

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD POLICY COMMITTEE**

**February 13, 2019 – 1:30 p.m.
BAWSCA Offices – 155 Bovet Rd., San Mateo – 1st Floor Conference Room**

MINUTES

1. **Call to Order:** Committee Chair, Tom Zigterman, called the meeting to order at 1:32 pm. A list of Committee members who were present (6), absent (2) and other attendees is attached.

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

2. **Comments by Committee Chair:** Chair Zigterman welcomed members of the Committee and thanked them for their time.
3. **Public Comments:** Paul Sethy, Director of Alameda County Water District, introduced himself.
4. **Consent Calendar:** Approval of Minutes from the December 12, 2018 meeting.
Director Pierce made a motion, seconded by Director Kuta, that the minutes of the December 12, 2018 Board Policy Committee meeting be approved.
The motion carried unanimously.
5. **Action Calendar:** Chair Zigterman moved Item 5B as the first item on the Action Calendar, and moved 5A to after Closed Session.
- B. **Authorization to Enter Into a Memorandum of Understanding with Solano County Water Agency for implementation of the regional Bay Area Qualified Water Efficient Landscaper (QWEL) Training Program:** Sr. Water Resources Specialist, Andree Johnson, reported that QWEL is a long-standing Environmental Protection Agency (EPA) certified program that provides training to landscape professionals on various topics associated with water efficiency in the landscape. It is an intensive 20-hour, 3-day course on water-efficient irrigation practices and new technologies, water management and water budget setting, as well as the importance of water supply. Participants earn QWEL certification after passing the exam at the end of the course, and are listed as certified water professionals in the EPA's water-sense website.

Several Bay Area water agencies have implemented the QWEL program within their own jurisdictions. In FY 2018-19, some agencies expressed their interest to come together and implement the program as a regional effort.

Solano County Water Agency (SCWA) took the lead for the regional implementation. They issued an RFP and through a competitive selection process, selected California Water Efficiency Partnership (CalWEP), formerly known as California Urban Water Conservation Council, to administer the program. Agencies looking to participate in the

program include ACWD, BAWSCA, City of Napa, Contra Costa WD, EBMUD, SCVWD, SFPUC, Sonoma County WA, and Zone 7.

The QWEL program was previously considered by BAWSCA's Water Resources Committee to be a part of the effort to expand the Landscape Education Program (LEP) during FY 2018-19 workplan development. However, review of the work involved to implement the program for the BAWSCA region alone proved to be substantial. Instead, BAWSCA planned to expand the LEP through development of online resources, specifically videos and potentially online classes. Unfortunately, completion of that task became unfeasible due to unanticipated staff turnover.

With the QWEL program's recent development into a regional effort, it serves as a timely alternative to expand the LEP in FY 2018-19.

Staff is recommending to adjust the workplan budget to participate in the regional effort to implement the QWEL program in FY 2018-19, and consider development of online resources and training videos for the LEP in the work plan for FY 2019-20.

Committee Members asked questions and the following responses were provided.

Ms. Johnson reported that implementation of the program will be consultant-driven. BAWSCA staff's time will be focused on managing the consultant and securing member agency participation who are required to host a minimum of one training per year. The consultant will promote the program to the area's landscape professional groups, gardener associations, and local agencies that have relationships with landscape providers, such as the Bay Area Gardener's Associations where smaller independent "mow and blow" landscape service providers participate in.

Ms. Johnson further clarified that while there are ten agencies that have been actively involved in the consultant selection process and have expressed their intent to participate, the program will commence when at least five agencies have signed the MOU with SCWA. The program cost will not change if there are more than 5 participating agencies because the cost is on a per class basis.

QWEL was started in Sonoma and Marin approximately 10 years ago, and has been expanded outside of California.

The program is free to participating landscape professionals and landscape service providers to encourage them to get acclimated to water-efficient practices and perspectives. There are options that can be considered in the future to charge materials fees of \$20-\$30 to assure a small "buy-in" from the course participants.

Ms. Sandkulla added that the idea behind the Landscape Education Program is to educate water customers about what is achievable with water-efficient landscape practices. The QWEL program expands water-efficient education to industry professionals and service providers who will be committing 3-days of their working hours. Offering the training for free serves as an incentive to partake in the program.

The certification will have an expiration date, and continuing education units will be available to renew and maintain certification. The consultants will be managing the

certification tracking and communication with the certified professionals. The renewal process could, in the future, potentially serve as a way to apply a fee for the program.

In response to Director Mendall, Ms. Johnson reported that it was the interest of 2-3 member agencies that brought up QWEL as a way to expand the LEP during one of BAWSCA's water resources committee meeting.

