



## **NOTICE OF A SPECIAL MEETING**

The regularly scheduled meeting of the  
BAWSCA Board of Directors on  
January 19, 2017 at 7:00 p.m. in the Wind Room  
of the Foster City Community Building, 1000 E. Hillsdale Blvd.

**WILL BE HELD**

**at 6:30pm**

in the **OAK ROOM** of the **SAN MATEO MAIN LIBRARY**,  
located at **55 W. 3<sup>rd</sup> Ave., San Mateo**

If you have any questions, please call the  
BAWSCA office at (650) 349-3000.

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD OF DIRECTORS MEETING**

**SPECIAL MEETING**

**San Mateo Main Library – 55 W. 3<sup>rd</sup> Ave., San Mateo  
Oak Room**

*(Directions on Page 2)*

**Thursday, January 19, 2017  
6:30 P.M.**

**AGENDA**

<b><u>Agenda Item</u></b>	<b><u>Presenter</u></b>	<b><u>Page</u></b>
<b>1. Call to Order/Roll Call/Salute to Flag</b>	(Breault)	
<b>2. Special Order of Business – Election of Officers for Calendar Year 2017</b> <i>(Attachment)</i> <ul style="list-style-type: none"><li>• Election of Chair</li><li>• Election of Vice Chair</li></ul> <i>(The terms of the new Chair and Vice-Chair commence at the end of the meeting at which they are elected)</i>	(Breault)	Pg 3
<b>3. Break for the San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting</b>	(Breault)	
<b>4. Reconvene following San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting</b>	(Breault)	
<b>5. Comments by the Chair</b>	(Breault)	
<b>6. Board Policy Committee Report</b> <i>(Attachment)</i>	(Quigg)	Pg 5
<b>7. SFPUC Report</b> <ul style="list-style-type: none"><li>• Water Supply Update</li><li>• Bay Delta Plan – Initial Impact Results</li></ul>	(Kelly/Ritchie)	
<b>8. Public Comments</b> <p><i>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.</i></p>	(Breault)	
<b>9. Consent Calendar</b> <i>(Attachments)</i> <ul style="list-style-type: none"><li>A. Approve Minutes of the November 17, 2016 Meeting</li><li>B. Receive and File Budget Status Report – As of November 30, 2016</li><li>C. Receive and File Investment Report – as of December 31, 2016</li><li>D. Receive and File Directors' Reimbursement Report – As of December 31, 2016</li><li>E. Proposed Fiscal Year 2017-18 Bond Surcharges</li></ul>	(Breault)	Pg 17 Pg 21 Pg23 Pg 25 Pg 27

## 10. Action Calendar

(Sandkulla)

- A. Mid-Year 2016-17 Work Plan and Budget Review and Management of the General Reserve (*Attachment*) Pg 33
- B. Review and Consideration of the Proposed Amendments to the Rules of the Board Regarding Changes to the Start Time and Location of Regular Board Meetings (*Attachment*) Pg 43
- C. Approval of Professional Services Contract with Consultant to Redevelop and Maintain the BAWSCA Water Conservation Database (*Attachment*) Pg 63

## 11. Reports

(Sandkulla)

- A. CEO's Letter (*Attachment*) Pg 65
- B. Correspondence Packet ([Under Separate Cover](#))
- C. Policy Calendar (*Attachment*) Pg 113

## 12. Discussion Item

(Sandkulla)

- A. Fiscal Year 2017-18 Work Plan and Budget Preparation Planning Session (*Attachment*) Pg 115

## 13. Directors' Discussion: Comments, Questions and Agenda Requests

(Breault)

## 14. Adjourn to next meeting scheduled for March 16, 2017

(Breault)

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*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 Board 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 650, San Mateo, CA 94402** at the same time that those records are distributed or made available to a majority of the Board.*

### **Directions to San Mateo Main Library San Mateo – 55 W. 3<sup>rd</sup> Avenue**

**From San Jose via Hwy. 280 Northbound**, Exit Hwy-92 East towards San Mateo/Hayward. Exit 12B onto CA-82 N/S El Camino Real. Turn Left on 3<sup>rd</sup> Ave. The Library is on your left. Street parking and underground parking are available. The Oak Room is on the main floor to the left of the main Library entrance.

**From San Francisco via Hwy 280 Southbound**, Exit Hwy-92 East towards San Mateo/Hayward. Exit 12B onto CA-82 N/S El Camino Real. Merge onto CA-82, turn Left on W. 3<sup>rd</sup> Ave. The Library is on your left. Street parking and underground parking are available. The Oak Room is on the main floor to the left of the main Library entrance.



**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**        **Election of Officers for Calendar Year 2017**

**Summary:**

The State Water Code (Division 31, Section 81401) requires the Board to elect a chair and vice chair each year at the January meeting. The term of officers of the Board commences at the close of the meeting at which they are elected.

**Discussion:**

The suggested process for electing the chair is as follows:

1. Call for nominations for the position of chairperson.
2. Call for a motion to close nominations once no further names are offered.
3. If there is only one nominee, call for the vote.
4. If there is more than one nominee, then proceeding alphabetically:
  - a. Ask each nominee to give a brief statement on his/her qualifications and interest in the position.
  - b. Ask if other directors would like to comment on behalf of the nominee.
  - c. Call for a vote of those in favor of each nominee, by a show of hands.

Following the election of the chair, proceed to the election of vice chair using the same process.

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# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

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

## **MEMORANDUM**

TO: BAWSCA Board Members

FROM: Nicole Sandkulla, Chief Executive Officer/General Manager

DATE: January 13, 2016

SUBJECT: Summary of Board Policy Committee meeting held December 14, 2016

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1. **Call to Order:** Committee Chair Dan Quigg called the meeting to order at 1:30 pm. A list of Committee members who were present (8) and other attendees is attached.

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

2. **Comments by the Chair:** Committee Chair Quigg welcomed the members of the Committee.
3. **Public Comments:** Public comments were received from Peter Drekmeier, Policy Director of the Tuolumne River Trust.
4. **Consent Calendar:** Approval of Minutes from the October 12, 2016 meeting.

**Director O'Connell made a motion, seconded by Director Larsson, that the minutes of the October 12, 2016 Board Policy Committee meeting be approved.**

**The motion passed unanimously.**

5. **Action Item:**

- A. **Proposed Fiscal Year 2017-18 Bond Surcharges:** Christina Tang reported that the proposed FY 2017-18 bond surcharge setting conforms to BAWSCA's Revenue Bond Indenture for the Series 2013A and 2013B revenue bonds. BAWSCA is required to impose a fixed surcharge for each member agency on an annual basis to pay that year's obligated debt service, bond administration expenses, and replenish the stabilization fund as necessary.

Based on the review, no replenishment amount for the stabilization fund is needed at this time. The same methodology used to calculate the bond surcharges for FY 2016-17 was used to calculate the surcharges for FY 2017-18.

The total surcharge for FY 2017-18 is \$24,686,592. This amount is equivalent to \$0.47/ccf or \$206/AF, assuming a wholesale water consumption of 107 mgd. A table that provides the monthly and annual bond surcharge amount for each agency was presented and included in the packet.

Ms. Tang reminded the Committee that the bond issuance and bond prepayment program saves the member agencies and their customers over \$3.5 M annually until 2034.

Director Larsson noted that because the bond surcharges were based on an established methodology previously approved by the board, the item could go directly to the Board for action, unless there are changes to the methodologies, or irregularities with the indenture that would require the BPC to discuss and provide further direction to the CEO.

Ms. Sandkulla stated that there is no policy involved in the action, and could be brought directly to the Board moving forward.

Director Vella stated that while the calculation is based on a set methodology, he appreciates the information on an annual basis. He finds it helpful for the item to be brought to the Committee yearly for the reasons that the transaction involves a significant amount of money, the charges to each agency is set once for the entire year, and a presentation provides information to new members of the Committee, and to members who benefit from the reminder. It behooves the committee members to be informed. Director Vella recommends that the item continue to be brought to the BPC on an annual basis.

Director Schmid agreed, and noted that it's important that the BPC get a chance to review and ask their questions before action is taken by the full board. An example of issues that would be important for both BPC and the Board to understand are the effects of the true-ups on agencies, which, for FY 2016-17, provided gains for some agencies and losses for others.

Ms. Sandkulla stated that the work involved to present the information to the BPC prior to the Board is not an issue, and that staff will do what the board and committee desires. She noted that for the past 2 years, the Chair of the Board has been streamlining the items that come to the BPC, consistent with the Committee purpose to review, discuss, and provide the Board recommendations on matters of policy.

Director O'Connell suggested the consideration of adding "advisory" to the name of the Committee.

Given that the Chair of the Board is not present, Ms. Sandkulla recommended, and the Committee agreed, to table the discussion of the Committee's role for a future conversation.

Director Mendall stated that a part of streamlining the items that come to the BPC is to avoid repetitiveness. But there is a balance to be considered on non-policy items that ought to be brought to the BPC for information before it goes to the Board for action. A reconsideration in January is appropriate.

Director Benton stated the importance of maintaining a purposeful Board.

**Director O'Connell made a motion, seconded by Director Vella, that the Committee recommend the Board approval of the proposed FY 2017-18 bond surcharges as presented in the staff memorandum.**

**The motion passed unanimously.**

- B. Mid-Year 2016-17 Work Plan and Budget Review: Ms. Sandkulla reported that BAWSCA routinely reviews its work plan and budget in December, a process that has proven to be an

important step in identifying necessary changes at mid-year. While the agency strives to develop the work plan and budget according to anticipated activities, changes occur that present the need to update the work plan. A number of changes to this year's work plan will be presented to the Committee for feedback and discussion. The changes will be presented to the Board for action in January.

The current review shows that all changes identified as necessary can be accommodated within the current budget. Further discussion about possible budget impacts will occur in the coming months.

Ms. Sandkulla stated that many of the changes are associated with supply reliability. They are both new and unplanned activities that critically impact BAWSCA and its member agencies. They include 1) the State Water Resources Control Board's (SWRCB) September release of the Recirculated Draft Substitute Environmental Document (SED), 2) increased activity in FERC proceedings, 3) the Governor's Executive Order and Draft Framework for Long-Term Water Conservation Policy, "Making Water Conservation a California Way of Life", and 4) New opportunities to continue implementation of BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy).

To address the changes, BAWSCA needs to expand its work plan to address five critical areas, as well as reduce scope of work in four areas to balance the available resources.

BAWSCA will need to participate in SWRCB's Bay-Delta Plan and Draft SED to protect the water supply reliability interests of the member agencies and their customers. Ms. Sandkulla explained that this activity was not included in the FY 16-17 work plan and budget because while the release of the draft SED was expected, the time in which it was going to be released, or the scope of effort that would be required was unknown. With its release in September 2016, substantial resources are being dedicated to it by the Water Resources Team, the CEO, and legal counsel to address the different pieces involved in what the document proposes. It is a significant addition to BAWSCA's work plan that is critical to protecting and representing the interests of the member agencies and water customers in what is going to be a statewide process.

The second critical area that needs expanded focus is implementation of the Strategy with several opportunities that came about. The opportunities include participation in three feasibility studies for purification of waste water for drinking purposes. BAWSCA is a direct participant in an MOU with San Francisco and Silicon Valley Clean Water for a pre-feasibility study for purified water. Additional MOUs are in progress with SCVWD, as well as with ACWD and Union Sanitary District for purified water pre-feasibility studies.

BAWSCA is also directly involved in the Los Vaqueros Reservoir Expansion project to identify what the potential supply reliability benefits could be achieved through this project.

Ms. Sandkulla explained that the SFPUC had budgeted the costs of these projects in its water enterprise fund for developing alternative new supplies to cover the wholesale customers' collective share. There is no budget impact to BAWSCA because it is being paid through the wholesale revenue requirement. As a direct participant in the MOUs, BAWSCA is directly involved in the project scoping, evaluation, and subsequent steps. Additionally BAWSCA has the equal opportunity, if SFPUC backs away from these projects, to move forward independently of SFPUC.

The third critical area is BAWSCA's participation in the Regional and State-level discussions related to drought response and new water-use efficiency regulations. Work was expected in this area, but an expansion of efforts is needed as a result of new developments in the Governor's Executive Order and his focus on a new Urban Water-Use Efficiency Framework (Framework) for the State of California. The Framework is a whole new set of rules and regulations about how efficient water agencies must be, and has potential implications on agencies as water suppliers.

The member agencies are looking to BAWSCA to review and comment on the framework, participate in the state wide forums, understand particular issues, and represent the agencies.

The biggest concern is with the data intensive measures required by the framework that many agencies do not have, or are not technically capable of producing. Developing such data intensive measures would be an administrative burden to many agencies. BAWSCA has been active in emphasizing this argument with statewide agencies, such as ACWA, to include this consideration in their comment letter.

Work in this area is expected to continue because when the framework is put in place, the next step will be to help agencies identify what is involved in the implementation; how quickly will agencies need to have the data, and what resources will be required to develop the data.

The fourth critical area that needs expanded focus is on the New Don Pedro FERC proceedings. While it has been an ongoing item on BAWSCA's work plan and budgeted at a moderate level, it will require additional focus this fiscal year because of a growing probability that the FERC process could provide a way to resolve the issues with SWRCB's draft SED.

Ms. Sandkulla explained that MID and TID (Districts) has a license with FERC to operate New Don Pedro Reservoir. That license expired in 2016, and is being renewed on a yearly basis until a permanent license is issued.

As part of the process to discuss the conditions of the license renewal, the Districts have had ongoing meetings over the past 1 ½ years with stakeholders, which includes BAWSCA and the SFPUC, and are the same group involved with the draft SED.

Concurrently, the Governor has asked for a stakeholder driven solution to address the issues with the draft SED in which the SWRCB should look at the voluntary solutions provided by the stakeholders.

A fifth area of increased scope is in the Joint Water Quality Committee. The 2009 agreement obligated SFPUC, at BAWSCA's request, to have a Joint Water Quality Committee whose Chair and Vice-Chair shall be interchangeably filled by a representative from BAWSCA and SFPUC. The Committee has been the technical body that monitors, and addresses if needed, activities and changes needed in operations on the RWS related to water quality for the RWS supply.

The need to increase the level of effort in this area is evident with the increasing issues over the past three years. There were three critical issues that occurred in 2016 and BAWSCA's participation was helpful in highlighting the water quality issues with the SFPUC and identifying and implementing changes to reduce overall impact.

To balance the staff resources with the scope increases, four areas of the work plan will be deferred.

The development of the water system modeling tool will be deferred to next fiscal year.

The development of a decision-making matrix for implementing the Strategy actions will be moved for reconsideration in next year's work plan, as will the workshop to review water utilities' financial best management practices and the benchmarking study about the SFPUC's development and management of Capital Improvement Programs.

Director Mendall commented that during the FY 2016-17 work plan and budget discussions, the Committee and Board concurred that the development of a decision-making matrix for implementing the Strategy should be an item first considered for deferral, if needed.

There are budget savings from the deferral of the four water resources activities. Given the unpredictable developments of the draft SED and FERC proceedings, Ms. Sandkulla will monitor legal activities and any need for budget changes. To date, the budget for legal counsel is sufficient.

Director Schmid asked if BAWSCA is monitoring the Water Resources Development Act (WRDA) bill to see if there are mandates that BAWSCA should be prepared to respond to, since it is water from the Tuolumne River that would be claimed by the Federal distribution guarantees.

He also asked about the SFPUC's progress on the Water MAP regarding its decision by 2018 about Santa Clara, San Jose and East Palo Alto, in which BAWSCA will have to be involved in during 2017.

WRDA falls outside of the scope that BAWSCA is actively engaged in. However, BAWSCA is relying on the SFPUC which is the agency that is closely monitoring WRDA for the interest of the Regional Water System.

The Federal Government has a role in WRDA because of its impact on a federal water project known as the US Bureau of Reclamation Project. There is no federal water project on the Tuolumne River, therefore, there is some distance between Tuolumne River and WRDA. However, there is funding in WRDA that is intended to help efforts like the Bay Delta Plan.

BAWSCA will continue to rely on the SFPUC and request for information and briefings as necessary on this subject as it pertains to the wholesale customers.

Ms. Sandkulla reported that the SFPUC continues its efforts with the cities of Santa Clara, San Jose, and East Palo Alto to discuss the relationship of the SED with SFPUC's Water MAP. The level of impact that the draft SED has on the Regional Water System puts a significant question on San Francisco's ability to fulfill the agencies' requests.

Ms. Sandkulla added that the SFPUC has to act by the end of 2018, but not necessarily make a decision. Given the absence of any firm knowledge about what is going to happen with the draft SED, no new decision by the SFPUC may be in the best interest of BAWSCA member agencies. BAWSCA will continue working with the SFPUC in representing the best interest of the member agencies.

In response to Director O'Connell, Ms. Sandkulla reported that efforts on Restore Hetch Hetchy are ongoing. Legal Counsel will provide an update in February 2017. The budget for this effort is sufficient.

Director Mendall stated that he is pleased to see that the drought response analysis remains in the work plan. He stated his concern with the deferral of the benchmarking study to evaluate the RWS' operational efficiency and cost effectiveness, but he will support it since it is not an immediate need. He would like to see it back on the subsequent work plan, and would not want it deferred on a yearly basis.

Ms. Sandkulla agreed, and clarified that the benchmarking study was a specific effort. BAWSCA's routine monitoring of the SFPUC's implementation of the WSIP and development of its 10-year CIP will continue.

Director Schmid commented that it would be helpful to be clear that there is flexibility in the work plan to deal with any issues that might come up.

**Director Larsson made a motion, seconded by Director O'Connell, that the committee recommend Board approval of the proposed adjustments to the FY 2016-17 Work Plan:**

**1. Additions:**

- a. Participate in SWRCB Bay-Delta Plan for the San Joaquin River including review and comment on Draft SED.**

**2. Scope Increase:**

- a. Participate in new feasibility studies in support of Long-Term Reliable Water Supply Strategy (Strategy) recommended actions.**
- b. Represent member agencies in regional and state-level discussions related to current drought and new water use efficiency regulations.**
- c. Support ongoing participation in New Don Pedro FERC proceedings.**
- d. Coordinate agency participation in Water Quality Committee.**

**3. Scope Reduction/Delay:**

- a. Issue Request for Proposal this fiscal year but delay development of regional water system modeling tool until next fiscal year.**

**4. Deletion for Subsequent Reconsideration Next Fiscal Year**

- a. Expand decision-making process for implementing Strategy actions.**
- b. Organize workshop to review water utility best management practices.**
- c. Pursue SFPUC benchmarking study.**

**The motion passed unanimously.**



**6. Report and Discussion:**

- A. Results of Survey on Alternative Board Meeting Time and Location: Ms. Sandkulla presented the results of the survey evaluating the location of the San Mateo Library where the November Board meeting was held. Out of the nineteen Board members who attended the November Board meeting, sixteen responded to the survey.

The overall response favored the San Mateo Library over Foster City in terms of a better commute. Comments received stated that parking and the meeting space in Foster City is better.

Ms. Sandkulla stated that any permanent change to the regular Board meeting date, time and location would need to be approved as an amendment to the Rules of the Board by an affirmative vote of the majority of the full Board.

Further consideration regarding the San Mateo library is the time restriction and an occasional conflict in the month of September.

The Library closes at 9pm and has no capacity to stay open beyond 9pm. A solution the Board can consider is to start the meeting at 6:30 pm.

One of the questions in the survey asked if a start time of 6:30 pm would work with Board Members' schedules. Of the sixteen respondents, eleven responded "yes" to a 6:30 pm start time, two responded "no", and three provided comments that were receptive to a 6:30 pm start time.

The library holds its Annual Book Faire on the 3<sup>rd</sup> Saturday of September and will occupy the Oak room if the 3<sup>rd</sup> Thursday precedes the 3<sup>rd</sup> Saturday. On these occasions, Special meetings of the Board can be held at an alternative location. This is the case for 2019 through 2022.

Ms. Sandkulla explained that the Library programs designed to serve the public users of the Library takes priority over reservations of outside agencies.

There is a charge of \$200 per meeting to use the San Mateo Library. The use of the Wind Room in Foster City is free. The cost to use the San Mateo Library six times during a year fits within BAWSCA's budget.

Ms. Sandkulla stated that this item requests the Committee's feedback for further direction to the CEO or guidance to the Board.

Director Vella commented that the parking at San Mateo is more restricted than Foster City's.

Director Schmid stated that the San Mateo location has three alternative routes, while the Foster City location can only be accessed through 101. The multiple route options justify the need to have to start at an earlier time.

