

# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

## **BOARD POLICY COMMITTEE**

**August 10, 2011**

**1:30 p.m.**

**BAWSCA Offices, 155 Bovet Road San Mateo, 1<sup>st</sup> Floor Conference Room**  
*(Directions on page 2)*

*(One member of the Committee may participate in this meeting by Teleconference. Locales shall be: 155 Bovet Road, San Mateo, CA 94402 and Ilikai Hotel, 1777 Ala Moana Blvd, Honolulu, Hawaii 96815. If any member of the board participates by teleconference, all votes taken at this meeting will be by roll call vote.)*

### **AGENDA**

- 1. Call To Order, and Roll Call** **(Klein)**  
Roster of Committee members *(Attachment)*
- 2. Comments by Chair** **(Klein)**
- 3. Public Comment** **(Klein)**  
*Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.*
- 4. Consent Calendar** **(Klein)**
  - A. Approval of Minutes from the June 8, 2011 meeting *(Attachment)*
- 5. Action Calendar** **(Jensen/Sandkulla)**
  - A. Recommendation for Potential Uses for the General Reserve funds *(Attachment)*  
Issue: How is the General Reserve balance to be managed to stay within the Board's revised guidelines?  
Information to Committee: Staff memo and presentation.  
Committee Action: Discuss the item and provide advice to the CEO and Board of Directors.
  - B. Professional Services Contract with Camp Dresser and McKee to Develop a Statistical Tool to Examine Causes of Water Demand Suppression *(Attachment)* **(Sandkulla)**  
Issue: Will BAWSCA undertake a study of why water use has declined in this area, as in other parts of the State?  
Information to Committee: Staff memo and oral presentation.  
Committee Action: Provide advice to the CEO and recommend the Board of Directors approve the recommended action.

## 6. Reports

- A. Reports by the Chief Executive Officer and General Manager (Jensen)
1. Board Policy Calendar
  2. Fall 2011 Landscape Classes – Media Coverage

## 7. Discussion Item

- A. Procedures for Conducting the CEO’s Performance Evaluation (*Attachment*) (Pierce)
- Issue: How will the CEO’s performance evaluation for FY 2010-11 be conducted?
- Information to Committee: Attached memo and oral presentation
- Committee Action: Discuss the item and provide advice to the Board chair regarding the evaluation process and form.

## 8. Comments by Committee Members (Klein)

## 9. Adjournment to the next meeting on October 12, 2011 at 1:30pm in the 1<sup>st</sup> floor conference room of the BAWSCA office building, at 155 Bovet Road, San Mateo. (Klein)

*Upon request, the Board Policy Committee of the Bay Area Water Supply and Conservation Agency (BAWSCA) 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 650, San Mateo, CA 94402** or by e-mail at [bawasca@bawasca.org](mailto:bawasca@bawasca.org)*

*All public records that relate to an open session item of a meeting of the Board Policy Committee 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 BAWSCA

From 101: Take Hwy.92 Westbound towards Half Moon Bay. Exit at El Camino Northbound (move into the far left Lane) Left at the 1<sup>st</sup> stop light which is Bovet Road (Washington Mutual Building will be at the corner of Bovet and El Camino). Proceed West on Bovet Road past Albertson’s to two tall buildings to your left. Turn left into the driveway between the two buildings and left again at the end of the driveway to the “Visitor” parking spaces in front of the parking structure.

From 92: Exit at El Camino Northbound and follow the same directions shown above.



**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE**

**Committee Roster:**

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



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

**June 8, 2011 – 1:30 p.m.  
155 Bovet Road, 1<sup>st</sup> Floor Conference Room**

**MINUTES**

**1. Call to Order: 1:32 p.m.**

Committee Chair Larry Klein called the meeting to order at 1:32. Six (6) members of the committee were present, constituting a quorum. A list of the directors present (6), absent (3) and members of the community attending is attached.