Director Pierce made a motion, seconded by Director Wood, to recommend that the Board of Directors authorize the CEO/General Manager to:

- 1) negotiate and execute a Memorandum of Understanding with Solano County Water Agency to implement the Qualified Water Efficient Landscaper Training Program; and**
- 2) use \$11,000 from the FY 2018-19 budget to the implement the QWEL program.**

The motion carried unanimously.

6. Reports and Discussion

- A. Preliminary FY 2019-20 Work Plan and Results to be Achieved: Ms. Sandkulla reported that BAWSCA's legislated authority and goal of ensuring a reliable supply of high-quality water at a fair price continue to be the driving force in the development of BAWSCA's work plan. The work plan is always forward-looking; therefore, the draft preliminary work plan for FY 2019-20 presents the critical issues identified between now and 2050.

Ms. Sandkulla reported that the Board provided seven comments at the budget planning session held during the January Board meeting. Six of the comments are in the draft preliminary FY 2019-20 work plan, including focus on the CIP oversight and audit of the SFPUC's asset management practices. Ms. Sandkulla noted that BAWSCA's relationship with its allies is always critical and is maintained continuously. The comments that relate to information sharing on water supply needs, supply sources, investment opportunities, and providing better understanding on the relationship between the supply assurance and meeting the requirements of "Making Water Conservation a Way of Life" will be addressed through BAWSCA's work on the demand study.

Ms. Sandkulla further discussed two comments received from the Board during the budget planning session.

One was made by Director Kuta in regards to risk assessments of the Regional Water System to emergency situations such as wildfire and emergency readiness. Ms. Sandkulla reported that this has come up in the past, and is gaining attention given the various events that have occurred in the State. This item, however is not in the draft preliminary work plan because it falls outside the scope of the agency's current capabilities, and is not directly tied in BAWSCA's goals. But it is an important issue that BAWSCA should have a clear understanding on. Ms. Sandkulla offered to ask the SFPUC to report on their recently finalized Wildfire Mitigation Plan, which is a state required document. In addition, she noted that BAWSCA's efforts on emergency

planning includes putting pressure on the SFPUC to engage its wholesale customers in emergency exercises at least twice a year.

The second comment was made by Director Mendall, who encouraged the Board and CEO to focus on agency priorities given the magnitude of current activities. Ms. Sandkulla agreed and reported that in her review of the agency's current staff resources against the results that need to be achieved in FY 2019-20, each staff member in the Water Resources department is allocated close to 150% of a Full Time Equivalent (FTE) staff person, with one staff well over 150% of FTE. This is a clear indication of the need to re-assess and re-prioritize workplan and resources to ensure the critical results for the agency are met efficiently.

Ms. Sandkulla presented the draft preliminary work plan and emphasized the major tasks in each category of water supply reliability, water quality, and fair price.

Efforts that will require additional program activity and staff time in FY 2019-20 include the initiation of an audit of SFPUC's Asset Management Program, completion of the Regional Water Demand and Conservation Study, implementation of the pilot water transfer plan, and participation of BAWSCA in the Los Vaqueros Expansion program, as authorized by the Board at its January 17th Board meeting.

Under water supply reliability, BAWSCA will have increased oversight of SFPUC's CIP as a result of the recent WSA amendments. As part of this effort, BAWSCA will initiate an audit of SFPUC's Asset Management Practices, which was moved from FY 2018-19 to FY 2019-20. The need for such an audit was anticipated in the 2009 WSA which stated San Francisco "will cooperate" with such an audit. Ms. Sandkulla noted that much like BAWSCA's staff, the SFPUC staff may similarly be pushed to its limits and it is important to look at the priorities and available resources. BAWSCA proposes to use outside consultant expertise for this task that is estimated at a low range of \$55K. The board will be notified if the costs proves to be higher than anticipated

The FY 2019-20 workplan will pursue several major efforts to address long-term water supply solutions, which all fall under the implementation of the Long-Term Reliable Water Supply Strategy (Strategy). As reported previously, the efforts include completion of the Regional Water Demand Study, implementation of the Pilot Water Transfer, participation in LVE, participation in Bay Area Regional Reliability (BARR) to develop the "Water Marketing Strategy", working on potable reuse studies, monitoring San Mateo Plain Groundwater Basins efforts, and development of other local water supply options.

Ms. Sandkulla reported what is to be expected on the Pilot Water Transfer Plan during FY 2019-20. She reminded the Committee that the effort was initiated back in 2012, and was perceived by many as an effort that was less complicated than it has proven to be. There were challenges in the process and efforts had to be placed on hold during the most recent drought, which was a circumstance that provided a lot of useful information.

BAWSCA's pilot water transfer is now moving forward and may potentially be included in the BARR Phase 2 "Water Marketing Strategy Project", which has regional support and identified potential grant funds. Ms. Sandkulla noted, however, that the amount of time involved in receiving Federal grants can sometimes outweigh the benefits, and BAWSCA is seriously considering maintaining its current schedule. A target window has been identified in Winter 2019-20 during a Hetch Hetchy system shutdown in the

November 2019 or February 2020 timeframe. Ms. Sandkulla emphasized that the primary driver is staying on schedule and not missing the opportunities to implement the transfer in FY 2019-20.

