



BOARD POLICY COMMITTEE

June 8, 2011

1:30 p.m.

BAWSCA Offices, 155 Bovet Road San Mateo, 1st Floor Conference Room
(Directions on page 2)

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 April 13, 2011 meeting *(Attachment)*
 - B. Review and Consideration of BAWSCA Investment Policy *(Attachment)*
 - C. Review and Consideration of changes to Rules of the Board *(Attachment)*
- 5. Action Calendar** **(Jensen/Sandkulla)**
 - A. Professional Services Contract with CSG Engineering *(Attachment)*
Issue: The CEO has approved a leave of absence that will occur in FY 2011-12. In order to complete the adopted Work Plan for FY 2011-12 and achieve the critical results needed next year, additional technical and support resources are necessary.
Information to Committee: Memorandum and oral presentation.
Committee Action: Recommendation of board authorization.
 - B. Professional Services Contract with EKI *(Attachment)*
Issue: As presented during the budget development process, additional outside resources are necessary to complete the adopted Work Plan or FY 2011-12 in several areas. One such area is the need for additional technical resources to update the Senate Bill 7x-7 Spreadsheet Tool originally developed in FY 2010-11.
Information to Committee: Memorandum and oral presentation.
Committee Action: Recommendation of board authorization.

C. Professional Services Contract with Brown & Caldwell (*Attachment*)

Issue: As presented during the budget development process, additional outside resources are necessary to complete the adopted Work Plan or FY 2011-12 in several areas. One such area is the need for additional technical resources to support implementation of the Water Conservation Database in FY 2011-12.

Information to Committee: Memorandum and oral presentation.

Committee Action: Recommendation of board authorization.

D. Review and consideration of changes to the General Reserve Policy (*Attachment*)

Issue: Are changes to the General Reserve Policy needed to address questions raised by the Board Policy Committee and Board?

Information to Committee: Staff memo describing review of the existing policy and recommendations for its implementation. No revisions are recommended at this time.

Committee Action: Questions and discussion of the recommended course of action.

6. Reports

A. Brief Reports by the Chief Executive Officer

(Jensen)

1. Board Policy Calendar
2. Long-Term Reliable Water Supply Strategy – Schedule for Policy Decisions
3. SFPUC Water Supply Improvement Program (WSIP) – Update
4. BAWSCA Landscape Education Program Update
5. Update on Board Vacancies
6. Status of Lease Negotiation

7. Comments by Committee Members

(Klein)

8. Adjournment to the next meeting on August 10, 2011 at 1:30pm in the 1st 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 302, San Mateo, CA 94402** or by e-mail at 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 1st 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**

**April 13, 2011 – 1:30 p.m.
155 Bovet Road, 1st Floor Conference Room**

MINUTES

1. Call to Order: 1:30 p.m.

Committee Chair Larry Klein called the meeting to order at 1:32. Nine (9) members of the committee were present, constituting a quorum. A list of the directors present (9) 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 February 9, 2011 meeting: The Committee approved the minutes from the meeting of February 9, 2011
- B. 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.

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

4. Action Calendar:

- A. 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 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 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 agendize 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.

- B. Priority FY 2011-12 Professional Services Contracts: The Committee also discussed the eleven contracts for legal, engineering, financial, strategic, and water conservation services that needs to be in place by July 1, 2011.

Director O'Connell made a motion, seconded by Director Breault, that the committee recommend action items B and C; 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, and 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. The motion passed unanimously

- C. 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.

Director O'Connell made a motion, seconded by Director Pierce, that the Board Policy Committee 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. The motion passed unanimously.

5. Brief Status 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 personnel 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.

6. **Comments by Committee Members:** There were no further comments from the members of the committee.

7. **Adjournment:** The meeting was adjourned at 2:50pm to the next regularly scheduled meeting on June 8, 2011 at 1:30 p.m. which will be held at 155 Bovet Road, 1st 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
April 13, 2010**

Attendance Roster

Committee Members Present:

Larry Klein	City of Palo Alto
Rob Guzzetta	California Water Service Company
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
Tom Piccolotti	North Coast County Water District
Barbara Pierce	City of Redwood City
Bill Quirk	City of Hayward

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
Nan Barton	City of Hayward
Sharyn Saslafsky	SFPUC

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Agenda Title: **Review of BAWSCA's Statement of Investment Policy and Proposed Modifications**

Summary:

The CEO annually submits the Statement of Investment Policy ("Policy") to the Board for review and consideration at a public meeting. The previous review occurred on June 9, 2010. Quarterly investment reports are provided to the Board as required by the Policy.

Upon legal counsel's review, there are no policy changes to the Investment Policy at this time. The suggested modifications update the Policy to reflect language consistent with current State law.

Fiscal Impact:

None.

Board Policy Committee Action:

That the Committee recommend Board approval of the proposed modification to Investment Policy language.

Attachments:

1. Recommended Statement of Investment Policy, showing revisions in strike-and-bold format.
2. Recommended Statement of Investment Policy, incorporating recommended revisions.

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

STATEMENT OF INVESTMENT POLICY

1. Introduction

The investment policies and practices of the Bay Area Water Supply & Conservation Agency are based on state law and prudent money management. All funds will be invested in accordance with the Agency's Investment Policy and the California Government Code.

2. Scope

This policy applies to all funds and investment activities under the direction of the Agency, including funds held in the name of the Bay Area Water Users Association (BAWUA), a California nonprofit corporation of which the Agency is the sole member.

