

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

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

Wind Room

(Directions on Page 2)

Thursday, May 19, 2011

7:00 P.M.

AGENDA

- 1. Call to Order/Roll Call/Salute to Flag** **(Pierce)**
- 2. Comments by the Chair** **(Pierce)**
- 3. Board Policy Committee Report** *(Attachment)* **(Klein)**
- 4. Public Comments** **(Pierce)**
Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.
- 5. Consent Calendar** **(Pierce)**
 - A. Approve Minutes of the March 17, 2011 Meeting *(Attachment)*
 - B. Receive and File Budget Status Report – As of March 31, 2011 *(Attachment)*
 - C. Receive and File Investment Report – As of March 31, 2011 *(Attachment)*
 - D. Receive and File Directors’ Reimbursement Report – As of March 31, 2011 *(Attachment)*
 - E. Authorization to Amend the Contract with KNN Public Finance *(Attachment)*
- 6. Action Calendar**
 - A. FY 2011-12 Results to be Achieved and Proposed Budget *(Attachment)* **(Jensen)**
 1. Approval of the results to be achieved during FY 2011-2012
 2. Approval of the total amount of the proposed budget
 3. Approval of the method for funding the budget*The Board Policy Committee unanimously recommends approval of the proposed Board actions.*
 - B. Priority FY 2011-12 Professional Services Contracts *(Attachments)* **(Jensen)**
 1. Legal Counsel (Hanson, Bridgett et al.)
 2. Strategic Counsel (Management Communications)
 3. Engineering Consultant – Technical Engineering (Dale Newkirk)
 4. Engineering Consultant – WSIP Cost, Schedule & Construction Management (Terry Roberts)
 5. Engineering Consultant – Water Supply Agreement (Stetson Engineering)
 6. Engineering/Financial Consultant – Water Supply Agreement (Hilton, Farnkopf, Hobson)
 7. Financial Advisor – (KNN Public Finance)

8. Water Supply Agreement Auditing/Accounting Support – (Burr, Pilger, Mayer)
9. Large Landscape Conservation Services Consultant (Whitcomb)
10. School Education Programs (Resource Action Program)
11. School Assembly Program (EarthCapades)

The Board Policy Committee unanimously recommends approval of the contracts.

- C. Request for Authority to Pursue Office Lease (*Attachment*) **(Jensen)**

The Board Policy Committee unanimously recommends approval of the proposed Board actions

7. SFPUC Report **(Harrington)**

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

Brief Reports by the Chief Executive Officer

1. Board Policy Calendar Revisions
2. Long-Term Reliable Water Supply Strategy – Schedule for Policy Decisions
3. SFPUC Water Supply Improvement Program (WSIP) - Update
4. SFPUC Wholesale Water Rates– Significance of changes to SFPUC’s proposed wholesale water rates and actions taken by the Commission
5. WSIP Project Site Tour – SFPUC Video

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

10. Date, Time and Location of Future Meetings **(Pierce)**

(See attached schedule of meetings)

11. Adjourn to next meeting scheduled for July 21, 2011 at 7pm **(Pierce)**

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

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

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

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

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

BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board Members
FROM: Arthur R. Jensen, Chief Executive Officer
DATE: May 13, 2011
SUBJECT: Summary of Board Policy Committee meeting held April 13, 2011

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

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

Consent Calendar:

Approval of the Minutes from the February 9, 2011 Meeting: The Committee approved the minutes from the meeting of February 9, 2011.

Authorization to Amend the Contract with KNN Public Finance: The Committee voted unanimously to recommend Board authorization for the CEO to amend the contract with KNN Public Finance and make the following budget adjustments and professional service contract amendments in order to provide analyses and work products needed this fiscal year:

1. Reduce the not-to-exceed amount of the contract with Burr, Pilger and Mayer (Auditing Support Services) by \$15,000, from \$30,000 to \$15,000;
2. Increase the not-to-exceed amount of the contract with KNN Public Finance (Financial Consultants) by \$11,000, from \$44,000 to \$55,000.

Action Calendar:

FY 2011-12 Results to be Achieved and Proposed Budget: Mr. Jensen presented the results to be achieved, and the activities not included in the Work Plan for FY 2011-12. The list of activities not included in next year's budget was amended to include the following items discussed with the Policy Committee at its February meeting, and with the Board at its March 17th Meeting:

1. Analysis of why water use has dropped in recent years;

2. Evaluate how sub-metering could be implemented;
3. Support of agencies forming alliances to comply with 20% by 2020;
4. Estimate water savings from BAWSCA and local conservation;
5. Estimate economic & supply impacts of new Delta management;
6. Develop alternative wholesale rate structure alternatives;
7. Conduct water system tours

Mr. Jensen emphasized that the activities' exclusion from the budget does not mean they are not important or that they could not be done. He stated that if a decision is made to perform any of these activities during the year, the Board would be asked to reprogram funds from other budgeted items or augment the Operating Budget from the General Reserve.

While the proposed budget for FY 2011-12 is \$49,705 greater than the preliminary estimate, it is \$60,000 less than the current year's budget. The proposed budget includes no salary adjustments for existing staff, a reduction or deferral of some activities, an anticipated decrease in office lease costs, a small budget for keeping a retiring employee available to assist their replacement, and flexibility to accommodate an authorized leave of absence.

In response to a question about the approved leave of absence, Mr. Jensen explained that it is a legally required leave of absence.

To provide necessary additional resources and flexibility, the contingency budget was increased by \$30,000 from \$47,500 to \$77,500, and the allowance for temporary, part-time or consultant services by \$20,000.

The proposed operating budget can be supported by assessments, reimbursements from the subscription programs, and, if needed, a small transfer from the General Reserve. Mr. Jensen stated that the assessments will remain unchanged for the 3rd year, and that at year-end, the estimated General Reserve balance would be equivalent to 35% of the proposed operating budget. A graph of historical assessments and reserves was presented to the Committee. Mr. Jensen noted that current Board policy sets a budgeting guideline for the General Reserve as 25% of the current operating budget.

The staff recommendation was for the Committee to recommend Board approval of the proposed FY 2011-12 Work Plan and proposed Operating Budget of \$2,619,705, and that the Operating Budget be funded without changing agency assessments and, if needed, a transfer of \$38,005 from the General Reserve.

Following Mr. Jensen's report, Committee members asked questions and offered comments for discussion.

Director Quirk stated that the eleven professional services contracts as of July 1, 2011 is very much a part of the Work Plan and budget. Since there are less legislative activities than have historically been dealt with by Strategic Counsel, he asked whether Mr. Wendell could help with some of the activities excluded from the Work Plan.

Mr. Jensen stated that the contract has remained in the not-to-exceed amount of \$150,000 for several years, during which there has been no shortage of issues to address, including

the negotiation of the new Water Supply Agreement, the development of a Long-Term Reliable Water Supply Strategy, and monitoring the SFPUC's progress on the WSIP. BAWSCA stays in contact with the legislature to maintain connection with legislators, connect with new legislators, and stay on top of developing legislation. Mr. Jensen stated that strategic counsel is only paid for hours spent, and traditionally provides more hours of service than are billed.

Director Pierce asked what Committee members think about the projected level of the reserves being 35% of the current budget. She asked if they thought the level of the General Reserve should be left alone for this fiscal year, or used to fund work that otherwise would be deferred, provided that a prudent level of reserves be maintained.

Director Quirk stated if there is something significant that needs to be done out of the list of activities excluded from the Work Plan, he would be in favor funding it from the General Reserve, but hiring a consultant to do the work as opposed to adding a permanent employee. He suggested looking at the General Reserve in light of potential uncertainties in expenditures and revenues, and determining a prudent amount for the agency to have in reserve.

Chair Klein asked whether how the Board's current General Reserve policy is stated.

In response to Chair Klein's request, Legal Counsel explained that BAWSCA's General Reserve policy is stated as a guideline for budgeting purposes and defines the guideline as a General Reserve minimum of 20% of the Operating Budget and a maximum of 25%. Last year was the first year BAWSCA had a General Reserve of 25%.

Chair Klein suggested the following three options to address the projected General Reserve balance being above the policy guideline: The Board could consider 1) changing the General Reserve guideline, 2) reducing the assessments for FY 2011-12 and use the General Reserve to augment what is needed to fund the budget, or 3) allocate a portion of the General Reserve towards significant activities the Board would like to add to the Work Plan.

Director Guzzetta stated that BAWSCA should focus on preserving the enterprise, and determine how it will be able to respond if something significant affects the operation of the agency. That would be one way to set the size of the General Reserve to keep the agency moving forward.

In response to Director Piccolotti's question, Legal Counsel explained that BAWSCA does not use its reserve for the purpose of covering money owed to staff for vacation.

Mr. Jensen said he will look at the risks that might reduce the ability to collect revenues and at activities that might arise that would require significant unplanned expenditures, consider how the agency could react to such event expenditures, and suggest what level of reserves might be appropriate. He will bring that information back to the Committee for discussion prior to taking the matter to the Board for discussion and possible action.

Director Guzzetta requested that the CEO also look into how the reserve can be used as a stabilization fund, should health costs, for example, increase.

Under the direction of Committee Chair Klein, Mr. Jensen will agendaize further discussion of how the projected level of the General Reserve should be addressed, with further information

on the risks to revenues and expenditures, as well as how the reserve can act as a stabilization fund.

With no further discussion, the Committee voted unanimously to recommend that the Board approve of the proposed FY 2011-12 Work Plan and the proposed Operating Budget of \$2,619,705, and that the Operating Budget be funded without changing agency assessments and, if needed, a transfer of \$38,000 from the General Reserve.

The Committee also discussed and voted unanimously to recommend Board approval of the eleven contracts for legal, engineering, financial, strategic, and water conservation services needing to be in place by July 1, 2011.

Request for Authority to Pursue Office Lease: Mr. Jensen reported that the current lease for the BAWSCA office space expires in October 2011. There is an opportunity to improve the office location and space within the proposed budget, which anticipated lower lease costs for the existing space during FY 2011-12.

Alternative locations were examined to ensure that an informed decision about office location could be made and to obtain comparable lease rates to assist in negotiating a new lease for the existing location. Staff learned that an alternative, larger space is available in the current building. The space could accommodate interns, part-time employees and consultants that will be needed to perform the Work Plan.

Mr. Jensen reported that he would be hesitant to sign a lease for 3 or more years with the current location because it does not have sufficient space. The office on the 6th floor is larger, and a longer-term lease would have a lower annual cost than BAWSCA is currently paying.

The favorable lease conditions result from the current state of the market for commercial office space, and those are expected to change within the next year or two. The new lease plus the cost of moving could be covered within the proposed Operating Budget.

Art will provide the square footage information, as requested by Director Anderson, in the staff memo for the Board meeting in May.

The Board Policy Committee voted unanimously to recommend Board authorization for the CEO to negotiate and execute a five-year lease for space in the existing building, at a competitive rate, that can be afforded within the proposed Operating Budget.

Reports:

Board Policy Calendar Revisions: Revisions to the Board Policy Calendar were handed out to the Committee.

Long-Term Reliable Water Supply Strategy: Ms. Sandkulla reported that the schedule extension for the Strategy was discussed with the Committee in January, and with the Board in March, to accommodate resources constraints. The proposed schedule revision was an extension of six months, with a new completion date in January 2013.

Ms. Sandkulla reported that delaying the strategy will not have severe consequences because current low water use minimizes the risks associated with meeting near-term water needs. The schedule extension would have no cost impacts, and the change could be addressed in the consultant contract with CDM.

Technical work continues with the development of project-level information for potential local agency and regional water supply projects. BAWSCA is meeting with specific agencies as needed to understand potential local agency projects and exchange information.

Mr. Jensen has begun his briefings with the Board leadership with regard to future policy decisions and the schedule on which they may be needed. The current schedule is for a presentation on the Strategy and the policy decisions to be provided to the Committee in June and to the Board in July.

Director Quirk brought up the point of how the use of alternative sources by some agencies because of rising costs is decreasing Hetch Hetchy water use, and suggested an analysis of how much of that factor is contributing to low water usage as opposed to water conservation.

Ms. Sandkulla reported that the issue has come up in the rate discussions and in the SFPUC's review of possible rate methods for next year. Ms. Sandkulla noted that for planning purposes, several agencies look at managing their mix of supplies. Ms. Sandkulla noted that while cost is a factor, it's not the only factor because source reliability, quality and other factors can be significant.

Ms. Sandkulla added that some agencies have minimum-take requirements on more than one of their water sources. Because water use in their areas has decreased, some agencies are not meeting their minimum take, or are barely close to it. This can result in an agency having to pay for the contractual minimum amount of water even if it does not use it. She recommended producing numerical brackets on how significant the use of alternative supplies might be to individual agencies and to the customers of the San Francisco system.

SFPUC Water System Improvement Program: Mr. Jensen presented a map of the BAWSCA service area and the faults that lie within it to re-emphasize why the WSIP is so important to the region.

At the groundbreaking ceremony for WSIP projects in the Peninsula held on March 30th, Mr. Jensen reported that SFPUC's talk emphasized the program's importance for operational flexibility and seismic reliability. To bring the level of importance to the lay public, BAWSCA focused on the system's capability to deliver drinking water, water for sanitation, and water to fight fires in an event of major earthquake. The economic downside of a major earthquake was estimated at \$28B several years ago, not counting loss of property due to fire because of lack of water or loss of life.

Mr. Jensen reported that the program is currently within scope, schedule and budget. The major projects beginning on the peninsula include the Lower Crystal Springs Dam Improvements, Crystal Springs Pipeline #2, Crystal Springs/San Andreas Transmission System Upgrade, and the Harry Tracy Water.

The SFPUC will begin their budget and schedule re-alignment process in June, and complete it in July. The SFPUC will provide the revised project information as part of their progress report to the State in September, as required by AB1823.

There will be some changes to the program, and BAWSCA will be reviewing the report when it is released to analyze the changes and their significance. The report will be sent to the State and reviewed by the California Department of Public Health and California Seismic Safety Commission, to determine whether the changes significantly increase risks to the public health and safety.

Mr. Jensen presented a graph showing the overall progress of the program at 35% complete as of December 2010.

Drought Implementation Plan – Course of action now that all agencies have approved the plan: The Drought Implementation Plan has been adopted by all BAWSCA member agencies. BAWSCA will send a formal notification to the SFPUC, member agencies and Board members. The mechanics of what BAWSCA and the agencies need to do in the event of a drought are in place.

Water Conservation Grant Application – Update: Ms. Sandkulla reported that BAWSCA is a partner in a Prop. 84 Regional Grant application that has been submitted to the State. The grant request is for \$8.95M and BAWSCA's potential share is \$863,000. The grant would provide funding for a portion of rebates in BAWSCA's washing machine, high-efficiency toilet, and lawn replacement rebate programs, as well as partial funding for outside water-efficient landscaping education. Grant award notifications are expected during the Month of April and good news is expected. The money could be available by next fiscal year.

SFPUC Wholesale Water Rate Proposal – Status of agency comments and schedule of consideration by the SFPUC Commission: Mr. Jensen reported that the SFPUC is not moving forward with the rate structure alternatives presented in its February 3rd letter to wholesale customers and BAWSCA. The SFPUC presented and will consider on May 10th, a 47.4% increase in wholesale water rates that translates to \$2.80 per ccf.

The SFPUC is also proposing a potential rate adjustment mid-year which includes an increase to \$2.90 if projected wholesale purchases drop below 130mgd.

The SFPUC presented that they needed the rate increase to pay for the WSIP and to cover the revenue shortfall due to low water use in the last several years. Each year the SFPUC estimates how much water the wholesale customers will purchase, and sets their rates accordingly. If less water is used, the SFPUC does not collect sufficient revenue. The same is true for BAWSCA's member agencies and some agencies are experiencing revenue impacts.

The proposed rate increase will be considered by the Commission on May 10th. Agencies have the opportunity, and are encouraged to express their concerns and suggestions with the SFPUC in writing.

BAWSCA member agencies have \$50-\$60M owed to San Francisco for a variety of reasons including lower than expected water purchases. At a meeting with agency appointed Water Supply Management representatives, each agency had a preferred way of addressing the

money owed to San Francisco. Mr. Jensen noted that BAWSCA's role is limited because agencies differ in their preferred approach to addressing SFPUC's proposed rate setting.

Mr. Jensen, however, requested the Commission to direct staff to provide justification for the extremely low projected FY 2011-12 water purchases on which the proposed rates are based, and to present clear alternatives so that agencies and the Commission can better understand the reasoning behind the proposed wholesale rate.

Mr. Jensen pointed out to the Commission that the agencies want San Francisco to be financially stable for good bond ratings. Equally important, BAWSCA agencies need to be financially stable because the same bond rating agencies are rating their bonds.

Information received from the SFPUC will be distributed to Water Supply Management representatives.

Director Pierce inquired about the possibilities for water banking and water wheeling to bump up San Francisco's water sales as an immediate and short-term solution. Mr. Jensen explained that low water consumption is a broader phenomenon that goes beyond the service area.

Mr. Jensen noted that the new rate proposal is to recover two components of the balancing account, one over 2 years, and the other over 4 years. Legal Counsel, Allison Schutte, noted that while the SFPUC is allowed a quick recovery of the balancing account, an alternative available to the Commission, and a potential area for agency comments, is to spread the balancing account over a period of time.

Director Pierce said that another concern is that additional rate increases will result in even lower consumption which could worsen the situation rather than improve it. Mr. Jensen agreed and stated that the issue has caught the media's attention. BAWSCA will provide factual information for Board members and member agency representatives to use in response to media inquiries, and advised that Board members stay in touch with their staff regarding media inquiries.

Mr. Jensen noted comments made by some elected officials that the proposed rate increase is unfair, and clarified that the Wholesale Customers are not being asked to cover any costs that should be paid by San Francisco's Retail Customers. In that sense, while the increase is unwelcome, it is not unfair.

Schedule for Annual Review of BAWSCA Investment Policy, and other administrative matters: Hanson Bridgett has been reviewing BAWSCA's administrative documents and some updates are expected. Changes will be reported to the Board for both information and for action, if needed. Documents being reviewed include the Investment Policy, Rules of the Board, the personal handbook, and the General Reserve.

WSIP Video: The Committee was presented with the video produced by Julie Labonte, Director of the WSIP, summarizing the progress of the program.

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – April 13, 2011

Roster of Attendees:

Committee Members

Larry Klein, City of Palo Alto (Chair)
Rob Guzzetta, California Water Service Company (Vice-Chair)
Ruben Abrica, City of East Palo Alto
Robert Anderson, Purissima Hills Water District
Randy Breault, City of Brisbane/GVMID
Irene O’Connell, City of San Bruno (BAWSCA Vice-Chair)
Tom Piccolotti, North Coast County Water District
Barbara Pierce, Redwood City (BAWSCA Chair)
Bill Quirk, City of Hayward

BAWSCA Staff:

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

Public Attendees:

Peter Drekmeier	Tuolumne River Trust
Nan Barton	City of Hayward
Sharyn Saslafsky	SFPUC

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

**March 17, 2011 – 7 p.m.
Foster City Community Building, Foster City CA**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 7:00 pm

BAWSCA Chair, Barbara Pierce, called the meeting to order. Art Jensen, called the roll. Twenty (20) members of the Board were present, constituting a quorum. A list of directors present (20) and absent (6) is attached.

2. Comments by the Chair: Chair Pierce, acknowledged this meeting as her first since being elected chair, and stated her understanding of her responsibilities to the member agencies and their customers as Chair of the BAWSCA Board. She looks forward to working with Vice-Chair Irene O’Connell.

She said the next chapter of BAWSCA’s history will focus on sufficient and reliable water supply and water conservation to protect the health and safety, and economic well-being of the agency’s constituents. The Board should not wait for the inevitable supply shortage as a result of drought and population growth. The CEO is currently addressing this critical issue, and Chair Pierce will work closely with him to ensure that the Board is informed and engaged.

