

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

**San Mateo Main Library – 55 W. 3rd Ave., San Mateo
Oak Room
(Directions on Page 2)**

**Thursday, November 15, 2018
6:30 P.M.**

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page #</u>
1. Call to Order/Roll Call/Salute to Flag	(Mendall)	
2. Comments by the Chair	(Mendall)	
3. Board Policy Committee Report <i>(Attachment)</i>	(Larsson)	<i>Pg 3</i>
4. Public Comments <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>	(Mendall)	
5. Consent Calendar	(Mendall)	
A. Approve Minutes of the September 19, 2018 Meeting <i>(Attachment)</i>		<i>Pg 15</i>
B. Receive and File Budget Status Report – As of Sept. 30, 2018 <i>(Attachment)</i>		<i>Pg 19</i>
C. Receive and File Annual Audit Report for BAWSCA and Compilation Report for BAWUA for FY 2017-18 <i>(Under Separate Cover)</i>		<i>Pg 21</i>
D. Receive and File Directors' Reimbursement Report – As of Sept. 30, 2018 <i>(Attachment)</i>		<i>Pg 23</i>
E. Receive and File Investment Report – As of Sept. 30, 2018 <i>(Attachment)</i>		<i>Pg 25</i>
6. SFPUC Report	(Ritchie)	
A. Moccasin Reservoir		
7. Special Reports	(Sandkulla)	
A. Implementation of the Long-Term Water Supply Strategy – Update <i>(Attachment)</i>	(Carr)	<i>Pg 27</i>
B. Pilot Water Transfer – Update <i>(Attachment)</i>	(Carr)	<i>Pg 31</i>
C. Los Vaqueros Expansion Project – Update <i>(Attachment)</i>	(Johnson)	<i>Pg 37</i>
8. Reports	(Sandkulla)	
A. Water Supply Update		
B. Bay Delta Plan Phase I		
C. CEO/General Manager's Letter <i>(Attachment)</i>		<i>Pg 41</i>
D. Board of Directors Policy Calendar <i>(Attachment)</i>		<i>Pg 45</i>
E. Correspondence Packet (Under Separate Cover)		

9. Closed Session

- A. Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9: *Restore Hetch Hetchy v. City and County of San Francisco, et al.* Case Number: F074107 (Schutte)
- B. Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9 *Federal Energy Regulatory Commission Final License Application Proceedings for Don Pedro Hydroelectric Project, P-2299-082, and La Grange Hydroelectric Project, P-14581-002* (Schutte)
- C. Conference with Legal Counsel – Anticipated Litigation Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Government Code 54956.9 (1 potential case) (Schutte)

10. Reconvene from Closed Session (Mendall)

11. Directors' Discussion: Comments, Questions and Agenda Requests (Mendall)

12. Date, Time and Location of Future Meetings (Mendall) Pg 47 (See attached schedule of meetings)

13. Adjourn to next regularly scheduled meeting on January 17, 2019 at 6:30pm (Mendall)

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BAWSCA

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MEMORANDUM

TO: BAWSCA Board Members

FROM: Nicole Sandkulla, Chief Executive Officer/General Manager

DATE: November 9, 2018

SUBJECT: Summary of Board Policy Committee meeting held October 10, 2018

1. **Call to Order:** Committee Chair, Gustav Larsson, called the meeting to order at 1:37 pm. A list of Committee members who were present (7), absent (2) and other attendees is attached.

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

2. **Comments by Committee Chair:** Chair Larsson welcomed members of the Committee, and noted that while there are no significant action items on the agenda, there are substantial reports on water supply reliability developments to date that will provide a critical outlook.
3. **Public Comments:** There were no public comments.
4. **Consent Calendar:** Approval of Minutes from the June 13, 2018 meeting.

Director Kasperzak made a motion, seconded by Director Zigterman, that the minutes of the June 13, 2018 Board Policy Committee meeting be approved.

The motion passed.

5. **Reports:**

- a. **Water Supply Update:** Ms. Sandkulla reported the comparison between the region's water use during the height of the summer months in 2018 and the pre-drought year of 2013. Water use during 2018 summer months was the same as it was in 2017, and continues to be 17% less than in the pre-drought year of 2013. BAWSCA will continue to watch the trend, and monitor the continued water use reduction, which other Bay Area water suppliers are also experiencing.

Ms. Sandkulla noted that the analysis of the region's water use speaks to the importance of the new updated demand study in order to understand what is going on within the service area's water use, and how to make projections moving forward.

In response to Director Mendall's question of how the current trend compare to previous post-droughts of 1976-77, 82 and 87, Ms. Sandkulla stated that total water use never seems to go back up to the same level as the pre-drought years. It is not unusual to continue to stay below the pre-drought level, but it is typically not as much as what is currently happening.

While a temperature comparison has not been done, Ms. Sandkulla noted that both 2017 and 2018 have had cooler summer months.

Director Kasperzak asked if there has been an analysis of what water use would be based on historical water use data and adjusted population?

Sr. Water Resources Specialist, Andree Johnson stated that getting year-to-year population growth data has been a challenge to do a near term analysis on per capita use trends. Long-term analysis that has been done indicate some decline.

Director Schmid referenced Plan Bay Area's recent report on economic growth which states that while jobs are increasing rapidly, there is a huge housing deficit. The region's current water use seems to reflect the economic growth but not the population growth.

Water Resources Manager, Tom Francis, added that EBMUD has looked at their data on hand, and attributes water use reduction to recycled water and conservation. However, there are a lot of questions that remain unanswered, including, how demand hardening will affect conservation in the future. The demand study will help provide insights to such questions.

- b. Implementation of the Long-Term Reliable Water Supply Strategy (Strategy): Ms. Sandkulla stated that Sr. Water Resources Specialists, Adrienne Carr and Andree Johnson, will be providing reports on three key efforts associated with the implementation of BAWSCA's Strategy. These efforts have been ongoing and have been presented as informational items to both the Committee and the Board for a few years. The current status on each of these efforts point toward a stage in which policy action can be anticipated in the coming months. These reports provide the Committee an opportunity to comment, ask questions, and give staff direction on what the Committee believes the full Board would like to see when it is presented at the November Board meeting.

Dr. Carr reported that development of the Strategy began in 2009. The Phase II Final Strategy report was released in February 2015. The study was a comprehensive assessment of the region's water supply reliability through 2040 to assess the water supply problem of when, where, and how much additional water is needed in normal and dry years.

The purpose of the study was also to develop solutions to the identified water supply problem by evaluating specific water supply management projects for implementation. The focus was to provide regional water supply reliability beyond what is provided by the San Francisco Regional Water System.

When the Strategy began in 2009, member agencies anticipated to have unmet supply needs during normal years by 2018. However, when the 2014 Demand Study was completed, it showed that the region has reliable water supply in normal years, but not in dry years. This drove the Strategy in terms of what projects would be of most value for the region.

More than 80 projects were assessed over a period of 5 years. The Phase II Final report identified 15 projects for potential implementation by BAWSCA. The list included brackish groundwater desalination, recycled water, groundwater, local reuse, conservation, and indirect and direct potable reuse. Water transfers and storage projects floated to the top of the list as most suitable for meeting the needs during dry years.

The Strategy Phase II Final report identified two types of actions for implementation of the projects. Core actions are low-cost and low-risk actions towards development of a new supply, and takes place at the beginning of the project development. It is the planning stage that provides critical information to reduce uncertainties and lend themselves to regional cost sharing for the value it provides the entire region.

Implementation actions are the higher costs and higher risks actions. They are pursued later in the phases of a specific project, and lead more directly to the development of new supplies.

Since the completion of the Phase II Final report, BAWSCA's actions have been in the Core level. Projects that have been pursued to date have involved staff time and have had low costs.

The development of an independent Regional Water Supply Reliability Modeling Tool was one of the core actions BAWSCA completed in FY 2017-18. The model was created to evaluate potential water supply projects and to support and inform critical decision-making for the implementation of the Strategy.

The modeling tool allows BAWSCA to independently run alternative scenarios to meet its planning needs, which have been reliant upon San Francisco's modeling tool in determining the region's water supply reliability. The last drought proved that depending on San Francisco's modeling tool was no longer adequate for BAWSCA's service area.

BAWSCA's independent modeling tool has the capability to assess the frequency and magnitude of water supply shortages with consideration of all supply sources. It evaluates the benefits of new water resources, as well as the effects of changed water demands.

The model integrates all the water supplies available to BAWSCA's member agencies including supplies from San Francisco, Santa Clara Valley Water District, Alameda County Water District, and individual agencies' local supplies.

To ensure accurate representation of the regional supplies in BAWSCA's model, BAWSCA worked closely with the regional agencies, who were engaged and supportive of BAWSCA's efforts, and obtained their full cooperation during the development of the model. An inter-agency Technical Advisory Panel was convened and continues to work closely with BAWSCA to ensure that BAWSCA's model is in agreement with the regional agencies' individual models.

The model has four components; the platform, network, input data, and operating rules. BAWSCA selected Riverware as the model platform among 9 other platforms evaluated. The Model network links water supply sources with water users' demand and supply. The input data includes historical hydrology which will be using San Francisco's data from 1920 to 2011, and water demands which includes each agencies water demands and water use

patterns throughout the year. The operating rules are the procedures for how water is distributed throughout the water system network.