Director Quigg thought that the San Mateo location worked well, and suggested that the Committee make a recommendation to the Board to change the meeting location to San Mateo.

Director Mendall recommended to hold the January 19<sup>th</sup> Board meeting as a Special Meeting with a 6:30pm start time at the San Mateo Library location. The agenda should include an action item for the Board to consider changing the meeting time and location, and holding a Special meeting on the occasions that the San Mateo Library is not available.

Director Benton advised not to change the start time of the January meeting, if possible, because changing the start time of a standing meeting can be tricky and would require a well-executed notification to ensure that all members of the Board are aware.

Ms. Sandkulla stated that the January meeting will have a full agenda with the Mid-Year Work Plan and Budget Review and the FY 2017-18 Budget planning session. A least a full 2-hours will be needed to conduct the meeting.

The Committee advised that staff alert the BAWSCA and RFA Board members of the upcoming Special Meeting immediately, send reminder emails, and post a notice in accordance with the Brown Act.

Ms. Sandkulla stated that the Chair of the Board is supportive of making the necessary change to mitigate the negative impacts of worsening traffic conditions. She will report the Committee's discussions and recommendations to the Chair, and move forward as appropriate.

## **7. Reports:**

- A. Water Supply Update: Ms. Sandkulla reported that the RWS' water supply is in a good position. The system storage is at 83% of maximum as opposed to 76% of normal storage. San Francisco is storing more water than normal in anticipation of the Mt. Tunnel shutdown.

Cumulative precipitation is slightly above 2016 (Water year is October 2015 – September 2016). The precipitation forecast shows moderate rain. Snow pack remains below the median.

Ms. Sandkulla reported that the amount of water rights water available to San Francisco to date is at 99 TAF, which is more than what was available in 2014 and 2015 at the end of the water year. This demonstrates the benefit of the storage that the system has been able to hold on to this year, because even if this year is not a good water year, the system will still fill up.

The total water deliveries continue to show a trend of decreased used once the weather cooled down and precipitation occurred.

- B. State Water Resources Control Board (SWRCB) Recent Proposal in the Draft SED: Ms. Sandkulla reported that BAWSCA has concerns with the SWRCB's proposal in the draft SED that could cause substantial flow reductions from the Tuolumne to the RWS. BAWSCA is working closely with the SFPUC to analyze the water supply, environmental, and socioeconomic impacts of the flow proposal in the draft SED.

The proposal is part of a regulatory-based environmental review process in which BAWSCA is preparing comments in conjunction with the SFPUC. BAWSCA's comments will query the

adequacy of the CEQA document, and provide additional data and analysis about the impacts of the proposal.

Ms. Sandkulla explained that SWRCB has the obligation to establish objectives to protect the water quality in the Bay-Delta for fish, other wildlife, and human purposes. BAWSCA supports these objectives. The concern is whether the proposal achieves those objectives.

BAWSCA is requesting that the environmental and economic impacts of any shortage on the system, and the associated lost jobs and delayed development, be fully and adequately analyzed; and that these impacts be given at least equal weight with the other elements of the SWRCB's subsequent deliberations and decision making.

BAWSCA is working to secure comment letters from member agencies and allies to support BAWSCA's position. The focus of the comment letters will emphasize the impact to the agencies and suggest that the settlement discussions be given the opportunity to bear information that can potentially provide all or part of the solution.

Comments are due by January 17, 2017, but BAWSCA is asking that comment letters be submitted before the end of the year. Nicole will continue to communicate with the General Managers of each agency, and will reach out to the Board Members if needed.

- C. FY 2017-18 Work Plan and Operating Budget Preparation and Planning Session: Ms. Sandkulla reported that the agenda materials for the January Board meeting will provide a list of short and long-term issues identified by staff for the Board's discussion during the January planning session. BAWSCA's work plan and budget development begins with identifying the near and long-term issues that need to be addressed to achieve critical results. The budget planning session is an opportunity for the Board to provide input about the potential issues identified and results to be achieved, as well as ask questions or voice their concerns and ideas to the CEO/General Manager.

A preliminary FY 2017-18 work plan and budget will be presented to the Committee in February for review and discussion. It will have a list of issues to be addressed and results to be achieved along with responses to questions, concerns and ideas brought forth by the Board during the January planning session. With the Committee's input, the preliminary work plan and budget will be presented to the Board in March for its review and discussion, and additional direction to the CEO.

The proposed work plan and budget for FY 2017-18 will be presented to the BPC in April for discussion and recommendation to the Board for approval in May.

Director Mendall suggested that the Board be advised about the January budget planning session and the information that will be included in the January Board agenda packet so they can come prepared with their input and questions.

- D. CEO's Letter: There were no discussions on the items.
- E. Board Policy Committee Calendar: There were no discussions on the item.

8. **Comments by Committee Members:** In response to Director O'Connell, Ms. Sandkulla stated that she will follow up with an email to the Board providing information on a response to Peter Drekeimer's comments stated during Public Comments.

Director Mendall noted that the February agenda should include a discussion item to continue the tabled dialogue about what non-policy items should come to the Committee, and the Committee's role.

9. **Adjournment:** The meeting was adjourned at 2.50 pm. The next meeting is February 8, 2017.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE – December 14, 2016**

**Roster of Attendees:**

**Committee Members Present**

Dan Quigg, City of Millbrae (Chair)  
Gustav Larsson, City of Sunnyvale (Vice Chair)  
Jay Benton, Town of Hillsborough  
Rob Guzzetta, California Water Service Company  
Al Mendall, City of Hayward (BAWSCA Vice Chair)  
Irene O'Connell, City of San Bruno  
Gregg Schmid, City of Palo Alto  
Louis Vella, Mid-Peninsula Water District

**Committee Members Absent**

Randy Breault, City of Brisbane/GVMID (BAWSCA Chair)

**BAWSCA Staff:**

Nicole Sandkulla	CEO/General Manager
Tom Francis	Water Resources Manager
Adrienne Carr	Sr. Water Resources Specialist
Andree Johnson	Sr. Water Resources Specialist
Christina Tang	Sr. Administrative Analyst
Lourdes Enriquez	Assistant to the Chief Executive Officer
Deborah Grimes	Office Manager
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP

**Public Attendees:**

Peter Drekmeier	Tuolumne River Trust
Jan Lee	City of Hayward
Fan Lau	San Francisco Public Utilities Commission

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD OF DIRECTORS MEETING**

**November 17, 2016 – 7 p.m.  
San Mateo Main Library, Oak Room – 55 W. 3<sup>rd</sup> Avenue**

<b>MINUTES</b>
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**1. Call to Order/Pledge of Allegiance/Roll Call – 7:03 pm**

BAWSCA Chair, Randy Breault, called the meeting to order and led the salute to the flag. CEO, Nicole Sandkulla, called the roll. Nineteen (19) members of the Board were present, constituting a quorum. A list of Directors present (19) and absent (7) is attached.

**2. Comments by Chair:** Chair Breault stated that the SFPUC will provide a report on its actions to address the water supply risks posed by the Mountain Tunnel's current condition. He noted that the Mountain Tunnel is a critical component of the Regional Water System that BAWSCA member agencies' communities rely on, and addressing the serious risks posed by a failure of Mountain Tunnel has been a priority of, and advocated by BAWSCA for nearly three years.

Following the meeting, Board members will receive a short survey to evaluate the San Mateo Main Library location as the alternative venue for the Board meetings. The responses will be analyzed with the Board Policy Committee to develop a recommendation for the Board's consideration as to whether the Board meeting time and location should be changed or not.

BAWSCA is pleased to welcome its new Water Resources Manager, Tom Francis. His experience in water resources, engineering, construction and business will be a significant asset to BAWSCA as the agency address the ongoing challenges to ensuring a reliable supply of high quality water at a fair price to our customers.

**3. Board Policy Committee (BPC) Report:** Committee Chair, Dan Quigg, reported that the Committee met on October 12, 2016. The Committee's discussions are reflected in the Board Policy Committee Summary Report. The committee recommends Board approval of the recommendations for BAWSCA's annual review of the Investment Policy and BAWSCA's policies and procedures for the purchase of equipment and awarding contracts.

**4. Public Comments:** There were none.

**5. Consent Calendar:**

**Director O'Connell made a motion, seconded by Director Richardson, to:  
approve the Minutes of the September 15, 2016 meeting; receive and file the  
Budget Status Report as of September 30, 2016, Annual Audit Report for**

**BAWSCA and Compilation Report for BAWUA for FY 2015-16, Director's Reimbursement Report, Investment Report, and Bond Surcharge Collection, Account Balance and Payment Report as of September 30, 2016, Re-affirm the current Statement of Investment Policy, and adopt the resolution revising the Procurement Policy to update the CEO/General Manager's position title and clarify the following:**

- 1. The "best value" evaluation methodology should be used for all services procurements, with the exception of contracts for services listed under Government Code Section 4525 et seq.;**
- 2. Contracts for services listed under Government code Section 4525 et seq. must be initially ranked based solely upon qualifications, without using cost as a determining factor.**

**The motion passed unanimously.**

**6. Action Item:**

- A. Authorization to Negotiate and Execute a Memorandum of Understanding with Solano County Water Agency for a Regional Washing Machine Rebate Program.

**Director Benton made a motion, seconded by Director Zigterman, that the Board authorize the CEO/General Manager to:**

- 1. Negotiate and execute an MOU with SCWA, subject to legal counsel's final review, for administrative and rebate processing services through June 30, 2018 associated with implementation of the Washing Machine rebate program from January 1 through December 31, 2017; and**
- 2. Offer participation in the program to BAWSCA member agencies through December 31, 2017.**

**The motion passed unanimously.**

**7. Closed Session:** The Board adjourned to Closed Session at 7:11pm

**8. Reconvene and Report from Closed Session:** The meeting reconvened from Closed Session at 7:42pm. Legal Counsel, Allison Schutte reported that there was no action taken during Closed Session.

**9. SFPUC Report:** Steve Ritchie, Assistant General Manager of the Water Enterprise, provided reports on current water supply conditions, and on the SFPUC's progress and upcoming milestones on the Mountain Tunnel.

**10. Reports:** Ms. Sandkulla reported on the State Water Resource Control Board's Draft Substitute Environmental Document (SED), the SFPUC WaterMAP, and progress on the Los Vaqueros Reservoir Project.



Peter Drekmeier, Policy Director of Tuolumne River Trust, provided comments regarding the Draft SED.

Ms. Sandkulla encouraged Board members to look at the CEO Letter included in the packet for information on additional items of the Board members' interests.

**11. Directors' Discussion: Comments, Questions and Agenda Requests:** Director Weed expressed his support of the Los Vaqueros project as the pipelines are of critical value, and are what ties in to providing supply in the South Bay area.

**12. Date, Time and Location of Next Meeting:** The next meeting is scheduled on January 19, 2017.

**13. Adjournment:** The meeting adjourned at 8:40 pm.

Respectfully submitted,

Nicole Sandkulla  
Chief Executive Officer/General Manager

NMS/le

Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**  
**Board of Directors Meeting**  
**November 17, 2016**

**Attendance Roster**

**Present:**

Robert Anderson	Purissima Hills Water District
Jay Benton	Town of Hillsborough
Randy Breault	Guadalupe Valley Water District
Tom Chambers	Westborough Water District
Jose Esteves	City of Milpitas
Rob Guzzetta	California Water Service Company
Gustav Larsson	City of Sunnyvale
Al Mendall	City of Hayward
Chris Mickelsen	Coastside County Water District
Irene O'Connell	City of San Bruno
Rosalie O'Mahony	City of Burlingame
Tom Piccolotti	North Coast County Water District
Barbara Pierce	City of Redwood City
Dan Quigg	City of Millbrae
Sepi Richardson	City of Brisbane
Gregg Schmid	City of Palo Alto
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
Tom Zigterman	Stanford

**Absent:**

Charlie Bronitsky	City of Foster City
Michael Guingona	City of Daly City
Mike Kasperzak	City of Mountain View
Kirsten Keith	City of Menlo Park
Patrick Kolstad	City of Santa Clara
Sam Liccardo	City of San Jose
Larry Moody	City of East Palo Alto


**Bay Area Water Supply & Conservation Agency**

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

**TO:** Nicole Sandkulla, CEO/General Manager

**FROM:** Deborah Grimes, Office Manager

**DATE:** January 6, 2017

**SUBJECT:** Budget Status Report as of November 30, 2016

This memorandum shows fiscal year budget status for FY 2016-17. 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 budget includes necessary resources for the RFA and BAWUA.

**Operating Budget Summary:**

For the five-month period ending November 30, 2016, 42 percent into the fiscal year, total expenditures were \$1,148,328 or 33 percent of the total budget of \$3,468,008.

**Table 1. Operating Budget Summary as of November 30, 2016**

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
<b>Consultants /Direct Expenditures</b>			
Reliability	964,600	259,245	27%
Fair Pricing	409,000	52,246	13%
Administration	95,000	32,070	34%
<b>Subtotal</b>	<b>1,468,600</b>	<b>343,561</b>	<b>23%</b>
<b>Administration and General</b>			
Salary & Benefits	1,580,658	686,770	43%
<b>Other Expenses</b>			
BAWSCA	356,450	117,997	33%
BAWUA	1,050	0	0%
<b>Subtotal</b>	<b>3,406,758</b>	<b>1,148,328</b>	<b>34%</b>
<b>Capital Expenses</b>	2,500	0	0%
<b>Budgeted Contingency</b>	57,500	0	0%
<b>Regional Financing Authority</b>	1,250	0	0%
<b>Grand Total</b>	<b>3,468,008</b>	<b>1,148,328</b>	<b>33%</b>

**Overview:**

Overall expenditures for FY 2016-17 are tracking within budget.

**Consultants**

The \$125,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 30 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 32 percent expended. The Operating Budget allocation of \$651,000 for legal counsel was 30 percent expended. The \$381,600 budget for water management and conservation-related activities was 8 percent expended.

**Administration and Other Expenses**

Budgets for salaries and other expenses were 43 and 33 percent expended respectively.

**Use of CEO's Discretionary Spending Authority:**

No use of CEO discretionary spending during this period.

**Use of Reserve and Reserve Fund Balance:**

Unspent funds at the end of FY 2015-16 were \$453,246. The BAWSCA reserve balance as of November 30, 2016, shown below, reflects this deposit. In accordance with the adoption of the FY 2016-17 annual budget in May 2016, the Board approved transferring \$27,274 from the General Reserve to fund the FY 2016-17 budget. The BAWSCA General Reserve balance shown below reflects this transfer.

**Table 2. General Reserve Fund Balance**

<b>Fund</b>	<b>Account Balance (As of 09/30/16)</b>	<b>Account Balance (As of 11/30/16)</b>
General Reserve	\$776,620	\$1,202,592



**Bay Area Water Supply & Conservation Agency**

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

**MEMORANDUM**

**TO: Nicole Sandkulla, CEO/General Manager**

**FROM: Deborah Grimes, Office Manager**

**DATE: January 6, 2017**

**SUBJECT: Investment Report – As of December 31, 2016**

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In February 2004, the Board originally adopted an investment policy consistent with the Government Code that requires a report on the Agency's investments be provided to the Board. This report presents fund management in compliance with the current investment policy. The Board most recently reviewed the investment policy at the November 17, 2016 board meeting. No changes were recommended or adopted as part of that review.

Funds in excess of \$250,000 are deposited in the BAWSCA Local Agency Investment Fund (LAIF) account throughout the year to ensure compliance with BAWSCA's investment policy.

BAWSCA's prior and current period LAIF account balances are shown below:

<u>09/30/16</u>	<u>12/31/16</u>
\$1,819,747	\$2,072,526

Of the total in the BAWSCA LAIF account as of December 31, 2016, \$1,202,592 represents BAWSCA's General Reserve Fund, equivalent to approximately 35 percent of FY 2016-17 Operating Budget. The remaining amount consists of Subscription Conservation Program funds and unrestricted funds.

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

<u>06/30/16</u>	<u>09/30/16</u>
0.55%	0.60%

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**Bay Area Water Supply & Conservation Agency**

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

**MEMORANDUM**

**TO:** Nicole Sandkulla, CEO/General Manager

**FROM:** Deborah Grimes, Office Manager

**DATE:** January 6, 2017

**SUBJECT:** Directors' Reimbursement Quarterly Report for the Period Ending  
December 31, 2016

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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 December 31, 2016.

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BAWSCA BOARD OF DIRECTORS MEETING**

**Agenda Title:**        **Proposed Fiscal Year 2017-18 Bond Surcharges**

**Summary:**

This memorandum presents the proposed bond surcharges for each agency for FY 2017-18. The surcharge would take effect on July 1, 2017. This surcharge setting conforms to BAWSCA's Revenue Bond Indenture (Indenture) for the Series 2013A and 2013B revenue bonds.

**Board Policy Committee Action:**

The Committee voted unanimously to recommend approval of the proposed Board action.

**Recommendation:**

**That the Board approve the proposed FY 2017-18 bond surcharges as presented in this memorandum.**

**Discussion:**

The bond surcharge for each member agency is a fixed amount each fiscal year as adopted by the BAWSCA Board to ensure collection of necessary revenue to pay that year's obligated debt service as defined in the indenture. Bond surcharges were first collected in FY 2013-14.

The annual surcharges for FY 2017-18 are calculated by multiplying the obligated debt service in 2018 by each agency's percentage of total wholesale customer purchases in FY 2015-16, and adding a "true up" adjustment for the FY 2015-16 surcharges. This "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2015-16 and to reimburse BAWSCA for some expenses incurred in FY 2015-16 in connection with the bond administration that were paid through BAWSCA's FY 2015-16 operating budget.

Per the Indenture, the Rate Stabilization Fund at the Trustee has been reviewed and no replenishment amount is determined necessary at this time. One-twelfth of the annual surcharge, or the monthly surcharge, will be included in the first water bill from San Francisco sent to the agencies each month.

The proposed FY 2017-18 bond surcharge for each agency is shown in Table 1. Table 2 shows how the "true up" adjustment for each member agency is determined and included in the proposed FY 2017-18 surcharge amount. Table 3 indicates how much the capital recovery payment cost would be in FY 2015-16 (column A) if BAWSCA didn't issue the bonds to prepay the capital debt that the agencies owed to San Francisco. The actual savings to each agency in FY 2015-16 (column D) are calculated accordingly.