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

**3. Consent Calendar:**

- A. Approval of the Minutes from the April 13, 2011 meeting: The Committee approved the minutes from the meeting of April 13, 2011.
- B. Review and Consideration of BAWSCA Statement of Investment Policy: The Committee voted unanimously to recommend Board approval of the proposed modification to the Investment Policy language.

**Director Pierce made a motion to approve Consent Calendar Items #4A and 4B, seconded by Director Quirk. The motion passed unanimously.**

**4. Action Calendar:**

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

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

- 1. While the Board officers are elected, the Committee officers are appointed. One question presented for discussion was whether their status as appointed, as opposed to elected officers is important to Board members.
- 2. Would the Policy Committee officer have the full authority of the Chair, or limited authority, and should the period to act as Chair be specified?

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

The Committee agreed with the three changes recommended in the staff memo, and discussed the questions related to Committee officers standing in for Board officers. The Committee concluded that a Committee officer should be authorized to conduct a Board meeting in the absence of the Board Chair and Vice Chair. The Committee also concluded that the person's authority should be limited to conducting the meeting and items on that meeting's agenda. The Committee discussed that the Board might need to consider and vote on expanding the person's authority beyond the agenda for the given meeting to accommodate emergencies and critical items that need to be added to the agenda.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

**Following discussion, Director Quirk moved that the Committee:**

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

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

**5. Reports:**

- A. Board Policy Calendar Revisions: The re-schedule of the CEO's performance review to September is the only change to the BAWSCA Board Policy Calendar since it was presented to the Board at its meeting in May. Mr. Jensen noted a possible conflict with events associated with League of California Cities (League) in September. Committee members who are involved with the League stated that the annual conference and expo will be held in San Francisco on September 21<sup>st</sup> -23<sup>rd</sup>, and should not create a major conflict with BAWSCA's September 15<sup>th</sup> meeting.
- B. Long-Term Reliable Water Supply Strategy – Schedule for Policy Decisions: As reported to the Committee in March and to the Board in May, Ms. Sandkulla re-stated that the overall schedule of the Strategy was changed, and the current slowdown in activity is allowing a re-assessment of timing for additional water supply needs. The re-assessment is necessary because of continued low water use, and the changes to water use projections that are expected from the agencies' Urban Water Management Plans (UWMP's). A complete analysis of UWMP's will be done during the summer.
- Through the Fall, project information and data gaps will be completed and water supply needs in normal and drought years will be updated based on the new UWMP's so that appropriate adjustments to the scope and schedule can be made.
- C. SFPUC Water System Improvement Program - Update: Ms. Sandkulla reported that the SFPUC will release a "Change Order Notification and Report" for the WSIP on Friday, June 10<sup>th</sup>. The report will include the proposed modifications to the scope, schedule and budget of the WSIP, and its release will initiate a 30-day review period required by law.
- Ms. Sandkulla clarified that the "Change Order Notification" the SFPUC will release on June 10<sup>th</sup> refers to proposed modifications to the WSIP. The SFPUC gave it this title because it is a notification to the State and water customers of the changes to the program. It is *not* a report on construction change orders.
- The Commission is expected to act on the proposed modifications at its meeting on July 12<sup>th</sup>. The Commission's adoption of the proposed changes, followed by the SFPUC's submittal of a report on those changes, will trigger State review by the California

Department of Public Health (CDPH) and the California Seismic Safety Commission (CSSC) to determine whether the changes increase risks to public health and safety.

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

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

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

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

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

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

- D. BAWSCA Landscape Education Program - Update: Ms. Sandkulla reported that the Landscape Education Program will be modified to include hands-on workshops to provide additional support that encourages attendees to apply what they have learned in their own backyards. BAWSCA will look into partnerships with outside organizations such as Acterra and StopWaste.org with the goal of reducing the overall cost and duplication of efforts.
- E. Update on Board Vacancies: With the exception of Santa Clara Board of Supervisors appointment for the Stanford service area, all appointments for expiring terms on the BAWSCA and RFA Boards have been made or scheduled. One new appointee is Ms. Jamie McCleod for the City of Santa Clara. Former BAWSCA and RFA Board Director, Mike Kasperzak, is scheduled to be appointed at Mountain View's council meeting on June 14<sup>th</sup>.