Agreements are being negotiated with the agencies that will sell and wheel the water through the system. Those agencies include Amador Water Agency, East Bay MUD, SFPUC, and City of Hayward. The agreements are progressing, and expected to be completed in FY 2018-19.

Ms. Sandkulla reported that there are 2 areas of costs for the transfer. The first area is associated with activities before the Board takes a CEQA action to implement the transfer. They include legal and consultant support for environmental documentation that is estimated at \$60K. This would be funded through the FY 2019-20 operating budget.

The second area of costs is the larger cost associated with the purchase and wheeling of the water. That cost is estimated at a range of \$930K - \$1,669K, and would be funded through the Balancing Account.

Ms. Sandkulla explained that the Balancing Account is set up under the 2009 Water Supply Agreement (WSA). It is an account where wholesale customer surplus payments, if any, are deposited at the end of the fiscal year, and where wholesale customer payment shortfalls, if any, are taken from at the end of the fiscal year. It has served as a rate stabilization fund for the wholesale customers to mitigate significant rate increases and decreases.

The previous agreement to the 2009 WSA required the balancing account to be zeroed out at the end of every fiscal year, which caused substantial rate fluctuations that were difficult for the agencies to deal with. Alternatively, the 2009 WSA now allows a positive balance to remain in the Balancing Account at the end of every fiscal year to help attenuate wholesale rate changes. This has served the wholesale customers well.

To date, the Balancing Account has accumulated a positive balance of roughly \$60 million. Ms. Sandkulla presented the language of Section 6.05 (B)(2)(a) of the 2009 WSA that describes the use of the Balancing Account for water conservation or water supply projects administered by or through BAWSCA.

The use of the Balancing Account is something the Board can consider utilizing for the Pilot Water Transfer implementation. This funding option was discussed with the Water Management Representatives at its meeting on February 7th. The group was receptive given the high balance in the account, and because it was a preferred alternative to otherwise significantly increasing BAWSCA assessments.

In response to Director Wood, Ms. Sandkulla explained that the Balancing Account is a single account for the wholesale customers as a whole.

Ms. Sandkulla stated that the 2 funding mechanisms would be included in her recommendation to the Board when the Board considers authorizing implementation of the transfer. This consideration is anticipated to occur in July 2019.

BAWSCA's efforts in addressing near-term water supply solutions focus on ongoing efforts with water conservation. The work plan includes implementation of Phase 3 of BAWSCA's Making Conservation a Way of Life which includes development of 2 programs; the Commercial and Industrial Audit subscription program, and the Regional Source Meter Testing plan with the SFPUC. BAWSCA will continue to represent member agencies in regional and State-level conversations related to conservation, as well as in supporting core conservation and subscription programs. Ms. Sandkulla reported that in prioritizing the value of various conservation efforts that benefit the region, the High Efficiency Toilet (HET) Rebate Program is one that is being reviewed by the agencies to phase out.

BAWSCA will continue to protect the agencies' water supply interests by continuing to work with the SFPUC on its WaterMAP, and in closely monitoring developments in the Bay Delta Water Quality Control Plan and FERC relicensing process. She was pleased to report that there are no further litigation expenses anticipated for Restore Hetch Hetchy. But BAWSCA will continue to watch for any developments on that effort.

Ms. Sandkulla explicitly noted that the development of a new Tier 2 drought allocation plan is not included in the FY 2019-20 work plan, and reported that a second temporary extension to the existing plan will be recommended to the Board. Development of a new Tier 2 plan will be deferred to FY 2020-21.

As previously mentioned, Ms. Sandkulla reported that all water resources staff are in excess of a full-time equivalent, with one at over 165%. In the course of developing the proposed preliminary workplan, it became evident that there are insufficient resources available to perform all the work identified under water supply reliability. The current consultant-to-staff ratio is at the maximum, and adding consultant resources is not feasible.

Ms. Sandkulla explained that unlike the QWEL program, development of a new Tier 2 plan must be staff driven. While it is critical to complete a new Tier 2 plan, staff time is already committed to the Water Demand Study, Pilot Water Transfer, LVE Project, and Audit of SFPUC's Asset Management Practices, which are also critical efforts that could have negative impacts if not pursued now.

Additionally, Ms. Sandkulla noted that results from the Demand Study would inform the development of a new Tier 2 Plan; therefore, postponing it to FY 2020-21 makes the most sense.

Under Water Quality, BAWSCA will maintain its ongoing efforts by continuing its increased participation in the Joint Water Quality Committee with the SFPUC, and staying connected with the member agencies to relay information about water quality. Ms. Sandkulla stated that it is a "great year" when water quality does not show up as an issue.