BAWSCA’s regional conservation program earned a prestigious award in the Government Agency category from the Silicon Valley Water Conservation Awards. Among this year’s winners are BAWSCA Director Ken Coverdell and his wife Sally Coverdell for their conservation efforts. Board members are invited to attend the Award Ceremony on World Water Day, March 22nd, where Ira Ruskin, former BAWSCA Board Chair and BAWSCA advocate during his terms in the legislature, will be the keynote speaker. Director Pierce publicly thanked Director Quirk for nominating BAWSCA.

3. Board Policy Committee Report: Director Klein, Chair of the Board Policy Committee reported that the meeting on February 9th was attended by all nine members of the Committee. Several members are new, and Director Klein expressed his appreciation for their contribution to the discussion.

The Committee acted on two items that had an underlying theme of how BAWSCA can do more with less resource, how to make the tough choices of what activities BAWSCA can’t do during the next fiscal year, and how BAWSCA operates efficiently.

The Committee voted unanimously to recommend to the Board, what was discussed as, Alternative #2 to achieve BAWSCA’s critical results with its available resources during FY 2011-12. The Committee also concurred with the proposed results to be achieved and the preliminary Operating Budget, subject to further refinement and discussion with the Board. Both items are on tonight’s agenda for Board discussion.

4. **Public Comments:** Public comments were heard from Wynn Grcich and Peter Drekmeier.
5. **Consent Calendar:** Mr. Jensen noted a change on page 7 of the Draft January 20th Board minutes, to clarify that the motion made by Director Quirk and seconded by Director Pierce for item #8B, passed. Mr. Jensen also noted that Table 1 of the Budget Status Report that shows the percent of year-to-date expenses for administration will be corrected on the next budget report that the board will receive.

Director Quigg made a motion, seconded by Director O'Mahony, that the minutes of the January 20, 2011 Board meeting be approved, and the Budget Status Report and Investment Report for periods ending January 31, 2011 be received and filed. Two directors abstained. The motion passed.

6. **SFPUC Report:** Steve Ritchie, Assistant General Manager of SFPUC's Water Enterprise, addressed the BAWSCA Board in Ed Harrington's absence. Mr. Ritchie reported that the water supply outlook for the year is positive, with Hetch Hetchy precipitation at 164% of normal to date, and at 120% for the entire year.

With regard to the WSIP, the San Francisco Board of Supervisors approved the Calaveras Dam Improvement Project. This is the single largest project in the program and is a significant milestone for SFPUC's progress with the WSIP. Bids for the project are due April 21st, and its construction schedule is expected to begin in late Summer or early Fall.

The wholesale water rates for FY 2011-12 are scheduled to be considered and adopted by the Commissioners of the SFPUC on May 10th. The SFPUC has been working closely with both BAWSCA and individual agencies on the potential rate increases.

The SFPUC is aware of the disastrous situation in Japan, and with concerns about whether contamination from Japan's nuclear power plants will reach California. With regard to the risks to San Francisco's water supplies, the SFPUC has conferred with the San Francisco Health Department and State Department of Public Health and no additional precautions or monitoring are required at this time. SFPUC will continue to follow the situation to ensure the safety of the regional water system's reservoirs and supplies.

7. Report and Discussion:

- A. Revisions to the Board Policy Calendar: Mr. Jensen reported that revisions to the Policy Calendar include the deferral of some items so that staff can focus on priority issues. The deferred items will be brought to the Board later in the year.

Additional items reported and discussed with the Board Policy Committee at its meeting on April 13th included the SFPUC's compliance with the Water Supply Agreement and AB 1823. A settlement agreement was reached regarding FY 2007-08 expenditures which resulted in a \$2.4 million credit to Wholesale Customers. BAWSCA Administrative Analyst, John Ummel, works closely with the SFPUC staff and achieves these results for the member agencies. Questions about SFPUC expenses during FY 2008-09 were sent to the SFPUC for their review and response. Resolution of these

items is expected in the next few months. Additionally, the compliance audit for FY 2009-10 is due to be received by the end of March.

The transition from the old agreement to the new Water Supply Agreement with San Francisco involved a change in the way capital expenditures were charged to the Wholesale Customers and resulted in a balance of \$397 million owed on investments that San Francisco had made in past years. Under the new agreement, agencies will repay the remaining balance to San Francisco over a period of 25 years. An agreement has been reached on the balance that is now due.

In response to Directors Guzzetta and O'Mahony's questions, Mr. Jensen clarified that the \$397 million is not related to the SFPUC's under collection of revenue during the last three years, or the balancing account, and that it is included by the SFPUC in rate setting calculations.

Mr. Jensen reported that 23 agencies have adopted the Drought Implementation Plan with no significant issues. Adoption by the three remaining agencies is expected to go smoothly.

A new regional subscription conservation program called "Lawn Be Gone!" was launched on February 1st. The program provides rebates to water customers who replace visible front lawns with water-efficient landscaping. The program is offered to both residential and commercial customers. Six member agencies are participating in the program.

- B. Follow up on Achieving Critical Results with Available Resources: In examining the ways BAWSCA can achieve critical results with existing staff, Mr. Jensen reported that the Board Chair and Vice-Chair asked him to provide a history of how the agency's Work Plan has evolved over time.

A Work Plan is approved by the Board every year, and it is developed based on the various challenges to which the agency must respond. Mr. Jensen presented a graph showing the budget development beginning in FY 1994-95 when the first three permanent staff members were hired.

With leadership provided by the Bay Area Water Users Association (BAWUA), BAWSCA's predecessor organization, many of the member agencies' elected officials testified before the SFPUC for the adoption of a capital improvement program (CIP) to rebuild the seismically prone regional water system. When the SFPUC failed to adopt the CIP in 2000, Assembly Member Lou Papan pursued a legislative solution to protect public health and safety. BAWUA provided major support for that effort, and elected officials organized to support the legislation. In 2002, AB 1823 passed, the SFPUC approved its CIP, now called the Water System Improvement Program, and BAWSCA was formed under its enabling legislation, AB2058.

In passing AB2058, the legislature noted the lack of, and the need for representative governance to develop and implement reliable water supply and conservation programs on a regional basis. Mr. Jensen noted that BAWSCA was formed for the purpose of developing and implementing plans for regional conservation and water supply development, recycled water to the extent that the Board of Directors decides to do so.

Over time, some have assumed that BAWSCA was formed only to oversee San Francisco's completion of the WSIP, and to negotiate a new agreement with San Francisco to replace the agreement which expired in 2009. Mr. Jensen clarified that BAWSCA's enabling legislation does not address the negotiation of a new agreement nor does it mention oversight of the WSIP. Before negotiations began, BAWSCA sought and received the authority from each member agency to negotiate the new Water Supply Agreement on their behalf. The legislation states the importance of the WSIP, and BAWSCA does monitor the progress of the program to protect its member agencies and their water customers who need San Francisco's regional water system to be reliable and who will pay two-thirds of the costs.

As part of the SFPUC's success in producing a sound Program Environmental Impact Report (PEIR) for the WSIP, the SFPUC asked each BAWSCA agency to estimate how much water it planned to purchase in the future, and how much it planned to conserve in the future, and to sign a document committing to those planning estimates. A plan was needed to achieve those conservation estimates, and that became the basis of BAWSCA's regional water conservation program. The agencies needed BAWSCA's help in developing coordinated centralized programs that are cost-effective and can achieve the conservation commitments. In FY 2007-08, the BAWSCA Board approved the Water Conservation Implementation Plan.

In 2008, the SFPUC decided to limit how much water it would provide to the region until at least 2018. This unilateral decision by San Francisco was in stark contrast to the prior years of planning with San Francisco to meet projected purchases to the year 2030. The decision created a number of challenges for the agencies, including increased uncertainty about how the water needs of future residents and businesses would be met. As a result, the Board has added activities and budget for developing the Long-Term Reliable Water Supply Strategy (Strategy) to BAWSCA's Work Plan. In 2010, the Board approved the enactment of the Water Management Charge under the new WSA to fund Phase IIA of the Strategy.

The staffing level started at three persons in 1995, increased to seven full time employees in FY 2004-05, and has remained at that level for the last seven years.

More consultants are being used and the bulk of outside services are used in the area of WSIP oversight, water conservation and supply. In response to Director Guzzetta's inquiry about how the level of consultant use relates to staff size, Mr. Jensen presented a graph showing the use of consultants relative to the two staff positions working in these three areas. Each of the two staff persons is currently managing up to seven consultants. The consultant to staff ratio is now at the limit of what can be managed effectively.

Mr. Jensen explained that ongoing conservation is necessary to achieve the 13mgd of active conservation by 2030 that agencies committed to San Francisco in 2004, to stay

within San Francisco's Interim Supply Limitation that requires an additional 8mgd of conservation, and to satisfy the State legislation 20x2020.

Despite current low water use, Mr. Jensen emphasized that conservation efforts and the Strategy remain critical.

The agencies' updated Urban Water Management Plans (UWMP) due to the State in June 2011 will provide further information for evaluating needs for water conservation and future water supplies. Under state law, agencies must demonstrate viable water conservation programs to maintain grant fund eligibility.

The Strategy remains important because agencies find it necessary for additional supply during normal years and drought years, and for increased supply diversity. It is also important because the Federal Energy Regulatory Commission's (FERC) relicensing of New Don Pedro Reservoir on the Tuolumne River may have an impact on supplies from the SFPUC.

Mr. Jensen stated that the current low water use buys time. Projects that produce additional supplies have long lead times. In addition, significant delays in developing projects increase costs and result in lost opportunities. Mr. Jensen also noted that uncertainty in the availability of water can impact residential and business development, and drought shortages can result in significant economic impacts.

Three alternatives for achieving critical results with BAWSCA's existing resources were detailed in the staff memo provided to the Board. The recommendation is Alternative #2 which modifies the Work Plans for both FY 2010-11 and FY 2011.

Director Wykoff asked what effects would result from extending the schedule of the Strategy's Phase IIA by six to eight months, and whether Mr. Jensen recommends the schedule extension.

Mr. Jensen supports the extension and explained that it will even out the work load and would allow staff to get the most critical work done. The extension will have no effect on cost and will actually improve results because it would provide more time for the consultants and staff to review the UWMP's from the agencies in July. The original schedule had a very compressed period of time to review the documents and to consider the comparability and consistency of the data from the 26 agencies.

In response to Director Quigg's inquiry about the agencies' ability to comply with 20x2020 and the effects of an increase in water use, Mr. Jensen stated that it is the responsibility of each agency to look into those factors. Contiguous agencies that share a common supply, such as BAWSCA's member agencies, can respond as a group to create equity with larger agencies, such as East Bay Municipal Utilities District (EBMUD). In its Work Plan this year, BAWSCA prepared a preliminary analysis of how agencies might benefit by working together to comply with 20x2020. That information has been provided to the member agencies. Alternative #2 eliminates

further support from BAWSCA. However Mr. Jensen noted that agencies are not prohibited from forming their own alliances.

Director Weed asked whether there are projections of what the workload will be beyond next fiscal year. Mr. Jensen reported that in January, a 15-year outlook was presented to the Board which included the anticipated issues with the FERC relicensing process, the SFPUC's supply limitations up to 2018, the expiration of the DRIP in 2018, and the progressive implementation of the Strategy between now and 2030. The workload will vary and will continue to respond to things that can't now be foreseen.

Director Weed stated that he is comfortable with the extension because with the current status and events, agencies are nowhere near the 184mgd. Mr. Jensen stated that Alameda County Water District is a good example of an agency that has historically anticipated its needs for water. It has diversified its supplies with State Water, SFPUC, and brackish desalination, and it did not get that status by waiting until the last minute. BAWSCA needs to look forward and use the time to its advantage.

Director Klein expressed his concerns with consistency between the 2010 Census and Association of Bay Area Government (ABAG) projections and asked how those data are being utilized by agencies for their projections. Ms. Sandkulla stated that agencies make their own determination of how to utilize that information.

BAWSCA will review the agencies' UWMP's to look at the comparability of the agencies different approach, consistency with local land use plans and planning, and whether the collective data form a strong basis for the Strategy. As part of the Strategy, BAWSCA's consultant will review the agencies' UWMP's.

A motion was made by Director Quirk, seconded by Director Vella, that the Board accept Alternative #2 and direct the CEO to modify the Work Plans for FY 2010-11 and FY 2011-12 as follows:

- 1. Eliminate support for agencies in forming alliances to comply with Senate Bill 7X (20% by 2020);**
- 2. Defer estimating the volume of water savings that result from BAWSCA and local agency water conservation activities;**
- 3. Extend the schedule for completion of Phase IIA of the Long-Term Reliable Water Supply Strategy by 6 to 8 months with no increase in cost for CDM;**
- 4. Defer hiring a fisheries consultant until FY 2011-12, and at that time have the consultant work under the direction of legal counsel;**
- 5. As needed, use temporary employees to perform water conservation activities or to backfill existing staff when they are used to support water conservation activities;**
- 6. On a temporary basis, continue assigning the Assistant to the CEO to provide logistics, administrative support and coordination with agencies**

and instructors to produce BAWSCA's water conservation education classes.

The motion passed unanimously.

- C. Planned Achievements and Preliminary Budget Proposal for FY 2011-12: Mr. Jensen noted a correction on page 3, third paragraph of the staff memo to say "...expenditures at year-end are estimated to be approximately \$250,000, or 10% under the approved budget" instead of "10% of the approved budget".

The key things for the Board's attention include Table 1, Results to be Achieved in FY 2011-12, and Table 2, Activities not Included in the Preliminary Operating Budget for FY 2011-12. The tables do not reflect the changes the Board just adopted under Item#7B. When the memo is re-produced for the BPC in April, and the Board in May, the tables will reflect the Board's action accordingly.

The preliminary Operating Budget for FY 2011-12 is \$110,000 below the current budget. Key factors that contribute to the decrease in budget include no salary adjustments for merit or COLA, a reduction and deferral of some activities as discussed under Item #7B, and a decrease in the office lease.

Mr. Jensen noted that the office lease is up in October, and that comparable properties are being assessed. A slight increase in the health premiums is included in the budget, as well as a budget for replacing a retiring employee, John Ummel, and an overlap of his services to train and orient the new individual.

The preliminary budget can be funded with no changes to the assessments for the 3rd year, and retains a prudent General Reserve balance. Reimbursement from subscription-based conservation programs is a portion of funding the budget, and Mr. Jensen reported that a transition to fund accounting is being made to provide more transparency with the different sources of revenue.

The Board was requested to comment and ask questions on the preliminary budget, Work Plan and results to be achieved for FY 2011-12, which will be brought back to the BPC in April, and the Board in May for final approval.

In response to Director Wykoff's question about the fishery expert, Mr. Jensen explained that a fishery expert will be hired and managed by legal counsel at the estimated and Board-approved cost of \$35,000. This provides several advantages because Hanson Bridgett is experienced with the nature of the work, and the work contributes to legal work products.

Mr. Jensen explained that Table 3 of the budget memo only shows the Operating Budget. The transition to fund accounting will allow visibility of the subscription programs and the water management charges.

Director Guzzetta asked how the system tours are funded. Mr. Jensen stated that during BAWUA's coordination of the tour, participants are charged a fee according to the cost of the tour. Under the Water Education Foundation, participants are charged a fee in addition to the SFPUC's and BAWSCA's sponsorship to help subsidize the tour.

Chair Pierce noted that the tours are highly educational, and that perhaps the Board can reconsider the tour if there is significant interest from members of the Board. Item #7C is not an action item, and there being no further discussion, Chair Pierce thanked the members of the Board for their questions and comments.

- D. Analysis of and Conclusion about the SFPUC's Proposed Structure of Wholesale Water Rates: Mr. Jensen reported that BAWSCA had Hilton Farnkopf Hobson analyze specific aspects of the SFPUC's proposed change in structure for Wholesale Water Rates and the results indicated significant, varying impacts for different agencies. The analysis and conclusions were discussed with the staff of member agencies. The analysis and conclusions, as well as the discussions with member agencies were communicated to Ed Harrington.

Mr. Jensen stated that BAWSCA's goal is to ensure that SFPUC's actions address the financial interests of both the SFPUC and the Wholesale Customers. Mr. Harrington is interested in an approach that is acceptable to everyone.

BAWSCA and SFPUC staff are working together to find an alternative to the proposed methodology and achieve an outcome that is beneficial for everyone.

Commission action is expected on May 10th. BAWSCA will keep agency staff informed, and will work with the leadership of the Board if testimony at the hearing is required.

Director O'Mahony expressed her concern with the differences of impacts among the agencies. Director Pierce stated that while it is reassuring that there will be discussion on finding an alternative to the proposed method, she asked what the Board can do to comment and support the alternative.

Mr. Jensen stated that it would be in the agencies' best interest to give the alternative a fair and objective hearing. However, if it creates more questions that can't be answered in the short amount of the time remaining, it is best for the SFPUC to stay with the historical method. Mr. Jensen emphasized that BAWSCA is not opposed to a change in rate structure, but that such a change must be considered deliberately and thoughtfully.

Director Guzzetta noted that working with San Francisco in better estimating consumption and having conservative numbers may be one simple solution to the issues with the balancing account. Mr. Jensen concurred. However, he noted that the consumption estimates are off, in part, due to a regional and statewide low-water use phenomenon that no one could have anticipated.

San Francisco can use prudently low consumption estimates to ensure rates produce the revenue needed to run and rebuild the regional water system.

Mr. Jensen will continue to work directly with Ed Harrington, and will keep the Board leadership and members of agency staff fully informed of further developments and the opportunity to testify, if required.

Director Weed stated that ACWD would object to the concept of monthly rate reset where water rates would be adjusted monthly. Mr. Jensen reported that no agencies were in favor of that method.

- 8. Directors' Discussion:** Director Quirk complemented the new room setup done by Aaron Porter, and appreciated the level of discussion of the agenda items, particularly Item #7D.

Director Coverdell would like to add storm-water management and storm-water recycle as a viable water source moving forward. He recognizes the staff's over commitment, and appreciates the modifications to get the critical work done. He is very curious and would appreciate any data from staff of the potential supply that would be in an average rainfall in the Bay Area.

Director Pear would encourage looking at the storm-water runoff potential from a regional perspective, as done with regional sewer facility for gray water, and not on a project-by-project basis. It is difficult to meet the requirements in terms of underground storage facilities, which significantly affects small developers.

Director Fergusson appreciates the new agenda structure.

In light of the Japan earthquake and tsunami, Director Weed reported that California Water Agency Response Network (CalWARN) allows mutual aide among agencies from FEMA in events of natural disasters. There are no membership costs. All but five BAWSCA member agencies are members.

- 9. Date, Time and Location of Next Meeting:** The next meeting is scheduled on May 19, 2011, in the Wind Room, Foster City Community Center.

- 10. Adjournment:** The meeting was adjourned at 8:37 pm.

Respectfully submitted,

Arthur R. Jensen,
Chief Executive Officer

ARJ/le

Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board of Directors Meeting
March 17, 2011

Attendance Roster

Present:

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

Absent:

Ruben Abrica	City of East Palo Alto
Michael Guingona	City of Daly City
Patricia Mahan	City of Santa Clara
Tom Piccolotti	North Coast County Water District
Chuck Reed	City of San Jose
Ron Swegles	City of Sunnyvale

BAWSCA

Bay Area Water Supply & Conservation Agency

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

TO: Arthur R. Jensen, CEO/General Manager
FROM: Deborah Grimes and John Ummel
DATE: May 12, 2011
SUBJECT: Budget Status Report as of March 31, 2011

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

Summary:

For the nine month period ending March 31, total expenses were \$1,636,060 or 61% of the total budget of \$2,680,394.

Table 1. Budget Summary as of March 31, 2011

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	975,800	436,162	45%
Fair Pricing	248,000	146,645	59%
Administration	62,000	84,655	137%
Subtotal	1,285,800	667,462	52%
Administration and General			
Salary & Benefits	1,057,894	798,310	75%
Other Expenses			
BAWSCA	278,500	168,915	61%
BAWUA	1,200	0	0%
Subtotal	2,623,394	1,634,687	62%
Capital Expenses	8,000	1,373	17%
Budgeted Contingency	47,500	0	0%
Regional Financing Authority	1,500	0	0%
Grand Total	2,680,394	1,636,060	61%

Overview:

Overall expenditures are tracking as expected. Year-end expenses through June 30 are estimated to be 10-15% under budget.