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

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

7. Adjournment: The meeting was adjourned at 3:30 to the next regularly scheduled meeting on August 10, 2011 at 1:30 p.m. which will be held at 155 Bovet Road, 1<sup>st</sup> Floor Conference Room, San Mateo.

Respectfully submitted,

Arthur R. Jensen, Chief Executive Officer and Secretary

ARJ/le

Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
Board Policy Committee  
June 8, 2011**

**Attendance Roster**

**Committee Members Present:**

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

**Committee Members Absent:**

Rob Guzzetta	California Water Service Company
Randy Breault	City of Brisbane/GVMID
Irene O'Connell	City of San Bruno

**BAWSCA Staff Members Present:**

Arthur Jensen	Chief Executive Officer
Nicole Sandkulla	Sr. Water Resources Engineer
Anona Dutton	Water Resources Planner
Lourdes Enriquez	Assistant to the CEO/General Manager
Allison Schutte	Legal Counsel, Hanson Bridget, LLP.

**Guests:**

Peter Drekmeier	Tuolumne River Trust
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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE MEETING**

**Agenda Item Title: Management and Potential Uses of the General Reserve Balance**

**Summary:**

If actual spending levels over the next two years were to remain similar to the last two years, the General Reserve balance would grow beyond the recently revised guidelines. The actual balance will depend on issues that must be addressed over the next several years, the resources need to achieve critically needed results, and the level of assessments levied on member agencies.

This memorandum presents projections, alternatives of managing the General Reserve balance, and specific recommendations.

**Fiscal Impact:**

As described in this memorandum.

**Recommendation:**

That the Committee recommend that the Board of Directors:

- 1) Authorize a one-time use of a portion of the reserve for a specified purpose, and
- 2) Receive an updated report from the CEO at mid-year to review projected spending and projected reserve balances, consider modifications to the existing Work Plan and operating budget, and discuss factors that should be considered during preparation of the FY 2011-12 Work Plan, Operating Budget and funding plan.

**Discussion:**

The Board revised the General Reserve Policy in July with the understanding that the CEO would respond to the other advice of the Board Policy Committee that the CEO:

- 1) Present the options for potential uses of the reserve funds to conduct work not budgeted for FY 2011-12, including why current water use is low and additional concerns in drought years, for the Committee's discussion in August, and for possible Board action in September; and,
- 2) Recommend to the Board that the projected state of the reserve and alternatives for managing the reserve balance be discussed at mid-year prior to developing the FY 2012-13 budget.

**The Projected General Reserve Balance.** The current Work Plan, Operating Budget and funding plan were developed last spring and approved by the Board in May 2011. The size of the current Operating Budget is nearly equal to the current level of assessments.

On average, 10 to 15 percent of the Operating Budget is unspent each year, and accumulates in the Reserve.

Most of these savings result from not needing to use all of the hours budgeted for support by as-needed consultants. The as-needed consultants include legal counsel, strategic counsel, financial advisors, and technical consultants who produce reviews and recommendations related to San

Francisco's Water System Improvement Program and work related to administration of the 2009 Water Supply Agreement. These consulting contracts contain estimated hours for work that *might* need to be performed. A review of the last four years showed that the use of as-needed consultants varied from a low of 73% of the budget for their services to a high of 95%.

The revised guideline for General Reserve balance at the end of FY2011-12 is 35% of the Operating Budget, or \$917,000.

While the financial audit of FY 2010-11 has not yet been completed, the General Reserve balance at the beginning of FY 2011-12 is estimated to be higher than earlier projections at slightly over \$1,000,000.

If actual expenditures for FY 2011-12 equal 86% of the budget, the Reserve balance at the end of the year would be slightly over \$1,380,000, or 53% of the Operating Budget.