Under Fair Price, Ms. Sandkulla was pleased to report completion of the necessary amendments to the WSA that were identified as results that needed to be achieved in FY 2018-19. The four recommended amendments to the WSA developed into seven, which were all successfully negotiated with the SFPUC, and are in the process of being adopted by each member agency. BAWSCA will continue to administer the WSA to

protect the financial interests of the member agencies, and the bonds that pay-off capital debt owed to San Francisco.

Ms. Sandkulla reported that the Operating Budget will reflect increasing activities in the implementation of the Strategy. The Strategy was initiated in 2009 as a result of the agencies' interests in pursuing next-level planning studies for alternative water supplies, which has led us to the Pilot Water Transfer, the Demand Study, and LVE.

Development of the Operating Budget will assume availability of the Balancing Account to fund the water purchase and wheeling costs for the Pilot Water Transfer, consider the level of effort needed to address the Phase 1 Bay Delta Plan and FERC Relicensing process, and reflect the end of year spending and its impact on the General Reserve balance.

Ms. Sandkulla asked the Committee for its feedback which she will incorporate in her presentation of the preliminary work plan and operating budget to the Board in March.

The Committee will have another opportunity to provide comments and feedback at its meeting in April. The Board will be presented with a proposed work plan and operating budget at its meeting in May.

Director Mendall provided several comments.

He asked if the wildfire component can be folded into the 10-year CIP as it relates to the protection of the infrastructure. He appreciated that the audit of the SFPUC's asset management practices is in the FY 2019-20 work plan, but expressed some concerns that it will become consultant-driven with staff being at a maximum workload. He cautioned against that possibility and encouraged the effort to be staff-driven so that staff can have the benefit of gaining institutional knowledge from the effort.

Additionally, Director Mendall asked if the Balancing Account is in an interest-bearing account that accrues to the wholesale customers.

Finally, he stated that the preliminary work plan is substantial. While it is not a criticism, he feels that BAWSCA does not have the staffing to complete all the work without something potentially being overlooked. The draft preliminary workplan, as it is presented, does not have room for unexpected issues that may require significant attention from both the water resources and legal team.

Director Mendall suggested that there should be consideration for the addition of a new staff member. While he can anticipate some resistance from the Board, he feels that the LVE project alone is a huge undertaking that requires additional resources. The project is a huge investment that he would expect the Board to demand follow-up work as well as high-level of confidence and data from staff before the Board can act on a level of commitment with LVE.

He referred to the CEO/General Manager stating that BAWSCA is entering a new phase in implementing the Strategy. Director Mendall stated that perhaps the Board ought to direct the CEO/General Manager to review and report whether the current staffing has the capacity to achieve the next level of efforts to implement the Strategy.

In response to Director Mendall's questions and comments, Ms. Sandkulla explained that her expectation on the audit of SFPUC's asset management practices is to have outside expertise to educate BAWSCA of what an asset management should look like, and merge that knowledge with BAWSCA staff's expertise of the regional system and SFPUC's practices. She confirmed that the Balancing Account is in an interest-bearing account that accrues to the wholesale customers.

Director Chambers asked about the \$1.6 million cost that will be taken from the balancing account to pay for the transfer water. He asked what happens when the water enters the SFRWS and is sold to the BAWSCA member agencies. Would the money go back to the balancing account?

Water Resources Manager, Tom Francis, explained that the \$1.6 cost estimate pays for the water purchased from Amador Water Agency, and for wheeling the water through EBMUD and Hayward systems. Mr. Francis explained that wheeling the water involves pumping and treating the supply as it goes through the EBMUD distribution system. Once the transfer water reaches the Hayward intertie, Hayward will need to perform pressure and water quality monitoring. All that work adds up to the water transfer cost estimate.

Mr. Francis stated that as agreements are finalized, a detailed cost report will be provided to the Board, as well as the timing of payments. He anticipates several draws from the Balancing Account during FY 2019-20, as the billing for the transfer water purchase will be separate from the billing for the wheeling costs.

Ms. Sandkulla explained that any surplus funds owed to the Wholesale Customers at the end of the year are credited to the Balancing Account.

Director Zigterman agreed with Director Mendall's comments about consideration of additional staffing. He stated that the level of work has increased over the years and will continue to do so. He asked the CEO/General Manager what her expectations were with the preliminary workplan and current staffing.

Ms. Sandkulla stated that she felt strongly about the need for additional staffing to successfully complete the workplan. However, she is also respectful of the choices the Board has to make. Allowing the Committee to review and process the draft preliminary workplan was the best way to facilitate that question. She highly recommends getting additional staff, and appreciates the Committee's acknowledgement of the need. The workload is not expected to decrease, and the level of work will be more complex as BAWSCA moves towards what has been a long-term interest of this agency; finding alternative supplies.