The model is designed to consider each member agencies' demands and water use patterns, and to be able to provide a complete representation of local and regional supply sources available to BAWSCA's 26 member agencies. While BAWSCA's model was calibrated to be consistent with each of the existing regional models, it does not reproduce those models.

BAWSCA's model combines three disparate models into one to provide a better understanding of each BAWSCA member agencies' water supply reliability, and identify the frequency, magnitude, and timing of water shortages both regionally as well as for each member agency.

The development of the model has already resulted in several significant findings including the confirmation that the current planning assumption that annual demands on the SFRWS are constant, is not accurate. Agencies with multiple supplies can have significant annual variations in demands on the system.

For example, based on current planning, member agencies have a total water system demand of 174 mgd up to the year 2040. In using the BAWSCA model; under different scenarios to determine how each agency might meet their demands, results show that demands vary annually from 167 to 182 mgd, depending on the status of other supply sources.

Ms. Sandkulla noted the experience during the last drought with ACWD and the State Water Project. Demands on the SFRWS increased as a result of ACWD purchasing more of its allocation from San Francisco to make up for supply it could not get from the State Water Project. The increased purchases were not realized as specific to ACWD, until further investigation was done.

BAWSCA's model considers all supply sources used by the member agencies, as well as the agencies' different annual demands on the SFRWS supplies so that it can look at various assumptions and see how it fits in with real situations. Ms. Sandkulla was pleased to see how the real experience with ACWD was confirmed during the development of the model.

Dr. Carr reported that the Model will run three scenarios for evaluation during FY 2018-19. The first scenario will evaluate the regional impacts of new alternative supply sources or storage. The Los Vaqueros Expansion project will be investigated under this scenario. The second scenario is the simulation of alternative operating rules such as a change to Tier 2 Drought Allocation or the existing minimum purchase requirement. The third scenario is the assessment of how near-term drought or infrastructure outages can affect system reliability. It will assess how the region can withstand a drought based on current reliability today.

BAWSCA will present the modeling tool to member agencies in the spring of 2019 to obtain feedback on what kinds of information agencies would like to get from the tool, and identify the scenarios for consideration in the following year.

In response to committee member questions, Dr. Carr stated that BAWSCA worked closely with member agencies to obtain historical use of local supplies and capacity. The FY 2015-

16 Annual Survey, which has data collected from member agencies, was used for making growth assumptions.

Making Conservation a Way of Life is one of the potential scenarios that will be evaluated in FY 2018-19.

Ms. Sandkulla stated that BAWSCA will continue to work with the Technical Advisory Panel to ensure accurate correlation of the model outputs.

Mr. Francis added that given the long modeling history that the SFPUC, ACWD, and SCVWD have had, the collaboration has provided the regional agencies reassurance that BAWSCA's model correlates with their models. The agencies have been supportive and are looking to BAWSCA's model to provide answers to their own questions about how the BAWSCA region might respond during a drought.

In response to Director Mendall, Ms. Sandkulla explained that results of the upcoming demand study are a critical input to the model. Member agencies will provide BAWSCA their projected future growth, in accordance with land use plans each agency has adopted. As BAWSCA is not a land use agency and has no land use authority, BAWSCA will work with agencies to make sure there are no overlaps and that there is consistency, or not, with the Association of Bay Area Government (ABAG), since BAWSCA members have different ways of dealing with land use planning.

Ms. Sandkulla added that part of the discussion about demand projections include identifying where the growth is occurring, and how an agency will accommodate that growth. Some agencies have alternative supplies that can accommodate the growth, while other agencies solely depend on the SFRWS. These factors, and other various pieces go into the process of the demand study. Any revised demands will provide critical information for use in the modeling tool.

Director Schmid cited BAWSCA's expanding interaction with agencies outside its membership, including BAWSCA's planned pilot water transfer, which would bring in an alternate supply outside of the Hetch Hetchy system. He noted the need to build a model that could look outside of the 26 member agencies to understand how BAWSCA can coordinate with outside agencies, in addition to the 26 member agencies, on potential investments in alternative supplies.

Ms. Sandkulla explained that the model platform, Riverware, offers flexibility to have that capacity. The first scenario that will be evaluated, New Alternative Supply Sources, will look at the significance, or insignificance, of a potential investment in a new supply source or storage to answer the question, "Does it increase the dry year supply and is it cost-effective?" The model will also allow BAWSCA to look more closely at the impacts of changing demands as a result of "Conservation as a Way of Life" that is specific to the BAWSCA region.

Director Zigterman commented that he anticipates additional uses for the model in the future, and noted the timely development of the tool when there is no crisis.

- c. Pilot Water Transfer – Update: Efforts on the pilot transfer plan started in 2010. In partnership with EBMUD, BAWSCA released a report in 2013 called *BAWSCA-EBMUD*

Short-Term Pilot Transfer Plan, to test the physical and institutional issues associated with a potential future water transfer.

The efforts between 2012 through 2016 focused on moving Sacramento River water through the EBMUD system to BAWSCA. Significant lessons were learned during that time period with the occurrence of the drought and the physical and institutional difficulties experienced in implementing the plan. Challenges that surfaced included EBMUD's lack of capacity at the Freeport facility for the pilot transfer as a result of the drought, and the inability to secure a permit from the Bureau of Reclamation as BAWSCA did not have an existing contract with the Bureau.

These roadblocks started a conversation with EBMUD about potentially sourcing water from the Mokelumne River via agencies that use those supplies. Amador Water Agency (AWA) was identified as a potential partner. They have water rights and entitlements on the Mokelumne River that could be available for a temporary water transfer.

A cost estimate for the pilot water transfer was developed in 2013 and then updated in 2015. The cost for transferring water from the Mokelumne River via AWA would exclude the costs of some facilities, such as the Freeport Facility, that would have been needed for a transfer of water from the Sacramento River.

Like Hetch Hetchy water, Mokelumne river water is high quality water that travels by gravity. While it requires slightly more treatment than SFRWS supply, Mokelumne water has similar quality to Hetch Hetchy water.

This pilot proposes to purchase and transfer 1,000 AF of water delivered to EBMUD's Pardee Reservoir. The water would be wheeled via EBMUD to the Hayward intertie. Hayward would be the primary agency that would receive the water, but some water would also go into the SFRWS. The anticipated delivery window is winter of 2019-2020, during SFPUC's planned Hetch Hetchy shutdown for maintenance needs.

Implementing the pilot water transfer would be the first effort by the BAWSCA member agencies to act collectively and independently of the SFPUC to secure reliable water supply. It is a significant action that provides a foundation for future efforts on long-term supply.

BAWSCA started negotiation discussions with AWA on the purchase of 1,000 AF transfer water. Agreements with the City of Hayward, EBMUD, and the SFPUC are in progress and are being finalized. BAWSCA is aiming to integrate the transfer effort into the Bay Area Regional Water Market (Exchange/Transfer) Program, as the BARR partnership recently received a \$400,000 grant from the Bureau of Reclamation for this effort. The grant money could potentially be put towards the costs of, for example, completing environmental documents for the BAWSCA pilot water transfer. Board consideration for implementation of the pilot water transfer is anticipated in the summer of 2019.

In response to Director Kasperzak's questions, Dr. Carr explained that the basis of the estimated \$930 - \$1,720 / AF includes costs of the water, as well as operation of the pumping facilities which includes energy, staff, and treatment. Dr. Carr also clarified that because the pilot water transfer is a temporary transfer of water, it involves the transfer of physical water supply as opposed to the transfer of permanent water rights between one agency to another.

In the pilot's estimated costs, Director Kuta asked about the \$400-\$600 / AF line item under the SFRWS, and whether the overall costs can be expected to go down if the transfer became a more routine operation for larger amounts of supply. Dr. Carr explained that the \$400-\$600 / AF SFRWS line item represents system costs that will only be applied under a mandatory drought situation. In accordance with the Wholesale Revenue Requirement, wholesale customers pay a higher share of the costs when they get more share of the regional water supply. In a transfer situation, wholesale customers' allocation will increase with the transfer of outside supply. That outside supply, once it crosses the Hayward Intertie, becomes SFRWS supply for which wholesale customers have to pay. If the pilot water transfer is implemented during a non-drought situation, then there will be no added costs to the Wholesale Revenue Requirement, so that line item would not reflect a cost.

Director Zigterman asked how the transfer plan factors in an overall surface supply shortage. Dr. Carr stated that in a typical transfer scenario, urban customers are willing to pay for the water from farmers who choose to sell their supply as opposed to using it on their fields.

Ms. Sandkulla noted that the objective of the pilot water transfer is to test what it takes to purchase water outside the SFRWS and move it through the system. It has proven to be an important test to run, especially with the various challenges as well as possibilities that developed along the way.

Director Larsson noted the 8-year process it took for the pilot to develop from inception to current status. It is a critical data point worth highlighting to counter SED arguments that water transfers are available water supply alternatives during drought.

Ms. Sandkulla and Legal Counsel, Allison Schutte, confirmed that those arguments were included in BAWSCA's SED comments, emphasizing that while infrastructure exists, the physical requirements of water transfers need to be studied along with the institutional processes. The development of BAWSCA's pilot water transfer has proven that implementing water transfers is more than just turning on the physical infrastructure and conducting paper studies for the institutional process.

- d. Los Vaqueros Expansion Project – Update: Sr. Water Resources Specialist, Andree Johnson, provided the update on the Los Vaqueros Expansion (LVE) project.