**Potential Uses of a Portion of the Current General Reserve Balance.** In order to manage the size of the Reserve balance, the Board asked the CEO to consider what, if any, additional work could be performed that would be valuable to the member agencies and their water customers.

Work noted as important but not time-critical in both March and May budget memos to the Board included two important items.

1. Introduction of major legislation or supporting or opposing legislation initiated by others.

This item was not included in the budget because no significant legislation had yet been identified. The group called Restore Hetch Hetchy plans to place a ballot measure before San Francisco voters that would require San Francisco to develop an alternative water supply so that Hetch Hetchy Valley can be restored. BAWSCA is following this effort closely to ensure that the interests of its member agencies are protected. At this time, no additional resources are needed beyond those available in the approved budget. If this assessment changes, the Board will be informed and asked for authority to modify the Work Plan and, if necessary, augment the budget.

2. Independent analysis of why water use is down in recent years.

This item had been identified as important, but was not included in the Work Plan and budget because of staff limitations due to an approved leave of absence.

To accommodate the leave of absence, the approved Operating Budget includes an increased contingency budget to permit hiring interns, temporary employees and/or consultants to support critical work related to water resource management.

In July, the Board approved a contract with CSG Consultants that enabled us to bring Mr. Ed Cooney on board to perform a variety of water resources work. We are pleased that Mr. Cooney's experience and familiarity with BAWSCA and its member agencies enable us to use him in ways we had not anticipated. His availability makes it possible for BAWSCA to undertake the study of why recent water use is down in this service area.

The nature of this study, and the value it would provide to member agencies and their water customers will be presented in a separate memo.



If the Board authorizes a change in the Work Plan and Operating Budget to undertake this work, the analysis would be performed by CDM through an amendment of the existing contract with that firm. Mr. Cooney would compile data from member agencies and other sources that would be needed for the analysis. The estimated cost of CDM's work is \$140,000.

Mr. Cooney's support of this study would be provided under the existing contract for his services. If more of Mr. Cooney's time were needed to complete this additional task, we would make that determination later and ask the Board to amend his contract at that time.

**Ongoing Management of the Reserve Balance.** As stated earlier, if the levels of expenditures and assessments remain unchanged, the Reserve balance will continue to grow. The inclusion of the above study would only decrease the reserve balance slightly.

During the budget development process for FY 2012-13, it will be necessary to determine whether next year's Work Plan would require a larger Operating Budget than this year. If so, the General Reserve may fund a portion of that need.

If savings at the end of the current year are as high as the historical average, and if the Work Plan does not require additional resources, then it would be necessary and prudent to consider lowering the level of assessments.

Additional considerations include whether large expenditures are anticipated in future years, and whether those anticipated needs provide a compelling reason to build a larger reserve.

In any event, the integrity of the agency in its use of water customers' money should be the foremost consideration in preparing and discussing these plans.

**Conclusions:**

The reserve balance will grow beyond the current guidelines if the Operating Budget, actual spending and assessments remain at their current levels.

The use of a portion of the General Reserve will temporarily lower the reserve balance.

The mid-year budget review is an appropriate time to review projected spending and projected reserve balances, consider modifications to the existing Work Plan and operating budget, and discuss factors that should be considered during preparation of the FY 2011-12 Work Plan, Operating Budget and funding plan.

The development of the FY 2011-12 Work Plan and Operating Budget is the appropriate time to consider alternatives for funding the budget and managing the General Reserve balance, as required by the Board's reserve policy.

Attachment: Table of activities not included in the FY 2011-12 Operating Budget.

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

[Excerpt from May 19, 2011 Board of Directors packet]

**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.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE MEETING**

**Agenda Title:**        **Professional Services Contract with Camp Dresser and McKee to Develop a Statistical Tool to Examine Causes of Water Demand Suppression**

**Summary:**

This item requests authorization for the CEO to negotiate and execute a contract with Camp Dresser and McKee (CDM) to develop a statistical tool that will enable the examination of the causes of the water demand suppression that has been experienced in the service area the past several years. This statistical water demand tool will provide significant value to BAWSCA and its member agencies' efforts in understanding the factors affecting current water use and the magnitude of that effect.