3. Prudence

The standard of prudence to be used by investment officials shall be the "prudent ~~person~~investor" standard and shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency.

Investments shall be made with the judgment and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived, and in accordance with the provisions of Government Code Section 53600 et seq.-

4. Objectives

The primary objectives, in priority order, of the Agency's investment activities shall be:

A. Safety. Safety of principal is the foremost objective of the investment program. The Agency's funds shall be invested in a manner that seeks to ensure preservation of capital.

B. Liquidity. The Agency's investments will remain sufficiently liquid to enable the Agency to meet its cash flow requirements.

C. Return on Investment. The Agency's investments shall be designed with the objective of attaining a market rate of return consistent with the constraints imposed by its safety and liquidity objectives.

5. Delegation of Authority

The management and oversight responsibility for investments is hereby delegated to the General Manager who shall monitor and review all investments for consistency with this Investment Policy.

6. Permitted Investments and Depositories

A. Agency funds may be deposited only in state or national banks and state or federal savings associations with offices in California that meet the requirements and conditions of the Government Code, as it may be amended from time to time.

B. Funds not deposited in banks or savings associations shall be invested in the Local Agency Investment Fund administered by the Treasurer of the State of California, in accordance with Government Code Section 16429.1.

7. Other Limitations

A. The maximum amount of funds deposited with any bank or savings association shall be \$250,000; provided that if funds are each separately insured by the Federal Deposit Insurance Corporation ("FDIC"), the General Manager may maintain separate accounts for the Agency and for BAWUA (to a maximum of \$250,000 for each entity) at one bank or savings association. The temporary increase from \$100,000 to \$250,000 in the standard maximum deposit insurance amount expires December 31, 2013. When this Policy is reviewed by the Board, Staff will provide status of FDIC coverage and will amend this section of the Policy as necessary. ~~Should the Standard Maximum Deposit Insurance amount be lowered below \$250,000 by the Federal Government, such lower amount shall automatically become the new maximum amount of Agency and BAWUA funds invested in each such separate account at any one bank or savings association.~~

B. Investment maturities shall be based on a review of cash flow forecasts and shall be scheduled so as to allow the Agency to meet all projected obligations. The maturity of any certificate of deposit shall not exceed 12 months.

8. Reporting Requirements

The CEO/General Manager shall provide the Board a quarterly investment report, which shall include the information required by Government Code Section 53646.

9. Annual Review of Investment Policy

The CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting.

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

STATEMENT OF INVESTMENT POLICY

1. Introduction

The investment policies and practices of the Bay Area Water Supply & Conservation Agency are based on state law and prudent money management. All funds will be invested in accordance with the Agency's Investment Policy and the California Government Code.

2. Scope

This policy applies to all funds and investment activities under the direction of the Agency, including funds held in the name of the Bay Area Water Users Association (BAWUA), a California nonprofit corporation of which the Agency is the sole member.

3. Prudence

The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency.

Investments shall be made with the judgment and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived, and in accordance with the provisions of Government Code Section 53600 et seq.

4. Objectives

The primary objectives, in priority order, of the Agency's investment activities shall be:

A. Safety. Safety of principal is the foremost objective of the investment program. The Agency's funds shall be invested in a manner that seeks to ensure preservation of capital.

B. Liquidity. The Agency's investments will remain sufficiently liquid to enable the Agency to meet its cash flow requirements.

C. Return on Investment. The Agency's investments shall be designed with the objective of attaining a market rate of return consistent with the constraints imposed by its safety and liquidity objectives.

5. Delegation of Authority

The management and oversight responsibility for investments is hereby delegated to the General Manager who shall monitor and review all investments for consistency with this Investment Policy.

6. Permitted Investments and Depositories

A. Agency funds may be deposited only in state or national banks and state or federal savings associations with offices in California that meet the requirements and conditions of the Government Code, as it may be amended from time to time.

B. Funds not deposited in banks or savings associations shall be invested in the Local Agency Investment Fund administered by the Treasurer of the State of California, in accordance with Government Code Section 16429.1.

7. Other Limitations

A. The maximum amount of funds deposited with any bank or savings association shall be \$250,000; provided that if funds are each separately insured by the Federal Deposit Insurance Corporation (“FDIC”), the General Manager may maintain separate accounts for the Agency and for BAWUA (to a maximum of \$250,000 for each entity) at one bank or savings association. The temporary increase from \$100,000 to \$250,000 in the standard maximum deposit insurance amount expires December 31, 2013. When this Policy is reviewed by the Board, Staff will provide status of FDIC coverage and will amend this section of the Policy as necessary.

B. Investment maturities shall be based on a review of cash flow forecasts and shall be scheduled so as to allow the Agency to meet all projected obligations. The maturity of any certificate of deposit shall not exceed 12 months.

8. Reporting Requirements

The CEO/General Manager shall provide the Board a quarterly investment report, which shall include the information required by Government Code Section 53646.

9. Annual Review of Investment Policy

The CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Agenda Title: **Review and Consideration of changes to the Rules of the Board**

Summary:

This item presents changes to the Rules of the Board Rule I.B, Rule III A., and the table showing Agency votes for weighted voting.

Fiscal Impact:

The recommended changes have no fiscal impact.

