

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

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

Wind Room

(Directions on Page 2)

Thursday, May 17, 2012

7:00 P.M.

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page #</u>
1. Call to Order/Roll Call/Salute to Flag	(Pierce)	
2. Comments by the Chair	(Pierce)	
3. Board Policy Committee Report <i>(Attachment)</i>	(Klein)	<i>Pg 3</i>
4. Public Comments <i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(Pierce)	
5. Consent Calendar	(Pierce)	
A. Approve Minutes of the March 15, 2012 Meeting <i>(Attachment)</i>		<i>Pg 5</i>
B. Receive and File Budget Status Report – As of March 31, 2012 <i>(Attachment)</i>		<i>Pg 19</i>
C. Receive and File Investment Report – As of March 31, 2012 <i>(Attachment)</i>		<i>Pg 21</i>
D. Receive and File Directors’ Reimbursement Report – As of March 31, 2012 <i>(Attachment)</i>		<i>Pg 23</i>
E. Request for Authority to Implement Grant Funding for Regional Water Conservation Program <i>(Attachment)</i>		<i>Pg 25</i>
6. Action Calendar		
A. Proposed Fiscal Year 2012-13 Work Plan and Budget <i>(Attachment)</i>	(Jensen)	<i>Pg 27</i>
1. Approval of the recommended Work Plan for FY 2012-2013		
2. Approval of the Operating Budget of \$2,585,504		
3. Approval of no change in the level of assessments		
4. Approval of the plan for managing the General Reserve balance presented in the staff memo		
<i>The Board Policy Committee unanimously recommends approval of the proposed Board actions.</i>		
B. Priority FY 2012-13 Professional Services Contracts <i>(Attachments)</i>	(Jensen)	<i>Pg 39</i>
1. Legal Counsel (Hanson, Bridgett et al.)		<i>Pg 43</i>
2. Strategic Counsel (Management Communications)		<i>Pg 49</i>
3. Engineering Consultant – WSIP Cost, Schedule & Construction Management (Terry Roberts)		<i>Pg 53</i>
4. Engineering Consultant – Water Supply Agreement (Stetson Engineering)		<i>Pg 57</i>

- 5. Engineering/Financial Consultant – Water Supply Agreement (Hilton, Farnkopf, Hobson) Pg 61
- 6. Financial Advisor – (KNN Public Finance) Pg 63
- 7. Water Supply Agreement Auditing/Accounting Support – (Burr, Pilger, Mayer) Pg 65
- 8. Large Landscape Conservation Services Consultant (Waterfluence) Pg 67
- 9. School Education Programs (Resource Action Program) Pg 71
- 10. School Assembly Program (EarthCapades) Pg 81

The Board Policy Committee unanimously recommends approval of the contracts.

- C. Adoption of Resolution 2012-04 for the Transition of ACWA HBA to ACWA JPIA (Attachment)(Requires a roll call vote) (Jensen) Pg 87

The Board Policy Committee received an oral report on this item but did not review the Resolution at its April meeting because BAWSCA received the information from ACWA after the Board Policy Committee packet was mailed

7. SFPUC Report (Harrington)

8. Reports (Jensen)

- A. Board Policy Calendar – (Attachment) Pg 95
- B. Long-Term Reliable Water Supply Strategy – (Attachment) Pg 97
- C. SFPUC Water Supply Improvement Program (WSIP) – Update (Attachment) Pg 99
- D. Potential Bond Issuance to Pre-Pay Capital Debt Owed to SFPUC (Attachment) Pg 101
- E. Hetch Hetchy Reservoir – Protecting the Water Users (Attachment) Pg 103

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

10. Date, Time and Location of Future Meetings (Pierce) Pg 107
(See attached schedule of meetings)

11. Adjourn to next meeting scheduled for July 19, 2012 at 7pm (Pierce)

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

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

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

BAWSCA

Bay Area Water Supply & Conservation Agency

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MEMORANDUM

TO: BAWSCA Board Members

FROM: Arthur R. Jensen, Chief Executive Officer

DATE: May 11, 2012

SUBJECT: Summary of Board Policy Committee meeting held February 8, 2012

Committee Chair Larry Klein called the meeting to order at 1:30 pm. A list of Committee members present (9) and absent (1), and of other attendees is attached.

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

Public Comments: Peter Drekmeier of Tuolumne River Trust (TRT), provided public comments regarding TRT's concerns with the Environmental Impact Report for the proposed water transfer between MID and the SFPUC. TRT stated that San Francisco's water customers will pay \$1.5 million every year even if water is only transferred during drought years. TRT believes that the water may not be needed. Mr. Drekmeier said that when the WSIP was approved in 2008, the system was using 257 mgd. That number went down to 220mgd last year. Mr. Drekmeier said it was not clear that the water would be needed and that the cost will add to the already increasing water rates.

Consent Calendar:

- A. Approval of the Minutes from the February 8, 2012 Meeting: The Committee approved the minutes from the meeting of February 8, 2012. One committee member abstained.
- B. Approval of Revisions to Personnel Handbook: Director Klein stated that Director McLeod had additional considerations for the handbook, but that they will be discussed with the CEO and Legal Counsel. Director Klein made a motion, seconded by Director O'Connell that the revisions to the Personnel Handbook be brought back to the BPC for review and discussion at its June meeting, after the CEO and Legal Counsel has addressed Director McLeod's additional items for consideration. The Committee voted unanimously to pass the motion.

Action Items:

- A. FY 2012-13 Proposed Work Plan and Budget: Mr. Jensen presented the refinements made to the Work Plan and proposed Operating Budget since the March Board meeting. The rec-

ommendation is a proposed Operating Budget of \$2,585,214, no change in the level of assessments, and a plan for managing the General Reserve.

The proposed Operating Budget is within 1% less than the current operating budget for FY 2011-12. It is also \$7,500 less than what was presented at the March Board meeting. Mr. Jensen explained that at the February BPC meeting, the committee was presented with, and discussed two budget ranges. A higher end included \$435,000 to fund a one-time cost to look at the feasibility of a bond issuance. A lower end excluded that one-time cost as well as a portion of an as-needed consultant budgets, COLA adjustments and salary adjustments to the top-step salaries of two positions.

Based on comments made by the Committee in February, the preliminary budget presented to the Board in March was to be between those two extremes by excluding the bond issuance costs and the small reduction in as-needed consultant costs, but including COLA adjustments to the top step of staff salaries, and salary adjustments for two positions.

Mr. Jensen explained that while the Board memo presenting the Work Plan and Operating Budget presented to the Board in March reflected the Committee's input, the table in the memo presented the lower end range instead of the middle range incorporating committee input.

The memo to the Committee correctly shows an Operating Budget of \$2,585,214. The table in the memo contains the corrected information. The table in the memo shows a significant reduction in the contingency budget from \$106,000 to \$77,500 that results from budgeting as-needed consultants in the traditional fashion. It also includes a reduction in legal cost associated with legislation which is anticipated to be less in FY 2012-13.

Mr. Jensen stated that the results to be achieved remain as they were presented to the Board in March. He noted a refinement in the wording of an item under reliable supply.

The recommendation to the Committee for managing the General Reserve is consistent with what was presented to the Board in March. The Board can choose to use the anticipated excess in the General Reserve towards the issuance of bonds or refund the agencies in FY 2012-13, combined with a reduction of assessments by 7% in FY2013-14. This would put the General Reserve balance within the adopted guidelines.

Director McLeod asked how the take-or-pay provision of the proposed water transfer from MID to the SFPUC fits into BAWSCA's goal of protecting the water supply and financial interests of its members, and whether the transfer will increase wholesale water rates.

Mr. Jensen stated that there are a number of issues to consider with the water transfer including the benefit to the agencies, the cost and allocation of costs. There are two water transfer agreements being considered at this time. Under public comments, the speaker commented on a 2mgd water transfer proposal that is before MID at this point in time. MID and the SFPUC have also discussed the possibility of a second, larger transfer of up to 21 mgd. As presented by the SFPUC, the proposed 2 mgd transfer would benefit all customers, and costs would be allocated to both retail and wholesale customers. The uses of water that might arise from the second transfer, and therefore the beneficiaries of that transfer, have not yet been clearly identified. Therefore the allocation of cost for all or portions of that larger

transfer could be significant and BAWSCA has begun discussion with San Francisco as to when those costs would be incurred and how those costs should be allocated.

Director Weed stated that the reduction in water consumption is a national phenomenon, and that there are a number of studies being done across the country and by agencies in California. He suggested that BAWSCA look into the existing studies and literature to develop the method of analysis for water use projections, and build on existing data as opposed to starting from scratch.

Mr. Jensen agreed and stated that the result to be achieved in FY 2012-13 is to review and select a method for making water use projections, and that the application of the method would be scheduled for the following fiscal year. Ms. Sandkulla clarified that the work is not focusing on the reasons demands are low, but on preparing future demand projections. The projections would need to reflect whatever factors are affecting water use. The last regional planning done by member agencies was based on data from a window of 2000-2004.

Director Piccolotti asked what the CPI is and whether it is for salaries that are already at the top of the range. Mr. Jensen said he believed the current COLA index is 3.0. He also explained that at BAWSCA, salaries are not automatically raised by the COLA. BAWSCA adjusts the top step of salary ranges for each position based on Board-approved adjustments for COLA, or recommendations from a compensation survey. Changes to employee salaries are made based on merit, and determined by the CEO.

Director Pierce made a motion, seconded by Director Guzzetta, to recommend Board approval of the proposed Work Plan, the Operating Budget of \$2,585,214, no change in the level of assessments, and the plan for managing the General Reserve balance presented in the memorandum. The motion carried unanimously.

Director Pierce asked that if there are rate increases to water customers as a result of the SFPUC's water transfers, that the Board Policy Committee and Board be notified.

- B. Priority FY 2012-13 Professional Services Contracts: Mr. Jensen reported that the Board will consider ten professional services contracts following consideration and adoption of the budget for FY 2012-13.

The proposed Operating Budget includes a combined total of \$886,000 for these ten professional services. They are legal, strategic, financial, and engineering services.

The BPC packet includes a summary memo covering the ten professional services contracts that need to be in place as of July 1, 2102 for FY 2012-13, as well as individual memos on each consultant contract.

Director Klein asked how much is being spent for the FERC process as compared to the reductions in other areas of efforts for legal counsel. Mr. Jensen stated that the fisheries consultant and potential legislative activities are included in the budget increase for legal counsel.

Allison Schutte stated that the Fisheries Consultant for the FERC process is approximately \$33,000. It was a part of the \$390,000 budget in FY 2011-12, however, the legislation and water transfer activities took priority.

She noted that the FERC process for FY 2011-12 and 12-13 will be incredibly robust and be time consuming. In preparing the budget with Mr. Jensen, every eventuality that can be expected were included to avoid coming back at mid-year for an adjustment.

In response to Director McLeod's question, Mr. Jensen stated that the budget for Strategic Counsel covers communications and other activities associated to the proposed initiative in San Francisco related to Hetch Hetchy Reservoir. Depending on events early next fiscal year, additional work may be recommended and any needs for budget reallocations or additional resources would be brought to the Board for consideration.

Director Pierce stated that it was very helpful that the memos for Legal and Strategic Counsels noted whether funding for activities come from the Operating Budget or the Water Management Funds. She also noted that she is pleased to see the continuance of the Large Landscape Audit Program provided by John Whitcomb at Waterfluence. She appreciates the difference the program is making towards water management in the landscape.

Director McLeod made a motion, seconded by Director O'Connell, to recommend Board approval of the ten contracts for legal, engineering, financial, strategic, and water conservation services needing to be in place by July 1, 2012. The motion carried unanimously.

Request for Authority to Implement Grant Funding for Regional Water: Ms. Sandkulla reported that BAWSCA is a recipient of a Prop 84 grant program by the Department of Water Resources (DWR). The Bay Area Clean Water Agencies (BACWA) applied for the grant on behalf of multiple agencies in the nine-county Bay Area, including BAWSCA. The grant is \$30M for multiple water projects, including a specific allocation for regional conservation programs. The agency responsible for implementing the regional conservation programs is the Solano County Water Agency (Solano CWA). BAWSCA's share of the grant is 863,000 and will be applied to the high-efficiency washing machine rebates, high-efficiency toilet rebates, and lawn replacement rebates.

BAWSCA's next step is to enter into an agreement with Solano CWA to receive our portion of the grant. The agreement is being drafted by Hanson Bridget and will follow BAWSCA's standard form of contract.

Ms. Sandkulla stated that BAWSCA agencies have had no grant funds for the past two to three years, and this is the largest such grant awarded to agencies as a regional group. The funds will help BAWSCA programs, particularly the Lawn Be Gone! Program, and allows agencies to leverage local funds to expand their programs.

In response to Director Weed's questions, Ms. Sandkulla explained that DWR will have a contract with BACWA, BACWA will have a contract with Solano CWA, BAWSCA will have an agreement (MOU) with Solano CWA, and BAWSCA will have agreements with each of its participating member agencies. As the lead agency, Solano CWA will be implementing this

grant on behalf of thirteen regional agencies including BAWSCA, Alameda County Water District, and East Bay MUD to name a few.

Ms. Sandkulla noted that it is important to make the implementation manageable for Solano CWA, because without Solano CWA stepping up to be the lead agency, the grant could not be implemented.

In response to Director Piccolotti's question, Ms. Sandkulla explained that member agencies that participate in BAWSCA's programs will have access to the grant. Customers of participating agencies will have access to the grant funds through their application for the rebate programs.

Director Pierce made a motion, seconded by Director Anderson, to recommend Board authorization of the CEO/General Manager, subject to legal counsel's review of the final documents, to enter into an interagency MOU with Solano CWA for the grant-administration of Proposition 84 grant funds to support BAWSCA's Washing Machine Rebate Program, High-Efficiency Toilet Rebate program, and Lawn Be Gone! Rebate program.

Reports:

- A. Board Policy Calendar: Mr. Jensen presented the Board Policy Calendar and noted that a resolution on ACWA's administration of health benefits will be presented to the Board in May without the Committee's prior review. The reason for going directly to the Board is that the notification from ACWA was received after the Committee agenda packet was distributed. Staff And legal counsel will review ACWA's request in time for the May Board meeting.

Director Weed noted that Hanson Bridgett, on behalf of ACWD, expanded the proposed resolution with more detail, and the ACWD board considered and adopted it at its meeting on April 10th. BAWSCA is welcome to look at ACWD's resolution.

- B. Long-Term Reliable Water Supply Strategy: Ms. Sandkulla reported that two major technical documents were distributed to each of the member agencies' appointed water supply management representatives for review. The technical documents include the evaluations of the different water supply management projects that were assessed, including the information that supported the water transfer information presented to the board in the workshop.

The final report for Phase IIA is being prepared and will be provided to the Board at the July Board meeting. A study session on the results and conclusions from the report will be held at the July Board meeting.

The next step would be to present recommended actions to the BPC in August for discussion prior to requesting Board action in September

A fifteen page summary is included in the technical memos distributed to the Water Management Representatives.

- C. SFPUC Water Supply Improvement Program – Update: Ms. Sandkulla reported that BAWSCA is working with its technical consultants in preparing a mid-point review of the WSIP. The review will address important areas of understandings including what has gone well, what has not gone well, what challenges remain, and key project issues in those challenges.

The objective of the report is to layout conclusions and recommendations for moving forward with the next half of the program to ensure completion on time, scope and budget.

Ms. Sandkulla said she shared the outline with Julie Labonte who provided a helpful and thoughtful reply, and that the report may be completed in time for the May Board meeting.

Mr. Jensen stated that Julie Labonte was very positive in her comments about Nicole's work on the outline of this report and on Nicole's work on recommendations that have been provided to San Francisco throughout the first half of the WSIP. Julie said that BAWSCA's recommendations have been very helpful in improving SFPUC's management of the WSIP.

- D. Potential Bond Issuance to Pre-Pay Capital Debt Owed to SFPUC: In February, the Committee discussed the potential issuance of bonds by BAWSCA to pre-pay capital debt owed to SFPUC by BAWSCA's members. A brief discussion was held with the Board in march and a longer report will be made at the May Board meeting.

Mr. Jensen described provisions in the 2009 Water Supply Agreement related to pre-payment of the capital obligations, and specifically noted the wording: "...the agreement permits prepayment through BAWSCA, in whole or in part, without penalty."

BAWSCA completed a preliminary assessment and is currently in the process of hiring bond counsel to help determine whether the bond issuance is feasible and what actions would be needed for a successful bond issuance.

Work is underway with Assembly Member Hill's office with a bill, AB 2167, to expand BAWSCA's existing bonding authority to include issuance of bonds for this purpose.

The feasibility assessment will be completed in late Spring or early Summer. A recommendation to the Board will be presented in July or September.

Mr. Jensen reported that the State legislation, if passed and signed by the governor, would not be effective until January 1, 2013. The intervening time can be used to become prepared to issue bonds immediately after the first of the year, should the Board vote to do so.

Director Klein asked how the process can be expedited to take advantage of the favorable market conditions.

Mr. Jensen explained that BAWSCA began work on the legislation early this calendar year. Bond counsel is being brought on board using the CEO's discretionary spending authority for timely input to the feasibility analysis and to review the language in AB 2167. To expedite the effective date of the legislation, BAWSCA is considering whether or not to put urgency on the legislation which would require a higher vote in the legislature but would make the bill effective the day it is signed by the Governor.

Director Weed noted that a bond advisor and an underwriter would also be needed in addition to the bond counsel, and it would be wise to allocate time for the selection process for a bond advisor into the time schedule.

Director McLeod asked whether BAWSCA would have the opportunity to back out if the interest spikes up even after the authorities have been granted. Mr. Jensen stated that the leg-

islative authority would not compel the agency to issue bonds and that BAWSCA would only move forward if it would be to the advantage of the water customers.