Consultants

The \$255,000 budget for technical review and tracking of the SFPUC's WSIP was 39% expended. Strategic counsel's budget, for work other than the Long-Term Reliable Water Supply Strategy, was 85% expended. The \$366,000 legal budget was 44% expended. There has been more legal support in the administrative area than anticipated when the budget was developed, but total legal expenses will remain well within budget for the year. The \$360,800 budget for water management and conservation-related activities including public information, regional program and materials, water supply planning, data base development and landscape classes was 50% expended.

Administration

Salary/fringe costs were 75% expended.

Other Expenses

Other Expenses were 60% expended.

Use of Reserve Fund Balance:

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

Table 2. Reserve Fund Balances

Fund	Account Balance (As of 1/31/11)	Account Balance (As of 3/31/11)
RESERVE	\$653,763	\$653,763
Total	\$653,763	\$653,763

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

Phase 2 of the Long-Term Reliable Supply Strategy (Strategy) began this fiscal year. Funding is provided through the Water Management Charge, approved by the Board in July 2010. As of March 31, Water Management Charge revenue totaling \$968,664 has been collected by and received from the SFPUC. To date, consultant invoices totaling \$446,577 have been paid.

BAWSCA

Bay Area Water Supply & Conservation Agency

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San Mateo, California 94402
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MEMORANDUM

TO: BAWSCA Board of Directors

FROM: Arthur R. Jensen, Chief Executive Officer

DATE: May 11, 2011

SUBJECT: Quarterly Investment Report for the Period Ending March 31, 2011

In February 2004, the Board adopted an investment policy consistent with the Government Code that requires a quarterly report on the Agency's investments be provided to the Board within 30 days after the close of each quarter. The Board reviewed and revised the investment policy at the July 15, 2010 Board meeting. This report presents fund management in compliance with the investment policy.

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

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

<u>01/31/11</u>	<u>03/31/11</u>
\$1,554,650	\$1,704,650

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

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

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

BAWSCA

Bay Area Water Supply & Conservation Agency

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MEMORANDUM

TO: BAWSCA Board of Directors

FROM: Arthur R. Jensen, CEO/General Manager

DATE: May 9, 2011

SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending
March 31, 2011

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 March 31, 2011.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Authorization to Amend the Contract with KNN Public Finance (Financial Consultants)**

Introduction:

This action recommends Board authorization to reallocate funds within the approved budget and provides notice that the CEO has exercised his discretionary budget authority within the 10 percent limitation in order to fund ongoing operations. This action requires no additional funds from the current budget.

Fiscal Impact:

No change to the total approved budget for FY 2010-11.

Board Policy Committee Action:

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

Recommendation:

That the Board approve the following budget adjustments and professional service contract amendments:

- a. **Reduce the not-to-exceed amount of the contract with Burr, Pilger and Mayer (Auditing Support Services) by \$15,000, from \$30,000 to \$15,000;**
- b. **Increase the not-to-exceed amount of the contract with KNN Public Finance (Financial Consultants) by \$11,000, from \$44,000 to \$55,000;**

Discussion:

As of April 1, only several thousand dollars remain of KNN's FY2010-11 original budget of \$40,000. KNN's final review of the FY2009-10 compliance audit will take place during the month of April and is critical in meeting the 30-day review and comment period required under the Water Supply Agreement (Agreement).

Consultant expenditures to date have been greater than expected due to greater use of KNN in performing the following tasks:

1. Compiling data on SFPUC bond issuances for purposes of monitoring the wholesale share of debt service and ensuring it complies with the terms of the Agreement;
2. Reviewing FY2009-10 SFPUC financial statements for purposes of monitoring changes in the water enterprise.
3. Reviewing various bond official statements (OS) for purposes of understanding debt financing requirements and any credit rating concerns.
4. Conducting a preliminary review of FY2009-10 wholesale revenue requirement calculations (debt service and revenue funded capital projects);
5. Final review of outstanding asset balance owed San Francisco at conclusion of FY2008-09;
6. Reviewing SFPUC's reserve balances, alternative wholesale water rate structures, and various issues relating to the impact on SFPUC's bond ratings.

While most of these tasks were contemplated at the beginning of the year, the amount of time needed to complete them was underestimated; due primarily to this being the first year under the new Agreement and having to become familiar with San Francisco's new reporting format and schedules used in developing the wholesale revenue requirement calculation and addressing differing interpretations of certain agreement provisions.

KNN was a key contributor in helping draft important financial sections of the new Water Supply Agreement. Their counsel then, as now, continues to benefit the wholesale customers. For example, KNN uncovered an error in the calculation of the existing asset balance owed SF worth more than \$300k in current dollars to the benefit of the wholesale customers.

To accommodate this vital and necessary work for the remainder of the fiscal year and especially for the month of April, the CEO exercised his discretionary authority within the current 10% contract limit; adding \$4,000 to the not-to-exceed amount in the KNN professional services agreement, for a not-to-exceed amount of \$44,000.

While that amount allows KNN's work to continue, Board action is requested to add an additional \$11,000 to pay for anticipated work through June 30, 2011.

Less work than originally anticipated for outside professional review of the SFPUC compliance audit by Burr, Pilger and Mayer (BPM) provides a source for the funds being requested for allocated to KNN.

Summary:

If KNN's budget were not immediately augmented, it would severely limit BAWSCA's review of certain aspects of the recently completed compliance audit. The CEO took immediate action within his discretionary authority so that critical work could continue. The recommended Board action will provide sufficient funding for KNN's support through the end of this fiscal year. This reallocation does not change the overall approved budget for FY2010-11.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: Planned Achievements and Proposed Budget for FY 2011-12

Summary:

The Operating Budget for FY 2011-12 was based on achieving the most vital results needed by member agencies with a budget at or below the current year's budget.

The proposed Operating Budget estimate is \$2,619,705. This amount is \$60,689 less than the FY 2010-11 approved budget. The proposed budget is \$49,705 greater than the preliminary budget, for reasons explained below. This budget can be funded with no increase in assessments for the third year in a row, while maintaining prudent reserves.

This memorandum presents the proposed results to be achieved, the proposed Operating Budget estimate, and a plan for funding the budget.

BAWSCA's work plan aligns with the agency's legislated authority and its three overarching goals: a reliable supply of high quality water at a fair price.

Five of the 11 major results that must be produced during FY 2011-12 are:

1. Work toward completion of Phase IIA of the Long-Term Reliable Water Supply Strategy to meet long-term water needs.
2. Implement the third year of the Water Conservation Implementation Plan to ensure water needs can be satisfied until long-term solutions are justified and in place.
3. Track San Francisco's progress rebuilding the Regional Water System to ensure the Water System Improvement Program remains on scope, schedule and budget.
4. Represent member agency interests in existing water supplies during FERC re-licensing of New Don Pedro Reservoir.
5. Ensure the 2009 Water Supply Agreement is implemented properly.

The first four activities are the corner-stones of BAWSCA that ensure member agencies continue to have a reliable supply of water for residents, businesses and community organizations.

Prior Board and Policy Committee Actions:

In February the Board Policy Committee discussed the preliminary Work Plan and budget. The Committee voted unanimously to express its concurrence with the proposed results to be achieved and the preliminary Operating Budget, subject to discussion with the Board and further refinement. The preliminary Work Plan and budget were well-received by the Board at its March meeting.

At its meeting on April 13th, the Committee unanimously voted to recommend the proposed Board action.

Recommendation:

That the Board approve the proposed FY 2011-12 Work Plan and the proposed Operating Budget of \$2,619,705, and that the Operating Budget be funded without changing agency assessments and, if needed, a transfer of \$38,005 from the General Reserve.

Fiscal Impact:

The proposed estimate for the Operating Budget, covering staff, consultants and operating expenses is \$2,619,705 or \$60,689 less than the FY 2010-11 approved budget of \$2,680,394.

Funding for the Operating Budget. The proposed Operating Budget could be supported with no increase to member agency assessments and with no net reduction in the General Reserve balance.

Funding for Subscription Conservation Programs. As in prior years, a portion of operating expenses would be reimbursed by agencies that participate in BAWSCA's subscription water conservation programs. The staff time to be devoted to those programs during FY 2011-12 is estimated to be 1200 hours. The reimbursement for those hours is estimated to be \$63,700. Agencies participating in subscription programs also pay for associated consultant support and direct expenses. As in prior years, those consultant costs and direct expenses are not included in the Operating Budget.

Funding for the Long-Term Reliable Water Supply Strategy. The Operating Budget does not include the cost of consulting services for developing the Long-Term Reliable Water Supply Strategy, which is being funded through the Water Management Charge authorized by the Board in July 2010.

Value for the Cost. The formula for BAWSCA assessments results in equivalent cost per gallon throughout BAWSCA's members. All BAWSCA costs are ultimately passed on to water customers through the water rates of the local city, district or private utility. The current cost of assessments to residential customers in the BAWSCA area averages about \$6.00 per household per year.

Discussion:

The following sections present:

- A. Status of the FY 2010-11 Operating Budget
- B. Results to be Achieved During FY 2011-12
- C. Overview of the Proposed FY 2011-12 Operating Budget
- D. Achieving Vital Results During FY 2011-12 With Available Resources
- E. Alternatives for Funding the Operating Budget
- F. Funding of the Water Conservation Subscription Programs
- G. Funding of the Long-Term Reliable Water Supply Strategy
- H. Budget Details

A. Status of the FY 2010-11 Operating Budget:

BAWSCA will complete the year without spending the entire approved budget.

Last May the Board approved a FY 2010-11 Operating Budget of \$2,680,394, approximately \$87,000 lower than the year prior. In January of this year, the mid-year review of Work Plan and budget status resulted in Board approval of recommended changes to the results to be achieved in FY 2011-12 and the assignment of some work to a consultant. No net increase in the budget was required.

As of March 10, 2011, expenditures at year-end are estimated to be at least \$250,000, or 10% under the FY 2010-11 approved Operating Budget. Any unspent funds would be returned to the General Reserve.

B. Results to be Achieved During FY 2011-12:

BAWSCA's goals remain: to ensure water customers receive a reliable supply of high quality water at a fair price. As in prior years, a Work Plan was prepared by examining the past and future external factors that will or may affect water supply reliability, quality and cost for BAWSCA's member agencies.

The list of results to be achieved during FY 2011-12 was formed after identifying the issues BAWSCA will need to address between now and FY 2016-17. The results to be achieved next year are, in turn, based on long-term challenges facing BAWSCA's member agencies, their customers, and the communities they serve.

That information was discussed with the Board Policy Committee in December 2010, February 2011 and April 2011, and with the Board in January and March 2011. The proposed Work Plan was presented to and endorsed by the Board Policy Committee in April.

Table 1 displays the proposed results to be achieved during FY 2011-12.

The FY 2011-12 Operating Budget makes efficient use of existing staff resources and provides any additional resources needed to achieve these results.

Table 2 shows activities not addressed by the proposed Operating Budget. If any of these activities are found to be needed during FY 2011-12, the Operating Budget can be reallocated or additional funding approved by the Board to provide necessary staff and consulting resources.

Table 1. Results to be Achieved in FY 2011-12

RELIABLE SUPPLY -- WATER SUPPLY MANAGEMENT PROGRAM

1. Long-Term Supply Solutions: Reliable Water Supply Strategy

Work toward completion of Phase II A of the Long-Term Reliable Water Supply Strategy by January 31, 2013 to provide reliable supplies of water when and where needed through the year 2035, including review and compilation of projected population and water demands from member agency Urban Water Management Plans.

2. Near-term Supply Solutions: Water Conservation

a. Implement Core Water Conservation Programs - Programs that benefit all customers.

b. Implement Subscription Water Conservation Programs - Rebate and other programs that benefit, and are paid for by, agencies that subscribe for these services.

3. Facility Reliability: Monitor SFPUC Water System Improvement Program

Monitor scope, cost and schedule as San Francisco continues an aggressive construction schedule through 2015. Press the SFPUC and the city's political leadership to meet the city's adopted schedule, satisfy the requirements of AB 1823 and respond promptly to BAWSCA's reasonable requests.

4. Protect Members' Water Supply Interests in FERC Re-licensing of New Don Pedro Reservoir

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

Compile and submit water purchase projections to SFPUC as required by Water Supply Agreement.

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

FAIR PRICE

7. Administer the 1984 Contract

Complete close-out of the 1984 contract with San Francisco to protect interests of members and their customers in a fair price for water purchased from San Francisco.

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

Administer the Water Supply Agreement with San Francisco to protect interests of members and their customers in a fair price for water purchased from San Francisco.

HIGH QUALITY WATER

9. Support Member Agencies in Receiving Reliable Communication of Water Quality Events

Coordinate member agency participation in Water Quality Committee established by the 2009 Water Supply Agreement to ensure it addresses Wholesale Customer needs.

AGENCY EFFECTIVENESS:

10. Maintain Community Allies and Contacts with Environmental Interests

Maintain close relationships with BAWSCA's powerful allies (state legislators, business, labor, local government, water customers, and the media) and activate them if necessary to safeguard the health, safety and economic well-being of residents and communities. Respond to requests from local legislators. Maintain a dialogue with responsible environmental and other groups, who will participate in the project permitting and approval process for rebuilding the system.

11. Manage the activities of the agency professionally and efficiently

Table 2: Activities Not Included in Proposed Operating Budget for FY 2011-12

Reliable Supply:

1. Drought-year water purchases and wheeling.
2. Independent analysis of why water use is down in recent years.
3. Extended or complex application for grant funds. Application for water conservation grants will continue to be made through or with the Bay Area Water Agency Coalition, the California Urban Water Conservation Council or other agencies.
4. Introduction of major legislation or supporting or opposing legislation initiated by others. If necessary, the agency would be able respond to major legislative efforts by redistributing resources, use of the contingency budget or accessing the general reserve, subject to prior Board approval.
5. Evaluating how sub-metering of mobile home parks or multi-family dwellings could be implemented to encourage conservation. Other utilities have investigated these opportunities and their information and methods are available to BAWSCA members.
6. Support for agencies in forming alliances to comply with Senate Bill 7X (20% by 2020).
7. Estimating the volume of water savings that result from BAWSCA and local agency water conservation activities.

Fair Price:

8. Evaluating potential economic or water supply impacts of State efforts to fix the Delta and other State water management projects.
9. Development of alternative wholesale rate structures that the SFPUC might consider. Actions will be limited to review of SFPUC proposed rate structure modifications.
10. Arbitration of issues related to the 1984 Master Water Sales Contract or the 2009 Water Supply Agreement.
11. Preparation for issuance of bonds.

High Water Quality:

12. Technical work related to water quality and San Francisco's treatment of the water it delivers to the BAWSCA agencies.
13. Major advocacy efforts for changing water quality regulations or the manner in which San Francisco or member agencies treat water for drinking and other purposes.

Agency Efficiency:

14. Agency Staff preparation and support for additional Board, Board committee or technical committee meetings.
15. Conducting tours of the Regional Water System. The Operating Budget does not include funds to co-sponsor a tour by the California Water Education Foundation.
16. Conducting tours of member agency facilities to acquaint Board members with potential supply projects and their neighboring jurisdictions.

C. Overview of the Proposed FY 2011-12 Operating Budget:

Table 3 displays expenditures by major category and the differences from the approved Operating Budget for FY 2010-11.

Table 3. Proposed Operating Budget Estimate by Major Expenditure Category

Cost Category	Approved FY 2010-11 Budget, dollars	Proposed Estimate FY 2011-12 Budget, dollars	Difference, dollars
Consultants/ Direct Expenditures			
Reliability	975,800	853,930	<121,870>
Fair Pricing	248,000	233,000	<15,000>
Administration	62,000	112,000	50,000
<i>Subtotal</i>	1,285,800	1,198,930	<86,870>
Administration			
Employee Salaries & Benefits	1,057,894	1,075,875	17,981
Operational expenses	278,500	258,900	<19,600>
BAWUA	1,200	1,100	<100>
<i>Subtotal</i>	1,337,594	1,335,875	<1,719>
Total Operating Expenses	2,623,394	2,534,805	<88,589>
Capital Expenses	8,000	6,000	<2,000>
Budgeted Contingency	47,500	77,500	30,000
Regional Financing Authority	1,500	1,400	<100>
Grand Total	2,680,394	2,619,705	<60,689>

The proposed Operating Budget for FY 2011-12 continues work begun in FY 2010-11. The Board-approved FY 2010-11 Operating Budget provided the staff resources needed to initiate Phase IIA of the Long-Term Reliable Water Supply Strategy. It also provided the resources needed to begin implementing short-term solutions -- the second year of activities in the Water Conservation Implementation Plan.

The results to be achieved during FY 2011-12 build on these efforts.

Five of the 11 major results that must be produced during FY 2011-12 are:

1. Work toward completion of Phase IIA of the Long-Term Reliable Water Supply Strategy to meet long-term water needs.
2. Implement the third year of the Water Conservation Implementation Plan to ensure water needs can be satisfied until long-term solutions are justified and in place.
3. Track San Francisco's progress in rebuilding the Regional Water System to ensure the Water System Improvement Program remains on scope, schedule and budget.

4. Represent member agency interests in existing water supplies during FERC re-licensing of New Don Pedro Reservoir.
5. Ensure the 2009 Water Supply Agreement is implemented properly.

Meeting the Water Supply Challenge. BAWSCA and its members must achieve 33 million gallons per day (mgd) of water savings or secure additional water supplies before 2018. An additional 23 mgd of water savings must be achieved and up to 25 mgd of additional water supply must be developed by 2035.

The need for this work stems from San Francisco's decision in the Fall of 2008, at which time, San Francisco discarded the plan that had been developed jointly between San Francisco and its wholesale customers over the prior four years, and instead adopted a plan that deferred the decision to provide any additional water supply from the Regional Water System until at least 2018. Through these actions, San Francisco changed the approach to securing additional water supplies that it had been working on with its wholesale customers, and established itself as an unreliable source of water for meeting future needs.

BAWSCA is meeting these challenges with a two-pronged effort. Long-term water supply reliability depends on finding additional sources of water. Viable solutions will likely consist of portfolios of moderate-sized projects, rather than single large projects. BAWSCA's Long-Term Reliable Water Supply Strategy is focused on this specific activity. Because of the time required to plan, permit and construct new facilities, short-term solutions must rely on increased water conservation and use of existing recycled water capacity. BAWSCA's Water Conservation Implementation Plan, now in its third year of implementation, is designed to achieve these near term water conservation savings.

To ensure that existing supplies reach customers reliably, San Francisco must continue to complete its Water System Improvement Program (WSIP) on scope, schedule and budget. The WSIP environmental and design activities will be largely completed during FY 2010-11, and construction activities will increase dramatically through 2015. Professional support will continue to be needed to provide input to and track San Francisco's projects as designs are finalized and construction spending accelerates.

Existing supply reliability also requires that existing sources remain available. As its predecessor agency did in the 1990's, BAWSCA will ensure that Wholesale Customer interests are adequately represented during the FERC re-licensing of New Don Pedro Reservoir. All stakeholders are now preparing for this effort, which is to be completed in 2015.

D. Achieving Vital Results During FY 2011-12 With Available Resources:

Staff size has remained constant since FY 2004-05, while the volume of work has increased roughly three-fold. Results have been produced by leveraging staff resources with outside professional services, temporary employees and interns.