The LVE project is the second expansion of Los Vaqueros, an existing off-stream reservoir in Contra Costa County. The LVE project would expand the reservoir from its current capacity of 160 TAF to 275 TAF.

Ms. Johnson stated that the concept of partnering with other agencies to expand storage capacity in the reservoir is not a new one. CCWD had reached out to other agencies for the first expansion of the reservoir back in 2001. At that time, there were no agencies that sought to partner. The expansion was ultimately completed by CCWD on its own.

This second phase of expansion will provide more storage capacity than CCWD needs to meet their local water demands. Therefore, in 2016, CCWD reached out to other agencies, including BAWSCA and the SFPUC, seeking project partners.

In 2017, BAWSCA and SFPUC entered into a cost share agreement with CCWD to fund efforts associated with investigating the potential storage expansion, including preparation of environmental documents and completing an application for Prop 1 funding.

The grant application was successful, and Prop 1 funding of \$459 million was awarded to CCWD to partially fund the project. Since the total LVE project cost is \$980 million, the remainder of the project's cost will be covered by agency partners and potentially through federal grant opportunities.

Ms. Johnson noted the three main components of the project that would benefit BAWSCA. The first is the storage element provided by the reservoir expansion. The second is new conveyance facilities, particularly the transfer Bethany pipeline which would allow movement of water from Los Vaqueros Reservoir to the South Bay Aqueduct. This is of key importance to BAWSCA's interest in that when in place, it allows water to be moved from storage in Los Vaqueros to BAWSCA member agencies through a new conveyance route, one that includes the South Bay Aqueduct. The third is intake facilities. The project includes several options for updating CCWD's existing delta intake facilities and the addition of a new pump station to improve operational flexibilities.

The project concept also proposes permanent storage capacity in LVE that partners can use to store transfer water made available in wet years for release during dry periods. Also, CCWD's Delta surplus supplies can be made available to project partners, and increased water conveyance capabilities.

BAWSCA's and SFPUC's interests in the project are slightly different. SFPUC is interested in obtaining a supply source in a normal year to address San Jose's and Santa Clara's need for water (to make them permanent customers of the SFPUC). LVE may be able to help in that regard.

BAWSCA's interest is in a dry year supplemental supply source to fill the gap between available supply and demands.

Under the 2017 cost share agreement, BAWSCA contributed \$100K through the SFPUC as dictated by the 2009 WSA. That agreement will expire at the end of 2018. An updated funding agreement will form part of a Memorandum of Understanding (MOU). The MOU is currently in the works.

Key efforts in developing the MOU include the clarification of roles and responsibilities between CCWD and partnering agencies, and approving a cost share structure. CCWD is working with their consultants in identifying how the costs for additional planning, design, construction, and operation of the project should be allocated among the potential partners based on their proposed use of the different facilities.

The new cost share agreement is anticipated to get through the final planning stages of the project. It would include completion of final environmental documents, development of a governance mechanism, and additional hydrologic modeling to better identify project benefits.

It is anticipated that BAWSCA would participate in the new cost share separately from the SFPUC. The estimated cost to BAWSCA is approximately in the \$150,000-\$200,000 range. Staff expects to have further information on the progress of the project, and if BAWSCA

decides to participate, staff will present a recommendation to the BPC at its December meeting, for Board action in January 2019.

Ms. Sandkulla added that there are more than twenty project partners (made up of water agencies, refuge, suppliers, the Bureau as well as the State). The large number of partners makes the identification of roles and responsibilities and allocation of costs a critical and involved process.

She also noted that LVE's hydrologic modeling results will serve as input information to BAWSCA's modeling to further identify the project's benefit to the BAWSCA region.

Ms. Sandkulla reminded the Committee that the LVE project is one of the anticipated projects to be potentially funded through the Long-Term Reliability Fund under the General Reserve Policy.

In response to Director Mendall, Ms. Sandkulla explained that there are no existing, or plans for, a direct connection point between Los Vaqueros and the Regional Water System. Supply from Los Vaqueros would go through the South Bay Aqueduct into the Santa Clara Valley Water District (SCVWD). It would require shifting of supplies by BAWSCA member agencies. There are six member agencies that receive supply from the SCVWD, and there would need to be an agreement developed as to how the supply would be shared in that area. Supply from Los Vaqueros would go through another system for distribution in Santa Clara county. This will free up Hetch Hetchy supply that could be provided to other member agencies. BAWSCA's modeling will help in identifying the specifics for how to distribute the supply efficiently and accordingly.

Director Mendall expressed his skepticism on the practicality of water transfers because in a drought, BAWSCA member agencies will be in a position of greater need than the agencies that BAWSCA would potentially be buying water from, and therefore can be gouged. But the opportunity to purchase supply in a wet year, and store it for use in dry years, presents a more realistic opportunity to make transfers work, and a viable approach to increasing supply in a drought year. He also noted that with SFPUC's and BAWSCA's differing interests, it is important to keep BAWSCA's partnership with the project separate from San Francisco's.

In response to Director Zigterman, Ms. Sandkulla noted that BAWSCA's participation in the LVE Project is to obtain supplemental supplies above what SFRWS can provide. Securing additional supplemental supplies to meet the BAWSCA member agencies' dry year needs was the Board's key decision out of the final Strategy report that provided specific recommendations for addressing future water supply reliability.

Ms. Sandkulla added that during the development of the Strategy, the Board had a substantial discussion about how the Strategy fits in BAWSCA's role. It was clearly identified that BAWSCA's enabling legislation broadly speaks to addressing the water needs of, and water supply reliability for, this region.

While a combination of increased water-use efficiency, investments in alternative supplies, and an economic slowdown significantly lessened concerns for normal year needs, there remains a gap in dry years. Continued direction from the Board through development of the Strategy and adoption of annual workplans is to investigate potential opportunities that can provide supplemental supplies independent of the SFRWS.

Director Mendall noted that efforts, since the release of the final Strategy report, have primarily been in the investigation of potential opportunities. Advancement towards elevated decision-making by the Board, including policy and higher investments, is only now just developing.

Mr. Francis added that as project progresses, the Board will be kept informed and have the choice to opt in or out.

The LVE project is one of three projects BAWSCA has been working on jointly with SFPUC to address future water supply needs. In these efforts, BAWSCA and SFPUC have defined roles and responsibilities that are specific to BAWSCA's implementation of the Strategy, and the SFPUC's execution of their WaterMAP.

Director Schmid commented that he is pleased to see BAWSCA's development of new water supply sources through the Strategy. A caution he noted, however, is a potential change in governance as BAWSCA's future long-term supply may become dependent on outside sources. As a result, BAWSCA may become farther from decision-making, and have to deal with intermediaries.

Ms. Sandkulla appreciated Director Schmid's comments. She stated that through the first and second expansion phases, CCWD has clearly indicated no interest in selling water by contract. Legal counsel is heavily involved in the governance discussions among the project partners, and CCWD has indicated their interest in some form of governance mechanism, for example, a JPA.

Ms. Sandkulla reminded the Committee of the SFPUC's decision in 2007 to provide up to 184mgd only at least through 2018. Member agencies realized then, that they needed to act collectively, or individually, to secure water supply reliability. Hence, work on the Strategy began.

In response to Director Kuta, Ms. Sandkulla stated that the LVE could provide 10 TAF of storage and a yield of 10 mgd. The regional modeling tool will be useful in identifying LVE's physical, institutional and economic advantages as it fits BAWSCA's needs. Conversations will be ongoing as the project develops and various pieces arises.

Mr. Francis added that LVE's construction cost will be expensive and will have ongoing operational and maintenance costs. While the next 2-years are going to be manageable in costs, there will be some big decisions that can be expected in 3-4 years. With the modeling tool in development now, BAWSCA will be able to make much more informed decisions on what investments to make with information on benefit-to-costs analyses.

Director Mendall asked about the potential for SFPUC to independently negotiate with CCWD to purchase supply, charge the wholesale customers 2/3rds of the cost, and increase the wholesale customers' supply guarantee. Ms. Sandkulla stated that the existing project participants have already allocated the potential new storage, and therefore, the total available yield from LVE to the SFPUC is limited.

Director Breault asked about anticipated significant upstream environmental issues as a result of an increased diversion to fill a large reservoir.

Ms. Sandkulla stated that the project actually received support letters from environmental groups. While the reservoir will triple in size, Los Vaqueros is an off-stream site, and a cattle grazing land that is all within Los Vaqueros and East Bay Regional Park's ownership. The impacts on the intake locations can be controlled and the connection to the California aqueduct is seen as a benefit. In addition Los Vaqueros reservoir provides refuge water to south of the Delta.

6. **Closed Session:** The meeting adjourned to Closed Session at 3:11pm
7. **Open Session:** The meeting convened to Open Session at 3:23pm. Legal Counsel, Allison Schutte reported that no action was taken during Closed Session.
8. **Comments by Committee Members:** As an update on the Bay-Delta Plan, Ms. Sandkulla will distribute a copy of a letter, dated September 24, 2018, the SFPUC received from Non-Governmental Organizations.

The Board will be reminded via email that all Special Meetings scheduled for the rest of the year is canceled.

Director Kuta thanked staff for information on water quality events. Dr. Carr noted that the Joint Water Quality Committee distribution list is managed by jgale@sfgov.org.