Ms. Schutte stated that since BAWSCA has never issued bonds before, there is a lot of work that can be done while waiting for approval of the legislation, including developing the offering statements and reaching out to the IRS, if necessary, as those would be time-consuming elements of the process.

In response to Director Pierce's question, Ms. Schutte explained that an agreement between BAWSCA and each of the member agencies may not be needed and is not necessarily the best mechanism as it can be time consuming.

In response to Director Piccolotti's question, Mr. Jensen said that the bond issuance would have no impact on agency assessments to BAWSCA.

Director Klein pointed out that it may result in a slight reduction of the rates that San Francisco charges the wholesale customers.

Director Weed commented that in ACWD's recent experience with issuing bonds at \$47M, there was a nominal cost outside of the bond proceeds. He was surprised to see BAWSCA's \$400,000 estimated out-of-pocket cost. He asked whether the total amount of \$2M to issue bonds is a percentage of actual fixed cost or are contingency costs included.

Ms. Schutte explained that the financial advisors prepared the documents and included all potential expenses which were estimated at a high end because this is a first-time and unusual issuance for BAWSCA. Reviewing the issuance with San Francisco's bond counsel and disclosure counsel proved that it will be a challenging issuance

The \$400,000 is a preliminary estimate of BAWSCA's out-of-pocket cost, including getting rating agency letters, regardless of whether BAWSCA decides to move forward or back out from the bond issuance. All costs for the second round of work, provided that BAWSCA will move forward with the bonds, would be contingent and will not be paid until the deal closes.

A portion or possibly all of the \$400,000 could be attributed to the cost issuance if BAWSCA moved forward with the bonds.

- E. SFPUC Wholesale Water Rate Proposal – Status of agency comments and schedule for consideration by the SFPUC Commission: Mr. Jensen reported that the SFPUC distributed a report to its wholesale customers on its proposed rate structure and unit rate in February. BAWSCA met with the member agencies on March 1st, and submitted comments and suggestions to the SFPUC in April. Individual member agencies have submitted their comments to San Francisco separately. Mr. Jensen expects a report from the SFPUC that mirrors the comments and suggestions made by BAWSCA. The Commission hearing on the rates is scheduled for May 8th.

Mr. Jensen reported that San Francisco had evaluation criteria for looking at various rate structures and alternatives, but that those criteria reflected San Francisco's perspective. BAWSCA's comments included an evaluation based on criteria relevant to both San Francisco and the Wholesale Customers. BAWSCA also listed potential financial impacts to mem-

ber agencies that have not yet been fully examined. Mr. Jensen explained that the financial impacts were related to San Francisco's proposed mechanism that would allow San Francisco to raise rates at mid-year.

While some member agencies stated they were indifferent with respect to the size of the adjustment that the SFPUC was proposing in their report, BAWSCA's concern was that San Francisco would have ability to change a water rate structure in subsequent years with numbers that may or not be favored by some agencies.

BAWSCA suggested to avoid mid-year rate changes by setting rates on prudent, but not overly conservative water purchase estimates. Doing so could ensure that San Francisco would collect enough revenue and avoid the uncertainty and budgetary impacts of a change in rates in the middle of the year.

BAWSCA's comments also suggested a rational process for examining possible future changes in rate structure. The suggested process would envision San Francisco, BAWSCA and Wholesale Customers working together to identify their respective objectives, consider various possible rate structures, and evaluate them with criteria that are meaningful to both San Francisco and the Wholesale Customers. The member agencies support this approach.

BAWSCA will keep the agencies apprised.

Director Weed noted that ACWD sent a letter suggesting 135 mgd as the base line or a 9% increase. ACWD's budgeted amount is in excess of its contractual minimum. By reducing ACWD's purchases, the district will be able to stay within budget. However, that adds to the cumulative reduction in demand.

Director McLeod commented that with the rising cost of treating and making high quality water available, member agencies have a vested interest in ensuring the public has clear understanding of the value of having access to clean water, and not taking that privilege for granted.

Director Pierce stated that she has invited the CEO to share with the Redwood City Council with his presentation on why water rates increase when customers use less. She said it emphasizes that we are really paying for the infrastructure and the ability to have water. She believes that it might be beneficial for other councils to hear that presentation at their meetings when there is public presence and broadcast on local channel.

- F. Hetch Hetchy Reservoir – Protecting the Water Users: Chair Klein began the item by asking if there were any public comments. Spreck Rosekrans, Director of Policy for Restore Hetch Hetchy (RHH) stated that RHH is committed to restoring the Hetch Hetchy Valley. He said RHH fully understands that the water and power made possible by the reservoir will have to be replaced. It supports BAWSCA's goal of a reliable supply of high-quality water at a fair price. He said RHH has done technical studies, but has been unsuccessful at the political level and with the SFPUC. As a result, RHH is taking the issue to the San Francisco voters this Fall.

Mr. Rosekrans stated that the ballot initiative would establish a panel, on which BAWSCA would participate, to direct a study that would determine water supply options, costs, and implementation. RHH would like to work with BAWSCA.

RHH believes that the proposal to restore Hetch Hetchy is doable while maintaining a reliable supply of high-quality water to San Francisco and all of its Bay Area customers.

Mr. Jensen stated that BAWSCA's goal is to protect the water users outside of San Francisco who pay more than two-thirds of the cost of the system. If the measure passes, BAWSCA would immediately seek means to obtain a yes or no vote for the wholesale customers on whether any plan to drain the reservoir should go forward.

In the meanwhile, BAWSCA will continue to provide the Board, member agencies and others with factual information.

- G. Mr. Jensen announced that Home Depot reached out to BAWSCA and Bay Area water agencies to participate in their parking lot events that promote water efficient landscape products and practices. BAWSCA and other regional water agencies are participating at several of the locations within its service area between April and July. These events mirror those that took place in Southern California last year, which were driven by water agencies. The events in the Bay Area are driven by Home Depot.

Ms. Sandkulla noted that a bonus of participating in these events, besides water customers having access to water conservation program information for landscaping, is the relationship BAWSCA gets to build with Home Depot for its indoor water conservation programs.

Comments by Committee Members: Director McLeod stated that in reviewing the personnel policy, she was curious to know if BAWSCA has a policy that restricts solicitation for support during campaigns so that no pressure is put on staff. Ms. Schutte explained that AB 1234 includes mandatory restrictions on such activities.

Director McLeod commented on the FERC process, saying that she wanted to ensure that FERC based its analyses on current data for 1) projected demand of wholesale customers, and 2) environmental conditions. She said doing so would ensure the CEQA analysis was sound and could not be successfully challenged.

Director Pierce and Mr. Jensen noted that the last Board meeting packet included abbreviated minutes from January 19th meeting, showing only the actions taken by the Board. Mr. Jensen received no comments from Board members, and asked the committee whether they had a preference on how the Board Minutes and Board Policy Minutes should be written.

Director Weed stated that the action items on the Board minutes are sufficient, but that the Board Policy Committee summary report and minutes should continue to be complete so that Board members who are not part of the BPC can have reference of the discussion.

Mr. Jensen explained that Board Minutes are currently written to include action items as well as back and forth discussions by the board. While the minutes serve as a helpful reference for those who were absent or who want to refresh their memories of what was discussed, it can be

time consuming to produce. Mr. Jensen noted the Board meetings are recorded and transcribed and those materials can be made available for reference.

Director O'Connell stated that it is valuable to have the Board Policy Committee summary report and minutes to be full so that readers can get a grasp of how much the Committee delved into each issue before making a recommendation to support or not support an item. Action minutes for the Board minutes are sufficient, unless there is significant discussion of an item that is worth including.

Director Weed suggested including the numbers of ayes and the nays for each vote, when necessary, and to record the results of roll call votes.

Director O'Connell announced that San Bruno will host two pilot projects and landscape workshops in front of the fire station on El Camino in May.

Mr. Anderson reported that Stanford has a symposium on April 16th to discuss the interrelationship between water, food, energy and climate. Breakout sessions will be led by students, faculty and staff. The event will be from 12:30-6:30pm in the alumni center.

Director Weed stated that he has asked ACWD's consultants to develop "no irrigation" commercial landscape alternatives that are currently not allowed in local city ordinances in that district's service area.

There are two upcoming ACWA meetings, and the first one directly related to the SFPUC is a tour of the Sunol Valley Projects on June 5th. The ACWA spring meeting will be in Monterey on May 9 through 11th.

Director McLeod announced that there is a movie titled "Last Call of the Oasis" which highlights the international water crisis.

Adjournment: The meeting was adjourned at 3:00pm. The next meeting is June 13th.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – April 11, 2012

Roster of Attendees:

Committee Members Present

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
Jamie McLeod, City of Santa Clara
Irene O’Connell, City of San Bruno (BAWSCA Vice-Chair)
Tom Piccolotti, North Coast County Water District
Barbara Pierce, Redwood City (BAWSCA Chair)
John Weed, Alameda County Water District

Committee Members Absent

Randy Breault, City of Brisbane/GVMID

BAWSCA Staff:

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

Public Attendees:

Peter Drekmeier	Tuolumne River Trust
Nico Procos	City of Palo Alto
Spreck Rosekrans	Restore Hetch Hetchy
Michelle Sargent	San Francisco Public Utilities Commission

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING
March 15, 2012 – 7 p.m.
Foster City Community Building, Foster City CA**

MINUTES

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

BAWSCA Chair, Barbara Pierce, called the meeting to order. Art Jensen, called the roll. Eighteen (18) members of the Board were present, constituting a quorum. A list of directors present (18) and absent (8) is attached.

2. Comments by the Chair: Comments were provided by Chair Pierce

3. Board Policy Committee Report: Committee Vice-Chair Rob Guzzetta provided a report on the BPC meeting held February 8, 2012.

4. Public Comments: Public comments were received from Wynn Greich and Micheal Francois.

5. Consent Calendar: Director Griffith requested that Item #5D be pulled off of consent.

Director Kasperzak made a motion, seconded by Director Laporte, that the Minutes of the January 19, 2012 meeting be approved, and the Budget Status Report and Investment Report as of January 31, 2012 be received and filed. The motion passed with Directors Vella and Kasten abstaining from approval of the Minutes.

Director Griffith stated that while he has no objection to what is being proposed for John Ummel, he asked if BAWSCA could have been more prepared, avoid taking this course of action, and whether there are steps that can be taken for better succession planning.

Mr. Jensen stated that John announced his retirement over a year ago, and because no one reports to that position who could be trained, an element in the budget was approved by the Board last May to allow for an overlap so he can train the new person. Interviews have been held and a well-qualified person has accepted the position. Many of John's duties depend on the timing of the fiscal year, and BAWSCA intends to employ John for the balance of the year as well as have him on call during the next fiscal year to train the new person.

Director Griffith moved the item, seconded by Director Kasten, to adopt Resolution 2012-02 appointing John Ummel as Senior Administrative Analyst Emeritus. The motion carried unanimously by roll call vote.

6. Action Calendar:**A. Resolution Honoring John Ummel for his Retirement after 17 years of Service for BAWSCA:**

Director O'Mahony made a motion, seconded by Director Laporte, to adopt Resolution 2012-03 honoring John Ummel for his 17-year service and contributions to BAWSCA as Senior Administrative Analyst. The motion carried unanimously by roll call vote.

Directors O'Mahony, Laporte, Quigg, and Guzzetta, Art Jensen, and Peter Drekmeier, Bay Area Program Director for Tuolumne River Trust, expressed their appreciation for John Ummel's services.

7. SFPUC Report: SFPUC General Manager, Ed Harrington.

8. Reports: The CEO and staff provided reports on the following items:

A. Preliminary Fiscal Year 2012-13 Work Plan and Budget

B. Announcement: FY 10-11 Statement of Economic Interest FPPC Form 700

9. Study Session: Long Term Reliable Water Supply Strategy by Nicole Sandkulla

10. Closed Session: The meeting adjourned to closed session at 8:40pm.

11. Open Session: The meeting reconvened to Open Session at 9:31pm. There were no actions taken during closed session and no items to report.

12. Date, Time and Location of Next Meeting: The next meeting is scheduled on May 17, 2012, in the Wind Room, Foster City Community Center.

13. Adjournment: The meeting adjourned at 9:32pm.

Respectfully submitted,

Arthur R. Jensen,
Chief Executive Officer

ARJ/le

Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board of Directors Meeting
March 15, 2012

Attendance Roster

Present:

Ruben Abrica	City of East Palo Alto
Robert Anderson	Purissima Hills Water District
Randy Breault	Guadalupe Valley Water District
Charlie Bronitsky	City of Foster City
Tom Chambers	Westborough Water District
Kelly Fergusson	City of Menlo Park
Armando Gomez	City of Milpitas
Jim Griffith	City of Sunnyvale
Rob Guzzetta	California Water Service Company
Mike Kasperzak	City of Mountain View
Tom Kasten	Town of Hillsborough
Marty Laporte	Stanford
Irene O'Connell	City of San Bruno
Rosalie O'Mahony	City of Burlingame
Barbara Pierce	City of Redwood City
Dan Quigg	City of Millbrae
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District

Absent:

Ken Coverdell	Coastside County Water District
Michael Guingona	City of Daly City
Larry Klein	City of Palo Alto
Jamie McLeod	City of Santa Clara
Tom Piccolotti	North Coast County Water District
Bill Quirk	City of Hayward
Chuck Reed	City of San Jose
Sepi Richardson	City of Brisbane

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

TO: Arthur R. Jensen, CEO
FROM: Deborah Grimes
DATE: May 11, 2012
SUBJECT: Operating Budget Status Report as of March 31, 2012

This memorandum shows fiscal year budget status for FY 2011-12. It includes major areas of spending, provides an assessment of the overall budget, and summarizes reserve fund balances. This report covers the budget and expenses for BAWSCA. The BAWSCA budget includes necessary resources for the RFA and BAWUA.

Operating Budget Summary:

For the nine month period ending March 31, 2012, or 75 percent through the fiscal year, total expenditures were \$1,663,047 or 63 percent of the total budget of \$2,619,705. At this time, about \$275,000, or 10 percent of the budget, will be unspent at the end of this fiscal year.

Table 1. Operating Budget Summary as of March 31, 2012

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	833,930	540,851	61%
Fair Pricing	233,00	124,140	53%
Administration	112,000	110,290	98%
Subtotal	1,178,930	775,280	66%
Administration and General			
Salary & Benefits	1,075,875	724,575	67%
Other Expenses			
BAWSCA	258,900	163,006	63%
BAWUA	1,100	0	0%
Subtotal	2,514,805	1,662,861	66%
Capital Expenses	6,000	0	0%
Budgeted Contingency	97,500	0	0%
Regional Financing Authority	1,400	187	13%
Grand Total	2,619,705	1,663,047	63%

Overview:

Overall expenditures are tracking within budget.

Consultants

The \$160,000 budget for technical review and tracking of the SFPUC’s Water System Improvement Program was 63 percent expended. The Operating Budget allocation of \$190,000 for strategic counsel, was 65 percent expended. The Operating Budget allocation of \$390,000 budget for legal counsel was 90 percent expended. Considerable legal work has been required to address the potential bond issuance, legislation and other matters. By reprioritizing legal assignments and processing a contract amendment within the CEO’s spending authority, necessary legal expenses can be accommodated through the end of the year. Expenditures for strategic and legal support of the Long-Term Reliable Water Supply Strategy are within their respective budgets. The \$293,930 budget for water management and conservation-related activities was 47 percent expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 67 and 63 percent expended, respectively.

Use of CEO’s Discretionary Spending Authority:

A \$500 donation was made in February to sponsor a Water For People fundraising event that took place on May 7th. This donation was mentioned in the March CEO letter. To provide necessary support of water conservation programs, an amendment adding \$977 to the contract with Ed Cooney’s services was approved by the CEO in April. This change will appear in the budget status report for the period ending June 30, 2012. In May, the CEO also signed a contract with Orrick, Harrington and Sutcliff for initial bond counsel services. This contract will also be reflected in the budget status report for the period ending June 30, 2012.

Use of Reserve Fund Balance:

In accordance with the adoption of the annual budget in May 2011, the Board approved transferring \$38,005 from the reserve to fund the FY 2011-12 budget if needed. The BAWSCA General Reserve balance shown below does not reflect this transfer but does include a transfer into the General Reserve of \$435,324 of unspent funds from FY 2010-11. The balance also reflects the withdrawal and refunding of funds that were in excess of the General Reserve guidelines. That amount, \$172,190, was refunded to the member agencies per Board action at the September Board Meeting.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 01/31/12)	Account Balance (As of 03/31/12)
General Reserve	\$916,897	\$916,897

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

Phase 2 of the Long-Term Reliable Supply Strategy (Strategy) began FY 2010-11. Funding is provided through the Water Management Charge, approved by the Board in July 2010. As of March 31, 2012, all Water Management Charge revenue, totaling \$2,321,998 has been collected by the SFPUC and received by BAWSCA. Consultant invoices received and paid during through March 31, 2012 total \$972,042.

BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors

FROM: Arthur R. Jensen, Chief Executive Officer

DATE: May 10, 2012

SUBJECT: Investment Report – As of March 31, 2012

In February 2004, the Board originally adopted an investment policy consistent with the Government Code that requires a quarterly report on the Agency's investments be provided to the Board within 30 days after the close of each quarter. The Board most recently reviewed and revised the investment policy at the July 21, 2011 Board meeting. This report presents fund management in compliance with the current investment policy.

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

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

<u>01/31/12</u>	<u>03/31/12</u>
\$2,941,307	\$3,311,307

Of the total in the BAWSCA LAIF account as of March 31, 2012, \$916,897 represents BAWSCA's General Reserve Fund, equivalent to approximately 35 percent of FY 2011-12 Operating Budget. The remaining amount consists of Subscription Conservation Program funds, Water Management funds and unrestricted funds.