Ms. Sandkulla added that developing staff to be as effective as it has been in managing the workload, takes a few years. It is timely and beneficial for the agency to get additional staffing now as the agency transitions into that next level of efforts.

Director Mendall stated that the Board will want justification for the additional staff and suggested for the CEO/General Manager to provide the anticipated workplan over the next couple of years to demonstrate that the increase in work is not short-lived.

Director Pierce added that it would be helpful to clearly identify the value gained by the agency from the additional staff, and what would be lost if tasks are deferred. The additional financing will be difficult to swallow; therefore, it is important to be clear and up-front that additional staffing is to complete the critical work on behalf of the member agencies.

Director Kuta commented that several of the goals referred to the word “participate”, which is a hard word to gauge the meaning of, relative to the level of work involved. While he agrees with reviewing the bandwidth of the existing staff for contingency planning, he suggested prioritizing tasks and getting the Board to a level of understanding about what tasks will be dropped if and when other tasks require more resources.

In response to several questions asked by Director Kuta, Ms. Sandkulla provided the following information:

The “Water Marketing Strategy” under BARR will begin this fiscal year and continue for a few years. It is driven by the Bureau of Reclamation with the grant funding. The grant agreement is in place, and the consultant, Brown and Caldwell, is selected. A kick off meeting is scheduled to develop a 3-year workplan, with the first year focusing on meeting with stakeholders and developing a road map. It is not expected to be a high-level effort unless BAWSCA decides to receive grant money for the pilot water transfer. The grant will require NEPA compliance which can impact the transfer schedule, therefore staff is further analyzing the benefits of receiving grant funding for the pilot water transfer.

The transfer water that the BAWSCA service area will get from the LVE project will go through the South Bay Aqueduct and treated at either Santa Clara’s Penitencia Water Treatment Plant, or it will go through ACWD’s system

Participation in the LVE project studies during FY 2018-19 is estimated at \$227.6K. There is also a cost share of \$127K for BAWSCA’s participation in the LVE studies during FY 2019-20. The Board authorized participation in the next phase of LVE studies at its January 2019 meeting for a total cost of up to \$355K.

BAWSCA’s audit of the SFPUC’s Asset Management Program for the Regional Water System acquires BAWSCA the knowledge of whether the SFPUC’s practices are thorough or not. With that knowledge, BAWSCA can develop the necessary plan to address matters of concern. Similar to the efforts of pursuing AB 1823, BAWSCA advocates for what the water customers with the knowledge of the reality to base its assertion on. BAWSCA’s oversight of the SFPUC’s WSIP, and SFPUC’s implementation of the WSIP, was successful because both agencies’ efforts were based on the fact that the system will fail if it is not rebuilt. That type of factual information is how change for the better can be achieved. The goal of the audit is to find out the state of the system, obtain the facts, and address the outstanding issues.

There are the targeted projects for evaluating potential water supply projects using BAWSCA’s new regional water system and supply reliability modeling tool. Ms. Sandkulla reported that initial modeling work for the LVE and the potable reuse projects have been done this current fiscal year. Further modeling for other projects will be done in FY 2019-20.

Director Kuta asked Nicole to provide the Board, at the March Board meeting, the average cost of the staffing that BAWSCA would need.

With no further comments, the Committee unanimously agreed to direct the CEO/General Manager to pursue additional Water Resources staffing as part of the preliminary work plan and operating budget recommendation to the Board at its March meeting.

- B. Los Vaqueros Expansion (LVE) Project – Review of Water Supply Benefits: As previously reported at the January Board meeting, Sr. Water Resources Analyst, Andree Johnson, reminded the Committee that there will be substantial information on the LVE project that will be reported over the course of the fiscal year, as well as several policy decisions that the BAWSCA Board will have to consider in the next several months leading up to the big decision in November 2019 on whether BAWSCA should join the Joint Powers Authority, and continue as a project partner on the LVE Project.

The LVE project will be a standing item on both the BPC and the Board agenda over the next several months to provide both groups the opportunity to dive into the specific elements of the project, provide preliminary feedback, as well as give staff directions to analyze issues of concern, so that all the necessary information is obtained for the Board to make an informed decision in November.

Ms. Johnson presented the water supply benefits of the LVE project to the BAWSCA member agencies, and how the project will impact reliability if it is implemented regionally.

The SFPUC's adopted Level Of Service (LOS) goal allows for a systemwide shortage on the Regional Water System of up to 20% during drought. When the Strategy was developed, it identified a dry year water supply need of up to 48 thousand acre feet (TAF) per year during a systemwide shortage of up to 20%. Ms. Johnson explained that because of how water is allocated between SF retail customers and SF wholesale customers during a shortage, a 20% shortage on the regional system equates to an average of a 26% shortage for the BAWSCA agencies. With this information, BAWSCA sees the LVE project as a supplemental dry year water supply source.

