooney has fifteen years of experience in sustainable city program development and is specifically knowledgeable of BAWSCA's water conservation programs. He has demonstrated proficiency in managing grant programs, which will be critical for BAWSCA as it receives the Prop 84 Grant next fiscal year. It is the most complicated grant BAWSCA has ever received because it is for three separate programs. Setting it up correctly from the start is important.

Director Pierce asked if there are any issues in terms of supervision or conflict of interest since he is under contract to one or more BAWSCA agencies. Ms. Sandkulla stated that no issues on conflict of interests are expected, and noted that Mr. Cooney has the ability to integrate with BAWSCA staff and perform a portion of the work at BAWSCA's office site which addresses the issue of supervision.

Director Pierce moved that the Committee recommend Board authorization for the CEO to negotiate and execute a contract with CSG for up to \$40,000 to provide as needed technical assistance and support services for water resources activities in FY 2011-12. Director Piccolotti seconded the motion. The motion passed unanimously.

Professional Services Contract with EKI: Ms. Sandkulla reported that under the proposed professional services contract with EKI, that firm would update a spreadsheet tool specifically developed for member agencies by EKI this last year. The spreadsheet tool is used by agencies in doing their SB7x7 (20% reductions in per capita water use by 2020) analysis and many agencies have found it useful for completing their 2010 Urban Water Management Plans (UWMP).

The spreadsheet tool enhances member agencies' ability to develop their individual SB7x-7 targets and provides a perspective on the potential benefits of complying with SB7x-7 individually, as a region, and/or as part of a sub-region. BAWSCA and agencies expected that the spreadsheet tool would need to be updated to reflect revised population and water demand information the agencies prepared for their UWMP's. Ms. Sandkulla noted that what was not expected was the State's addition of a 4<sup>th</sup> method for meeting the 20% by 2020 requirement. Agencies have asked that this method be added to the spreadsheet tool to enhance its value to them.

Director Pierce moved to recommend Board authorization of the CEO to negotiate and execute a contract with EKI for up to \$15,000 to provide technical services for the update of the SB7x-7 Spreadsheet Tool for FY 2011-12. Director Klein seconded the motion. The motion passed unanimously.

Professional Services Contract with Brown & Caldwell: The adopted Work Plan for FY 2011-12 includes the continuing development and support for the Water Conservation Implementation Plan (WCIP). One of the major outcomes of the WCIP was the development of the water conservation database. It is a web based tool where member agencies enter data of their water conservation efforts and all the necessary information needed to develop the Annual Survey. The agencies valued a consistent collection of data on water conservation efforts, and the database serves as a central place to enter and store data for future access or analysis .

The contract for this coming fiscal year includes a training session for new agency staff member(s) and refresher training for existing staff. The contract also provides on-call support to accommodate changes needed as a result of evolving conservation programs and to improve key features and user experience.

In response to Director Pierce's question, Ms. Sandkulla stated that the database could be used to support an estimate how much water agencies are saving, although that work is not included in the FY 2011-12 Work Plan.

Mr. Jensen noted that the consistent method of reporting water conservation efforts among all the agencies is a benefit for both BAWSCA and the member agencies. In the future, BAWSCA agencies should consider whether to adopt uniform practices for collecting and reporting water use data. Data currently vary from one agency to another. Two examples are: a) multiple family dwellings may be categorized as residential accounts by one agency and as commercial accounts by another, and b) large landscape irrigation may be measured by dedicated irrigation meters and categorized as an irrigation account by one agency and lumped into total commercial use by another. A uniform approach might be difficult to agree upon and implement, but would make comparisons and trend analyses easier and more meaningful.

Director Quirk suggested the consideration of a larger service contract so that data from earlier years that have more normal periods can be entered. Nicole stated that the database includes data from as far back as 2004. However, because the information in 2004 was gathered by agencies independently, the data categories are not as rigorously defined as the data entered following development of the database.

Moving forward, Ms. Sandkulla also stated that historical water use information from past annual surveys will be entered into the database.

Director Pierce asked if agencies are notified when BAWSCA responds to requests for information from the State. Mr. Jensen stated that BAWSCA informs agencies about inquiries it receives for information specific to an agency.

Director Quirk moved that the Committee recommend Board authorization of the CEO to negotiate and execute a contract with B&C for up to \$50,000 to provide training and as needed technical support services for the implementation of the WCDB in FY 2011-12. Director Pierce seconded. The motion passed unanimously.

Review and Consideration of changes to the General Reserve Policy:

When the reserve was discussed during budget preparation for FY 2011-12, the CEO was asked by the Committee and the Board to report on: 1) potential risks to agency revenues and expenditures; 2) using the reserve funds to provide “float” between the beginning of a fiscal year and the receipt of revenue for that fiscal year; 3) the appropriate size of BAWSCA’s reserve fund; 4) purposes for which the fund could be used; 5) how the fund would be managed if it grew beyond the guidelines; and 6) how the balance would be restored if the fund were drawn down below a desired minimum.

Mr. Jensen reviewed that the purpose of BAWSCA’s General Reserve Policy is to enable the agencies to apply resources to urgent and unforeseen needs without imposing special assessments on member agency budgets during a fiscal year, to fund one-time expenses, and to moderate variations in annual assessments. Mr. Jensen noted that with regard to addressing unforeseen events, the reallocation of funds in the current budget to meet all or a portion of the need will always be considered prior to requesting the use of reserves.

Mr. Jensen reported that unlike a typical water agency or city utility department, BAWSCA’s reserves do not have to cover emergency operations and short-term loss of revenue. Because BAWSCA’s revenues are not based on water sales, BAWSCA’s revenues would not be affected by an interruption of water deliveries.

Possible uses of BAWSCA’s reserve include arbitration related to administration of the Water Supply Agreement, special studies and audits, legislative affairs, necessary legal actions, and response to unforeseen events that might affect the health, safety and economic well-being of the water customers, and that relate to BAWSCA’s purpose, goals and authorities.

BAWSCA’s largest historical expenditure was \$570,000 in 1996, which was 25% of a \$2.3M Operating Budget. The projected reserve balance at the end of FY 2010-11 is approximately \$900,000 or 34% of FY 2011-12 Operating Budget.

Mr. Jensen stated that the existing policy demonstrates that the agency is responsible about its use of funds and management of agency reserve levels. It offers a guideline for a maximum balance of 25% and a minimum of 20%. The upper bound is reasonable and prudent, and the minimum provides a reasonable basis for how quickly the reserve should be replenished. Mr. Jensen noted that while the 5% difference between the maximum and minimum is small, the range provides a reasonable guideline, which the Board can modify if it so chooses.

The existing Policy states that, *“If the ending reserve balance is estimated to fall outside the guidelines..., the budget shall include a prudent and practical schedule for restoring the reserve balance to within those guidelines.”*

A question for the Board’s consideration is whether to draw the reserve down by pursuing an activity that is not included in next year’s Work Plan. Mr. Jensen stated that he would benefit from the Committee’s comment and discussion of the status and management of the reserve, and recommends that the discussion of the status and possible uses of the projected reserve be addressed in the mid-year budget review.

Director Quirk asked if it is expected that money will be taken out of the reserve in FY 2011-12. Mr. Jensen said that the Board-approved budget includes the use of \$38,000 from the reserve. He went on to explain that BAWSCA budgets conservatively and spends prudently, meaning that the use of outside consultants and technical support is contracted on an as needed basis consistent with the Work Plan and results to be achieved. Because BAWSCA typically under spends its Operating Budget by 8 to 10 percent, the small transfer from the reserve may not be needed.

However, it is difficult to predict whether the current Operating Budget will always be under spent. For example, Mr. Jensen noted that upcoming activities associated with the Federal Energy Regulatory Commission (FERC) relicensing of New Don Pedro Reservoir may raise issues that require greater BAWSCA involvement than anticipated in the budget

Director Quirk commented that given the likely occurrence of the budget being underspent, resulting in a growing reserve, the Board can consider one of three options, which includes taking on a project, reducing the assessments, or transferring the money to fund the Long-Term Reliable Water Supply Strategy.

The Committee discussed other agencies’ maximum reserve amounts and ranges, and how the reserves are managed when the balance goes beyond the maximum. Chair Klein recommended that the maximum number should be made real as opposed to being a guideline. BAWSCA should have a cap to the amount of money the agency keeps, and if it goes above the maximum, it should be spent in a meaningful way or returned to the member agencies.

The Committee discussed that one potential downside of a one-time decrease in assessments is the need to re-justify returning to the prior level. One alternative to a one-time reduction of the assessments is to write a check to the member agencies.

Director Quirk asked if it would be feasible to look into what might be causing the current low water use. Mr. Jensen stated that is one of the more important and reasonable items of work that is being considered. BAWSCA is in the process of evaluating the scope of such a study,

and noted that one challenge is to identify who will oversee the work done by an outside consultant.

Legal counsel stated that the current policy does dictate that the use of the general reserve should be a part of the budget setting process. A budget amendment will be required if an activity is identified for which a portion the Board votes to use a portion of the General Reserve.

Following discussion, Director Quirk moved that the Committee:

- Recommend Board adoption of a resolution at the July 21<sup>st</sup> Board meeting to amend the Policy so that the guideline for the range in the General Reserve is changed from 20% - 25% to 20% - 35% of the Operating Budget,
- Advise the CEO to present the options for potential uses of the reserve funds to conduct work not budgeted for FY 2011-12, including why current water use is low and additional concerns in drought years, for the Committee's discussion in August, and for possible Board action in September; and,
- Recommend to the Board that the projected state of the reserve and alternatives for managing the reserve balance be discussed at mid-year prior to developing the FY 2012-13 budget.

The motion was seconded by Director Klein. The motion passed unanimously.

### **Reports:**

**BAWSCA Board Policy Calendar:** The re-schedule of the CEO's performance review to September is the only change to the BAWSCA Board Policy Calendar since it was presented to the Board at its meeting in May. Mr. Jensen noted a possible conflict with events associated with League of California Cities (League) in September. Committee members who are involved with the League stated that the annual conference and expo will be held in San Francisco on September 21<sup>st</sup> -23<sup>rd</sup>, and should not create a major conflict with BAWSCA's September 15<sup>th</sup> meeting.

**Long-Term Reliable Water Supply Strategy – Schedule for Policy Decisions:** As reported to the Committee in March and to the Board in May, Ms. Sandkulla re-stated that the overall schedule of the Strategy was changed, and the current slowdown in activity is allowing a re-assessment of timing for additional water supply needs. The re-assessment is necessary because of continued low water use, and the changes to water use projections that are expected from the agencies' Urban Water Management Plans (UWMP's). A complete analysis of UWMP's will be done during the summer.

Through the Fall, project information and data gaps will be completed and water supply needs in normal and drought years will be updated based on the new UWMP's so that appropriate adjustments to the scope and schedule can be made.

**SFPUC Water System Improvement Program - Update:** Ms. Sandkulla reported that the SFPUC will release a "Change Order Notification and Report" for the WSIP on Friday, June 10<sup>th</sup>. The report will include the proposed modifications to the scope, schedule and budget of the WSIP, and its release will initiate a 30-day review period required by law.

Ms. Sandkulla clarified that the “Change Order Notification” the SFPUC will release on June 10<sup>th</sup> refers to proposed modifications to the WSIP. The SFPUC gave it this title because it is a notification to the State and water customers of the changes to the program. It is not a report on construction change orders.

The Commission is expected to act on the proposed modifications at its meeting on July 12<sup>th</sup>. The Commission’s adoption of the proposed changes, followed by the SFPUC’s submittal of a report on those changes, will trigger State review by the California Department of Public Health (CDPH) and the California Seismic Safety Commission (CSSC) to determine whether the changes increase risks to public health and safety.

BAWSCA is currently reviewing the March Quarterly Report that was released in late May. Ms. Sandkulla noted that the quarterly report will serve as the technical appendix to the change order report the SFPUC is about to release.

BAWSCA’s early observations are that the WSIP was 40% complete as of April 2011, the program completion will be delayed by 8 months, and the total regional cost is projected to be \$148M under the approved budget adopted in 2009. BAWSCA’s review will be to answer the following key questions: 1) Will projects continue to meet the Level of Service goals, 2) have completion dates for projects been extended, 3) is there is an increased risk to public health and safety, 4) will the program be completed within budget, and 5) will the water customers benefit from the construction bid savings?

BAWSCA will forward its conclusions and recommendations in a letter that will be sent to the Commission in early July.

Mr. Jensen noted that the new Water Supply Agreement between San Francisco and the wholesale customers includes a provision that San Francisco promises to complete the WSIP by December 31, 2015. BAWSCA will work closely with legal and strategic counsels to ensure that project delays are addressed appropriately.

Strategic Counsel, Bud Wendell emphasized the Board’s and the Committee’s credibility depends on closely monitoring and responding responsibly to the status of the WSIP.

In response to Chair Klein, Ms. Sandkulla stated that the Board will be provided a copy of BAWSCA’s comment letter in advance of the Commission action on July 12<sup>th</sup>. Mr. Jensen noted that the Board leadership will be kept informed during the process, and will be invited to testify should significant issues require their presence. There are expected issues with the schedule and budget, but Mr. Jensen noted that a more critical issue is holding the SFPUC accountable for the provisions included in the agreement.

BAWSCA Landscape Education Program - Update: Ms. Sandkulla reported that the Landscape Education Program will be modified to include hands-on workshops to provide additional support that encourages attendees to apply what they have learned in their own backyards. BAWSCA will look into partnerships with outside organizations such as Acterra and StopWaste.org with the goal of reducing the overall cost and duplication of efforts.