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

<u>12/31/11</u>	<u>03/31/12</u>
0.38%	0.38%

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors

FROM: Arthur R. Jensen, Chief Executive Officer

DATE: May 10, 2012

SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending March 31, 2012

In March 2006, the board adopted a directors' expense reimbursement policy consistent with the Government Code that requires a quarterly report on the Agency's reimbursement of directors' expenses. This report shall show the amount of expenses reimbursed to each director during the preceding three months.

There were no director expenses reimbursed for the quarter ending March 31, 2012.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Authorize Agreement to Implement Grant Funding for Regional Water Conservation Programs**

Summary:

In 2011, on behalf of multiple public agencies in the nine-county Bay Area, including BAWSCA, the Bay Area Clean Water Agencies (BACWA) submitted a \$30M grant request to the California Department of Water Resources (DWR) for a Proposition 84 Integrated Regional Water Management (IRWM) Implementation Grant. In September 2011, DWR notified BACWA that this grant was selected for funding. Included in the grant request was \$8,952,685 for regional water conservation programs. BAWSCA's share of this grant is \$863,000 to be applied to high-efficiency washing machine rebates, high-efficiency toilet rebates, and lawn replacement rebates. The grant funds will be used to offset a portion of the cost paid to customers to implement these programs.

Although BACWA was the grant applicant and will enter into the agreement with DWR for grant implementation, Solano County Water Agency (Solano CWA) will be the lead agency for the water conservation portion of the grant. In order to receive its portion of the grant award, BAWSCA will need to enter into a Memorandum of Understanding (MOU) with Solano CWA. The MOU describes the roles and responsibilities of Solano CWA as the lead agency, as well as the roles and responsibilities of BAWSCA and the other regional water agencies. The MOU also describes the schedule and process for all reporting and other requirements that are part of the grant implementation process.

Fiscal Impact:

There is no financial cost to BAWSCA to receive the grant funds from DWR and all costs to administer the grant disbursement, including budgeted BAWSCA staff time, will continue to be billed to the member agencies that participate through BAWSCA. There is a financial benefit to the participating BAWSCA member agencies of \$37.50 per washing machine rebate, \$75 per high-efficiency toilet rebate, and \$0.37/square foot of lawn replaced paid to customers.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager, subject to legal counsel's review of the final documents, to enter into an interagency MOU with Solano CWA for the grant-administration of Proposition 84 grant funds to support BAWSCA's Washing Machine Rebate Program, High-Efficiency Toilet Rebate Program, and Lawn Be Gone! Rebate Program.

Discussion:

In September 2011, a State Proposition 84 Integrated Regional Water Management (IRWM) grant was awarded to the Bay Area Clean Water Agencies (BACWA) for \$30,093,592. BACWA applied for the grant on behalf of multiple public agencies in the nine-county Bay Area including BAWSCA. Within that total grant was a specific allocation of \$8,952,685 for the regional water conservation programs. BAWSCA's share of the grant is \$863,000 to be allocated as shown in Table 1.

Table 1: Details of Grant Award to BAWSCA

<u>BAWSCA Program</u>	<u>High-Efficiency Washer Rebates</u>	<u>High-Efficiency Toilet Rebates</u>	<u>Lawn Replacement Rebate Program - Lawn Be Gone!</u>
Total Grant Award	\$353,000	\$360,000	\$150,000
Unit Reimbursement	\$37.50/rebate	\$75/rebate	\$0.37/sq. ft.
Potential # of Customer Accounts Benefitting	Up to 9,400	Up to 4,800	Up to 1,400

Several actions need to be taken in order for BAWSCA to receive its portion of grant funds received from the California Department of Water Resources (DWR). First, as the grant applicant, BACWA must enter into a grant agreement with DWR for access to the entire grant. Second, for each of the major funding areas of the grant to BAWCA, a local lead agency was included in the grant request to be responsible for all financial and other accounting associated with the grant implementation. Each of these lead agencies must enter into a Memorandum of Understanding (MOU) with BACWA clarifying roles and responsibilities. For the water conservation portion of the grant, Solano County Water Agency (Solano CWA) agreed to be the lead agency. Third, in order to have access to this Proposition 84 grant funding, BAWSCA will need to enter into a different (but similar) MOU with Solano CWA as the lead agency for the water conservation portion of the grant. Each of these MOU's and the grant agreement are still in draft form. They will be reviewed by BAWSCA's Legal Counsel in the coming months prior to execution.

The current schedule calls for the necessary agreements to be finalized and signed by June 30, 2012 so that grant-funded programs can be launched on July 1, 2012. BAWSCA will make these grant funds available to its member agencies on a first come-first served basis through implementation in the applicable conservation programs and will be retroactive back to August 16, 2011.

Alternatives to Recommended Action

Not Enter into an MOU with Solano CWA: An alternative to the recommended action would be for BAWSCA to not enter into an MOU with Solano CWA for the management of the awarded DWR grant funds. This alternative is not recommended as such an MOU is necessary to secure the flow of grants funds and therefore would result in BAWSCA and its member agencies being unable to access the awarded grant funds.

Background:

This is the fourth DWR grant for regional water conservation in which BAWSCA has been a participant. Prior grants included a Proposition 13 grant and two Proposition 50 grants. In each of these prior grants, similar MOUs were necessary to enable a single water agency to be the signatory with DWR for receipt of the grant awards. In all prior cases, the grants were for a single water conservation program – the Bay Area Residential Washing Machine Rebate Program. This grant award is the first multiple conservation program award in which BAWSCA has participated.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Proposed Fiscal Year 2012-13 Work Plan and Budget**

Summary:

This memorandum presents a recommended Work Plan and results to be achieved during FY 2012-13, a recommended Operating Budget, and a recommended funding plan.

The Work Plan remains aligned with BAWSCA's legislated authority and its three goals: a reliable supply of high quality water at a fair price.

The agency's three major sources of revenue are annual assessments, payments for subscription-based water conservation services, and the Board-approved Water Management Charge.

The recommended FY2012-13 Operating Budget is \$2,585,504, about 1.3% less than the FY2011-12 budget. This budget could be funded without increasing the level of assessments for the fourth year in a row.

The projected General Reserve balance is expected to exceed the Board's guideline. An approach maintaining the balance within the guideline is presented.

In addition to the recommended Work Plan, Operating Budget and funding plan, alternatives are provided for comparison.

Prior Board and Board Policy Committee Action:

The recommended Work Plan and Operating Budget presented in this memo reflect refinements made since the March Board meeting as explained in this memorandum. The total size of the Operating Budget remains substantially unchanged.

Board Policy Committee Action:

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

Recommendation:

That the Board approves:

- 1. The recommended Work Plan for FY 2012-13**
- 2. The Operating Budget of \$2,585,504**
- 3. No change in the level of assessments**
- 4. The plan for managing the General Reserve balance presented in this memorandum.**

Proposed Work Plan:

The proposed FY 2012-13 Work Plan addresses all forward-looking issues discussed with the Board Policy Committee in December and with the Board in January.

The list of results to be achieved assumes that the feasibility of issuing bonds has been determined by mid-summer of calendar 2012 and that a decision on whether or not to move forward can be made in August and September of 2012.

Other major activities that affect the Operating Budget include efforts to protect water supply reliability for customers outside San Francisco, active participation in the relicensing of New Don Pedro Reservoir to protect regional water supplies, completing Phase II A of the Long-Term Reliable Water Supply Strategy, and moving forward on initial actions to improve drought reliability.

Table 1 lists all of the major results to be achieved. The activities are grouped according to the benefits they would provide.

Revisions made following the March Board meeting include:

1. Reduced the budget set aside for legislative activity, with the possibility of a mid-year re-allocation or adjustment to the budget if significant legislative or other activity is needed.
2. Participation with SFPUC to provide tours for members of the Board and others. No budget adjustment is needed, as funding could be made available from the budgeted contingency.
3. Finalized salary and benefit amounts, including the agreed-upon salary for the new Senior Administrative Analyst.
4. Reallocated \$20,000 from the total budget for consultants to the budget for part-time employee salaries to conform to legal counsel's advice on the most appropriate way to provide these services. Finalized budgets for consulting services.
5. Reduced the budgeted contingency to reflect the recommendation to not create a contingency pool for a portion of as-needed consultant contracts.
6. Discussed with Ed Harrington the possibility of the SFPUC initiating a significant rate structure analysis this coming year. He suggested that if anything of that sort were done, next year should be spent considering goals and objectives for such an effort, and that a study, if undertaken, would be scheduled and funded for a subsequent year.

Table 2 lists the items that are not included in the Work Plan or Operating Budget. Any of these items could be added to the Work Plan and budget at a later date, if needed.

Table 1. Results to be Achieved in FY 2012-13

RELIABLE SUPPLY -- WATER SUPPLY MANAGEMENT PROGRAM

1. Long-Term Supply Solutions: Ensure a reliable, high quality supply of water is available where and when needed.

- a. Reliable Water Supply Strategy – Complete Phase II A of the Long-Term Reliable Water Supply Strategy to ensure supply reliability through the year 2035, including evaluation of projects to pursue, present policy-decisions for board consideration, review and compilation of projected population and water demands from member agency UWMP.
- b. Drought Reliability – Pursue projects that would enhance near-term drought reliability for all agencies.
- c. Consistent and Defendable Regional Planning – Select a uniform method for projecting future water needs of agencies for development in FY 2013-14. Application of the selected method would be included in the Work Plan for the following year.

2. Near-term Supply Solutions: Water Conservation

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

3. Facility Reliability: Monitor the SFPUC's Water System Improvement Program

- a. Monitor WSIP scope, cost and schedule as San Francisco continues an aggressive construction schedule through 2015. Press the SFPUC and the city's political leadership to meet the city's adopted schedule, satisfy the requirements of AB 1823 and respond promptly to BAWSCA's reasonable requests. Focus resources from technical review to monitoring project and program performance during construction.

4. Protect Members' Interests in a Reliable Water Supply

- a. Proponents of draining Hetch Hetchy Reservoir – Assess risks associated with efforts to drain the reservoir and take actions needed to protect water supply reliability for water customers.
- b. FERC – Ensure resources for legal and technical monitoring and intervention in the FERC Re-licensing of New Don Pedro Reservoir are sufficient to protect the customers' long-term interests in Tuolumne River water supplies.
- c. MID/SFPUC water transfer – Protect members' water supply and financial interests.

5. Take Actions to Protect Members' Water Supply Interests in the Administration of the 2009 Water Supply Agreement

- a. Pursue amendment of the Tier 1 drought allocation formula with SFPUC.
- b. Amend the Water Supply agreement with San Francisco to revise the completion date for the WSIP.

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

- a. Implement use of Proposition 84 grant funds awarded for water conservation programs.

FAIR PRICE

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

- a. Administer the Water Supply Agreement with San Francisco to protect interests of members and their customers in a fair price for water purchased from San Francisco.
- b. Consider whether Wholesale Customers would benefit from BAWSCA issuing bonds to retire capital debt owed to San Francisco.
- c. Coordinate input to goals and objectives for future examination of alternative wholesale water rate structures. [Note 1]

HIGH QUALITY WATER

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

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

AGENCY EFFECTIVENESS

9. Maintain Community Allies and Contacts with Environmental Interests

- a. Maintain close relationships with BAWSCA's powerful allies (state legislators, business, labor, local government, water customers, and the media) and activate them if necessary to safeguard the health, safety and economic well-being of residents and communities. Respond to requests from local legislators. Maintain a dialogue with responsible environmental and other groups, who will participate in the project permitting and approval process for rebuilding the system.
- b. In conjunction with San Francisco, conduct or co-sponsor tours of the water system for selected participants. [Note 2]

10. Manage the activities of the agency professionally and efficiently

Note 1: Item on wholesale water rate structure added following the SFPUC's solicitation of input on rate structures at the February 24, 2012 Annual Meeting and modified after discussion with SFPUC General Manager.

Note 2: Item on tours of the water system added following discussion with the Board Policy Committee on February 8, 21012.

Table 2: Activities Not Included in Proposed Operating Budget for FY 2012-13

Reliable Supply

1. Acquiring and wheeling water to respond to lesson drought reductions in FY 21012-13.
2. Conducting independent analysis of why water use has declined in recent years.
3. Engaging in extended or complex applications 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. Introducing new legislation or supporting/opposing legislation initiated by others. If needed, the agency could support major legislative efforts by redistributing resources, using 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.
6. Supporting 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. Developing alternative wholesale rate structures that the SFPUC might consider. Actions will be limited to development of goals and objectives relevant to Wholesale Customers, and facilitating communication with SFPUC.
10. Researching alternative retail rate structures that member agencies might consider to stabilize water rates and water revenues.
11. Arbitrating issues related to the 2009 Water Supply Agreement.

High Water Quality

12. Performing technical work related to water quality and San Francisco's treatment of the water it delivers to the BAWSCA agencies.
13. Advocating changes to water quality regulations or the manner in which San Francisco treats water for drinking and other purposes.

Agency Efficiency

14. Adding resources to support additional Board, Board committee or technical committee meetings.
15. Conducting tours of the Regional Water System. The Preliminary 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.

Recommended Operating Budget:

The Operating Budget was refined and finalized following the discussion of the preliminary budget and budget alternatives with the Board of Directors at its March Board meeting. The proposed Operating Budget can be funded without increasing the level of assessments. As discussed below, if future budgets were of comparable size, consideration would need to be given to reducing the size of assessments.

The Operating Budget needed to accomplish the proposed Work Plan is approximately \$2,585,504, which is 1% lower than the current year’s budget.

**Table 3. Proposed Operating Budget
by Major Expense Category**

Expense Category	Approved FY 2011-12 Budget, dollars*	Proposed Estimate FY 2012-13 Budget, dollars	Difference, dollars
Consultants/ Direct Expense			
Reliability	833,930	835,162	1,232
Fair Pricing	233,000	195,000	(38,000)
Administration	112,000	91,000	(21,000)
<i>Subtotal</i>	1,178,930	1,121,162	(57,768)
Administration			
Employee Salaries & Benefits	1,075,875	1,099,742	23,867
Operational Expenses	258,900	280,600	21,700
BAWUA	1,100	1,100	0
<i>Subtotal</i>	1,335,875	1,381,442	45,567
Total Operating Expenses	2,514,805	2,502,604	(12,201)
Capital Expenses	6,000	4,000	(2,000)
Budgeted Contingency	97,500	77,500	(20,000)
Regional Financing Authority	1,400	1,400	0
Grand Total	2,619,705	2,585,504	(34,201)

*As amended by the Board on January 19, 2012.

Salaries and Benefits

The proposed Operating Budget includes salary adjustments for some positions which were deferred last year, and COLA adjustments to top-step salaries for positions other than the CEO. The Cola index used by BAWSCA is the December value for the Consumer Price Index for Urban Wage Earners and Clerical Workers in the San Francisco-Oakland-San Jose, and was 3.10 in December 2011. COLA increases for employees are not automatic but can be granted by the CEO on the basis of merit.

Possible Issuance of Bonds to Prepay Old Capital that Wholesale Customers Owe San Francisco

As discussed with the Board at the January and March Board meetings, the Water Supply Agreement amortized repayment of old capital investments over the 25-year term of the agreement. The Agreement allows the Wholesale Customers to prepay that debt, without penalty, through BAWSCA.

BAWSCA is currently investigating the feasibility of issuing bonds for this purpose. The entire outstanding debt is approximately \$370 million. Due to the difference between the interest agreed to in the Water Supply Agreement and current market rates, Wholesale Customers, and their end users, could benefit if or even a portion of this debt were prepaid.

The total cost of issuing bonds could exceed \$2 million, and is one important consideration in determining the value to the water customers and whether to proceed. A preliminary estimate of one-time costs that would need to be funded prior to the issuance of bonds is \$435,000. Other costs of issuance could be paid on a contingent basis, meaning that they would be paid if bonds were issued and would be paid out of the bond proceeds.

The proposed Operating Budget excludes one-time costs associated with issuing bonds. If the issuance of bonds is determined to be feasible, and the Board decides to proceed, the one-time costs can be funded from the General Reserve.

A variety of factors may affect the feasibility and timing of moving forward. Feasibility is being examined at this time, and it should be possible to bring a recommendation to the Board Policy Committee in August and to the Board in September 2012

If bonds were ultimately issued next fiscal year and the General Reserve was used to fund the issuance of bonds, the projected FY 2012-13 year-end General Reserve balance would be approximately 30% of the proposed Operating Budget, or 5% below the 35% guideline.

On the other hand, if a decision were made to not issue bonds, the projected year-end General Reserve balance would approach 48% of the Operating Budget, well in excess of the 35% guideline. In this event, the CEO would recommend refunding at least \$435,000 to the member agencies and reducing assessments about 7% for the following fiscal year, FY 2013-14. These actions would maintain the General Reserve balance within the Board's policy guidelines if the future budgets were of comparable size and no unexpected expenditures were incurred.

Funding the Budget and Managing the General Reserve Balance:

A plan has been created to bring the General Reserve balance within the Board's guidelines within the next year. For a budget of \$about \$2.6 million, the General Reserve balance at the end of the fiscal year should be no more than about \$910,000.

The proposed FY 2012-13 Operating Budget is approximately \$2.6 million. While annual expenditures vary depending on actual work loads, historical annual expenditures run about 10% under budget. For a budget of \$2.6 million, this means actual expenditures might average about \$2.35 million.

Current assessments total roughly \$2.52 million, meaning that income exceeds actual expenditures, resulting in a gradual increase in the General Reserve balance. If future budgets remain at \$2.6 million, and actual expenditures were 90% of the budget, then the level of assessments will need to be reduced at some point in time. A 7% reduction in assessments beginning FY 2013-14 was suggested in the preliminary budget memo in March.