Based on modeling that was done for the Strategy using projected demands up to 2040, it is estimated that shortages would occur in a total of 8 years over the 91-year hydrologic record with future projected demands. Of the 8 shortage years, there would be a 10% systemwide shortage, which equates to a 15% shortage for the BAWSCA agencies in 7 years. There would be a 20% systemwide shortage that equates to a 26% shortage for BAWSCA agencies in 1 year.

Ms. Johnson reported that if BAWSCA participates in the LVE project, BAWSCA can call upon supplemental supplies from Los Vaqueros during the shortfall years.

BAWSCA requested Contra Costa Water District (CCWD) to model the potential for BAWSCA to obtain 10 TAF per year from Los Vaqueros during the shortfall years. The results of the modeling indicated that in 5 of 8 years, based on the historical record where a shortfall would occur, BAWSCA could receive 10 TAF, or close to it, from the project. In one year, there would be approximately 4 TAF available. In two years, there

would be no supply available specifically because BAWSCA's water would have been drawn down from a prior shortage year.

Ms. Johnson explained that without the LVE project, BAWSCA would have 7 years of a 15% water shortage, and 1 year of a 26% water shortage over the 91-year record. The LVE project would reduce water shortage by 5% in most years, reducing a 15% shortage down to 10%, and a 26% shortage down to a 21%. There would still be a period of 2 years where no supply will be available from the project.

The modeling is all based on the industries' best available knowledge of demands and hydrology. There are uncertainties that would impact BAWSCA's needs for the supplies and potential costs; some of which will be further developed over the course of the project. Some will remain unknown.

Those factors include water demands, climate change and regulatory actions.

Ms. Johnson noted that the current modeling is based on water demand projections completed in 2014. Preliminary results of the new demand study will provide updated information in time to inform the Board before it makes a decision to join the JPA. If results of the demand study shows demands higher than projected, more water will be needed. If demands show lower than projected, less water will be needed.

The modeling is also based on a 91-year historical hydrology. Ms. Johnson noted that while forecast patterns are based on historical data, they will not be identical with the past. The SFPUC is conducting a risk analysis on climate change, which BAWSCA hopes will bring preliminary results prior to the Board's JPA decision.

Finally, State regulatory actions on the Bay Delta Plan and FERC relicensing process will impact future water supply availability and may introduce State drought response actions or additional long-term conservation requirements that can potentially bring down demands in the future.

The Committee was asked for feedback on the information presented and whether there are additional key questions that should be pursued to provide the Board information it needs to make a decision in November.

BAWSCA's key questions include; What level of service do the BAWSCA agencies want to provide their customers in dry years?

Ms. Johnson explained that when the Strategy was developed, SFPUC's 20% LOS goals during dry years was not seen as sufficient. With the recent drought experience, the question remains as to whether the SFPUC's 20% LOS goal is acceptable, or do the agencies continue to want an increased supply reliability through development of new supplemental supplies? If so, how much are agencies willing to pay for increased reliability in dry years? How does the LVE project cost and supply benefits compare to other dry year water supply options?

Committee discussions ensued.

Director Mendall asked how BAWSCA would obtain and use the supply from LVE. He assumed that BAWSCA would fill Los Vaqueros with supply during wet years, and drain

it once for a drought period. Ms. Johnson explained that over the course of a drought, there may be some periods that are not as dry, and provide the opportunity to replenish supply. BAWSCA's use of the water supply stored will depend on the actual drought hydrology.

Ms. Sandkulla added that a good example scenario is if the 2014 drought continued until now; in 2019. Last year's wet year would have been an anomaly. Supplies would have been replenished, and the level of cutbacks could be different. It is not unusual for a drought period to have a wet year in the middle.

Director Mendall commented that it remains difficult to get a handle on the potential cost against the benefit, and therefore it is hard to determine his level of support for the effort. For example, would BAWSCA pay \$10million up front so that once every 20 years there would be a 20% cutback instead of 26%? Or is it \$1million so that every five years it is another level?

Director Kuta stated that there should be an economies-of-scale. How much is it for 10 TAF, 15 TAF, 20TAF.

Director Wood commented that it would be helpful for staff to explain the project in detail, including the equivalent of TAF for the service area, to help new Board members understand its magnitude.

Director Chambers agreed and suggested adding the conversion of TAF to mgd.

Director Pierce suggested having a framework of what the BAWSCA service area was asked to cut back during the last drought, and what that might have been moderated to with the LVE.