**Table 1. Proposed BAWSCA FY2017-18 Bond Surcharges**

<b>Agency</b>	<b>FY 2017-18</b>		<b>Agency</b>	<b>FY 2017-18</b>	
	<b>Annual Bond Surcharge</b>	<b>Monthly Bond Surcharge</b>		<b>Annual Bond Surcharge</b>	<b>Monthly Bond Surcharge</b>
Alameda County WD	\$690,396	\$57,533	Mid Pen WD	\$489,120	\$40,760
Brisbane Water	\$72,564	\$6,047	Millbrae	\$464,952	\$38,746
Burlingame	\$684,444	\$57,037	Milpitas	\$906,816	\$75,568
Coastside County WD	\$207,636	\$17,303	Mountain View	\$1,502,724	\$125,227
CWS - Bear Gulch	\$1,367,016	\$113,918	North Coast WD	\$360,516	\$30,043
CWS - Mid Peninsula	\$2,393,196	\$199,433	Palo Alto	\$1,782,456	\$148,538
CWS - South SF	\$1,090,956	\$90,913	Purissima Hills WD	\$205,104	\$17,092
Daly City	\$1,272,672	\$106,056	Redwood City	\$1,667,100	\$138,925
East Palo Alto WD	\$384,504	\$32,042	San Bruno	\$186,048	\$15,504
Estero Municipal ID	\$928,680	\$77,390	San Jose (North)	\$1,047,396	\$87,283
Guadalupe Valley	\$52,620	\$4,385	Santa Clara	\$696,768	\$58,064
Hayward	\$2,943,576	\$245,298	Stanford University	\$245,508	\$20,459
Hillsborough	\$366,948	\$30,579	Sunnyvale	\$2,065,920	\$172,160
Menlo Park	\$394,308	\$32,859	Westborough WD	\$216,648	\$18,054
<b>Total</b>				<b>\$24,686,592</b>	<b>\$2,057,216</b>

Table 2. Proposed BAWSCA FY2017-18 Bond Surcharge Breakdowns

Agency	FY 2015-16			FY 2017-18	
	Surcharge Collected (Based on FY 2013-14 Purchase)	Surcharge Obligation (Based on FY 2015-16 Purchase)	Difference: True-up Amount	Surcharge To Be Collected (Based on FY 2015-16 Purchase)	Proposed Surcharge Incl. True-up Amount for FY 2015-16
Alameda County WD	\$1,971,633	\$1,331,242	(\$640,391)	\$1,330,786	\$690,396
Brisbane Water	\$60,447	\$66,519	\$6,072	\$66,496	\$72,564
Burlingame	\$676,052	\$680,366	\$4,314	\$680,133	\$684,444
Coastside County WD	\$312,610	\$260,170	(\$52,440)	\$260,081	\$207,636
CWS - Bear Gulch	\$2,125,364	\$1,746,489	(\$378,875)	\$1,745,892	\$1,367,016
CWS - Mid Peninsula	\$2,374,969	\$2,384,490	\$9,521	\$2,383,675	\$2,393,196
CWS - South SF	\$1,065,332	\$1,078,330	\$12,997	\$1,077,961	\$1,090,956
Daly City	\$582,229	\$927,612	\$345,382	\$927,295	\$1,272,672
East Palo Alto WD	\$244,303	\$314,459	\$70,156	\$314,351	\$384,504
Estero Municipal ID	\$669,889	\$799,417	\$129,528	\$799,143	\$928,680
Guadalupe Valley	\$41,114	\$46,872	\$5,759	\$46,856	\$52,620
Hayward	\$2,500,066	\$2,722,285	\$222,219	\$2,721,355	\$2,943,576
Hillsborough	\$560,355	\$463,733	(\$96,621)	\$463,575	\$366,948
Menlo Park	\$581,921	\$488,198	(\$93,723)	\$488,031	\$394,308
Mid Pen WD	\$480,528	\$484,906	\$4,378	\$484,740	\$489,120
Millbrae	\$354,177	\$409,637	\$55,460	\$409,497	\$464,952
Milpitas	\$1,095,677	\$1,001,414	(\$94,262)	\$1,001,072	\$906,816
Mountain View	\$1,487,982	\$1,495,608	\$7,626	\$1,495,097	\$1,502,724
North Coast WD	\$479,458	\$420,056	(\$59,402)	\$419,912	\$360,516
Palo Alto	\$1,864,551	\$1,823,813	(\$40,738)	\$1,823,190	\$1,782,456
Purissima Hills WD	\$331,707	\$268,449	(\$63,258)	\$268,357	\$205,104
Redwood City	\$1,505,429	\$1,586,533	\$81,105	\$1,585,991	\$1,667,100
San Bruno	\$264,966	\$225,548	(\$39,418)	\$225,471	\$186,048
San Jose (North)	\$764,631	\$906,168	\$141,537	\$905,858	\$1,047,396
Santa Clara	\$347,888	\$522,415	\$174,527	\$522,236	\$696,768
Stanford University	\$372,989	\$309,302	(\$63,688)	\$309,196	\$245,508
Sunnyvale	\$1,408,246	\$1,737,380	\$329,134	\$1,736,786	\$2,065,920
Westborough WD	\$147,484	\$182,099	\$34,615	\$182,037	\$216,648
<b>Totals</b>	\$24,671,995	\$24,683,508	\$11,513	\$24,675,070	\$24,686,592

Table 3. Actual Savings to Each Agency for FY 2015-16

Agency	SFPUC Capital Recovery Payment	Annual Surcharge Collected in FY 2015-16	True-ups To Be Collected or Refunded in FY 2016-17	BAWSCA Annual Surcharge Plus True-ups	Actual Savings
	A	B	C	D = B + C	E = A - D
Alameda County WD	\$1,520,895	\$1,971,633	(\$640,391)	\$1,331,242	\$189,653
Brisbane Water	\$75,995	\$60,447	\$6,072	\$66,519	\$9,476
Burlingame	\$777,293	\$676,052	\$4,314	\$680,366	\$96,927
Coastside County WD	\$297,234	\$312,610	(\$52,440)	\$260,170	\$37,065
CWS - Bear Gulch	\$1,995,299	\$2,125,364	(\$378,875)	\$1,746,489	\$248,810
CWS - Mid Peninsula	\$2,724,193	\$2,374,969	\$9,521	\$2,384,490	\$339,702
CWS - South SF	\$1,231,952	\$1,065,332	\$12,997	\$1,078,330	\$153,622
Daly City	\$1,059,762	\$582,229	\$345,382	\$927,612	\$132,151
East Palo Alto WD	\$359,258	\$244,303	\$70,156	\$314,459	\$44,799
Estero Municipal ID	\$913,304	\$669,889	\$129,528	\$799,417	\$113,887
Guadalupe Valley	\$53,550	\$41,114	\$5,759	\$46,872	\$6,678
Hayward	\$3,110,111	\$2,500,066	\$222,219	\$2,722,285	\$387,826
Hillsborough	\$529,798	\$560,355	(\$96,621)	\$463,733	\$66,065
Menlo Park	\$557,748	\$581,921	(\$93,723)	\$488,198	\$69,550
Mid Pen WD	\$553,987	\$480,528	\$4,378	\$484,906	\$69,081
Millbrae	\$467,995	\$354,177	\$55,460	\$409,637	\$58,358
Milpitas	\$1,144,079	\$1,095,677	(\$94,262)	\$1,001,414	\$142,665
Mountain View	\$1,708,677	\$1,487,982	\$7,626	\$1,495,608	\$213,069
North Coast WD	\$479,899	\$479,458	(\$59,402)	\$420,056	\$59,843
Palo Alto	\$2,083,640	\$1,864,551	(\$40,738)	\$1,823,813	\$259,826
Purissima Hills WD	\$306,693	\$331,707	(\$63,258)	\$268,449	\$38,244
Redwood City	\$1,812,556	\$1,505,429	\$81,105	\$1,586,533	\$226,023
San Bruno	\$257,680	\$264,966	(\$39,418)	\$225,548	\$32,132
San Jose (North)	\$1,035,263	\$764,631	\$141,537	\$906,168	\$129,096
Santa Clara	\$596,840	\$347,888	\$174,527	\$522,415	\$74,425
Stanford University	\$353,366	\$372,989	(\$63,688)	\$309,302	\$44,064
Sunnyvale	\$1,984,893	\$1,408,246	\$329,134	\$1,737,380	\$247,513
Westborough WD	\$208,042	\$147,484	\$34,615	\$182,099	\$25,942
<b>Totals</b>	\$28,200,000	\$24,671,995	\$11,513	\$24,683,508	\$3,516,492

**Background:**

BAWSCA's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued to prepay the capital debt that the agencies owed San Francisco. The bond transaction and the prepayment program will generate approximately \$62.3 million in net present value savings over the term of the bonds, or about 17% of the \$356.1 million in principal prepaid from bond proceeds to San Francisco at the end of February 2013.

BAWSCA has been collecting the bond surcharge from member agencies since July 2013 through the SFPUC as a separate item on their monthly water bills to member agencies. FY 2017-18 will be the fifth year for BAWSCA to collect the bond surcharge payments that are used to make debt service payments on BAWSCA's revenue bonds.

**Calculating the "True Up" Adjustment**

Consistent with the Indenture, the FY 2017-18 bond surcharge setting includes a "true up" adjustment included in the calculation. This "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2015-16 and to reimburse BAWSCA for some expenses incurred in FY 2015-16 in connection with the bond administration that were paid through BAWSCA's FY 2015-16 operating budget. Those expenses include the fees to Bank of New York for its Trustee services and the costs of legal, financial advisor, investment advisor, and arbitrage rebate consultant. A "true up" adjustment is anticipated every year as part of the calculation of the Annual Bond Surcharge.

The annual surcharges collected from the member agencies in FY 2015-16 were calculated by multiplying the obligated debt service in 2016 by each agency's percentage of total wholesale customer purchases in FY 2013-14. FY 2013-14 purchases were used as a surrogate for FY 2015-16 purchases, which were not known when the FY 2015-16 bond surcharges were adopted.

Now that the actual wholesale customer purchases for FY 2015-16 and the actual expenses incurred in FY 2015-16 in connection with the bond administration are available, the actual surcharges for FY 2015-16 are calculated again by multiplying a sum of the obligated debt service in 2016 and the actual expenses incurred in FY 2015-16 by each agency's percentage of total wholesale customer purchases in FY 2015-16. The difference between the surcharges that were actually collected in FY 2015-16, which were based on the surrogate purchase values, and the actual surcharges for FY 2015-16, which are based on actual FY 2015-16 purchases, are one component of the "true up" adjustments to be included in the annual surcharge setting for FY 2017-18.

The second component of the "true up" adjustment is inclusion of \$11,513 of actual expenses incurred in FY 2015-16 in connection with the bond administration, which represents 0.04% of the annual debt service of the bonds in 2018. Pursuant to the Prepayment and Collection Agreement between BAWSCA and San Francisco, BAWSCA shall reimburse San Francisco for specific expenses incurred for compliance with tax-exempt regulations. These charges have not been billed at this time. A "true up" adjustment for FY 2017-18 will be included in the surcharge setting for FY 2019-20.

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**           **Mid-Year 2016-17 Work Plan and Budget Review and Management of the General Reserve**

**Summary:**

To ensure continued access to reliable supplies of high quality water at a fair price, nine revisions to the adopted FY 2016-17 Work Plan are recommended in response to the unexpected increased level of activities to date. The changes include the addition of one significant new work item, and significant scope increase for three existing work areas. At this time, the resources to address these issues and produce necessary results can be provided within the currently approved Operating Budget for FY 2016-17 of \$3,468,008.

This memorandum presents: (1) the proposed changes to the FY 2016-17 Work Plan, (2) discussion of the potential budget implications, and (3) discussion of management of the General Reserve.

**Fiscal Impact:**

No changes to the Operating Budget are necessary or recommended at this time. The anticipated budget savings from delay and deferral of work items will be used for adjustment to legal counsel's budget, if and when necessary.

**Board Policy Committee Action:**

The Committee voted unanimously to recommend approval of the proposed Board action.

**Recommendation:**

**That Board approve the following revisions to the FY 2016-17 Work Plan:**

- 1. Additions:**
  - a. Participate in SWRCB Bay-Delta Plan for the San Joaquin River including review and comment on Draft SED**
- 2. Scope Increase:**
  - a. Participate in new feasibility studies in support of Long-Term Reliable Water Supply Strategy (Strategy) recommended actions**
  - b. Represent member agencies in regional and state-level discussions related to current drought and new water use efficiency regulations**
  - c. Support ongoing participation in New Don Pedro FERC proceedings**
  - d. Coordinate agency participation in Water Quality Committee**
- 3. Scope Reduction/Delay:**
  - a. Issue Request for Proposal this fiscal year but delay development of regional water system modeling tool until next fiscal year**
- 4. Deletion for Subsequent Reconsideration Next Fiscal Year**
  - a. Expand decision-making process for implementing Strategy actions**
  - b. Organize workshop to review water utility best management practices**

**c. Pursue SFPUC benchmarking study**

**Prior Board Approved Work Plan and Budget Actions for FY 2016-17:**

On May 19, 2016, the Board approved the following:

- Proposed FY 2016-17 Work Plan and Results to be Achieved;
- Proposed Operating Budget of \$3,468,008; and
- Recommended funding plan which includes FY 2016-17 assessments of \$3,440,734 and a transfer of \$27,274 from the General Reserve.

**Discussion:**

The mid-year review included (1) examining progress toward completing the Work Plan as adopted, (2) considering anticipated work that should be performed during the balance of this fiscal year, and (3) reviewing new work plan items.

The most critical time sensitive items in the approved Work Plan are on schedule as of December 7, 2016. Significant changes to the Work Plan are proposed below due to (1) increased scope and level of activity in planned and unplanned areas, and (2) need to delay or defer several tasks to re-focus staff resources necessary to address new critical work areas.

Following the Work Plan review, an initial budget assessment was performed to estimate (1) spending on ongoing programs with known level of activity through the end of this fiscal year, (2) savings that are expected to result from completed or delayed activities, and (3) resources needed to achieve any results not already reflected in the approved budget. There are several work plan items, listed below, with significant unknown potential level of effort at this time. The budgetary ramifications of these activities are discussed below.

**Proposed FY 2016-17 Work Plan Modifications and Budget Implications**

Table 1 presents the Board-approved Work Plan for FY 2016-17 and highlights recommended revisions to the Work Plan. Explanations for the nine recommended revisions and resulting budget implications appear below.

1. Significant New Work Plan Item: Participate in the SWRCB Bay Delta Plan for the San Joaquin River Including Review and Comment on Draft SED. New Work Plan Item 5c. This item was not included in the work plan due to unknown schedule. On September 15<sup>th</sup>, the State Water Resources Control Board (SWRCB) released the SED which included a flow proposal that could cause substantial reduction of water from the Tuolumne River to the Bay Area for the 1.7 million residents, 40,000 businesses, and thousands of community organizations in Alameda, San Mateo, and Santa Clara counties whose water interests BAWSCA represents. In coordination with the SFPUC, BAWSCA is actively engaged in the review and comment of the draft SED. The deadline for submitting comments on the Draft SED has been extended to March 17, 2017. The level of activity beyond March 17<sup>th</sup> for the balance of the fiscal year is unclear at this time. This change requires reallocation of staff resources and a future anticipated increase legal counsel's budget. Legal counsel's budget is sufficient at this time. BAWSCA will continue to rely on the SFPUC to monitor and act as necessary on other state and federal water resources activities including the larger Bay Delta Plan, the Bay Delta Fix, and State and Federal water legislations.
2. Significant Scope Increase: Participate in New Feasibility Studies in Support of Long-Term Reliability Water Supply Strategy (Strategy) Recommended Actions. Work Plan Item 2a. To support implementation of the Strategy, the FY 2016-17 Work Plan included completion of the



Pilot Water Transfer Plan with City of Hayward in preparation for a potential future transfer and participation in the Bay Area Regional Reliability Partnership (BARR). These efforts are on track as planned. In addition, unanticipated progress has been made on three purified/advanced treated water projects in the service area. In each case, BAWSCA is a direct participant with the SFPUC and other local participating agencies (Silicon Valley Clean Water, Santa Clara Valley Water District, and Alameda County Water District). Also, BAWSCA is participating in technical and environmental studies for possible Enlarged Los Vaqueros Reservoir. The planned feasibility studies for the purified water projects and examination of Enlarged Los Vaqueros Reservoir is consistent with the Strategy recommendations. This change requires reallocation of staff resources. Other costs are funded through SFPUC and the Wholesale Revenue Requirement.

3. Significant Scope Increase: Represent Agencies in Regional and State-Level Discussions Related to Current Drought and New Water Use Efficiency Regulations. Work Plan Item 3b. The FY 2016-17 Work Plan anticipated providing a continuing level of drought support to the member agencies, however, with the development and release of the Governor's Executive Order and Draft "Making Water Conservation a California Way of Life" State Framework for Long-Term Water Conservation Policy, BAWSCA's level of effort has increased significantly and is anticipated to stay at a high level for the balance of the fiscal year, and possibly beyond. On behalf of the member agencies, BAWSCA is participating in State-wide calls, reviewing all relevant documents and providing comments as necessary, and updating member agencies on the near-term and long-term implications. The member agencies have continued to request BAWSCA participation on this effort on their behalf. This change requires reallocation of staff resources. There are no anticipated budget impacts from this change.
4. Significant Increase in Level of Activity: Support Ongoing Participation in New Don Pedro FERC Proceedings. Work Plan Item 5b. The FY 2016-17 Work Plan anticipated participation in the FERC proceedings and the confidential settlement discussions. The level of activity associated with the settlement discussions has increased significantly and is anticipated to increase further for the balance of the fiscal year. With the release of the Recirculated Draft Substitute Environmental Document (SED) in September, BAWSCA's continued participation to protect the interests of the member agencies and the water customers is critical at this time. These activities require reallocation of staff resources and a future anticipated increase in legal counsel's budget. Legal counsel's budget is sufficient at this time.
5. Increase in Level of Activity: Coordinate Member Agency Participation in Water Quality Committee to Ensure Agency Needs Met. Work Plan Item 8a. The FY 2016-17 Work Plan included a small allotment of staff time to support the Water Quality Committee consistent with past experience. This fiscal year, there have already been three separate emergency operations incidents associated with water quality that have required closer coordination with the Joint Water Quality Committee and involvement of BAWSCA staff and CEO to secure changes to the SFPUC Water Quality Notifications and Communication Plan. This higher level of activity is anticipated to continue given ongoing issues and timeframe for resolution. This increased level of activity requires reallocation of staff resources. There are no anticipated budget impacts from this change.
6. Scope Reduction and Delay: Develop Independent Regional Water System and Supply Modeling Tool. Work Plan Item 2b (3). Negotiations with ReNUWI have identified the need for BAWSCA to issue a complete Request for Proposal (RFP) for this work. At this time, it is anticipated that an RFP for this work will be released by March 2017 with work to begin in FY 2017-18, pending budget approval. In the meantime, staff will continue discussions with the SFPUC to identify what, if any, modeling assistance can be provided by the SFPUC to meet BAWSCA's near term needs. There is a budget savings of \$40,000 related to this delay.

7. Defer: Expand Decision Making Process for Implementing Strategy Actions. Work Plan Item 2b (2). This work plan item should be delayed for consideration in FY 2017-18 or later, depending upon developments in other work plan areas. While necessary for future decision making, this delay can be accommodated at this time without impacting BAWSCA's overall critical results that must be achieved. There is a budget savings of \$50,000 related to this deferral.
8. Defer: Organize Workshop to Review Water Utility Financial Best Management Practices. Work Plan Item 10a. Due to staff resource constraints resulting from need to accommodate increased work in other areas, this item should be deferred for consideration in FY 2017-18 or later. This change requires reallocation of staff resources. There are no anticipated budget savings from this change.
9. Defer: Pursue SFPUC Benchmarking Study. Work Plan Item 10b. Due to staff resource constraints resulting from need to accommodate increased work in other areas, this item should be deferred for consideration in FY 2017-18 or later. This change requires reallocation of staff resources. There are no anticipated budget savings from this change.

**Capacity to Accommodate Potential or Unanticipated Issues**

As always, if potential or unanticipated issues arise during the Spring, they will be brought to the attention of the Committee and the Board with recommendations to further reallocate and/or augment existing resources, if necessary.

**Budget Modifications Needed to Complete Work Expected During FY 2016-17:**

A preliminary budget review has been performed at this time and resulted in the following findings:

- An anticipated budget savings of \$90,000 would result from the recommended deferral of two work plan items (development of modeling tool and expansion of decision making process).
- With the exception of legal counsel, all other expenditures will be within the approved budget.
- Legal counsel expenditures are projected to be within the current budget limit for the near term. Given the significant new work on the SED and the FERC settlement discussions discussed in the work plan modifications above, a budget modification for legal counsel may be necessary, possibly as early as March 2017. Further detail on legal counsel expenditures will be provided to the board at its January meeting.
- No modifications to the budget are necessary at this time. The anticipated budget savings will be made available for adjustment to legal counsel's budget if and when necessary.

**Management of General Reserve:**

As no changes to the General Reserve are requested at this time, the projected General Reserve balance at the end of FY 2016-17 is equivalent to the General Reserve balance on June 30, 2016 plus the FY 2015-16 unspent funds that were transferred to the General Reserve in November following acceptance of the FY 2015-16 Audited Financial Report by the Board:

\$776,620	General Reserve balance as of June 30, 2016
<u>+\$453,246</u>	<u>FY 2015-16 Unspent Funds transferred to General Reserve Nov. 2016</u>
\$1,229,866	General Reserve balance as of December 1, 2016

This level of General Reserve represents 35% of the approved Operating Budget. This is at the upper limit of the 35% guideline adopted by the Board in September 2011 and reaffirmed by the Board in September 2015.

Given the high level of uncertainty with several critical areas of work (Restore Hetch Hetchy Litigation and SED) and the potential need for significant additional legal resources, the current General Reserve balance provides a resource for additional funds as may be necessary. Further discussions on this issue will continue as part of regular Work Plan and budget updates with the Board.