The latest estimate for FY 2011-12 is that spending through the end of the year will be about 10 to 11% under budget. If this estimate is realized and no other action was taken, the General Reserve balance would reach \$1,192,000, or about 46% of the Operating Budget at the beginning of FY 2012-13. The Board guideline is for the General Reserve balance to be no more than 35% of the budget.

There are several alternatives for bring the balance into compliance with the Board's guideline.

Alternative #1: General Reserve used to cover out-of-pocket bond issuance costs. If the Board decides to issue bonds during FY 2012-13, and to fund the estimated \$435,000 of bond issuance costs from the General Reserve, the balance would drop to \$757,000, or 29% of the Operating Budget.

At the end of FY 2012-13, any unspent budget would be returned to the General Reserve. If spending next fiscal year is 10% under budget, the General Reserve would increase to approximately \$1,017,000, or about 39% of an Operating Budget of \$2.6 million.

Because this percentage exceeds the Board's guidelines, any excess balance could be refunded to the agencies once the bond issuance costs had been paid. For the current estimate of bond issuance costs, that refund would be about \$107,000. To maintain the balance within the Board guidelines, the Board would also need to reduce assessments by 7% beginning FY 2013-14.

Alternative #2: General Reserve used to cover out-of-pocket bond issuance costs plus an immediate 7% reduction in assessments. Another alternative would include reducing assessments 7% effective immediately. This reduction would lower the projected balance at the end of FY 2012-13 by about \$180,000. This option is not recommended for two reasons: the out-of-pocket bond issuance cost of \$435,000 is a rough estimate at this time. In addition, it will not be known until November 2012 if efforts to drain Hetch Hetchy will result in the need to fund legislative or other actions. The recommendation is to wait to see how those two, potentially costly activities develop.

Alternative #3: Bonds are not issued. If bonds are not issued, the General Reserve balance would far exceed the Board's guideline.

If a decision is made to not issue bonds, a larger refund would need to be made to BAWSCA's members, in addition to a 7% reduction in assessments.

Alternative #1 is recommended. Given the possibility of large one-time expenditures to benefit water customers, no immediate action to reduce assessments is recommended at this time.

Additional Attachments:

Attached to this memo are several appendices (A-I) which present additional detail about the Operating Budget.

Appendices

Appendix A: Funding for Subscription Conservation Programs

As in prior years, a portion of operating expenses would be reimbursed by agencies that participate in BAWSCA’s subscription water conservation programs. The staff time to be devoted to those programs during FY 2012-13 is estimated to be 617 hours. The reimbursement for those hours is estimated to be \$24,000. Agencies participating in subscription programs also pay for associated consultant support and direct expenses. As in prior years, those consultant costs and direct expenses are not included in the Operating Budget.

Appendix B: Funding for the Long-Term Reliable Water Supply Strategy

The Operating Budget does not include the cost of consulting services for developing the Long-Term Reliable Water Supply Strategy, which is being funded through the Water Management Charge authorized by the Board in July 2010. A summary of the current budget status will be included in the preliminary budget report to the Board in May.

Appendix C: Value for the Cost

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

Appendix D: Historical Assessments

Table 5 displays the history of assessments and year-end reserves.

Table 5. Historical Annual Assessments and Year-End Reserves

Fiscal year	Assessments	Year-End Reserves ¹
2003-04	\$1,668,550	\$276,480
2004-05	\$1,641,995	\$246,882
2005-06	\$1,953,998	\$240,000
2006-07	\$2,117,904	\$654,000
2007-08	\$2,117,904	\$691,474
2008-09	\$2,309,000	\$507,474
2009-10	\$2,517,000	\$407,192
2010-11	\$2,517,000	\$653,763
2011-12	\$2,517,000	\$1,192,000 (est.) If no action were taken

1. For an Operating Budget of about \$2,600,000, the General Reserve should be no greater than \$910,000 to comply with the Board’s 35% guideline.

Appendix E: Proposed Budget for the Bay Area Water Users Association (BAWUA)

BAWSCA predecessor, the Bay Area Water Users Association (BAWUA) continues to exist because it is cited in the Charter of the City and County of San Francisco as one entity that is able to appoint a member to the SFPUC Revenue Bond Oversight Committee. The agency has no assets. It is provided a small budget each year in the event that legal support or other activity is needed to support its existence. Historical annual expenditures are less than \$1,000. A budget of \$1,100 appears in the BAWSCA budget.

Appendix F: Proposed Budget for the Regional Financing Authority Budget

The BAWSCA Board of Directors has continued to agree to fund nominal administrative costs for the Regional Financing Authority (RFA), at least until it became more actively involved and required significant resources. Assuming a low level of activity in FY 2012-13, the proposed RFA budget is \$1,400. The RFA will formally consider and adopt this budget in July 2012.

Appendix G: History of Salary and Benefits Adjustments

Salary adjustments have been deferred for several years given the recent history of economic conditions and the sacrifices made by several member agencies.

FY 2011-12: The Operating Budget included no adjustment to the salary for any employee for COLA, merit or any other reasons. A salary survey conducted in 2010 determined that two positions were approximately 4 and 5 % below the market median for comparable positions. No adjustments to salary ranges or salaries were made to reflect the survey results.

FY 2010-11: The Board approved a 3.01 percent increase to the top step of staff salary ranges. Those adjustments were consistent with the December value for the Consumer Price Index for Urban Wage Earners and Clerical Workers in the San Francisco-Oakland-San Jose. COLA increases for employees are not automatic but can be granted by the CEO on the basis of merit.

FY 2009-10: There was no COLA adjustment. An allowance for merit adjustments was budgeted for employees not yet at top step.

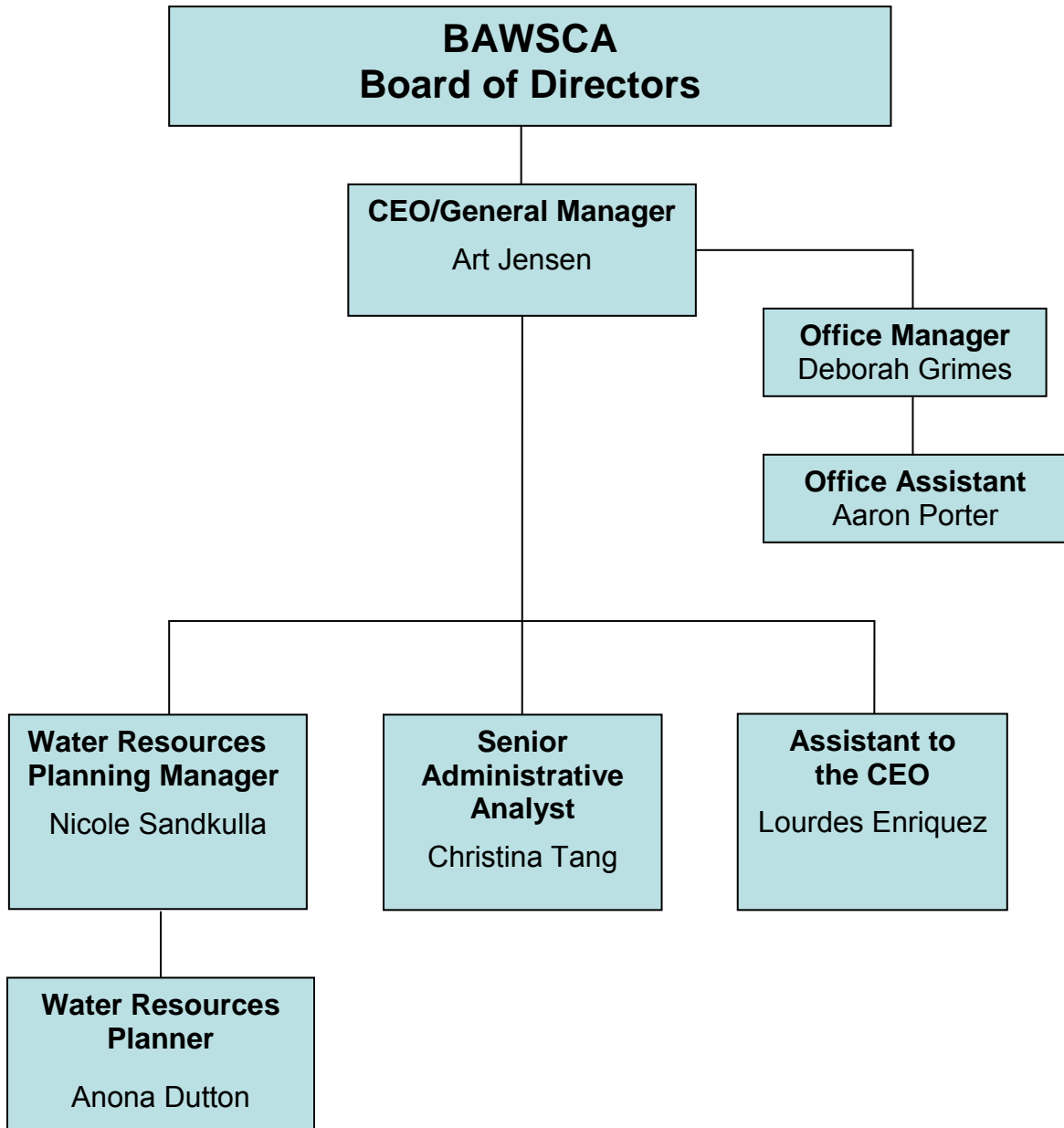
Appendix H: Uses of Professional Services. Outside professional services are used to provide specialized services and augment staff.

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

- 5. Accounting/auditing expertise to assist with implementing the new water agreement, as well as an independent auditor to prepare and review annual financial statements.

Appendix I: Organization and Staffing. Figure 1 represents the current reporting relationships in the organization. No new positions are proposed in the preliminary FY 2012-13 Operating Budget. The staffing level has not changed in eight years.

Figure 1. Organization Chart



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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: Approval of Professional Services Contracts for Fiscal Year 2012-13

Summary:

Outside professional services are used for legal, engineering, financial, strategic and water conservation support of BAWSCA's programs and objectives for FY 2012-13. To ensure work continues without interruption, ten contracts need to be in place by July 1, 2012.

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

Following consideration and adoption of a budget for FY 2012-13, the Board will consider each of the ten contracts. Other consulting services that may be needed to complete this year's Work Plan will be brought to the Board for authorization during the year.

Fiscal Impact:

The proposed FY 2012-2013 Operating Budget contains a total of \$1,123,162 for outside professional services to support BAWSCA, and \$2,000 to support the RFA and BAWUA. The combined budget for the ten professional services contracts needing to be in place on July 1, 2012 is \$886,000. The balance of professional services included in the Operating Budget is for services that will be needed later in the year and authorization would be considered by the Board at a later date.

Board Policy Committee Action:

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

Recommendation:

That the Board approve the ten contracts for legal, engineering, financial, strategic and water conservation services needing to be in place by July 1, 2012.

Discussion:

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

A separate memorandum for each professional service contract presents the qualifications of the service providers and the scopes of work for FY 2012-13. BAWSCA's standard form of contract will be used as the basis for each contract.

Table 1 summarizes the costs for ten professional services contracts needed in place by July 1, 2012: The combined budget for these professional services is \$886,000.

Table 1: Annual Professional Services Funded Through the Operating Budget		
<u>Services Provided</u>	<u>FY 2011-12</u>	<u>Proposed FY 2012-13</u>
Legal Counsel (Hanson Bridgett, LLP) ¹	\$390,000	\$451,000
Strategic Counsel (Bud Wendell) ¹	\$190,000 ²	\$150,000
Engineering – WSIP Cost, Schedule, and Construction Management (Terry Roberts)	\$135,000 ²	\$140,000
Engineering - Contract Administration Water Use Analyses – (Stetson Engineering)	\$43,000	\$45,000
Engineering/Financial – Water Supply Agreement (Hilton Farnkopf Hobson)	\$25,000	\$45,000
Financial Counsel (Kelling, Northcross, Nobriga)	\$40,000	\$40,000
Burr Pilger Mayer – Auditing - Water Supply Agreement	\$15,000	\$15,000
Large Landscape Conservation Services (Waterfluence)	N/A ³	N/A ³
School Education Programs (Resource Action Program)	N/A ³	N/A ³
School Assembly Program	N/A ³	N/A ³
Total	\$838,000	\$886,000

1) The contract not-to-exceed amounts include funding from the Water Management Charge to support the Long-Term Reliable Water Supply Strategy.

2) As adjusted by the Board at mid-year.

3) Subscription Programs paid by participating agencies.

Legal counsel services funded by the Operating Budget

The contract not-to-exceed amount for legal services is \$451,000 and is contained in the FY2012-13 proposed Operating Budget. The proposed legal budget of \$451,000 is \$61,000 more than the currently approved budget for FY 2011-12. Not included in this amount is the funding for legal counsel support of the Long-Term Reliable Water Supply Strategy. The use of a portion of the Water Management Charge for these legal services was approved by the Board on July 2010.

Strategic counsel services funded by the Operating Budget

Mr. Wendell has provided strategic counsel for the CEO/General Manager and Board (BAWSCA and BAWUA) since FY 2000-01. The not-to-exceed amount for strategic counsel services in the Operating Budget is \$150,000.

If large unanticipated legislative or other efforts arise during FY 2012-13 require additional strategic counsel or legal assistance, and the Board would be asked to reprogram the FY 2012-13 Work Plan and budget resources and authorize any additional strategic and/or legal resources needed.

Technical services funded by the Operating Budget

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

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

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

Mr. Roberts has a track record of successfully implementing complex capital improvement programs for local Bay Area cities including San Jose's \$3.5 billion, 5-year capital improvement program. The technical support of Mr. Roberts provide BAWSCA the ability to give constructive contributions to project implementation including construction and construction management. His services help BAWSCA ensure that member agency needs can be met reliably during and after construction, and that issues pertinent to serving their customers are identified and addressed.

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

- Are project scopes consistent with the SFPUC's levels of service goals?
- Have scopes been narrowed to stay within schedule or budget?
- Will projects remain within scope?
- Are projects on their adopted schedules?
- When will scope changes and schedule delays be reported to the State?
- Is work being completed within planned budgets and will projects remain within budgets?
- Does sufficient project contingency remain to complete construction?
- Do construction bids compare favorably to engineers' estimates and cost at completion?
- Does the escalation allowance continue to appear sufficient?
- How does SFPUC address project quality control?
- Is the SFPUC anticipating problems and taking appropriate actions?
- What is SFPUC doing to ensure sufficient resources in time for the steep construction period?
- Will changes in policy and management leadership before the end of construction delay the program?

Financial services funded by the Operating Budget

KNN is BAWSA's financial advisor. KNN provides services on an as-needed basis. Their expertise protects the Wholesale Customers by ensuring that San Francisco adheres to the many financial provisions in the Water Supply Agreement. Specific examples of value added are provided in the attached memorandum. KNN has also provided the preliminary assessment of whether it would add value for BAWSCA to prepay capital debt owed to San Francisco by Wholesale Customers.

Burr, Pilger and Mayer is a major accounting firm and supports BAWSCA's administration of the Water Supply Agreement. Their expertise is vital to the proper conduct and interpretation of the annual contract compliance audit performed by San Francisco's auditors.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Professional Services Contract with Hanson Bridgett LLP
(Legal Services) for FY 2012-13**

Summary:

The annual contract for legal services should be executed by July 1, 2012. In addition to providing general legal services for BAWSCA, BAWUA, and the RFA, next year's proposed scope includes work related to protecting member agency interests during FERC negotiations, and implementation of solutions for meeting near-term and long-term water needs, and the potential bond issuance to pre-pay debt owed to SFPUC.

This item requests authorization for the CEO/General Manager to execute a contract with Hanson Bridgett for FY 2012-13. The contract will be prepared in BAWSCA's standard form of agreement.

Fiscal Impact:

The contract not-to-exceed amount for legal services is \$451,000 and is contained in the FY 2012-13 proposed operating budget. The proposed budget of \$451,000 is \$61,000 more than the currently approved budget for FY 2011-12 of \$390,000. Lower levels of work are anticipated in supporting conservation activities, urban water management plan, and closing out the 1984 Master Water Contract. Increased levels of effort are anticipated to protect water supplies during the FERC process, including the cost of a fisheries consultant to assist legal counsel during FERC negotiations, potential legislative activity and work related to the potential bond issuance to pre-pay debt owed to SFPUC. The increased legal effort in these three areas is a \$120,000. Due to reductions in other areas, the net increase in the not-to-exceed contract limit relative to FY 2011-12 is \$61,000.

The proposed contract not-to-exceed \$451,000 does not include legal support for developing the Long-Term Reliable Water Supply Strategy (Strategy). The estimated cost of for such legal support was separately authorized by the Board and is paid using revenue from the Water Management Charge approved by the Board in July 2010.

Board Policy Committee Action:

The Committee voted unanimously to recommend the proposed Board action.

Recommendation:

That the Board authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and Hanson Bridgett for a not-to-exceed amount of \$451,000.

Discussion:

Hanson Bridgett's scope includes routine general legal services related to contract reviews, personnel and other administrative functions. The scope also supports work related to achieving specific results such as water contract administration for the new Water Supply Agreement, implementing solutions for meeting near-term and long-term water needs, assisting in efforts to get the system rebuilt in a way that satisfies water customer needs, protecting the water supply on which member agencies depend, and assistance with legislation. In addition, there will be additional legal work related to the potential bond issuance.

Hanson Bridgett has been providing legal assistance to BAWSCA and its predecessor for more than 35 years. Hanson Bridgett helped negotiate both the prior and the current Water Supply Agreement with San Francisco. The firm drafted the legislation that now pressures San Francisco to fix the system, formed the RFA and enabled the formation of BAWSCA.