9. **Adjournment:** The meeting was adjourned at 3:26 pm. The next meeting is June 13, 2018.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – October 10, 2018

Roster of Attendees:

Committee Members Present

Gustav Larsson, City of Sunnyvale (Chair)
Tom Zigterman, Stanford (Vice Chair)
Randy Breault, City of Brisbane/GVMID (Immediate Past BAWSCA Chair)
Mike Kasperzak, City of Mountain View
Rob Kuta, Cal Water Service Company
Al Mendall, City of Hayward (BAWSCA Chair)
Gregg Schmid, City of Palo Alto

Committee Members Absent

Jay Benton, Town of Hillsborough
Barbara Pierce, City of Redwood City (BAWSCA Vice Chair) *teleconferenced*

BAWSCA Staff:

Nicole Sandkulla	CEO/General Manager
Tom Francis	Water Resources Manager
Adrienne Carr	Sr. Water Resources Specialist
Andree Johnson	Sr. Water Resources Specialist
Lourdes Enriquez	Assistant to the Chief Executive Officer
Deborah Grimes	Office Manager
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP
Nathan Metcalf	Legal Counsel, Hanson Bridgett, LLP
Bud Wendell	Management Communications

Public Attendees:

Michelle Novotny	San Francisco Public Utilities Commission
Jan Lee	City of Hayward

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

**September 20, 2018 – 6:30 p.m.
San Mateo Main Library – Oak Room**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 6:30 pm

BAWSCA Chair, Al Mendall, called the meeting to order and led the salute to the flag. CEO/General Manager, Nicole Sandkulla called the roll. Fifteen (15) members of the Board were present at roll call, constituting a quorum. Two Board Members arrived after roll-call. A list of Directors present (17) and absent (9) is attached.

- 2. Comments by the Chair:** Chair Mendall noted that the agenda includes a presentation by SFPUC Asst. General Manager of Water, Steve Ritchie, on SFPUC's Tuolumne River's Management Plan as an alternative to the State Board's Bay Delta Water Quality Control Plan. BAWSCA supports SFPUC's proposed alternative which will provide more water for the fish in the Tuolumne River, as well as protect the water users BAWSCA represents. BAWSCA will continue its efforts to stay involved in this matter, and the Board has an active role in that effort.

- 3. Public Comments:** There were no public comments.

4. Consent Calendar:

Director O'Mahony made a motion, seconded by Director Vella, to approve the minutes of the July 19, 2018 Board meeting, receive and file the Pre-Audit Budget Status Report, Investment Report, and Directors' Reimbursement Reports as of June 30, 2018, and receive and file Bond Surcharge Collection, Account Balance, and Payment Report for Fiscal Year ending June 30, 2018.

The motion passed unanimously.

5. Action Calendar:

- A. Resolution Approving Temporary Reappointment of Arthur Jensen as Special Counsel to the CEO/GM:

Director Richardson made a motion, seconded by Director Zigterman, that the Board adopt Resolution 2018-04 approving the reappointment of Arthur Jensen to the temporary position of Special Counsel to the CEO/GM, and making associated findings in support of such an appointment.

The motion passed by roll call vote.

- 6. SFPUC Report:** SFPUC Assistant General Manager for Water Enterprise, Steve Ritchie, made a presentation to the Board on SFPUC's Tuolumne River Management Plan.

Public comments on the Tuolumne River Management Plan were provided by Peter Drekmeier, Policy Director of Tuolumne River Trust.

7. **Reports:** Ms. Sandkulla provided reports on member agencies' current water use, and an update on the Bay Delta Water Quality Control Plan Phase 1, and BAWSCA's CERBT Fund.

Public comments on the Bay Delta Water Quality Control Plan were provided by Peter Drekmeier, Policy Director of Tuolumne River Trust.

8. **The Board adjourned to Closed Session at 7:19pm**

9. **Report from Closed Session:** The Board re-convened to Open Session at 8:03pm. Legal Counsel, Allison Schutte, reported that the Board took no action on Agenda Items 8A, 8B, and 8C.

On Agenda Item 8D, the Board performed an evaluation of the CEO/General Manager and determined that during FY 2017-18, the CEO/General Manager exhibited outstanding performance with many challenges facing the agency. There was no need for item 8E, nor was there a need for Item 10 or 11 (Negotiation with a Labor Negotiator).

The meeting proceeded to Item #12

12. **Action Item Following Closed Session:**

- A. Consider Compensation Adjustment for CEO/General Manager for FY 2018-19.

Director Breault made a motion, seconded by Director Chambers, that the Board approve the contract amendment to the CEO/General Manager's Employment Agreement to reflect the change in compensation.

The motion passed unanimously.

13. **Directors' Discussion: Comments, Questions and Agenda Requests:** Director Weed noted that he will be attending the Press Event for the Calaveras Dam Embankment completion on Friday, September 21st.

14. **Date, Time and Location of Next Meeting:** The next meeting is scheduled on November 15, 2018 at 6:30pm, in the Oak Room, of the San Mateo Main Library.

15. **Adjournment:** The meeting adjourned at 8:07pm.

Respectfully submitted,

Nicole M. Sandkulla
Chief Executive Officer/General Manager

NMS/le

Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board of Directors Meeting
September 20, 2018

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
Rob Kuta	California Water Service Company
Gustav Larsson	City of Sunnyvale
Juslyn Manalo	City of Daly City
Al Mendall	City of Hayward
Larry Moody	City of East Palo Alto
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
Sepi Richardson	City of Brisbane
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
Tom Zigterman	Stanford

Absent:

Charlie Bronitsky	City of Foster City
Mike Kasperzak	City of Mountain View
Kirsten Keith	City of Menlo Park
Pat Kolstad	City of Santa Clara
Sam Liccardo	City of San Jose
Chris Mickelsen	Coastside County Water District
Dan Quigg	City of Millbrae
Gregg Schmid	City of Palo Alto
Rich Tran	City of Milpitas

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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: October 30, 2018

SUBJECT: Budget Status Report as of September 30, 2018

This memorandum shows fiscal year budget status for FY 2018-19. 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 three-month period ending September 30, 2018, 25 percent into the fiscal year, total expenditures were \$1,033,581 or 27 percent of the total budget of \$3,901,085.

Table 1. Operating Budget Summary as of September 30, 2018

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	1,376,080	332,946	24%
Fair Pricing	301,000	83,049	28%
Administration	110,000	28,491	26%
Subtotal	1,787,080	444,486	25%
Administration and General			
Salary & Benefits	1,673,955	504,630	30%
Other Expenses			
BAWSCA	376,850	84,465	22%
BAWUA	1,050	0	0%
Subtotal	3,838,935	1,033,581	27%
Capital Expenses	3,000	0	0%
Budgeted Contingency	57,500	0	0%
Regional Financing Authority	1,650	0	0%
Grand Total	3,901,085	1,033,581	27%

Overview:

Overall expenditures for FY 2018-19 are tracking within budget.

Consultants

The \$145,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was ~~15-12~~ percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 27 percent expended. The Operating Budget allocation of \$669,000 budget for legal counsel was 44 percent expended. The \$341,050 budget for water management and conservation-related activities was 9 percent expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 30% and 22% percent expended respectively.

Use of CEO's Discretionary Spending Authority:

No use of CEO discretionary spending authority occurred during this period.

Use of Reserve and Reserve Fund Balance:

Unspent funds at the end of FY 2017-18 were \$253,892. The BAWSCA reserve balance as of September 30, 2018, shown below, does not yet reflect this deposit. Once the audited financial report has been accepted by the Board of Directors, the unspent balance from FY 2017-18 will be transferred to the General Reserve. In accordance with the adoption of the FY 2018-19 annual budget in May 2018, the Board approved transferring \$321,688 from the General Reserve to fund the FY 2018-19 budget. This transfer will occur once the audited financial report has been accepted by the Board of Directors as well. After the two transfers have been executed, the BAWSCA General Reserve balance will be \$1,493,348.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 06/30/18)	Account Balance (As of 09/30/18)
General Reserve	\$1,561,144	\$1,561,144

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Receive and File Annual Audit Report for BAWSCA and
Compilation Report for BAWUA for FY 2017-18**

Summary:

An independent auditor report for BAWSCA and a compilation report for Bay Area Water Users Association (BAWUA) have been completed for the year ending June 30, 2018. An audit of BAWSCA accounts is required by Division 31, Section 81426 of the Water Code. The compilation of BAWUA accounts is prepared in accordance with its bylaws, Article 8, Section 8.2. The reports are enclosed, under separate cover, for your review. A financial audit of the Regional Finance Authority is not required at this time.

Fiscal Impact:

None

Board Policy Committee Action:

None. The reports became available on October 24th for staff review, allowing their inclusion in the BAWSCA board meeting agenda.

Recommendation:

That the Board receive and file the independent auditor's report for BAWSCA and the compilation report for BAWUA for the year ending June 30, 2018.

Discussion:

BAWSCA's and BAWUA's financial statements have been audited and compiled by the independent auditing firm of Chavan & Associates, LLP. The goal of an independent audit is to provide reasonable assurance that the financial statements are free from material misstatement.

Based on their review of the financial statements, the auditors have concluded that the financial statements are in conformance with generally accepted accounting principles, and fairly present, in all material respects, the financial position of both BAWSCA and BAWUA and the changes in financial position and cash flow for FY 2017-18.