Update on Board Vacancies: With the exception of Santa Clara Board of Supervisors appointment for the Stanford service area, all appointments for expiring terms on the BAWSCA

and RFA Boards have been made or scheduled. One new appointee is Ms. Jamie McCleod for the City of Santa Clara. Former BAWSCA and RFA Board Director, Mike Kasperzak, is scheduled to be appointed at Mountain View's council meeting on June 14<sup>th</sup>.

**Status of Lease Negotiation:** The negotiation of a new 5-year lease is complete and was signed on June 7<sup>th</sup>. The lease base rent is \$2.20/sq. ft. with an annual increase in base rent fixed at 3%/year. The office will move to Suite #650 following office configuration or by August 1<sup>st</sup>.

**Comments by Committee Members:** No further comments were made by members of the Committee.

**Adjournment:** The meeting was adjourned at 3:30pm.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE – June 8, 2011**

**Roster of Attendees:**

**Committee Members Present**

Larry Klein, City of Palo Alto (Chair)  
Ruben Abrica, City of East Palo Alto  
Robert Anderson, Purissima Hills Water District  
Tom Piccolotti, North Coast County Water District  
Barbara Pierce, Redwood City (BAWSCA Chair)  
Bill Quirk, City of Hayward

**Committee Members Absent**

Rob Guzzetta, California Water Service Company (Vice-Chair)  
Randy Breault, City of Brisbane/GVMID  
Irene O’Connell, City of San Bruno (BAWSCA Vice-Chair)

**BAWSCA Staff:**

Art Jensen	Chief Executive Officer
Nicole Sandkulla	Water Resources Planning Manager
Anona Dutton	Water Resources Planner
Lourdes Enriquez	Assistant to the Chief Executive Officer
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP

**Public Attendees:**

Peter Drekmeier	Tuolumne River Trust
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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD OF DIRECTORS MEETING  
March 17, 2011 – 7 p.m.  
Foster City Community Building, Foster City CA**

<b>MINUTES</b>
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**1. Call to Order/Pledge of Allegiance/Roll Call – 7:00 pm**

BAWSCA Chair, Barbara Pierce, called the meeting to order. Art Jensen, called the roll. Twenty-two (22) members of the Board were present, constituting a quorum. A list of directors present (22) and absent (4) is attached.

**2. Comments by the Chair:** Chair Pierce stated that in addition to ensuring reliable, high-quality water supply at a fair price, BAWSCA must concentrate on its fiscal responsibility to its member agencies and their customers. Under current economic conditions, BAWSCA must maintain a lean staff that can achieve the agency's projected results with minimum costs, and a tight grip on the funds provided by our constituents.

Chair Pierce was pleased to report that the proposed Operating Budget for FY 2011-12 is less than the current year's Operating Budget, and requires no increase in assessments for the 3<sup>rd</sup> year in a row. BAWSCA achieved savings during the fiscal year that builds back its financial reserves.

The proposed Operating Budget contains no new positions and no salary increases for BAWSCA this year. Chair Pierce noted that in moving forward, the Board must ensure that staff is compensated fairly and commensurate to their achievements.

The proposed Work Plan for FY 2011-12 focuses on the results that are vital for the BAWSCA member agencies and their customers, and is supported by the proposed Operating Budget that the Board will consider.

The CEO and his staff achieved a more realistically-based wholesale water rate from San Francisco. The increase is high but the rates are legitimate. Chair Pierce, other members of the Board leadership and Mr. Jensen testified at the SFPUC meeting on May 10<sup>th</sup> and was pleased that the Commissioners of the SFPUC included an amendment to their action that directs the SFPUC General Manager to work closely with BAWSCA's CEO. Chair Pierce noted that the amendment initiated by the CEO's queries and independent analysis by his staff speaks to the work the CEO has done and the respect he has from the SFPUC.

Chair Pierce noted that this meeting is the last BAWSCA meeting for some members of the Board whose terms expire on June 30, 2011. On behalf of the Board, Chair Pierce thanked Director Matt Pear for his service and for bringing forward his fact-based opinions that have benefitted the organization.

**3. Board Policy Committee Report:** Committee Chair Klein reported that all Committee members were present at the April 13<sup>th</sup> meeting. Chair Klein highlighted the Committee's

discussion on the current general reserve level and potential considerations to change the guidelines from a maximum of 25%, reduce the assessments, or use some of the reserves to fund work that is deemed critical but is currently not in the approved Work Plan. The CEO will report back to the Committee at its June meeting.

The Committee discussed the proposed Operating Budget and Work Plan for FY2011-12 and unanimously voted to recommend adoption of the proposed Board action.

The Committee also discussed and voted unanimously to recommend that the Board authorize the CEO to negotiate and enter a 5-year lease agreement in the existing building for new offices. The new office will provide additional space for little or no additional cost due to current real estate market conditions.

**4. Public Comments:** There were no public comments.

**5. Consent Calendar:**

**Director O'Mahony made a motion, seconded by Director Quigg, that the recommended actions for items A through E under the consent calendar be approved by the Board. The motion passed unanimously.**

**6. Action Calendar:**

A. FY 2011-12 Results to be Achieved and Proposed Operating Budget: Mr. Jensen noted changes made to the preliminary Operating Budget and Work Plan since it was presented to the Board in March. In the list of results to be achieved with respect to the Long-Term Reliable Water Supply Strategy, Mr. Jensen stated that the wording was clarified to say "Work toward completion of..." instead of "Complete the...".

Changes were also made to the Work Plan to protect the water supply interest in the FERC relicensing process of New Don Pedro Reservoir.

As a result of the Board action taken in March, seven items were added to the list of activities not included in the Work Plan for FY 2011-12. The list now includes the analysis of why water use has dropped in recent years, evaluation of how sub-metering can be implemented, support of agencies forming alliances to comply with 20% by 2020, estimation of water saved by BAWSCA and local conservation efforts, economic and supply impacts of new Delta management, development of alternative wholesale rate structures, and conducting water system tours.

Director Quirk expressed his interest in looking into an analysis of why water use has dropped in recent years as an activity for which some of the reserves may be used.

Director Fergusson agreed, and stated that the development of alternative wholesale rate structures would also be of interest for her.

Mr. Jensen noted that the proposed Operating Budget shows an increase in contingency by \$30,000, and an increase in allowance for temporary, part-time or consultant services by \$20,000. The increase is to allow additional resources and flexibility to manage the workload during an approved six-month leave of absence of one employee. The money will be spent only if necessary.

The Operating Budget includes no salary adjustments, a reduction or deferral of some activities, the anticipated decrease in office lease costs, a budget for replacing a retiring employee, and flexibility to accommodate an authorized leave of absence.

The proposed Operating Budget is \$2,619,705 and will be funded through assessments which remain unchanged for the third year, reimbursement from subscription programs, and a transfer from the reserve of \$38,005.

As discussed by the Board Policy Committee in April, Mr. Jensen presented the comparison of Operating Budgets, assessments and reserves in past years. There have been years where the Operating Budget was slightly underspent and a conscious effort to grow the reserves was made. Mr. Jensen stated that in terms of the current reserve balance, it is appropriate to look into whether the current reserve policy should be changed according to questions the Board Policy Committee asked: a) for what purposes might BAWSCA need a reserve; b) what risks might affect the work load, expenses, and BAWSCA's revenues; and c) what is a reasonable size for BAWSCA's reserve? Mr. Jensen will look into each question and present the findings to the Board Policy Committee in June and to the Board in July or September.

Director Kasten suggested showing the prior year's Operating Budget and actual expenditures so that it can be compared to next year's Operating Budget. He also suggested including the consultants in the organization chart, and to track full time equivalents over time to see what kind of human resources are necessary to support the work of BAWSCA.

**Director Kasten made a motion, seconded by the Director Anderson, that the Board approve the proposed Work Plan for FY 2011-12, the proposed Operating Budget of \$2,619,705, no increase in assessments of FY 2011-12, and a possible transfer of \$38,005 from the General Reserve, if needed. The motion passed unanimously.**

- B. Priority FY2011-12 Professional Services Contracts: Mr. Jensen reported that there are eleven professional services contracts that need to be in place as of July 1, 2011. They include legal counsel, strategic counsel, engineering support, financial advisors, and consulting services for conservation programs. The agenda packet includes a summary memo as well as a staff memo and scope of work for each professional service contract. Additional contracts will come to the Board during the year.

In response to a question from Director Vella, Mr. Jensen clarified that professional service contracts are included in the Operating Budget because they are needed to achieve the planned results for the fiscal year.

Director O'Mahony asked whether the work between Newkirk Environmental and Terry Roberts Consulting can be combined. Mr. Jensen explained that Newkirk Environmental expertise is in water system engineering and operations, including the San Francisco Regional Water System, and he looks at the scope and design of individual WSIP projects to ensure they will provide necessary functions for the system and its customers. SFPUC has incorporated changes to WSIP projects generated by BAWSCA's work with Newkirk Environmental.

Terry Roberts Consulting does not focus on water system operations. This firm's expertise is in managing multi-billion dollar projects and construction programs. This firm examines the progress of the WSIP, the SFPUC's management systems and capabilities and has contributed to BAWSCA's recommendations that have been embraced by SFPUC staff and the Commission..

**Director Klein made a motion, seconded by Director Fergusson, that the Board approve all eleven professional services agreements for legal, engineering, financial, strategic, and water conservation services needing to be in place by July 1, 2011. The motion passed unanimously.**

- C. Request for Authority to Pursue Office Lease: Mr. Jensen reported that current market rates provide an opportunity for BAWSCA to negotiate a 5-year lease in the same building for a different office space that provides more room. The cost, including moving costs, would be less than the current expense and is within the proposed Operating Budget. The additional room can accommodate interns, consultants and part-time employees working on site. The 5-year lease would lock in current prices and a modest inflation factor. Mr. Jensen did not have the exact number for the inflation factor, but stated that is it a small number and would be fixed in the lease.

In response to Director Quigg's question, Mr. Jensen explained that expanding the current office space was pursued, but could not be done because adjacent space is already being used by existing tenants.

**Director Quigg made a motion, seconded by Director Kasten, that the Board authorize the CEO to negotiate and execute a five-year lease for space in the existing building, at a competitive rate, that can be afforded within the proposed budget. The motion passed unanimously.**

**SFPUC Report:** SFPUC General Manager, Ed Harrington reported that the SFPUC will release the 3<sup>rd</sup> Quarterly Progress report on the WSIP on May 20<sup>th</sup>. The report will reference the status of the projects and over \$100M worth of savings as a result of bid responses that were below the engineers' estimates. All major projects of the program are in construction or will be in construction by the end of Summer. Mr. Harrington stated that the WSIP is currently one of the largest public works projects happening in California with \$2.3B worth of projects under construction.

Mr. Harrington talked about the SFPUC's regional efforts in providing job training programs for the people in the service area. The training programs are designed to qualify the trainees for jobs generated by the WSIP projects. An example is a tunnel training program the SFPUC started with the laborer's union. The first training was held in March with a total of 15 people from Alameda, San Mateo and San Francisco Counties. Ten people passed the training and are now currently employed on different projects. Two were hired to work on a wastewater project in San Francisco. A second training class is scheduled for May 23<sup>rd</sup> with a total 15 people, five from three different counties in the

service area. The SFPUC is also working with Cypress Mandela to job train in San Mateo County.

Mr. Harrington noted that one of the most difficult WSIP projects is the Bay Division Pipeline #5. It goes through several communities in the East Bay, under the Bay, and through a large area of San Mateo County. The project has run into archeological finds, and now must deal with a significant tree in the pipeline right of way.

Mr. Harrington reported that the SFPUC intends to make all precautions to protect the tree as well as the pipelines, and to look at all perspectives; engineering, financial and policy. He looks to the members of the BAWSCA Board for thoughts they may have on the matter.

The SFPUC sent a letter to the San Mateo County Board of Supervisors and to various local officials saying that no action will be taken until June 6<sup>th</sup>. In the interim, the SFPUC will meet with local officials and arborists to develop a plan for action which will be noticed two weeks prior.

Mr. Harrington reported that wholesale water rate projections and the environmental enhancement surcharge were items on the Commission meeting on May 10th.

The SFPUC has raised its retail water rates by 15% every year for the last six years. Mr. Harrington noted that the rate increases were expected as a result of rebuilding the system. What was unexpected was the dramatic drop in water usage. Conservation, the current state of the economy, and weather are factors that contribute to the decrease in water usage.

Wholesale water purchases from the San Francisco Regional Water System significantly dropped from 173mgd to 164mgd and then to 143mgd. The SFPUC is projecting a wholesale water rate increase of 38% based on a wholesale water sales projection of 140 mgd.

Alternative supply options available to some wholesale customers are also a contributing factor in the decrease of wholesale water sales from the Regional Water System. Agencies are choosing to use lower cost water supplies, and a few have already reached their minimum purchase levels from San Francisco. This will be a continuing issue as San Francisco does not receive subsidized water supplies, as do some other water wholesalers.

Mr. Harrington reported that San Francisco is down to the lowest fund balance in the past 10 years, and cannot issue debt without a reasonable fund balance.

San Francisco has imposed an environmental surcharge that would apply should collective retail and wholesale purchases go over 265mgd between now and 2018. Mr. Harrington noted that given the current low water usage, there is very little reason to believe that combined purchases will exceed 265mgd between now and 2018. However, San Francisco will put the surcharge in place. Mr. Harrington reported that a surcharge of 50% will apply to agencies that go over their allotted amounts by 1mgd, 100% up to 5mgd, and 200% above 5mgd. While the environmental community was recommending higher amounts, the Commission adopted the recommendation made by the SFPUC staff.