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

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

Attachment A

Hanson Bridgett LLP

Legal Services

PURPOSE

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

1. General legal support (e.g., administration, contracting and personnel administration)
2. Assistance for achieving results during FY 2012-13.

SCOPE OF WORK

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

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

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

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

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

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

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

The above-mentioned activities may require legal counsel to:

- Provide ongoing counsel to the CEO and Board of Directors.
- Provide support for interpreting the 2009 Water Supply Agreement. In situations where differences cannot be resolved administratively, legal counsel may be asked to initiate arbitration proceedings on behalf of the wholesale customers.
- Provide legal input on the preparation and implementation of the water conserving ordinances for new construction that is included in the Water Conservation Implementation Plan.
- Meet with the CEO and attend meetings of the BAWSCA Board of Directors and the Board Policy Committee.
- Prepare, or approve as to form, resolutions, contracts, all changes to the Rules of the Board and other documents requiring legal review related to the business of BAWSCA, RFA or BAWUA.
- Represent BAWSCA in proceedings before other government agencies, regulatory bodies, and in contacts with professional and public agencies and organizations.
- Meet and confer with other BAWSCA consultants.
- Upon request, review and make recommendations to BAWSCA concerning proposed Federal, state or local legislation, regulations, litigation and/or administrative proceedings and required filings related to the business of BAWSCA, the RFA or BAWUA.
- Represent BAWSCA's Board and management in all suits, administrative proceedings, arbitration hearings and other legal matters to which BAWSCA is a party or in which it is legally interested, except in those instances when BAWSCA determines that the matter should be handled by special counsel.

Budgeted Activities and Not to Exceed Contract Limit: \$451,000

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

Conservation, FERC, MID/TID Transfer, legislation	\$290,000
Water Supply Agreement admin	\$80,000
Capital program	\$30,000
BAWSCA	\$50,000
RFA & BAWUA	\$1,000
<hr/>	
Total	\$451,000

This breakdown of activities is based on estimates at the time of budgeting. The contract will be managed to provide actual services required within the total not-to-exceed limit of \$451,000. If unanticipated activities require significant legal support, recommended changes would be brought to the Board of Directors.

Attachment B

**Hanson Bridgett LLP
Rate and Charges**

FY 2012-13

The charges and billing rates for persons/positions associated with this agreement are set forth below for all matters except specialized litigation. There will be no changes to the hourly rates for FY 2012-13. The contract will be managed to provide actual services required within the total not-to-exceed limit of \$451,000.

FY 2012-13 RATES

Partner	\$310 per hour
Senior Counsel	\$275 per hour
Associates	\$245 per hour

OUT OF POCKET EXPENSES

At Cost

OTHER CHARGES

Large Scale Photocopying	At cost
Long Distance Telephone	At cost
Mileage	IRS applicable rate

COST SAVING ADJUSTMENTS

In house photocopying	no charge
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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

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

Summary:

This item requests authorization for the CEO/General Manager to execute a contract with Mr. Wendell for FY 2012-13. The contract will be based on BAWSCA's standard form of agreement.

Fiscal Impact:

The not-to-exceed amount of the proposed contract is \$175,000, the majority of which would be funded from the Operating Budget, and the balance from the Water Management Charge.

The Operating Budget for strategic counsel services is \$150,000, as it has been for several years. In the current fiscal year, a portion of the water management fund was approved to cover strategic support of the Long-Term Reliable Water Supply Strategy. The same request is made for FY 2012-13. The proposed amount for FY 2012-13 is \$25,000, and funds are available from the Water Management Fund.

If significant additional efforts are necessary next year, the Board would be asked to consider adjustments to legal, strategic or other budgets in order to complete work that was vital to the interests of the agencies and their customers.

During the current fiscal year, \$40,000 was added to the contract for strategic services to cover support needed to protect the member agencies' water supply from San Francisco. The proposed budget for strategic services for FY 2012-13 includes time for continued support in that area within the budgeted amount.

Board Policy Committee Meeting:

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

Recommendation:

That the Board authorize the CEO/General Manager to execute a contract between BAWSCA and Mr. Wendell for a not-to-exceed amount of \$175,000 with \$150,000 from the Operating Budget plus \$25,000 from the Water Management Charge to support the Long-Term Reliable Water Supply Strategy.

Discussion:

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

During FY 2011-12, Mr. Wendell advised the CEO/General Manager and the leadership of the Board on a variety of issues. Examples include the following:

- a) Strategic counsel to protect water users from possible negative impacts of draining Hetch Hetchy Reservoir. That assistance included advising the CEO/General Manager prior to and following interactions with legislators, legislative staff, the mayor of San Francisco and the leadership of the Board. The CEO/General Manager met with frequently with strategic and legal counsel regarding this subject.
- b) Creating and executing strategies for successful passage of State legislation. Mr. Wendell provided invaluable support for preparation of legislation, including modification of BAWSCA's financial authorities. The CEO/General Manager received financial counsel from KNN and legal counsel from Hanson Bridgett.

Examples of the historical value provided by Strategic Counsel:

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

Qualifications:

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

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

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

Scope of Services:

For FY 2012-13, strategic services are needed to help BAWSCA achieve its results, pursue reliable water supply alternatives, ensure the water system is rebuilt, create a productive business relationship with San Francisco, and assist in structuring action items so that informed decisions can be made by the BAWSCA Board or individual agencies, as required. The proposed level of effort supports routine work with legislators and other public officials, but does not necessarily support major legislation or lobbying efforts.

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

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

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

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

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

Attachment A includes a proposed scope of work.

Attachment A

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

PURPOSE

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

SCOPE OF WORK

Work to be Performed:

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

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

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

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

Not to Exceed Contract Limit: \$175,000 with \$150,000 from the Operating Budget plus \$25,000 from the Water Management Charge to support the Long-Term Reliable Water Supply Strategy.

Rates and Charges:

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

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Professional Services Contract with Terry Roberts Consulting, Inc. for FY 2012-13**

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with Terry Roberts Consulting, Inc. for FY 2012-13. Mr. Roberts has a track record of successfully implementing complex capital improvement programs for local Bay Area cities in his prior positions. As former Deputy City Manager for San Jose, Mr. Roberts was responsible for overall direction and leadership in implementing a \$3.5 billion, 5-year capital improvement program. While he was the Public Works Director for Daly City and Oakland, Mr. Roberts directed departments with annual operating budgets of \$10M (90 employees) and \$100M (700 employees) respectively.

Mr. Roberts' expertise in implementing complex capital improvement programs has been vital to BAWSCA's overall efforts in monitoring the SFPUC's implementation of the Water System Improvement Program (WSIP), from the perspective of the water suppliers and customers who rely upon the Regional Water System. With the WSIP now fully in construction mode, Mr. Roberts' expertise in managing complex capital programs will be especially valuable to BAWSCA's efforts in tracking the implementation of the WSIP. The contract will be prepared using BAWSCA's standard form of agreement.

Fiscal Impact:

The proposed budget contains \$140,000 for these services.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and Terry Roberts Consulting, Inc. for a not-to-exceed amount of \$140,000, subject to legal counsel's review.

Discussion:

In November 2007, Mr. Roberts was retained to assist in reviewing the progress of the WSIP. In FY 2012-13, the SFPUC's efforts in implementing the WSIP will be nearly 100% engaged in construction activities. Several key projects will be in the construction phase next fiscal year, including the Calaveras Reservoir Replacement, New Irvington Tunnel, Bay Division Reliability Upgrade Tunnel and Pipeline, the Harry Tracy Water Treatment Plan Long-Term Improvements, and the Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project.

Mr. Roberts' expertise is critically important to BAWSCA in its continuing review of the WSIP during this massive construction period. Specific areas of focus will include:

1. Bi-annual analysis of the SFPUC bid and award results for WSIP projects
2. Review SFPUC efforts in implementing the WSIP and identification of areas of conflict with BAWSCA's goals and the direction of the WSIP and
3. Timely input to the WSIP on areas of the WSIP implementation that will affect the BAWSCA agencies and the communities served by the Regional Water System.

Mr. Roberts' prior experience in implementing complex capital improvement programs in the public sector brings significant value to BAWSCA's review of the WSIP. As former Deputy City Manager for the City of San Jose, Mr. Roberts' was directly responsible for implementation of that city's \$3.5 billion, 5-year capital improvement program which included \$390 million in utilities, \$350 million in transportation, \$1 billion in airports, \$550 million in libraries, parks and community centers, \$175 million in police and fire facilities, and a \$380 million new city hall. For this project, over 180 projects were completed in each of the last three years for a total of over 850 projects completed in a 5-year period. This "on-the-job" experience is invaluable in looking at the overall implementation of the WSIP from the perspective of the water suppliers who will pay 2/3rds of the cost and who are in the communities in which a majority of the infrastructure will be constructed.

Scope of Services – Results to Be Achieved:

The draft scope of services with Mr. Roberts for FY 2012-13 is shown in Exhibit A.

Billing Rates:

The following are the FY 2012-13 billing rates for this contract for next fiscal year:

- Terry Roberts: \$193/hour
- Jean Gardner: \$125/hour

These billing rates reflect small increases for Mr. Roberts and Ms. Gardner. Mr. Roberts billing rates has not changed since he began working for BAWSCA four and a half years ago. Ms. Gardner's rates have remained unchanged since she began working for BAWSCA seven years ago.

EXHIBIT A

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

DRAFT

FY 2012-13 SCOPE OF SERVICES

Purpose:

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

Work to be performed:

- Assist BAWSCA with analysis of the SFPUC bid and award results for WSIP projects.
- Meet or teleconference regularly with the BAWSCA staff and other technical resources to identify opportunities to improve water system reliability and coordinate activities
- Assist BAWSCA with WSIP Development and Implementation: Identify critical project or program issues that might warrant BAWSCA's attention or formal comment. At the request of BAWSCA, review current and developing processes within the SFPUC for WSIP development, approval, and implementation.
- Contractor shall support BAWSCA's efforts to monitor detailed progress on the overall regional WSIP by project and as a program, and on a quarterly basis following the release of the SFPUC WSIP Quarterly Reports. Contractor shall provide a brief written report of such progress. Contractor shall identify any specific project(s) that require more detailed analysis.
- Participate in discussions with SFPUC staff and Consultants and provide expert advice for producing and maintaining realistic project cost estimates and schedules and construction management
- Work with BAWSCA staff to review and comment on related reports prepared by SFPUC and others including Annual AB1823 Reports to State, AB 1823 Program Change Reports, Reports from the California Seismic Safety Commission and Department of Health

Not to Exceed Contract Limit: \$140,000

Rates and Charges:

The hourly billing rate is shown below.

<u>Name</u>	<u>Hourly Rate</u>
Terry Roberts	\$193.00/ hr.
Jean Gardner	\$125.00/hr

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

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

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with Stetson Engineering for FY 2012-13 to assist with administration of the Water Supply Agreement. The contract will be prepared in BAWSCA's standard form of agreement.

Fiscal Impact:

The contract not-to-exceed amount of \$45,000 is included in the FY 2012-13 proposed budgets.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and Stetson Engineering for a not-to-exceed amount of \$45,000 subject to legal counsel's review.

Discussion:

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

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

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

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Attachment A

Stetson Engineering, Inc.

**Water Supply Agreement and
Engineering Support Services**

PURPOSE

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

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

SCOPE OF WORK

Work to be Performed: Stetson Engineering will analyze the prior year's (FY 2011-12) water usage information and calculate water use factors in accordance with Exhibit J of the Water Supply Agreement. Stetson Engineering will also monitor whether San Francisco performs mainline water meter repair, calibration and testing in accordance with the provisions of the Agreement. As required, Stetson will bring issues and recommendations to the BAWSCA General Manager or designated staff contact. In addition, Stetson will assist on an as needed basis in the implementation of the new water supply agreement.

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

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

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

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

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

Budgeted Activities:

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

Administration/General	\$ 5,000
Analyze Water Usage	19,000
Max. Day	1,000
J-Tables	5,000
System/County-line Meters	<u>15,000</u>
Sub-Total	\$45,000

Not-to-Exceed Contract Limit: \$45,000

Rates and Charges:

Hourly billing rates are shown below.

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

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

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with Hilton, Farnkopf and Hobson (HFH) for as needed assistance in administering the Water Supply Agreement and other activities during FY 2012-13. The contract will be prepared in BAWSCA's standard form of agreement.

Fiscal Impact:

The contract for a not-to-exceed amount of \$45,000 is included in the FY 2012-13 proposed budget.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and Hilton, Farnkopf and Hobson for a not-to-exceed amount of \$45,000 subject to legal counsel's review.

Discussion:

HFH has been providing BAWUA/BAWSCA key financial and rate setting advice for over two decades (though not under contract every year). One of the firm's principals, John Farnkopf, was instrumental in developing the 1984 Master Contract and assisted in negotiating the 2009 Water Supply Agreement. HFH has assisted BAWSCA staff with analyzing the water shortage allocation plan alternatives. HFH has extensive knowledge of water rate setting, having developed over 120 rate studies for retail and wholesale water, wastewater, and storm water agencies. HFH's most important contribution during FY2011-12 was the evaluation of water shortage allocations using the water use projections provided by member agencies this fiscal year. Those results were vital for agencies completing their Urban Water Management Plan updates and for long-term regional planning efforts.

HFH will provide also reviews and analyses for administration of the Water Supply Agreement on an as-needed basis.

**Hilton, Farnkopf and Hobson
Financial Advisors**

PURPOSE

For FY2012-13, BAWSCA requires on going professional analytical work and expert advice in conjunction with the implementation of the new agreement and possibly other important matters (e.g, water supply allocation, wholesale rate structure, conservation rates, wholesale revenue requirement, etc). As directed, HFH will provide the necessary analytical work, attend meetings with BAWSCA and/or SFPUC staff, and provide written reports or updates as required.

SCOPE OF WORK

Work to be Performed:

As requested, assist with the implementation of the Water Supply Agreement; particularly in the areas of cost allocation, interim supply limitations and related tasks. The budget for this work is \$45,000.

Proposed Budget: \$45,000

Rates & Charges:

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

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

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with KNN Public Finance (KNN) for FY 2012-13. The contract will be prepared in BAWSCA's standard form of agreement.

Fiscal Impact:

The contract not-to-exceed amount of \$40,000 is included in the FY 2012-13 proposed budgets for financial advisory services. The proposed budget is the same as the current year's adopted budget.

Board Policy Committee Action:

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

Recommendation:

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

Discussion:

KNN has been BAWSCA's financial advisor since FY 2002-03. KNN provides analyses that help BAWSCA's review and interpretation of SFPUC reports and other financial information. For example, KNN assisted BAWSCA in reviewing the SFPUC's revenue and expenditure projections, bond refund authorizations and proposed operating and capital budgets. During FY2011-12, KNN assisted BAWSCA staff in reviewing debt service and capital spending calculations and other components of the wholesale revenue requirement.

During FY 2011-12, the SFPUC asked if BAWSCA would be interested in exercising a provision in the 2009 Water Supply Agreement that permits the Wholesale Customers to prepay, through BAWSCA, an existing capital obligation. KNN provided a preliminary assessment of whether BAWSCA's member agencies would benefit. Based on that positive preliminary assessment, BAWSCA is now examining the possibility in more detail. A recommendation will be produced this spring or summer. If the Board decides to proceed, Board authority would be sought to amend the KNN contract for the additional scope and funding.

For FY 2012-13, the consultant will review the SFPUC's proposed bond offerings; evaluate the possible rate implications resulting from changes in project schedules, or changes in interest rates; calculate the wholesale share of debt service; review SFPUC financial statements, assist in reviewing the FY2011-12 wholesale revenue requirement; and provide recommendations that best serve the interests of the water customers. As BAWSCA recently hired a new Senior Financial Analyst and KNN will play a key role in supporting BAWSCA's ongoing review of the wholesale revenue requirement.

**KNN Public Finance
Financial Advisors**

PURPOSE

For FY 2012-13, BAWSCA requires on-going professional financial analysis and advice in conjunction with the wholesale revenue requirement, rate and financial implications and ongoing implementation of the new Water Supply Agreement.

SCOPE OF WORK

Work to be Performed:

Anticipated tasks may include the following:

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

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

Proposed Budget: \$40,000

Rates & Charges:

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

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

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with Burr, Pilger and Mayer (BPM) for FY 2012-13. The contract will be prepared in BAWSCA's standard form of agreement.

Fiscal Impact:

The contract not-to-exceed amount of \$15,000 is included in the FY 2012-13 proposed budget for external auditing services associated with the wholesale revenue requirement.

Board Policy Committee Action:

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

Recommendation:

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

Discussion:

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

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

Burr, Pilger and Mayer
Auditing and Accounting Advisors

SCOPE OF WORK

PURPOSE

For FY 2012-13, BAWSCA requires on going professional auditing and accounting analysis to assist in its review of the annual wholesale revenue requirement/compliance audit.

Work to be Performed

Anticipated tasks include the following:

Task 1. If needed, assist BAWSCA in guiding the procedures to be used in future compliance audits, commencing with the compliance audit for FY 2011-12.

Task 2. Attend the FY 2011-12 compliance audit kick-off meeting (Fall 2012) with the SFPUC's compliance auditor and staff. Represent the wholesale customers' interests in the development of the compliance auditor's work plan.

Task 3. Review the independent compliance auditor's report for the FY 2011-12 wholesale revenue requirement, changes to balancing account, and accompanying management letter. Comment on the report and letter for thoroughness, with special attention paid to any notes concerning internal controls, procedures, material weaknesses, or significant deficiencies, as well as management's response to such, including stated corrective measures.