Recommendation:

1. That the BPC review and consider modifications of Rule I.B to read as follows:

- A. Vice Chairperson. The Board shall elect a Vice Chairperson from among its members annually at the regular meeting in January. The Vice Chairperson shall perform the duties of the Chairperson in the Chairperson's absence or incapacity. In the case of a vacancy of the office of the Chairperson, the Vice Chairperson shall succeed to that office. In the case of a vacancy of the office of the Vice Chairperson, an election shall be held at the next regular meeting to fill the vacancy.

2. That the BPC review and consider modifications of Rule III.A as follows:

- A. Standing Committees. The Board may establish standing committees that have continuing jurisdiction over a particular subject matter, or a set meeting schedule. Rules II.B, C, D, and E shall apply to all meetings of a standing committee. Standing committees may include, but shall not be limited to the following:

Board Policy Committee. The Board Policy Committee advises the Board and General Manager/CEO about policy issues related to the Agency's goals and courses of actions proposed by the General Manager/CEO to address those issues.

3. That the BPC review and consider the update to Attachment 2, Member Agency Votes Under Weighted Voting.

Discussion:

Legal Counsel has reviewed the Rules of the Board and recommended modifications and changes that address matters raised by Board members over the last year and to update the table showing Agency votes for weighted voting.

One prudent change provides for election of a new Vice Chair in the event of a permanent absence of the Chair of the Board.

A second prudent change formalizes the Board Policy Committee as a standing committee.

An additional possible change would authorize the Chair or Vice Chair of the Board Policy Committee to conduct meetings of the Board in the absence of the elected Chair and Vice Chair of the Board.

At one Board meeting last year, the Chair and Vice Chair of the Board were out of town and the Vice Chair needed to be flown back to the Bay Area to chair the meeting.

The question was raised whether the Rules of the Board could be changed to authorize the Chair or Vice Chair of the Board Policy Committee to conduct a Board meeting in the absence of both the Chair and Vice Chair of the Board.

Legal Counsel considered the issue and prepared the following wording that could be added to the Rules of the Board to address this matter:

The Chair of the Board Policy Committee shall perform the duties of the Chairperson of the Board in the Chairperson's and Vice Chairperson's of the Board's absence or incapacity. The Vice Chair of the Board Policy Committee shall perform the duties of the Chairperson of the Board in the Chairperson's and Vice Chairperson's of the Board's absence or incapacity and the absence or incapacity of the Chair of the Board Policy Committee.

This wording may provide a practical solution to a situation where both elected officers must be absent on the night of a Board meeting.

Three matters that should be considered and discussed prior to making a recommendation include:

1. Elected versus appointed status: The Chair and Vice Chair of the Board Policy Committee are appointed by the Chair of the Board, not elected by the Board of Directors. Is this distinction recognized by and acceptable to Directors?
2. Authorities bestowed. If seated as Chair of the Board, an individual could have authority to do more than conduct a meeting. The individual would be able to exercise any and all of the authorities of the Chair, including the ability to create committees, make or change appointments to committees and other authorities delegated to the Chair by the Rules of the Board. Is this extension of powers recognized by and acceptable to directors? Should limitations be specified?
3. Term of appointment: Would the designation as Chair of the Board exist only for the period of the Board meeting, does it extend from the moment it is known that the Chair an Vice Chair will be unavailable, or for some other period to be defined or specified by the Chair?

These items will be discussed with the Board Policy Committee for their comments, advice and recommendations.

Attachment: Copy of Rules of the Board with recommended revisions highlighted.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

RULES OF THE BOARD

September 2003
(as presented for amendment July 2011)

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

RULES OF THE BOARD

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**BOARD OF DIRECTORS
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
RULES OF THE BOARD**

The Board of Directors (“Board”) of the Bay Area Water Supply and Conservation Agency (“Agency”) adopts these Rules pursuant to Section 81417 of the California Water Code.

These Rules are designed solely to facilitate the Board’s conduct of its own meetings and proceedings. They are not intended to, and do not, create procedural or substantive rights in any person.

The Rules are subordinate to state and federal law.

RULE I. OFFICERS OF THE BOARD

- A. Chairperson. The Board shall elect a Chairperson from among its members annually at the regular meeting in January.

The Chairperson shall preside at all meetings of the Board.

The Chairperson may appoint directors to standing and ad hoc committees of the Board and may designate the chairs of such committees. The Chairperson may also appoint directors to serve as the representative of the Agency to other groups and organizations, unless the law requires such appointments to be made by action of the full Board.

The Chairperson shall have such other powers and duties as are provided elsewhere in these Rules or delegated by the Board.

- B. Vice Chairperson. The Board shall elect a Vice Chairperson from among its members annually at the regular meeting in January. The Vice Chairperson shall perform the duties of the Chairperson in the Chairperson’s absence or incapacity. In the case of a vacancy of the office of the Chairperson, the Vice Chairperson shall succeed to that office. In the case of a vacancy of the office of the Vice Chairperson, an election shall be held at the next regular meeting to fill the vacancy.
- C. Term. The term of officers of the Board shall commence at the close of the meeting at which they are elected.