In response to Director Weed's question, Mr. Harrington stated that looking at additional customers to expand San Francisco's customer base is a collective decision between all wholesale customers and San Francisco on whether to consider having additional long- or short-term customers.

**7. Reports and Discussions:**

Board Policy Calendar: The BAWSCA Board Policy calendar for the upcoming fiscal year 2011-12 was presented to the Board. Considerations for the General Reserve Policy, and potential changes to the Rules of the Board will be brought to the Board in July. The CEO's performance review will also be done in July. The scope and schedule review of Phase IIA and policy decisions and schedule of the Long-Term Reliable Water Supply Strategy (Strategy) will be brought to the Board in September. Mr. Jensen noted that the future phases of the Strategy, including implementation of specific projects, would require future Board decisions on the scope and funding of such projects.

Long-Term Reliable Water Supply Strategy – Schedule for Policy Decisions: BAWSCA will be reviewing the updated Urban Water Management Plans (UWMP) submitted to the State by each agency. BAWSCA will look at the internal consistency of the documents and at the consistency of methods used by agencies to ensure that the results can be used as a reliable basis for regional planning. For example, drought reductions should be consistent with what was agreed upon with San Francisco under the WSA.

Mr. Jensen noted that BAWSCA did not plan to review the UWMP's for consistency with external documents, such as city general plans and various projections for population and employment growth.

This work will be done in June and July, and brought to the BPC in August and to the Board in September.

Director Quirk commented that the Strategy must be pursued despite the current low water usage, and hopes that it is not put on hold. The planning phase is necessary because the situation can be very different a few years from now.

Mr. Jensen presented a map of the service area that shows member agency participation in the Landscape Education Program from all three counties. The program is a core conservation program.

SFPUC Wholesale Water Rates – Significance of changes of SFPUC's proposed wholesale water rates and actions taken by the Commission: Mr. Jensen presented the sequential development of the wholesale water rate increase beginning in February, and reported that the Commission adopted an increase of 38.4%, or \$2.63 per ccf. Mr. Jensen reported that both he and Ed Harrington spoke with Congresswoman Speier with regard to her concerns about the rate increase. He presented six questions and answers that reflect concerns and interests that have been expressed by public officials, member agencies and the media.

1) *Are wholesale customers covering costs that retail customers in San Francisco should be paying?* No. Mr. Jensen stated that the Water Supply Agreement (WSA) clearly specifies which costs are to be allocated to the SFPUC's Wholesale customers. John Ummel and BAWSCA's financial consultants provide a thorough review of cost allocations during each year's annual contract compliance audit. The Wholesale Customers delegated that responsibility to BAWSCA in the WSA, and BAWSCA is able to state that the wholesale customers only pay costs associated with the benefits they receive.

- 2) *What factors drove the rates up?* Mr. Jensen explained that the rates were projected to increase because of the cost of rebuilding the system. Additionally, the decreased level of water use and the resulting wholesale revenue underpayments in the last three years require that the rates be increased more than expected.
- 3) *How much of the rate increase is for rebuilding the Regional Water System?* Mr. Jensen noted that the rate increase will continue through 2015 as bonds are issued to pay for the WSIP projects. Those bonds will be paid off over 30 years. The cost breakdown for Operations and Maintenance (O&M), WSIP debt, Capital-Related Expenses and Balancing Account Repayment that makes up the \$2.63/ccf rate for FY 2011-12 was presented to the Board. Mr. Jensen noted that the WSIP accounts for 22% of the water rate, and that O&M expenses account for 45%.
- 4) *What will the impact of this rate increase be for a typical residence outside San Francisco?* Mr. Jensen explained that if the cost of SFPUC water goes up 38%, the typical monthly residential water bill will go up about 15%. The increase would add an average of \$8 per month next year. Mr. Jensen noted that these amounts were averages for the entire BAWSCA area, and that impacts will vary for each of its 26 member agencies.
- 5) *Are customers in San Francisco getting the same rate increase?* The SFPUC will impose a 12.5% increase in retail rates next year.  
  
Mr. Jensen noted that the increase in wholesale costs was anticipated by BAWSCA and its member agencies in 2000 when they encouraged San Francisco to begin the program to rebuild the Regional Water System. The benefit of the wholesale customers' investments in the Regional Water System is a system able to provide water within 24 hours after a major earthquake.
- 6) *Why do rates go up when people use less water?* Mr. Jensen stated that the costs for facilities and operations depend very little on the amount of water served. The facilities and operating costs ensure that the water systems are capable of delivering water for domestic, commercial and fire fighting purposes. While costs are relatively fixed, water utility tradition has been to charge based on the quantity of water used. Many water agencies are looking into how to diversify their revenue sources and structure water rates to remain financially stable and avoid continual and confusing rate adjustments.

SFPUC Water Supply Improvement Program (WSIP) – Update: Ms. Sandkulla reported that BAWSCA will thoroughly review the March Quarterly Progress report the SFPUC will release on May 20<sup>th</sup>. The report will present the status of the WSIP project scopes and schedules, and budgets. The report will also indicate the changes to the WSIP that the SFPUC expects to propose to the Commission in the summer.

BAWSCA's goal for its review of the progress report is to understand the significance of the anticipated revisions and the impacts to the scopes and schedules and budget. BAWSCA will work closely with Julie Labonte, SFPUC's Director of the WSIP, and her staff to address BAWSCA's concerns, if any, well in advance of the formal process

required for revisions made to the WSIP, and to provide a confident status report to the Board at its meeting in July.

WSIP Project Site Tour – SFPUC Video: The SFPUC will provide members of the BAWSCA Board a tour of the WSIP project sites on June 23<sup>rd</sup>. A video, produced by Julie Labonte, that talks about the current progress of the WSIP, was presented to the Board.

- 8. Directors' Discussion:** Director Fergusson congratulated Mr. Jensen and his staff for the completion of the Drought Implementation Plan, which was adopted by all 26 member agencies.

Director Wykoff commented that given the rate increases, water remains to be one of the cheapest basic commodities. Foster City will be in the neighborhood of \$2.91 for 748 gallons of water. He believes that it is incumbent upon the elected officials to voice that the water received is worth the money spent, and to explain why the costs increase.

- 9. Date, Time and Location of Next Meeting:** The next meeting is scheduled on July 21, 2011, in the Wind Room, Foster City Community Center.

- 10. Adjournment:** The meeting was adjourned at 8:50 pm.

Respectfully submitted,

Arthur R. Jensen,  
Chief Executive Officer

ARJ/le

Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**  
**Board of Directors Meeting**  
**May 19, 2011**

**Attendance Roster**

Present:

Ruben Abrica	City of East Palo Alto
Robert Anderson	Purissima Hills Water District
Cyril Bologoff	City of Brisbane
Randy Breault	Guadalupe Valley Water District
Tom Chambers	Westborough Water District
Ken Coverdell	Coastside County Water District
Kelly Fergusson	City of Menlo Park
Michael Guingona	City of Daly City
Rob Guzzetta	California Water Service Company
Tom Kasten	Town of Hillsborough
Larry Klein	City of Palo Alto
Marty Laporte	Stanford University
Irene O'Connell	City of San Bruno
Rosalie O'Mahony	City of Burlingame
Matthew Pear	City of Mountain View
Tom Piccolotti	North Coast County Water District
Barbara Pierce	City of Redwood City
Dan Quigg	City of Millbrae
Bill Quirk	City of Hayward
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
Rick Wykoff	City of Foster City

Absent:

Armando Gomez	City of Milpitas
Patricia Mahan	City of Santa Clara
Chuck Reed	City of San Jose
Ron Swegles	City of Sunnyvale

# BAWSCA

## Bay Area Water Supply & Conservation Agency

155 Bovet Road, Suite 302  
 San Mateo, California 94402  
 (650) 349-3000 tel. (650) 349-8395 fax

**TO:** Arthur R. Jensen, CEO/General Manager  
**FROM:** Deborah Grimes and John Ummel  
**DATE:** July 14, 2011  
**SUBJECT:** Budget Status Report as of May 31, 2011

This memorandum shows fiscal year budget status for FY 2010-11. It includes major areas of spending, provides an assessment of the overall budget, and summarizes reserve fund balances. This report covers the budget and expenses for BAWSCA. The BAWSCA Operating Budget includes necessary resources for the RFA and BAWUA.

**Summary:**

For the period ending May 31, total expenses were \$1,993,258 or 74% of the total Operating Budget of \$2,680,394.

**Table 1. Operating Budget Summary as of May 31, 2011**

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
<b>Consultants /Direct Expenditures</b>			
Reliability	975,800	545,373	56%
Fair Pricing	248,000	188,752	76%
Administration	62,000	99,264	160%
<b>Subtotal</b>	<b>1,285,800</b>	<b>833,389</b>	<b>65%</b>
<b>Administration and General</b>			
Salary & Benefits	1,057,894	961,059	91%
<b>Other Expenses</b>			
BAWSCA	278,500	197,210	71%
BAWUA	1,200	0	0%
<b>Subtotal</b>	<b>2,623,394</b>	<b>1,991,658</b>	<b>76%</b>
<b>Capital Expenses</b>	8,000	1,373	17%
<b>Budgeted Contingency</b>	47,500	0	0%
<b>Regional Financing Authority</b>	1,500	138	9%
<b>Grand Total</b>	<b>2,680,394</b>	<b>1,993,168</b>	<b>74%</b>

**Overview:**

Overall expenditures are tracking as expected. Year-end expenses through June 30 are estimated to be 10-15% under budget. Expenditures are below budget in the area of outside legal and technical support.

**Consultants**

The \$255,000 budget for technical review and tracking of the SFPUC’s WSIP was 46% expended. When budgeting for FY 2010-11, Strategic Counsel’s support was split between the Operating Budget and the Water Management Charge. A greater portion of Strategic Counsel’s actual support was for matters appropriately charged to the Operating Budget. For the fiscal year, the total time and dollar charges will remain at the level of the aggregate not-to-exceed contractual amount of \$150,000. The \$366,000 legal budget was 73% expended. There has been more legal support in the administrative area than anticipated when the budget was developed, but total legal expenses will remain well within budget for the year. The \$360,800 budget for water management and conservation-related activities including public information, regional program and materials, water supply planning, data base development and landscape classes was 58% expended.

**Administration**

Salary/fringe costs were 91% expended.

**Other Expenses**

Other Expenses were 71% expended.

**Use of Reserve Fund Balance:**

In accordance with the adoption of the annual budget in May 2010, \$163,394 of the BAWSCA reserve account was transferred *from* the reserve to BAWSCA to pay eligible expenses during FY2010-11. The balance shown below reflects this transfer as well as a transfer of unspent funds remaining from last fiscal year in the amount of \$409,965 to the reserve.

**Table 2. Reserve Fund Balances**

<b>Fund</b>	<b>Account Balance (As of 3/31/11)</b>	<b>Account Balance (As of 5/31/11)</b>
RESERVE	\$653,763	\$653,763
<b>Total</b>	<b>\$653,763</b>	<b>\$653,763</b>

**Long-Term Reliable Water Supply Strategy and Use of Water Management Charge:**

Phase 2 of the Long-Term Reliable Supply Strategy (Strategy) began this fiscal year. Funding is provided through the Water Management Charge, approved by the Board in July 2010. As of May 31, Water Management Charge revenue totaling \$1,192,726 has been collected by and received from the SFPUC. To date, consultant invoices totaling \$542,084 have been paid.

# **BAWSCA**

## **Bay Area Water Supply & Conservation Agency**

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155 Bovet Road, Suite 302  
San Mateo, California 94402  
(650) 349-3000 tel. (650) 349-8395 fax

### MEMORANDUM

**TO: BAWSCA Board of Directors**

**FROM: Arthur R. Jensen, Chief Executive Officer**

**DATE: July 12, 2011**

**SUBJECT: Investment Report for the Period Ending May 31, 2011**

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In February 2004, the Board adopted an investment policy consistent with the Government Code that requires a quarterly report on the Agency's investments be provided to the Board within 30 days after the close of each quarter. The Board is scheduled to review and consider modifications to the investment policy at the July 21<sup>st</sup> board meeting. This report presents fund management in compliance with the investment policy.

Local funds in excess of \$250,000 are deposited in the BAWSCA LAIF account throughout the year to ensure compliance with BAWSCA's investment policy at that time.

BAWSCA's prior and current period local agency investment (LAIF) account balances are shown below.

<u>03/31/11</u>	<u>05/31/11</u>
\$1,704,650	\$2,256,784

Of the total in the BAWSCA LAIF account as of May 31, \$653,763 represents BAWSCA's Reserve Fund, equivalent to approximately 24% of this year's budget. The remaining amount consists of Subscription Conservation Program funds, Water Management funds and unrestricted funds.

Recent historical quarterly interest rates for LAIF deposits are shown below:

<u>12/31/10</u>	<u>03/31/11</u>
0.46%	0.51%

# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

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155 Bovee Road, Suite 302  
San Mateo, California 94402  
(650) 349-3000 tel. (650) 349-8395 fax

**MEMORANDUM**

**TO:** BAWSCA Board of Directors

**FROM:** Arthur R. Jensen, CEO/General Manager

**DATE:** July 12, 2011

**SUBJECT:** Directors' Reimbursement Quarterly Report for the Period Ending  
**June 30, 2011**

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In March 2006, the Board adopted a directors' expense reimbursement policy consistent with the Government Code that requires a quarterly report on the Agency's reimbursement of directors' expenses. This report shall show the amount of expenses reimbursed to each director during the preceding three months.