The originally projected work load for FY 2011-12 exceeded available staff time for performing work and managing outside professionals. To produce the most critically important results with the existing staff level, several alternatives were examined, including:

1. Work eliminated from the work plan includes supporting the formation alliances of member agencies to comply with Senate Bill 7X more cost-effectively.
2. Work deferred to future years includes estimating water savings that result from BAWSCA and locally-managed water conservation activities. The collection of data on BAWSCA and locally-managed conservation activities will continue, but the estimation of resulting water savings will be deferred until the information is needed and resources are available.
3. The schedule for the Long-Term Reliable Water Supply Strategy can be extended 6 to 8 months, enabling existing staff to balance work loads
4. For FY 2011-12, existing staff will be unable to manage and direct the fishery consultant for BAWSCA's involvement in FERC relicensing of New Don Pedro Reservoir. Because the work is vital for developing legal work products, the proposed Operating Budget reflects that consultant being hired and managed by BAWSCA's legal counsel.
5. Temporary employees can be hired to perform administrative tasks related to water conservation or so that the Office Assistant can provide that support. The CEO's assistant will continue to provide logistical and outreach support to water conservation activities.

These temporary solutions enable BAWSCA to achieve vital results during FY 2011-12. Long term, other solutions will be needed in order to support aggressive water conservation programs, to develop and implement the long-term water supply strategy, and to enforce the 2009 Water Supply Agreement.

Revision to the Preliminary Operating Budget:

Since the preliminary Operating Budget was presented, the CEO has approved a leave of absence that will occur next fiscal year. In order to complete the critical results needed next year, the proposed budget reflects some additional resources and flexibility to provide specialized resources during that leave period, if and when needed.

Some salary savings are anticipated during a period of unpaid leave. The revisions to the preliminary Operating Budget produce a net increase of \$50,000:

1. Increase the contingency budget by \$30,000 from \$47,500 to \$77,500.
2. Increase the allowance for temporary, part-time or consultant services by \$20,000.

These budget allowances and flexibility will permit use of appropriate resources to ensure core and subscription conservation programs can be completed as planned. The funds will not be spent if they are not needed.

E. Alternatives for Funding the Operating Budget:

BAWSCA’s sources of funds are: 1) the annual agency assessments, 2) the BAWSCA General Reserve, and 3) reimbursements for subscription water conservation programs, and 4) the Water Management Charge.

Assessments. The proposed Operating Budget could be supported with no increase to member agency assessments and with no net reduction in the General Reserve balance.

Table 4 displays the history of assessments and year-end reserves.

Table 4. Historical Annual Assessments and Year-End Reserves

Fiscal year	Assessments	Year-End Reserves
2003-04	\$1,668,550	\$276,480
2004-05	\$1,641,995	\$246,882
2005-06	\$1,953,998	\$240,000
2006-07	\$2,117,904	\$654,000
2007-08	\$2,117,904	\$691,474
2008-09	\$2,309,000	\$507,474
2009-10	\$2,517,000	\$407,192
2010-11	\$2,517,000	\$653,763
2011-12	\$2,517,000	\$900,000 (est.)

Funding Alternatives. Because the Operating Budget could be funded, and a prudent reserve of at least 25 percent retained without increasing assessments, a series of alternative funding scenarios has not been examined at this time.

A portion of Operating Budget expenditures are reimbursed by the Subscription Water Conservation Program. That program reimburses direct salaries for time spent supporting those programs, as well as consultant costs, direct expenditures or other expenses that pass through BAWSCA’s accounts.

Table 5 demonstrates that for FY 2011-12, an estimated \$63,700 of the Operating Budget will be spent on Subscription Conservation Programs and that the agency will be reimbursed by the agencies participating in those programs.

To fully fund the FY 2011-12 budget, \$38,005 (1.5%) would need to be transferred from the General Reserve. However, savings at the end of FY 2010-11 are expected to be at least \$250,000, resulting in a net increase, not a net reduction, of the General Reserve balance.

Table 5. The Subscription Conservation Program Reimburses the Operating Budget

Revenue or Expense	FY 2011-12 Proposed Estimate, Dollars	
<u>Operation Budget</u>		
Total Revenue		\$2,581,700
Assessments	\$2,517,000	
Subscription conservation reimbursement	\$63,700	
Interest & misc. revenue	\$1,000	
Operating Expenses (Proposed Budget)		\$2,619,705
Projected Net Operating Revenue/(Loss)		(\$38,005)
<u>Subscription Program</u>		
Total Revenue		\$1,263,700
Participant billings	\$1,263,700	
Subscription Program Expenses		\$1,263,700
Direct program expenses	\$1,200,000	
Operating Budget expense	\$63,700	
Projected Net Subscription Revenue (Loss)		\$0

F. Funding of the Water Conservation Subscription Programs

As in prior years, a portion of operating expenses would be reimbursed by agencies that participate in BAWSCA’s subscription water conservation programs.

The subscription conservation programs, offered in response to member agency interest in cost-effective conservation programs that generate economies-of-scale, increased program effectiveness achieved through regional public outreach, and the ability to leverage limited staff time. The specific programs to be offered next year are listed in this memorandum.

Water Conservation Program Authority, Measures, Funding and Origin

All of the conservation programs offered by BAWSCA respond to requests by member agency staff with whom BAWSCA interacts. Before being offered, each program is evaluated for cost-effectiveness, value added to end customers, and contribution to achieving water savings goals.

BAWSCA’s Regional Water Conservation Program offers a “Core Program” and a “Subscription Program”:

- The Core Program is funded through the annual BAWSCA Operating Budget and contains those measures that are more effective when implemented regionally and that provide regional benefits, irrespective of individual agency jurisdictions.
- The Subscription Program comprises measures whose benefits are realized within individual water agency service areas. Participation is voluntary. The opportunity to participate is offered to all BAWSCA member agencies. Implementation of these measures is fully funded by the individual agencies that elect to participate.

Authority

Since its inception, both the Core and Subscription Programs are included in the annual work plan approved by the BAWSCA Board of Directors. Board approval of professional services agreements may be needed for consultants or contractors needed to perform the work, and such approval is requested prior to offering the programs to member agencies.

Proposed Program Measures for FY 2011-12

For FY 2011-12, BAWSCA members have asked BAWSCA to provide the following conservation activities as part of its Core and Subscription Programs:

Core Program Measures

- Water Efficient Landscape Education Classes
- *Water-Wise Gardening in the Bay Area* Landscape Educational Tool
- Native Garden Tours and Symposiums
- Public Outreach
- Assistance Obtaining State Grant Funds

Subscription Program Measures

- High-Efficiency Toilet (HET) Rebates
- High-Efficiency Residential Washing Machine Rebates
- Water-Wise School Education Program and Kit Distribution
- Water Conservation School Assembly Program
- Large Landscape Audits
- Lawn Replacement (Lawn Be Gone!) Program
- Grant Administration

Subscription Program Funding

For the proposed Subscription Program, the estimated staff time for FY2011-12 is approximately 1200 hours. Direct salaries for that work would total approximately \$63,700. Actual staff costs for the FY 2011-12 Subscription Program would be reimbursed by the participating agencies resulting in a reduction in the BAWSCA Operating Budget.

Origins of BAWSCA's Water Conservation Assistance Programs

When the SFPUC was preparing its Program Environmental Impact Report (PEIR) for the Water System Improvement Program (WSIP), San Francisco required each agency to submit a written commitment to a level of conservation savings. Each agency was free to decide how aggressive an approach to conservation it wanted to pursue, and how much it wished to invest toward conservation.

Following the publication of the Draft PEIR, it became clear that a plan would be needed to ensure the savings could be achieved. So that BAWSCA could plan and budget appropriately, it was important to determine which measures the agencies would pursue on their own or with other partners, and which measures they wanted BAWSCA's assistance to implement.

In September of 2008, the BAWSCA Board authorized development of the Water Conservation Implementation Plan (WCIP). Only one month later, in October of 2008, San Francisco unilaterally limited the supply it would make available to BAWSCA members until 2018. This limitation would prevent agencies, in aggregate, from meeting their projected needs, and 2018 was too near to permit development of new water supplies. The approach

to the WCIP was modified to produce a plan that would enable BAWSCA agencies to stay below the Interim Supply Limitation imposed by San Francisco until 2018.

G. Funding of the Long-Term Reliable Water Supply Strategy

The Long-Term Reliable Water Supply Strategy (Strategy) is funded separately from BAWSCA's Operating Budget.

The Strategy was initiated by the BAWSCA Board of Directors in response to the Interim Supply Limitation imposed by San Francisco. San Francisco's prior planning was based on a goal of meeting member agencies' projected water needs until 2030. When San Francisco imposed the Interim Supply Limitation until at least 2018, BAWSCA agencies had no certainty that long-term water needs for residents and jobs would be met.

In May 2009, the BAWSCA Board authorized preparation of the scope of work for developing a long-term strategy. The resulting scope of work presented phased investments for developing and implementing water supply projects.

In July 2010, the Board authorized contracts totaling \$2.332M to support the development of Phase IIA of the Strategy and the enactment of the Water Management Charge to fund Phase IIA over 18 months, an equivalent of \$129,000 per month for 18 months. The Board also authorized the Water Management Charge for Phase IIA to be allocated to agencies in the same proportions used to allocate the BAWSCA Operating Budget.

The allocation of costs for Phase IIA is not precedent setting. The Board retains authority to allocate the costs of future phases of work in proportion to the benefits desired or other considerations.

All contracts specifically authorized by the Board in July have been executed and work is proceeding according to scope. The authorized contingency of \$100,000 has not been used to date. Scope or budget changes that would require Board action will be brought forward if and when necessary. No scope or budget changes are anticipated at this time.

H. Budget Details:

The pages which follow present details on the following Operating Budget categories:

- H-1. Proposed budget for the Bay Area Water Users Association (BAWUA)
- H-2. Proposed budget for the Regional Financing Authority
- H-3. Allocation of BAWSCA Operating Budget to goals
- H-4. Salaries and benefits
- H-5. Organization and Staffing
- H-6. Uses of Professional Services
- H-7. Office Lease
- H-8. Budgeted contingency

H-1. Proposed budget for the Bay Area Water Users Association (BAWUA). The Board will consider a separate action to approve the proposed FY 2011-12 budget for BAWUA of \$1,100. This amount appears in the BAWSCA budget.

H-2. Proposed budget for the Regional Financing Authority Budget. The BAWSCA Board of Directors agreed to fund nominal administrative costs for the Regional Financing Authority (RFA), at least until it became more actively involved and required significant resources. Assuming a low level of activity in FY 2011-12, the proposed RFA budget is \$1,400. The RFA will formally consider and adopt this budget in July 2011.

H-3. Allocation of BAWSCA Operating Budget to Goals. The proposed Operating Budget represents the following allocation of staff plus consultant hours toward achieving the identified results. These totals include the staff time that would be spent on the Long-Term Reliable Water Supply Strategy, but not the consultant hours for engineering, legal and strategic support of that effort.

Reliable Supply	57%
Fair Price	13%
Operations and administration	30%

H-4. Salaries and Benefits. The proposed budget for salaries and benefits is \$1,075,875 or \$17,981 more than the approved budget for FY 2010-11. This amount includes the increased cost of health benefits for the seven existing approved positions, and an allowance for temporary services on an as-needed basis.

The proposed FY 2011-12 Operating Budget includes no adjustment to the salary for any employee. Salary issues and alternatives will be discussed with Board Policy Committee for input and advice.

The proposed Operating Budget includes no allowance for merit increases within existing salary ranges.

The proposed Operating Budget reflects no COLA adjustment to top step salaries and no adjustment in top step salaries to match the median market values for comparable positions in other Bay Area agencies.

There was no COLA adjustment made in the FY 2009-10 approved budget. A 3.01 percent increase to the top step of staff salary ranges was approved by the Board when it approved the FY 2010-11 Operating Budget. Those adjustments were consistent with the December value for the Consumer Price Index for Urban Wage Earners and Clerical Workers in the San Francisco-Oakland-San Jose. The current value of that index is 1.8312 percent.

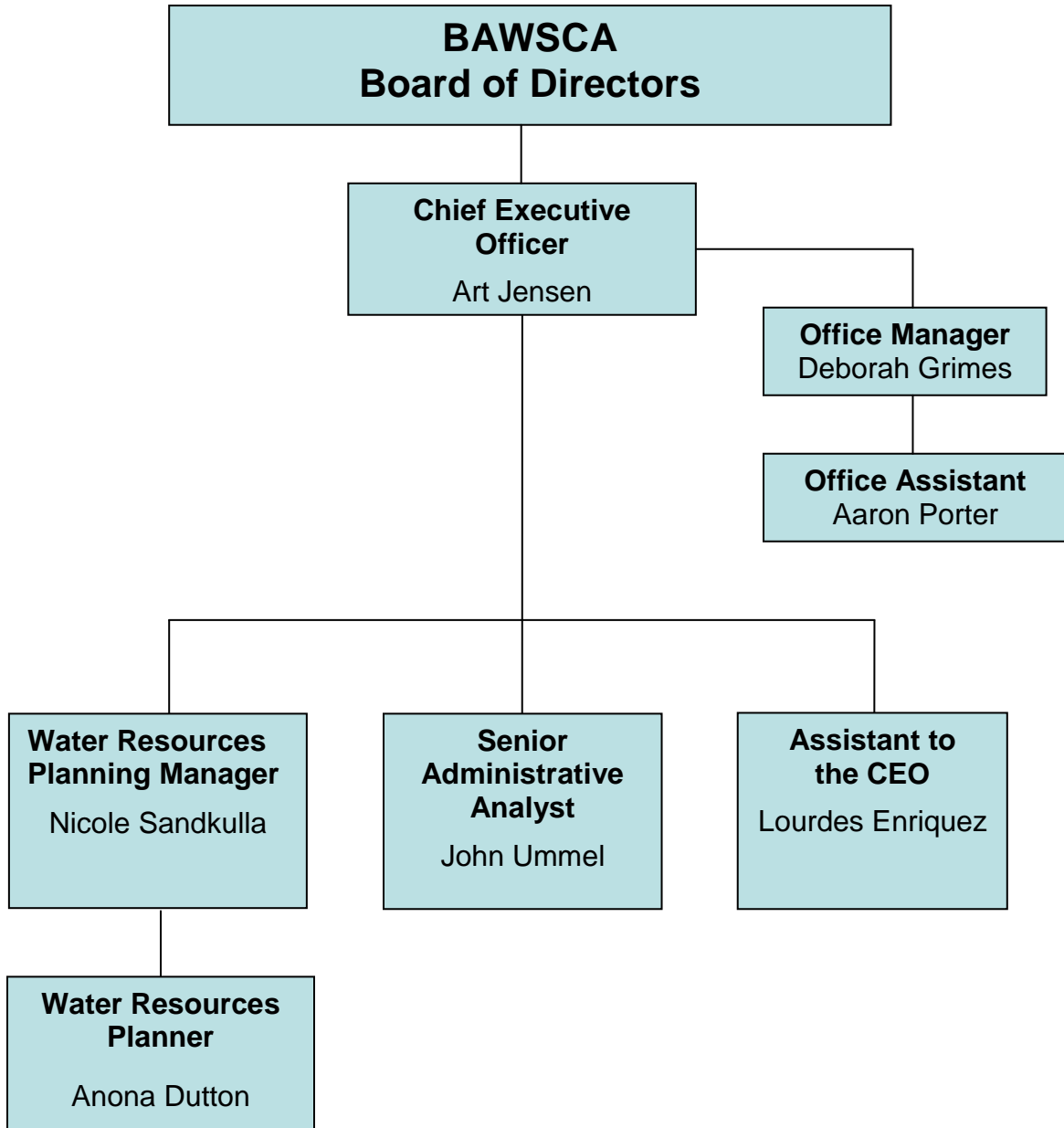
At BAWSCA, adjustments to top step salaries do not automatically result in changes to incumbent employee salaries. Adjustments to the salaries of BAWSCA employees are made on the basis of merit and must be approved by the CEO.

The Senior Administrative Analyst announced that he plans to retire at the end of Calendar Year 2011. The incumbent, Mr. John Ummel, has an exemplary record of reviewing San Francisco costs, cost allocation and rate setting, and has recovered millions of dollars in credits to BAWSCA member agencies. His job requires knowledge of accounting principles, the complexities of San Francisco's accounting procedures, and a thorough knowledge of the Water Supply Agreement. Mr. Ummel's retirement coincides with a busy time of year for that position.

BAWSCA's size does not support a vertical hierarchy that, in larger agencies, provides an opportunity for training replacements. Several alternatives were considered to provide a period of training and oversight for a new employee to fill this position. The proposed budget provides one month of overlap plus an allowance (\$12,000) so that Mr. Ummel could provide up to 160 hours of as-needed support following his departure.

H-5. Organization and Staffing. Figure 1 represents the current reporting relationships in the organization. No new positions are proposed in the FY 2011-12 Operating Budget. All staff positions are filled at this time.

Figure 1. Organization Chart



H-6. Uses of Professional Services. Outside professional services are used to provide specialized services and augment staff.

1. Professional engineering services for: a) developing a long-term strategy to ensure a reliable supply of water; b) implementing and tracking water conservation efforts; c) evaluating Water System Improvement Program project scopes during design and construction; d) monitoring project cost estimates, bids and schedules; e) monitoring and assessing San Francisco's performance in implementing the overall program; e) assessing San Francisco's method for cost estimation, application of contingencies and addressing cost inflation during the program; f) providing specific constructive recommendations for keeping the program on or ahead of schedule; and g) analyzing hydraulic records used by San Francisco in setting the wholesale water rates.
2. General legal services for BAWSCA and the RFA; specialized legal services to support administration of the Water Supply Agreement; specialized legal services for addressing matters related to water supply reliability.
3. Strategic counsel for identifying and addressing strategic and political issues associated with maintaining the progress of the Water System Improvement Program, assisting the Board and the CEO in developing and implementing an effective policy making process that supports the development of the Long-Term Reliable Water Supply Strategy, providing legislative and political support, and providing advice to the CEO and the Board on other issues significant to the water customers and the effectiveness of the agency.
4. Financial advisory services to conduct specified capital financing and rate impacts analyses on a task order basis.
5. Accounting/auditing expertise to assist with implementing the new water agreement, as well as an independent auditor to prepare and review annual financial statements.

H-7. Office Lease. The lease for the BAWSCA offices expires in the Fall of 2011. Because commercial lease rates have declined in the region, alternative locations have been investigated. The existing location is convenient to staff, directors and visitors. Because the new lease rate is expected to be lower, the proposed Operating Budget reflects a reduction in lease expenses. The proposed budget for office space remains unchanged from the preliminary budget, and would accommodate the potential to acquire more space in the existing office building while locking in an attractively low rate for five years.

H-8. Budgeted Contingency. As noted above, the preliminary FY 2011-12 contingency budget of \$47,500 has been increased by \$30,000 to \$77, 500. This is the first change in several years and would provide the flexibility to accommodate an approved leave of absence next fiscal year.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: Approval of Professional Services Contracts for Fiscal Year 2011-12

Summary:

Outside professional services are used for legal, engineering, financial, strategic and water conservation support of BAWSCA's programs and objectives for FY 2011-12. To ensure work continues without interruption, eleven contracts need to be in place by July 1, 2011.

This memorandum presents the overall objectives and scopes for each of these contracts. Individual memoranda present the purpose, qualifications and scopes for each professional services contract.

Following consideration and adoption of a budget for FY 2011-12, the Board will consider each of the eleven contracts. Other consulting services that may be needed to complete this year's Work Plan will be brought to the Board for authorization during the year.

Fiscal Impact:

The proposed FY 2011-2012 Operating Budget contains a total of \$1,198,930 for outside professional services to support BAWSCA, and \$2,000 to support the RFA and BAWUA. The combined budget for the eleven professional services contracts needing to be in place on July 1, 2011 is \$908,000. The balance of professional services included in the Operating Budget is for services that will be needed later in the year and authorization would be considered by the Board at a later date.

Board Policy Committee Action:

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

Recommendation:

That the Board approve the eleven contracts for legal, engineering, financial, strategic and water conservation services needing to be in place by July 1, 2011.