Proposed Budget: \$15,000

Hourly Rates & Charges:

Partner: \$350

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Professional Services Contract with Waterfluence to Implement the Large Landscape Conservation Services Program for FY 2012-13**

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with Waterfluence to implement the Large Landscape Conservation Services Program (LLCSP) for FY 2012-13. Participation in this water conservation program is voluntary. The opportunity to participate will be extended to all BAWSCA agencies. As a subscription program, participating agencies will pay the entire cost for the program.

Fiscal Impact:

For FY 2012-13, only those agencies that elect to participate in this program will pay the cost of the outside service provider as well as budgeted BAWSCA staff time.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to:

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

Discussion:

Fiscal Year 2012-13 will be the 11th year that a Large Landscape Conservation Services Program (LLCSP) is offered to BAWSCA member agencies. Fourteen agencies are currently participating in the program, including one agency in Santa Clara County. These agencies have expressed interest in participating in this program again next year. This program is part of the comprehensive package of conservation programs that the BAWSCA agencies have asked BAWSCA to support next fiscal year as part of the Water Conservation Implementation Plan.

Table 1 provides information for program activity from FY 2002-03 through FY 2010-11. Since its inception, the LLCSP has been a very cost-effective program that generates real and significant water savings.

The LLCSP addresses the "Programmatic-Landscaping BMP", which requires water agencies to implement conservation programs to improve landscape irrigation efficiency. Specific activities for this program include water use budgeting, water use surveys, and supplemental landscape programs. Creating an economy of scale by using a single consultant with the requisite expertise, the LLCSP enables participating agencies to implement large landscape water budgets and water use surveys more cost effectively than if they were to hire consultants individually. The scope of work for FY 2012-13 is expected to be consistent with the scope of work for prior year's programs, a sample of which is included as Exhibit A.

Table 1: Large Landscape Conservation Services Program Summary

Program Description	FY 2002/03	FY 2003/04	FY 2004/05	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10	FY 2010/11**
Number of Participating BAWSCA Members	4	5	4	5	6	9	11	12	14
Estimated Savings (acre-foot per year AFY)*	N/A	299	212	520	543	602	435	1,080	1,653
Total spent by all agencies	\$65K	\$24K	\$30K	\$25K	\$23K	\$84K	\$109K	\$164K	\$104K
Cost Per Acre-Foot Saved (\$/AF)	N/A	\$59	\$90	\$37	\$43	\$63-124	\$83-125	\$58	\$82
Cost of Water from SFPUC (\$/AF)	\$383	\$479	\$492	\$444	\$531	\$566	\$623	\$719	\$828

* Savings are calculated on a calendar year basis.

** For FY 2010/11, results for the three Cal-Water districts within the BAWSCA service area and Hillsborough are included in the water savings estimates and number of sites. However, they are not included in BAWSCA Administrative or Program Cost because they contracted independently with Waterfluence. Hillsborough's program mailed 3,968 printed Water Use Reports to its residents in June 2011. Of these, 296 sites opted to receive their reports on a bi-monthly basis and are included in count of landscaping sites herein.

Alternatives:

Alternatives to the recommended action included herein are to: (1) not offer the LLCSP in FY 2012-13, or (2) offer a potentially different version of the LLCSP based on a contractor and program selected through a competitive bid process.

BAWSCA does not recommend the above alternatives. John B. Whitcomb was selected to provide the LLCSP services through a competitive process in 2002. His proposal was the most responsive and his proposed costs were highly competitive. His services during the past nine years have been critical to the overall program's success. The agencies continue to be pleased with this program and have expressed a desire to continue the LLCSP in FY 2012-13 with Mr. Whitcomb through his new firm, Waterfluence. Given Mr. Whitcomb's qualifications, performance, and value received, it is appropriate to contract for his services this coming fiscal year.

Conclusion:

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

Attachment:

The scope of work for FY 2011-12 is shown in Exhibit A. The scope of work will be updated as necessary during negotiation of a new contract.

EXHIBIT A

**Scope of Services: Water Conservation Landscape Program (Program) FY 2011-12
(Sample)**

Program Initiation and Site Setup

1. Site Selection. Water Agency provides Waterfluence with account billing information for potential landscape sites. Waterfluence consolidates accounts to sites and ranks sites with respect to potential water savings. Water Agency selects sites to participate in program.
2. Data Collection. For selected sites, Waterfluence adds customer information used in site selection into its database. Waterfluence collects water prices and local weather data.
3. Site Map. Waterfluence creates a site map using aerial imagery and measures irrigated turf, shrubs/trees, and water features area.
4. Water Use Report. Waterfluence creates a one-page report for each site summarizing customer information, site characteristics, historical water use, and a water budget based on site characteristics and daily local weather matched exactly in time with billing cycle.
5. Introduction Packet. Waterfluence produces and distributes a packet to each site that includes an introduction letter, site map, first Water Use Report, and FAQ sheet. Waterfluence provides a generic introduction letter to Water Agency to customize.
6. Site Contact Follow-up. Waterfluence contacts each site about two weeks after sending the Introduction Packet to check if it got to the right person, get detailed site contact information (email address), identify the landscaper and/or others involved with irrigation decisions, and answer any questions about the program.

Report Distribution

1. Data Collection. Water Agency forwards Waterfluence a water use file at the beginning of each month with the previous month's water use for each account in the program. Waterfluence collects daily weather data and updates water prices when relevant.
2. Water Use Report Distribution. Each month, Waterfluence distributes reports to all site contacts via email or mail.
3. Water Agency Review. Waterfluence provides Water Agency with electronic access to review all Water Use Reports, Site Maps, and Landscape Field Survey Reports.
4. Site Contact Maintenance. Waterfluence will continually update site contact information. This includes monitoring changes in account number, investigating returned mail envelopes, and investigating email bounce backs. Site contacts can be added or modified via Waterfluence web site or toll free telephone. Primary site contact (water bill payer) needs to authorize changes via email to become effective.
5. Site Map Updating. Waterfluence will correct any map errors identified by site contacts.
6. Customer Service. Waterfluence provides customer service to sites contacts via web site and toll free telephone.
7. Messaging. Water Agencies can have Waterfluence send specific messages to particular sites or group of sites via the Water Use Report. Messages might include information on other landscape programs (e.g., financial incentive programs), events, useful hyperlinks, or policies.
8. Annual Summary Report. Each February, Waterfluence will analyze and document the water change in program sites for the previous calendar year.

Fees

2011 Waterfluence Landscape Program Fees			
Description	Unit Cost	x Quantity	= Total Cost
Initiation	\$2,500	0 or 1	
Site Setup	\$145	Number of new sites	
Report Distribution	\$72	Number of sites	
Landscape Field Survey	\$1,400	Number of surveys	
Total			

Initiation. One-time fee to setup and customize database and reports for a water agency new to program. This fee is waived for agencies adding more than 100 sites in the program.

Site Setup. One-time fee based on number of sites added to program. It covers site selection, water meter to site association, compiling water use, assimilating weather data, collecting water prices, measuring irrigated landscape areas, creating site maps, producing and mailing introductory packet (introduction letter, site map, FAQ, and water use report), and follow-up communications to verify site contacts.

Report Distribution. Annual fee based on the number of sites in program. It covers ongoing costs associated with updating and distributing program information. This includes continual updating of water use, weather, pricing, site map, and site contact information. It also includes producing and distributing updated water use reports each billing cycle to site contacts via email or mail. It includes toll free telephone and web customer support. It also covers creation of an annual report summarizing the water use change at each site during the previous calendar year.

Landscape Field Survey. An optional, on-site evaluation that consists of an irrigation expert (1) re-measuring irrigated areas, (2) evaluating the irrigation system, and (3) creating a customized report with findings and recommendations for improving irrigation efficiency.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Professional Services Contract with Resource Action Programs to Implement the School Education Program for FY 2012-13**

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with Resource Action Programs (RAP) to implement the Water Wise School Education Program for FY 2012-13. Participation in this water conservation program is voluntary. The opportunity to participate will be extended to all BAWSCA agencies. As a subscription program, participating agencies will pay the entire cost for the program.

Fiscal Impact:

For FY 2012-13, only those agencies that elect to participate in this program will pay the cost of the outside service provider as well as budgeted BAWSCA staff time.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to:

- 1. Negotiate and execute a contract with Resource Action Programs, subject to legal counsel's final review, for implementation of the School Education Program in FY 2012-13; and,**
- 2. Offer participation in the program to interested BAWSCA agencies on a subscription basis.**

Discussion:

Fiscal year 2012-13 will be the eighth year that the Water Wise School Education Program has been offered to BAWSCA member agencies. Eight agencies are currently participating in the program. The majority of these agencies have expressed interest in participating in this program again next year. This program is part of the comprehensive package of conservation programs that BAWSCA agencies have asked BAWSCA to support next fiscal year as part of the Water Conservation Implementation Plan.

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

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

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

Table 1: Water Wise School Education Program Summary

Program Information	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10	FY 2010/11
Number of Participating BAWSCA Agencies	6	11	14	14	12	11
Number of Participants (# of kits disbursed)	1,554	2,871	3,737	3,685	2,903	3,342
Est. Annual Water Savings (gallons per kit) (a) (b)	17,451	17,451	17,451	9,785	6,475	4,844
Estimated Lifetime Savings for Kits Installed (acre-feet, AF) (a) (b)	499	922	1,201	975	512	316
Total Spent By All Agencies	\$52K	\$93K	\$127K	\$112K	\$104K	\$117K
Average Cost of Water Savings (\$/AF)	\$103	\$101	\$106	\$114	\$203	\$370

Table Notes:

- (a) For years prior to FY 2008/09, water savings estimated based on an assumed 60% installation rate and a 10-year lifetime.
- (b) For FYs 2008/09, 2009/10, and FY 2010/11, water savings is estimated based on actual kit installation rate and a 10-year lifetime. The Cost effectiveness declined in FY 2010/11 because the per kit program costs increased and the installation rate declined.

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

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

Because of its connection with school children, this program would be initiated in September 2012 and run through June 2013. Additional augmentations to the RAP program include incentives for both the students that complete the in-home water audit and for the teachers that complete the entire curriculum and get the most students to complete

the in-home water audit. These incentives will be provided by BAWSCA, on behalf of, and paid for by, the participating agencies.

The scope of work for FY 2012-13 is expected to be largely consistent with the scope of work for prior year's programs, a sample of which is included as Exhibit A.

Alternatives:

Alternatives to the recommended action included herein are to (1) not offer the Water Wise School Education Program in FY 2012-13, or (2) offer a potentially different type of School Education Program.

BAWSCA does not recommend the above alternatives for FY 2012-13 for the following reasons. The agencies have expressed a strong desire to continue to support an in-classroom school education program that focuses on water conservation. The agencies also continue to be pleased with the Water Wise School Education Program and have expressed a desire to continue that program with RAP. Given RAP's qualifications and performance, it is appropriate to contract for their services this coming fiscal year.

Conclusion:

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

Attachment:

The scope of work for FY 2011-12 is shown in Exhibit A. This scope will be updated for FY 2012-13.

EXHIBIT A
Resource Action Programs®
Program Description and Scope of Services (FY 2011-12)
(Sample)

Indoor Program

PROGRAM DESCRIPTION

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

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

BAWSCA Indoor WaterWise™ at a glance:

- ◆ Proven to deliver lasting quantifiable results and measurable savings.
 - ◆ Simple and very cost-effective.
 - ◆ All implementation services are included.
 - ◆ Features a fun and interactive curriculum to shape new family habits and usage.
 - ◆ Includes Resource Action Kits to directly install resource-efficient technologies in the home.
- ☑ ***Delivers Measurable Savings Results.*** Students conduct a simple home audit to determine areas where their families are using water and energy inefficiently. Family's work together to improve efficiency by changing usage habits and through the installation of the conservation technologies provided to each student in their Resource Action Kit. Kits include conservation measures and simple test equipment to enable the family to determine the energy and resource conservation opportunities that exist in their home, while providing the installable resource conservation technologies to achieve quantifiable savings. These activities foster family cooperation and help educate parents on the benefits of resource conservation. Students submit reports detailing the results of their conservation activities.
- ☑ ***Water Education.*** The BAWSCA Indoor **WaterWise™** Program combines classroom activities with in-home hands-on retrofit projects that students perform with their families. This combination yields quantifiable conservation results and strong practical learning, effectively shaping new resource usage behavior and attitudes. The BAWSCA Indoor

WaterWise™ Program is turnkey and comprehensive while providing all materials, supplies, teaching tools and support needed by teachers and participants. Learning is measured via pre/post test comparisons.

- ☑ ***Builds New Resource Habits.*** New habits result from effective education and personal action. The program provides a wide range of teaching tools to maximize learning. The feature-rich program website, www.getwise.org, is a great resource for classes, teachers, and individuals. Beyond these computer resources, the BAWSCA Indoor **WaterWise™** program provides videos, posters, workbooks, and varied activities to reach all types of learning preferences. New knowledge translates to action at home with the installation activities. Families discover first-hand the value of the new *knowledge and habits* they have acquired.

TEACHER ACCEPTANCE

Program success is directly correlated to proactive teacher support and involvement. The design and content of the program is proven to motivate teachers to sign up and participate enthusiastically.

PROGRAM GOALS

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

PROGRAM OBJECTIVES

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

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

ESTIMATED PROGRAM RESULTS

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

Projected 10 year Savings:

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

(Actual results will vary)

PROGRAM MATERIALS

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

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

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

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

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

PROGRAM IMPLEMENTATION

Complete implementation services are included with the program. All enrollment, training and communication with teachers, distribution of materials, collection of data, and report preparation are handled by the Program Fulfillment Center. Press releases will be provided to sponsors upon request. Additionally, the resource action team may assist in scheduling teacher award ceremonies and in the development of media exposure.

PROGRAM TIMETABLE

June 2011 – August 2011	Receive sponsor funding commitment
September 2011 – May 2012	Teacher Outreach / Enrollment Process
September 2011 – May 2012	Program and Kit Delivery
September 2011 – June 2012	Program Implementation

April 15, 2012

Preliminary Report to BAWSCA of school enrollment and kit installation rate to the extent that information is available.

June 30, 2012

Program Summary Report delivered to sponsors for initial program

Outdoor Program

PROGRAM DESCRIPTION

The BAWSCA Outdoor **WaterWise™** program offers a turn-key set of classroom activities and hands-on home projects. Students receive kits containing home efficiency devices, which are taken home, installed and shared with family members. They work on subjects required by state learning standards to understand and appreciate the value of natural resources in everyday life. This stimulating program shapes new behaviors and a mix of new product installation and resource efficiency knowledge, using the best messengers – children!

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

BAWSCA Outdoor WaterWise™ at a glance:

- ◆ All implementation services are included.
 - ◆ Features a fun and interactive curriculum to shape new family habits and usage.
 - ◆ Includes Resource Action Kits to directly install resource-efficient technologies.
- ☑ **Savings Results.** (NOTE: are not measurable) Students conduct a simple home/yard audit to determine areas where their families are using water inefficiently. Family's work together to improve efficiency by changing usage habits and through the installation of the conservation technologies provided to each student in their Resource Action Kit. Kits include conservation measures and enable the family to determine the Water conservation opportunities that exist in their yard at their home, while providing the installable resource conservation technologies to achieve savings. These activities foster family cooperation and help educate parents on the benefits of resource conservation. Students submit reports detailing the items used during their conservation activities.
- ☑ **Water Education.** The BAWSCA Outdoor **WaterWise™** Program combines classroom activities with in-home hands-on retrofit projects that students perform with their families. This combination yields conservation results and strong practical learning, effectively shaping new resource usage behavior and attitudes. The BAWSCA Outdoor **WaterWise™** Program is turnkey and comprehensive while providing all materials, supplies, teaching tools and support needed by teachers and participants. **Builds New Resource Habits.** New habits result from effective education and personal action. The program provides a wide range of teaching tools to maximize learning. The feature-rich program website, www.getwise.org, is a great resource for classes, teachers, and individuals. Beyond these computer resources, the BAWSCA Outdoor **WaterWise™**

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

TEACHER ACCEPTANCE

Program success is directly correlated to proactive teacher support and involvement. The design and content of the program is proven to motivate teachers to sign up and participate enthusiastically.

PROGRAM GOALS

- ◆ Reshape family habits and reduce residential resource use.
- ◆ Develop community awareness about the importance of environmental issues.
- ◆ Help generate excellent media coverage, build brand awareness and strengthen community image.

PROGRAM OBJECTIVES

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

- ◆ Install a Garden Hose Spray Nozzle.
- ◆ Install a Garden Hose Timer.
- ◆ Collect household item use.
- ◆ Reshape family resource usage habits and attitudes.

PROGRAM MATERIALS

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

Services Provided in This Quote:

- Identification of State Education Standards & Benchmarks
- Curriculum Development and Refinement (Completed Annually)
- Curriculum Correlation to State Education Standards & Benchmarks
- Materials Modification to Incorporate BAWSCA's Logo and Color Scheme
- Materials Printing
- Assembly of Materials
- Warehousing of Materials
- Incentive Program Development
- Teacher / School Identification - with BAWSCA Approval
- Teacher Outreach and Program Introduction
- Teachers Enrolled in the Program Individually
- Implementation Dates Scheduled with Teachers
- Materials Shipment Coordination
- Delivery Confirmation
- Periodic Contact to Ensure Implementation and Teacher Satisfaction

- Program Completion Incentive Offered
- Results Collection
- Thank-you Cards Sent to Participating Teachers
- Reporting

Materials Provided in This Quote:

- (1) - GetWise Wristband
- (1) - Watering Schedule Magnet
- (1) - WaterWise Outdoor Certificate of Achievement
- (1) - WaterWise Outdoor Dear Parent Letter
- (1) - WaterWise Outdoor Scantron Form
- (1) - WaterWise Outdoor Teacher Book
- (1) - WaterWise Outdoor Kit - Kit Contents Includes:
 - (1) - Garden Hose Spray Nozzle
 - (1) - Garden Hose Timer
 - (1) - GetWise Wristband Postcard
 - (1) - Male End Garden Hose Replacement
 - (1) - Parent Comment Card
 - (1) - Rain / Drip Gauge
 - (1) - Soil Moisture Meter
 - (1) - WaterWise Outdoor Box
 - (1) - WaterWise Outdoor Student Book

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

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

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

PROGRAM IMPLEMENTATION

Complete implementation services are included with the program. All enrollment, training and communication with teachers, distribution of materials, collection of data, and report preparation are handled by the Program Fulfillment Center. Press releases will be provided

to sponsors upon request. Additionally, the resource action team may assist in scheduling teacher award ceremonies and in the development of media exposure.