RULE II. MEETINGS OF THE BOARD

A. Call of Meetings

1. Regular Meetings. Regular meetings of the Board shall be held on the third Thursday of January, March, May, July, September and November at the hour of 7 P.M. The date and/or time of a particular regular meeting may be changed by the Board as needed to accommodate scheduling conflicts, subject to the notice requirements in Rule II.B below.
2. Special Meetings. Special meetings of the Board may be called by the Chairperson or by a majority of the members of the Board. The notice of the meeting shall state the particular business to be conducted. The Board may not consider other business at such meetings.
3. Emergency Meetings. The Chairperson or a majority of the members of the Board may call an emergency meeting in the case of an “emergency situation,” as defined in the Brown Act. The Board shall not meet in closed session during an emergency meeting.

B. Notice of Meetings. A notice stating the time and place of the meeting shall be sent to each director no later than the time the agenda is required to be distributed by Rule II.C. If the date, time or place of a regular meeting is changed, notice of the change shall be sent at least 72 hours in advance of the regular meeting date or the rescheduled date, whichever is earlier, to each director and to all newspapers of general circulation and radio and television stations that have requested notice of meetings pursuant to the Brown Act.

C. Agenda of Meetings. The General Manager/CEO shall prepare the agenda of all meetings of the Board, in consultation with the Chairperson.

A copy of the agenda shall be posted in a location freely accessible to the public, and delivered to each director, at least 72 hours before each regular meeting and at least 24 hours before each special meeting.

A copy of the agenda, and of all documents (other than those exempt from disclosure under the Public Records Act) distributed to the directors with the agenda, shall be available for public inspection at the Agency’s office at least 72 hours before each regular meeting and at least 24 hours before each special meeting. A copy of the agenda and such supporting documents shall also be available for public review at the meeting.

D. Location of Regular Meetings. All regular meetings of the Board shall be held at the Foster City Library-Community Center, 1000 East Hillsdale Boulevard. When that location is unavailable, or when it is otherwise in the public’s interest,

a meeting may be held at another location determined by the Chairperson. Notice of the change shall be given as provided in Rule II.B above.

E. Meetings Open to the Public. All meetings of the Board shall be open and public and conducted in accordance with the Brown Act.

F. Order of Business. The Order of Business shall generally be as follows:

- Call to Order
- Roll Call
- Pledge of Allegiance
- Special Orders of Business/Public Hearings/Ceremonial Items (if any)
- Public Comment
- Consent Calendar
- Action Calendar
- Reports
- Directors' Comments and/or Agenda Requests
- Closed Session (if any)
- Adjournment

A director may request that an item be taken out of order. The Chairperson may take any item out of order in response to a request by a director or on his or her own initiative, subject to the right of a director to appeal.

G. Procedure.

1. Role of Chairperson. Authority for conduct of meetings is assigned to the Chairperson, who shall be responsible for timely, fair and reasonable conduct of the meeting's business. Decisions of the Chairperson on questions of procedure are final, except that any ruling may be appealed to a vote of the meeting.
2. Convening the Meeting. A majority of the full Board constitutes a quorum for the conduct of business. The Chairperson shall be responsible for ascertaining and announcing the presence of a quorum and the due convening of the meeting.
3. Consent Calendar. Matters to be included on the Consent Calendar are those that are regularly presented to the Board and are routine in nature, such as approval of minutes. All matters on the Consent Calendar may be acted upon by a single vote. If any director requests that a matter on the Consent Calendar be considered and acted upon separately, the matter shall be removed from the Consent Calendar. Such matters shall be separately considered immediately after approval of the remainder of the Consent Calendar, subject to the Chairperson's authority to take up the matter later in the meeting.

4. General Principles for Discussion or Debate. Discussion of any issue is subject to regulation by the Chairperson to assure adequate consideration of relevant points of view in the best interests of the Agency. The objectives of discussion are to:
- Determine the will of the Board.
 - Assure sufficient discussion and consideration of issues so that all pertinent points of view are considered.
 - Maintain the dignity of the meeting so that each recognized speaker's views are made known to the directors and to ensure that appropriate respect is accorded all members,
 - Present the consideration of business in a manner understood by all participants.
5. Motions. The Board prefers a flexible format for meetings and does not insist that its meetings be conducted strictly in accordance with formal rules of procedure. The following rules of motion practice are to be applied as a guide to the Chairperson in disposition of motions. If a director believes that adequate order is not being maintained or that the procedures being followed do not allow for adequate and orderly discussion of an item, the director may raise a point of order to the Chairperson. If the director is not satisfied with the ruling of the Chairperson, the director may appeal to the full Board. A majority of the Board will determine the point of order.

All matters requiring Board action must be presented in the form of a motion. In order for a vote to be taken on a motion, the motion must be seconded by another director. When a motion has been made and seconded, it shall be stated by the Chairperson for consideration by the directors.

Under these Rules, motions should be limited to those set forth on the Chart of Motion Practice (Attachment 1). Motions on Attachment 1 are listed in order of precedence. When a motion is pending, any motion listed above it on the chart is in order, but those below it are out of order.

6. Voting. The affirmative vote of a majority of all directors is necessary to pass a main motion. The vote needed to pass other types of motions are as stated in Attachment 1. For motions not listed in Attachment 1, the vote shall be as stated in Roberts Rules of Order.

A roll call shall be taken on the vote on all main motions associated with an ordinance or resolution, on all motions subject to weighted voting, and on any other motion when requested by a director.

Any director may call for any motion to be subject to weighted voting as provided in Water Code Section 81405. If such a call is made before the next item on the agenda is introduced for consideration, weighted voting shall be implemented. The number of votes assigned to each member agency's director for purposes of weighted voting is shown on Attachment 2. A roll call vote shall be taken on all motions subject to weighted voting.