This knowledge will also assist in projecting the potential impacts of the currently suppressed water demands on water use in the near-term (5-7 years) and can be incorporated into water planning decisions made at both the local and regional level. This information may also be useful in estimating water use for rate setting purposes.

**Fiscal Impact:**

This item was not included in the adopted Work Plan or budget for FY 2011-12. Sufficient funding is available for this one time project from the existing BAWSCA reserve balance of \$653,763 through June 30, 2011.

**Recommendation:**

**That the Board Policy Committee recommend the Board (1) to authorize the CEO to negotiate and execute a contract with CDM for up to \$140,000 to develop a statistical water demand model to examine the causes of water demand suppression, (2) modify the FY 2011-12 Work Plan accordingly, and (3) transfer \$140,000 from the BAWSCA Reserve to the Operating Budget to fund this project.**

**Discussion:**

Water demands are clearly a function of growth, but are also affected by weather, economic activity, and conservation. Recent water demands in BAWSCA's service area have been greatly reduced from previous years. This same trend has been seen by many other water agencies throughout the Bay Area and the State.

Many believe these reductions in water use will be permanent and are due to a new water conservation ethic. While it is true that Californians are using less water per capita now than they did 10 years ago, it is important to understand all of the possible factors that cause water demands to be suppressed. Some of these factors may indeed continue to reduce future water demands (e.g., the continuation of active and passive water conservation), while others such as economic recession and drought-related conservation may subside overtime and result in a "bounce-back" of water demands (as has occurred historically).

In order to determine what major factors may have an effect on monthly water demands, it is proposed that BAWSCA contract with CDM to develop a statistical water demand tool for the BAWSCA service area. This tool will allow BAWSCA to estimate how much active and passive

water conservation has occurred, what impacts weather has on regional water demands (which could also be used to estimate potential climate change impacts), and how much water demand reductions are attributable to the recent economic recession, drought-related conservation, and the increased cost of water.

This statistical water demand tool will provide significant value to BAWSCA and its member agencies' efforts in understanding the factors affecting current water use and the magnitude of that effect. This knowledge will also assist in projecting the potential impacts of the currently suppressed water demands on water use in the near-term (5-7 years) and can be incorporated into water planning decisions made at both the local and regional level. This information may also be useful in estimating water use for rate setting purposes.

**Alternatives:**

Alternatives to the recommended action included herein are: (1) to not develop this analytical tool and perform this analysis or (2) postpone this analysis until a future date. BAWSCA does not recommend these alternatives for the reasons presented below.

Water use in the BAWSCA service area and throughout the State has been at an unprecedented low level the past few years. In planning for future water supply needs, a complete understanding of the current water use characteristics and impacts is critical for success. The knowledge of what is impacting today's water use that can be obtained from the recommended analysis will significantly aid BAWSCA and its member agencies in better understanding and planning for future water needs. Without the information that can be obtained through the recommended analysis, BAWSCA and its member agencies will continue to guess at the reasons for today's low demand and the overall impact. To postpone this analysis to a future date will delay the potential beneficial impact the results can have on the current planning efforts of BAWSCA and its member agencies.

**Camp Dresser and McKee (CDM)**

**PURPOSE**

To develop a statistical tool that will enable the examination of the causes of the water demand suppression that has been experienced in the service area the past several years.

**SCOPE OF WORK**

**Work to be Performed:**

Through this contract, CDM will develop a statistical tool to achieve the above identified purpose. Specific tasks include:

Data Collection – CDM will work closely with BAWSCA staff to collect the following data necessary to develop the statistical demand analysis. While most of the required data are readily available from BAWSCA or sources such as ABAG, Census, etc.; some data will require direct discussions with the BAWSCA member agencies and wholesale water suppliers (i.e. SFPUC, Santa Clara Valley Water District), to determine when mandatory rationing or drought education occurred.