As demonstrated by the statements, schedules and notes included in the auditor's reports, BAWSCA and BAWUA are meeting the requirements for sound financial management.

Enclosed under separate cover:

1. [BAWSCA FY 2017-18 Audit Report](#)
2. [BAWUA FY 2017-18 Compilation Report](#)

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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: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: October 30, 2018

**SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending
September 30, 2018**

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 September 30, 2018.

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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: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: October 30, 2018

SUBJECT: Investment Report – As of September 30, 2018

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 and re-affirmed the investment policy at the November 16, 2017 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>06/30/18</u>	<u>09/30/18</u>
\$2,569,603	\$2,406,533

Of the total in the BAWSCA LAIF account as of September 30, 2018, \$1,561,144 represents BAWSCA's General Reserve Fund, equivalent to approximately 40 percent of FY 2018-19 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>06/30/18</u>	<u>09/30/18</u>
1.90%	2.16%

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Implementation of the Long-Term Reliable Water Supply Strategy**

Summary:

This report was tabled at the July 19th Board Meeting due to time constraints.

This memorandum was prepared to provide an update on the implementation progress for six water supply project areas of BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy). In FY 2017-18, BAWSCA made significant and measurable progress on Project Area #6 of the Strategy, the development of a Regional Reliability Model (Model). The Model will be used to evaluate the benefits of possible water supply options proposed under the Strategy. Information regarding Model development is discussed herein.

Recommendation:

This item is for information and discussion purposes only. No action is requested at this time.

Discussion:

BAWSCA is pursuing multiple actions and projects in order to implement the Strategy recommendations to ensure water supply reliability for its member agencies. Work on different projects is varied during this implementation phase, as different projects require diverse types of actions. What follows are updates on implementation of six different project areas of BAWSCA's Strategy.

Project Area # 1 - Participation in the Bay Area Regional Reliability (BARR) Partnership

The BARR Partnership was one of the regional planning studies identified in the Strategy, and BAWSCA has been an active participant in the BARR Partnership since its inception in 2014.

BARR agencies, including BAWSCA, recently collaboratively developed a Drought Contingency Plan (DCP) to approach drought mitigation and response from a regional, integrated perspective, while taking stock of BARR agencies' existing water resources and assets. The DCP identified potential new water supply projects that, if implemented, would improve the region's water supply reliability. Examples include interties (or connections) between neighboring water suppliers, desalination facilities, and potable reuse projects. Other approaches, such as establishing a Bay Area Regional Water Market for water exchanges and transfers, were also included. The DCP was finalized in December of 2017.

In the spring of 2017, the BARR partner agencies submitted a WaterSMART Water Marketing Strategy Grant application to the U.S. Bureau of Reclamation (Bureau) for funds to develop a "Bay Area Regional Water Market (Exchange/Transfer) Program." That application was successful as of September 2017, and the BARR partners are currently working with the Bureau to enter into the funding agreement.

Project Area # 2 - Water Transfers and Storage

BAWSCA continues to pursue a pilot water transfer with East Bay Municipal Utility District (EBMUD) for implementation in winter 2019-2020, at the earliest. BAWSCA is working with the BARR partners to advocate for BAWSCA's pilot water transfer to be included in the forthcoming BARR Bay Area Regional Water Market (Exchange/Transfer) Program as detailed above, so regional funding could be leveraged to support this project. BAWSCA believes that extensive work that has been done to date on BAWSCA's pilot water transfer makes it an ideal choice for inclusion in the program.

Project Area # 3 - Recycled Water

In July 2017, BAWSCA released a white paper on recycled water that provided an overview of the regulations that have been developed at the state level, the SFPUC's interest on the topic, and of BAWSCA's strategy moving forward. BAWSCA has also been participating in two water reuse projects conceptually sited in the South Bay and along the Peninsula:

- **Potable Reuse Exploratory Plan (PREP):** In November 2016, BAWSCA, California Water Services Company (Cal Water), SFPUC, and Silicon Valley Clean Water (SVCW) finalized a Memorandum of Understanding (MOU) to perform an initial exploration of potential potable reuse/purified water opportunities on the Peninsula. The partnership has since expanded to include two additional organizations, Redwood City and the City of San Mateo. An early feasibility study was developed under Phase 1 of the project and Phase 2 of the project, which expands the feasibility analysis, kicked off in June 2018.
- **Feasibility Study to Evaluate Alternatives to Participate in the Expedited Purified Water Program:** Since the spring of 2017, BAWSCA has been partnering with SFPUC and the Santa Clara Valley Water District (SCVWD) to study potential opportunities for BAWSCA and/or SFPUC to participate in SCVWD's Expedited Purified Water Program. That work continues at a gradual pace.

Project Area # 4 - Groundwater

In August 2018, San Mateo County finalized the San Mateo Plain Groundwater Basin Assessment that the County has been working to complete since the spring of 2016. BAWSCA participated in the County's study of the Basin, including attending the County's nine stakeholder meetings and providing the County with BAWSCA's Strategy Groundwater Model.

BAWSCA developed the Strategy Groundwater Model to evaluate a potential brackish desalination project on the Peninsula. The Strategy Groundwater Model was the first regional model covering most of the Bay Area: it combined previously developed groundwater models and addressed areas not previously covered in groundwater models in the region. The County updated the groundwater model with additional data collected for the Assessment, and the new model has proven to be a very useful tool in evaluating conditions in the Basin.

BAWSCA and San Mateo County have been coordinating to help the agencies in the San Mateo Plain Sub-basin form a California Statewide Groundwater Elevation Monitoring (CASGEM) monitoring entity. In January and June 2018, San Mateo County hosted meetings of land and water use agencies to discuss and receive feedback on potentially becoming a CASGEM monitoring entity. Many agencies expressed interest in participating in this voluntary program, and additional discussion will take place this coming fiscal year.

Project Area # 5 - Local Reuse

Since 2015, BAWSCA has been an active participant in an effort by Sustainable Silicon Valley (SSV) to explore on-site water reuse in buildings in San Mateo and Santa Clara counties. Most recently, BAWSCA staff attended SSV's Navigating Bay Area Water: Emerging Technology Solutions event on Thursday, May 31st. BAWSCA continues to support SSV's efforts to bring corporate leaders, technologists, and water agencies together to implement on-site water reuse.

BAWSCA also continues to partner with the City/County Association of Governments of San Mateo County in support of the San Mateo Countywide Water Pollution Prevention Program by administering a county-wide rain barrel rebate program.

Project Area #6 - BAWSCA's Regional Water Supply Modeling Tool

BAWSCA has completed development of its new independent Regional Water Supply Modeling Tool (Model). BAWSCA's Model is intended to serve as an analysis tool that BAWSCA staff will utilize to evaluate regional water supply reliability, considering all water supplies available to BAWSCA's member agencies. In addition to evaluating the reliability of the region under the current water supply portfolio, BAWSCA will use the Model to evaluate how new supplies could improve water supply reliability in the future.

The Model explicitly includes both local and regional supply sources and is capable of capturing the supply and demand interactions that affect regional water supply reliability. Incorporated into the Model are the various sources of supply that one or more BAWSCA member agencies have access to (e.g., San Francisco Regional Water System supplies, Santa Clara Valley Water District supplies, State Water Project supplies). Member agency water demands are also incorporated into the Model as input data (current as well as future demand estimates).

As a part of the approved FY 2018-19 Work Plan, BAWSCA will use the model to investigate three different water supply development scenarios. BAWSCA will also conduct a workshop to elicit feedback from BAWSCA member agencies on the Model.

Next Steps:

BAWSCA will continue to make progress on all fronts in implementing the Strategy. Regular updates will be provided to the Board when there is information to share, at least annually.

Policy action in support of implementing the Strategy actions occurs as part of the annual work plan development and operating budget adoption, approval of expenditures associated with planning agreements with other agencies, and approval of contracts with other agencies and consultants to implement specific projects as necessary.

Background:

BAWSCA's enabling legislation, AB 2058, articulated BAWSCA's abilities to plan for and acquire water supplies for the region.

As defined in California Water Code Sections 81300-81461 BAWSCA is:

"...a multicounty agency authorized to plan for and acquire supplemental water supplies, encourage water conservation and use of recycled water on a regional basis..."

Further, BAWSCA is authorized to:

- “ (a) Acquire water and water rights within or outside the state.*
- (b) Develop, store, and transport water.*
- (c) Provide, deliver, and sell water at wholesale for municipal, domestic, and industrial purposes...”*

BAWSCA also:

“....may conduct studies of the water supplies available to its members, and their current and future demand for water. The agency may develop plans for projects and programs that can assist its members to meet those future water needs.”

In 2009, BAWSCA initiated development of the Strategy to provide a comprehensive, regional assessment of the BAWSCA member agencies' water supply reliability needs, complete an evaluation of potential water management actions that could be implemented to meet these needs, and identify recommended actions for consideration by BAWSCA to achieve an increased level of regional reliability. Various types of water supply projects were evaluated as a part of the Strategy analysis: non-potable recycled water, groundwater, local capture and reuse, desalination, and water transfer projects. BAWSCA has continued to fund and implement actions consistent with the Strategy recommendations since February 2015.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Pilot Water Transfer - Update**

Summary:

Implementation of a one-time pilot water transfer is a key recommended action identified in BAWSCA's *Long-Term Reliable Water Supply Strategy – Strategy Phase II Final Report* (February 2015). BAWSCA's goal for conducting a pilot water transfer is to demonstrate the feasibility of delivering additional water supplies to BAWSCA member agencies in times of future supply interruptions or water shortages. This temporary water transfer would (1) test the viability of and impacts to the existing infrastructure, and (2) identify and verify the necessary elements of the multiple institutional approvals and agreements required to deliver such transfer supplies. Prior negotiations to implement a pilot water transfer stalled during the height of the most recent drought.