7. Time Limit on Meetings. When a meeting of the Board has lasted two and one half hours or more, no new item of business may be taken up for discussion or action unless a majority of the directors then present vote to extend the meeting. This provision may be invoked by the Chair or any director. However, it has no effect on the validity of any action taken by the Board unless and until it is invoked.
8. Adjournment. Upon completion of the meeting's agenda, or upon conclusion of a meeting pursuant to Rule II.G.7, the Chairperson shall adjourn the meeting. Adjournment may be accomplished by a motion or announcement of the Chairperson.

- H. Minutes. The Secretary shall prepare minutes of each Board meeting, which shall be submitted for approval at a subsequent meeting. Minutes shall record the ayes and nays on roll call votes. Minutes should not include the text of ordinances and resolutions, which shall be maintained by the Secretary in separate volumes. Minutes are intended to be a record of Board action and a brief summary of discussion; they should not be an exhaustive record of deliberation.

RULE III. COMMITTEES OF THE BOARD

- A. Standing Committees. The Board may establish standing committees that have continuing jurisdiction over a particular subject matter, or a set meeting schedule. Rules II.B, C, D, and E shall apply to all meetings of a standing committee. Standing committees may include, but shall not be limited to the following:
1. Board Policy Committee. The Board Policy Committee advises the Board and General Manager/CEO about policy issues related to the Agency's goals and courses of actions proposed by the General Manager/CEO to address those issues.
- B. Ad Hoc Committees. The Board, or the Chairperson on his or her own initiative, may establish ad hoc advisory committees to undertake special, limited assignments on behalf of the Board.

RULE IV. STAFF RESPONSIBILITIES

- A. General Manager/CEO. The General Manager/CEO shall be responsible for introducing agenda items and for directing staff responses to Board inquiries arising during the course of a meeting.
- B. Secretary. The Secretary shall record votes, take minutes, and distribute copies of documents as required.

RULE V. COMMUNICATIONS TO THE BOARD

A. General. Members of the public should address comments and questions to the Chairperson.

1. Agenda Items. Members of the public may speak on any item under discussion by the Board, after receiving recognition from the Chairperson.
2. Non-Agenda Items. Members of the public may speak on matters that are within the jurisdiction of the Agency, but which are not on the agenda, during Public Comments. The Board will take no immediate action on matters which are not on the Agenda. Such items raised by the public may be referred to staff for review and analysis and may be reported back to the Board at a subsequent meeting.

If a speaker refers to any document, writing, record, picture, or other exhibit, the Secretary shall request a copy so that it can be included in the record.

B. Time Limits on Public Comments. The presiding officer may impose time limits on each speaker.

RULE VI. SUSPENSION/AMENDMENT/REPEAL

A Rule may be suspended at any Board meeting by a majority of directors present at such meeting. The Rules may be amended or repealed by an affirmative vote of a majority of the full Board.

ATTACHMENT 1

CHART OF MOTION PRACTICE				
Motion	Second Required?	Debatable?	Amendable?	Vote Required*
MEETING CONDUCT (PRIVILEGED) MOTIONS				
Point of Privilege	No	No	No	None
Point of Order	No	No	No	None
To Appeal Ruling of Chair	No	Yes	No	Majority
To Recess	Yes	Yes	Yes	Majority
To Adjourn	Yes	Yes	No	Majority
DISPOSITION (SUBSIDIARY) MOTIONS				
To Withdraw a Motion	No	No	No	None
To Postpone Consideration (Table)	Yes	Yes	Yes	Majority
To Refer to Committee	Yes	Yes	Yes	Majority
To Amend	Yes	Yes	Yes	Majority
To Limit or Close Debate (Call the Question)	Yes	Yes	Yes	2/3
MAIN MOTIONS				
To Take Action; To Reconsider	Yes	Yes	Yes	Majority of Full Board

* For privileged and subsidiary motions, required vote refers to those present and voting. Main motions require a majority of the full board, whether or not present and voting. This chart assumes weighted voting is not in effect.

ATTACHMENT 2

MEMBER AGENCY VOTES UNDER WEIGHTED VOTING

<u>Name of Agency</u>	<u>No. of Votes</u>
Alameda County Water District	7
California Water Service Company	210
City of Brisbane	1
City of Burlingame	3
City of Daly City	3
City of East Palo Alto	1
City of Hayward	10
Town of Hillsborough	2
City of Menlo Park	2
City of Millbrae	2
City of Milpitas	4
City of Mountain View	6
City of Palo Alto	8
City of Redwood City	7
City of San Bruno	1
City of San Jose	3
City of Santa Clara	2
City of Sunnyvale	5
Coastside County Water District	1
Estero Municipal Improvement District	3
Guadalupe Valley Municipal Improvement District	1
Los Trancos County Water District	1
Mid-Peninsula Water District	2
North Coast County Water District	2
Purissima Hills Water District	1
Skyline County Water District	1
Stanford University	1
Westborough Water District	1

NOTE: If weighted voting is in effect, a motion, resolution or ordinance must be approved by **both** (1) a majority of the directors present and voting, **and** (2) a majority of the number of votes specified above represented by directors present and voting.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Professional Services Contract with CSG Consultants, Inc. to Provide As Needed Technical Assistance and Support Services for Water Resources Activities**

Summary:

This item requests authorization for the CEO to negotiate and execute a contract with CSG Consultants, Inc. (CSG) to provide as needed technical assistance and support services for water resources activities in FY 2011-12.