Ms. Sandkulla stated having supplemental supplies during the last drought would not have mattered because of the regulatory factors. The State would have ordered the same cutback statewide. While the State has indicated it will not do that again, the potential for having the same scenario is a serious question for agencies to consider in the future. Regional agencies, including ACWD and SCVWD, have adjusted their drought targets as a result of the State's action during the last drought.

Director Chambers noted that the Bay Delta Plan and global warming can have significant impact to snowpack and decreased storage supplies. These factors have no historical data to help forecast the future.

Director Mendall stated his concern for potential higher cutbacks of 30% to 40% in the future as a result of global warming and state regulations.

In response, Ms. Sandkulla noted that the SFPUC is obligated to supply up to 184mgd and an LOS goal of no more than 20% during a systemwide shortage. BAWSCA and the member agencies need to hold the SFPUC to these obligations and push for it to invest in efforts to meet its responsibilities. Ms. Sandkulla emphasized that supplemental supplies will be very expensive water, which makes holding the SFPUC to their LOS goals even more important.

She referred to Mr. Ritchie's presentation to the Board at its January meeting, where he talked about making changes to the 10-year CIP to include more funding for regional water supply planning efforts specific to examining LVE, brackish desal, and enlarged Calaveras among others. This is in response to BAWSCA's push for their obligation to the wholesale customers.

Director Mendall commented that perhaps rather than pushing the member agencies to invest, push the SFPUC instead to invest in projects like the LVE to ensure that the <20% LOS goals for systemwide cutback is a reliable guarantee.

Ms. Sandkulla stated that such an approach would represent a change from BAWSCA's current policy and, therefore, would be a critical policy consideration that will be part of the Board discussion in the coming months.

Director Zigterman clearly expressed his support for the LVE project. He strongly believes water supply storage is critical. BAWSCA should push for this effort and get as much out of it as possible. While BAWSCA should thoughtfully analyze its cost-effectiveness, as well as push the SFPUC to invest in the effort, he believes BAWSCA should not wait for, or rely on SFPUC's actions. The unknown factors of global warming and the Bay Delta Plan make having storage even more critical. The water needs a place to go when flows are high.

Ms. Sandkulla stated that the SFPUC is, indeed, looking at the LVE project, and BAWSCA needs to keep it front and center in their efforts.

Director Kuta commented that a primary concern would be how BAWSCA will raise the capital needed to pay for the effort. It would be helpful to know the funding opportunities.

Director Mendall asked if funding would be a one-time \$10 million transfer from the balancing account, or is it something more?

Legal Counsel, Allison Schutte, explained that if a JPA is formed, the agencies that sign up will be joining into a financing plan, at a minimum of \$500 million. But it will not be an up-front cost. It will be part of a financing plan over a multi-year period at a good interest rate.

Ms. Sandkulla re-stated that the LVE project and the various elements that goes with the effort will be the topic of conversation on the agenda in the next several months for the BPC, the Board, as well as the Water Management Representatives. It will be discussed in detail accordingly; technically with the WMR's, and at a policy level with the Committee and the Board to evaluate and become educated about the pieces of information needed to make an informed decision when the time comes.

In response to Director Kuta, Ms. Johnson explained that the Board's decision to join the JPA, if it so chooses, is not a commitment to ultimately participate and purchase water from the project. It is a decision on the initial governance structure for the project. After the JPA is formed, the JPA would establish purchase agreements with each of the entities looking to purchase water or storage from the project. BAWSCA can choose to join the JPA and, as the project develops, decide on a subscription structure.

Mr. Francis reported that BAWSCA and the SFPUC holds regular meetings to discuss the project and stated that the SFPUC shares the same concerns BAWSCA has on the costs and supply reliability. Efforts are ongoing in evaluating a joint or separate interests.

7. Reports:

Water Supply Update: Ms. Sandkulla reported that water supply conditions are good. Total Tuolumne storage is at 87% of maximum, and Calaveras is continuing to fill in accordance to Division of Safety of Dams (DSOD) regulations. While precipitation at Hetch Hetchy is slightly above median, snowpack is well above median. Future weather forecast includes substantial precipitation in the state, regional, as well as local levels.

Total system deliveries, including both San Francisco retail and wholesale customers, continues to trend below 2018 and pre-drought year of 2013. Total potable water use in the BAWSCA service area is 20% less in December 2018, than in December 2013; continuing persistent pattern of low water use.

In response to Director Kuta, Ms. Sandkulla reported that the SFPUC is looking at demands against temperature patterns.

- A. Bay Delta Plan Update: Ms. Sandkulla reminded the Committee that the State Water Resource Control Board (SWRCB) acted in December to adopt the Bay Delta Plan and gave direction to Staff to work with the Natural Resources Agencies to complete development of the Voluntary Settlement Agreement (VSA) including the Tuolumne River, by March 1st. The VSA is to be incorporated as an alternative for a future, comprehensive Bay Delta Plan for the entire Delta watershed for consideration by the State Board as early as December 2019.