Fiscal Impact:

Funds for development of pilot water transfer agreements are included in the adopted FY 2018-19 budget. Implementation of the pilot water transfer would need to be funded through a separate, future Board action.

Recommendation:

This item is for information and discussion purposes only. No action is recommended at this time.

Discussion:

Current Status

BAWSCA recently initiated discussions with Amador Water Agency (AWA) for the purchase of water to be used for a one-time pilot water transfer to secure up to 1,000 acre-feet of water from AWA. Such a transfer could meet the interests of AWA as well. At its August 9, 2018 meeting, the AWA Board authorized its staff to begin water transfer negotiations with BAWSCA.

AWA would make the transfer water available to BAWSCA at East Bay Municipal Utility District's (EBMUD) Pardee Reservoir on the Mokelumne River. From that location, BAWSCA would take delivery of the transfer supplies, which would be conveyed to the BAWSCA service area under a wheeling agreement currently under negotiation with EBMUD. BAWSCA intends for EBMUD to use its facilities to wheel and treat the water, delivering it to BAWSCA via the Hayward Intertie for ultimate use primarily within the City of Hayward, a BAWSCA member agency. The Hayward Intertie is jointly owned by EBMUD and the San Francisco Public Utilities Commission (SFPUC) and is operated by the City of Hayward. The attached Figure 1 presents a map with the path of the pilot water transfer and some key facilities.

The agreement between BAWSCA and AWA will cover financial details as well as operational requirements associated with the transfer of water. Separate agreements between BAWSCA and SFPUC as well as between BAWSCA and the City of Hayward also must be negotiated. A final agreement governing the use of the Hayward Intertie for the pilot will also be necessary.

BAWSCA would conduct the pilot water transfer in accordance with all requirements, terms and conditions as stipulated for such a one-time transfer per the guidelines set forth by regulatory agencies and in compliance with CEQA. BAWSCA anticipates a streamlined CEQA review for this one-year transfer.

Key information regarding the pilot water transfer is provided below.

Elements of the Pilot Water Transfer

A pilot water transfer would have the following key elements:

- **Water Transfer Amount:** 1,000 AF (0.89 MGD) delivered over approximately 22 days
- **Source of Supply:** BAWSCA is in negotiations with Amador Water Agency
- **Type of Water Right:** Pre-1914 Water Right
- **Point of Diversion:** EBMUD's Pardee Reservoir
- **Timing of Deliveries:** Goal to coincide with a shutdown on the Hetch Hetchy water conveyance system

Agreements Necessary to Implement the Pilot Water Transfer

The following five key agreements necessary to conduct a pilot water transfer:

- **Water Purchase Agreement:** Agreement for the purchase of water from willing seller;
- **BAWSCA-EBMUD Wheeling Agreement:** Agreement outlines the terms and conditions for EBMUD to wheel the transfer water, secured and purchased by BAWSCA, through EBMUD facilities to the Hayward Intertie;
- **Hayward Intertie Pilot Transfer Agreement:** Three-party agreement that defines the terms for the use of Hayward Intertie for a pilot water transfer among EBMUD, SFPUC, Hayward, and BAWSCA;
- **BAWSCA-Hayward Agreement:** Agreement outlines the procedures for documenting and reimbursing Hayward for appropriate costs incurred to implement the transfer and identifies terms of use for Hayward's system beyond the EBMUD point of delivery;
- **BAWSCA-SFPUC Agreement:** Agreement outlines the operational and water accounting guidelines between BAWSCA and SFPUC for conveying purchased transfer water to member agencies through the San Francisco Regional Water System (SF RWS).

Pilot Water Transfer Costs

Early work on the pilot water transfer identified estimated costs for a pilot water transfer including water purchase, wheeling, operations and maintenance, and administrative cost associated with a potential transfer. BAWSCA continues to work with the pilot water transfer partners to refine the cost estimates, and the following cost details are those presented in BAWSCA's Long-Term Reliable Water Supply Strategy – Strategy Phase II Final Report (February 2015). All costs remain preliminary at this time.

Table 1: Estimated Preliminary Pilot Water Transfer Costs			
Type of Cost	Recipient	Est. Cost (\$/AF)	Est. Total Costs
Water Purchase	Water Seller	\$50-\$350	\$50,000 - \$350,000
Wheeling ⁽¹⁾	EBMUD	\$360 - \$550	\$360,000 - \$550,000
Hayward Facilities	Hayward	\$100 - \$200	\$100,000 - \$200,000
SF RWS ⁽²⁾	SFPUC	\$420-\$620	\$420,000 - \$620,000
Total Estimated Costs		\$930-\$1720 / AF	\$930,000-\$1,720,000

- (1) Note that these wheeling costs were developed assuming use of EBMUD's Freeport Facilities, which would not be used for a water transfer with Amador Water Agency.
- (2) Note that costs through the SF RWS may not be applicable if the pilot water transfer occurred outside of a period of mandatory water supply rationing.

Schedule

It is expected that the pilot would take place to coincide with a planned shutdown of SFPUC's Hetch Hetchy system during the winter of 2019-2020. This item will be brought to the Committee and Board for authorization when agreements are finalized, which could be as soon as summer 2019.

Background:

BAWSCA has been investigating water transfers as one alternative to improve the future water supply reliability of its member agencies as part of BAWSCA's Long-Term Reliable Water Supply Strategy planning process. Since 2012, BAWSCA has partnered with EBMUD to investigate water transfer projects to improve the future water supply reliability of each agency including the development of a short-term, one year pilot water transfer. In July 2015, BAWSCA released a detailed technical memorandum, describing the extensive efforts on the pilot water transfer.¹

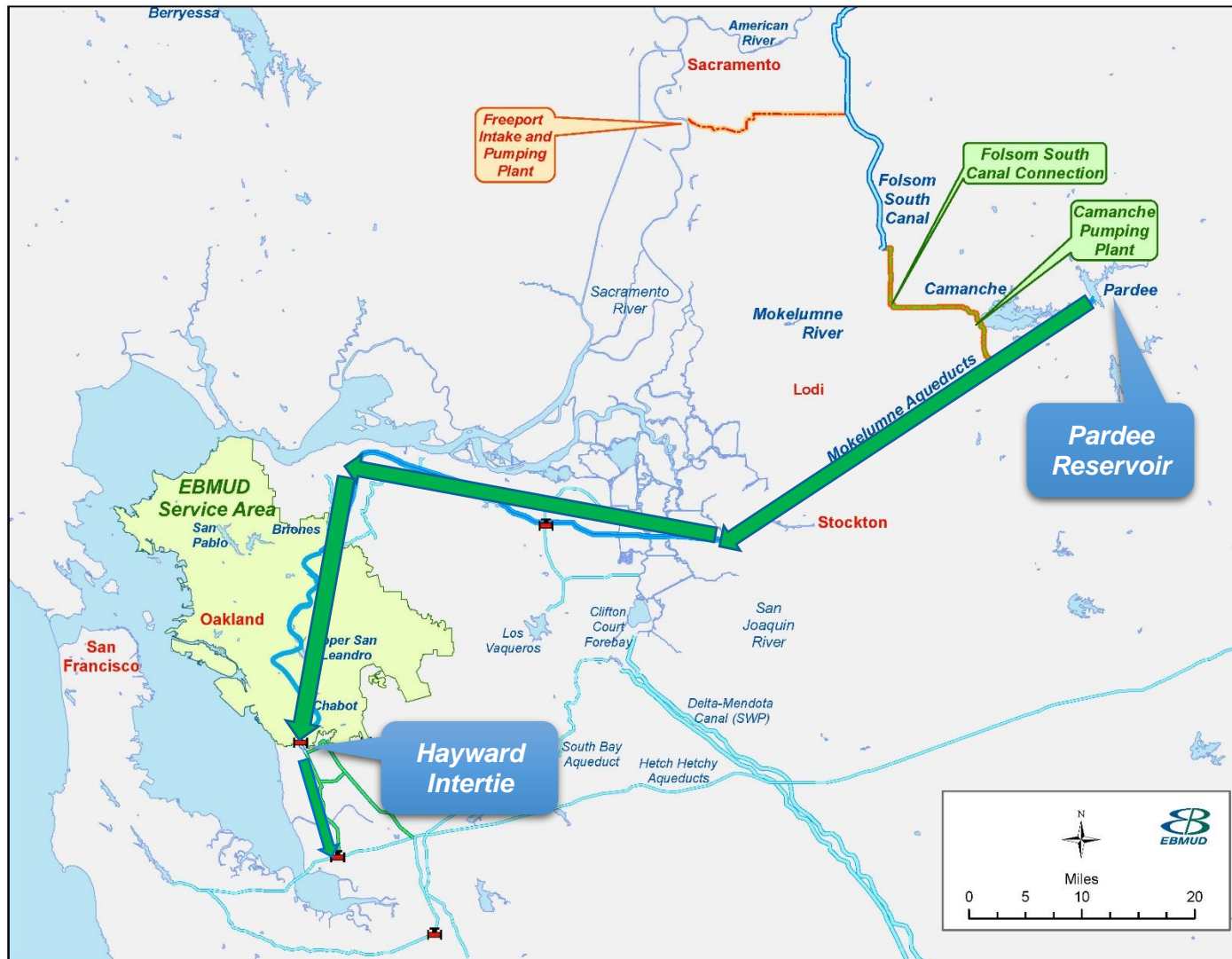
Attachments:

1. Figure 1. Path of the Pilot Water Transfer from Pardee Reservoir to the Hayward Intertie.

¹ Technical Memorandum: BAWSCA-EBMUD Pilot Water Transfer Phase II Pilot Plan (July 2015), available at: http://bawasca.org/uploads/agendas/15_07_16_Agenda_FINAL_PACKET.pdf, pp. 61-85.