There were no director expenses reimbursed for the quarter ending June 30, 2011.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS

**Agenda Title:**            **Review of BAWSCA’s Statement of Investment Policy and Proposed Modifications**

**Summary:**

The CEO annually submits the Statement of Investment Policy (“Policy”) to the Board for review and consideration at a public meeting. The previous review occurred on July 15, 2010. Quarterly investment reports are provided to the Board as required by the Policy.

Upon legal counsel’s review, there are no policy changes to the Investment Policy at this time. The suggested modifications update the Policy to reflect language consistent with current State law.

**Fiscal Impact:**

None.

**Board Policy Committee Action:**

The Committee voted unanimously to recommend Board approval of the revised modifications to Investment Policy language.

**Recommendation:**

That the Board approve revised language modifications to the Investment Policy.

Attachments:

1. Recommended Statement of Investment Policy, showing revisions in strike-and-bold format.
2. Recommended Statement of Investment Policy, incorporating recommended revisions.

## **BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

### **STATEMENT OF INVESTMENT POLICY**

#### **1. Introduction**

The investment policies and practices of the Bay Area Water Supply & Conservation Agency are based on state law and prudent money management. All funds will be invested in accordance with the Agency's Investment Policy and the California Government Code.

#### **2. Scope**

This policy applies to all funds and investment activities under the direction of the Agency, including funds held in the name of the Bay Area Water Users Association (BAWUA), a California nonprofit corporation of which the Agency is the sole member.

#### **3. Prudence**

The standard of prudence to be used by investment officials shall be the "prudent ~~person~~investor" standard and shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency.

Investments shall be made with the judgment and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived, and in accordance with the provisions of Government Code Section 53600 et seq.-

#### **4. Objectives**

The primary objectives, in priority order, of the Agency's investment activities shall be:

A. Safety. Safety of principal is the foremost objective of the investment program. The Agency's funds shall be invested in a manner that seeks to ensure preservation of capital.

B. Liquidity. The Agency's investments will remain sufficiently liquid to enable the Agency to meet its cash flow requirements.

C. Return on Investment. The Agency's investments shall be designed with the objective of attaining a market rate of return consistent with the constraints imposed by its safety and liquidity objectives.

**5. Delegation of Authority**

The management and oversight responsibility for investments is hereby delegated to the General Manager who shall monitor and review all investments for consistency with this Investment Policy.

**6. Permitted Investments and Depositories**

A. Agency funds may be deposited only in state or national banks and state or federal savings associations with offices in California that meet the requirements and conditions of the Government Code, as it may be amended from time to time.

B. Funds not deposited in banks or savings associations shall be invested in the Local Agency Investment Fund administered by the Treasurer of the State of California, in accordance with Government Code Section 16429.1.

**7. Other Limitations**

A. The maximum amount of funds deposited with any bank or savings association shall be \$250,000; provided that if funds are each separately insured by the Federal Deposit Insurance Corporation (“FDIC”), the General Manager may maintain separate accounts for the Agency and for BAWUA (to a maximum of \$250,000 for each entity) at one bank or savings association. The temporary increase from \$100,000 to \$250,000 in the standard maximum deposit insurance amount expires December 31, 2013. When this Policy is reviewed by the Board, Staff will provide status of FDIC coverage and will amend this section of the Policy as necessary. ~~Should the Standard Maximum Deposit Insurance amount be lowered below \$250,000 by the Federal Government, such lower amount shall automatically become the new maximum amount of Agency and BAWUA funds invested in each such separate account at any one bank or savings association.~~

B. Investment maturities shall be based on a review of cash flow forecasts and shall be scheduled so as to allow the Agency to meet all projected obligations. The maturity of any certificate of deposit shall not exceed 12 months.

**8. Reporting Requirements**

The CEO/General Manager shall provide the Board a quarterly investment report, which shall include the information required by Government Code Section 53646.

**9. Annual Review of Investment Policy**

The CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting.

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**  
**STATEMENT OF INVESTMENT POLICY**

**1. Introduction**

The investment policies and practices of the Bay Area Water Supply & Conservation Agency are based on state law and prudent money management. All funds will be invested in accordance with the Agency's Investment Policy and the California Government Code.

**2. Scope**

This policy applies to all funds and investment activities under the direction of the Agency, including funds held in the name of the Bay Area Water Users Association (BAWUA), a California nonprofit corporation of which the Agency is the sole member.

**3. Prudence**

The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency.

Investments shall be made with the judgment and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived, and in accordance with the provisions of Government Code Section 53600 et seq.

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B. Liquidity. The Agency's investments will remain sufficiently liquid to enable the Agency to meet its cash flow requirements.

C. Return on Investment. The Agency's investments shall be designed with the objective of attaining a market rate of return consistent with the constraints imposed by its safety and liquidity objectives.

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B. Investment maturities shall be based on a review of cash flow forecasts and shall be scheduled so as to allow the Agency to meet all projected obligations. The maturity of any certificate of deposit shall not exceed 12 months.

**8. Reporting Requirements**

The CEO/General Manager shall provide the Board a quarterly investment report, which shall include the information required by Government Code Section 53646.

**9. Annual Review of Investment Policy**

The CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**           **Professional Services Contract with CSG Consultants, Inc. to Provide As Needed Technical Assistance and Support Services for Water Resources Activities**

**Summary:**

This item requests authorization for the CEO to negotiate and execute a contract with CSG Consultants, Inc. (CSG) to provide as needed technical assistance and support services for water resources activities in FY 2011-12.

**Fiscal Impact:**

The BAWSCA budget for FY 2011-12 includes \$40,000 for additional technical resources to support water resources activities in FY 2011-12. Funds would come from the contingency budget, which was increased this fiscal year for this purpose.

**Board Policy Committee Action:**

The Committee voted unanimously to recommend the proposed Board action.

**Recommendation:**

**That the Board authorize the CEO to negotiate and execute a contract with CSG for up to \$40,000 to provide as needed technical assistance and support services for water resources activities in FY2011-12.**

**Discussion:**

The CEO has approved a leave of absence that will occur in FY 2011-12. In order to complete the adopted Work Plan for FY 2011-12 and achieve the critical results needed next year, additional technical and support resources are necessary.

Given the limited duration yet critical nature of the needed technical and support services, BAWSCA identified the following necessary requirements:

- Familiarity with BAWSCA and its member agencies
- Knowledge of water conservation with specific knowledge of BAWSCA's water conservation programs
- Demonstrated ability to manage grant programs
- Significant level of availability during the required duration
- Ability to integrate with BAWSCA staff and perform a portion of the work at BAWSCA's office

Mr. Ed Cooney with CSG meets and exceeds the necessary requirements. Mr. Cooney is a Sustainability Programs Manager for CSG with nearly fifteen years experience in sustainable city program development, implementation and management. Mr. Cooney is

currently responsible for managing environmental and select public works programs for the Town of Hillsborough. As the Town's water conservation coordinator, Mr. Cooney has represented the Town in BAWSCA member meetings and working groups. He also manages the Town's participation in BAWSCA's rebate programs, has secured over \$2M in water and energy conservation/infrastructure grants, and manages all associated grant reporting.

**Alternatives:**

Alternatives to the recommended action are to: (1) accommodate the leave of absence with existing staff resources, or (2) modify FY 2011-12 Work Plan to reduce level of activity to within available staff resources. BAWSCA does not recommend these alternatives for the reasons stated below.

As discussed with the Board in March, BAWSCA staff size has remained constant since FY 2004-05, while the volume of work to achieve Water Management objectives has increased roughly three-fold. Results have been produced by leveraging staff resources with outside professional services, temporary employees and interns. The two permanent positions have no capacity to perform any further expansion of their work load which means that accommodation of a leave of absence with existing staff resources is not a viable option.

The Board-approved FY 2011-12 Work Plan for Water Resources activities already reflects a reduced scope. Further reduction in scope of work is not recommended at this time given the need to develop the Long-Term Reliable Water Supply Strategy in a timely manner to meet the water supply reliability needs of the BAWSCA member agencies and their customers and to continue implementation of a BAWSCA's successful regional conservation program.

**CSG Consulting, Inc.**

**PURPOSE**

For FY2011-12, BAWSCA requires technical assistance and support services to augment staff resources in the area of water resources.

**SCOPE OF WORK**

**Work to be Performed:**

The following tasks will be performed as directed by BAWSCA:

- Provide technical and management support in implementing the Lawn Be Gone! turf replacement program;
- Assist BAWSCA in implementing use of DWR water conservation grant funds including preparation of receipt of grant funds and management of grant funds for multiple conservation programs;
- Provide support in updating content of BAWSCA's web page associated with water resources and water conservation; and
- Provide other support for water resources and water conservation activities as directed.

**Proposed Budget: \$40,000**

**Rates & Charges:**

Program Manager

\$105/hour

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**           **Professional Services Contract with Erler & Kalinowski, Inc to Update the Senate Bill 7x-7 Spreadsheet Tool**

**Summary:**

This item requests authorization for the CEO to negotiate and execute a contract with Erler & Kalinowski, Inc. (EKI) to provide technical services for the update of the Senate Bill (SB) 7x-7 Spreadsheet Tool for FY 2011-12.

**Fiscal Impact:**

The BAWSCA budget for FY 2011-12 includes \$15,000 for consulting support services for the update of the SB7x-7 Spreadsheet Tool.

**Board Policy Committee Action:**

The Committee voted unanimously to recommend the proposed Board action.

**Recommendation:**

**That the Board authorize the CEO to negotiate and execute a contract with EKI for up to \$15,000 to provide technical services for the update of the SB7x-7 Spreadsheet Tool for FY 2011-12.**

**Discussion:**

As presented during the budget development and approval process, outside resources are necessary to complete portions of the adopted Work Plan for FY 2011-12. One area that supports work by member agencies requires technical resources to update the Senate Bill 7x-7 Spreadsheet Tool originally developed for the agencies in FY 2010-11.

In FY 2010-11 BAWSCA contracted with EKI through a competitive process for the development of a SB7x-7 Spreadsheet Tool. This Tool was made available in January 2011 to the BAWSCA agencies for their use. The BAWSCA agencies found this Tool to be very helpful as part of their 2010 Urban Water Management Plan (UWMP) preparation and associated SB7x-7 analysis.

The SB7x-7 Spreadsheet Tool enhanced member agencies' ability to develop their individual SB7x-7 targets and also gave them a perspective on the potential benefits of complying with SB7x-7 individually, as a region and/or as part of sub region. As they look ahead to 2015, agencies will evaluate these regional compliance options as they implement their newly-adopted Urban Water Management Plans.

For the SB7x-7 Spreadsheet Tool to effectively support the agency efforts, it needs to be updated to reflect:

- Corrected historical population and water use data to the extent that agencies have modified those data;

- Updated projections of population, water use, and conservation based on agency 2010 UWMPs; and
- The addition of DWR's Method 4 to the SB 7x-7 Spreadsheet Tool.

The need for consultant resources to update the SB7x-7 Spreadsheet Tool in FY 2011-12 was identified as part of the BAWSCA Work Plan for FY 2011-12.

**Alternatives:**

Alternatives to the recommended action included herein are to: (1) not update the SB7x-7 Spreadsheet Tool, or (2) have BAWSCA staff complete the SB7x-7 Spreadsheet Tool update. BAWSCA does not recommend these alternatives for the reasons stated below.

BAWSCA was specifically named in SB7x-7 legislation (Water Code §10608.28(a)(2)) as a regional entity that could assist its member agencies in complying with SB7x-7. The SB7x-7 Spreadsheet Tool developed was developed by BAWSCA so that its member agencies could make informed decisions, using common information, about whether to comply with the law as an individual agency or as part of a collection of agencies. To be effective, and as anticipated from the outset, the Spreadsheet Tool needs to be updated to reflect revised population and water demand information prepared by the agencies for their Urban Water Management Plans, and to include DWR's Method 4 option. For this reason, Alternative 1 is not recommended.

BAWSCA's Work Plan for FY 2011-12 stated the need to augment staff to accomplish time-critical tasks without increasing the size of permanent staff. Updating the SB7x-7 Spreadsheet Tool was one of the tasks identified as needing additional support. Without additional technical resources, BAWSCA staff will not have the capacity to accomplish this task.

**Conclusion:**

The SB7x-7 Spreadsheet Tool has enhanced member agencies' SB7x-7 compliance efforts at a reasonable cost. EKI's services have been critical to the success of the Tool. For this reason, it is recommended to continue to contract with EKI to perform the necessary update of the SB7x-7 Spreadsheet Tool.

**Erler & Kalinowski, Inc. (EKI)**

**PURPOSE**

For FY2011-12, BAWSCA requires Erler & Kalinowski, Inc. (EKI) to provide technical services for the update of the Senate Bill (SB) 7x-7 Spreadsheet Tool.

**SCOPE OF WORK**

**Work to be Performed:**

Through this contract, EKI will update the SB7x-7 Tool including:

- Correct historical population and water use data as provided by member agencies;
- Update projections of population, water use, and conservation based on agency 2011 UWMPs; and
- Add DWR's Method 4 to the SB7 spreadsheet calculator.

An updated memo describing the tool and results will also be prepared for distribution to the member agencies along with the updated Tool.