Recommendation:

That the Board Policy 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 FY2011-12.

Fiscal Impact:

The BAWSCA budget for FY 2011-12 includes \$40,000 for additional technical resources to support water resources activities in FY 2011-12. Funds would come from the contingency budget, which was increased this fiscal year for this purpose.

Discussion:

The CEO has approved a leave of absence that will occur in FY 2011-12. In order to complete the adopted Work Plan for FY 2011-12 and achieve the critical results needed next year, additional technical and support resources are necessary.

Given the limited duration yet critical nature of the needed technical and support services, BAWSCA identified the following necessary requirements:

- Familiarity with BAWSCA and its member agencies
- Knowledge of water conservation with specific knowledge of BAWSCA's water conservation programs
- Demonstrated ability to manage grant programs
- Significant level of availability during the required duration
- Ability to integrate with BAWSCA staff and perform a portion of the work at BAWSCA's office

Mr. Ed Cooney with CSG meets and exceeds the necessary requirements. Mr. Cooney is a Sustainability Programs Manager for CSG with nearly fifteen years experience in sustainable city program development, implementation and management. Mr. Cooney is currently responsible for managing environmental and select public works programs for the Town of Hillsborough. As the Town's water conservation coordinator, Mr. Cooney has represented the Town in BAWSCA member meetings and working groups. He also manages the Town's participation in BAWSCA's rebate programs, has secured over \$2M in

water and energy conservation/infrastructure grants, and manages all associated grant reporting.

Alternatives:

Alternatives to the recommended action are to: (1) accommodate the leave of absence with existing staff resources, or (2) modify FY 2011-12 Work Plan to reduce level of activity to within available staff resources. BAWSCA does not recommend these alternatives for the reasons stated below.

As discussed with the Board in March, BAWSCA staff size has remained constant since FY 2004-05, while the volume of work to achieve Water Management objectives has increased roughly three-fold. Results have been produced by leveraging staff resources with outside professional services, temporary employees and interns. The two permanent positions have no capacity to perform any further expansion of their work load which means that accommodation of a leave of absence with existing staff resources is not a viable option.

The Board-approved FY 2011-12 Work Plan for Water Resources activities already reflects a reduced scope. Further reduction in scope of work is not recommended at this time given the need to develop the Long-Term Reliable Water Supply Strategy in a timely manner to meet the water supply reliability needs of the BAWSCA member agencies and their customers and to continue implementation of a BAWSCA's successful regional conservation program.

CSG Consulting, Inc.

PURPOSE

For FY2011-12, BAWSCA requires technical assistance and support services to augment staff resources in the area of water resources.

SCOPE OF WORK

Work to be Performed:

The following tasks will be performed as directed by BAWSCA:

- Provide technical and management support in implementing the Lawn Be Gone! turf replacement program;
- Assist BAWSCA in implementing use of DWR water conservation grant funds including preparation of receipt of grant funds and management of grant funds for multiple conservation programs;
- Provide support in updating content of BAWSCA's web page associated with water resources and water conservation; and
- Provide other support for water resources and water conservation activities as directed.

Proposed Budget: \$40,000

Rates & Charges:

Program Manager

\$105/hour

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Professional Services Contract with Erler & Kalinowski, Inc to Update the Senate Bill 7x-7 Spreadsheet Tool**

Summary:

This item requests authorization for the CEO to negotiate and execute a contract with Erler & Kalinowski, Inc. (EKI) to provide technical services for the update of the Senate Bill (SB) 7x-7 Spreadsheet Tool for FY 2011-12.

Recommendation:

That the Board Policy Committee 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.

Fiscal Impact:

The BAWSCA budget for FY 2011-12 includes \$15,000 for consulting support services for the update of the SB7x-7 Spreadsheet Tool.

Discussion:

As presented during the budget development and approval process, outside resources are necessary to complete portions of the adopted Work Plan for FY 2011-12. One area that supports work by member agencies requires technical resources to update the Senate Bill 7x-7 Spreadsheet Tool originally developed for the agencies in FY 2010-11.

In FY 2010-11 BAWSCA contracted with EKI through a competitive process for the development of a SB7x-7 Spreadsheet Tool. This Tool was made available in January 2011 to the BAWSCA agencies for their use. The BAWSCA agencies found this Tool to be very helpful as part of their 2010 Urban Water Management Plan (UWMP) preparation and associated SB7x-7 analysis.

The SB7x-7 Spreadsheet Tool enhanced member agencies' ability to develop their individual SB7x-7 targets and also gave them a perspective on the potential benefits of complying with SB7x-7 individually, as a region and/or as part of sub region. As they look ahead to 2015, agencies will evaluate these regional compliance options as they implement their newly-adopted Urban Water Management Plans.

For the SB7x-7 Spreadsheet Tool to effectively support the agency efforts, it needs to be updated to reflect:

- Corrected historical population and water use data to the extent that agencies have modified those data;
- Updated projections of population, water use, and conservation based on agency 2010 UWMPs; and
- The addition of DWR's Method 4 to the SB 7x-7 Spreadsheet Tool.

The need for consultant resources to update the SB7x-7 Spreadsheet Tool in FY 2011-12 was identified as part of the BAWSCA Work Plan for FY 2011-12.