Newly elected Governor Newsom recently appointed Wade Crowfoot as Secretary of Natural Resources, and Jared Blumenfeld as Secretary of Cal EPA, to lead the negotiations and to further clarify settlement agreement details. The two Secretaries are regularly meeting with a stakeholder group that has been expanded to include some environmental organizations. BAWSCA has not been invited.

The official terms of the VSA were made public last week, and were provided to the wholesale customers as a document, as well as to interested environmental organizations. Natural Resources and Cal EPA need to complete a full analysis of the VSA for water supply impacts and environmental benefits.

Ms. Sandkulla hopes to provide further information to the Board at its March meeting.

- 8. Closed Session:** The meeting adjourned to Closed Session at 3:07pm

- 9. Open Session:** The meeting convened to Open Session at 3:33pm. Legal Counsel, Allison Schutte reported that no action was taken during Closed Session.

5. Action Calendar:

- A. Amendment to Hanson Bridgett Professional Services Contract: Ms. Sandkulla reported that the current contract limit for legal services is \$669,000. There is a need to amend

the contract to increase the “not to exceed” budget by \$150,000. The increase will fund the necessary work associated with the WSA amendments, which was underbudgeted, and the Bay Delta Plan, which had a higher level of legal activity than anticipated.

Funding of the \$150,000 would come from a transfer from the General Reserve (\$50,000), budgeted contingency (\$57,500), and anticipated unspent funds from FY 2018-19 (\$42,500). Ms. Sandkulla noted that because it is too early in the fiscal year, she is cautious to allocate a higher amount from anticipated unspent funds.

Director Wood made a motion, seconded by Director Chambers, that the Committee recommend to the Board of Directors to authorize the CEO/General Manager to:

- **Amend the professional services contract with Hanson Bridget by \$150,000 for a total not to exceed amount of \$819,000;**
- **To transfer \$50,000 from the General Reserve to the Operating Fund to fund a portion of this contract increase; and**
- **To use \$57,500 from budgeted contingency to fund a portion of this contract increase.**

In response to Director Kuta, Ms. Sandkulla stated that the unspent funds associated with other financial and technical consultant contracts refers to the audit of SFPUC's asset management practices that was deferred to FY 2019-20 during the mid-year workplan review.

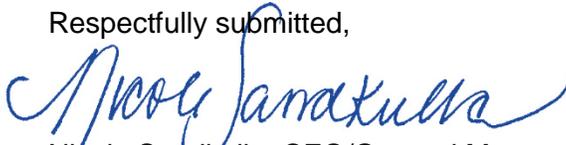
Director Mendall commented that the need for the increase is understandable given all the activities that required, and continues to require, legal attention. He hopes it does not set a new baseline.

Ms. Sandkulla noted that the budget for legal counsel has gone up and gone back down in the past. The last time in occurred was during the 2009 WSA process in which critical results needed to be achieved.

The motion carried unanimously.

- 10. Comments by Committee Members:** There were no further comments from Committee Members.
- 11. Adjournment:** The meeting was adjourned at 3:38 pm. The next meeting is April 10, 2019.

Respectfully submitted,



Nicole Sandkulla, CEO/General Manager

NS/le

Attachments: 1) Attendance Roster

Bay Area Water Supply and Conservation Agency

**Board Policy Committee Meeting
Attendance Roster**

Agency	Director	Feb. 13, 2019	Dec. 12, 2018	Oct. 10, 2018	Aug. 8, 2018	Jun. 13, 2018	Apr. 11, 2018
Stanford	Zigterman, Tom (Chair)	✓	✓	✓	M T G	✓	✓
Westborough	Chambers, Tom (VChair)	✓	n/a	n/a		C A N C E L L E D	n/a
Foster City	Hindi, Sam		n/a	n/a	n/a		n/a
Cal Water	Kuta, Rob	✓		✓	✓		✓
Sunnyvale	Larsson, Gustav		✓	✓	✓		
Hayward	Mendall, Al	✓	✓	✓	✓		✓
Redwood City	Pierce, Barbara	✓	✓		✓		✓
Brisbane	Wood, Sepi	✓	n/a	n/a	n/a		n/a

✓: present

February 13th Meeting Attendance

BAWSCA Staff:

Nicole Sandkulla CEO/General Manager
 Tom Francis Water Resources Manager
 Andree Johnson Sr. Water Resources Specialist
 Christina Tang Finance Manager
 Lourdes Enriquez Assistant to the CEO/General Manager
 Allison Schutte Legal Counsel, Hanson Bridgett, LLP
 Nathan Metcalf Legal Counsel, Hanson Bridgett, LLP
 Bud Wendell Strategic Counsel

Public Attendees:

Paul Sethy ACWD, Director
 Michelle Novotny San Francisco Public Utilities Commission