Discussion:

Legal, strategic, financial, and engineering consultants provide professional services critical to BAWSCA's work in achieving the agency's goals and addressing issues related to the Water System Improvement Program (WSIP), the implementation of the new Water Supply Agreement, and implementing water conservation assistance programs.

A separate memorandum for each professional service contract presents the qualifications of the service providers and the scopes of work for FY 2011-12. BAWSCA's standard form of contract will be used as the basis for each contract.

Table 1 summarizes the costs for eleven professional services contracts needed in place by July 1, 2011: The combined budget for these professional services is \$908,000.

Table 1: Annual Professional Services Contracts		
<u>Services Provided</u>	<u>FY 2010-11</u>	<u>Proposed FY 2011-12</u>
Legal Counsel (Hanson Bridgett, LLP)	\$366,000	\$390,000
Strategic Counsel (Bud Wendell)	\$104,000	\$140,000
Engineering - Technical (Dale Newkirk)	\$175,000	\$135,000
Engineering – WSIP Cost, Schedule, and Construction Management (Terry Roberts)	\$80,000	\$120,000
Engineering - Contract Administration Water Use Analyses – (Stetson Engineering)	\$43,000	\$43,000
Engineering/Financial – Water Supply Agreement (Hilton Farnkopf Hobson)	\$60,000	25,000
Financial Counsel (Kelling, Northcross, Nobriga)	\$40,000	\$40,000
Burr Pilger Mayer – Auditing - Water Supply Agreement	\$30,000	\$15,000
Large Landscape Conservation Services (Whitcomb)	N/A ¹	N/A ¹
School Education Programs (Resource Action Program)	N/A ¹	N/A ¹
School Assembly Program	N/A ¹	N/A ¹
Total	\$898,000	\$908,000

1) Subscription Programs paid by participating agencies

Legal counsel services funded by the Operating Budget

The contract not-to-exceed amount for legal services is \$390,000 and is contained in the FY2011-12 proposed Operating Budget. The proposed legal budget of \$390,000 is \$24,000 more than the currently approved budget for FY 2010-11. Not included in this amount is the funding for legal counsel support of the Long-Term Reliable Water Supply Strategy. The use of a portion of the Water Management Charge for these legal services was approved by the Board I July 2010.

Strategic counsel services funded by the Operating Budget

Mr. Wendell has provided strategic counsel for the general manager and Board (BAWSCA and BAWUA) since FY 2000-01. The not-to-exceed amount for strategic counsel services in the Operating Budget is \$150,000. Of this amount, \$140,000 would be funded from the Operating Budget and \$10,000 would be funded from the Water Management Fund for strategic counsel support of the Long-Term Reliable Water Supply Strategy.

If large unanticipated legislative or other efforts arise during FY 2011-12 that require strategic counsel or legal assistance, it would be necessary to assess workloads and priorities, and request Board authorization to reprogram the FY 2010-11 Work Plan and budget resources.

Technical services funded by the Operating Budget

Stetson Engineering, Hilton Farnkopf Hobson, Dale Newkirk, and Terry Roberts are engineering consultants with different areas of expertise.

Stetson Engineering assists BAWSCA in ensuring that the SFPUC's allocations of costs to the wholesale customers are based on accurate data and calculated as specified in the new Water Supply Agreement.

HFH will help ensure proper implementation of the new Water Supply Agreement, especially in matters dealing with cost allocation. In addition, HFH's expertise in water rate design and prior work on the drought allocation plan will be useful should the SFPUC propose a new wholesale water rate structure.

The combined services of Terry Roberts and Dale Newkirk provide BAWSCA technical support to monitor the implementation of the SFPUC's capital improvement that comprise the WSIP.

Mr. Roberts has a track record of successfully implementing complex capital improvement programs for local Bay Area cities including San Jose's \$3.5 billion, 5-year capital improvement program. Mr. Newkirk is an expert in water system planning, design and operation, and was at one time responsible for operating the San Francisco Regional Water System. The technical support of both Mr. Roberts and Mr. Newkirk provide BAWSCA the ability to provide constructive contributions to project planning, development and construction. These services help BAWSCA ensure that member agency needs can be met reliably during and after construction, and that issues pertinent to serving their customers are identified and addressed.

The technical services provided by Mr. Roberts and Mr. Newkirk differ from the work performed by the SFPUC and its consultants. BAWSCA's technical consultants review SFPUC work products and progress to ensure that projects will provide the desired service to the wholesale customers and that the WSIP is being well managed. Among the specific questions these experts help BAWSCA address are the following questions to which the CEO refers in making his periodic assessments to the Board of Directors:

- Are scopes remaining consistent with the SFPUC's levels of service goals?
- Have scopes been narrowed to stay within schedule or budget?
- Will projects remain within scope?
- Are projects on their adopted schedules and is work being completed within phases as planned?
- When will scope changes and schedule delays be reported to the State under AB1823?
- Is environmental work on schedule?
- Is work being completed within planned budgets and will projects remain within budgets?
- If project costs during the planning phase have exceeded the phase budget, how is the cost increase covered?
- Does sufficient project contingency remain for design and construction?
- Are construction bids matching engineers' estimates?
- Does the escalation allowance continue to appear sufficient?

- How will environmental work stay on schedule?
- How does SFPUC address project quality control?
- Is the SFPUC anticipating problems and taking appropriate action?
- What is SFPUC doing to ensure sufficient resources in time for the steep construction period?
- Will changes in policy and management leadership before the end of construction delay the program?

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Item Title: **Professional Services Contract with Hanson Bridgett LLP
(Legal Services) for FY 2011-12**

Summary:

The annual contract for legal services should be executed by July 1, 2011. In addition to providing general legal services for BAWSCA, BAWUA, and the RFA, next year's proposed scope includes work related to the closeout of the expired Master Water contract and administration of the new Water Supply Agreement, , protecting member agency interests during FERC negotiations, and implementation of solutions for meeting near-term and long-term water needs.

This item requests authorization for the CEO to execute a contract with Hanson Bridgett for FY 2011-12. The contract will be prepared in BAWSCA's standard form of agreement.

Fiscal Impact:

The contract not-to-exceed amount for legal services is \$390,000 and is contained in the FY 2011-12 proposed operating budget. The proposed budget of \$390,000 is \$24,000 more than the currently approved budget for FY 2010-11 of \$366,000. The increase covers the cost of a fisheries consultant to assist legal counsel during FERC negotiations. The proposed budget for legal services continues to be less than the \$419,000 budgeted for legal services in 2009-10.

The proposed contract not-to-exceed \$390,000 does not include legal support for developing the Long-Term Reliable Water Supply Strategy (Strategy). The estimated cost of \$76,000 for such support was separately authorized by the Board and is paid using revenue from the Water Management Charge approved by the Board in July 2010.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO to negotiate and execute a contract between BAWSCA and Hanson Bridgett for a not-to-exceed amount of \$390,000.

Discussion:

Hanson Bridgett's scope includes routine general legal services related to contract reviews, personnel and other administrative functions. The scope also supports work related to achieving specific results such as water contract administration for both the expired Master Water Contract and the new Water Supply Agreement, implementing solutions for meeting near-term and long-term water needs, assisting in efforts to get the system rebuilt in a way

that satisfies water customer needs, and successful completion of the associated environmental analyses.

In FY 2011-12, legal counsel will be providing support for closing out the old contract as well as initiation of the implementation of the new agreement.

Hanson Bridgett has been providing legal assistance to BAWSCA and its predecessor for more than 25 years. Hanson Bridgett helped negotiate the current water sales contract and amendments to the water contract. They drafted the legislation that now pressures San Francisco to fix the system, formed the RFA and enabled the formation of BAWSCA.

Hanson Bridgett has successfully arbitrated settlements totaling several millions of dollars on behalf of the wholesale water customers. Hanson Bridgett's familiarity with the business relationship between the wholesale customers and San Francisco and their knowledge of the Water Contract supports continuation of their services through the proposed annual contract.

Attachment A includes a proposed scope of work and cost breakdown for specific activities. The proposed budget is not intended to cover the costs of new arbitration proceedings, development of legislation, or other major legal activities outside the defined scope of work.

Attachment A

Hanson Bridgett LLP

Legal Services

PURPOSE

Hanson Bridgett's legal counsel services typically cover two primary areas:

1. General legal support (e.g., administration, contracting and personnel administration)
2. Assistance for achieving results during FY 2011-12.

SCOPE OF WORK

General Legal Services. Provide general legal services for BAWSCA, RFA and BAWUA on an as-needed basis. General legal services for BAWSCA will include legal counsel for activities such as:

- Employee benefits administration
- Personnel management
- Professional services contracts and grant applications
- Maintaining prudent levels of insurance
- Preparation of documents such as Board resolutions and amendments to the Rules of the Board; providing advice on meeting procedures (Brown Act)
- Evaluation of public records act requests
- Other matters associated with the management and administration of a public agency that benefit from legal advice and counsel

General legal services associated with BAWUA will be minimal and largely confined to financial and administrative matters.

General legal services for the RFA are expected to be minimal and administrative. San Francisco has stated it does not foresee using the RFA as a funding mechanism at this time.

Assistance Achieving Results. In addition to general legal support, legal counsel will assist in forming and implementing approaches to a number of activities impacting BAWSCA member agencies and their customers. Planned activities include assistance with:

- Close out of the expired Master Water Contract
- Implementation and administration of the new Water Supply Agreement

- Represent BAWSCA and its member agencies during FERC negotiations related to the relicensing of New Don Pedro Reservoir
- Review of remaining environmental documents associated with WSIP
- Implementation of activities under the Water Conservation Implementation Plan
- Routine contract reviews for water conservation activities, partnerships with other agencies, and professional services

The above-mentioned activities may require legal counsel to:

- Provide ongoing counsel to the CEO and Board of Directors.
- Provide support for interpreting the expiring water contract and the new water contract. In situations where differences cannot be resolved administratively, legal counsel may be asked to initiate arbitration proceedings on behalf of the wholesale customers.
- Provide legal input on the preparation and implementation of the water conserving ordinances for new construction that is included in the Water Conservation Implementation Plan.
- Meet with the CEO and attend meetings of the BAWSCA Board of Directors, the ad hoc committee for contract negotiations and meetings with San Francisco.
- Provide legal opinions and advise the Board of Directors, CEO, and suburban representatives on legal matters pertaining to BAWSCA or the water contract.
- Prepare, or approve as to form, resolutions, contracts, all changes to the Rules of the Board and other documents requiring legal review related to the business of BAWSCA, RFA or BAWUA.
- Represent BAWSCA in proceedings before other government agencies, regulatory bodies, and in contacts with professional and public agencies and organizations.
- Meet and confer with other BAWSCA consultants.
- Upon request, review and make recommendations to BAWSCA concerning proposed Federal, state or local legislation, regulations, litigation and/or administrative proceedings and required filings related to the business of BAWSCA, the RFA or BAWUA.
- Represent BAWSCA's Board and management in all suits, administrative proceedings, arbitration hearings and other legal matters to which BAWSCA is a party or in which it is legally interested, except in those instances when BAWSCA determines that the matter should be handled by special counsel.

Budgeted Activities and Not to Exceed Contract Limit: \$390,000

The total budget request is based on the following estimates for specified activities:

Conservation, FERC and urban water management plan	\$210,000
Capital program/CEQA/Hetchy	\$40,000
Old Master Water Contract admin	\$30,000
Water Supply Agreement admin	\$60,000
BAWSCA	\$48,000
RFA & BAWUA	\$2,000
<hr/>	
Total	\$390,000

This breakdown of activities is based on estimates at the time of budgeting. The contract will be managed to provide actual services required within the total not-to-exceed limit of \$390,000. If unanticipated activities require significant legal support, recommended changes would be brought to the Board of Directors.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Item Title: **Professional Services Contract with Harlan P. Wendell,
Management Communications (Strategic Counsel)**

Summary:

This item requests authorization for the CEO to execute a contract with Mr. Wendell for FY 2011-12. The contract will be based on BAWSCA's standard form of agreement.

Fiscal Impact:

The total contract not-to-exceed amount would be \$150,000 for strategic counsel services. This is the same amount budget in prior years, and would include \$140,000 funded from the proposed operating budget for FY 2011-12, and \$10,000 funded from the Water Management Charge for supporting the Long-Term Reliable Water Supply Strategy (Strategy).

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO to execute a contract between BAWSCA and Mr. Wendell for a not-to-exceed amount of \$150,000.

Discussion:

Mr. Wendell provides strategic counsel for the CEO and Board of directors. He has provided such counsel for BAWSCA and BAWUA since FY 2000-01. Mr. Wendell's hourly rate and total contract amount have remained unchanged since FY 2007-08.

For FY 2011-12, strategic services are needed to help BAWSCA achieve its results, pursue reliable water supply alternatives, ensure the water system is rebuilt, create a productive business relationship with San Francisco, and assist in structuring action items so that informed decisions can be made by the BAWSCA Board or individual agencies, as required. The proposed level of effort supports routine work with legislators and other public officials, but does not necessarily support major legislation or lobbying efforts.

Strategic Counsel identifies organizational, political, and communication issues facing the organization, recommends strategies that will successfully address the issues, and provides tactical advice and support necessary to implement the strategies.

To help manage these challenges and achieve BAWSCA's desired results, Mr. Wendell brings a 63-year governmental and corporate career with extensive organizational, political and communication experience.

BAWSCA operates in a political environment in the best, non-partisan sense of those words. It was established by the state legislature to help get the regional water system rebuilt, find solutions for other regional water problems, and get results through political entities that operate and use the regional system.

The CEO spends a significant amount of time working within this political environment to achieve BAWSCA's goals, and requires experienced political support, as well as technical and legal support.

Bud Wendell has experience working with local, state and federal government, as well as the private sector. He has provided invaluable political and strategic counsel for the past ten years.

Examples of the added value Strategic Counsel provides:

1. Continuing counsel for the CEO to set strategies to interact with elected officials at the state and local level.
Examples: Meetings with state legislators, private-sector allies, and the San Francisco mayor's office.
2. Creating and executing strategies for successful passage of State legislation.
Examples: Strategic services for successful passage of three bills passed by the State legislature and signed by the governor in 2002, and for legislation amending the prior bills during 2006, 2008 and 2010.
3. Counseling the CEO and others in BAWSCA on the most effective ways to present ideas and information in pursuit of our goals.
Example: Assisting the CEO in developing negotiating strategies, preparing for negotiations, communicating at critical junctures to achieve successful completion of a new agreement with San Francisco and BAWSCA's member agencies.
3. Anticipating public issues and avoiding public disputes.
Example: Monitoring WSIP performance.
4. Assisting the CEO with media relations to improve public understanding of BAWSCA's work and avoiding pitfalls.
Example: Assisting the CEO to prepare for communications with national and local media on potentially significant stories about water supply and conservation.
5. Facilitating BAWSCA's operations.
Example: Providing advice about materials to ensure clarity, transparency, understanding and effectiveness of communications and presentations.

Background. Mr. Wendell helped create the Federal Health, Education and Welfare Department, a cabinet form of government for the State of Delaware, and a reorganization of government in the state's largest city. He was director for California U.S. Representative Ed Zschau's campaign for the U.S. Senate and counsel for several mayoral, gubernatorial and congressional campaigns.

His corporate communication experience includes assignments with the chief executives of DuPont, Ford Motor Company, Boeing, Proctor & Gamble, Stanford University, General Electric Aircraft Engines, and Sumitomo Corporation.

Locally, Mr. Wendell assisted former State Senator Becky Morgan to develop and promote Joint Venture: Silicon Valley. Working for BAWSCA's predecessor organization, Mr. Wendell developed and implemented the legislative strategy that resulted in passage of the three Hetch Hetchy bills.

Attachment A includes a proposed scope of work.

Attachment A

**Harlan P. (Bud) Wendell
Management Communications
Strategic Counsel**

PURPOSE

Strategic counsel identifies organizational, political, and communication issues facing the organization, recommends strategies, which will successfully address the issues, and provides tactical advice and support necessary to implement the strategies.

SCOPE OF WORK

Work to be Performed:

Mr. Wendell will recommend organizational, political and communication policies and strategies for the CEO and Board to:

- Meet BAWSCA's goals and achieve its results effectively.
- Create a positive identity, based on actions, to earn and maintain public support.
- Maintain close relationships with legislative and other public officials, allies, special interest groups, community leaders, media and other audiences.
- Develop and manage a new, assertive, proactive, collaborative relationship with San Francisco to address BAWSCA's concerns, and fixing the water system.
- Build constructive relationships with other entities and avoid public controversies.
- Identify and address political issues.
- Report to the Board and committees on issues and strategies as needed.
- Provide strategic support for the Long-Term Reliable Water Supply Strategy.

This scope of work includes \$140,000 of work to be funded from the operating budget.

The scope also includes strategic support for the Long-Term Reliable Water Supply Strategy. The estimated cost for that support is \$10,000, and funds are available from the Water Management Charge for this purpose.

Not to Exceed Contract Limit: \$150,000

Rates and Charges:

Out-of-pocket expenses will be charged at cost.

<u>Name</u>	<u>Hourly Rate</u>
Harlan P. Wendell	\$185

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Professional Services Contract for Technical Engineering Services with Newkirk Environmental for FY 2011-12**

Summary:

This item requests authorization for the CEO to negotiate and execute a contract with Newkirk Environmental for FY 2011-12. Mr. Newkirk's expertise will be needed for review of design changes during construction, input on construction scheduling and operation of the new facilities, and review of the SFPUC's revisions of project scopes, schedules and budgets.

Mr. Dale Newkirk, sole principal with Newkirk Environmental, has the necessary technical expertise and resources to support BAWSCA's efforts to effectively monitor the development and implementation of the SFPUC Water System Improvement Program (WSIP) from the perspective of the water suppliers and customers who rely upon the Regional Water system and who will be paying two-thirds of the cost to repair the system. The contract will be prepared using BAWSCA's standard form of agreement.

Fiscal Impact:

The proposed FY 2011-12 budget contains \$135,000 for these services. This amount is \$40,000 less than the amount in the FY 2010-11 budget because WSIP projects have advanced from design to construction.

Board Policy Committee Action:

The Committee unanimously voted to recommend approval of the proposed board action

Recommendation:

That the Board authorize of the CEO to negotiate and execute a contract between BAWSCA and Newkirk Environmental for a not-to-exceed amount of \$135,000, subject to legal counsel's review.

Discussion:

For FY 2011-12, BAWSCA requires continued technical expertise in the following areas:

- a) Project configuration and design
- b) Regional water system operations related to serving the BAWSCA agencies
- c) Technical document review and as-needed technical analyses

Mr. Newkirk continues to provide BAWSCA with the necessary technical expertise and resources to effectively monitor the development and implementation of the SFPUC Water System Improvement Program (WSIP). On BAWSCA's behalf Mr. Newkirk critiqued and provided constructive recommendations to improve project configuration and implementation. His recommendations support better, more reliable service to BAWSCA members and have been well received by the SFPUC.

For next fiscal year, Mr. Newkirk's expertise and input will be critical to BAWSCA's review of the scope, schedule and budget revisions to the WSIP that are expected to be proposed by the SFPUC in June 2011. Mr. Newkirk's prior work in reviewing SFPUC documents have been critical to BAWSCA's understanding of the program, the WSIP projects, and proposed revisions and identification of necessary response and action by BAWSCA.

The proposed FY 2011-12 budget reflects a 23% reduction in budget from the current fiscal year for Mr. Newkirk. The reduction in budget reflects the reduction in number of technical document reviews expected next fiscal year as the majority of the WSIP moved into construction. The expertise that Mr. Newkirk provides to BAWSCA staff in the area of system operations will continue to support BAWSCA's review of expected project modifications identified during construction and system operations as projects are brought on-line.

As a former Regional Water System Operations Manager for the SFPUC, Mr. Newkirk has first-hand familiarity with the San Francisco regional water system and is well recognized for his expertise by the SFPUC and others. Mr. Newkirk has 30 years of experience which includes managing operations and maintenance functions for the Metropolitan Water District of Southern California, the East Bay Municipal Utility District, the San Francisco Public Utilities Commission and the Contra Costa Water District.