**Proposed Budget: \$15,000**

**Rates & Charges:**

Principal & Chief Engineer-Scientist	\$209/hr.
Supervising Engineer-Scientist	\$200/hr.
Senior Engineer-Scientist	\$187/hr.
Associate Engineer-Scientist	\$170/hr.
Engineer-Scientist (Grade 1)	\$159/hr.
Engineer-Scientist (Grade 2)	\$137/hr.
Engineer-Scientist (Grade 3)	\$127/hr.
Engineer-Scientist (Grade 4)	\$108/hr.
Technician/Administrative Assistant	\$80/hr.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**           **Professional Services Contract with Brown & Caldwell to Support the Implementation of the BAWSCA Water Conservation Database for FY 2011-12**

**Summary:**

This item requests authorization for the CEO to negotiate and execute a contract with Brown & Caldwell (B&C) to provide training and as needed technical support services for the on-going implementation of the BAWSCA Water Conservation Database (WCDB) for FY 2011-12.

**Fiscal Impact:**

The BAWSCA budget for FY 2011-12 includes \$50,000 for consulting support services for implementation of the WCDB.

**Board Policy Committee Action:**

The Committee voted unanimously to recommend the proposed Board action.

**Recommendation:**

**That the Board authorize the CEO to negotiate and execute a contract with B&C for up to \$50,000 to provide training and as needed technical support services for the implementation of the WCDB in FY2011-12.**

**Discussion:**

As presented during the budget development process, additional outside resources are necessary to complete the adopted Work Plan for FY 2011-12 in several areas. One such area is the need for additional technical resources to support implementation of the Water Conservation Database in FY 2011-12.

The development of a regional water conservation database was one of the key recommendations from the 2009 Water Conservation Implementation Plan (WCIP). In September 2009, BAWSCA contracted with B&C to develop the WCDB. The WCDB was developed (with member agency input) as an on-line database system that allows agencies to track their water conservation activities in a consistent and standard format and to upload the information they supply to BAWSCA for purposes of the BAWSCA Annual Survey. Data in the WCDB can be easily exported to other software tools such as Microsoft Excel.

In July 2010, BAWSCA contracted with B&C to assist with the implementation of the WCDB and training of the member agencies on use of the data base. As part of the FY 2010-11 contract, B&C also provided as needed technical support to integrate the WCDB with existing BAWSCA agency database systems and to provide other WCDB system refinements.

A contract with B&C in FY 2011-12 is proposed to provide additional agency training and as-needed technical support to BAWSCA and the member agencies for on-going implementation of the WCDB. Such technical support activities include adding or deleting

additional data sheets as agency water conservation programs evolve, addressing technical issues that arise during agency utilization of the WCDB, and augmenting the database to improve key features and user experience.

The need for additional resources to implement the WCDB in FY 2011-12 was identified as part of the BAWSCA Work Plan for FY 2011-12.

**Alternatives:**

Alternatives to the recommended action are to: (1) not support the WCDB in FY 2011-12, or (2) train BAWSCA staff to support the WCDB rather than enter into a contract with B&C. BAWSCA does not recommend these alternatives for the reasons stated below.

The need for a regional database system was clearly identified as part of the 2009 WCIP. The WCDB serves a valuable function as a streamlined data collection tool. The data that are collected are needed by BAWSCA to support the Annual Survey, the Annual Water Conservation Report, and other regional reporting that BAWSCA does on water use, conservation activity and service area characteristics. The WCDB also provides a standardized repository for the agencies to store the information that they need to do their own reporting. To abandon the WCDB at this point would in effect waste the time and effort put into the system by BAWSCA and the member agencies to date, and result in the 26 different agencies tracking their data in an inconsistent and potentially incomplete manner which does not lend itself to coordinated regional analysis. For these reasons, Alternative 1 is not recommended.

B&C was selected to provide the WCDB services in 2009 in part because they have a very capable and experienced IT staff. Because maintaining the WCDB requires significant technical skills, including a close familiarity with Microsoft SharePoint, servers, and computer programming, maintenance of the WCDB is most appropriately done by trained Information Technology (IT) professionals. BAWSCA does not have an IT staff and therefore has to contract out for any IT services. BAWSCA's Work Plan for FY 2011-12 clearly stated the need to augment staff to accomplish key tasks. Supporting the WCDB was one of the tasks identified as needing additional outside support. Without additional technical resources, BAWSCA staff will not have the capacity to accomplish this task.

**Conclusion:**

The WCDB has enhanced member agency's water conservation reporting efforts at reasonable cost. The services provided by B&C during the past two years have been critical to the overall WCDB success. For this reason it is recommended that BAWSCA continue to contract with B&C to maintain the WCDB in FY 2011-12.

**Brown and Caldwell**

**PURPOSE**

For FY2011-12, BAWSCA requires specialized services to support the ongoing implementation of its Water Conservation Database (WCDB) including providing additional agency training and as needed technical support to BAWSCA and the member agencies.

**SCOPE OF WORK**

**Work to be Performed:**

The following tasks will be performed as directed by BAWSCA:

- Conduct training session on WCDB for member agency staff
- Provide WCDB technical support on an “on-call” basis

**Proposed Budget: \$50,000**

**Rates & Charges:**

IT Manager	\$241
Project Manager	\$143
IT Associate	\$175
Associate	\$84

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Item Title: Review and Consideration of Changes to the General Reserve Policy**

**Summary:**

This item presents a review of BAWSCA's reserve policy and recommended modifications.

**Fiscal Impact:**

A properly formed and managed reserve fund policy should be designed to protect the agency against unanticipated deviations in revenue and expenditures, and stabilize or attenuate variations in assessments to member agencies.

**Board Policy Committee Action:**

The Committee voted unanimously to:

- 1) Recommend Board adoption of a resolution at the July 21<sup>st</sup> Board meeting to amend the Policy so that the guideline for the range in the General Reserve is changed from 20%-25% to 20%-35% of the Operating Budget,
- 2) Advise the CEO to present the options for potential uses of the reserve funds to conduct work not budgeted for FY 2011-12, including why current water use is low and additional concerns in drought years, for the Committee's discussion in August, and for possible Board action in September; and,
- 3) Recommend to the Board that the projected state of the reserve and alternatives for managing the reserve balance be discussed at mid-year prior to developing the FY 2012-13 budget.

**Recommendation:**

That the Board approve the attached resolution amending the Reserve Policy to modify the guideline for the range in the General Reserve from 20%-25% to 20%-35% of the Operating Budget.

**Discussion:**

During budget preparation for FY 2011-12, the Board Policy Committee and Board of Directors raised questions about the agency's existing reserve policy and factors to be considered in its review. Specifically, they were interested in the following matters:

1. Potential risks to agency revenues and expenditures,
2. The use of reserve funds to provide "float" between the beginning of a fiscal year and the receipt of revenue for that fiscal year,
3. The appropriate size of BAWSCA's reserve fund,
4. Purposes for which the fund could be used,
5. How the fund would be managed if it grew beyond policy guidelines, and
6. How the fund balance would be restored if the fund were drawn down below a desired minimum balance.

Existing Reserve Policy: A copy of the 2004 memo accompanying the existing policy is attached. It is informative and the material it contains is not repeated here. The memo covers the purpose of a reserve, the size of the reserve, formation of the reserve, investment of funds, and authority to use the reserve. The resolution states that the current and projected status of the reserve is to be addressed with the proposed budget for each fiscal year.

Review: Since the May Board meeting, the following steps have been taken:

- A. Review of the existing reserve policy adopted by the Board in 2004,
- B. Obtain input from BAWSCA's outside auditor,
- C. Obtain input from legal counsel, and
- D. Review publications and recommendations from the following sources: a) the Government Financial Officers Association, b) the California League of Cities, and c) the California Special Districts Association.

Findings and Conclusions: These result of this review leads to the following findings and conclusions:

1. The basis for the existing policy is consistent with published guidelines.
2. The risks to which this agency is currently exposed are consistent with those considered in 2004.
3. The estimated one-time costs associated with potential risks remain appropriate today, and could be increased slightly to adjust for inflation.
4. The potential uses of a reserve, identified and stated in general terms in 2004, remain applicable today, although future agency activities would require a review and possible revision of the reserve policy.
5. The existing policy states, "If the ending reserve balance is estimated to fall outside the guidelines established by the resolution, the budget shall include a prudent and practical schedule for restoring the reserve balance to within these guidelines."

Each of the matters raised in Board discussion are addressed by the existing Reserve Policy.

Transparency of agency reserves: Several of the sources reviewed suggest that information about the reserves of the agency be readily available to the Board of Directors and the public. BAWSCA addresses this matter in: 1) investment reports routinely provided to the Board, and 2) memos associated with budget development and adoption.

Conclusions: Following discussion with the Board Policy Committee, the Committee voted to recommend Board approval of an increased range for the budgeting guideline.

The Committee also advised the CEO to prepare a plan for managing the reserve within the new guideline, and report to the Committee in August and to the Board in September.

The Committee also asked the CEO to consider what additional work might be performed during FY 2011-12 using a portion of the reserve, subject to the ability to effectively oversee additional work within existing staff constraints.

Attachments:

1. 2004 Staff memorandum for existing General Reserve Policy, with its attachments.
2. Copy of revised resolution amending the General Reserve Policy, showing changes.
3. Clean copy of revised resolution amending the General Reserve Policy.

November 18, 2004 -- Agenda Item # 8-A

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Item Title:**            **Adopt BAWSCA Reserve Policy**

**Summary:**

The board is asked to adopt a resolution to establish a reserve policy for BAWSCA according to specified limits and authorities (resolution attached).

**Fiscal Impact:**

The BAWSCA reserve will begin accumulating this fiscal year. Unless otherwise provided in the annual budget, contributions to the BAWSCA reserve would come from BAWSCA revenues that were budgeted but remain unspent by the end of the fiscal year.

**Board Policy Committee Action:**

The Board Policy Committee voted unanimously to recommend the proposed board action.

**Recommendation:**

- a) That the Board adopt, by roll call vote, Resolution No. 2004 - 07, establishing BAWSCA's reserve policy, and authorize the General Manager to take whatever steps are necessary to implement the resolution.**

**Discussion:**

During the BAWSCA board's consideration of the FY 2004-05 budget, the general manager recommended that BAWSCA establish a reserve, and promised to bring a reserve policy to the board in the fall.

**Background.** In 1994, the Bay Area Water Users Association (BAWUA) created a general reserve in order to be able to fund unanticipated expenses or unbudgeted activities that might arise during a budget year. The stated purpose of the reserve was to enable BAWUA to enter into arbitration, in the middle of a budget year, without imposing a special assessment on its members. The maximum size of the reserve was set at 25% of the operating budget for the current year. The reserve was to be formed by accumulating unspent revenue at the end of each fiscal year. In 1997, BAWUA decided to maintain a minimum reserve balance equivalent to 20% of the operating budget for the current year.

The BAWUA general reserve is currently being drawn down to fund BAWSCA expenses and remaining BAWUA obligations.

**Purpose of the reserve for BAWSCA.** A reserve formed from BAWSCA revenues could serve two purposes. The reserve would enable the agency to apply resources to urgent needs that were not foreseen at the time the annual budget was adopted. Using the

reserve allows the needs to be met without imposing special assessments. This use of the reserve would avoid imposing additional burdens on agency budgets during a fiscal year. The reserve could also fund one-time expenses to moderate variations in annual assessments.

**Uses of the reserve.** The reserve could be used to fund unanticipated activities recommended for immediate attention by the general manager and for which the board concurs. BAWSCA could encounter unanticipated expenses in several areas:

- Arbitration of issues associated with administration of the existing master contract
- Special studies or audits
- Support, opposition or initiation of local, San Francisco, State or federal legislation
- Participation in legislative hearings
- Initiation or defense of legal actions
- Responding to other events that could affect the health, safety and economic well-being of the water customers and consistent with BAWSCA's purpose and goals

BAWSCA currently faces major activities in contract negotiation, efforts to remove a major reservoir from the San Francisco water system, identifying alternative actions in the event San Francisco fails to fix the water system in a timely manner, and the water management policies that the SFPUC is about to consider.

**Size of the reserve.** Unforeseen expenditures during a single year could range from tens of thousands of dollars to hundreds of thousands of dollars. In most cases, the expenses would be for outside professional services, although other types of expenses are possible and should not be prohibited.

Several factors should be considered when selecting a prudent size for the reserve:

- What can be learned from the practices of other agencies?
- What has been BAWUA's and BAWSCA's historical experience?
- What is the nature of the activity and expense?

When considering whether to use the reserve, additional considerations include:

- How much might it cost to complete the activity?
- How much of the expense could be addressed in the next year's budget?
- Can funds for budgeted activities be redirected to meet all or a portion of the need?

There are few agencies similar to BAWSCA for ready comparison. Most water agencies have operating expenses. Their reserves, sized to cover emergency operating needs and short-term loss of revenue, are more than sufficient to cover legal actions or special studies that might arise mid-year. Unlike those agencies, BAWSCA's revenues would not be interrupted by an inability to deliver water. The issues facing BAWSCA are unlike those facing many other non-operating entities.

The arbitration conducted begun in FY 1994-95 and completed in FY 1996-97 recovered over \$7 million and cost just over \$800,000. The first year's expense was just over \$200,000, or about 20% of that year's operating budget. The highest arbitration expense in any one year was just over \$570,000 in FY 1995-96, and was funded through the normal budget process.

**Maximum balance.** As a guideline for an upper bound to the reserve balance, 25% is both reasonable and prudent. For FY 2004-05, 25% of the operating budget would be equivalent to about \$450,000. This amount is sufficient to begin, if not complete, one or more legal, legislative actions or special studies in a given year.

**Minimum balance.** Setting a strict minimum balance means that a portion of the reserve can never be used. Setting a guideline that the reserve be not less than 20% of the operating budget provides a reasonable basis for how quickly the reserve should be replenished after being used.