Attachments:

1. Table 1. Work Plan and Results to be Achieved in FY 2016-17: Progress and Proposed Changes

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**Table 1. Results to be Achieved in FY 2016-17**

(Progress Shown in Brackets and Underlined; *Proposed Changes Shown in Bold Blue Italic Font*)

**RELIABLE WATER SUPPLY**

**1. Facility Reliability: Monitor the SFPUC's WSIP, 10-Year CIP, and Asset Management Program**

- a. Monitor WSIP scope, cost, and schedule as San Francisco continues an aggressive construction schedule through 2019. Press the SFPUC and the city's political leadership to meet the city's adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests. [Ongoing, including review of Quarterly Reports and regular meetings with SFPUC to address issues and concerns; Currently reviewing Alameda Creek Recovery Project EIR to ensure project scope on track to meet needs of BAWSCA agencies]
- b. Review and monitor SFPUC's Regional 10-Year Capital Improvement Program to ensure that identified projects and programs meet the needs of the BAWSCA member agencies in a cost-effective and appropriate manner. [On track; Major activity focused on Mountain Tunnel Improvements Projects and upcoming January 2017 shutdown]
- c. Review and monitor SFPUC's Asset Management Program to ensure maintenance and protection of system assets. [Ongoing, including review of Quarterly Reports; BAWSCA reviewed and provided comment on SFPUC's Sept. 2016 State of Regional Water System Report]

**2. Long-Term Supply Solutions: Ensure a Reliable, High Quality Supply of Water is Available Where and When Needed**

- a. Implement the actions recommended in the Long-Term Reliable Water Supply Strategy Phase II Final Report. [Progress on Pilot Water Transfer and Bay Area Regional Reliability Study on schedule; *Significant scope increase with initiation of feasibility studies on three purified/advanced treated water projects and participation in technical and environmental studies for possible Enlarged Los Vaqueros Reservoir*]
- b. Expand activities to support Strategy implementation
  - 1. Establish Groundwater Reliability Partnership for the San Mateo Plain Sub-basin and take a lead role in promoting sustainable use of groundwater resources in basin. [On track; New BAWSCA consultants under contract to provide support]
  - 2. Extend BAWSCA's resource investment decision-making framework to incorporate a structured, iterative "adaptive management" process to assist policy makers and BAWSCA management in making decisions in the face of changing conditions and lessons learned with the aim of reducing uncertainty over time. *[Defer; Re-consider for FY 2017-18]*
  - 3. Expand BAWSCA's water supply reliability analysis to include new, independent modeling capability and incorporate missing, critical regional water reliability planning components including the hydrology and supply reliability of other imported and local supplies that may impact the reliability of the member agencies. *[Delay; Proposal solicitation this fiscal year for project initiation in FY 2017-18]*
- c. Conduct drought response analysis of the BAWSCA service area drought planning, preparedness, and service area response to inform long-term planning including review of 2040 demand and supply gap projections. [On track at this time]

**3. Near-term Supply Solutions: Water Conservation**

- a. In cooperation with member agencies, implement drought response actions to achieve necessary water use reductions and minimize likelihood of mandatory rationing. [On track]
- b. Represent agencies in regional and State-level discussions related to the current drought conditions and regulations. *[Significant scope increase in response to Governor's Executive Order and Draft "Making Water Conservation a California Way of Life" State Framework for Long-Term Water Conservation Policy]*
- c. Administer, implement and expand core water conservation programs that benefit all customers. [On track]
- d. Administer subscription conservation rebate programs that benefit, and are paid for by, participating member agencies. [On track]

**4. Take Actions to Protect Members' Water Supply Interests in the Administration of the 2009 Water Supply Agreement**

- a. Review existing Tier 2 drought allocation plan and prepare for modifications as needed due to upcoming 2018 expiration. [Review complete; Further work on hold pending further information on State drought regulations and State Framework for Long-term Water Conservation Policy]
- b. Investigate a Water Supply Agreement contract amendment to incorporate an appropriate alternative supply allocation approach to address the shortcomings of the existing Tier 1 drought allocation formula. [Performance evaluation of current Tier 1 Plan complete; Further work on hold pending further information on State drought regulations and State Framework for Long-term Water Conservation Policy]
- c. Protect members' water supply and financial interests in the SFPUC's upcoming 2018 decisions and associated Water Management Action Plan (MAP) to support the Commissions' upcoming 2018 water supply decisions. [On track; Ensured WaterMAP questions modified to directly address EPA's needs for more water; Actively supporting discussions between EPA and others for possible ISG transfer; Ensured Enlarged Los Vaqueros included as a possible project evaluated as part of WaterMAP.]
- d. Protect members' water supply interests to ensure that the SFPUC meets its adopted Water Supply Level of Service Goals. [On track; Minimal level of activity given focus of WaterMAP and SED]

**5. Protect Members' Interests in a Reliable Water Supply**

- a. Participate in the Restore Hetch Hetchy litigation in which BAWSCA is a named party. [Ongoing; on appeal to the Fifth District Court of Appeal]
- b. Ensure necessary legal & technical resources for monitoring & intervention in the Don Pedro Project and La Grange Project FERC licensing are sufficient to protect customers' long-term interests in Tuolumne River water supplies. *[Significant increase in level of activity related to confidential settlement discussions for the Tuolumne River]*
- c. *Participate in the SWRCB Bay Delta Plan for the San Joaquin River to protect the interests of the BAWSCA member agencies, including providing review and comment on Draft SED and associated settlement discussions [SIGNIFICANT NEW SCOPE ITEM]*

**6. Pursue Grant Opportunities Independently and in Coordination with Regional Efforts**

- a. Pursuit and use of grant funds for water conservation programs and for regional supply projects and programs. [On track]
- b. Investigate potential for grant funds to support the implementation of the Strategy, including 2014 California Water Bond. [On track; No new applications at this time]

**7. Reporting and Tracking of Water Supply and Conservation Activities**

- a. Complete BAWSCA FY 2015-16 Annual Survey.
- b. Complete BAWSCA FY 2015-16 Annual Water Conservation Report.
- c. Review and modify, if appropriate, BAWSCA's Water Conservation Database consistent with BAWSCA's recently implemented ConservTrak water conservation management system. [On track; Proposal solicitation underway for update to database]

**HIGH QUALITY WATER**

**8. Support Member Agencies in Receiving Reliable Communication of Water Quality Issues**

- a. Coordinate member agency participation in Water Quality Committee established by the 2009 Water Supply Agreement to ensure it addresses Wholesale Customer needs. ***[Increase in level of activity; Three separate water quality incidents this year requiring increased staff and CEO coordination with Technical Committee to secure necessary changes]***
- b. Review and act on, if necessary, State legislation affecting water quality regulations. [On track; No new activity]

**FAIR PRICE**

**9. Perform Matters that Members Delegated to BAWSCA in the Water Supply Agreement**

- a. Administer the Water Supply Agreement with SF to protect the financial interests of member agencies. [Annual review on track; Resolution of settlement agreement with SFPUC on schedule for completion this fiscal year]
- b. Support development and member agency adoption of up to three contract amendments to address resolution of FY 2010-11 WRR settlement, revenue funded capital, and implementation of regional groundwater storage project. [Small progress on different pieces; On hold pending resolution of settlement agreement with SFPUC]
- c. Administer bonds issued by BAWSCA to retire capital debt owed to San Francisco. [On track]

**10. Provide Other Support to Protect Financial Interests of Member Agencies**

- a. Organize a workshop to review water utility financial best management practices to identify potential actions to better protect BAWSCA member agencies from the financial impacts of drought. ***[Defer for consideration next fiscal year]***
- b. Pursue SFPUC completion of a benchmarking study to evaluate RWS operational efficiency and cost effectiveness. ***[Defer for consideration next fiscal year]***

**AGENCY EFFECTIVENESS**

**11. Maintain Community Allies and Contacts with Environmental Interests**

- a. Maintain close relationships with BAWSCA's local legislators and allies, and activate them if necessary.
- b. Maintain a dialogue with responsible environmental and other groups.
- c. Maintain effective communications with member agencies, customers, & others to achieve results and support goals
- d. In conjunction with San Francisco, conduct or co-sponsor tours of the water system for selected participants.

**12. Manage the Activities of the Agency Professionally and Efficiently**



**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**           **Review and Consideration of Proposed Amendments to the Rules of the Board Regarding Changes to the Start Time and Location of Regular Board Meetings**

**Summary:**

This item presents recommended changes to the Rules of the Board regarding the Board meeting start time and location of regular Board meetings. The meeting day of 3<sup>rd</sup> Thursday bi-monthly will remain the same.

Due to worsening traffic conditions, members of the Board expressed interest in possibly changing the Board meeting time and location in the Fall of 2015. Three separate surveys were conducted in December 2015, April 2016, and November 2016 to obtain a general idea of what conditions offer the most benefit to Board Members. In addition, the Chair called a Special Meeting on November 17, 2016 to test the Oak Room in San Mateo Main Library as an alternative location for the Board meeting.

The results of Survey #3 were discussed with the Board Policy Committee at its meeting on December 14, 2016. Survey #3 responses are presented in Exhibit A. Based on the results of Survey #3 and the feedback of the Board Policy Committee, the recommended action is being presented for consideration.

**Fiscal Impact:**

The recommended changes have a fiscal impact of approximately \$1,500 annually.

**Board Policy Committee Action:**

The results of Survey #3 were presented to the Committee for discussion purposes only. The Committee unanimously expressed support for a change in the regular meeting start time and location.

**Recommendation:**

1. That the Board modify Rule II.A.1 to read as follows:
  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 half-past 6 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. That the Board modify Rule II.D to read as follows:
  - D. Location of Regular Meetings. All regular meetings of the Board shall be held at the San Mateo Main Library, 55 W. 3rd Avenue. 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.

3. That the Board modify Rule II.G.7 to read as follows:

7. Time Limit on Meetings. When a meeting of the Board has lasted two and one quarter 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.

A complete copy of the Rules of the Board with recommended changes is attached as Exhibit B.

**Discussion:**

In the Fall of 2015, members of the Board expressed interest in possibly changing the Board meeting time and location due to worsening traffic conditions. Two separate surveys were conducted in December 2015 and April 2016 to obtain a general idea of what conditions offer the most benefit to Board Members. Based on the two survey results and discussions by the Board at its May 19, 2016 meeting, the Chair called a Special Meeting for the November 17, 2016 meeting to test the Oak Room in the San Mateo Main Library as an alternative location for the Board's consideration.

A third survey was conducted following the November 17, 2016 meeting to obtain the Board Members' impression of the Oak Room location, and whether a start time of 6:30 pm should be considered. Survey #3 responses are presented in Exhibit A.

The San Mateo Main Library Oak Room is available on BAWSCA's regular meeting days with two restrictions:

- First, the library closes at 9 pm, and the Board meeting must adjourn no later than 8:45 pm to allow 15 minutes for clean-up. A potential solution to this restriction is to start the meeting at 6:30 pm to allow a meeting duration of at least 2-hours. The current time limit for Board meetings of 2 ½ hours.
- Second, the library's annual book fair is held on the 3<sup>rd</sup> weekend of September. The Oak room will not be available to BAWSCA if the 3<sup>rd</sup> Thursday of September precedes the 3<sup>rd</sup> Saturday because the Oak room is prepped for the Fair one week before. This is the case for 2019 through 2022, 2024 and 2025. In these cases, the meeting will need to be held at a different location as a Special Meeting.

**BAWSCA Rules of the Board**

BAWSCA's enabling legislation grants the Agency discretion to establish and change the time, place, and frequency of its Board meetings.

BAWSCA's Board established the time and place of its regular meetings through its Rules of the Board, which are its bylaws, adopted on September 2003, and amended in June 2004 and July 2011.

BAWSCA's Rules of the Board state that:

- 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, time, and/or location 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.

- 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.
- 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.

Rule VI requires an affirmative vote by the majority of the full Board to amend the Rules. The Board will need to amend the Rules of the Board through a majority vote of the full Board in order to permanently change its regular meeting date or time.

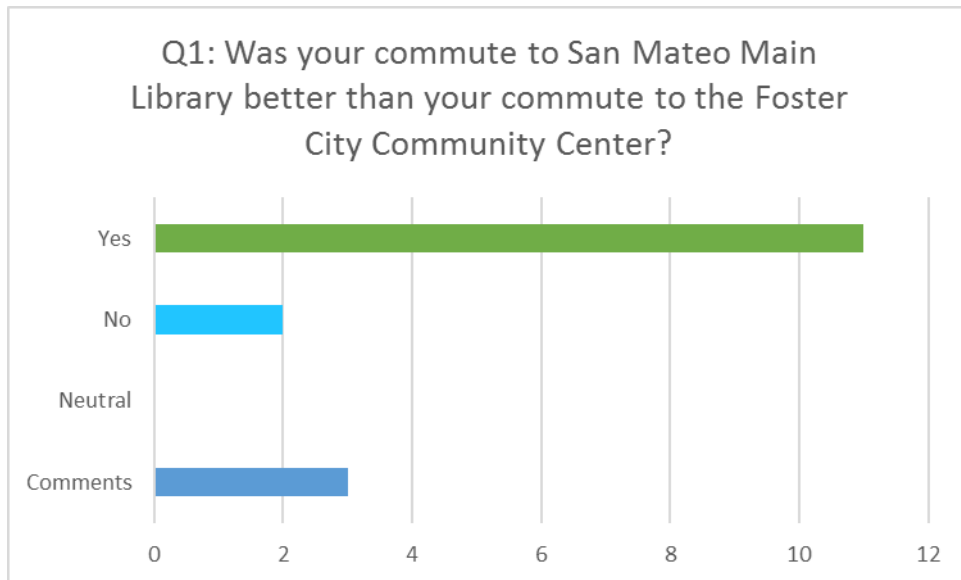
**Attachments:**

1. Exhibit A: Results of Survey #3
2. Exhibit B: Copy of complete Rules of the Board with recommended revisions highlighted.

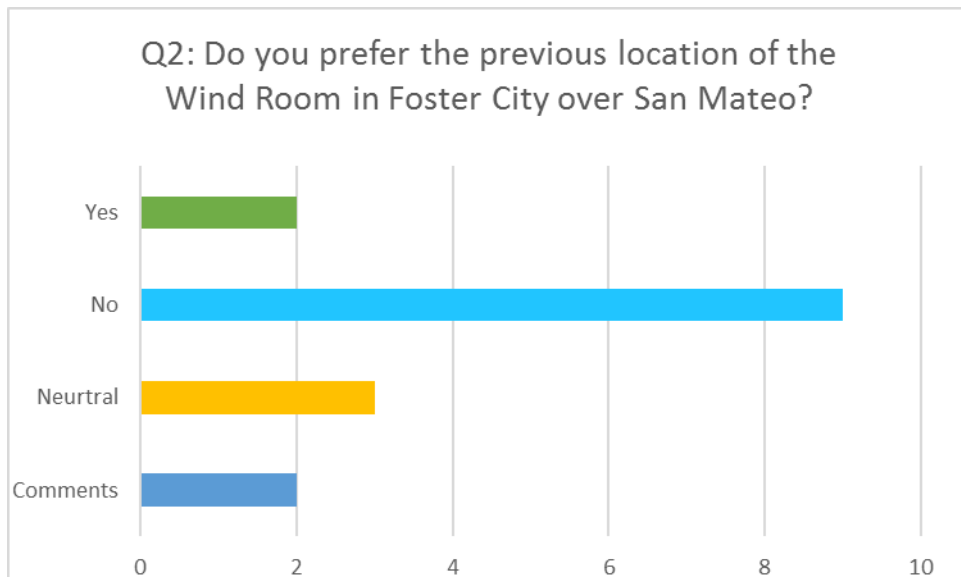
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Exhibit A

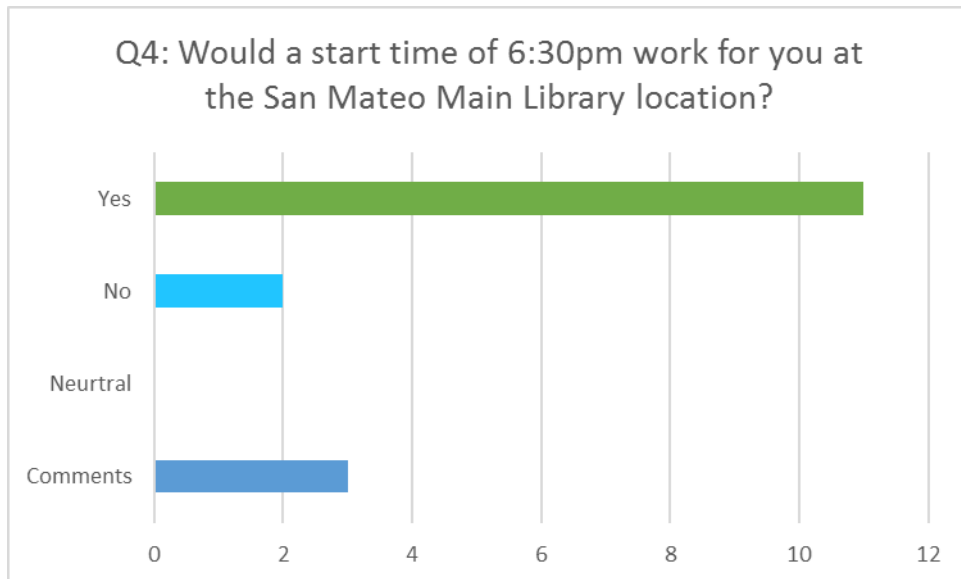
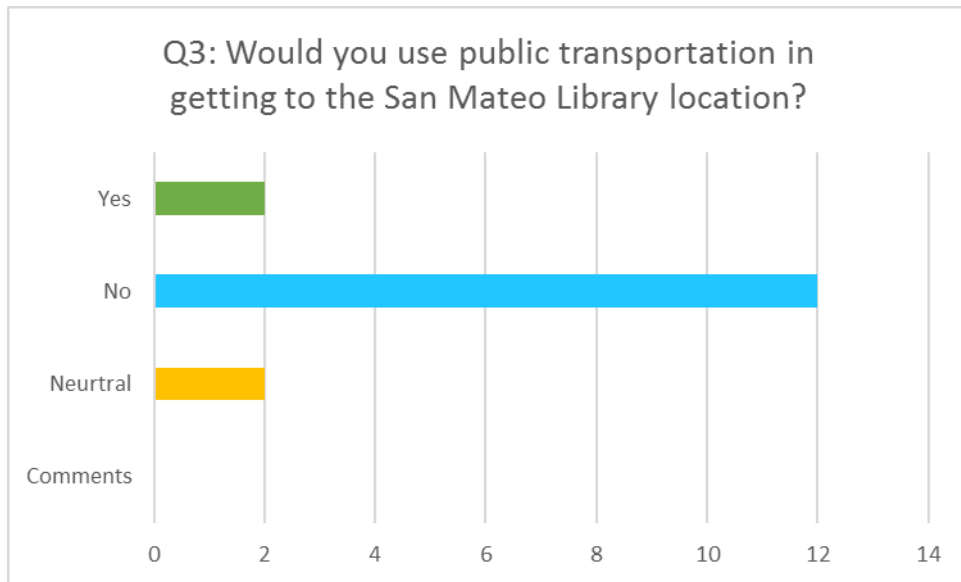
**BAWSCA Meeting Time and Location Change Survey 3**



- Comments:
1. Much better
  2. Slightly better
  3. Not impacted by San Mateo Bridge traffic



- Comments:
1. Foster City Space and Parking is better
  2. Neutral to pro San Mateo. 6:30 a better start



- Comments:
1. Or 7 whichever is preferred. 6:30 would allow more time given 9 pm close
  2. I could make it work
  3. An extra 30 min will work better especially when using the parking garage

Additional Comments:

1. World of difference coming from SJ on 280 not having to cross 101 to Hillsdale
2. We should hold the January meeting in San Mateo
3. Great location
4. Thanks for trying to make it an easier commute
5. Closing the building & parking at 9PM is a potential serious detriment to desired discussions
6. While the Foster City room was larger than the San Mateo one, I think y'all can make it work in the SM room
7. The San Mateo location is more convenient because it is better accessible by surface roads and from highway 280. The Foster City location is dependent on Hwy 101 which is almost always a parking lot during commute hours. Thank you for giving us a chance to voice our preference.
8. Thanks

## **EXHIBIT B**

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

#### **RULES OF THE BOARD**

~~July 2011~~ January 19, 2017

# 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 ~~half-past~~<sup>seven</sup> the hour of ~~7-6~~ 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~~<sup>San Mateo Main Library, 55 W. 3rd Avenue</sup>. 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.

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.
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~~ quarter 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.
- 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.

**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

CHART OF MOTION PRACTICE				
Motion	Second Required?	Debatable?	Amendable?	Vote Required*
<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	21
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
Mid-Peninsula Water District	2
North Coast County Water District	2
Purissima Hills Water District	1
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 MEETING**

**Agenda Title:**        **Approval of Professional Services Contract with Consultant to Redevelop and Maintain the BAWSCA Water Conservation Database**

**Summary:**

One of the efforts included in the adopted FY 2016-17 Work Plan and Operating Budget is an update of BAWSCA's Water Conservation Database (WCDB). The WCDB is used to collect data on water use and water conservation activity from the BAWSCA member agencies to support the development of BAWSCA's Annual Survey, Annual Water Conservation Report, and other regional studies. The WCDB re-design is needed due to challenges in maintaining and enhancing the WCDB in its current platform.