Scope of Services – Results to Be Achieved:

The draft scope of services with Newkirk Environmental for FY 2011-12 is shown in Exhibit A. Mr. Newkirk has proposed no increase in the hourly rate charged for FY 2011-12.

EXHIBIT A

**TO THE CONSULTING SERVICES AGREEMENT
Between the Bay Area Water Supply and Conservation Agency
and Newkirk Environmental**

DRAFT

FY 2011-12 SCOPE OF SERVICES

Purpose: Serve as BAWSCA's technical support in review of the SFPUC's regional WSIP through June 30, 2012. Specific projects to be tracked and reviewed include the New Irvington Tunnel, Alameda Siphons, the Calaveras Dam Replacement, the Bay Division Pipeline Reliability Upgrade, the San Joaquin Pipeline System Project, and Harry Tracy Water Treatment Plant Upgrades.

Work to be Performed:

- **Assist BAWSCA with WSIP Development and Implementation:** Identify critical project or program issues that might warrant BAWSCA's attention or formal comment. At the request of BAWSCA, review current and developing processes within the SFPUC for WSIP development, approval, and implementation.
- **Specific Project Reviews:** Provide expert review and comment on WSIP project and program technical documents by SFPUC including, but not limited to Value Engineering reports, project designs, and reports prepared by the SFPUC's Program Management consultant team.
- **Progress Monitoring:** WSIP Monitoring (All Projects). Contractor shall monitor detailed progress on the overall regional WSIP by project and as a program, and on a quarterly basis following the release of the SFPUC WSIP Quarterly Reports. Contractor shall provide a brief written report of such progress. Contractor shall identify any specific project(s) that require more detailed analysis.
- **Project/Panel Meetings:** Attend scheduled project manager meetings and other project/panel meetings as necessary and directed by BAWSCA.
- **Operations:** Assist as requested to facilitate improving coordination and communication between San Francisco and BAWSCA member agency operations.

Not to Exceed Contract Limit: \$135,000

Rates and Charges: The hourly billing rate is shown below.

- Mr. Dale Newkirk \$125/hr.
- Ms. Jean Gardner \$118/hr.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Item Title: **Professional Services Contract with Terry Roberts Consulting, Inc. for FY 2011-12**

Summary:

This item requests authorization for the CEO to negotiate and execute a contract with Terry Roberts Consulting, Inc. for FY 2011-12.

Mr. Roberts' expertise in implementing complex capital improvement programs is vital to BAWSCA's overall efforts in monitoring the SFPUC's implementation of the WSIP, from the perspective of the water suppliers and customers who rely upon the Regional Water System. With the shift in SFPUC's focus from planning and design to construction, Mr. Roberts' expertise in managing complex capital programs continues to be invaluable to BAWSCA's efforts in tracking the implementation of the WSIP. The contract will be prepared using BAWSCA's standard form of agreement.

Fiscal Impact:

The proposed operating budget contains \$120,000 for these services.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO to negotiate and execute a contract between BAWSCA and Terry Roberts Consulting, Inc. for a not-to-exceed amount of \$120,000, subject to legal counsel's review.

Discussion:

In November 2007, Mr. Roberts was retained to assist in reviewing the progress of the WSIP. In FY 2011-12, the SFPUC's efforts in implementing the WSIP will continue to shift from the planning, environmental review, and design phase to the construction phase. Several key projects will be in the construction phase next fiscal year, including the Calaveras Dam Replacement, New Irvington Tunnel, Bay Division Reliability Upgrade Tunnel and Pipeline, and the Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project.

Mr. Roberts' expertise is critically important to BAWSCA in its continuing review of the WSIP as the individual projects in the WSIP move into construction. Specific areas of focus will include:

1. Assist BAWSCA with analysis of the SFPUC bid and award results for WSIP projects;
2. Review SFPUC efforts in implementing the WSIP and identification of areas of conflict with BAWSCA's goals and the direction of the WSIP; and,

3. Timely input to the WSIP on areas of the WSIP implementation that will affect the BAWSCA agencies and the communities served by the Regional Water System.

Qualifications:

Mr. Roberts' prior experience in implementing complex capital improvement programs in the public sector brings significant value to BAWSCA's review of the WSIP. As former Deputy City Manager for the City of San Jose, Mr. Roberts was directly responsible for implementation of that city's \$3.5 billion, 5-year capital improvement program which included \$390 million in utilities, \$350 million in transportation, \$1 billion in airports, \$550 million in libraries, parks and community centers, \$175 million in police and fire facilities, and a \$380 million new city hall. For this project, over 180 projects were completed in each of the last three years for a total of over 850 projects completed in a 5-year period.

This "on-the-job" experience is invaluable in looking at the overall implementation of the WSIP from the perspective of the water suppliers who will pay two-thirds of the cost and who are in the communities in which a majority of the infrastructure will be constructed.

Scope of Services – Results to Be Achieved:

The draft scope of services with Mr. Roberts for FY 2011-12 is shown in Exhibit A. No increase in Mr. Roberts billing rate from FY 2010-11 is proposed.

EXHIBIT A

**TO THE CONSULTING SERVICES AGREEMENT
Between the Bay Area Water Supply and Conservation Agency
and Terry Roberts Consulting, Inc**

DRAFT

FY 2011-12 SCOPE OF SERVICES

Purpose:

Provide expertise in the areas of major capital project development and implementation, project cost estimating, project controls, project scheduling and construction management, which pulls these areas together to support BAWSCA's overall continuing review of the WSIP from the perspective of the water agencies and customers that rely upon the Regional Water System.

Work to be performed:

- Assist BAWSCA with analysis of the SFPUC bid and award results for WSIP projects.
- Provide BAWSCA with assessments of SFPUC's project scopes, schedules, costs, construction management and progress on the WSIP.
- Meet or teleconference regularly with the BAWSCA staff and other technical resources to identify opportunities to improve water system reliability and coordinate activities
- Participate in discussions with SFPUC staff and Consultants and provide expert advice for producing and maintaining realistic project cost estimates and schedules
- Participate in discussions with SFPUC staff and Consultants and provide expert advice in construction management
- Work with BAWSCA staff to review and comment on related reports prepared by SFPUC and others including Annual AB1823 Reports to State, AB 1823 Program Change Reports, Reports from the California Seismic Safety Commission and Department of Health

Not to Exceed Contract Limit: \$120,000

Rates and Charges:

The hourly billing rate is shown below.

<u>Name</u>	<u>Hourly Rate</u>
Terry Roberts	\$187.00/ hr.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Item Title: **Professional Services Contract with Stetson Engineering**

Summary:

This item requests authorization for the CEO to negotiate and execute a contract with Stetson Engineering for FY 2011-12 to assist with administration of the Water Supply Agreement. The contract will be prepared in BAWSCA's standard form of agreement.

Fiscal Impact:

The contract not-to-exceed amount of \$43,000 is included in the FY 2011-12 proposed budgets.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO to negotiate and execute a contract between BAWSCA and Stetson Engineering for a not-to-exceed amount of \$43,000 subject to legal counsel's review.

Discussion:

Wholesale and in-City retail customers pay their share of operating and maintenance costs of the regional water system based on their proportionate share of water used. Outside engineering services are utilized to ensure proper calculation and measurement of metered water deliveries. Stetson Engineering has provided these services since 1984.

Stetson's familiarity with these assignments has proved valuable to the wholesale customers. In the early 1990's, Stetson discovered inaccuracies in the SFPUC water meters increasing the proportion of costs allocated to the wholesale customers. The savings due to the discovery and correction of the under-recording meters resulted in a one-time payment of \$2M and an ongoing savings estimated at \$1.2M per year

While the analytical portion of these services could be performed in-house, BAWSCA staff provides greater value doing other tasks that cannot be performed as well by outsiders. Due to Stetson's unique knowledge of the system and water metering equipment, the specialized work and their competitive hourly rates, continuation of their services is recommended.

The proposed budget of \$43,000 is the same as the current year's adopted budget.

Attachment A

Stetson Engineering, Inc.

**Water Supply Agreement and
Engineering Support Services**

PURPOSE

Stetson Engineering performs two vital tasks associated with administering the Water Supply Agreement:

1. Compiling and analyzing water usage information that is the basis for assigning costs between the wholesale customers and the City
2. Monitoring the repair and calibration of the system meters which measure water usage.

SCOPE OF WORK

Work to be Performed: Stetson Engineering will analyze the prior year's (FY 2010-11) water usage information and calculate water use factors in accordance with Exhibit J of the Water Supply Agreement. Stetson Engineering will also monitor whether San Francisco performs mainline water meter repair, calibration and testing in accordance with the provisions of the Agreement. As required, Stetson will bring issues and recommendations to the BAWSCA General Manager or designated staff contact. In addition, Stetson will assist on an as needed basis in the implementation of the new water supply agreement.

Task 1. Compile and analyze monthly water usage data collected by the SFPUC's Customer Services Division and daily totalizer data and monthly reports collected by the Operations division.

Task 2. Record maximum water usage based on daily totalizer data collected by the SFPUC.

Task 3. Concurrent with the SFPUC analyses, prepare J-tables and associated worksheets used in allocating operating and capital expenditures between in-City and suburban users. If necessary, prepare for and attend meetings with the SFPUC pertaining to the finalization of J-tables. Compare analysis with SFPUC, resolve any differences, and reach agreement with the SFPUC on J-table allocation factors.

Task 4. Continue to monitor SFPUC efforts to recalibrate, maintain, or install new meters (system input, J-table, or county-line meters) and provide periodic written updates.

Task 5. As requested, prepare for and attend meetings with the Board or General Manager, attend meetings or conduct field trips with SFPUC representatives when necessary or required, conduct other analyses as directed, and prepare monthly progress and billing reports.

Budgeted Activities:

The total budget request is based on the following *estimates*:

Administration/General	\$ 5,000
Analyze Water Usage	17,000
Max. Day	1,000
J-Tables	5,000
System/County-line Meters	<u>15,000</u>
Sub-Total	\$43,000

Not-to-Exceed Contract Limit: \$43,000

Rates and Charges:

Hourly billing rates are shown below.

Supervisor II	\$173
Associate II	\$100
Associate I	\$105
Assistant I	\$89
Assistant II	\$84
Administrative I	\$68

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Item Title: **Professional Services Contract with Hilton, Farnkopf and Hobson (Engineering/Financial Services)**

Summary:

This item requests authorization for the General Manager to negotiate and execute a contract with Hilton, Farnkopf and Hobson (HFH) for as needed assistance in administering the Water Supply Agreement and other activities during FY 2011-12. The contract will be prepared in BAWSCA's standard form of agreement.

Fiscal Impact:

The contract for a not-to-exceed amount of \$25,000 is included in the FY 2011-12 proposed budget.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize for the CEO to negotiate and execute a contract between BAWSCA and HFH for a not-to-exceed amount of \$25,000 subject to legal counsel's review.

Discussion:

HFH has been providing BAWUA/BAWSCA key financial and rate setting advice for over two decades (though not under contract every year). One of the firm's principals, John Farnkopf, was instrumental in developing the 1984 Master Contract and negotiating the 2009 Water Supply Agreement as well. In addition, HFH has assisted BAWSCA staff with analyzing the water shortage allocation plan alternatives. HFH has extensive knowledge of water rate setting, having developed over 120 rate studies for retail and wholesale water, wastewater, and storm water agencies. HFH's most important contribution during FY10-11 was their evaluation of the SFPUC's proposed change in the wholesale rate structure and its impact on member agencies.

As needed, HFH will provide reviews and analyses for administration of the Water Supply Agreement. The proposed budget of \$25,000 is \$35,000 less than in the current year's budget.

**Hilton, Farnkopf and Hobson
Financial Advisors**

PURPOSE

For FY2011-12, BAWSCA requires on going professional analytical work and expert advice in conjunction with the implementation of the new agreement and possibly other important matters (e.g, water supply allocation, wholesale rate structure, conservation rates, wholesale revenue requirement, etc). As directed, HFH will provide the necessary analytical work, attend meetings with BAWSCA and/or SFPUC staff, and provide written reports or updates as required.

SCOPE OF WORK

Work to be Performed:

As requested, assist with the implementation of the Water Supply Agreement; particularly in the areas of cost allocation, interim supply limitations and related tasks. The budget for this work is \$25,000.

Proposed Budget: \$25,000

Rates & Charges:

Vice President	\$190
Sr. Analyst/ Sr. Assoc.	\$120
Associate/Analyst	\$75-100

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Item Title: **Professional Services Contract with KNN Public Finance (Financial Services)**

Summary:

This item requests authorization for the General Manager to negotiate and execute a contract with KNN Public Finance (KNN) for FY 2011-12. The contract will be prepared in BAWSCA's standard form of agreement.

Fiscal Impact:

The contract not-to-exceed amount of \$40,000 is included in the FY 2011-12 proposed budgets for financial advisory services.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO to negotiate and execute a contract between BAWSCA and KNN for a not-to-exceed amount of \$40,000 subject to legal counsel's review.

Discussion:

KNN has been BAWSCA's financial advisor since FY 2002-03.

KNN may provide ongoing analysis that helps BAWSCA by reviewing and interpreting key reports and other financial information. For example, KNN has assisted BAWSCA in reviewing the SFPUC's revenue and expenditure projections (Water Fund Balance), bond refund authorizations and proposed operating and capital budgets. During FY2010-11, KNN assisted BAWSCA staff in reviewing debt service and capital spending calculations and other components of the wholesale revenue requirement. The proposed budget is \$40,000, which is the same as the current year's adopted budget.

For FY 2011-12, the consultant will be asked to review the SFPUC's proposed bond offerings; evaluate the possible rate implications resulting from changes in project schedules, or changes in interest rates; calculate the wholesale share of debt service; review SFPUC financial statements, assist in reviewing the FY2010-11 wholesale revenue requirement; and provide recommendations that best serve the interests of the water customers. As BAWSCA's Senior Financial Analyst plans to retire next year, KNN will play a key role in supporting BAWSCA's ongoing review of the wholesale revenue requirement.

**KNN Public Finance
Financial Advisors**

PURPOSE

For FY 2011-12, BAWSCA requires on going professional financial analysis and advice in conjunction with the wholesale revenue requirement, rate and financial implications and ongoing implementation of the new Water Supply Agreement.

SCOPE OF WORK

Work to be Performed:

Anticipated tasks may include the following:

Task 1. Review and provide comments on the SFPUC’s financing plan, proposed budget, wholesale rate impacts, revenue funded capital projects, debt coverage and working capital components, specific schedules associated with the wholesale revenue requirement or Water Supply Agreement, or other documents or reports related to the SFPUC’s implementation and/or financing of the Water System Improvement Program (WSIP) or its annual operating and capital budgets or fund balances.

Task 2. Provide other analyses as directed or required. Such activities could include updating the data base to incorporate revisions to San Francisco’s WSIP debt issuances; evaluating the impact of reserve levels on future SFPUC bond issues or ratings; evaluating the advantages and disadvantages of changes in the wholesale rate structure, or examining the potential for the RFA or BAWSCA to issue its own debt; or other assignments.

Proposed Budget: \$40,000

Rates & Charges:

Executive Vice President/Sr. Managing Director	\$300
Managing Director	\$275
Vice President	\$250
Asst. Vice President/ Sr. Analyst/ Sr. Assoc.	\$200
Associate	\$175
Analyst	\$150

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Item Title: **Professional Services Contract with Burr, Pilger and Mayer (Audit/Accounting Services)**

Summary:

This item requests authorization for the General Manager to negotiate and execute a contract with Burr, Pilger and Mayer (BPM) for FY 2011-12. The contract will be prepared in BAWSCA's standard form of agreement.

Fiscal Impact:

The contract not-to-exceed amount of \$15,000 is included in the FY 2011-12 proposed budget for external auditing services associated with the wholesale revenue requirement.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize for the CEO to negotiate and execute a contract between BAWSCA and BPM for a not-to-exceed amount of \$15,000 subject to legal counsel's review.

Discussion:

Burr, Pilger and Mayer is a full-service accounting and business consulting firm with expertise in tax preparation, planning, assurance, and audits. Every year, the SFPUC conducts an audit of the wholesale revenue requirement – soon to exceed \$300M – to ensure that the wholesale customers' share of operating and capital expenses for the regional water system have been allocated between in-City and suburban customers per the agreement. BPM's primary role is to assist BAWSCA with its review of the annual compliance audit and other SFPUC financial statements.

The proposed budget is \$15,000, which is half of what is included in the current year's budget.

Burr, Pilger and Mayer
Auditing and Accounting Advisors

SCOPE OF WORK

PURPOSE

For FY 2011-12, BAWSCA requires on going professional auditing and accounting analysis to assist in its review of the annual wholesale revenue requirement/compliance audit.

Work to be Performed

Anticipated tasks include the following:

Task 1. If needed, assist BAWSCA in guiding the procedures to be used in future compliance audits, commencing with the compliance audit for FY 2010-11

Task 2. Attend the FY 2010-11 compliance audit kick-off meeting (Fall 2011) with the SFPUC's compliance auditor and staff. Represent the wholesale customers' interests in the development of the compliance auditor's work plan.

Task 3. Review the independent compliance auditor's report for the FY 2010-11 wholesale revenue requirement, changes to balancing account, and accompanying management letter. Comment on the report and letter for thoroughness, with special attention paid to any notes concerning internal controls, procedures, material weaknesses, or significant deficiencies, as well as management's response to such, including stated corrective measures.

Proposed Budget: \$15,000

Hourly Rates & Charges:

Partner: \$350

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Professional Services Contract with John H. Whitcomb to Implement the Large Landscape Conservation Services Program for FY 2011-12**

Summary:

This item requests authorization for the CEO to negotiate and execute a contract with John Whitcomb to implement the Large Landscape Conservation Services Program (LLCSP) for FY 2011-12. Participation in this water conservation program is voluntary. The opportunity to participate will be extended to all BAWSCA agencies. As a subscription program, participating agencies will pay the entire cost for the program.

Fiscal Impact:

For FY 2011-12, only those agencies that elect to participate in this program will pay the cost of the outside service provider as well as budgeted BAWSCA staff time.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO to:

- 1. Negotiate and execute a contract with John B. Whitcomb, subject to legal counsel's final review, to implement the Large Landscape Conservation Services Program; and,**
- 2. Offer participation in the program to interested BAWSCA agencies on a subscription basis.**

Discussion:

Fiscal Year 2011-12 will be the 10th year that a Large Landscape Conservation Services Program (LLCSP) is offered to BAWSCA member agencies. Twelve agencies are currently participating in the program, including one agency in Santa Clara County. These agencies have expressed interest in participating in this program again next year. This program is part of the comprehensive package of conservation programs that the BAWSCA agencies have asked BAWSCA to support next fiscal year as part of the Water Conservation Implementation Plan.

Table 1 provides information for program activity from FY 2002-03 through FY 2009-10. Since its inception, the LLCSP has been a very cost-effective program that generates real and significant water savings.

The LLCSP addresses the "Programmatic-Landscaping BMP", which requires water agencies to implement conservation programs to improve landscape irrigation efficiency. Specific activities for this program include water use budgeting, water use surveys, and supplemental landscape programs. Creating an economy of scale by using a single consultant with the requisite expertise, the LLCSP enables participating agencies to implement large landscape water budgets and water use surveys more cost effectively than if they were to hire consultants individually. The scope of work for FY 2011-12 is expected to be consistent with the scope of work for prior year's programs, a sample of which is included as Exhibit A.

Table 1: Large Landscape Conservation Services Program Summary

Program Description	FY 2002/03	FY 2003/04	FY 2004/05	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10
Number of Participating BAWSCA Members	4	5	4	5	6	9	11	12
Estimated Savings (acre-feet per year AFY)*	N/A	299	212	520	543	602	435	1,080
Total spent by all agencies (\$)	\$65,132	\$23,802	\$29,663	\$24,720	\$23,362	\$84,425	\$108,832	\$163,879
Cost Per Acre-Foot Saved (\$/AF)	N/A	\$59	\$90	\$37	\$43	\$63-124	\$83-125	\$58
Cost of Water from SFPU (\$/AF)	\$383	\$479	\$492	\$444	\$531	\$566	\$623	\$719

*Savings are calculated on a calendar year basis.