- Monthly water production for each BAWSCA member agency. This will be total production, from all water sources, and ideally going back to 1980 (but at least through 1990).
- Annual water connections for each BAWSCA member agency (total number of active annual water customer accounts for the same time period as the water production data).
- Monthly weather data for stations that are representative of the region.
- Monthly unemployment rate from Bureau of Labor Statistics and/or California Employment Development Department.
- Annual population data from ABAG and California Department of Finance.
- Measurements of active conservation by BAWSCA member agencies, and indications of mandatory water restrictions or periods in which drought-related conservation education/public outreach was occurring.
- Historical cost of water from SFPUC, SCVWD, and DWR/SWP.
- Information on the presence and duration of mandatory drought restrictions for different supply sources or drought education programs.
- Any pertinent information about loss of very large employers within the region.

Develop The Statistical Model(s) – Using the data above, the variability of key characteristics between agencies will be examined and up to 3 appropriate sub-regional groupings of the BAWSCA member agencies will be created. Each sub-region will be modeled separately. CDM will use multivariate linear regression to test monthly demand model forms to determine the best fit and correlation. The dependent variable will be monthly water production and the independent variables will include:

- Population or service connections
- Average maximum monthly temperature
- Monthly precipitation
- Unemployment rate
- Price of water index
- Active and passive conservation measurement
- Presence of drought restrictions

Apply Statistical Model to Service Area – The statistical relationships between the dependent and independent variables developed above will be applied to the monthly water demands and a water demand model to test the different contributions of the independent variables on water demand.

Prepare Report Summarizing Findings – A report summarizing the findings, both by sub-region and for the entire BAWSCA region, will be prepared.

**Proposed Budget: \$140,000**

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE MEETING**

**Agenda Title:**           **Procedure for Conducting the CEO’s Performance Evaluation**

**Summary:**

The Board Chair will present a revised procedure for the FY 2010-11 evaluation of the CEO’s performance for discussion and advice from the BPC (spell out)

**Fiscal Impact:**

None.

**Recommendation:**

**That the Board Policy Committee discuss the item and provide advice to the Board Chair regarding the evaluation process and form.**

**Discussion:**

A draft revised procedure for the evaluation of the CEO’s performance includes participation by all board members rather than just those who sit on the Board Policy Committee. The performance evaluation will be conducted by the Board Chair who would compile information, prepare a summary evaluation, and lead the discussion with the full Board of Directors in Closed Session. As always, the evaluation would be fact-based and rely on pre-established criteria. Finally, criteria for the following year’s evaluation will be developed by the Chair, with input from the Board, and in consultation with the CEO.

The steps for this evaluation procedure are listed on Attachment #1. The draft form to be used for this year’s evaluation appears as Attachment #2.

The Chair of the board will present this item for discussion at the August BPC meeting. The Board Chair will finalize the procedure and form, considering the Committee’s advice, and initiate the evaluation process in a timely manner, so that the discussion of completed evaluation forms and the summary evaluation, can take place in closed session at the September board meeting.

**Attachments:**

1. Draft CEO Evaluation Procedure
2. Draft CEO Annual Performance Evaluation Form





## **CEO Evaluation Procedure**

**August 2, 2011**

### **Evaluation procedure design**

- a. Factual and based on prescribed criteria.
- b. Is conducted by the Board Chair.
- c. Includes the Board's full participation and review.
- d. Is summarized in the CEO's personnel file.
- e. At any time the Board Chair can access legal counsel guidance on legal questions and procedures.

### **Evaluation steps**

#### **1. CEO Activities**

CEO provides a copy of the evaluation criteria for the current year.

CEO produces a summary of annual activities and a copy of the CEO's job description.

#### **2. Board Chair activities**

Board Chair sends evaluation criteria and form to all Board members.