BAWSCA initiated a competitive selection process in November 2016 for a professional services contract with an outside consultant to redevelop and maintain the WCDB. Proposals were ranked by a selection panel, comprised of BAWSCA staff and outside panelists, to identify the proposer offering the best value to BAWSCA in terms of overall quality and price. Through this process, Immersiv Media demonstrated that they were the most qualified and cost-effective firm to complete this work.

**Fiscal Impact:**

A contract for a not-to-exceed amount of \$39,000 is recommended to complete the WCDB redevelopment. This is consistent with the budget amount included in the proposed FY 2016-17 Operating Budget.

Beginning in FY 2017-18, annual hosting and maintenance costs for the new WCDB will be \$3,600 annually, should BAWSCA exercise its option to continue these services. This represents a significant cost savings from existing maintenance costs, which were budgeted at \$20,000 in FY 2016-17.

**Recommendation:**

**That the Board authorize the CEO to negotiate and execute an agreement for a not to exceed amount of \$39,000, subject to legal counsel's review, with Immersiv Media for the development and implementation of the BAWSCA Water Conservation Database.**

**Discussion:**

BAWSCA's WCDB is used to collect data from the 26 member agencies in a consistent format, including: (1) conservation activity reporting and (2) water use and demographic data. The WCDB is designed to facilitate data collection, provide data monitoring, and compile data for reporting by BAWSCA and the member agencies. The WCDB supports the development of the BAWSCA Annual Survey, BAWSCA Annual Water Conservation Report, and Regional Water Demand Model Updates.

The current WCDB is a highly customized web-based application, built in MS SharePoint 2003. The WCDB re-design is needed due to challenges in maintaining and enhancing the database in

the outdated platform. For example, the consultant that has assisted in maintaining the WCDB for the past eight years has stated it can no longer support BAWSCA in this effort and that it is no longer possible to make enhancement to the database. In addition to updating the WCDB platform, the WCDB redesign will streamline the import and export of member agency conservation data to improve the reporting process for the BAWSCA member agencies.

**Selection Process**

BAWSCA distributed a Request for Proposals (RFP) to seven firms for the WCDB redevelopment and maintenance. The RFP was also posted on the BAWSCA website. Two consultant teams submitted proposals. A selection panel consisting of one BAWSCA staff person, one member agency representative, and one outside panelist evaluated and scored both proposals. As both firms that submitted proposals have recent projects with BAWSCA, the BAWSCA project manager did not participate in the selection panel. Through this process, Immersiv Media was identified as the proposer offering the best value to BAWSCA in terms of overall quality and price.

**Schedule**

Launch of the new WCDB is anticipated in June 2017. Below is an estimated timeline of the process.

**Estimated Timeline**

February 1, 2017	Begin WCDB Redesign
June 1, 2017	WCDB Implementation and Testing Complete
June 5-17, 2017	Member Agency Training on WCDB
June 20, 2017	New WCDB to Go Live

**Alternatives to the Recommended Action:**

The following alternatives to the recommended actions have been considered:

- Alternative #1: Support the Recommended Actions. An immediate start on the project will provide an updated WCDB by June 2017, which will enable BAWSCA to take the old system offline and transition entirely to the new system in FY 2017-18. **This alternative is recommended.**
- Alternative #2: Do Not Move Forward With the Recommended Project and Schedule. BAWSCA can choose to keep the WCDB unchanged. This would impact BAWSCA's ability to use the WCDB to support BAWSCA's efforts going forward. *This alternative is not recommended.*

**Background:**

The BAWSCA WCDB was one of the key recommendations from the 2009 Water Conservation Implementation Plan (WCIP). The WCDB was developed beginning in 2009 and launched in October 2010. Initial development costs were \$260,000.

Funding for WCDB maintenance and some updates have been budgeted annually beginning in 2010-11. Annual maintenance budgets have ranged from \$20,000 to \$75,000 annually. However, due to issues that have arisen with the outdated MS Sharepoint platform, it is no longer feasible to maintain the current system.

# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

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

## **MEMORANDUM**

**TO:** BAWSCA Board of Directors  
**FROM:** Nicole Sandkulla, CEO/General Manager  
**DATE:** January 13, 2017  
**SUBJECT:** Chief Executive Officer/General Manager's Letter

### **California Emergency Drought Regulation for Statewide Water Conservation**

The State Water Resources Control Board (SWRCB) is holding a public workshop on January 18<sup>th</sup> to receive input on the extension and potential modification of the current Emergency Regulation for Statewide Water Conservation. BAWSCA will continue to monitor SWRCB activity regarding the extension of the Emergency Regulation and will submit comments as needed.

Attached is a copy of ACWA's January 12, 2017 comments on the current version of the Emergency Water Conservation.

### **New Long-Term Water Conservation Requirements**

On November 30<sup>th</sup>, the California Department of Water Resources and SWRCB released a Public Review Draft of the "Making Conservation a California Way of Life" Report (Draft Report) as required by Governor Brown's Executive Order B-37-16 - Making Water Conservation a California Way of Life.

The Draft Report includes:

1. A method for establishing and enforcing long-term water use targets for urban water suppliers that go beyond existing requirements to achieve a 20% reduction in urban water usage by 2020; and
2. Additional Water Shortage Contingency Plan (WSCP) requirements to assure water supplier drought resilience and forestall the need for state mandated actions.

An Administrative Draft of the Report is scheduled to be submitted to the Governor's office on January 20<sup>th</sup>, and the final Report release to the public is anticipated in February. Legislative action will be necessary to implement some of the recommendations in the Report, particularly the new long-term water use targets and the WSCP requirements.

ACWA spearheaded the development of two critical comment letters to the State that have been signed by over 100 suppliers, including BAWSCA. These letters are attached:

- Dated December 19, 2016, Comments on "Making Conservation a Way of Life" November 2016 Public Review Draft.
- Dated October 18, 2016, Comments on Current State Agency Draft Response to Executive Order B-37-16

### **BAWSCA Drought Response Analysis**

BAWSCA has three parallel efforts underway to support the Drought Response Analysis included in the adopted FY 2016-17 Work Plan: 1) the Demand Reduction Study, 2) the Alliance for Water Efficiency (AWE) Drought Restrictions Study and 3) the BAWSCA Drought Report.

First, the Demand Reduction Study is evaluating the factors related to change in water use behavior for single family customers in the BAWSCA service area. The study is investigating the extent to which various factors, including media coverage of the drought, new regulations, climate, and active conservation programs, influenced water use patterns within the service area during drought. The study is being completed by Stanford researchers affiliated with the Re-Inventing the Nation's Urban Water Infrastructure (ReNUWIt) research center. The first technical memorandum, which documents the study approach and data used, has been completed. The second technical memorandum documenting the study results is expected to be complete in February 2017.

Second, BAWSCA has partnered with the Alliance for Water Efficiency (AWE) on a Drought Restrictions Study. The goal of this project is to conduct new empirical research on drought response approaches implemented by different water providers and the impact and water savings achieved. Twelve water providers, wholesalers, and water organizations, including BAWSCA, are partnering with AWE on this study and are providing a financial contribution of \$10,000 each as well as the data necessary to complete the analysis. Consultant selection is in progress, and the study is anticipated to be completed 12 months after the contract is awarded.

Third, in Spring 2017, BAWSCA will complete a Drought Report to document the critical knowledge from the 2014 to 2016 drought period and the actions to be taken to prepare for future droughts. The report will include: (1) a timeline of State and local drought actions; (2) a summary of BAWSCA and member agency drought response actions and the observed or perceived effectiveness of these actions; (3) fiscal considerations in drought for BAWSCA, member agencies, and the SFPUC; and (4) planned and recommended actions to prepare for future droughts. If the drought is not over this Spring, the Drought Report will remain draft with updates added and will be finalized after the drought is over.

### **SWRCB Bay-Delta Plan**

The SWRCB establishes quality objectives to protect beneficial uses of water in the Bay-Delta through its Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (Bay-Delta Plan). On September 15, 2016, the SWRCB released the *Recirculated Draft Substitute Environmental Document in Support of Potential Changes to the Water Quality Control Plan for the San Francisco Bay-Sacramento/San Joaquin Delta Estuary: San Joaquin River Flows and Southern Delta Water Quality* (SED) which includes a new recommended flow proposal for the Tuolumne River.

The SWRCB has held a series of public hearings to receive comments to the SED. BAWSCA provided oral testimony at the January 3, 2017 hearing in Sacramento, California, a copy of which is attached.

BAWSCA's comments have focused on the following key points:

- BAWSCA supports the objective of the Bay Delta Plan.



- BAWSCA will work with other stakeholders to protect water quality in the Bay Delta for humans, fish, and other wildlife.
- BAWSCA is already committed to exploring scientifically proven ways of rehabilitating fish habitat on the Tuolumne River, such as gravel augmentation, managing fish predation, and ensuring that flows support habitat improvements.
- The State Board proposal could cause a substantial reduction of water from the Tuolumne River to the Bay Area for the 1.7 million residents, 40,000 businesses, and thousands of community organizations in Alameda, San Mateo, and Santa Clara counties whose water interests BAWSCA represents.
- As part of its comments on the Draft SED, BAWSCA will be providing the SWRCB critically important data about the potential environmental, economic, and other impacts of the proposed actions that must be considered as part of any decision on the Bay-Delta Plan.
- The Governor has indicated his strong support for negotiated voluntary agreements to resolve this issue. BAWSCA is committed to continuing to work closely with the diverse interests and stakeholders to develop that shared solution.

The SWRCB extended the public comment period on the SED from January 17, 2017 to March 17, 2017. BAWSCA is coordinating its comment letter with the SFPUC. BAWSCA is also working closely with member agencies on individual comment letters.

**Association of Bay Area Governments (ABAG) Plan Bay Area 2040 Draft Preferred Scenario**

In the fall of 2016, BAWSCA reviewed ABAG's Plan Bay Area 2040 Draft Preferred Scenario (DPS). BAWSCA submitted a comment letter on the DPS on October 14, 2016. The letter pointed out that ABAG's economic and household projections for the West Bay Corridor, most of which is within the BAWSCA service area, were 60% higher and 17% higher respectively, than in Plan Bay Area 2013. BAWSCA encouraged ABAG to consider that additional growth would impact drought year reliability for all BAWSCA agencies, limiting the region's ability to reduce its water use during drought periods. BAWSCA asked ABAG to work with local water suppliers to consider the long-term water supply reliability implications of its regional land use planning effort.

In December, ABAG sent a written response to BAWSCA in which they acknowledged the validity of BAWSCA's concerns. A copy of ABAG's response letter to BAWSCA is attached.

In its letter, ABAG committed to assessing those concerns as part of a Program-level Environmental Impact Report (PEIR) being prepared for the Plan Bay Area 2040. The draft PEIR is scheduled for release in Spring 2017. Also, as part of approving the Final Preferred Scenario, ABAG staff has been directed to engage with stakeholder agencies, such as BAWSCA member agencies, to identify near- and mid-term action items needed to make progress on Plan Bay Area performance targets.

BAWSCA will follow up with ABAG in providing contact information at each of the member agencies for subsequent review of the draft PEIR and further engagement with ABAG on this issue.

**San Mateo County's Groundwater Assessment Plan**

San Mateo County is wrapping up Phase 1 of its Groundwater Basin Assessment for the San Mateo Plain Sub-basin (Assessment), and a report summarizing the results of Phase 1 is due out in the next month. On January 31, 2017, San Mateo County is hosting the fifth public workshop for the Assessment, which will include an overview of the Phase 1 findings and the Final Phase 1 Report. The County will also present an overview of the types of data collection and analysis efforts that are planned to occur in coordination with other basin stakeholders in Phase 2. The workshop will be held from 2:00 to 4:00 PM at the Redwood Shores Public Library. Agendas and presentations from the first four workshops can be found at the following website: <http://green.smcgov.org/san-mateo-plain>.

**October 2016 SFPUC Bond Sale**

On October 6, 2016, the SFPUC issued 2016 Series AB Water Revenue Bonds in par amount of \$893.8 million at a true interest cost of 2.85% to refund about 20% of all outstanding WSIP and Non-WSIP bonds to achieve debt service savings. The bonds were priced when the municipal bond market reflected the lowest rate in the past 25 years. This bond refunding transaction will generate approximately \$107 million in net present value savings over the term of the bonds, which benefits both San Francisco Retail customers as well as the BAWSCA agencies and their customers.

**Washing Machine Rebate Program**

On December 31<sup>st</sup>, the Regional Washing Machine Rebate Program (WMRP) ended. PG&E had administered this joint water and energy utility program since 2008 in partnership with BAWSCA and other major water utilities in the Bay Area. BAWSCA evaluated whether to partner with other water utilities to continue to provide washing machine rebates in 2017 separate from PG&E. However, after evaluating options to administer the program, it was determined by BAWSCA and the member agencies that continuation of the program without a PG&E partnership was not cost-effective due to the administrative costs.

From the inception of the program through FY 2015-16, a total of 58,193 clothes washer rebates were issued through the BAWSCA WMRP, providing an estimated annual water savings of 1,038 acre-feet.

VIA EMAIL: [commentletters@waterboards.ca.gov](mailto:commentletters@waterboards.ca.gov)

January 12, 2017

The Honorable Felicia Marcus, Chair  
and Members of the State Water Resources Control Board  
c/o Jeanine Townsend, Clerk to the Board  
State Water Resources Control Board  
1001 I Street, 24th floor  
Sacramento, CA 95814

SUBJECT: Comment Letter – Urban Water Conservation Workshop

Dear Chair Marcus and Members of the Board:

The Association of California Water Agencies (ACWA) appreciates this opportunity to comment on potential next steps regarding the Emergency Water Conservation Regulation (Emergency Regulation), first adopted by the State Water Resources Control Board (Water Board) in May 2015 and then extended in February 2016, and then amended and again extended in May 2016. This current version of the Emergency Regulation is scheduled to expire on February 28, 2017 if the Board does not act to extend it. We look forward to participation in the workshop scheduled for January 18, 2017 and the opportunity to inform decision-making on this extremely significant matter.

ACWA represents over 430 public water agencies which are responsible for delivery of over 90% of the water used for residential, commercial and agricultural purposes in California. ACWA and its member water agencies have worked hard over the past several years to help Californians successfully meet the challenge of the continuing drought. Californians have demonstrated their willingness to continue significant levels of conservation despite the improved conditions last year. However, given the Administration's recent effort to articulate a long term conservation policy of "Making Water Conservation a California Way of Life" and the extraordinary rainfall, snowpack and reservoir conditions of this winter, now seems to be the time to let the Emergency Regulation expire.

ACWA and 113 other water associations and entities have already provided the following recommendation regarding the Emergency Regulation for 2017 in our comment letter of December 19, 2016:

*As the State Water Resources Control Board (SWRCB) considers extending the emergency regulation in January/February 2017, they must consider that many parts of the state are not experiencing emergency drought conditions due to improved hydrologic conditions, development of drought resilient supplies, or both. The SWRCB should rescind the emergency conservation regulations for those areas with adequate supplies, and focus on those communities that require assistance in meeting the water demands of their community. The SWRCB could continue its “stress test” demand reduction measures for areas in which supplies are inadequate in 2017 to meet normal demands.*

The State Water Board in its notice on the January 18 workshop has solicited public comment on the following questions:

1. *What elements of the existing May 2016 Emergency Regulation, if any, should be modified? Should the State Water Board wait until the hydrology for the current water year is known (April or later) before proposing adjustments to the current method for calculating conservation standards? And, should the State Water Board allow suppliers to update or modify their conservation standard calculations (and if so, how)?*

**Response:** The Emergency Regulation should not be modified. Instead, it should be allowed to expire. Based on current and likely hydrology for this current year, there is no longer a statewide drought emergency to justify extending the Emergency Regulation. Urban water suppliers statewide have uniformly demonstrated that they currently adequate water supplies, with a significant number of agencies demonstrating reliable water supplies in the case of 3 more dry years under the so called “stress tests”. Voluntary conservation levels by water suppliers continue to be strong and local programs are working. In specific cases where water suppliers may face on-going drought challenges individual assistance could be provided, if justified and upon request.

2. *Should the State Water Board account for regional differences in snowpack, precipitation, and lingering drought impacts differently than under the current emergency regulation, and if so, how?*

**Response:** Given the likelihood of above normal or even wet year conditions in almost all of the state by April and a robust water supply for urban water suppliers statewide, the Emergency Regulations are no longer warranted.

3. *Executive Order B-37-16 requires the Board to develop a proposal to achieve a mandatory reduction in potable water use that builds off the mandatory 25 percent reduction in previous Executive Orders and lessons learned through 2016. The Board, however, is not required to act on this proposal. Should the Board act now, or later if conditions warrant, to a conservation standard structure like the one the Board*

*adopted in February 2016 to achieve a mandatory reduction in water use? Should the Board set a conservation floor, individually or cumulatively?*

**Response: Executive Order B-37-16 requires the Board to develop a proposal “to prepare for the possibility of another dry winter.” Conditions have changed so dramatically since the EO was issued that it is no longer necessary to develop a mandatory 25% reduction proposal. Any consideration of a return to mandatory rationing in 2017 under current or foreseeable circumstances would threaten the credibility of the Administration and water suppliers that would be tasked with imposing such a rationing program on California water users.**

Thank you for considering these comments. I am available to discuss these comments at [daveb@acwa.com](mailto:daveb@acwa.com) or (916) 441-4545.

Sincerely,



David Bolland  
Director of State Regulatory Relations

cc: The Honorable Frances Spivy-Weber, Vice Chair, State Water Board  
The Honorable Dorene D'Adamo, Member, State Water Board  
The Honorable Steven Moore, Member, State Water Board  
The Honorable Tam Doduc, Member, State Water Board  
Ms. Kim Craig, Deputy Cabinet Secretary, Office of Governor Edmund G. Brown Jr.  
Mr. Tom Howard, Executive Director, State Water Board  
Mr. Eric Oppenheimer, Chief Deputy Director, State Water Board  
Mr. Erik Ekdahl, Director, Office of Research, Planning and Performance, State Water Board  
Mr. Max Gomberg, Climate Change Mitigation Strategist, State Water Board  
Mr. Timothy H. Quinn, Executive Director, ACWA  
Ms. Cindy Tuck, Deputy Executive Director for Government Relations, ACWA

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VIA EMAIL: [wue@water.ca.gov](mailto:wue@water.ca.gov); [commentletters@waterboards.ca.gov](mailto:commentletters@waterboards.ca.gov)

December 19, 2016

The Honorable Felicia Marcus, Chair  
State Water Resources Control Board  
1001 I Street, 24th Floor  
Sacramento, CA 95814

The Honorable Mark Cowin, Director  
California Department of Water Resources  
P.O. Box 942836, Room 1115-1  
Sacramento, CA 94236-0001

SUBJECT: Comments on “Making Conservation a California Way of Life” November 2016 Public Review Draft

Dear Chair Marcus and Director Cowin:

The undersigned water suppliers and associations comprise designated members of the Urban Advisory Group (UAG) convened by the State to provide input on the framework for implementation of Executive Order B-37-16 (EO) and additional participants in the recent stakeholder outreach process. Many of us submitted a joint comment letter and detailed recommendations dated October 18, 2016, and we include that package with this letter, as it continues to be germane to the Public Review Draft. We would also like to draw your attention to a comment letter being submitted today from the American Water Works Association, California-Nevada Chapter, which pertains to portions of the Public Review Draft.

We would like to express our ongoing appreciation for the opportunities that the State has offered to provide input in this process. We continue to be committed to helping define a successful framework to help California prepare for and respond to future droughts, and to promote the long-term efficiency of water use. We would like to collaborate with you and your colleagues in the Brown Administration to craft a legislative package that we can all support.

While we are largely supportive of the initial recommendations in the Draft Report, we cannot support any policy that allows the State Agencies carte blanche in determining future water-use budgets, prohibitions or performance measures. We believe all new water-use target setting efforts must include a formal stakeholder involvement process, allowing for input on technical considerations and the potential for unintended consequences.

The conservation framework must take into account the One Water policy perspective, seeking a balanced and integrated approach to sustainable water management. Water sustainability and drought resilience must be measured in terms of BOTH water-use efficiency and the development of new supplies and storage.

To that end, we are concerned that the uncertainty associated with unknown future conservation regulations will serve as a significant *disincentive* for the development of new sustainable supply sources

and storage by local agencies, and we strongly believe that this would be an unwise direction for California to take. As such, several of our comments are aimed at improving incentives for new supply development while maintaining water-use efficiency principles.