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Figure 1. Path of the Pilot Water Transfer from Pardee Reservoir to the Hayward Intertie.



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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Los Vaqueros Expansion Project**

Summary:

This memorandum serves to provide an update to the Board on the status and upcoming actions for the Los Vaqueros Expansion Project (LVE Project). In January 2017, BAWSCA and SFPUC entered into a Memorandum of Understanding (MOU) with Contra Costa Water District (CCWD) for participation in the planning stages of the LVE Project. This MOU provides the roles and cost share for preparation of the Proposition 1 funding application and execution of a funding agreement with the California Water Commission (CWC).

Fiscal Impact:

No funding authorization is currently requested, and no decision has been made by BAWSCA regarding participation beyond the current effort. The potential cost range for this proposed stage of the work is \$218,000, half of which would be due in January 2019 and the second ½ due in July 2019. It should be assumed that following 2019, and assuming BAWSCA continues to desire to be a project partner, the costs of participation will grow measurably as that next stage will include detailed project design. As a reminder, the LVE Project was included as a potential future project in the BAWSCA Long-Term Planning Fund.

Recommendation:

This item is for information and discussion purposes only. No action is requested at this time.

Discussion:

Current Status

CCWD and the CWC are nearly complete with the execution of the Prop 1 funding agreement, at which point the existing MOU will expire. BAWSCA is coordinating with CCWD on the development of a new MOU to specify work efforts and associated cost shares for the next stage of the project planning efforts.

The next LVE Project stage will include continued environmental review, hydrologic modeling, governance development, and other associated work efforts. The new MOU will specify costs of work anticipated to be performed from Fall 2018 through calendar year 2019. BAWSCA and other project partners will each execute the MOU with CCWD. The partnership funding share for continued project participation is currently estimated at \$218,000, based on the existing number of project partners and assuming costs will be equally distributed. BAWSCA staff, including BAWSCA's attorneys, reviewed and provided comments on CCWD's draft MOU and met with CCWD to discuss the MOU and overall next steps regarding project governance. A final draft agreement for potential Board action has now been provided by CCWD.

CCWD has requested that partner agencies review and reconfirm their specific interests in the project, namely to identify or refine the total volume of water supply that they would seek from the project and the water supply conditions under which this supply would be needed. CCWD is also studying various governance options for the LVE Project, such as a Joint Powers Authority, given the number of entities with potential interest in the project. It has developed a preliminary

financial model which was presented to project partners on October 11th. BAWSCA is currently reviewing the proposed financial model and user fees. In addition, BAWSCA is coordinating with CCWD on updates to the operational model which provides supply reliability information as well as refinement of project cost and financial estimates.

Upcoming work includes refining the project's hydrologic / hydraulic modeling to estimate the capability of the project to address partner agency water supply needs, and to clarify the project components that would be utilized by each agency for cost commitment calculation purposes. CCWD also intends to use partnership funds to conclude the study of various governance options for the LVE Project, such as a Joint Powers Authority.

The proposed cost of participating in this next stage of work has been tentatively estimated to be \$218,000, with ½ due in January 2019 and the second ½ due in July 2019. That cost may rise if there are current partners that elect to drop out of the project, and hence they no longer contribute to cost sharing.

BAWSCA anticipates that the final MOU, including the proposed BAWSCA cost share, will be brought to the Board Policy Committee in December, including any potential recommended action.

LVE Project Description

The LVE Project would enlarge the existing reservoir again from 160 TAF to 275 TAF, making it a regional facility that would provide public benefits, including ecosystem benefits to south-of-Delta wildlife refuges, drought and non-drought emergency water supply benefits for a large number of local agency partners, and recreation benefits, while also providing non-public benefits to regional water supply agencies, integration with state water systems to increase flexibility and efficiency of operations, and enhanced opportunities for sustainable groundwater and recycled water management.

The total estimated LVE Project cost is \$980 million. On July 24, 2018, the California Water Commission announced that \$459 million of Proposition 1 funding will be slated for the LVE Project to pay for the public benefits of the LVE Project design and construction, including ecosystem improvement, recreation, and emergency response. The award includes \$13.65 million of early funding to cover fifty percent of the estimated planning and permitting costs. CCWC and the CWC are currently negotiating a funding agreement.

The LVE Project has the potential to provide both normal year and dry years supplies for SFPUC as well as additional dry year supplies for BAWSCA. SFPUC is evaluating the project's ability to provide up to 16,700 acre-feet per year of normal year supply to SFPUC as well as an additional 57,000 acre-feet per year supply in dry years. BAWSCA is evaluating the project as a means to provide up to 10,000 acre-feet per year of supply in dry years as part of the Long-Term Reliable Water Supply Strategy implementation.

Background:

Los Vaqueros Reservoir is an existing off-stream reservoir in Contra Costa County that provides water quality, drought emergency supply, and non-drought emergency water supply benefits to CCWD customers. The original reservoir was completed in 1998. The first expansion of Los Vaqueros was completed in 2012, increasing storage capacity from 100 thousand acre feet (TAF) to 160 TAF of water.

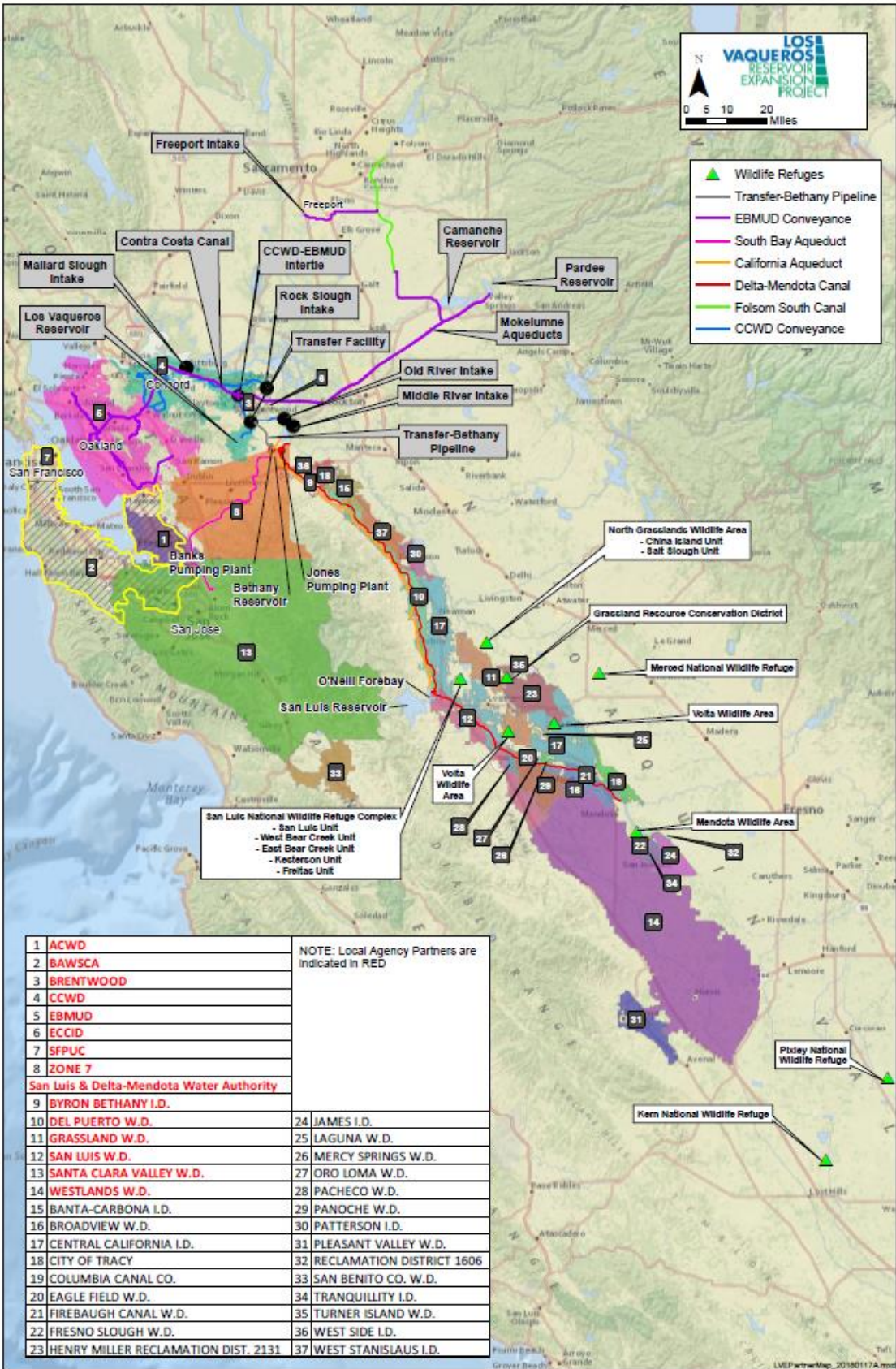
In 2016, CCWD reached out to other local water agencies, including SFPUC and BAWSCA, to determine if they had an interest in a portion of the new storage that would be created as part of the LVE Project. Interested agencies were asked to enter into agreements formalizing their respective participation in studies and environmental documentation, and provide a financial contribution toward the cost of the associated work effort. The potential partners in the LVE Project include 10 local water agencies, including Alameda County Water District, BAWSCA, Byron-Bethany Irrigation District (BBID), City of Brentwood, East Bay Municipal Utility District, East Contra Costa Irrigation District, and fourteen south-of-Delta wildlife refuge units in the San Joaquin Valley.