Board members have a specified time by which they are to submit completed forms and written comments.

#### **3. Directors submit forms and written comments**

A reasonable period of time is allotted and a deadline specified.

#### **4. Board Chair activities**

Board Chair compiles scores and compiles all written comments (anonymous listing).

Board Chair may edit if director comments are inappropriate under law.

Board Chair may ask CEO to clarify or fact-check information referenced in directors comments.

Board Chair should exercise caution to avoid the fact or appearance of serial communications with directors.

Board Chair produces a written draft consisting of:

1. Tabulated scores and totals.
2. Compilation of directors' comments.
3. Summary CEO evaluation.

Board Chair distributes these products to directors in advance of closed session discussion.

Legal counsel should be asked to provide a cover letter that sets the context for, and prudent reminders related to closed session discussions and personnel performance reviews.

**5. The Board meets in closed session:**

Board Chair presents the written materials for discussion:

1. Board Chair notes any comments deleted or revised, and the reasons for doing so.
2. Board Chair may ask that any significant new information be put in writing, perhaps as an amendment to the director's original input, so as to ensure the input is accurately reproduced.
3. The Chair may ask the CEO to join the closed session for clarification or discussion of matters.
4. The Chair may ask legal counsel to join the closed session for legal guidance.

**6. Board Chair activities**

Following the closed session, the Board Chair finalizes the written materials, including the summary evaluation.

Board Chair meets with the CEO to go over and discuss the materials.

1. The packet is signed by both the Board Chair and CEO to signify that the meeting and discussion took place.
2. The CEO should acknowledge whether he/she accepts the report or wishes to provide written responses to specific statements.

All of the written material will be retained in the CEO's personnel file.

Board Chair shares the finalized evaluation with the Board, or makes it available to them.

**7. Board Chair activities**

Following the evaluation process, the Board Chair reviews and establishes the evaluation criteria for the coming evaluation period.

Board Chair and the CEO meet to discuss and agree on the revised criteria.

The Board Chair reviews the revised criteria with the Board of Directors.

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**CHIEF EXECUTIVE OFFICER  
ANNUAL PERFORMANCE EVALUATION FORM**

Employee: \_\_\_\_\_

Date of Evaluation: \_\_\_\_\_

Evaluator: \_\_\_\_\_

**Instructions:**

Please check the appropriate box for each factor. Provide specific comments or examples to substantiate your rating in the comment section provided on page 2.

<b><u>LEADERSHIP</u></b>	<b>Extra-ordinary performance</b>	<b>Meets expectations</b>	<b>Meets minimal expectations</b>	<b>Does not meet expectations</b>	<b>Don't know</b>
A. The ability to lead BAWSCA, its agencies, the board, staff, San Francisco leaders, legislators, media and others to understand and support BAWSCA's goals					
B. The ability to identify major issues and assign appropriate priorities					
C. The ability to establish appropriate annual results to be achieved toward meeting the agency's goals.					
D. The ability to apply resources effectively to achieving results.					
E. The ability to achieve timely progress toward results.					
F. The ability to relate effectively with diverse audiences to achieve results.					
G. The ability to provide clear information for the Board of Directors to make timely and informed decisions.					
H. The ability to identify the need for change and adapt appropriately.					

**LEADERSHIP cont'd**

I. The ability to define, and propose how to address Policy issues and carry out the direction of the board. <i>Policy issues relate to specific public concerns, have identifiable pros and cons and are subject to public debate.</i>					
J. The ability to respond to changing needs and institute change.					

<b><u>MANAGEMENT</u></b>	<b>Extra-ordinary performance</b>	<b>Meets expectations</b>	<b>Meets minimal expectations</b>	<b>Does not meet expectations</b>	<b>Don't know</b>
A. The ability to prepare budgets consistent with objectives.					
B. The ability to maintain expenses within budget.					
C. The ability to acquire and maintain an effective work force.					

**COMMENTS:**

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