Similar to the approach we took in October, we have identified the elements of the Public Review Draft that we support and which we believe will improve water management in the future, and we have provided specific feedback aimed at improving the proposal. We support the enforcement of water use efficiency targets in 2025, the transition to a five-year drought planning sequence in the Urban Water Management Plan, and the additional components proposed for the Water Shortage Contingency Plans – communication plan, specific compliance and exemption procedures, monitoring and reporting protocols and a regular review process. We also believe that providing State agencies with our annual supply and demand assessments will facilitate better understanding of hydrologic conditions throughout the state.

We have identified the following areas of continued concern, which we look forward to resolving with the Executive Order agencies in the final report (the citations in each comment refer to the relevant section(s) of the Public Review Draft).

### **Using Water More Wisely**

#### **Section 2.1 Emergency Conservation Regulations for 2017**

- As the State Water Resources Control Board (SWRCB) considers extending the emergency regulation in January/February 2017, they must consider that many parts of the state are not experiencing emergency drought conditions due to improved hydrologic conditions, development of drought resilient supplies, or both. The SWRCB should rescind the emergency conservation regulations for those areas with adequate supplies, and focus on those communities that require assistance in meeting the water demands of their community. The SWRCB could continue its “stress test” demand reduction measures for areas in which supplies are inadequate in 2017 to meet normal demands.

#### **Section 2.2 Permanent Prohibition of Wasteful Practices**

- We request that the EO agencies include language to exempt residents from these prohibitions in the case of a public health or safety emergency and that uniform definitions of “measurable rainfall” and “street medians” be provided. We also ask that it be made clear in Section 2.2.4 that it will be the responsibility of local agencies to enforce these new regulations.

#### **Section 2.4 Process for Determining Cost-Effectiveness of Water Conservation and Energy Efficiency**

- It is stated in this section that the cost-effectiveness of potential appliance standards is based on the value of the water or energy saved, the effect on product efficacy for the consumer, and the life-cycle cost of complying with the standard to the consumer. The California Energy Commission (CEC) assesses the cost effectiveness of a proposed appliance standard by surveying and comparing the cost and operation of compliant and non-compliant appliances. Any increased costs must be offset by water and energy savings due to the increase in appliance



efficiency. We call on the CEC to include potential wastewater system impacts as a valid life-cycle cost associated with indoor appliances when conducting its cost-effectiveness analysis.

### Section 3.1 New Water Use Targets

#### *General*

- Alternative Target-setting Approach (Sections 3.1.1 and 3.1.2.) We continue to request that the State include optional approaches to the strengthened standards target-setting process that build on the elements of SB x7-7, as is directed by the EO. Expansion of the State agencies' water budget based proposal to provide for alternative target-setting approaches that can be customized to unique local conditions, would be equally effective in reducing water use and would allow for alternative methods to reducing water demands that could be more cost-effective for some agencies to implement. This is particularly important for water agencies that lack resources or capacity to implement water budget programs, or for water agencies that would benefit from this additional flexibility. We also believe that a regional compliance approach should be allowed as an option.
- No Impact on Water Rights. The new water use efficiency program requirements must not adversely affect water rights or contracts held by water suppliers in California, and must explicitly recognize the ability of water suppliers to use or transfer the conserved water, pursuant to Water Code Section 1011. These provisions are already contained in Water Code Sections 10608 et seq. (SB x7-7), and must be maintained in any modifications thereto or in any new Water Code language to implement the Executive Order. We ask that language be added to the executive summary and introduction clearly stating the state's intent to preserve water rights as the elements of the Executive Order are implemented.
- Sustainable Water Management. When setting water use standards, it is imperative for the EO agencies to recognize that water conservation by itself is not going to result in a resilient supply that can manage severe shortage situations, which the state is likely to face in the future. As described in Governor Brown's California Water Action Plan, an integrated and sustainable approach must include both water use efficiency and local supply development. When considering lowering the standards on water use, the state must take into account local efforts in developing drought resilient supplies, as mentioned in section 4.2.2 of the Public Review Draft.

#### *Indoor and Outdoor Standards*

- Water Use Efficiency Standards and Reporting (Section 3.1.3.) We support the proposal to establish 55 gallons per capita per day (GPCD) as the indoor use standard and the use of MWELo standards in place when landscapes were installed as the outdoor use standard for residential properties, when using the proposed method, for determining compliance with the new efficiency targets in 2025. The landscape standard should be applied to irrigable areas of parcels. We support reporting on compliance with the 2025 targets in the 2025 Urban Water Management Plan. We do not support annual reporting on targets either before or after the

2025 Plan. Finally, while we are open to considering lower water use standards for residential customers in future years, we insist that any such consideration be inclusive of a public stakeholder process.

- Indoor Standards Workgroup (Section 3.1.3.) Similar to the Landscape Area Measurement Workgroup, which is to assist the state in developing the outdoor irrigation standard, the EO agencies should form an Indoor Standards Workgroup to assist the state in evaluating the data and research to be utilized in determining the 2025 indoor standard. As part of this effort, the EO agencies must conduct a scientific evaluation to identify potential impacts on wastewater systems and recycled water/potable reuse production before the indoor water use standard is reduced to a standard below 55 GPCD.
- Landscape Area Measurement Data (Section 3.1.3.) We request that the State provide to water suppliers either the detailed, verified landscape data for every parcel in a water agency that chooses to use the water use efficiency compliance method defined in the Public Review Draft or the funding for the agency to perform this analysis. A significant amount of data and technical assistance, as well as dedication of precious fiscal resources, will be required to implement these standards. The process and methods to obtain and disseminate the data will need to be transparent and technically sound in order to ensure credibility with the public and local decision makers.

In lieu of using state-supplied landscape data, water suppliers should be allowed to use self-supplied landscape data of equivalent or superior quality to develop targets. Additional landscape data provided by water suppliers could be used to address unique conditions in a service area such as agricultural land or to provide updated landscape area reflecting service area growth. Any landscape data provided by the water supplier would be required to incorporate landscape area assumptions and definitions consistent with those used in the state-supplied data set. We urge the State to take a deliberate and iterative approach that includes verification of accuracy by an independent third party and allows sufficient time to test the proposed standards and make refinements as necessary. In this regard, any delay in the availability of verified landscape data should be reflected in compliance deadlines for water suppliers.

- Variances (Section 3.1.3.) We request that the EO agencies develop and implement a variance process to allow for the establishment of indoor and outdoor water use standards according to a water supplier's unique conditions, such as providing more water than the average for large animals, swamp coolers, home food production, etc. We ask that the draft framework include the development of variances and a variance process through a collaborative effort with water industry stakeholders.
- Recycled Water (Section 3.1.3.) The recycling and reuse of water is considered an efficient use of supplies and therefore should be removed from the water production calculations for determining compliance with 2025 targets, consistent with SB x7-7 (as is noted on pages 3-2 and 3-3 of this report). This approach will ensure incentives for the continued development of

recycling and potable reuse projects, which are critical to a resilient and sustainable water supply future for California.

#### *Commercial and Industrial Performance Standards*

- Commercial, Industrial, and Institutional (CII) Performance Measures (Section 3.1.3.) We support the exemption of CII water uses from volumetric targets. We conceptually support the establishment of performance measures for the CII sector but recommend that a CII workgroup with representative members from a broad spectrum of industries be engaged in the establishment of performance measures rather than by dictate in this report. Participation by industry along with water supplier representatives will help ensure Performance Measures are appropriate, effective and result in efficient water use without impairing economic activity. Further, we believe the stakeholder process is essential for achieving long-term support of Conservation as a Way of Life in the CII sector. The development of Performance Measures should build on the CII taskforce report completed in 2013. We also request the language concerning audits be revised to read:

*Work with willing CII customers to conduct representative water-use audits or water management plans for CII accounts over a specified size, volume, or percentage threshold or an equivalent measure determined by the CII workgroup.*

#### *Water Loss*

- Water Loss Requirements (Sections 2.3.3 and 3.1.3.) The Draft describes the requirements of SB 555 and the actions planned by DWR, CPUC and the SWRCB in Section 2.3.3, including potential loss standards and enforcement tools. We do not support also including water loss requirements in overall efficiency targets, as doing so creates an unnecessary, redundant and potentially conflicting compliance requirement.
- Reporting, Compliance Assistance and Enforcement (Section 2.3.4.) We support submittal of validated water loss audit reports to the California Department of Water Resources (DWR) by October 1, 2017 as is already required by law. However, we do not support the provision to disqualify agencies that do not submit these reports by that date from eligibility for DWR grants and loans.

#### *Implementation and Enforcement*

- Legislative Role in Updates to Water Use Targets (Section 3.1.3.) Any revisions of the standards and CII performance measures beyond the 2025 compliance period must only be implemented through future legislation. The role of the Legislature in crafting and refining California's water use policies and water use efficiency standards is critical, as is the role of the Legislature in providing agency oversight and accountability.
- Enforcement Measures (Section 3.1.4.) The consequences for a water supplier that fails to meet its 2020 water use efficiency standard consist of that water supplier becoming ineligible for

State grant funding. Water Code Section 10608.56 includes additional provisions that condition the imposition of such sanctions. We believe that these sanctions provide adequate incentive for water suppliers to achieve the water use efficiency standards proposed in the Public Review Draft and that any other financial penalties or enforcement processes would be unnecessary and counterproductive.

- Timeline Feasibility (section 4.3.) The EO agencies have proposed a significant number of important tasks to be completed between 2017 and 2018. We request that the state provide additional details on specific timelines and hold a workshop to ensure the schedule is realistic by seeking input from water suppliers regarding the possible impacts/constraints on staff and budget.

### **Eliminating Water Waste**

#### **Section 2.2 Monthly Reporting and Permanent Prohibition of Wasteful Practices**

- Existing Authority (Section 2.2.3.) The Public Review Draft notes that the EO agencies plan to implement monthly reporting requirements and permanent water use prohibitions through existing authority. We request that the State provide more detailed information about the specific statutes that provide this authority.
- Stakeholder Input (Section 2.2.3.) A stakeholder workgroup should be formed as part of the rulemaking process to ensure the reports submitted monthly serve a meaningful purpose to the state and public and that the statewide permanent prohibitions are appropriate for communities throughout the state.

### **Strengthening Local Drought Resilience**

#### **Section 3.2 Water Shortage Contingency Plans**

- Water Shortage Contingency Plan, Recommendation **Updated Contents of the Urban Water Management Plans** (Section 3.2.3.) In order to acknowledge the benefit of developing drought resilient, hydrologically independent supplies consistent with the California Water Action Plan, we request that the following be added below 2. *Evaluation Criteria*:
  - e) *Drought resilient, hydrologically independent supplies such as potable reuse, recycled water and desalination are considered fully reliable under all historical drought hydrology and plausible climate change effects.*
- Water Shortage Contingency Plan , Recommendation , **Contents of the Water Shortage Contingency Plans** (Section 3.2.3.) This section should be clarified to acknowledge that in some cases where water suppliers have in place or may invest in drought resilient, hydrologically independent supplies, these agencies may in fact not experience shortages under drought

conditions. In light of this, we recommend the following language be added to 4. *Shortage Levels. Evaluation Criteria:*

- *Water suppliers with a substantial portfolio of drought resilient, hydrologically independent base supplies may not experience shortage conditions due to drought or climate change. Water suppliers with validated, reliable, base water supplies of this type shall only be required in WSCPs to address shortage levels up to the maximum percentage that can be feasibly caused by dry hydrologic conditions.*
- Additional Dry Year Analyses (Section 3.2.3). We do not support the State's proposal to require "one or more <additional> dry years" to be analyzed as part of the annual water budget forecast. We would support an analysis of one additional dry year in the forecast, if conditions require a water supplier to implement its water shortage contingency plan.
- Water Shortage Contingency Plans (page 3-13). It must be made clear that should an agency implement its defined shortage response actions (SRA's) that effectively move the agency out of a shortage condition, then there is no need for the agency to declare an emergency, or be considered to be in an emergency shortage condition by the DWR or SWRCB.
- Drought Planning for Small Water Suppliers and Rural Communities, Current Status (Section 3.3.1.) While SGMA implementation will be important to future water supplies in California, and sustainable groundwater management will be a key element of preparing for and responding to future droughts, we believe the Draft mischaracterizes the authority and responsibility of GSAs relative to Drought Planning for Small Water Suppliers and Rural Communities. We believe that drought planning for specific water systems and assurance of future water supplies is beyond the scope of SGMA, and recommends this reference (p 3-16, second column, lines 5-11) be removed from the document. While GSAs must consider the interests of all water users, they do not have an explicit obligation for water supply reliability to any user.
- Drought Planning for Small Water Suppliers and Rural Communities, Recommendations (Section 3.3.3.) We request that the framework clarify that those small water systems which have already established their own shortage plans should retain the flexibility to maintain the authority to implement their shortage plans and coordinate with their respective water wholesaler or County and not be subject to a new duplicative countywide effort.
- Drought Planning for Small Water Suppliers and Rural Communities, Recommendations (Section 3.3.3.) We support the effort to improve drought planning for small and rural water suppliers but do not recommend adding additional requirements to Groundwater Sustainability Plans without appropriate and necessary stakeholder input. We request the coordination language be revised to read:

5. *Coordination – Work with stakeholders to develop opportunities to coordinate SGMA efforts and drought planning. Evaluate options for reflecting drought planning and responses in Groundwater Sustainability Plans.*

Thank you for the opportunity to comment. We look forward to continued collaboration with staff of the State agencies to develop a framework by the January 2017 deadline that meets the objectives of the EO while preserving local water supplier authority and providing flexibility in implementation.

Sincerely,

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cc:


The Honorable Frances Spivy-Weber, Vice Chair, State Water Resources Control Board  
The Honorable Dorene D'Adamo, Member, State Water Resources Control Board  
The Honorable Steven Moore, Member, State Water Resources Control Board  
The Honorable Tam Doduc, Member, State Water Resources Control Board  
Ms. Kim Craig, Deputy Cabinet Secretary, Office of Governor Edmund G. Brown Jr.  
Mr. Tom Howard, Executive Director, State Water Resources Control Board  
Mr. Eric Oppenheimer, Chief Deputy Director, State Water Resources Control Board  
Mr. Gary B. Bardini, Deputy Director, Integrated Water Management, Department of Water Resources  
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# Joint Comment Letter Signatories

## “Making Conservation a California Way of Life” Public Draft Review

(Comment Letter Dated December 19, 2016)


Signatory Agency

**Statewide Organizations**

- Association of California Water Agencies
- CalDesal
- California Municipal Utilities Association
- State Water Contractors



October 18, 2016

The Honorable Mark Cowin, Director  
California Department of Water Resources  
P.O. Box 942836, Room 1115-1  
Sacramento, CA 94236-0001

The Honorable Felicia Marcus, Chair  
State Water Resources Control Board  
1001 I Street, 24th Floor  
Sacramento, CA 95814

SUBJECT: Comments on Current State Agency Draft Response to Executive Order B-37-16

Dear Director Cowin and Chair Marcus:

As urban retail and wholesale water suppliers serving tens of millions of Californians throughout the State, we have invested in water supplies for many years to reliably serve our residential, commercial, and industrial customers. We collectively responded to help achieve Governor Brown's goal of 25% water conservation in 2015 in response to the ongoing drought. We appreciate the State's recognition of water suppliers' past investments in water supply resiliency that resulted in the vast majority of the suppliers passing the State's "stress test," demonstrating their capacity to meet customer demand in the event of an ongoing drought.

The undersigned water suppliers and associations comprise designated members of the Urban Advisory Group (UAG) convened by the State to provide input on the framework for implementation of Executive Order B-37-16 (EO) and additional participants in the recent stakeholder outreach process. As such, we wish to express our appreciation for the extensive opportunities to understand and provide comments on the State's proposed implementation and we have provided substantial feedback. We are committed to helping define a successful framework to help California prepare for and respond to future droughts, and to improve the long-term efficiency of water use. We share the goal articulated by your staff in the UAG meetings to date of developing an implementation proposal that can be translated into a legislative package that we can all support.

The purpose of this letter is to identify the elements of the State agencies' current proposal that we support that will improve water management in the future, and to provide specific feedback to improve the proposal. We have the following areas of continued concern, which are described in more detail in Attachment 1, and which we look forward to addressing as the proposal is refined in coming weeks:

- Five-year Drought Period. We support the shift to planning for a five-year drought period based on historical hydrologic data, but suggest that the option remain to plan for a shorter period if it represents a more severe drought. We urge the State to continue with the current proposal with that adjustment and include that requirement as an element of the Urban Water Management Plan, rather than an annual assessment. More detailed comments on the Water Shortage



Contingency Plan proposal are included in Attachment 2 to this letter, which we anticipate are now closely aligned with the pending revisions to the staff proposal.

- **Adequate Process to Develop Standards.** We strongly urge the State to proceed with caution as it develops standards, outdoor water use standards, in particular. The State is proposing major changes in water management requirements, some of which are based on emerging methodologies. A large amount of data and technical assistance will be required to implement these standards. The process and methods to obtain and disseminate the data will need to be transparent and technically sound in order to ensure credibility with the public. We urge the State to take a deliberate and iterative approach that allows sufficient time to test the proposed standards and make refinements as necessary. Attachment 3 contains detailed comments on the standard and target-setting proposal.
- **Alternative Target-Setting Approach.** We urge the State to include additional approaches to the standards-based water budget target-setting process which build on the elements of SB x7-7, as directed by the EO. Expansion of the State agencies' proposal to provide for alternative target-setting approaches should be equally effective in reducing water use and would allow for more a cost effective means to reduce water demands. This is particularly important for water agencies that lack resources or capacity, or for water agencies that would benefit from additional flexibility. More detailed suggestions for alternative target-setting are included in Attachment 4.
- **Incentives to Support Continued Supply Investments.** We urge the State to develop and implement a framework that incorporates incentives for the development of drought resilient water supplies, including recycled water and potable reuse, desalination, storage and conjunctive use, stormwater capture, groundwater and other alternatives. Similarly, the State must ensure that the framework does not result in any adverse impacts to water rights.
- **Support for 2025 Schedule.** We support the State's proposal for full compliance of the permanent long-term water use efficiency targets in 2025, as documented in a 2026 compliance report and 2025 Urban Water Management Plan. The Urban water suppliers need adequate time to get the tools and resources in place to achieve the target. (i.e., water rate structure, water use efficiency programs, etc.)
- **Expand the Focus and the Tools.** To make conservation a way of life in California, significant and sustained behavioral changes by nearly 40 million residents will be required. Regulatory standards set on urban water suppliers alone will not be enough to achieve the desired results. We urge the State to use the proposed framework to expand its financial commitment for outreach and technical assistance for water conservation for water suppliers, as well as identifying other mechanisms at the State's disposal to effect changes by end-users of water.

Thank you for the opportunity to comment. We look forward to continued collaboration with staff of the State agencies to develop a framework by the January 2017 deadline that meets the objectives of the EO while preserving local water supplier authority and providing flexibility in implementation.

Sincerely,

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Greg Thomas  
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Rincon Del Diablo Municipal Water District

Harry Starkey  
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West Kern Water District

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Central Basin Municipal Water District

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Placer County Water Agency

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Mark Kinsey  
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Cucamonga Valley Water District

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Humboldt Community Services District

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CEO/General Manager  
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Cc:

The Honorable Frances Spivy-Weber, Vice Chair, State Water Resources Control Board

The Honorable Dorene D'Adamo, Member, State Water Resources Control Board

The Honorable Tam Doduc, Member, State Water Resources Control Board

The Honorable Steven Moore, Member, State Water Resources Control Board

Ms. Kim Craig, Deputy Cabinet Secretary, Office of Governor Edmund G. Brown Jr.

Mr. Tom Howard, Executive Director, State Water Resources Control Board

Mr. Eric Oppenheimer, Chief Deputy Director, State Water Resources Control Board

Mr. Gary B. Bardini, Deputy Director, Integrated Water Management, Department of Water Resources

Mr. Kamyar Guivetchi, Manager, Statewide Integrated Water Management, Department of Water Resources



**Attachment 1**  
**Comments on the Development of the Framework for**  
**Implementation of Executive Order B-37-16**

The comments below include fundamental areas of agreement as well as a number of concerns with the current direction of the State's proposals. The comments are arranged under the topical areas defined in the Executive Order (EO): Eliminate Water Waste, Strengthen Local Drought Resilience, and Use Water More Wisely; as well as the Reporting, Compliance and Enforcement element defined by State staff. In some cases, additional detail is provided in attachments.