Alternatives:

Alternatives to the recommended action included herein are to (1) not offer the LLCSP in FY 2011-12, or (2) offer a potentially different version of the LLCSP based on a contractor and program selected through a competitive bid process.

BAWSCA does not recommend the above alternatives. John B. Whitcomb was selected to provide the LLCSP services through a competitive process in 2002. His proposal was the most responsive and his proposed costs were highly competitive. His services during the past nine years have been critical to the overall program's success. The agencies also continue to be pleased with this program and have expressed a desire to continue the LLCSP in FY 2011-12 with Mr. Whitcomb. Given Mr. Whitcomb's qualifications and performance, it is appropriate to contract for his services this coming fiscal year.

Conclusion:

The LLCSP has enhanced member agency's water conservation efforts at reasonable cost. For this reason, renewal of this water conservation assistance program is recommended.

Attachment:

The scope of work for FY 2010-11 is shown in Exhibit A. The scope of work will be updated as necessary during negotiation of a new contract.

EXHIBIT A

**Scope of Services: Water Conservation Landscape Program (Program) FY 2010-11
(Sample)**

BAWSCA members will complete an application to select the level of service they desire for their customers. Contractor will then contact participating members to establish details of the service for different customers. Contractor must work closely with each participating member to ensure the work does not exceed that member's budget for the Program.

The Program includes three types of services; participating members can receive either or all of these services. Task 1 describes the services associated with Landscape Water Use Reports. Task 2 describes the services associated with residential and commercial water use surveys. Task 3 describes the professional landscape workshops. Task 4 addresses reporting by the Contractor to BAWSCA.

TASK 1 LANDSCAPE WATER USE REPORTS

Contractor will distribute a one-page Landscape Water Use Report to all contacts at each landscape site for each billing cycle. The report will show 24 months of historic water use, 24 months of a benchmark of water use, and a summary of water and costs incurred due to potential over-irrigation. Site contacts will include billing contacts and other site contacts (e.g., contract landscapers) if relevant and known. The reports will be distributed by mail or, if known and preferred by the site contacts, by email as a PDF file.

Task 1.1 Landscape Site Inventory and Targeting

When a participating member first joins the Program, Contractor will make an inventory of landscape accounts and, as applicable, select the sites to include in the Program to maximize water savings within that participating member's budget. Participating members will provide Contractor with at least two years of billing data in an electronic file for all candidate sites.

To target the sites that will potentially benefit most from receiving the reports, Contractor will consider a variety of factors including:

- Volume of water used. Priority will be given to sites using more water.
- How closely historical water use follows the seasonal pattern of irrigation need (evapotranspiration). Priority will be given to sites where there is large difference between the two.
- Working with landscape contractors to send reports to all of their sites as a package. Assisting a landscape contractor at one site can have spill over benefits at their other sites.
- Working with local garden clubs or other groups interested in receiving the reports. This can put the reports in the hands of people most likely to act on the information.

Task 1.2 Landscape Water Use Report Inputs

Contractor will create a one-page report for each site that compares historical water use to a benchmark. The report will show 24 months of historic water use, 24 months of a benchmark of water use, and a summary of water and costs incurred due to potential over-irrigation.

The benchmark will be based on:

- Actual weather conditions as measured by evapotranspiration minus effective rainfall from a local CIMIS weather station. Daily weather will be matched exactly in time with the billing cycle associated with each customer bill.
- Assumptions of irrigated turf and non-turf area. Initially, the Contractor will make an educated guess of landscape area based on historical water use. We expect these estimates of irrigated area size to be updated/improved over time via customer self-reports, estimates made by working with landscape contractors, and by using actual measurements made as part of Commercial Field Surveys and Residential Field Surveys.
- A new optional service for this year is that the Consultant will provide the option of performing an estimate of irrigated landscape area by using satellite imagery from Google Earth Pro. This estimate will include turf and non-turf (e.g. shrubs).
- Assumptions of indoor water use. For landscape sites with meters that include both indoor and outdoor water uses, Contractor will estimate indoor use. This will be done by analyzing winter water use (when outdoor use is minimized) and by using standard assumptions about water use per capita day (e.g., 75) multiplied by number of people (e.g., 3) when relevant.

Task 1.3 First Mailing of Landscape Water Use Reports

When a participating member first joins the Program, Contractor will mail each targeted landscape site a package, using participating member envelopes, containing:

- Introduction letter introducing and explaining the report. Consultant will draft the letter. Participating member will edit and finalize the letter and provide to Contractor as an electronic file (PDF format). The letter will be mailed on participating member letterhead and signed by a participating member staff person. The letter will request that customers provide email addresses if they prefer to receive report in the future as a PDF file, identify landscape contractors if they want them copied to the report, and self-reported landscape area measurements to improve the accuracy of the benchmark calculation.
- Landscape Water Use Report will be included in package to demonstrate and show the work product.

Task 1.4 Ongoing Landscape Water Use Report Distribution

Participating members will provide Contractor with an electronic file every two months containing the water meter readings for the most recent two-month period for the targeted landscape customers. Contractor will download weather data from a local CIMIS station. Contractor will produce an updated report and distribute to site contacts. Site contacts will include the water customers identified from the billing database. It will also include contract landscapers or other parties involved with irrigation at the site as requested by the customer. Site contacts will be able to receive the reports via email as a PDF file upon request. The comment field on the report will periodically prompt users to provide email addresses, landscaper contacts, and landscape area measurements.

TASK 2 WATER USE SURVEYS

A landscape water use survey consists of sending trained staff to landscape sites to assess the site and recommend ways to improve both the technical performance and the management of irrigation systems. Water use surveys are sometimes referred to as water audits, irrigation performance tests, and landscape water use analyses, among other terms.

Each water use survey will include the following five basic elements:

1. Landscape area measurements

2. Observations of irrigation system performance and deficiencies
3. Testing the technical performance of the irrigation system
4. Generation of recommended irrigation schedules
5. Survey report and information packet delivered to customers

Each element is a part of the curriculum of basic landscape water auditor training administered by the Irrigation Training and Research Center, Cal Poly San Luis Obispo, and the Irrigation Association.

Contractor will provide both residential and commercial field survey services. The residential service includes single-family homes with large landscapes. Contractor staff will spend less time visiting residential sites, and hence the cost is lower. Contractor will also provide a follow-up survey for sites previously surveyed but needing to be revisited.

Task 2.1 Landscape Site Inventory and Targeting

All sites targeted for a field survey will be selected from the list of sites receiving a Landscape Water Use Report as described in Task 1.

Selection of the sites to receive water use surveys will be made by the participating members. The participating members will need to list the sites to receive the surveys via email to Contractor.

Upon request, Contractor will assist in the selection process based on the particular objectives and criteria developed by the participating member. Selection factors could include targeting large water customers, customers served by particular landscape contractors, customers identified by community garden groups, or other.

Task 2.2 Marketing Water Use Surveys

Contractor will market the water use survey service to targeted sites via the Landscape Water Use Reports. Contractor will include a letter with the reports to targeted sites explaining the program. Contractor will draft the letter. The participating member will edit and finalize the letter on its letterhead, provide a signature for the letter, and provide as an electronic file (PDF). Customers will contact participating member or Contractor to express interest. Contractor will telephone interested customers to setup a date and time for site visit, including any landscaper or other party responsible for irrigation at the site.

Before a survey is conducted, the participating member will be asked to approve each survey via email correspondence. Participating member staff may attend the survey if desired. Water customers will be asked to sign a liability release form before Contractor conducts the survey.

Task 2.3 Survey Implementation

Contractor will send an irrigation expert to each site to survey the irrigation system. Data will be collected on the meters, controllers and other major devices at the site (such as pumps). Using a digital system of data capture, contractor will inventory, inspect and trouble shoot the irrigation system. This process entails activating stations in sequence, usually with the Contractor's radio remote unit, observing the effectiveness of each sprinkler and capturing the data on palm top computers. Contractor will photographically document the system and its problems to help site decision-makers better understand the issues. Contractor will test representative sections of the system using either the flow/area method or catch-cups to determine sprinkler performance (i.e., precipitation rates and uniformity). Contractor will have available other data logging sensors which might be useful in some circumstances such as identifying pressure problems. Finally, Contractor will document landscape area data to improve the accuracy of water budget calculations.

For sites that have already received a commercial water use survey, Contractor will offer an optional follow-up survey for sites wanting to assess new equipment changes, staff changes for those responsible for irrigation scheduling, or to address previously identified problems. The cost of a follow-up survey is considerably lower as site-based information has already been collected.

Task 2.4 Survey Report

Contractor will create a report, in an easily understood format, for each site receiving a survey. This report will identify critical improvements required in hardware and scheduling, prioritized by importance. While it is important to identify specific hardware problems with the system, the report will also deal with general management changes important to maintaining good system operational integrity. Based on test data, the report will provide recommended irrigation schedules for all the main combinations of irrigation technology and plant material (e.g. full-circle single stream rotors on cool season turf or foundation shrub spray sprinklers). Report will calculate potential water savings from improved scheduling and hardware retrofits. Reduced long term water costs which result from performance improvements will be measured against potential expenses in a simple Return on Investment calculation. This report will be mailed or emailed to the site contact.

TASK 3 PROFESSIONAL LANDSCAPE WORKSHOPS

For a fixed cost of \$2,500, Contractor will conduct a 2-hour lunch-seminar for landscape contractors covering landscape water irrigation efficiency. These workshops are optional for the Agency. Tasks include:

Invitation Letter:

Contractor will provide a draft of the invitation letter. Water agency staff will edit and finalize. Contractor will mail out seminar invitation letters to potential participants and will serve as point of contact for RSVPs to event.

Seminar Logistics:

Seminar location will be responsibility of water agency. The cost of providing lunch will be responsibility of water agency.

Seminar Content:

Seminar will address common issues in landscape irrigation efficiency as customized to customers served by the water agency. It will cover details of how Landscape Water Use Reports are created, discuss how reports can be sent to all customers served by a particular landscape contractor, and discuss qualifications for having sites participate in the field survey program.

TASK 4 REPORTING

Contractor will provide an annual letter report summarizing the landscape sites involved with the Program, including those sites that are within the California Water Service and Hillsborough service areas. The summary will break results out for each participating member and include an estimate of water savings for the previous calendar year.

As part of the invoice process, Contractor will summarize activity associated with the Landscape Water Use Reports and Water Use Surveys. Results will be broken out by activity out for each participating member. BAWSCA could share this information with interested member agencies as needed.

FY 2010-11 SCHEDULE OF COSTS

Program Item	Unit Cost x Quantity	Total Cost
a. Initiation Fee (1 ST year only)	\$2,500	
b. Water Use Report Setup (1 st year only)	\$75 x _____ (# of sites)	
c. Water Use Report Distribution	\$52 x _____ (# of site contacts)	
d Site Measurement	\$50 x _____ (# of sites)	
e. Commercial Field Survey	\$1,400 x _____ (# of sites)	
f. Residential Field Survey	\$775 x _____ (# of sites)	
g. Follow-Up Field Survey	\$450 x _____ (# of sites)	
h. Professional Irrigation Workshop	\$2,500 x _____ (# of workshops)	
i. BAWSCA Administration Fee	\$148	
j. Maximum Program Budget		

Notes:

- (a) & (b). Startup costs associated with development of Water Use Reports and initial contact with customers.
- (c). Create a digital site map with estimates of irrigated areas using satellite imagery from Google Earth Pro.
- (d). The Water Use Report distribution fee is per contact per site per year. For agencies participating for the first time, site contacts tend to be about 1.25 multiplied by the number of sites. Over time, the number of site contacts can grow as more is learned about site contacts (e.g., adding landscape contractors).
- (h) Optional 2-hour Professional Irrigation Workshop covers landscape irrigation efficiency topics for local landscape contractors.
- (i) BAWSCA recovers costs incurred in administering water conservation programs. The cost for this program may be up to \$148 per participating agency.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Professional Services Contract with Resource Action Programs to Implement the School Education Program for FY 2011-12**

Summary:

This item requests authorization for the CEO to negotiate and execute a contract with Resource Action Programs (RAP) to implement the Water Wise School Education Program for FY 2011-12. Participation in this water conservation program is voluntary. The opportunity to participate will be extended to all BAWSCA agencies. As a subscription program, participating agencies will pay the entire cost for the program.

Fiscal Impact:

For FY 2011-12, only those agencies that elect to participate in this program will pay the cost of the outside service provider as well as budgeted BAWSCA staff time.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO to:

- 1. Negotiate and execute a contract with Resource Action Programs, subject to legal counsel's final review, for implementation of the School Education Program in FY 2011-12; and,**
- 2. Offer participation in the program to interested BAWSCA agencies on a subscription basis.**

Discussion:

Fiscal year 2011-12 will be the seventh year that the Water Wise School Education Program has been offered to BAWSCA member agencies. Fourteen agencies are currently participating in the program, including three in Santa Clara County. The majority of these agencies have expressed interest in participating in this program again next year. This program is part of the comprehensive package of conservation programs that BAWSCA agencies have asked BAWSCA to support next fiscal year as part of the Water Conservation Implementation Plan.

The contractor, Resource Action Programs (RAP), offers various programs oriented towards water, energy, and other natural resource conservation and education. Water Wise School Education Program targets 5th grade students and includes (1) an 8-unit curriculum that is given

to teachers, and (2) a water audit kit. The kit may be an Indoor or Outdoor Water Audit Kit, depending upon which type of kit the agency opts to fund.

Table 1 provides information for program activity from FY 2005-06 through FY 2009-10. Since its inception, the Water Wise School Education Program has been a cost-effective program that generates real water savings while providing an excellent customer education opportunity. In FY 2010-11, nine BAWSCA agencies are participating in the Water Wise School Education Program.

Table 1: Water Wise School Education Program Summary

Program Information	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10
Number of Participating BAWSCA Agencies	6	11	14	14	12
Number of Participants (# of kits disbursed)	1,554	2,871	3,737	3,685	2,903
Est. Annual Water Savings (gallons per kit) (a) (b)	17,451	17,451	17,451	9,785	6,475
Estimated Lifetime Savings for Kits Installed (acre-feet, AF) (a) (b)	499	922	1,201	975	512
Total Spent By All Agencies	\$51,671	\$93,023	\$126,819	\$111,515	\$104,091
Average Cost of Water Savings (\$/AF)	\$103	\$101	\$106	\$114	\$203

Table Notes:

- (a) For years prior to FY 2008/09, water savings estimated based on an assumed 60% installation rate and a 10-year lifetime.
- (b) For FY 2008/09 and FY 09/10, water savings estimated based on actual kit installation rate and a 10-year lifetime.

Furthermore, this program will assist participating agencies in implementing several Best Management Practices for Urban Water Conservation:

- Programmatic: Residential
- Foundational: Education – School Education Programs

Because of its connection with school children, this program would be initiated in September 2011 and run through June 2012. Additional augmentations to the RAP program include incentives for both the students that complete the in-home water audit and for the teachers that complete the entire curriculum and get the most students to complete the in-home water audit. These incentives will be provided by BAWSCA, on behalf of, and paid for by, the participating agencies.

The scope of work for FY 2011-12 is expected to be largely consistent with the scope of work for prior year's programs, a sample of which is included as Exhibit A. The one significant change will be that in FY 2011-12, agencies will have the option to do an Outdoor Kit, as well as, or instead of, an Indoor Kit. This option is being provided in response to agency requests and will create some program diversity.

Alternatives:

Alternatives to the recommended action included herein are to (1) not offer the Water Wise School Education Program in FY 2011-12, or (2) offer a potentially different type of School Education Program.

BAWSCA does not recommend the above alternatives for FY 2011-12 for the following reasons. The agencies have expressed a strong desire to continue to support an in-classroom school education program that focuses on water conservation. As a whole, the agencies also continue to be pleased with the Water Wise School Education Program and have expressed a desire to continue that program with RAP. Given RAP's qualifications and performance, it is appropriate to contract for their services this coming fiscal year.

BAWSCA is always looking for opportunities to enhance and better the conservation programs it offers. For example, in FY 2009-10, BAWSCA launched a water conservation assembly program which has been extremely popular with both the agencies and the schools. In addition, BAWSCA has already initiated discussions with another potential contractor for a new school program, which if supported by the agencies, would launch in FY 2012-13.

Conclusion:

The experience with the Water Wise School Education Program to date has shown it to be a cost-effective means of achieving water conservation savings in the home and educating students on the value of water and importance of water conservation. For these reasons, renewal of this water conservation program is recommended.

Attachment:

The scope of work for FY 2010-11 is shown in Exhibit A. This scope will be updated for FY 2011-12.

EXHIBIT A

Scope of Services: Resource Action Programs® WaterWise™ School Education Program FY 2010-11 (Example)

PROGRAM DESCRIPTION

The **WaterWise™** program directly addresses the priorities of obtaining measurable water and energy savings results and cost effectiveness through a proven program format, featuring a turn-key set of classroom activities and hands-on home projects. Students receive kits containing home efficiency devices, which are taken home, installed and shared with family members. They work on subjects required by state learning standards to understand and appreciate the value of natural resources in everyday life. This stimulating program shapes new behaviors and achieves instant savings results through a cost-effective mix of new product installation and resource efficiency knowledge, using the best messengers – children!

Additional Benefits –The quantifiable savings often serve as a basis for excellent PR and company image opportunities through local media coverage. The program provides complete implementation services, can be customized to the needs of the target audience, and can also deliver benefits of customer audit information, strategic partnerships/cost-sharing and promoting other company programs.

WaterWise™ at a glance:

- ◆ Proven to deliver lasting quantifiable results and measurable savings.
 - ◆ Simple and very cost-effective.
 - ◆ All implementation services are included.
 - ◆ Features a fun and interactive curriculum to shape new family habits and usage.
 - ◆ Includes Resource Action Kits to directly install resource-efficient technologies in the home.
- ☑ ***Delivers Measurable Savings Results.*** Students conduct a simple home audit to determine areas where their families are using water and energy inefficiently. Family's work together to improve efficiency by changing usage habits and through the installation of the conservation technologies provided to each student in their Resource Action Kit. Kits include conservation measures and simple test equipment to enable the family to determine the energy and resource conservation opportunities that exist in their home, while providing the installable resource conservation technologies to achieve quantifiable savings. These activities foster family cooperation and help educate parents on the benefits of resource conservation. Students submit reports detailing the results of their conservation activities.
- ☑ ***Water Education.*** The **WaterWise™** Program combines classroom activities with in-home hands-on retrofit projects that students perform with their families. This combination yields quantifiable conservation results and strong practical learning, effectively shaping new resource usage behavior and attitudes. The **WaterWise™** Program is turnkey and comprehensive while providing all materials, supplies, teaching tools and support needed by teachers and participants. Learning is measured via pre/post test comparisons.
- ☑ ***Builds New Resource Habits.*** New habits result from effective education and personal action. The program provides a wide range of teaching tools to maximize learning. The feature-rich program website, www.getwise.org, is a great resource for classes, teachers,

and individuals. Beyond these computer resources, the **WaterWise™** program provides videos, posters, workbooks, and varied activities to reach all types of learning preferences. New knowledge translates to action at home with the installation activities. Families discover first-hand the value of the new *knowledge and habits* they have acquired.

TEACHER ACCEPTANCE

Program success is directly correlated to proactive teacher support and involvement. The design and content of the program is proven to motivate teachers to sign up and participate enthusiastically. There are several incentives offered by the program to ensure this:

1. The program satisfies numerous State Curriculum Standards and helps teachers meet their teaching requirements.
2. The program is flexible in structure, allowing teachers to schedule activities around existing lessons. The program can be run in a week or a few months.
3. Program content and activities are comprehensive and well described through accompanying materials so that additional in-service training sessions are generally not necessary.
4. Students LOVE the program, and are both stimulated and highly motivated by the Resource Action Kits and the hands-on projects. Happy students mean happy teachers!
5. The program overcomes an often-challenging hurdle of parental involvement by reaching beyond the classroom to involve parents in their children's education and the schools.