PROGRAM TIMETABLE

June 2011 – August 2011	Receive sponsor funding commitment
September 2011 – Dec-2011	Teacher Outreach / Enrollment Process
September 2011 – Dec-2011	Program and Kit Delivery
September 2011 – June 2012	Program Implementation
April 15, 2012	Preliminary Report to BAWSCA of school enrollment and kit installation rate to the extent that information is available.
June 30, 2012	Program Summary Report delivered to sponsors for initial program

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Professional Services Contract with EarthCapades to Conduct School Assembly Program for FY 2012-13**

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with EarthCapades to implement School Assembly Program for FY 2012-13. Participation in this water conservation program is voluntary. The opportunity to participate will be extended to all BAWSCA agencies. As a subscription program, participating agencies will pay the entire cost for the program.

Fiscal Impact:

For FY 2012-13, only those agencies that elect to participate in this program will pay the cost of the outside service provider as well as budgeted BAWSCA staff time.

Board Policy Committee Action:

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

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to:

- 1. Negotiate and execute a contract with EarthCapades, subject to legal counsel's final review, for implementation of the School Assembly Program in FY 2012-13; and,**
- 2. Offer participation in the program to interested BAWSCA agencies on a subscription basis.**

Discussion:

Fiscal year 2012-13 will be the third year that the School Assembly Program would be offered to BAWSCA member agencies. Fourteen agencies, including all three Cal-Water Districts, are currently participating in the program, including three in Santa Clara County. The majority of these agencies have expressed interest in participating in this program again next year. This program is part of the comprehensive package of conservation programs that BAWSCA agencies have asked BAWSCA to support next fiscal year as part of the Water Conservation Implementation Plan.

The contractor, EarthCapades, provides an informative and entertaining assembly at schools that focuses on water conservation. Typically the assemblies reach 250 students at a time at a rough cost of \$2 per student. EarthCapades performances combine age appropriate, state science standards with circus skills, juggling, music, storytelling, comedy, and audience

participation to teach environmental awareness, water science and water conservation. Programs are designed to include local water source and watershed information. Using specifics provided by the agencies, EarthCapades integrates the information into their script or writes new routines to convey the agency message. EarthCapades handles the administrative logistics of scheduling the performances with the schools. EarthCapades also collects paper-free evaluations using Survey Monkey, which provides tangible statistics of the effectiveness of their program.

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

Because of its connection with school children, this program would be initiated in September 2012 and run through June 2013. The scope of work for FY 2012-13 is expected to be largely consistent with the scope of work for the prior year’s program, which is included as Exhibit A.

Alternatives:

Alternatives to the recommended action included herein are to: (1) not offer the School Assembly Program in FY 2012-13, or (2) offer a potentially different type of School Assembly Program.

BAWSCA does not recommend the above alternatives for FY 2012-13 for the following reasons. The agencies have expressed a strong desire to continue to support a School Assembly Program that focuses on water conservation. EarthCapades was selected to provide the School Assembly Program through a competitive process in 2009. The agencies also continue to be pleased with this program and have expressed a desire to continue the School Assembly Program with EarthCapades in FY 2012-13. Given EarthCapades’ qualifications and performance, it is appropriate to contract for their services this coming fiscal year.

Conclusion:

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

Attachment:

The scope of work for FY 2011-12 is shown in Exhibit A. The scope will be updated for FY 2012-13

EXHIBIT A

Scope of Services: EarthCapades School Assembly Program FY 2011-12 (Sample)

EarthCapades will schedule and perform shows (assembly programs) at eligible schools within the Bay Area Water Supply and Conservation Agency (BAWSCA) service area during the FY 2011/2012 school year, September 2011-June 2012.

BAWSCA and/or Local Water Agency Roles and Responsibilities:

- BAWSCA will provide EarthCapades with initial information regarding which schools are eligible within each BAWSCA member agency (Local Water Agency) and what the maximum not to exceed budget is for each Local Water Agency by July 1, 2011. If, during the course of FY 2011/2012, the Local Water Agency wishes to increase or decrease the number of shows and/or budget, the Local Water Agency will coordinate those changes with EarthCapades, who will in turn notify BAWSCA of any changes. A decrease in the total number of shows or budget can be accommodated as long as it does not impact any schools that have already been scheduled.
- BAWSCA and/or the Local Water Agencies will provide EarthCapades with show content requirements by August 1, 2011.
- BAWSCA and/or the Local Water Agencies are responsible for coordinating with EarthCapades if they would like select materials and information distributed as part of a show. Such coordination must occur no later than one week prior to the scheduled show. BAWSCA understands that EarthCapades may not be able to distribute items that are too large or that conflict with the message that EarthCapades is presenting and that BAWSCA or the Local Water Agencies may have to be responsible for the delivery and distribution of item(s) if they exceed EarthCapades' capacity to deliver the materials.
- Local Water Agencies will email a draft Letter of Invitation to eligible schools with a Fax Request Form (Template Letter with Agency-specific information, in a Word Document) to EarthCapades for review July 25, 2011. EarthCapades will provide comments on drafts to Local Water Agencies by August 5, 2011.
- Local Water Agencies will mail a Letter of Invitation with a Fax Request Form to all eligible schools by August 10, 2011. Eligible schools interested in participating will respond directly to EarthCapades, which shall be responsible for all scheduling.

EarthCapades Roles and Responsibilities:

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

- Approximately 70% of the Earth's surface is water, 97% of that is salt water and only 1% is fresh liquid water.
- How water gets from the source to City/Agency homes and schools.
 - PowerPoint and/or visual description of the path the water takes from the Sierra Nevada Mountains to the Hetch Hetchy Reservoir, through the pipeline to local reservoirs to the treatment plant, and then through underground pipes to our homes and schools. This will change according to the local specific information for each agency.
- How to conserve, protect, and respect water. Conservation tips covered but not limited to:
 - Turn off the water when you're not using it (brushing teeth, washing hands, doing dishes, etc);
 - "Get off the bottle" and use reusable water bottles;
 - Fix leaky faucets and toilets;
 - Install low flow faucets aerators, shower heads and toilets;
 - Use a broom not a hose to clean the sidewalk;
 - Take shorter showers;
 - Run full laundry and dishwashing loads; and
 - Plant native drought resistant plants and water in the mornings and evenings.
- How to prevent water pollution:
 - Don't litter;
 - Use organic fertilizers, not pesticides on lawns and gardens;
 - Prevent storm water pollution through not pouring anything down the storm drains,
 - Recycle motor oil;
 - Create awareness that everything that goes into the storm drains ends up in nature; and
 - Inspire students to pick up litter ("safe" litter ~ wear gloves and don't pick up anything sharp or containing bodily fluids).
- EarthCapades will schedule performances directly with schools based upon a first come, first served basis.
- EarthCapades will submit a progress report to BAWSCA on October 17, 2011 regarding how many and which of the eligible schools EarthCapades has been able to successfully enroll. EarthCapades will provide additional school scheduling updates upon request. If EarthCapades is having difficulty enrolling a school in the program, or if that school/classroom has not been enrolled by January 2012, EarthCapades will alert BAWSCA and the Local Water Agency.
- EarthCapades will fax or email each scheduled school a Performance Agreement stating the date and time of performance and EarthCapades's technical needs. The Performance Agreement will be signed and returned by the school's administrator.
- One week prior to performances EarthCapades will send a Performance Reminder fax or email to each scheduled school to re-confirm and remind them to be prepared for the program.
- On the day of the program, EarthCapades will distribute materials provided by BAWSCA and/or the Local Water Agency to the show attendees, if BAWSCA and/or the Local Water Agency have established a mutually agreeable arrangement with EarthCapades as to how to orchestrate the materials delivery and distribution.

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- On the day of the program, EarthCapades will e-mail an online evaluation link for teachers and administrators to complete. BAWSCA and the Local Water Agency staff will be provided a link to review survey results at any time. The link will remain open and available to BAWSCA and the Local Water Agency staff until October 17, 2012.
- EarthCapades performer(s) will present a preapproved 35–45 minute assembly with different age appropriate versions for grades K-2, 3-5 and 6-8 that teach water conservation and appreciation.
- EarthCapades will invoice BAWSCA monthly for shows performed in the previous month.
- If a scheduled school cancels before confirmation fax is sent, EarthCapades will reschedule the performance. If the school cancels after the Performance Reminder has been sent, Purchaser will be charged for full amount.
- EarthCapades will manage scheduling and performances to stay within the specified Local Water Agency maximum not to exceed budgets.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Adoption of Resolution 2012-04 for the transition of ACWA HBA to ACWA JPIA**

Summary:

The Association of California Water Agencies (ACWA) is a statewide non-profit association formed in 1910 whose 440 public water agency members are responsible for 90% of the water deliveries in California. BAWSCA is a member of ACWA. ACWA originally launched ACWA Health Benefits Authority (HBA) and ACWA Joint Powers Insurance Authority (JPIA) to provide vital services to ACWA members at a reduced cost.

ACWA HBA has initiated a process to transition its operations and health benefits programs into the ACWA JPIA. The move would allow the two organizations to combine resources, reduce overall costs and improve operations.

In order to proceed with this transition, HBA must undertake a formal process to dissolve itself and combine its operations with ACWA/JPIA. Under HBA's existing bylaws, the organization may be dissolved by its Board of Directors with concurrence of 75% of HBA members. The consent threshold must be met by July, 1, 2012. A resolution adopted by BAWSCA must be received no later than May 31, 2012.

Failure to approve and return the Resolution may result in loss of dental and vision coverage for BAWSCA employees.

Fiscal Impact:

Potential cost savings, if any, as a result of combining these resources would be passed on to all agencies that participate in programs offered by HBA and ACWA/JPIA. Actual dental and/or vision premium savings to the Agency would not be realized until the January 2014 renewals.

Board Policy Committee Action:

The Board Policy Committee received an oral report on this item but did not review the Resolution at its April meeting because BAWSCA received the information from ACWA after the Board Policy Committee packet was mailed.

Recommendation:

That the Board adopt the attached Resolution by a roll call vote.

Discussion:

Failure to approve and return the Resolution may result in loss of dental and vision coverage for BAWSCA employees. Adoption of the Resolution approves BAWSCA's membership in the ACWA JPIA, consents to join the Health Benefits Program of the ACWA/JPIA, ratifies the action of the ACWA Health Benefits Authority (HBA) Board of Directors to terminate HBA Joint Powers Agreement, and authorizes and directs BAWSCA's CEO/General Manager to execute all necessary documents and take any other necessary actions in order to ensure that BAWSCA's employee health benefits coverage continues without lapse through the JPIA.

Attachments:

1. Resolution 2012-04
2. HBA-ACWA/JPIA Transition FAQ

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RESOLUTION NO. 2012-04

RESOLUTION APPROVING MEMBERSHIP IN THE ACWA JOINT POWERS INSURANCE AUTHORITY, CONSENTING TO JOIN THE HEALTH BENEFITS PROGRAM OF THE ACWA JOINT POWERS INSURANCE AUTHORITY, RATIFYING THE ACTION OF THE ACWA HEALTH BENEFITS AUTHORITY BOARD OF DIRECTORS TO TERMINATE THE HEALTH BENEFITS AUTHORITY JOINT POWERS AGREEMENT, AND AUTHORIZING AND DIRECTING THE BAY AREA WATER SUPPLY & CONSERV. AGENCY TO EXECUTE ALL NECESSARY DOCUMENTS

WHEREAS, this Agency entered into a joint exercise of powers agreement ("HBA Agreement") with the Association of California Water Agencies Health Benefits Authority ("HBA") in order to pool its purchasing needs with other public agencies desiring to provide their employees with comprehensive and economical health and welfare benefits; and

WHEREAS, this Agency entered into a Health Benefits Memorandum of Understanding ("MOU") to enroll in specific health programs and ancillary programs ("Existing Employee Benefits Coverage") offered by HBA and agreed to abide by: (1) the HBA Agreement; (2) all rules and procedures established by HBA in the administration of the Agency's Existing Employee Benefits Coverage; and (3) all underwriting, eligibility, and contribution requirements in Appendix A to the MOU; and

WHEREAS, certain public agencies have entered into a joint exercise of powers agreement ("JPIA Agreement") with the Association of California Water Agencies Joint Powers Insurance Authority ("JPIA") in order to pool their purchasing needs with other public agencies desiring to obtain comprehensive and economical public liability, workers' compensation, unemployment, health, accident and/or dental, or property coverage; and

WHEREAS, JPIA is both qualified and authorized by the laws of the State of California to administer the Existing Employee Benefits Coverage to this Agency through JPIA's Employee Benefits Program; and

WHEREAS, during a noticed special meeting held on February 6, 2012, the HBA Board of Directors unanimously voted to transfer all HBA operations and administrative functions to JPIA on or about July 1, 2012, and to pursue a merger of the two public agencies after which the HBA Agreement would be terminated; and

WHEREAS, pursuant to Article 22 of the HBA Agreement, the HBA Agreement may be terminated by the HBA Board of Directors subject to ratification by the written consent of three-fourths of the HBA Member agencies within 90 days of the HBA Board's action, provided, however, that HBA and the HBA Agreement shall continue to exist for the purpose of concluding all functions necessary to wind up HBA's affairs; and

WHEREAS, during a noticed regular meeting held on March 28, 2012, the HBA Board of Directors approved HBA Resolution 12-03-02: (1) electing to terminate the HBA Agreement pursuant to Article 22 of the HBA Agreement and, except as provided in clause 2 below, said termination shall become effective upon ratification by the written consent of three-fourths of the HBA member districts and agencies; (2) recognizing that pursuant to Article 22 of the HBA Agreement, HBA and the HBA Agreement shall continue to exist for the purpose of winding up and dissolving the business affairs of HBA, and acknowledge that the HBA Board of Directors is vested with all powers of HBA for doing the same; and (3) declaring that Resolution 12-03-02 shall take effect on April 1, 2012, thereby beginning the 90-day ratification period.

NOW, THEREFORE, BE IT RESOLVED that the Directors of Bay Area Water Supply & Conserv. Agency hereby:

1. Agree that the JPIA Agreement and the HBA Memorandum of Understanding referred to in the recitals above are incorporated in this resolution by reference.
2. Approve this Agency's membership in the Association of California Water Agencies Joint Powers Insurance Authority.
3. Consent to join JPIA's Employee Benefits Program and acknowledge, represent, and agree that all terms and conditions of the HBA Memorandum of Understanding apply to the provision of this Agency's Existing Employee Benefits Coverage through JPIA.
4. Authorize and direct Art Jensen, CEO/General Manager to cooperate fully with HBA and JPIA in the execution of any other documents and in the completion of any additional actions that may be necessary or appropriate for the purpose of ensuring that this Agency's Existing Employee Benefits Coverage continues without lapse through JPIA.
5. Ratify the action of the HBA Board of Directors to terminate the HBA Agreement, to be effective as provided in Article 22 of the HBA Agreement.
6. Direct the Secretary of the Board of this Agency to immediately send a certified copy of this resolution to: Association of California Water Agencies Health Benefits Authority, 4600 Northgate Blvd, Suite 100, Sacramento, California, 95834.

PASSED AND ADOPTED by the Directors of Bay Area Water Supply & Conserv. Agency this _____ day of _____, 2012, by the following vote:

AYES:

NOES:

ABSENT:

Chair, Board of Directors

ATTEST:

Secretary

HBA – ACWA/JPIA Transition

Frequently Asked Questions

What is being proposed?

The ACWA Health Benefits Authority (HBA) has proposed transitioning its operations and health benefits programs into the ACWA/Joint Powers Insurance Authority (ACWA/JPIA). HBA would be dissolved and all of the assets and liabilities would be transferred to ACWA/JPIA. All of HBA's existing programs and offerings would remain unchanged.

What are the benefits of this transition?

HBA and ACWA/JPIA share many of the same goals, including member service, promoting employee health, keeping costs down and creating value for members. Transitioning HBA into ACWA/JPIA will allow the two organizations to combine resources, reduce overall costs and improve operations. Potential cost savings would be passed on to all agencies that participate in programs offered by HBA and ACWA/JPIA. With more than two-thirds of the combined membership participating in both programs, the transition will also help eliminate confusion regarding the responsibilities of each.

What steps are needed to make the transition happen?

In order to proceed with the transition, HBA must secure the concurrence of 75% of HBA members within the 90-day window specified in HBA's bylaws. That must be achieved by July 1, 2012. The following steps must be taken to ensure a seamless transition and to retain the employee benefits currently provided by HBA:

1. Adopt a resolution. The board of directors of each HBA member agency must adopt a resolution consenting to join the Employee Benefits Program of the ACWA / Joint Powers Insurance Authority and ratifying the action by the HBA Board of Directors to terminate the Health Benefits Authority Joint Powers Agreement. The resolution should be placed on agencies' agendas as soon as possible.

2. Return the signed resolution. HBA is requesting the signed resolution by April 30, 2012, (or sooner) and no later than May 31, 2012. Resolutions should be mailed to:

ACWA HBA
4600 Northgate Blvd., Suite #100
Sacramento, CA 95834

What is the timeline for the transition?