**Formation of the reserve.** The BAWSCA reserve will begin accumulating this fiscal year. Contributions to the BAWSCA reserve will come from BAWSCA revenues that were budgeted but unspent by the end of the year.

The BAWSCA reserve can be formed and maintained by depositing all budgeted but unspent BAWSCA revenues into the reserve at the end of each year. Once the guideline for the maximum balance is reached, excess funds would be used to pay for a portion of the expenses in the coming year.

During the next several fiscal years, the BAWUA general reserve balance will be drawn down and eliminated. At the same time, BAWSCA revenues are being collected. Any unspent BAWSCA revenue will be placed into the new BAWSCA reserve.

If experience shows the reserve balance is not increasing, or recovering from use as quickly as desired, the general manager may recommend the board to consider increasing annual assessments to build up the reserve.

**Investment of funds.** The funds of the reserve will be invested in accordance with BAWSCA investment policy. The status of the reserve account(s) will be reported to the board as part of the quarterly investment reports.

**Authority to use the reserve.** The general manager would have the authority to use the reserve to cover the costs of any expense approved by the board of directors. In seeking approval of expenses, the general manager will provide the board information on the intended source or sources of funds, including any redirection of funds in the current year's budget or use of the reserve.

Attachment: Resolution No. 2004-07

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**RESOLUTION NO. 2004-07**

**ADOPTING RESERVE POLICY**

**WHEREAS**, maintenance of a reserve to provide funds for urgent but unanticipated expenses is a prudent financial measure; and

**WHEREAS**, the Agency will be able to rely on transfers from the reserve previously accumulated by the Bay Area Water Users Association for only a few additional years; and

**WHEREAS**, the General Manager and Policy Advisory Committee have so recommended.

**BE IT RESOLVED** by the Board of Directors of the Bay Area Water Supply & Conservation Agency as follows:

1. Revenue received by the Agency during a fiscal year that is not expended or obligated by June 30 of that year shall be transferred to the General Reserve, subject to the limitation on that reserve in Section 2.
2. For budgetary purposes, the guideline for the maximum balance in the General Reserve is twenty five percent (25%) of the budget year's operating expense.
3. For budgetary purposes, the guideline for the minimum balance in the General Reserve is twenty percent (20%) of the budget year's operating expense. It is recognized that it may require several years to accumulate sufficient funds to reach the 20% minimum level. Once that level is achieved, it is the policy of the Board to maintain the General Reserve at the minimum 20% level.
4. Each year the proposed budget submitted to the Board by the General Manager shall estimate the amount of the reserve at the end of the fiscal year covered by the budget. If the ending reserve balance is estimated to fall outside the guidelines established by this resolution, the budget shall include a prudent and practical schedule for restoring the reserve balance to within those guidelines.
5. Funds in the General Reserve may be used only for purposes approved by the Board of Directors.
6. Funds in the General Reserve are to be deposited in accordance with the Board's approved Investment Policy, but need not be deposited in a separate account.

1131778.1

**PASSED AND ADOPTED**, this 18th day of November 2004 by the following vote:

**AYES:** Beecham, Freault, Cooper, Craig, Fannon, Hershman, Kinney  
Nelson, O'Connell, O'Mahony, Panza, Picolotti, Reed,  
Reynolds, Risch, Siedel, Vella, Weed, Wykoff

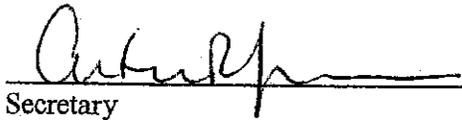
**NOES:**

**ABSENT:** Gage, Goff, Kasperzak, Livengood, Parle, Ruskin, Tissier,  
Woods



Ben Beecham  
Vice-Chair, Board of Directors

**ATTEST:**

  
Secretary

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**RESOLUTION NO. ~~2011-~~ 2004**

**ADOPTING RESERVE POLICY**

**WHEREAS**, maintenance of a reserve to provide funds for urgent but unanticipated expenses is a prudent financial measure; and

**WHEREAS**, the Agency ~~originally adopted a Reserve Policy in 2004, Resolution 2004-07, and now determines that the Policy should be revised will be able to rely on transfers from the reserve previously accumulated by the Bay Area Water Users Association for only a few additional years;~~ and

**WHEREAS**, the ~~CEO/General Manager and Board Policy Advisory~~ Committee have so recommended.

BE IT RESOLVED by the Board of Directors of the Bay Area Water Supply & Conservation Agency as follows:

1. Revenue received by the Agency during a fiscal year that is not expended or obligated by June 30 of that year shall be transferred to the General Reserve, subject to the limitation on that reserve in Section 2.
2. For budgetary purposes, the guideline for the maximum balance in the General Reserve is ~~thirty~~twenty five percent (~~35~~25%) of the budget year's operating expense.
3. For budgetary purposes, the guideline for the minimum balance in the General Reserve is twenty percent (20%) of the budget year's operating expense. ~~It is recognized that it may require several years to accumulate sufficient funds to reach the 20% minimum level.~~ Once that level is achieved, it is the policy of the Board to maintain the General Reserve at the minimum 20% level.
4. Each year the proposed budget submitted to the Board by the ~~CEO/General Manager~~ shall estimate the amount of the reserve at the end of the fiscal year covered by the budget. If the ending reserve balance is estimated to fall outside the guidelines established by this resolution, the budget shall include a prudent and practical schedule for restoring the reserve balance to within those guidelines.
5. Funds in the General Reserve may be used only for purposes approved by the Board of Directors.
6. Funds in the General Reserve are to be deposited in accordance with the Board's approved Investment Policy, but need not be deposited in a separate account.

**PASSED AND ADOPTED**, this ~~21<sup>st</sup>~~ ~~18<sup>th</sup>~~ day of ~~November 2004~~ July 2011 by the following vote:

AYES:

NOES:

ABSENT:

\_\_\_\_\_  
~~Vice~~ Chair, Board of Directors

ATTEST:

\_\_\_\_\_  
Secretary

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**RESOLUTION NO. 2011-\_\_\_\_\_**

**ADOPTING RESERVE POLICY**

**WHEREAS**, maintenance of a reserve to provide funds for urgent but unanticipated expenses is a prudent financial measure; and

WHEREAS, the Agency originally adopted a Reserve Policy in 2004, Resolution 2004-07, and now determines that the Policy should be revised; and

WHEREAS, the CEO/General Manager and Board Policy Committee have so recommended.

BE IT RESOLVED by the Board of Directors of the Bay Area Water Supply & Conservation Agency as follows:

1. Revenue received by the Agency during a fiscal year that is not expended or obligated by June 30 of that year shall be transferred to the General Reserve, subject to the limitation on that reserve in Section 2.
2. For budgetary purposes, the guideline for the maximum balance in the General Reserve is thirty five percent (35%) of the budget year's operating expense.
3. For budgetary purposes, the guideline for the minimum balance in the General Reserve is twenty percent (20%) of the budget year's operating expense. Once that level is achieved, it is the policy of the Board to maintain the General Reserve at the minimum 20% level.
4. Each year the proposed budget submitted to the Board by the CEO/General Manager shall estimate the amount of the reserve at the end of the fiscal year covered by the budget. If the ending reserve balance is estimated to fall outside the guidelines established by this resolution, the budget shall include a prudent and practical schedule for restoring the reserve balance to within those guidelines.
5. Funds in the General Reserve may be used only for purposes approved by the Board of Directors.
6. Funds in the General Reserve are to be deposited in accordance with the Board's approved Investment Policy, but need not be deposited in a separate account.

**PASSED AND ADOPTED**, this 21<sup>st</sup> day of July 2011 by the following vote:

AYES:

NOES:

ABSENT:

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Chair, Board of Directors

ATTEST:

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Secretary

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS**

**Agenda Title:**            **Review and Consideration of Changes to the Rules of the Board**

**Summary:**

This item presents recommended changes to the Rules of the Board.

**Fiscal Impact:**

The recommended changes have no fiscal impact.

**Board Policy Committee Action:**

The Committee voted unanimously to recommend Board approval of the suggested changes to the Rules of the Board.

**Recommendation:**

1. That the Board modify Rule I.B to read as follows:

- B.    Vice Chairperson. The Board shall elect a Vice Chairperson from among its members annually at the regular meeting in January. The Vice Chairperson shall perform the duties of the Chairperson in the Chairperson's absence or incapacity. In the case of a vacancy of the office of the Chairperson, the Vice Chairperson shall succeed to that office. In the case of a vacancy of the office of the Vice Chairperson, an election shall be held at the next regular meeting to fill the vacancy.

2. That the Board modify Rule II.G.1 to read as follows:

- G.    Procedure.

- 1.    Role of Chairperson. Authority for conduct of meetings is assigned to the Chairperson, who shall be responsible for timely, fair and reasonable conduct of the meeting's business. Decisions of the Chairperson on questions of procedure are final, except that any ruling may be appealed to a vote of the meeting.

In case of the Chairperson and Vice Chairperson of the Board's absence or incapacity, the duties of the Chairperson of the Board shall be served by the Chairperson of the Board Policy Committee or, in case of his or her absence or incapacity, by the Vice Chairperson of the Board Policy Committee. In such case, the Chairperson or Vice Chairperson of the Board Policy Committee is authorized only to conduct meetings of the Board pursuant to these Rules and is not authorized to add items to the Agenda for any meeting of the Board or exercise any other duties of the Chairperson or Vice Chairperson of the Board.

3. That the Board modify Rule III.A to read as follows:

- A. Standing Committees. The Board may establish standing committees that have continuing jurisdiction over a particular subject matter, or a set meeting schedule. Rules II.B, C, D, and E shall apply to all meetings of a standing committee. Standing committees may include, but shall not be limited to the following:

Board Policy Committee. The Board Policy Committee advises the Board and General Manager/CEO about policy issues related to the Agency's goals and courses of actions proposed by the General Manager/CEO to address those issues.

4. That the Board modify Attachment 2, Member Agency Votes Under Weighted Voting, as shown in the attached table.

**Discussion:**

Legal Counsel has reviewed the Rules of the Board and recommended modifications and changes that address matters raised by Board members over the last year and to update the table showing Agency votes for weighted voting.

One prudent change provides for election of a new Vice Chair in the event of a permanent absence of the Chair of the Board.

A second prudent change formalizes the Board Policy Committee as a standing committee.

A third change would authorize the Chair or Vice Chair of the Board Policy Committee to conduct meetings of the Board in the absence of the elected Chair and Vice Chair of the Board.

At one Board meeting last year, the Chair and Vice Chair of the Board were out of town and the Vice Chair needed to be flown back to the Bay Area to chair the meeting.

The question was raised whether the Rules of the Board could be changed to authorize the Chair or Vice Chair of the Board Policy Committee to conduct a Board meeting in the absence of both the Chair and Vice Chair of the Board.

Legal Counsel considered the issue and prepared the wording that could be added to the Rules of the Board to address this matter.

The Board Policy Committee considered and discussed three matters prior to making a recommendation to the Board. Those three matters were:

1. Elected versus appointed status: The Chair and Vice Chair of the Board Policy Committee are appointed by the Chair of the Board, not elected by the Board of Directors. The Board Policy Committee concluded that this was not a concern in the context of the limited duties to be performed.
2. Authorities bestowed: If seated as acting Chair of the Board, an individual could have authority to do more than conduct a meeting. The individual may be able to exercise any and all of the authorities of the Chair, including the ability to create committees, make or change appointments to committees and other authorities delegated to the Chair by the Rules of the Board. The Committee concluded it would be appropriate to limit the

exercise of duties to conducting the meeting and following the agenda established for that Board meeting.

3. Term of appointment: Would the designation as Chair of the Board exist only for the period of the Board meeting, does it extend from the moment it is known that the Chair an Vice Chair will be unavailable, or for some other period to be defined or specified by the Chair? The Committee concluded that the designation as chair would be for the duration of the Board meeting.

The advice of the Board Policy Committee, in the form of a motion and a vote of the Committee, included a suggestion that the authority of a Board Policy Officer when acting as Chair of the Board could be modified by the Board if, for instance, emergencies required the Board to modify the meeting agenda.

Legal counsel considered that portion of the Committee action and advised that such wording would be unnecessary and could be potentially detrimental. The wording is unnecessary because the Board retains the authority to modify the agenda without it being mentioned in this portion of the Rules of the Board. The wording could be potentially detrimental because the Board already has broad authorities, and citing specific authorities in the Rules could be construed to imply that the Rules of the Board intended to limit other non-specified authorities.

Attachment: Copy of Rules of the Board with recommended revisions highlighted.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**RULES OF THE BOARD**

**July 2011**

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**RULES OF THE BOARD**

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**BOARD OF DIRECTORS  
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
RULES OF THE BOARD**

The Board of Directors (“Board”) of the Bay Area Water Supply and Conservation Agency (“Agency”) adopts these Rules pursuant to Section 81417 of the California Water Code.

These Rules are designed solely to facilitate the Board’s conduct of its own meetings and proceedings. They are not intended to, and do not, create procedural or substantive rights in any person.

The Rules are subordinate to state and federal law.

**RULE I. OFFICERS OF THE BOARD**

- A. Chairperson. The Board shall elect a Chairperson from among its members annually at the regular meeting in January.

The Chairperson shall preside at all meetings of the Board.

The Chairperson may appoint directors to standing and ad hoc committees of the Board and may designate the chairs of such committees. The Chairperson may also appoint directors to serve as the representative of the Agency to other groups and organizations, unless the law requires such appointments to be made by action of the full Board.

The Chairperson shall have such other powers and duties as are provided elsewhere in these Rules or delegated by the Board.