Eliminate Water Waste

- We support EO Directive 4 that permanently prohibits practices that waste potable water.
- We support the State's intention to continue the ongoing process for implementation of SB 555, passed in 2015, in satisfaction of this element of the EO.

Strengthen Local Drought Resilience

- We strongly support the State's stated objective to create a framework for water shortage contingency planning to be implemented by urban water suppliers that will mitigate the future need for emergency water conservation mandates from the State. Further, we support the State's proposed position that specific actions to be taken to respond to real or potential shortages should be entirely at the discretion of individual water suppliers in their own service areas.
- We support the proposal to assess the impact of a five-year drought period in the urban water management plan (UWMP) process, which will be updated every five years.
- We support an annual drought risk assessment that looks at current year supplies as the basis for making the local decision to implement demand reduction measures. These annual assessments will provide the necessary information on potential shortages to determine specifically which urban water suppliers are in a drought concern area and require technical and/or financial assistance from the State.
- We support the State addressing the needs of small water suppliers that do not meet the statutory threshold to prepare and adopt urban water management plans. The small suppliers may not have the resources to plan for, acquire and manage the necessary water supplies in their community. Indeed, some small suppliers suffered enormously in the past couple of years. It should be acknowledged that urban water agencies have had access to planning and guidance documents prepared by the State, as well as utilizing their own planning and financial resources which have resulted in urban water agencies being well prepared during this drought. We look forward to collaborating in the continued development of tools and resources for small water suppliers.
- **Attachment 2** has been provided to State staff and offers additional specific feedback on the State's proposal for Strengthening Local Drought Resilience.

### Use Water More Wisely

- While we recognize that the EO calls for standards to be developed for indoor residential water use, outdoor irrigation, CII water use, and water loss, we offer additional mechanisms that fit within the methodology to set targets. Much like in SBX7-7, we believe multiple target setting mechanisms can be developed to provide flexibility to water suppliers, while meeting the goal of increased water savings beyond the 2020 requirements. We also believe the regional compliance approach allowed in SBX7-7 should be maintained as an option. **Attachment 4** provides more detail on potential compliance mechanisms.
- We appreciate the State's recognition that a standardized percentage reduction for CII water use would be potentially damaging to the State's economy. We look forward to working with the State to develop performance standards for water use for various business types in fulfillment of the EO's CII water use element.
- The proposed standards for indoor water use of 55 gallons per person per day (GPCD) and outdoor water use that is a function of landscape area and evapotranspiration are a useful starting point for discussion. However, this method requires a large amount of landscape information that will require validation and indoor standards either need to reflect the unique conditions of the community such as widespread use of swamp coolers or the age of the housing stock, or provide a variance process. We offer detailed feedback on the State's proposal in **Attachment 3**.
- The State agencies' proposal inappropriately applies outdoor standards based on the Model Water Efficient Landscape Ordinance to properties built before 1993.
- In order to develop a permanent framework that supports the state's goals for long-term water use efficiency as outlined in the EO, we recommend an iterative process that allows sufficient time to test the proposed standards for each of the sector budgets and to make refinements as necessary. The long-term water use efficiency framework should provide a broad policy outline on the approach to calculating the new water use targets and include the potential for alternative methods. The state should then allow sufficient time to pilot test the proposed target-setting methodology with water suppliers and incorporate needed refinements.
- Recycled water should also be recognized as an efficient alternative to the use of potable water. We understand that all water should be used efficiently, and the use of recycled water is already highly regulated under the Regional Water Quality Control Board National Pollutant Discharge Elimination System permits that prohibits certain practices, such as runoff or ponding. The efficient use of recycled water should not be limited. Recycled water is by its nature an efficient use of water and barriers to its use should be minimized. The state's proposal on water waste prohibitions should remain consistent with the intent of the Executive Order.
- If California is to be successful in making conservation a California way of life, a much more comprehensive set of actions must be implemented beyond establishing regulatory water use efficiency targets. The State is proposing enforceable standards applied to water suppliers as the sole mechanism by which to achieve the targets set through the process, and neglecting the opportunity to effect change with end users. We urge the State to consider other mechanisms, both incentives and disincentives, that more directly focus on specific uses and users of water including: State investment in water conservation messaging and outreach, the role of land use agencies in residential and commercial landscaping, and appropriate requirements on businesses and other water users.

- Water suppliers have identified a number of potential unintended consequences of decreasing urban water use that must be more fully evaluated prior to standard and target setting, including, reduced flows that impact the effective operation of wastewater collection and treatment systems; reduced flows that impact drinking water quality, and the higher costs of water efficiency measures that will necessitate increased water rates, further exacerbating affordability issues in urban disadvantaged communities.

#### Reporting, Compliance and Enforcement

- We appreciate the State's commitment to streamlining both existing and new reporting requirements to minimize the burden on water suppliers.
- The State is proposing a significant paradigm shift in water efficiency requirements from that in SBX7-7. We support the State's proposal to provide a period of five years or more for implementation of new standards and targets before enforcement action is considered. We believe the enforcement timeline must also reflect the need for the State to meet its commitments to provide necessary validated irrigable landscape data, and technical and financial assistance to reduce water loss.
- We urge the State to support collaboration of water suppliers by considering mechanisms by which compliance can be achieved regionally.



## Attachment 2

### Proposed Drought Planning and Response Structure

The table below identifies a framework for drought planning and response in California and identifies the roles and responsibilities of urban water suppliers and state agencies. The structure includes: Planning – the preparation of Urban Water Management Plans and their specific elements related to potential shortages; Assessment – an annual evaluation by the water supplier of demand, supplies, and potential shortages; and Response – specific actions identified to reduce demand. As the structure is in response to the directives in Executive Order B-37-16, it does not address planning for potential water shortages that result from causes other than drought. Such shortages can be readily incorporated into the structure by each urban water supplier depending on their specific conditions.

	Planning/Response Element	Urban Water Supplier	State Agencies
PLAN	<b>Urban Water Management Plan (UWMP)</b>	<ul style="list-style-type: none"> <li>Includes <b>long-term</b> “drought risk assessment” consistent with Water Code (WC) 10631(c), 10632(a)(2) and 10635(a):               <ul style="list-style-type: none"> <li>Revise WC 10632(a)(2) to require agencies to evaluate drought lasting at least five years - suppliers will analyze supply and demand for five years from the year of the UWMP forward, assuming conditions equivalent to supplier’s five consecutive historic driest years</li> <li>Suppliers will analyze at least five dry years, as part of the multiple dry year assessments in WC 10631(c) and 10635, assuming conditions equivalent to supplier’s five consecutive historic hydrologic driest years</li> <li>Suppliers should be able to utilize a shorter period if it represents a more severe drought than the five-year period.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>DWR prepares UWMP Guidebook.</li> <li>As part of Guidebook, DWR provides guidance on characterizing the five-year drought cycle.</li> <li>DWR receives and reviews UWMP for completeness and compliance with statutory requirements.</li> </ul>
	<b>Water Shortage Contingency Plan (WSCP)</b> Required element of UWMP  <i>This proposal focuses the drought planning aspect of WSCP. The planning for catastrophic events remains unchanged.</i>	<ul style="list-style-type: none"> <li>Revise WC 10632 to expand the elements of the current water shortage contingency analysis to require a water shortage contingency plan which would include:               <ul style="list-style-type: none"> <li>Stages of water shortages and actions that would be taken by suppliers to address each stage.</li> <li>Conditions which would trigger each stage of water shortage.</li> <li>The supplier’s communications strategy to implement the plan.</li> <li>A discussion of the supplier’s WSCP implementation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>As part of UWMP Guidebook, DWR works with stakeholders to develop potential actions that will accomplish the demand reductions.               <ul style="list-style-type: none"> <li>Include updated range of savings from water use restrictions and consumption reduction methods, taking into account results from implementation of long-term water use targets.</li> </ul> </li> </ul>

## Attachment 2

		<p>authority.</p> <ul style="list-style-type: none"> <li>○ An assessment of the financial impacts of implementing each stage.</li> <li>○ A discussion of the process the supplier will use to report to its community, its governing body and state agencies on implementation of the WSCP;</li> <li>○ A discussion of customer compliance and enforcement provisions in the plan, as well as any customer exemption processes.</li> <li>○ A review and improvement process for the plan.</li> </ul>	<ul style="list-style-type: none"> <li>• DWR offers technical assistance for the development of WSCPs for agencies requesting it.</li> <li>• DWR reviews WSCP for completeness and compliance with statutory requirements.</li> </ul>
ASSESS	<b>Annual Drought Risk Assessment</b>	<ul style="list-style-type: none"> <li>• Urban water suppliers will be required to prepare an annual water supply assessment (Add a new section to WC) <ul style="list-style-type: none"> <li>○ Prepare by May 30<sup>th</sup> of each year</li> <li>○ Include projected demand and total supplies available for the upcoming year, which includes any supply augmentation.</li> <li>○ If assessment shows a shortage of supply in the year analyzed, the agencies must identify the appropriate water shortage stage and associated responses to manage the shortage.</li> </ul> </li> <li>• Suppliers can submit the assessment on a regional basis, based on a region identified by water suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>• As part of DWR Guidebook, DWR provides common standards on preparation of the assessments and the supply and demand documentation required to verify availability of the supply. (e.g., contracts, agreements, etc.)</li> </ul>
RESPOND	<b>Implement Water Shortage Contingency Plan )</b>	<ul style="list-style-type: none"> <li>• Suppliers will submit their annual drought assessment to DWR by May 30<sup>th</sup>.</li> <li>• Should a water supplier identify a shortage in their assessment, the supplier shall implement the relevant stage of response actions in its WSCP (including the communications, reporting, and customer compliance elements)</li> <li>• In the Supplier's SWRCB monthly report, the supplier shall provide information on implementation of its WSCP, until the hydrologic condition triggering the WSCP actions dissipates</li> </ul>	<ul style="list-style-type: none"> <li>• DWR will evaluate hydrologic conditions statewide</li> <li>• From the annual drought assessments, DWR/SWRCB will know the shortage level, if any, of urban water supplier and/or region can take the following actions, if warranted: <ul style="list-style-type: none"> <li>○ Identify communities that are of "drought concern"</li> <li>○ Provide assistance (e.g. financial, technical) to those agencies experiencing shortages in order to</li> </ul> </li> </ul>



**Attachment 2**

			<div>manage the drought.</div> <div>○ DWR/SWRCB monitor implementation of WSCP through monthly reporting.</div>
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**Attachment 3**  
**Analysis of State Proposed Long Term Conservation**  
**Target Framework**  
**(September 20, 2016 UAG Meeting)**  
**UPDATED – October 17, 2016**

Overall Requirements	
<b>State Agency Proposal:</b> <ul style="list-style-type: none"><li>• State would allow suppliers to achieve the target in aggregate, and would not regulate or require targets for suppliers' individual customer groups or classes.</li><li>• The effective start date of the reporting and compliance period would be six months after the State agencies provide each urban water supplier:<ul style="list-style-type: none"><li>• The data base of measured irrigable area for all residential and separately metered irrigable landscape areas</li></ul></li></ul>	<b>Proposed Response:</b> <ul style="list-style-type: none"><li>• Support the proposal with the following changes:<ul style="list-style-type: none"><li>– Specify that for compliance purposes, suppliers would be allowed to implement any method of conservation that best meets the needs of the supplier and its customers. Suppliers will have the sole discretion to design and utilize rate structures or implement other conservation tool as the supplier deems appropriate to achieve long term conservation targets.</li><li>– The state provides additional support for creating targets (See below).</li></ul></li></ul> <b>State Agency Requirements:</b> <ul style="list-style-type: none"><li>• Provide a functioning data portal with downloadable reference evapotranspiration data for representative climate zones for each supplier. Provide a data base of validated aerial imagery with measured irrigable area for all residential and separately metered irrigable landscape areas correlated at the assessor parcel level.</li><li>• Provide a calculated target for suppliers requesting state assistance.</li><li>• Specific compliance dates included in the State's proposal would be extended to reflect the length of any delay in providing these items.</li></ul>

## 1. Indoor Residential Water Use Standard

### State Agency Proposal:

- The indoor residential water use standard is a volume of water used by each person per day. The standard is in units of gallons per capita per day (GPCD).
- The provisional standard is proposed as 55 GPCD beginning in 2018.
- Revised downward in 2018, to be achieved by 2025
- State will reevaluate standard every five years, beginning in 2025.
  - The standard will be revised downward to reflect increased usage of efficient fixtures and appliances in 2025 and 2030.

### Proposed Response:

- Support the initial standard of 55 GPCD.
- Indoor target of 55 GPCD standard multiplied by the population in the year of compliance (to adjust for growth).
- Suppliers' produced Potable Reuse water is excluded from supply when calculating and reporting compliance with the total target.

### State Agency Requirements:

- Develop and adopt a variance process for water agencies with a workgroup to address special conditions such as the age of the housing stock, use of swamp coolers, seasonal population, etc.
- Develop a stakeholder workgroup to consider the impact of lower indoor GPCD standards on wastewater systems and recycled water prior to revising standards starting in 2025.

## 2. Outdoor Water Use Standard

### State Agency Proposal:

- Using the landscape area option selected by the State above, the outdoor water use budget is calculated as the sum of the individual budgets for all parcels within that landscape area, using a provisional *Evapotranspiration Adjustment Factor (ETAF)* as follows:
  1. Landscape area for parcels developed pre-2010 x 0.8 ETo;
  2. Landscape area for parcels developed between 2010 and 2015 x 0.7 ETo;
  3. Landscape area for parcels developed post 2015 x 0.55 ETo (0.45 for Commercial landscape); and
  4. Special Landscapes (parks, fields) area x 1.0 ETo.
- A pilot study will be conducted with 30 agencies.
- The outdoor standard will be revised lower based on the results of DWR's review of existing budgets and a study of landscape irrigation use in a representative statewide sample of suppliers. Revised standards will be available from the state in 2018.
- Compliance with standards required in 2025
- Standards based on irrigable area.
- State will reevaluate every 5 years, beginning in 2025.

### Proposed Response:

- Support initial proposed structure and pilot study with the following conditions:
  - Inclusion of an additional ETAF of 1.0 ETo for pre-1992 installed landscapes.
  - Standards will only be revised in 2018 if total statewide targets are not lower than the current SBX7-7 target.
  - Landscape areas irrigated with recycled water and commercial agriculture are excluded from suppliers' outdoor water use portion of target.
- Outdoor target in the year of compliance adjusted for landscape area increases due to growth that occurred during reporting period. Target adjustment based upon supplier submitted increased landscape area and irrigation data, or percentage population increase.
- Recommend mixed use CII and outdoor water use other than irrigation (i.e. construction water) be handled separately (see below).

### State Agency Requirements:

- Provide a database of third-party validated aerial imagery with measured irrigable area for all residential and separately metered irrigable landscape areas, and age of parcels correlated at the assessor parcel level.
  - Aerial imagery data shall be suitable such that it provides for the appropriate amount of irrigation for a variety of vegetation (i.e. large trees, irrigable area under native tree canopy, etc.).
- Provide a data portal that contains downloadable reference evapotranspiration data with representative climate zones for all urban water suppliers in the State.
- Provide the computation of the supplier level outdoor irrigation water target for any urban water supplier requesting State assistance due to inadequate resources.
- Provide updated aerial imagery and measured irrigable area at least by 2025 and every five years thereafter.
- Through a workgroup process, develop and adopt:
  - Standards and processes for developing the landscape area data;
  - A variance process for water agencies with special conditions of outdoor use. Special conditions could include livestock, food production, or water used for firefighting; and
  - Guidelines for calculating areas for Special Landscapes.

3. CII Water Use Performance Measures	
<p><b>State Agency Proposal:</b></p> <ul style="list-style-type: none"> <li>• All dedicated irrigation accounts will be on a budget using outdoor standards.</li> <li>• Require classification using the North American Industry Classification System (NAICS) by 2021, develop benchmarks.</li> <li>• Require all mixed meter accounts to split off landscape greater than a size threshold to dedicated irrigation accounts (or equivalent technology) by 2021.</li> <li>• Audits and water management plans for reporting efficiency in CII water use. <ul style="list-style-type: none"> <li>– Audits and plans for subset of CII customers, based on volume, percentage, or number.</li> </ul> </li> <li>• CII reporting requirements.</li> </ul>	<p><b>Proposal Response:</b></p> <ul style="list-style-type: none"> <li>• Support the proposal and the development of performance measures using the following process <ul style="list-style-type: none"> <li>• Form a CII Technical Workgroup comprised of industry representatives, economic development and business community leaders, water agencies and state agencies. The Workgroup will be tasked with the following requirements: <ul style="list-style-type: none"> <li>• Develop appropriate CII classifications. <ul style="list-style-type: none"> <li>○ Complete defining classifications for reporting by 2019; and</li> <li>○ Support using appropriate NAICS classifications as baseline.</li> <li>○ Classifications should be detailed enough to include uses of water that are not normally thought of as CII sector water (example: dust control for grading).</li> </ul> </li> <li>• Develop applicable performance measures for CII classifications by 2021. In developing the performance measures, the Workgroup would gather the data deemed necessary to develop the measures, such as water use, and utilize recommendations from the 2013 <i>CII Task Force Water Use Best Management Practices Report to the Legislature</i>.</li> </ul> </li> <li>• Water suppliers would be required to request that representative industries in the top 5% of their CII users participate in audits and water management plans for each of the CII classifications by 2021, with State reimbursement for suppliers' costs. <ul style="list-style-type: none"> <li>○ Suppliers not staffed to conduct audits can request and have audits conducted directly by the State, subject to supplier review.</li> </ul> </li> </ul> <p><b>State Agency Requirements:</b></p> <ul style="list-style-type: none"> <li>• Supply staff resources and funding assistance to develop classifications and performance measures for CII uses within the timelines.</li> <li>• Through a workgroup process, assess the feasibility criteria and cost-effectiveness of splitting mixed use meters and options, including costs, for installing equivalent technologies. Provide grant funding to split mixed use meters or to install new equivalent technology</li> <li>• Provide grant funding and technical support for audits and management plans.</li> </ul> </li></ul>

<b>4. Water Loss Standard</b>	
<p><b>State Agency Proposal:</b></p> <ul style="list-style-type: none"> <li>• The standard for water system loss will be established through the SB 555 process, and will be expressed in terms of a volume per capita or volume per connection, accounting for relevant factors such as infrastructure age and condition.</li> <li>• Will include real and apparent losses.</li> <li>• The water system loss standard will be set by 2019, to be achieved by 2025.</li> <li>• State will reevaluate standard every five years, beginning in 2025.</li> </ul>	<p><b>Proposal Response:</b></p> <p>Support the development of appropriately measured standards through the SB 555 process.</p> <ul style="list-style-type: none"> <li>• Base the target water loss standard on relevant factors identified through the SB 555 process.</li> <li>• Water system loss standard will be for potable water systems only.</li> </ul> <p><b>State Agency Requirements:</b></p> <ul style="list-style-type: none"> <li>• Provide financial assistance to address data gathering and water loss prevention efforts.</li> </ul>
<b>5. Reporting, Compliance and Enforcement</b>	
<ul style="list-style-type: none"> <li>• Progress reports beginning in 2019</li> <li>• Full compliance in 2025 reporting period, as documented in 2026 compliance report and 2025 UWMP update (submitted in July 2026) <ul style="list-style-type: none"> <li>– State Board enforcement</li> </ul> </li> <li>• State agencies are developing methods to encourage compliance from 2021 through 2025.</li> </ul>	<p><b>Proposal Response:</b></p> <ul style="list-style-type: none"> <li>• Support the proposed timeline with the requirement that all data (i.e. landscape area data, reference evapotranspiration data portal, etc.) and guidance targets dates are met, as proposed.</li> <li>• Need more specificity on proposed State Board enforcement process.</li> </ul> <p><b>State Agency Requirements:</b></p> <ul style="list-style-type: none"> <li>• Meet target deadlines for data and guidance as proposed.</li> </ul>

# Conceptual Approach to “Use Water More Wisely”

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## Executive Order

Governor Brown’s Executive Order B-37-16 #02 directs the Department of Water Resources and the State Water Resources Control Board to work together to develop new water use targets that build on the goal defined in SB x7-7 of 20% reduction in statewide water use by 2020. The Order further states that the targets will be customized to the unique conditions of each water agency, shall generate more statewide water conservation than existing requirements and will be based on strengthened standards for indoor water use, outdoor irrigation, CII uses and water loss through leaks.