In February of 2017, BAWSCA entered into an MOU with CCWD formalizing BAWSCA's potential interest in a share of future Los Vaqueros storage and willingness to participate in the work effort. Similarly, SFPUC entered into an MOU, and provided a financial contribution of \$100,000 on behalf of both BAWSCA and SFPUC. The term of that MOU is now nearing completion for the next stage of work and a new MOU is being finalized, one that includes a new financial commitment. BAWSCA is asked to therefore confirm (via entering into the new MOU) the continued interest / willingness to participate in the project and provide a financial contribution to the work proposed. The proposed term of this new MOU is thru the end of calendar year 2019.

Attachment

Figure 1: LVE Project Partner Map

Figure 1: LVE Project Partner Map



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: November 9, 2018
SUBJECT: Chief Executive Officer/General Manager's Letter

Water System Improvement Program (WSIP) Update:

1. Extension of WSIP Oversight

On April 10, 2018, the San Francisco Public Utilities Commission (SFPUC) approved proposed changes to the Water System Improvement Program (WSIP) in accordance with the Wholesale Regional Water System Security and Reliability Act (AB 1823, Water Code Section 73500 et seq.). Aside from changes to individual projects, the overall WSIP completion schedule was extended to December 30, 2021 as part of the Commission's April 10, 2018 action. In its comments on the adopted WSIP changes, BAWSCA noted a concern with the SFPUC's ability to complete two specific projects (Alameda Creek Recapture Project and Regional Groundwater and Storage Recovery Project) by the newly adopted schedules.

Currently, the State oversight of the WSIP provided under AB 1823 sunsets (is eliminated) as of December 31, 2021. Given BAWSCA's concerns with scheduled completion of at least two WSIP projects and the resulting overall scheduled completion of the WSIP, BAWSCA intends to seek a legislative amendment in 2019 to extend the State oversight of the WSIP. BAWSCA will work with its local legislative representatives on this matter and will keep the Board and member agencies updated as this effort unfolds.

2. Regional Groundwater Storage Project

Construction continues on the Regional Groundwater Storage and Recovery Project. As a part of Phase 1 of the project, 13 wells were installed in the South Westside Groundwater Basin between spring 2015 and substantial completion of construction at 12 of the well sites was achieved in December 2017. The next major milestone will be 7-day testing of each well station, which is anticipated to begin in December 2018. This operational and startup testing has been delayed significantly, but the results of these tests should provide critical information on the potential yield of the project and water quality parameters. During those tests, water from the wells will, in many cases, enter into the San Francisco Regional Water System.

Phase 2 of the project began in March 2018 and includes the installation of three test wells, completion of the thirteenth well, and finalizing many items from Phase 1, including monitoring, sampling, and storage at many of the well sites. With the recent April 2018 WSIP change notice, the SFPUC changed the scope of the project to not make the Phase 2 wells production wells. BAWSCA continues to be concerned that this action may reduce the

SFPUC's ability to meet its water supply Level of Service goals. In response to BAWSCA's comments and concerns on this issue, the SFPUC has committed to providing a "written report to the Commission in January 2019 on the Regional Groundwater Storage and Recovery Project to contain updated water supply yield estimates informed by tests on Phase 1 and Phase 2 wells." BAWSCA will continue to track and report on progress of this project.

3. *Alameda Creek Recapture Project*

San Francisco's Planning Department is revising the environmental analysis (and documentation) prepared for the Alameda Creek Recapture Project (ACRP). Revisions were deemed needed to address concerns voiced by local water agencies (Alameda County Water District as well as Zone 7 Water Agency) as well as by state and federal fishery agencies. Concerns centered around the possible impact of the project on stream flows, groundwater levels/storage, and the fisheries (steelhead trout).

The completion of the revised environmental document continues to be delayed. In conversations with the SF Planning Department as well as with the SFPUC, BAWSCA understands that there are tentative plans to release the document in early 2019.

ACRP delays are likely to impact the overall WSIP completion schedule. BAWSCA will be working with SFPUC in early 2019 to better understand the project alterations, if required to address environmental or hydrological concerns, and resulting schedule impact, cost impact, and impact on water supply yield of the project.

Demand Study- Update:

BAWSCA will release a Request for Proposals for a Demand and Conservation Projections Project in mid-November. The goal of the project is to develop water demand and conservation projections through 2045 for each BAWSCA agency. The Project is anticipated to be an 18-month effort, aligned with the state's Urban Water Management Plan submittal schedule as well as the state's schedule for implementing new urban water use objectives, to be completed by June 2020.

To prepare the demand and conservation projections, BAWSCA is seeking a consultant to update the individual Decision Support System (DSS) models as prepared in 2014 for each BAWSCA agency. The updates will improve the forecast of water demands and potential conservation savings. The model updates will also add additional capabilities, including (1) ability to estimate their annual urban water use objectives as mandated by the State, (2) ability to forecast water demands and conservation savings under a range of hydrologic conditions, and (3) ability to incorporate water use projections for new developments based on land use projections. The study will require close coordination with each BAWSCA agency.

Proposals are due on December 11, 2019, and consultant interviews, if needed, are scheduled for January 8, 2018. The BAWSCA agencies have been invited to participate in all parts of the selection process. It is anticipated that a recommended consultant award will be brought to the BAWSCA Board for action in January 2019.

AB1234 – Training:

BAWSCA Board members and certain staff are required to complete formal training in “general ethical principles and ethics laws” under AB 1234. The requirement is a 2-hour training every 2 years.

BAWSCA has arranged for Hanson Bridgett to provide this training to Board and Staff members on December 4th at 9am-11am. The training will be held in the 1st Floor Conference Room of the BAWSCA office building, 155 Bovet Rd., San Mateo.

BAWSCA added AB 1234 and AB 1661 in its SouthTech Systems compliance management, which is the system used to file Annual FPPC Form 700's. This system allows BAWSCA's Form 700 filers to upload their training certificate electronically, and sends participants a reminder notice as subsequent 2-year deadlines approach for required training.

Please contact Lourdes Enriquez with any questions about training requirements and expirations.

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Board Of Directors

Policy Calendar Through May 2019

Meeting Date	Purpose	Issue or Topic
January 2019	D&A	Consideration of Enlarged Los Vaqueros MOU & Potential Project Participation
	D&A	Consideration of Consultant Contract for Demand Study
	D&A	Annual Review and Consideration of Statement of Investment Policy
	D&A	FY 2018-19 Mid-Year Review & Management of General Reserve
	R	Review of Water Supply Forecast
March 2019	D&A	Review of Agency Personnel Handbook
	D&A	Consideration of BAWSCA Bond Surcharges for FY 2019-20
	R	Presentation of Preliminary FY 2019-20 Work Plan and Budget
	R	Review of Water Supply Forecast
May 2019	D&A	Consideration of Proposed FY 2019-20 Work Plan and Budget
	D&A	Consideration of Annual Consultant Contracts
	R	Review of Water Supply Forecast

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

Meeting Schedule through December 2019

Schedule for BAWSCA Board Meetings (Meetings are held from approx. 6:30 – 8:45 p.m.)	
<u>Date</u>	<u>Location</u>
Thursday – November 15, 2018	Oak Room, San Mateo Main Library
Thursday – January 17, 2019	Oak Room, San Mateo Main Library
Thursday – March 21, 2019	Oak Room, San Mateo Main Library
Thursday – May 16, 2019	Oak Room, San Mateo Main Library
Thursday – July 18, 2019	Oak Room, San Mateo Main Library
Thursday – September 19, 2019	Wind Room, Foster City Community Building (<i>Venue for Month of September Meetings until 2022</i>)
Thursday – November 21, 2019	Oak Room, San Mateo Main Library

Schedule for RFA Board Meetings (Meeting time will be announced)	
<u>Date</u>	<u>Location</u>
Thursday – January 17, 2019	Oak Room, San Mateo Main Library

Schedule for BAWSCA Board Policy Committee Meetings (Meetings held from 1:30-4:00 p.m.)	
<u>Date</u>	<u>Location</u>
Wednesday – October 10, 2018	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – December 12, 2018	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – February 13, 2019	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – April 10, 2019	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – June 12, 2019	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – August 14 2019	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – October 9, 2019	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – December 11, 2019	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.