- B. Vice Chairperson. The Board shall elect a Vice Chairperson from among its members annually at the regular meeting in January. The Vice Chairperson shall perform the duties of the Chairperson in the Chairperson’s absence or incapacity. In the case of a vacancy of the office of the Chairperson, the Vice Chairperson shall succeed to that office. In the case of a vacancy of the office of the Vice Chairperson, an election shall be held at the next regular meeting to fill the vacancy.
- C. Term. The term of officers of the Board shall commence at the close of the meeting at which they are elected.

**RULE II. MEETINGS OF THE BOARD**

A. Call of Meetings

1. Regular Meetings. Regular meetings of the Board shall be held on the third Thursday of January, March, May, July, September and November at the hour of 7 P.M. The date and/or time of a particular regular meeting may be changed by the Board as needed to accommodate scheduling conflicts, subject to the notice requirements in Rule II.B below.
2. Special Meetings. Special meetings of the Board may be called by the Chairperson or by a majority of the members of the Board. The notice of the meeting shall state the particular business to be conducted. The Board may not consider other business at such meetings.
3. Emergency Meetings. The Chairperson or a majority of the members of the Board may call an emergency meeting in the case of an “emergency situation,” as defined in the Brown Act. The Board shall not meet in closed session during an emergency meeting.

B. Notice of Meetings. A notice stating the time and place of the meeting shall be sent to each director no later than the time the agenda is required to be distributed by Rule II.C. If the date, time or place of a regular meeting is changed, notice of the change shall be sent at least 72 hours in advance of the regular meeting date or the rescheduled date, whichever is earlier, to each director and to all newspapers of general circulation and radio and television stations that have requested notice of meetings pursuant to the Brown Act.

C. Agenda of Meetings. The General Manager/CEO shall prepare the agenda of all meetings of the Board, in consultation with the Chairperson.

A copy of the agenda shall be posted in a location freely accessible to the public, and delivered to each director, at least 72 hours before each regular meeting and at least 24 hours before each special meeting.

A copy of the agenda, and of all documents (other than those exempt from disclosure under the Public Records Act) distributed to the directors with the agenda, shall be available for public inspection at the Agency’s office at least 72 hours before each regular meeting and at least 24 hours before each special meeting. A copy of the agenda and such supporting documents shall also be available for public review at the meeting.

D. Location of Regular Meetings. All regular meetings of the Board shall be held at the Foster City Library-Community Center, 1000 East Hillsdale Boulevard. When that location is unavailable, or when it is otherwise in the public’s interest,

a meeting may be held at another location determined by the Chairperson. Notice of the change shall be given as provided in Rule II.B above.

E. Meetings Open to the Public. All meetings of the Board shall be open and public and conducted in accordance with the Brown Act.

F. Order of Business. The Order of Business shall generally be as follows:

- Call to Order
- Roll Call
- Pledge of Allegiance
- Special Orders of Business/Public Hearings/Ceremonial Items (if any)
- Public Comment
- Consent Calendar
- Action Calendar
- Reports
- Directors' Comments and/or Agenda Requests
- Closed Session (if any)
- Adjournment

A director may request that an item be taken out of order. The Chairperson may take any item out of order in response to a request by a director or on his or her own initiative, subject to the right of a director to appeal.

G. Procedure.

1. Role of Chairperson. Authority for conduct of meetings is assigned to the Chairperson, who shall be responsible for timely, fair and reasonable conduct of the meeting's business. Decisions of the Chairperson on questions of procedure are final, except that any ruling may be appealed to a vote of the meeting.

~~1.~~ In case of the Chairperson and Vice Chairperson of the Board's absence or incapacity, the duties of the Chairperson of the Board shall be served by the Chairperson of the Board Policy Committee or, in case of his or her absence or incapacity, by the Vice Chairperson of the Board Policy Committee. In such case, the Chairperson or Vice Chairperson of the Board Policy Committee is authorized only to conduct meetings of the Board pursuant to these Rules and is not authorized to add items the Agenda for any meeting of the Board or exercise any other duties of the Chairperson or Vice Chairperson of the Board.

2. Convening the Meeting. A majority of the full Board constitutes a quorum for the conduct of business. The Chairperson shall be responsible for ascertaining and announcing the presence of a quorum and the due convening of the meeting.

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3. Consent Calendar. Matters to be included on the Consent Calendar are those that are regularly presented to the Board and are routine in nature, such as approval of minutes. All matters on the Consent Calendar may be acted upon by a single vote. If any director requests that a matter on the Consent Calendar be considered and acted upon separately, the matter shall be removed from the Consent Calendar. Such matters shall be separately considered immediately after approval of the remainder of the Consent Calendar, subject to the Chairperson's authority to take up the matter later in the meeting.
4. General Principles for Discussion or Debate. Discussion of any issue is subject to regulation by the Chairperson to assure adequate consideration of relevant points of view in the best interests of the Agency. The objectives of discussion are to:
  - Determine the will of the Board.
  - Assure sufficient discussion and consideration of issues so that all pertinent points of view are considered.
  - Maintain the dignity of the meeting so that each recognized speaker's views are made known to the directors and to ensure that appropriate respect is accorded all members,
  - Present the consideration of business in a manner understood by all participants.
5. Motions. The Board prefers a flexible format for meetings and does not insist that its meetings be conducted strictly in accordance with formal rules of procedure. The following rules of motion practice are to be applied as a guide to the Chairperson in disposition of motions. If a director believes that adequate order is not being maintained or that the procedures being followed do not allow for adequate and orderly discussion of an item, the director may raise a point of order to the Chairperson. If the director is not satisfied with the ruling of the Chairperson, the director may appeal to the full Board. A majority of the Board will determine the point of order.

All matters requiring Board action must be presented in the form of a motion. In order for a vote to be taken on a motion, the motion must be seconded by another director. When a motion has been made and seconded, it shall be stated by the Chairperson for consideration by the directors.

Under these Rules, motions should be limited to those set forth on the Chart of Motion Practice (Attachment 1). Motions on Attachment 1 are

listed in order of precedence. When a motion is pending, any motion listed above it on the chart is in order, but those below it are out of order.

6. Voting. The affirmative vote of a majority of all directors is necessary to pass a main motion. The vote needed to pass other types of motions are as stated in Attachment 1. For motions not listed in Attachment 1, the vote shall be as stated in Roberts Rules of Order.

A roll call shall be taken on the vote on all main motions associated with an ordinance or resolution, on all motions subject to weighted voting, and on any other motion when requested by a director.

Any director may call for any motion to be subject to weighted voting as provided in Water Code Section 81405. If such a call is made before the next item on the agenda is introduced for consideration, weighted voting shall be implemented. The number of votes assigned to each member agency's director for purposes of weighted voting is shown on Attachment 2. A roll call vote shall be taken on all motions subject to weighted voting.

7. Time Limit on Meetings. When a meeting of the Board has lasted two and one half hours or more, no new item of business may be taken up for discussion or action unless a majority of the directors then present vote to extend the meeting. This provision may be invoked by the Chair or any director. However, it has no effect on the validity of any action taken by the Board unless and until it is invoked.
8. Adjournment. Upon completion of the meeting's agenda, or upon conclusion of a meeting pursuant to Rule II.G.7, the Chairperson shall adjourn the meeting. Adjournment may be accomplished by a motion or announcement of the Chairperson.

- H. Minutes. The Secretary shall prepare minutes of each Board meeting, which shall be submitted for approval at a subsequent meeting. Minutes shall record the ayes and nays on roll call votes. Minutes should not include the text of ordinances and resolutions, which shall be maintained by the Secretary in separate volumes. Minutes are intended to be a record of Board action and a brief summary of discussion; they should not be an exhaustive record of deliberation.

**RULE III. COMMITTEES OF THE BOARD**

A. Standing Committees. The Board may establish standing committees that have continuing jurisdiction over a particular subject matter, or a set meeting schedule. Rules II.B, C, D, and E shall apply to all meetings of a standing committee.

Standing committees may include, but shall not be limited to the following:

1. Board Policy Committee. The Board Policy Committee advises the Board and General Manager/CEO about policy issues related to the Agency's goals and courses of actions proposed by the General Manager/CEO to address those issues.

A.B. Ad Hoc Committees. The Board, or the Chairperson on his or her own initiative, may establish ad hoc advisory committees to undertake special, limited assignments on behalf of the Board.

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**RULE IV. STAFF RESPONSIBILITIES**

- A. General Manager/CEO. The General Manager/CEO shall be responsible for introducing agenda items and for directing staff responses to Board inquiries arising during the course of a meeting.
- B. Secretary. The Secretary shall record votes, take minutes, and distribute copies of documents as required.

**RULE V. COMMUNICATIONS TO THE BOARD**

- A. General. Members of the public should address comments and questions to the Chairperson.
1. Agenda Items. Members of the public may speak on any item under discussion by the Board, after receiving recognition from the Chairperson.
  2. Non-Agenda Items. Members of the public may speak on matters that are within the jurisdiction of the Agency, but which are not on the agenda, during Public Comments. The Board will take no immediate action on matters which are not on the Agenda. Such items raised by the public may be referred to staff for review and analysis and may be reported back to the Board at a subsequent meeting.

If a speaker refers to any document, writing, record, picture, or other exhibit, the Secretary shall request a copy so that it can be included in the record.

- B. Time Limits on Public Comments. The presiding officer may impose time limits on each speaker.

**RULE VI. SUSPENSION/AMENDMENT/REPEAL**

A Rule may be suspended at any Board meeting by a majority of directors present at such meeting. The Rules may be amended or repealed by an affirmative vote of a majority of the full Board.

**ATTACHMENT 1**

<b>CHART OF MOTION PRACTICE</b>				
<b>Motion</b>	<b>Second Required?</b>	<b>Debatable?</b>	<b>Amendable?</b>	<b>Vote Required*</b>
<b>MEETING CONDUCT (PRIVILEGED) MOTIONS</b>				
Point of Privilege	No	No	No	None
Point of Order	No	No	No	None
To Appeal Ruling of Chair	No	Yes	No	Majority
To Recess	Yes	Yes	Yes	Majority
To Adjourn	Yes	Yes	No	Majority
<b>DISPOSITION (SUBSIDIARY) MOTIONS</b>				
To Withdraw a Motion	No	No	No	None
To Postpone Consideration (Table)	Yes	Yes	Yes	Majority
To Refer to Committee	Yes	Yes	Yes	Majority
To Amend	Yes	Yes	Yes	Majority
To Limit or Close Debate (Call the Question)	Yes	Yes	Yes	2/3
<b>MAIN MOTIONS</b>				
To Take Action; To Reconsider	Yes	Yes	Yes	Majority of Full Board

\* For privileged and subsidiary motions, required vote refers to those present and voting. Main motions require a majority of the full board, whether or not present and voting. This chart assumes weighted voting is not in effect.

ATTACHMENT 2

MEMBER AGENCY VOTES UNDER WEIGHTED VOTING

<u>Name of Agency</u>	<u>No. of Votes</u>
Alameda County Water District	7
California Water Service Company	210
City of Brisbane	1
City of Burlingame	3
City of Daly City	3
City of East Palo Alto	1
City of Hayward	10
Town of Hillsborough	2
City of Menlo Park	2
City of Millbrae	2
City of Milpitas	4
City of Mountain View	6
City of Palo Alto	8
City of Redwood City	7
City of San Bruno	1
City of San Jose	3
City of Santa Clara	2
City of Sunnyvale	5
Coastside County Water District	1
Estero Municipal Improvement District	3
Guadalupe Valley Municipal Improvement District	1
<del>Los Trancos County Water District</del>	<del>1</del>
Mid-Peninsula Water District	2
North Coast County Water District	2
Purissima Hills Water District	1
<del>Skyline County Water District</del>	<del>1</del>
Stanford University	1
Westborough Water District	1

**NOTE:** If weighted voting is in effect, a motion, resolution or ordinance must be approved by **both** (1) a majority of the directors present and voting, **and** (2) a majority of the number of votes specified above represented by directors present and voting.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS**

**Agenda Title:**            **BAWSCA Report on SFPUC Contract Awards**

**Introduction:**

BAWSCA provides the Board with periodic updates on SFPUC construction contract awards. This latest report updates engineer estimates and contract award data for the previous 18 months and presents final cost information and construction duration times for completed projects to-date.

BAWSCA reviews the SFPUC WSIP construction contract awards to:

1. Evaluate the relationship between the engineers' estimates and contract award costs.
2. Evaluate the final cost versus the contract award and budget for completed projects.
3. Evaluate planned construction duration with actual duration for completed projects.
4. Review whether a sufficient number of bids are received on each project.
5. Compare the SFPUC's bidding results with those of other agencies, if available.

**Key Findings:**

- The sum of all awarded contracts since January 2005 is roughly \$1.9B versus the engineers' estimate of \$2.3B, a difference of roughly \$400M. See Table 1.
- For 12 contracts awarded between January 2010 and June 2011, construction contract awards continued to be lower than engineers' estimates, averaging 18% lower.
- The SFPUC's recent bid results are similar to those seen by other California water/waste water agencies over the same period.
- Only one of the twelve most recently examined awards was in the desirable range of plus or minus 10% of the engineers' estimates possibly indicating that the SFPUC estimating needs refinement.
- The number of bids on recent projects remains competitive, averaging six bids per project, an amount indicative of a favorable bidding climate.
- Among completed projects, final construction costs averaged about 4% higher than the *bid* amount but 12% less than the construction phase *budget*.
- Among completed projects, 55% (18 out of 33) did not meet their planned substantial completion times.