Alternatives:

Alternatives to the recommended action included herein are to: (1) not update the SB7x-7 Spreadsheet Tool, or (2) have BAWSCA staff complete the SB7x-7 Spreadsheet Tool update. BAWSCA does not recommend these alternatives for the reasons stated below.

BAWSCA was specifically named in SB7x-7 legislation (Water Code §10608.28(a)(2)) as a regional entity that could assist its member agencies in complying with SB7x-7. The SB7x-7 Spreadsheet Tool developed was developed by BAWSCA so that its member agencies could make informed decisions, using common information, about whether to comply with the law as an individual agency or as part of a collection of agencies. To be effective, and as anticipated from the outset, the Spreadsheet Tool needs to be updated to reflect revised population and water demand information prepared by the agencies for their Urban Water Management Plans, and to include DWR's Method 4 option. For this reason, Alternative 1 is not recommended.

BAWSCA's Work Plan for FY 2011-12 stated the need to augment staff to accomplish time-critical tasks without increasing the size of permanent staff. Updating the SB7x-7 Spreadsheet Tool was one of the tasks identified as needing additional support. Without additional technical resources, BAWSCA staff will not have the capacity to accomplish this task.

Conclusion:

The SB7x-7 Spreadsheet Tool has enhanced member agencies' SB7x-7 compliance efforts at a reasonable cost. EKI's services have been critical to the success of the Tool. For this reason, it is recommended to continue to contract with EKI to perform the necessary update of the SB7x-7 Spreadsheet Tool.

Erler & Kalinowski, Inc. (EKI)

PURPOSE

For FY2011-12, BAWSCA requires Erler & Kalinowski, Inc. (EKI) to provide technical services for the update of the Senate Bill (SB) 7x-7 Spreadsheet Tool.

SCOPE OF WORK

Work to be Performed:

Through this contract, EKI will update the SB7x-7 Tool including:

- Correct historical population and water use data as provided by member agencies;
- Update projections of population, water use, and conservation based on agency 2011 UWMPs; and
- Add DWR's Method 4 to the SB7 spreadsheet calculator.

An updated memo describing the tool and results will also be prepared for distribution to the member agencies along with the updated Tool.

Proposed Budget: \$15,000

Rates & Charges:

Principal & Chief Engineer-Scientist	\$209/hr.
Supervising Engineer-Scientist	\$200/hr.
Senior Engineer-Scientist	\$187/hr.
Associate Engineer-Scientist	\$170/hr.
Engineer-Scientist (Grade 1)	\$159/hr.
Engineer-Scientist (Grade 2)	\$137/hr.
Engineer-Scientist (Grade 3)	\$127/hr.
Engineer-Scientist (Grade 4)	\$108/hr.
Technician/Administrative Assistant	\$80/hr.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Professional Services Contract with Brown & Caldwell to Support the Implementation of the BAWSCA Water Conservation Database for FY 2011-12**

Summary:

This item requests authorization for the CEO to negotiate and execute a contract with Brown & Caldwell (B&C) to provide training and as needed technical support services for the on-going implementation of the BAWSCA Water Conservation Database (WCDB) for FY 2011-12.

Recommendation:

That the Board Policy 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 FY2011-12.

Fiscal Impact:

The BAWSCA budget for FY 2011-12 includes \$50,000 for consulting support services for implementation of the WCDB.

Discussion:

As presented during the budget development process, additional outside resources are necessary to complete the adopted Work Plan for FY 2011-12 in several areas. One such area is the need for additional technical resources to support implementation of the Water Conservation Database in FY 2011-12.

The development of a regional water conservation database was one of the key recommendations from the 2009 Water Conservation Implementation Plan (WCIP). In September 2009, BAWSCA contracted with B&C to develop the WCDB. The WCDB was developed (with member agency input) as an on-line database system that allows agencies to track their water conservation activities in a consistent and standard format and to upload the information they supply to BAWSCA for purposes of the BAWSCA Annual Survey. Data in the WCDB can be easily exported to other software tools such as Microsoft Excel.

In July 2010, BAWSCA contracted with B&C to assist with the implementation of the WCDB and training of the member agencies on use of the data base. As part of the FY 2010-11 contract, B&C also provided as needed technical support to integrate the WCDB with existing BAWSCA agency database systems and to provide other WCDB system refinements.

A contract with B&C in FY 2011-12 is proposed to provide additional agency training and as-needed technical support to BAWSCA and the member agencies for on-going implementation of the WCDB. Such technical support activities include adding or deleting additional data sheets as agency water conservation programs evolve, addressing technical issues that arise during agency utilization of the WCDB, and augmenting the database to improve key features and user experience.

The need for additional resources to implement the WCDB in FY 2011-12 was identified as part of the BAWSCA Work Plan for FY 2011-12.

Alternatives:

Alternatives to the recommended action are to: (1) not support the WCDB in FY 2011-12, or (2) train BAWSCA staff to support the WCDB rather than enter into a contract with B&C. BAWSCA does not recommend these alternatives for the reasons stated below.