## Proposed Approach

- Water agencies will support a stronger statewide goal – a new water use target – that builds on and goes beyond 20% reduction statewide by 2020. The goal would be based on achieving reductions compared to the existing baselines developed pursuant to SB x7-7. Further revisions to a statewide goal would be developed after analyzing progress in 2030, and would be implemented via new legislation.
- In SBX 7-7 four methods were originally developed to provide mechanisms for water agencies to contribute to achieving the 2020 statewide goal – these methods allow for the creation of targets that are customized to the unique conditions of each water agency – allowing water agencies to select the most effective, and cost-effective means of reducing water use.
- These methods accommodate the diversity of hydrologies, individual water system and service area characteristics, sources of supply, demand patterns and investments already made by water agencies in alternative sources and demand reduction and should be maintained and each made more stringent.
- These methods will be strengthened, per the direction provided in the Executive Order. Every water agency will demonstrate that it will achieve greater reductions in water use than would otherwise be achieved under the current requirements of SB x7-7, no matter what method is chosen.
- These alternate methods do not rely solely on remote sensing data and provide the necessary flexibility to avoid the adverse unintended consequences on recycled water supplies, as well as wastewater collection systems.
- Each water agency will evaluate the four alternate methods of compliance and select the most appropriate method for their agency’s local conditions and unique circumstances.

## Attachment 4

### Compliance Methods

- Method 1 would be modified to reflect the EO requirement to achieve greater water savings than existing requirements. Building on the 20% reduction required in SBX7 7, Method 1 would apply enhanced numerical water use reduction targets for the years 2025 and 2030 to the existing baseline water use (for example 25% by 2025).
- Method 2 (efficiency standards for indoor and outdoor use, CII and leaks) is proposed to be modified per the language in the document entitled “Analysis of State Proposed Long Term Conservation Target Framework – Method 2”. This method requires significant time and expense to determine outdoor use standards, but may become more viable after considerable effort is invested to refine, test and validate it.
- Method 3 would be modified to include an updated regional hydrologic target, and agencies would be required to achieve a 5% reduction from this regional target by 2025. In 2025 an updated regional hydrologic target would be set and agencies would be required to meet an objective 5% reduction from this new regional target by 2030.





**Statement by Nicole Sandkulla, Chief Executive Officer of BAWSCA, Before the State Water Resources Control Board as Part of Hearing on Recirculated Draft Substitute Environmental Document**

**January 3, 2017**

Good morning Chair Marcus and members of the State Water Resources Control Board. My name is Nicole Sandkulla. I am the Chief Executive Officer and General Manager for the Bay Area Water Supply and Conservation Agency (BAWSCA). BAWSCA represents the interests of the 26 water suppliers who purchase, on a wholesale basis, two thirds of the water produced by the San Francisco Regional Water System (System), which is operated by the San Francisco Public Utilities Commission (SFPUC).

On September 15, 2016, the State Water Resources Control Board (State Board) released the Recirculated Draft Substitute Environmental Document in Support of Potential Changes to the Water Quality Control Plan for the San Francisco Bay-Sacramento/San Joaquin Delta Estuary: San Joaquin River Flows and Southern Delta Water Quality (SED). This State Board proposal could cause a substantial reduction of water from the Tuolumne River to the Bay Area for the 1.7 million residents, 40,000 businesses, and thousands of community organizations in Alameda, San Mateo, and Santa Clara counties whose water interests BAWSCA represents.

The proposal's purpose is to update water-quality requirements in the San Joaquin Delta and establish minimum water flows in major tributaries, including the Tuolumne River, which supplies the System, and for the protection of fish and wildlife resources. BAWSCA understands the value of the Bay Delta ecosystem and that the status quo is not sustainable.

In nine words, "BAWSCA supports the objective of the Bay Delta Plan." Simple, clear, understandable.

In twenty words, "BAWSCA will work with other stakeholders to protect water quality in the Bay Delta for humans, fish, and other wildlife." Simple, clear, understandable.

BAWSCA is already committed to exploring scientifically proven ways of rehabilitating fish habitat on the Tuolumne River, such as gravel augmentation, managing fish predation, and ensuring that flows support habitat improvements.

The SED, with its appendices, is a large and complex document. Thank you for the extension of the comment deadline. The SED raises a number of concerns, including the unproven presumption that other water supplies or transfers will be available to the Bay Area in times of shortages to make up the water reduction due to increased flows. BAWSCA is also concerned that the SED fails to take into account the likely actions in times of shortages of other Bay Area water suppliers (other than San Francisco) who use the largest portion of this supply. Lastly, BAWSCA is concerned that while the SED recognizes that implementation of the flow proposal is expected to result in potentially significant economic impacts in the Bay Area, a full analysis of these impacts is not included in the SED. As part of our comments on the Draft SED, BAWSCA will be providing the State Board critically important data about the potential environmental, economic, and other impacts of the proposed actions that must be considered as part of any decision on the Bay-Delta Plan.

I would like to share with you this map, which shows BAWSCA's 26 member agencies and water use on a per capita basis for each agency during this most recent mandatory rationing period. With an average residential use of 60 GPCPD, compared to a statewide average of 82 GPCPD, it is clear that conservation of water is seen as an essential responsibility for BAWSCA's 26 member agencies and the customers they serve. At the same time, it is equally important for the State Board to understand and acknowledge that municipal water users, specifically in BAWSCA's three-county service area, need a reliable supply to ensure the economic viability of their communities.

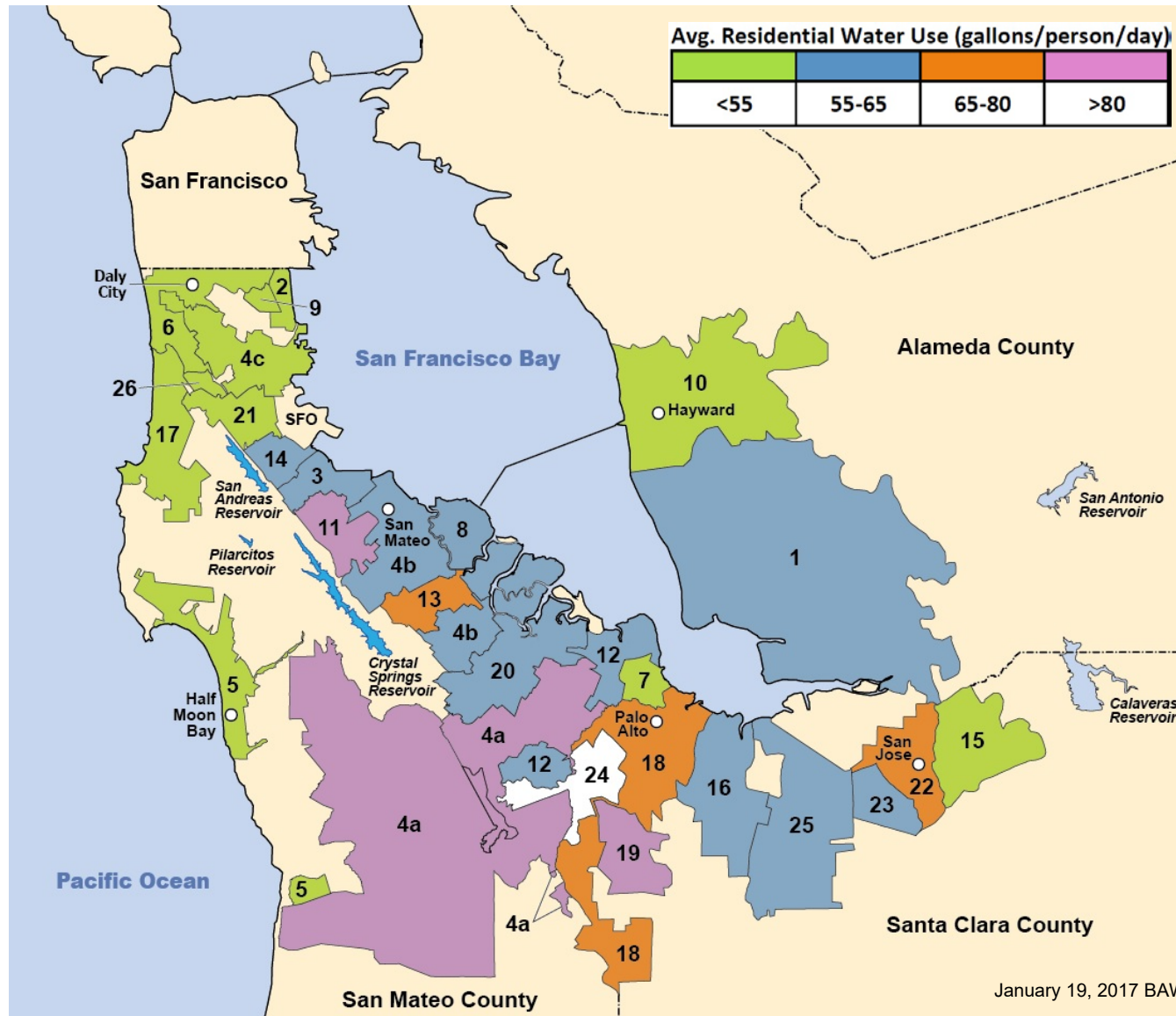
In a recent Chronicle article, State Board Chair Felicia Marcus shared her opinions on the Bay-Delta Plan and the SED. Chair Marcus is correct that this is not an effort to choose a winner between the urban and agricultural water users or the environmental advocates. BAWSCA agrees – this is an effort to protect the water quality in the Bay-Delta for all users – humans, fish and other wildlife.

The solution may be out there but everyone will have to do their part. The Governor has indicated his strong support for negotiated voluntary agreements to resolve this issue. BAWSCA is committed to continuing to work closely with the diverse interests and stakeholders to develop that shared solution. This should be a strategic process, not a legal brawl. It is about sharing the River for our mutual benefit. It requires tough action and respect for all interests. Ingenuity. Open minds. Sticking to the facts. Crafting a solution under which all users can survive and thrive.

BAWSCA is pleased to help. Thank you for the opportunity to speak to you today.

#####

# Average Residential Customer Uses 60 Gallons per Day in BAWSCA Service Area



BAWSCA Member Agencies	
Agency Name	Agency Number
Alameda CWD	1
Brisbane	2
Burlingame	3
CWS - Bear Gulch	4a
CWS - Mid Peninsula	4b
CWS - South SF	4c
Coastside County WD	5
Daly City	6
East Palo Alto WD	7
Estero MID	8
GVMID	9
Hayward	10
Hillsborough	11
Menlo Park	12
Mid-Peninsula WD	13
Millbrae	14
Milpitas	15
Mountain View	16
North Coast WD	17
Palo Alto	18
Purissima Hills WD	19
Redwood City	20
San Bruno	21
San Jose MWS-North	22
Santa Clara	23
Stanford University	24
Sunnyvale	25
Westborough WD	26

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Association of  
Bay Area Governments



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December 29, 2016

Received  
**APPROVED** JAN 3 2016

Ms. Nicole Sandkulla  
CEO/General Manager  
Bay Area Water Supply & Conservation Agency (BAWSCA)  
155 Bovet Road, Suite 650  
San Mateo, CA 94402

Dear Ms. Sandkulla:

Thank you for comments regarding Plan Bay Area 2040's Draft Preferred Scenario. Please know that we shared your letter with MTC Commissioners and ABAG's Executive Board. You can view your letter and others on the Plan Bay Area website: <http://planbayarea.org/your-part/your-comments/Comments-Summer-Fall2016-Draft-Preferred-Scenario.html>.

As you may know, the Final Preferred Scenario was approved November 17 at a joint meeting of the MTC Commission and ABAG Executive Board. It will now form the basis of the proposed Draft Plan Bay Area 2040, and will be further analyzed as part of a program-level Environmental Impact Report (EIR) slated for release in spring 2017.

Your letter dated October 14, 2016, raises concerns regarding the impacts that increased economic and household projections may have on the Bay Area's water supply. Staff acknowledges the concern for water management and the impact of household growth on existing water supplies. The previously mentioned program-level EIR will include an analysis of potential impacts to surface water and groundwater resources associated with implementation of the proposed Plan.

In approving the Final Preferred Scenario, ABAG and MTC also directed staff to develop an Action Plan to be adopted concurrent with Plan Bay Area 2040, currently scheduled for late summer 2017. The Action Plan will be developed starting in early 2017, in consultation with local jurisdictions, interested public agencies, and non-governmental organizations representing the economy, environment and social equity. The Action Plan will identify near- and medium-term action items for MTC, ABAG and other stakeholders to make meaningful progress on Plan Bay Area 2040's performance targets, with a focus on those targets where Plan Bay Area 2040 is moving off trajectory - housing affordability, displacement risk and access to jobs.

MTC and ABAG look forward to your continued engagement in the development of Plan Bay Area 2040.

Sincerely,

Ken Kirkey  
MTC, Planning Director

cc: Miriam Chion, ABAG

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# Board of Directors

## Policy Calendar through July 2017

Committee Meeting	Purpose	Issue or Topic
January 2017	D&A D&A R R D&A	FY 2016-17 Mid-Year Work Plan and Budget Review Consideration of BAWSCA Bond Surcharges for FY 2017-18 Review of Water Supply Forecast FY 2017-18 Work Plan and Budget Preparation Planning Session Results of Survey on Alternative Board Meeting Time and Location
March 2017	D&A R	Presentation of Preliminary FY 2017-18 Work Plan and Budget Review of Water Supply Forecast
May 2017	D&A D&A R	Presentation of Proposed FY 2017-18 Work Plan and Budget Consideration of Annual Consultant Contracts Review of Water Supply Forecast
July 2017	D&A  R	Consideration of Professional Services Contract for Regional Water System Model Development Services Long-Term Reliable Water Supply Strategy Update

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**        **Fiscal Year 2017-18 Work Plan and Budget Preparation Planning Session**

**Summary:**

Each year, the BAWSCA budget is prepared to meet a specific work plan and identified results to be achieved. The development of the preliminary work plan begins by compiling a list of major challenges that BAWSCA, its member agencies, and their water customers will face next fiscal year, and between now and 2040. This long-term perspective helps anticipate and identify the results that must be achieved during FY 2017-18. A preliminary list of challenges as updated for the FY 2017-18 budget process appears in Table 1.

Like last year, this year's work plan and budget preparation will be initiated with a planning session with the Board, providing an early opportunity for input on near-, mid- and long-term issues for consideration as part of the work plan development.

**Recommendation:**

This item is for Board discussion only. There is no action requested at this time. Board input on near-, mid- and long-term issues for consideration as part of the work plan development are encouraged.

**Discussion:**

The FY 2017-18 Work Plan and Budget development process is being initiated with a Board planning session. The goal of the planning session is to receive Board input on near-, mid- and long-term issues for BAWSCA to consider in developing its FY 2017-18 Work Plan.

As in prior years, the preliminary budget will be developed to provide the resources needed to achieve necessary results. Emphasis is placed on the most vital results that need to be achieved in order to provide reliability and high quality water at a fair price. Activities that are secondary to those goals may be noted but are not incorporated into the budget.

A preliminary list of challenges appears in Table 1. Some of the challenges may affect BAWSCA or its members directly. Other challenges will have indirect, but nonetheless important consequences, and require action by BAWSCA to protect the interests of its member agencies and their customers.

Input received from the Board will be reviewed and addressed by the CEO in developing the Preliminary FY 2017-19 Work Plan and Budget, which will be presented to the BPC in February and the Board in March. Following further Board input, a recommended Work Plan and Budget will be presented to the BPC in April for its review and presented to the Board for recommended adoption in May.

Attachment: Table 1. Future Challenges Facing BAWSCA, Member Agencies and Their Customers (Preliminary – FY 2017-18)

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**Table 1. Future Challenges Facing BAWSCA, Member Agencies and Their Customers (Preliminary - FY 2017-18)**

BAWSCA Goal	FY 2017-18 (Near-Term)	2018-2025 (Mid-Term)	2026-2040 (Long-Term)
Reliable Supply: Ensure Long-Term Water Supply Reliability	<ul style="list-style-type: none"> <li>Protect BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts.</li> <li>Conduct investigations and advocate appropriate positions prior to San Francisco deciding whether or not to make San Jose and Santa Clara permanent Wholesale Customers by 2018.</li> <li>Conduct investigations and advocate appropriate positions prior to San Francisco deciding whether to provide more than 184 mgd to Wholesale Customers and whether or not to increase the perpetual Supply Assurance by 2018.</li> <li>Represent member agencies in Federal relicensing of New Don Pedro to protect SF RWS water supply reliability.</li> <li>Represent member agencies in SWRCB Bay Delta Plan Update to protect SF RWS water supply reliability.</li> <li>Ensure member agencies' interests are included in regional planning efforts.</li> <li>Protect member agencies' interests in SFRWS drought year allocation plan (Tier 1 and Tier 2), consistent with new State Guidelines, by preparing and analyzing alternatives, facilitating agreements and producing legal documents before the existing one expires at the end of 2018.</li> <li>Assist agencies in meeting the new Statewide "Making Water Conservation a California Way of Life" interim and final conservation requirements thru 2025.</li> <li>Assist agencies during drought to achieve State mandated reductions</li> </ul>	<ul style="list-style-type: none"> <li>Protect BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts.</li> <li>Conduct investigations and advocate appropriate positions prior to San Francisco deciding whether or not to make San Jose and Santa Clara permanent Wholesale Customers by 2018.</li> <li>Conduct investigations and advocate appropriate positions prior to San Francisco deciding whether to provide more than 184 mgd to Wholesale Customers and whether or not to increase the perpetual Supply Assurance by 2018.</li> <li>Represent member agencies in Federal relicensing of New Don Pedro and to protect SF RWS supplies.</li> <li>Represent member agencies in SWRCB Bay Delta Plan Update to protect SF RWS water supply reliability.</li> <li>Ensure member agencies' interests are included in regional planning efforts.</li> <li>Protect member agencies' interests in SFRWS drought year allocation plan (Tier 1 and Tier 2), consistent with new State Guidelines, by preparing and analyzing alternatives, facilitating agreement and producing legal documents before the existing one expires at the end of 2018.</li> <li>Assist agencies in meeting the new Statewide "Making Water Conservation a California Way of Life" interim and final conservation requirements thru 2025.</li> </ul>	<ul style="list-style-type: none"> <li>Protect BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts.</li> <li>Ensure new water supplies are on line to meet future needs that are not met by San Francisco.</li> <li>Ensure member agencies' interests are included in regional planning efforts.</li> </ul>
Reliable Supply: Ensure SF RWS Facility Reliability	<ul style="list-style-type: none"> <li>Monitor SFPUC's development and implementation of its 10-Year CIP to ensure protection of water supply and financial interests of the water customers.</li> <li>Monitor SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets.</li> <li>Monitor WSIP implementation to protect interests of member agencies and take steps necessary to ensure all adopted Level of Service goals are achieved.</li> <li>Monitor SFPUC's decision on final Mountain Tunnel Improvements to ensure protection of water customers' interests (Summer/Fall 2017).</li> </ul>	<ul style="list-style-type: none"> <li>Monitor SFPUC's development and implementation of its 10-Year CIP to ensure protection of water supply and financial interests of the water customers.</li> <li>Monitor SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets.</li> <li>Monitor WSIP implementation to protect interests of member agencies and take steps necessary to ensure all adopted Level of Service goals are achieved. Scheduled completion March 2019.</li> <li>Monitor SFPUC implementation of the Mountain Tunnel Improvement Project to ensure protection of water customers' interests.</li> </ul>	<ul style="list-style-type: none"> <li>Monitor SFPUC's development and implementation of its 10-Year CIP to ensure protection of water supply and financial interests of the water customers.</li> <li>Monitor SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets.</li> </ul>
High Quality Supply & Fair Price: Enforce 2009 Water Supply Agreement	<ul style="list-style-type: none"> <li>Enforce the Water Supply Agreement to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting obligations.</li> <li>Protect customers from legal and legislative efforts to drain Hetch Hetchy that disregard their interests in reliability, quality and cost.</li> </ul>	<ul style="list-style-type: none"> <li>Enforce the Water Supply Agreement to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting obligations.</li> <li>Protect customers from legal and legislative efforts to drain Hetch Hetchy that disregard their interests in reliability, quality and cost.</li> <li>Ensure San Francisco maintains its Tuolumne River water rights.</li> </ul>	<ul style="list-style-type: none"> <li>Enforce the Water Supply Agreement to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting obligations.</li> <li>Ensure San Francisco maintains its Tuolumne River water rights.</li> <li>Protect member agencies' water supply reliability interests against threats by outside forces.</li> <li>Extend or renegotiate the Water Supply Agreement before it expires in 2034</li> </ul>