PROGRAM GOALS

- ◆ Reshape family habits and reduce residential resource use.
- ◆ Develop community awareness about the importance of environmental issues.
- ◆ Demonstrate cost effectiveness based on superior savings results, complete turnkey implementation, and satisfaction of sponsor objectives.
- ◆ Help generate excellent media coverage, build brand awareness and strengthen community image.

PROGRAM OBJECTIVES

For each 5th grade participant sponsored, the program will attempt to fulfill the following objectives:

- ◆ Install 1 high efficiency Oxygenics 600 Series Premium Showerhead and 2 faucet aerators
- ◆ Check 1 toilet for leaks
- ◆ Collect household audit information on 1 residential home
- ◆ Reshape family resource usage habits and attitudes for 1 household

ESTIMATED PROGRAM RESULTS

Based on program experience, the following results are estimated per participant sponsored, over a conservative life of 10 years. Savings will continue into the future, since the installed hardware will remain in place, and new usage habits, attitudes, and knowledge will persist.

Projected 10 year Savings:

- ◆ 2,098 kWh of electricity (assuming 20% electric water heat)
- ◆ 441 therms of gas (assuming 80% gas water heat)
- ◆ 94,444 gallons of water
- ◆ 94,444 gallons of wastewater

(Actual results will vary)

PROGRAM MATERIALS

Each sponsored teacher and student will receive a **WaterWise™ Resource Action Kit** that contains the following:

- Premium Oxygenics 600 Series Premium Showerhead (2.0 G.P.M. max, w/metal base, comfort control valve and manufacturer's limited lifetime warranty.)
- 2 Water Efficient Faucet Aerators (1.5 & 1.0 G.P.M. max)
- Digital Thermometer
- Toilet Leak Detector Tablets
- Miniature Tape Measure
- Rain / Drip Gauge
- Resource Facts Slide Chart
- Flow Rate Test Bag
- Teflon Tape
- Additional information provided by BAWSCA

Resource Action Programs reserves the right to change or replace any of the products listed above with products of equal or greater value based on product cost, program improvements, advancements or specific program needs. Resource Action Programs must notify BAWSCA in writing of any proposed changes, and BAWSCA must consent to those changes before they are implemented.

Each sponsored participant will receive a **WaterWise™ Home Water Use Workbook and Student Guide** that provides a concise set of activities to build knowledge of the importance and value of natural resources and their conservation. Emphasis is placed on home usage of water resources, including efficiency.

Each sponsored teacher will receive a set of **WaterWise™ Teacher Materials** that provide complete Activity Guides and Answer Keys, plus Pre and Post Tests with answer keys, supplemental activities, quizzes, games and puzzles. Spanish language materials are included. Activities cover all subject areas and address National and State Learning Standards.

PROGRAM IMPLEMENTATION

Complete implementation services are included with the program. All enrollment, training and communication with teachers, distribution of materials, collection of data, and report preparation are handled by the Program Fulfillment Center. Press releases will be provided to sponsors upon request. Additionally, the resource action team may assist in scheduling teacher award ceremonies and in the development of media exposure. *There is no obligation or additional cost to sponsors for any of these roles.*

Responsibilities of Contractor:

Resource Action Programs® (Contractor) is responsible for each and every task required to implement the WaterWise Program described in this attachment including but not limited to the following:

A. Providing all school contact and enrollment services. Contractor will prepare Program marketing material describing the Program that will be sent with the Program enrollment form. The Contractor will fax a WaterWise Program Enrollment form to each school within the sponsors target list to notify all 5th grade teachers that the Program is available in their area and to encourage them to enroll. If the fax does not achieve the enrollment level as committed by the sponsor, the Contractor will attempt to contact the individual teachers via telephone, email or US mail to make them aware of the Program's availability and to encourage enrollment. If Contractor is having difficulty enrolling a school or classroom in the Program, or if that school/classroom has not been enrolled by March 2011, Contractor will alert BAWSCA.

B. Providing all WaterWise Materials. Contractor will provide each participant with a WaterWise Resource Action Kit and each teacher with a set of Teacher Materials. A complete description of these materials is already included in the Program Materials section of this document. In addition, Contractor will include the additional information and materials provided by BAWSCA into the kit, as long as such additional materials fit in the kit and do not increase the weight of the kit for shipping purposes. All material preparation and shipping is provided by the Contractor.

C. CONTRACTOR will disseminate the BAWSCA-provided program incentives to the classrooms and participants in accordance with the mutually-agreed-upon terms and conditions of the BAWSCA additional incentive program, which are as follows:

- A \$100 cash prize will be given to the classrooms where the teachers enroll in the WaterWise program and the WaterWise survey response return rate is at least 80%; and
- A gift with an up to \$5 value will be given to those students that complete the WaterWise surveys that document whether they installed the water conserving-devices from the kits in their homes, complete all the homework, or score a greater than 80% on the final written test that is given as part of the curriculum.

D. Providing follow-up and support services. Contractor will make courtesy calls to ensure the WaterWise materials were delivered to the schools. Contractor will provide an 800 number (888-GET-WISE) to all participants for help on any program implementation issues or questions, and Contractor will maintain and answer the 800 number in such a manner to provide assistance and resolve issues raised by all participants calling the 800 number. The Contractor will operate the 800 number with staff who can answer questions Monday - Friday from 7:30 a.m. to 4:30 p.m. Pacific Time, excluding national holidays. Contractor will make follow up calls and send reminder faxes to aid in the collection of the audits as well as the teacher evaluation forms and parent reply cards.

Contractor will answer all questions from participants via telephone (the 800#), email, fax or US mail depending on the need. Participants are also provided with the www.getwise.org web site address where there is a Frequently Asked Questions Section and an email link for questions.

Additionally, the Contractor will attempt to contact each teacher via phone or email close to the Program implementation date, as indicated by the teacher upon enrollment, to confirm implementation timing and to provide answers to any questions the teacher may have about the Program at that time.

E. Providing a Program Status Report. The Contractor will inform BAWSCA of each school that decides to participate and the name of each school in which the Program will be presented. The format of such notification will be in the form of a monthly report to BAWSCA. The report will include a listing of all of the schools and classrooms that Contractor is attempting to enroll in the Program and a status for each that includes information as to how many participants have enrolled for each school and classroom. If Contractor is having difficulty enrolling a school or classroom in the Program, or if that school/classroom has not been enrolled by March 31, 2011, CONTRACTOR will alert BAWSCA by April 15, 2011.

F. Providing a Preliminary Program Summary Report. No later than April 15, 2011, Contractor will provide BAWSCA with a summary of the status of the school enrollment through March 31, 2011. In addition, based on the results of the surveys returned to Contractor by March 31, 2011, Contractor will provide BAWSCA with a preliminary report of how many units of curriculum have been taught in each classroom and school, and what the kit installation rate for each classroom and school is. BAWSCA understands that these results are preliminary and may not be statistically significant.

G. Modifying Teacher Survey. Contractor will modify the survey that is distributed to the teachers within the BAWCSA service area to include a question that asks them how many units of the WaterWise curriculum they taught. This information will be tabulated and summarized by Contractor as part of its reports to BAWSCA.

H. Providing a Program Summary Report. The Contractor will gather, process, and tabulate all audits, teacher evaluation forms and parent reply cards that are sent back to the Resource Action Programs Center, by the school year end, in a Program Summary Report. The Contractor will provide a prepaid postage envelope to teachers to encourage the return of the documents as stated above. Contractor will provide this report to the BAWSCA and each sponsoring BAWSCA Member Agency upon completion.

I. Assisting with teacher award ceremonies and with the development of media exposure. Contractor will assist with scheduling and preparing for teacher award ceremonies and with developing and coordinating media exposure, if requested.

PROGRAM TIMETABLE

June 2010 – April 2011	Receive sponsor funding commitment
September 2010 – May 2011	Teacher Outreach / Enrollment Process
September 2010 – May 2011	Program and kit delivery
September 2010 – June 2011	Program implementation
April 15, 2011	Preliminary Report to BAWSCA of school enrollment and kit installation rate to the extent that information is available.
June 30 2011	Program Summary Report delivered to sponsors for initial program

(The time table is approximate and may vary depending on program implementation needs and individual sponsor needs).

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Professional Services Contract to Conduct School Assembly Program for FY 2011-12**

Summary:

This item requests authorization for the CEO to negotiate and execute a contract with EarthCapades to implement School Assembly Program for FY 2011-12. Participation in this water conservation program is voluntary. The opportunity to participate will be extended to all BAWSCA agencies. As a subscription program, participating agencies will pay the entire cost for the program.

Fiscal Impact:

For FY 2011-12, only those agencies that elect to participate in this program will pay the cost of the outside service provider as well as budgeted BAWSCA staff time.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO to:

- 1. Negotiate and execute a contract with EarthCapades, subject to legal counsel's final review, for implementation of the School Assembly Program in FY 2011-12; and,**
- 2. Offer participation in the program to interested BAWSCA agencies on a subscription basis.**

Discussion:

Fiscal year 2011-12 will be the second year that the School Assembly Program would be offered to BAWSCA member agencies. Fourteen agencies are currently participating in the program, including three in Santa Clara County. The majority of these agencies have expressed interest in participating in this program again next year. This program is part of the comprehensive package of conservation programs that BAWSCA agencies have asked BAWSCA to support next fiscal year as part of the Water Conservation Implementation Plan.

The contractor, EarthCapades, provides an informative and entertaining assembly at schools that focuses on water conservation. Typically the assemblies reach 250 students at a time at a rough cost of \$2 per student. EarthCapades performances combine age appropriate, state science standards with circus skills, juggling, music, storytelling, comedy, and audience participation to teach environmental awareness, water science and water conservation. Programs are designed to include local water source and watershed information. Using specifics provided by the agencies, EarthCapades integrates the information into their script or writes new routines to convey the agency message. EarthCapades handles the administrative logistics of scheduling the performances with the schools. EarthCapades also collects paper-free evaluations using Survey Monkey, which provides tangible statistics of the effectiveness of their program.

This program will assist participating agencies in implementing the “Foundational: Education – School Education Programs” element of the Best Management Practices for Urban Water Conservation.

Because of its connection with school children, this program would be initiated in September 2011 and run through June 2012. The scope of work for FY 2011-12 is expected to be largely consistent with the scope of work for the prior year’s program, which is included as Exhibit A.

Alternatives:

Alternatives to the recommended action included herein are to (1) not offer the School Assembly Program in FY 2011-12, or (2) offer a potentially different type of School Assembly Program.

BAWSCA does not recommend the above alternatives for FY 2011-12 for the following reasons. The agencies have expressed a strong desire to continue to support a School Assembly Program that focuses on water conservation. EarthCapades was selected to provide the School Assembly Program through a competitive process in 2009. The agencies also continue to be pleased with this program and have expressed a desire to continue the School Assembly Program with EarthCapades in FY 2011-12. Given EarthCapades’ qualifications and performance, it is appropriate to contract for their services this coming fiscal year.

Conclusion:

The experience with this program to date has shown it to be a cost-effective means of educating students on the value of water and the importance of water conservation. For this reason, renewal of this water conservation program is recommended.

Attachment:

The scope of work for FY 2010-11 is shown in Exhibit A.

EXHIBIT A

Scope of Services: EarthCapades School Assembly Program FY 2010-11

EarthCapades will schedule and perform up to the total number of shows (assembly programs) shown in Attachment B at eligible schools within the Bay Area Water Supply and Conservation Agency (BAWSCA) service area during the 2010/2011 school year, September 2010-June 2011.

BAWSCA and/or Local Water Agency Roles and Responsibilities:

- BAWSCA will provide EarthCapades with information regarding which schools are eligible and what the maximum not to exceed budget is for each Local Water Agency.
- BAWSCA and/or the Local Water Agencies will provide EarthCapades with show content requirements by August 15, 2010.
- BAWSCA and/or the Local Water Agencies are responsible for coordinating with EarthCapades if they would like select materials and information distributed as part of a show. Such coordination must occur no later than one week prior to the scheduled show. BAWSCA understands that EarthCapades may not be able to distribute items that are too large or that conflict with the message that EarthCapades is presenting and that BAWSCA or the Local Water Agencies may have to be responsible for the delivery and distribution of item(s) if they exceed EarthCapades' capacity to deliver the materials.
- BAWSCA and/or the Local Water Agencies will send a Letter of Invitation with a Fax Request Form to all eligible schools by August 13, 2010.
- BAWSCA will develop a spreadsheet tool that EarthCapades, BAWSCA and Resource Action Program (RAP) can use to coordinate the timing of the WaterWise program and the BAWSCA school assembly program at a given school to the extent that such coordination is applicable and practicable.

EarthCapades Roles and Responsibilities:

- EarthCapades will incorporate the content requested by BAWSCA and/or Local Water Agencies into the shows that are conducted within the Local Water Agency Service Area.
- EarthCapades will perform shows (assembly performances) that include, but are not limited to, the following information:
 - Everything is connected through water and water is vital to sustain life on Earth.
 - All water is connected through the Water Cycle: Evaporation, Condensation Precipitation;
 - Water is a finite resource;
 - Every living being on Earth depends on water to survive and everything that is manufactured uses water to be created;
 - Approximately 70% of our bodies and 90% of our brains are water; and
 - Approximately 70% of the Earth's surface is water, 97% of that is salt water and only 1% is fresh liquid water.
 - How water gets from the source to City/Agency homes and schools.

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- PowerPoint and/or visual description of the path the water takes from the Sierra Nevada Mountains to the Hetch Hetchy Reservoir, through the pipeline to local reservoirs to the treatment plant, and then through underground pipes to our homes and schools. This will change according to the local specific information for each agency.
- How to conserve, protect, and respect water. Conservation tips covered but not limited to:
 - Turn off the water when you're not using it (brushing teeth, washing hands, doing dishes, etc);
 - "Get off the bottle" and use reusable water bottles;
 - Fix leaky faucets and toilets;
 - Install low flow faucets aerators, shower heads and toilets;
 - Use a broom not a hose to clean the sidewalk;
 - Take shorter showers;
 - Run full laundry and dishwashing loads; and
 - Plant native drought resistant plants and water in the mornings and evenings.
- How to prevent water pollution:
 - Don't litter;
 - Use organic fertilizers, not pesticides on lawns and gardens;
 - Prevent storm water pollution through not pouring anything down the storm drains,
 - Recycle motor oil;
 - Create awareness that everything that goes into the storm drains ends up in nature; and
 - Inspire students to pick up litter ("safe" litter ~ wear gloves and don't pick up anything sharp or containing bodily fluids).
- EarthCapades will schedule performances directly with schools based upon a first come, first served basis.
- EarthCapades will submit a progress report to BAWSCA on September 15, 2010 regarding how many and which of the eligible schools EarthCapades had been able to successfully enroll. EarthCapades will provide additional school scheduling updates upon request. This information will also be entered into the spreadsheet tool that BAWSCA will develop and that EarthCapades will have access to.
- If EarthCapades is having difficulty enrolling a school in the program, or if that school/classroom has not been enrolled by January 2011, EarthCapades will alert BAWSCA.
- EarthCapades will attempt to coordinate the timing of the BAWSCA school assembly program at a given school with the implementation of the RAP WaterWise program to the extent that such coordination is applicable and practicable. EarthCapades will use the BAWSCA spreadsheet tool to facilitate that coordination.
- All materials sent by EarthCapades to BAWSCA eligible schools regarding the assembly programs will be pre-approved by designated BAWSCA and/or the Local Water Agency staff.

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- EarthCapades will fax each scheduled school a confirmation agreement stating the date and time of performance and EarthCapades' technical needs. The agreement will be signed and returned by the school's administrator.
- One week prior to performances EarthCapades will send a fax to each scheduled school to re-confirm and remind them to be prepared for the program.
- On the day of the program, EarthCapades will distribute materials provided by BAWSCA and/or the Local Water Agency to the show attendees, if BAWSCA and/or the Local Water Agency have established a mutually agreeable arrangement with EarthCapades as to how to orchestrate the materials delivery and distribution.
- On the day of the program, EarthCapades will e-mail an online evaluation link for teachers and administrators to complete and provide the link for BAWSCA and the Local Water Agency staff to review the results.
- EarthCapades performer(s) will present a preapproved 35–45 minute assembly with different age appropriate versions for grades K-2, 3-5 and 6-8 that teach water conservation and appreciation.
- EarthCapades will invoice the BAWSCA monthly for shows performed in the previous month.
- EarthCapades will manage scheduling and performances to stay within the specified Local Water Agency maximum not to exceed budgets.
- EarthCapades rates for this contract are listed below.

School Shows (*45 minutes, maximum of 350 students and staff per show*)

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: Request for Authority to Pursue Office Lease

Summary: The lease for office space at 155 Bovet Road expires October 31, 2011. A variety of options have been investigated. An opportunity exists to secure a larger office space in our same building at no net cost increase.

Fiscal Impact:

The proposed FY 2011-12 Operating Budget includes sufficient funds to cover the estimated \$90,000 annual lease cost as well as minor expenditures associated with moving from one floor to another. The amount included in the February *preliminary* budget was sufficient to cover the anticipated costs and it has not been necessary to revise the budget upward.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO to negotiate and execute a five-year lease for space within the existing building, at a lease rate competitive with the market and that can be afforded within the parameters of the proposed budget.

Discussion:

A review of comparable properties, as well as moving costs, indicates that it appears cost-effective for BAWSCA to relocate to a larger office in the same building. The current rental market rates provide the opportunity to acquire a larger space at a cost per square foot that is less than the current cost for BAWSCA's existing office.

At any location, the lease rate per square foot next year will be lower than the rate in the lease about to expire. The real estate broker advising BAWSCA states that lease rates are expected to increase over the next two to three years due to the improving economic conditions and the attractiveness of this part of the Bay Area. It would be in the best interests of BAWSCA to enter into a lease of five or more years in order to lock in the relatively low lease rates that exist in today's economic climate.

Alternatives: Alternatives include: 1) extending the lease for the current office space, 2) leasing a different space in the existing building, and 3) leasing office space at a different location.

Evaluation of alternatives:

Alternative #1: Extending the lease at current location.

The current location does not have enough room to accommodate interns, temporary employees or consultants to assist BAWSCA in achieving the critical results contained in the proposed Work Plan. These additional resources could be accommodated if existing meeting space in the current office were divided into work stations. This would not be a temporary measure because the work load is not expected to decrease for perhaps eight or more years. It would require making tenant improvements to create productive work stations at an estimated cost of \$7,000. A lease longer than three years would be inadvisable under these conditions. When the lease expired, BAWSCA would be subject to the higher lease rates expected to prevail at that time.

Alternative #2: Leasing a different space in the existing building.

A larger office space is available in BAWSCA's current building. This office has sufficient space (3,333 square feet) to accommodate the existing staff, records and equipment plus any interns, temporary employees or consultants needed to complete the Work Plan. It would make sense to enter into longer-term (five-year) lease to lock in the relatively low lease rates available at this time. The net cost would be nearly identical to the amount included in the preliminary budget, including the estimated cost to move office furniture, phone lines and computer server from one floor to the other.

Alternative #3: Leasing office space at a different location

The cost of leasing space at a different location was examined with the real estate broker. Unit lease rates in this region are competitive. Major factors that inhibit moving include: a) per-square-foot lease rates at other locations will be no lower than in the present building; b) some available buildings have antiquated internet access requiring additional investment to correct; and c) the cost of moving across town or across the Bay is a cost that can easily be avoided.

Recommendation:

The CEO recommends BAWSCA pursue a five-year lease for a larger space within the existing building, at a lease rate competitive with the market and that can be afforded within the parameters of the proposed budget.

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

Meeting Schedule through June 2012

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

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

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