The need for a regional database system was clearly identified as part of the 2009 WCIP. The WCDB serves a valuable function as a streamlined data collection tool. The data that are collected are needed by BAWSCA to support the Annual Survey, the Annual Water Conservation Report, and other regional reporting that BAWSCA does on water use, conservation activity and service area characteristics. The WCDB also provides a standardized repository for the agencies to store the information that they need to do their own reporting. To abandon the WCDB at this point would in effect waste the time and effort put into the system by BAWSCA and the member agencies to date, and result in the 26 different agencies tracking their data in an inconsistent and potentially incomplete manner which does not lend itself to coordinated regional analysis. For these reasons, Alternative 1 is not recommended.

B&C was selected to provide the WCDB services in 2009 in part because they have a very capable and experienced IT staff. Because maintaining the WCDB requires significant technical skills, including a close familiarity with Microsoft SharePoint, servers, and computer programming, maintenance of the WCDB is most appropriately done by trained Information Technology (IT) professionals. BAWSCA does not have an IT staff and therefore has to contract out for any IT services. BAWSCA's Work Plan for FY 2011-12 clearly stated the need to augment staff to accomplish key tasks. Supporting the WCDB was one of the tasks identified as needing additional outside support. Without additional technical resources, BAWSCA staff will not have the capacity to accomplish this task.

Conclusion:

The WCDB has enhanced member agency's water conservation reporting efforts at reasonable cost. The services provided by B&C during the past two years have been critical to the overall WCDB success. For this reason it is recommended that BAWSCA continue to contract with B&C to maintain the WCDB in FY 2011-12.

Brown and Caldwell

PURPOSE

For FY2011-12, BAWSCA requires specialized services to support the ongoing implementation of its Water Conservation Database (WCDB) including providing additional agency training and as needed technical support to BAWSCA and the member agencies.

SCOPE OF WORK

Work to be Performed:

The following tasks will be performed as directed by BAWSCA:

- Conduct training session on WCDB for member agency staff
- Provide WCDB technical support on an “on-call” basis

Proposed Budget: \$50,000

Rates & Charges:

IT Manager	\$241
Project Manager	\$143
IT Associate	\$175
Associate	\$84

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Agenda Item Title: **Review of BAWSCA Reserve Policy**

Summary:

This item presents a review of BAWSCA's reserve policy and recommended modifications.

Fiscal Impact:

A properly formed and managed reserve fund policy should be designed to protect the agency against unanticipated deviations in revenue and expenditures, and stabilize or attenuate variations in assessments to member agencies.

Recommendation:

That the Board Policy Committee recommend to the Board:

- 1) That the existing Reserve Policy remains without revision,**
- 2) That options for using reserve funds to conduct work not budgeted for FY 2011-12 be discussed with the Committee in August for possible Board action in September, and**
- 3) 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.**

Discussion:

During budget preparation for FY 2011-12, the Board Policy Committee and Board of Directors raised questions about the agency's existing reserve policy and factors to be considered in its review. Specifically, they were interested in the following matters:

1. Potential risks to agency revenues and expenditures,
2. The use of 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 policy guidelines, and
6. How the fund balance would be restored if the fund were drawn down below a desired minimum balance.

Existing Reserve Policy: A copy of the existing policy is attached. It is informative and the material it contains is not repeated here. The five page attachment consists of a three-page memo and a two-page resolution. The memo covers the purpose of a reserve, the size of the reserve, formation of the reserve, investment of funds, and authority to use the reserve. The resolution also states that the current and projected status of the reserve is to be addressed with the proposed budget for each fiscal year.

Review: Since the May Board meeting, the following steps have been taken:

- A. Review of the existing reserve policy adopted by the Board in 2004,
- B. Obtain input from BAWSCA's outside auditor,
- C. Obtain input from legal counsel, and
- D. Review publications and recommendations from the following sources: a) the Government Financial Officers Association, b) the California League of Cities, and c) the California Special Districts Association.

Findings and Conclusions: These result of this review leads to the following findings and conclusions:

1. The basis for the existing policy is consistent with published guidelines.
2. The risks to which this agency is currently exposed are consistent with those considered in 2004.
3. The estimated one-time costs associated with potential risks remain appropriate today, and could be increased slightly to adjust for inflation.
4. The potential uses of a reserve, identified and stated in general terms in 2004, remain applicable today, although future agency activities would require a review and possible revision of the reserve policy.
5. The existing policy states, "If the ending reserve balance is estimated to fall outside the guidelines established by the resolution, the budget shall include a prudent and practical schedule for restoring the reserve balance to within these guidelines."

Each of the matters raised in Board discussion are addressed by the existing Reserve Policy.

Transparency of agency reserves: Several of the sources reviewed suggest that information about the reserves of the agency be readily available to the Board of Directors and the public. BAWSCA addresses this matter in: 1) investment reports routinely provided to the Board, and 2) memos associated with budget development and adoption.

Recommendations:

1. There are no recommended revisions to the Board's Reserve Policy.
2. In May, the Board discussed whether unbudgeted but important work should be pursued this coming year using some of the money projected to be in the reserve. The nature and extent of such work will be considered this summer and recommendations, if any, brought to the Committee in August and to the Board in September.
3. On the matter of restoring the reserve balance to within the budgeting guidelines, questions that should be considered include whether the variance requires remedial action, what alternatives should be considered, and over what period of time, taking into account potential future expenses and assessment stabilization. The projected state of the reserve and alternatives for managing the reserve balance should be discussed as part of the mid-year budget review. That discussion can take advantage of information on actual and projected expenditures during FY 2011-12, and provide input to the budgeting process for FY 2012-13.