**Analysis of Construction Contract Bids and Awards:**

In prior reports (March 2010) it was noted that the bidding environment had changed dramatically since the onset of the 2008 recession. For example, of the 25 WSIP projects bid

before January 2008, over half (52%) received just one or two interested bidders and the majority of awarded contracts (64%) exceeded the engineers' estimates. In contrast, of the 35 WSIP projects bid after January 2008, the number of interested bidders has averaged nearly six per project and none of the awarded contracts exceeded the engineers' estimates. In this most recent period (Jan 2010 to June 2011), the number of bidders ranged from 2 to 11 with an average of six bids per project.

Among 12 projects examined (local and regional projects with contracts awarded between Jan 2010 and June 2011), awarded contracts averaged 18% below engineers' estimates. (This compares to 24% in the previous six month period when 11 contracts were awarded.) This is comparable to what other California agencies have witnessed during the same time period. Among 18 water and wastewater projects examined by BAWSCA, construction contract awards averaged nearly 20% lower than the engineers' estimates. The sum of awarded contracts among all 60 projects reviewed to-date is roughly \$1.9B, 18% below the engineers' estimate of \$2.3B. Refer to Table 1.

For this report the engineer's estimate was used as a basis for comparison. For analysis purposes, low bid project awards of plus or minus 10% of the engineer's estimate are considered to be acceptable.

In the last 18 months, only one contract award was within the desirable plus or minus 10% range of the engineer's estimate, while the remaining eleven ranged between minus 11% and minus 33%. To date, among all 60 awarded contracts examined between January 2005 and June 2011, only 13 were inside the desirable plus or minus 10% range of the engineers' estimates while more than three-fourths (47) were outside that range. Awarded contracts have varied between minus 72% and plus 47% of the engineers' estimates. The engineers' estimates include two major components: raw construction costs and profit. According to the SFPUC, estimating raw construction costs is straightforward but estimating contractors' mark-up in the current economic climate is less predictable and largely explains why there is so much variability in the engineers' estimates compared to submitted bids.

### **Substantial Completion Time Performance**

BAWSCA looked at substantial completion performance among 33 completed projects. Substantial completion is the length of time from the start of construction ("notice to proceed") to when the project or asset is available for use. Substantial completion is an important performance indicator because failure to meet the substantial completion target could potentially interfere with other projects getting started or pose operational or safety concerns for the owner. It is also the point in time that a project begins delivering benefits to the water customers, in terms of increased reliability or other value added. Both final and substantial completion targets can be (and often are) impacted by owner or contractor-initiated change orders.

Substantial completion times for both local and regional projects averaged 12% longer (about 7 weeks) than planned, with the majority of projects (18) exceeding their substantial completion target dates. In looking at only the 15 completed regional projects, four met substantial completion times, three were early (by an average of 64 days), and eight finished late by an average of 110 days or 15 weeks. That the majority of projects are exhibiting later-than-planned substantial completion times does cause some concern going forward for the simple reason that the projects completed thus far are smaller in size and complexity compared to many remaining, much larger higher risk projects that are currently in or will be under construction soon.

## **Final Construction Cost**

Final cost information for 33 completed projects reveals that final construction costs among completed projects are approximately 4% higher than the original contract amount but about 12% under the construction phase budget.

Typically, when projects take longer to construct than planned, the result is added cost. However, the data reveal that despite many projects not meeting their substantial completion times, rarely did the delay result in projects going over their construction phase budget. Of the 18 projects that were late in meeting substantial completion targets, only four projects exceeded their construction phase budget and of which only one was significant. In summary, final construction costs are coming in under the construction phase budget. Among the 33 completed projects, 29 were at or under the construction phase budget.

### **Summary:**

For the 12 construction contracts awarded between January 2010 and June 2011, award amounts continued to be lower than engineers' estimates; averaging 18% lower. These results are comparable to what other California water and waste water agencies have experienced. Thus, the SFPUC continues to benefit from a competitive bidding environment. While this poses some risk (e.g., contractors hoping to recoup costs through change orders), the SFPUC has implemented procedures for tracking and approving change orders. Contract awards for the remaining WSIP projects should continue to be favorable though the large variances between the engineers' estimates and contract award amounts are likely to shrink as the SFPUC becomes more accurate in their estimating and the business climate improves.

For the 60 projects bid and awarded to-date, both local and regional, cumulative awarded construction contract totals were \$1.9B while the cumulative engineers' estimate was \$2.3B, a difference of \$400M. However, real savings only occur when *actual* construction costs come in under budget. Among completed projects thus far, final construction costs were \$32M under the construction phase budget, a 12% budget savings. Should final construction costs for the remainder of the WSIP program result in a 12% savings under budget, it would save \$268M. However, it is important to keep in mind that savings in the construction budget could be offset by increased costs in other budgets, such as for design and environmental work, and other program delivery costs. SFPUC's latest cost estimate for the entire program at completion (\$4.481B) shows savings of \$105M with higher program delivery costs consuming some of the savings realized from low construction costs.

The savings generated thus far is encouraging. Relatively speaking, the 33 completed projects examined are small in size (average construction cost of \$7M) and complexity compared to the uncompleted projects that are currently in or will be under construction soon. (The average construction cost of the 12 most recently bid projects was \$83M.) Thus, it will be an ongoing challenge for the WSIP management team to keep construction costs within budget going forward due to the size and nature of the projects involved.

Finally, among projects completed thus far, the majority did not meet their planned substantial completion times and among those projects that were late, regional or local, an average delay of 15 weeks was experienced. If the substantial completion times on less complicated projects are not being met, longer delays might occur on the larger, more complicated projects. Such delays could interfere with the shutdown schedule, delay the start of other projects, cause operational concerns, or possibly result in higher construction costs. The SFPUC's recently revised WSIP program completion date for the regional program shows an 8 month extension over previous estimates. It will be important for the SFPUC to meet planned substantial completion times on its key projects – or as near as possible - in order realized the recently revised WSIP completion date of July 2016.

**Table 1. WSIP Construction Bid Summary**

**Regional WSIP Projects**

Contract Award Period	# Award Bids	Engineers' Estimate	Award Amount	Difference (Award - Estimate)	% Difference (% of Estimate)	Average No. of Qualified Bids
Jan 2005 to Dec 2007	11	\$79,756,558	\$79,711,656	-\$44,902	-0.06%	2.5
Jan 2008 to May 2009	7	\$255,795,787	\$208,449,757	-\$47,346,030	-18.51%	5
June 2009 to Dec 2009	10	\$530,918,885	\$404,425,235	-\$126,493,650	-23.83%	5.9
Jan 2010 to June 2011	11	\$1,217,866,968	\$1,000,753,598	-\$217,113,370	-17.83%	6.0
Regional Contracts Jan 2005 - June 2011	39	\$2,084,338,198	\$1,693,340,246	-\$390,997,952	-18.76%	4.7

**Local WSIP Projects ("Local" projects are those inside San Francisco that are not part of the Regional Water System)**

Contract Award Period	# Award Bids	Engineers' Estimate	Award Amount	Difference (Award - Estimate)	% Difference (% of Estimate)	Average No. of Qualified Bids
Jan 2005 to Dec 2007	14	\$107,829,951	\$111,969,251	\$4,139,300	3.84%	2.9
Jan 2008 to May 2009	5	\$85,798,754	\$57,507,170	-\$28,291,584	-32.97%	5.6
June 2009 to Dec 2009	1	\$3,430,000	\$3,047,000	-\$383,000	-11.17%	4
Jan 2010 to June 2011	1	\$2,842,800	\$2,586,000	-\$256,800	-9.03%	6
Local Contracts Jan 2005 - June 2011	21	\$199,901,505	\$175,109,421	-\$24,792,084	-12.40%	3.7

**Combined Regional and Local WSIP Projects**

Contract Award Period	# Award Bids	Engineers' Estimate	Award Amount	Difference (Award - Estimate)	% Difference (% of Estimate)	Average No. of Qualified Bids
Jan 2005 to Dec 2007	25	\$187,586,509	\$191,680,907	\$4,094,398	2.18%	2.7
Jan 2008 to May 2009	12	\$341,594,541	\$265,956,927	-\$75,637,614	-22.14%	5.3
June 2009 to Dec 2009	11	\$534,348,885	\$407,472,235	-\$126,876,650	-23.74%	5.7
Jan 2010 to June 2011	12	\$1,220,709,768	\$1,003,339,598	-\$217,370,170	-17.81%	6
All Contracts Jan 2005 to June 2011	60	\$2,284,239,703	\$1,868,449,667	-\$415,790,036	-18.20%	4.4

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**        **Long-Term Reliable Water Supply Strategy – Schedule for Policy Decisions**

**Summary:**

This item presents an update on the status of the Long-Term Reliable Water Supply Strategy and the development of a schedule for future policy decisions.

**Discussion:**

On July 15, 2010, the BAWSCA board authorized the initiation of Phase IIA of the Long-Term Reliable Water Supply Strategy (Strategy) to reliably meet the projected normal and drought year water needs of the member agencies through 2035. The original schedule for Phase IIA identified completion in January 2012.

As discussed at the May board meeting, the overall schedule for the Strategy has been slowed down to allow for a reassessment of the normal and drought year water supply needs of the BAWSCA agencies and their customers. This reassessment is prudent and necessary given the significant reduction in water demands that have been experienced by all the BAWSCA member agencies (and water agencies throughout the State) in recent years.

Several factors may contribute to the recent demand reductions, including protracted customer response to the most recent drought, the relatively cool and wet weather during 2010 and 2011, the economic recession, and water conservation. In the very recent past, increased cost of water could affect water use behavior in the BAWSCA area, but would not explain the dramatic reduction in water use throughout the State. The BAWSCA water management staff is examining the possibility of conducting a study of these causes and effects, and will make a specific recommendation to the Board Policy Committee in August and to the Board in September.

The newly adopted Urban Water Management Plans (UWMP) for each of the BAWSCA member agencies will present updated water demand and supply projections that may differ, in some cases significantly, from prior projections used to support the Strategy schedule. The updated information from these new plans will be available by August 2011 and will be examined by the Strategy technical team for consistency and for its suitability as a sound basis for long-term planning.

As this review and assessment is taking place, the technical team will complete the development of necessary technical detail and information for all agency-identified and regional water supply projects.

A revised scope and schedule to achieve the identified results for the Strategy will be prepared following the reassessment of water supply needs and will be presented to the board this Fall along with a schedule for necessary policy decisions.

**Background:**

**Purpose and Need for the Strategy.** A reliable supply of water is needed to support the health, safety, employment, and economic opportunities of the existing and expected future residents in

the BAWSCA service area and to support the agencies, businesses, and organizations that serve those communities. The following facts support the purpose and need for the Strategy:

- Water demands in the BAWSCA service area are projected to exceed supplies even after accounting for significant water conservation efforts;
- Existing supplies within the BAWSCA service area are subject to drought shortages and other impacts (e.g., climate change, environmental restrictions); and
- The consequences of supply shortfalls are regional and severe (e.g., a 20% water supply shortage can result in \$7.7 billion dollars of impact to water-dependent customers in the BAWSCA service area).

BAWSCA is developing the Strategy to quantify when, where, and how much additional supply reliability and new water supplies are needed throughout the BAWSCA service area through 2035. The Strategy will then identify water supply management projects that can be cost-effectively implemented by a single member agency, by a collection of the member agencies, or by BAWSCA in an appropriate timeframe to meet the identified needs.

While supplies are expected to be sufficient until 2018, there are compelling reasons to develop a long-term strategy:

- Long lead times are required to complete projects that produce water supplies
- If economic recession is a significant factor in current low water use, the end of the recession could be followed by rapidly increasing water needs for jobs and residents, and an orderly plan would be essential
- Drought reliability remains a common concern for almost all agencies
- The pursuit of water supplies, and means to transport and store them, is increasingly competitive, and without a well-considered plan, opportunities will be lost

In all instances, and in accordance with a key BAWSCA principle, the water supply management projects that are developed as part of this Strategy will be paid for by those agencies that benefit from their development.

Success of the Strategy will depend on timely and appropriate actions by the BAWSCA Board and by the individual member agencies. Progress on the development of the Strategy will be monitored closely to ensure that a reliable, high quality supply of water is available where and when people within the BAWSCA service area need it.

**Bay Area Water Supply and Conservation Agency  
and Regional Financing Authority**

**Meeting Schedule through June 2012**

<b>Schedule for BAWSCA Board Meetings (Meetings are held from approx. 7:00 – 9:00 p.m.)</b>	
<b><u>Date</u></b>	<b><u>Location</u></b>
Thursday – July 21, 2011	Wind Room, Foster City Community Center
Thursday – September 15, 2011	Wind Room, Foster City Community Center
Thursday – November 17, 2011	Wind Room, Foster City Community Center
Thursday – January 19, 2012	Wind Room, Foster City Community Center
Thursday – March 15, 2012	Wind Room, Foster City Community Center
Thursday – May 17, 2012	Wind Room, Foster City Community Center

<b>Schedule for RFA Board Meetings (Meeting time will be announced)</b>	
<b><u>Date</u></b>	<b><u>Location</u></b>
Thursday – July 21, 2011	Wind Room, Foster City Community Center
Thursday – January 19, 2012	Wind Room, Foster City Community Center

<b>Schedule for BAWSCA Board Policy Committee Meetings (Meetings held from 1:30-4:00 p.m.)</b>	
<b><u>Date</u></b>	<b><u>Location</u></b>
Wednesday – August 10, 2011	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday, October 12, 2011	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday, December 14, 2011	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday, February 8, 2012	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday, April 11, 2012	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday, June 13, 2012	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.