- **April 1:** Start of the 90-day period in which at least 75% of the HBA membership provides written consent to dissolve
- **First week of April:** Information kit with required resolutions mailed to HBA members; HBA staff to follow-up with HBA members
- **April 18:** ACWA/JPIA and HBA staff will conduct a webinar at 10 a.m. for members to review information and ask questions
- **May 8:** ACWA/JPIA and HBA staff will conduct a seminar at 10 a.m. at the ACWA Spring Conference in Monterey
- **May-June:** Staff to follow-up with HBA members to send required resolutions to HBA
- **July 1:** Target date to complete transition

If approved, when will the change become effective?

If 75% of HBA membership approves, the transition becomes effective July 1, 2012.

What specific steps do the board of directors for each current HBA member need to take?

The governing board of each member agency needs to adopt the provided resolution and return to HBA by May 31, 2012. Sample resolutions are available on the transition website, www.hba-transition.com.

What if my district doesn't return the resolution?

Failure to return the signed resolution by June 29, 2012, may result in loss of coverage for district employees.

How will the potential cost savings for members be distributed among participating members?

While cost savings are expected, it is too early to say with specificity how the savings will be distributed to the membership. ACWA/JPIA will be monitoring all costs and potential savings and will determine the most effective way to pass them on to participating members. Information will be shared with members as it becomes available.

Will this change result in a cost or risk increase for ACWA/JPIA members?

No. Each program in the ACWA/JPIA is maintained and funded separately from the other programs. The Employee Benefits Program will operate as in the past and be a separate program.

Will this transition require a change to the current ACWA/JPIA structure, board composition or policies?

The only change to the ACWA/JPIA structure will be an increase in the number of board members to accommodate HBA members that are not currently ACWA/JPIA members. The Employee Benefits Program will be added to ACWA/JPIA's governing documents, and an Employee Benefits Committee will be added.

Why wasn't this option considered as part of the recent restructuring of HBA?

The economic environment combined with the unknown impact of the proposed national health care program has changed the business model. Many of the desired goals for future services and long-term savings are already being developed at ACWA/JPIA and, as such, can now be implemented simultaneously. Recent opportunities and immediate needs have developed at both organizations which, when combined, will make both organizations stronger.

Will HBA members have access to all ACWA/JPIA programs?

Yes, but they will have to apply for and be approved by the Executive Committee. Each program requires a separate application.

Does an agency still have to be an ACWA member to receive health benefits through this new arrangement with ACWA/JPIA?

Yes. An agency must be a member of ACWA to be eligible for all ACWA/JPIA programs and services, including health benefits.

How does this transition impact ACWA?

There will be no immediate impact on ACWA on July 1, 2012. ACWA will continue to work with both HBA and ACWA/JPIA to transition the services it now provides to HBA. For the longer-term, any financial issues arising from the merger between HBA and ACWA/JPIA will be incorporated into the process to develop ACWA's 2013 budget.

What happens to the HBA board of directors?

The HBA board of directors will cease to exist when the transition is complete.

If the change is not approved, what will be the course of action?

If written concurrence of at least 75% of the HBA membership has not been received by July 1, 2012, HBA will enter into an agreement for administrative services provided by ACWA/JPIA. The 90-day process to get 75% concurrence for the transition would begin again.

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Board of Directors Policy Calendar for FY 2012-13

Board Meeting	Purpose	Issue or Topic
July	S D D D&A	Water Supply Strategy – Study Session SFPUC WSIP – Mid-Point Report Hetch Hetchy Reservoir – Protecting the Water Users CEO/General Manager Performance Evaluation
September	D&A D D&A R R	Bond Issuance Feasibility Drought Study and Future Water Supply Projections Water Supply Strategy - Recommendations Water Supply Agreement – Report on third year administration SFPUC Annual Report on WSIP Progress
November	D&A D&A D&A	Bond Issuance – Potential Action Hetch Hetchy Reservoir – Status of Initiative in SF BAWSCA Mid-Year Review of Progress, Budget and Reserves
January	D D&A	Budget planning for FY 2013-14 Water Supply Strategy – Pilot Project
March	D	Discussion of preliminary Work Plan and budget for FY2013-14
May	D&A D&A	Adoption of Work Plan and Operating Budget for FY 2013-14 Approval of annual contracts for FY2013-14

Key: R=Report, D = Discussion, S = Study Session, A = Action

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Long-Term Reliable Water Supply Strategy Update**

Summary:

In July, a Long-Term Reliable Water Supply Strategy Phase IIA Report will be distributed to the BAWSCA Board. The Report will describe the results of all technical evaluations performed to date as part of the Strategy and include recommended next steps for consideration. Board action to implement one or more of the recommended next steps is anticipated in Fall 2012. The July Board meeting will include a Study Session on the Report, its conclusions, and recommended next steps.

Recommendation:

There is no recommended action for this item. This item is for information only.

Background:

BAWSCA is developing the Strategy to quantify when, where, and how much additional supply reliability and new water supplies are needed throughout the BAWSCA service area through 2035. The Strategy will then identify water supply management projects that can be cost-effectively implemented by a single member agency, by a collection of the member agencies, or by BAWSCA in an appropriate timeframe to meet the identified needs.

While supplies are expected to be sufficient until 2018, there are compelling reasons to develop a long-term strategy:

- Long lead times are required to complete projects that produce water supplies
- If economic recession is a significant factor in current low water use, the end of the recession could be followed by rapidly increasing water needs for jobs and residents, and an orderly plan would be essential
- Drought reliability remains a common concern for almost all agencies
- The pursuit of water supplies, and means to transport and store them, is increasingly competitive, and without a well-considered plan, opportunities will be lost

In all instances, and in accordance with a key BAWSCA principle, any water supply management projects that are developed as part of this Strategy will be paid for by those agencies that benefit from their development.

Success of the Strategy will depend on timely and appropriate actions by the BAWSCA Board and by the individual member agencies. Progress on the development of the Strategy will be monitored closely to ensure that a reliable, high quality supply of water is available where and when people within the BAWSCA service area need it.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Water System Improvement Program Update**

Summary:

The SFPUC recently released the WSIP Quarterly Report for the period December 25, 2011 through March 31, 2012. In response to BAWSCA's recommendations, this most recent report includes a new section that identifies trends and risks associated with project costs and schedules.

The BAWSCA technical team has begun a thorough review of the report and will be meeting with WSIP staff later this month to discuss any outstanding questions or concerns. A presentation will be made at the Board meeting providing an initial assessment of the progress as reported.

The BAWSCA technical team is preparing a midpoint review of the WSIP from the perspective of BAWSCA and its member agencies. The report will provide:

- An overview of WSIP progress to date,
- A discussion of what has gone well and what has been a struggle to date for the WSIP implementation,
- An assessment of the current status of the WSIP, and
- A discussion of the challenges ahead for successful implementation of the WSIP.

The report will also provide a history of the WSIP development as well as a discussion of BAWSCA's role over the course of the WSIP. The report will be up to date with the latest information from the recently released Quarterly Report and is scheduled to be completed in mid-June 2012.

Recommendation:

There is no recommended action for this item. This is an informational item only.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: Potential Bond Issuance to Prepay Capital Debt Owed to SFPUC

Summary:

An investigation continues into whether it would benefit BAWSCA's member agencies and their water customers if BAWSCA were to issue bonds to prepay a capital debt the agencies owe San Francisco. Additional steps have been taken since the discussion with the Board in March and the Board Policy Committee in April.

Conclusions as to the feasibility and benefits of such an action will not be known until this summer. If a recommendation were made to move forward, it would likely be presented to the Board Policy Committee in August and presented for Board consideration in September.

Fiscal Impact:

If bonds were issued, a preliminary estimate of the issuance costs is in excess of \$2 million. Out-of-pocket costs were estimated to be above \$400,000, and the balance would be paid from bond proceeds, contingent upon successful sale of bonds. Funds to cover the out-of-pocket costs are available from the General Reserve.

Board Policy Committee Action:

The Committee asked a variety of questions for information and clarification, and encouraged the CEO to move swiftly to take advantage of that favorable market conditions.

Recommendation:

That the Board provide comments and questions.

Discussion:

At the February Board Policy Committee meeting, the CEO/General Manager reported that he had been working with legal counsel and BAWSCA's financial advisor, KNN, to investigate and respond to a request from San Francisco.

A brief explanation is provided by the opening paragraph of KNN's January 6, 2012 report on this subject, a copy of which was provided to the Board in March:

“...we have been in discussions with representative of several investment banks, as well as lawyers and SFPUC staff about the possibility of issuing bonds to prepay the capital cost recovery payments currently being made under the Water Supply Agreement to amortize regional assets acquired prior to the contract. The main benefit to the SFPUC would be an increase in its cash reserves, which have fallen primarily due to falling water sales. The main benefit to BAWSCA members would be reduction in the cost of water attributable to replacing the current obligation to amortize the remaining \$370 million of this obligation at an interest cost of 5.13%. If bonds could be issued under current market conditions to prepay this obligation, and if all the savings accrued to the benefit of BAWSCA members, the total revenue requirement could be lowered by about \$2 million a year, saving some \$35 million on a present value basis.

KNN's report noted that the issuance of bonds for this purpose might be feasible and provide benefits to BAWSCA's member agencies, and that several open issues needed to be examined before an informed recommendation or decision could be made.

Relevant Provisions in the 2009 Water Supply Agreement. The Water Supply Agreement states that agencies will repay San Francisco the \$370 million over the 25-year term of that agreement, and be assessed interest of 5.13%. The Agreement also states:

“The Wholesale Customers, acting through BAWSCA, may prepay the remaining unpaid Existing Assets principal balance, in whole or in part, at any time without penalty or early payment premium.”

Legislative Action to Ensure BAWSCA has Authority to Issue Bonds for This Purpose.

Assemblymember Hill has introduced legislation to amend BAWSCA's enabling legislation to clarify that BAWSCA has authority to issue bonds for this purpose, should the Board decide to do so. It was important to act promptly so that the necessary authority would be in place and to enable BAWSCA to take the best possible advantage of current bond market conditions. The bill was approved unanimously by the Assembly Local Government Committee on May 2nd, and approved on the floor of the Assembly on May 10th. The bill will now move to the Senate for consideration. A copy of San Francisco's letter of support is attached.

Bond Counsel Support Needed to Examine Feasibility. Several of the open issues identified by KNN require the input from qualified bond counsel, attorneys who specialize in law related to bonds, bond issuance and tax law. The bond counsel services needed to complete a feasibility assessment can be provided within the CEO's discretionary spending authority, and sufficient funds exist in the contingency budget to do so.

Since February, a Request for Proposals was prepared by KNN and legal counsel, and distributed to three highly experienced firms. Proposals were received on April 11 and all three firms were interviewed. The firm of Orrick, Herrington & Sutcliffe LLP, who is well known as one of the most qualified public finance firms in the country, was selected. Orrick's public finance practice has been ranked first in the country for most of the past eighteen years by total dollar volume of transactions for serving as bond counsel. A professional services agreement with Orrick was signed under the CEO's discretionary spending authority for the feasibility assessment. The contract anticipates that if the Board ultimately decides to pursue a bond issuance, the same bond counsel could provide ongoing support, subject to the Board's authorization of the additional work and additional funding.

The first assignment to bond counsel was to review the pending legislation and suggest any amendments that would make the agency's authority clearer and improve the security of any bonds issued by the Board.

Possible Consideration of Similar Actions by Others. Some BAWSCA member agencies have been approached by investment bankers and asked if they would like to issue bonds for purpose of prepaying a portion of the debt. Some of those agencies may be considering those proposals. It is important that the BAWSCA Board be informed of this possibility, as it may or may not affect future recommendations and decisions.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Hetch Hetchy Reservoir – Protecting the Water Users**

Summary:

A group named Restore Hetch Hetchy is working to place an initiative before San Francisco voters this November that would require San Francisco to develop plans for draining Hetch Hetchy Reservoir and restoring Hetch Hetchy Valley.

BAWSCA's goal is to protect the residents, businesses, jobs and community organizations that depend on the existing system and its storage facilities for a reliable supply of water.

The objective of the attached statement is to have a strategic position statement that is understandable to the public and is reasonable to the Board.

Recommendation:

There is no recommended action for this item. This information is presented for discussion of whether the statement is understandable to the public and reasonable to the Board.

Discussion:

The attached statement provides the basis for BAWSCA's opposition to draining Hetch Hetchy Reservoir unless and until acceptable replacement water storage would be operational and a reliable supply of water would be assured for the water customers served by the 26 cities and water agencies that are members of BAWSCA.

The water customers outside San Francisco use over two-thirds of the water supplied by the Regional Water System, pay more than two-thirds of the cost to build, maintain and operate the system.

Decisions of this significance must be put to a vote of all of the water customers who depend on the Regional Water System, including the water users outside San Francisco or their representatives, as well as the customers in San Francisco who use less than one-third of the water.

Background:

BAWSCA's historical position on this concept first appeared in 2005. It was last refined in 2010, prior to the recent activities of Restore Hetch Hetchy. A copy of that statement was distributed to the Board by email on March 21, 2012.

The attached statement incorporates comments made by the Chair of the Board at the March 15, 2012 Board meeting.

A copy of the initiative the group wants to place before voters in San Francisco voters was also distributed to the Board by email on March 21, 2012.

Attachment: May 11, 2012 Statement by Arthur Jensen

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**Statement by Arthur Jensen, Chief Executive Officer
Bay Area Water Supply and Conservation Agency (BAWSCA),
About Proposal to Drain Hetch Hetchy Reservoir and Restore the Valley
May 11, 2012**

A group named Restore Hetch Hetchy is attempting to place an initiative before San Francisco voters this November that would require SF to develop plans for draining Hetch Hetchy Reservoir and restoring Hetch Hetchy Valley. Whether to drain the Reservoir and the Valley are public-policy issues that have been debated for over 100 years.

The Bay Area Water Supply and Conservation Agency (BAWSCA) represents the water interests of 1.7 million residents, businesses, and community organizations in Alameda, San Mateo, and Santa Clara counties, which depend on San Francisco's Regional Water System. BAWSCA's Board of Directors comprises elected and other public officials from the 26 member agencies that serve these communities.

BAWSCA's member agencies and their customers use two-thirds of the System's water and pay two-thirds of the cost of building, operating and maintaining the System, which is operated by San Francisco. The Tuolumne River supplies 85% of the water delivered by the System. Hetch Hetchy Reservoir is a vital part of the System and stores 117 billion gallons of water, providing significant drought and seasonal water supply reliability for the region. Draining the Reservoir could be a serious threat to the users who depend on it and to the California economy.

If San Francisco or any other governmental body should decide to drain Hetch Hetchy Reservoir, the first requirement must be to determine how to protect the health, safety and economic well-being of the water users. This protection should be addressed with a four-step process.

First, any governmental body acting to drain the Reservoir must be required to develop a plan for reliable alternative water storage and a supply of high-quality water acceptable to those who depend on the System.

Second, the alternate storage and supply must be supported by legally enforceable agreements addressing water rights, ownership, operating responsibilities and other critical issues. Without such issues being resolved, no alternative supply can be as reliable as the existing supply.

Third, if a decision is made to provide alternative water storage, it must be in operation, and all agreements be fully executed, before draining the Reservoir and restoring the Valley could begin. Otherwise, it is likely that the alternative system would never be completed.

Fourth, decisions of this significance must be put to a vote of the water users outside of San Francisco or their representatives, as well as by San Francisco voters who use less than a third of the water.

BAWSCA is therefore opposed to draining the Hetch Hetchy Reservoir unless and until acceptable replacement water storage would be operational and a reliable supply of water would be assured for the water customers in the 26 communities BAWSCA represents.

Meanwhile, any such efforts must not delay rebuilding the Bay Area's existing vulnerable water system before the next major earthquake. If necessary, BAWSCA will pursue administrative or legislative action to protect its water users.

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

Meeting Schedule through December 2012

Schedule for BAWSCA Board Meetings (Meetings are held from approx. 7:00 – 9:00 p.m.)	
<u>Date</u>	<u>Location</u>
Thursday – May 17, 2012	Wind Room, Foster City Community Center
Thursday – July 19, 2012	Wind Room, Foster City Community Center
Thursday – September 20, 2012	Wind Room, Foster City Community Center
Thursday – November 15, 2012	Wind Room, Foster City Community Center

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

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

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

May 17, 2012

Media coverage of interest between April 19, 2012 and May 11, 2012.

Attached documents are being provided to you for your information and are not in the agenda for discussion.

Correspondence

Date: May 11, 2012
From: Arthur Jensen, Chief Executive Officer
To: BAWSCA Board of Directors
Re: CEO/General Manager's Letter

Media Coverage

Water Supply

Date: May 9, 2012
Publication: Modesto Bee
Article: Harsh words, lawsuit threats greet MID plan to sell water to SF

Date: May 5, 2012
Publication: Sacramento Bee
Article: Viewpoints: Snowpack shows vulnerability of water supply

Water Conservation

Date: May 2012
Source: Bay Area Water Supply & Conservation Agency
Material: Press Release: San Bruno Offers Two Free Workshops: "How to get paid to transform you lawn!"

Date: April 19, 2012
Publication: Bay Area Water Supply & Conservation Agency
Material: Press Release: Water-Efficient Garden Event at San Carlos Home Depot

Water Quality

Date: May 9, 2012
Publication: The Daily Journal
Article: Wash your car, go to jail?

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors
DATE: May 11, 2012
FROM: Arthur R. Jensen, Chief Executive Officer
SUBJECT: Chief Executive Office/General Manager's Letter

SFPUC Wholesale Water Rates for FY 2012-13:

At the Commission meeting on May 8th, the SFPUC approved a new wholesale water rate of \$2.93 per ccf, effective July 1, 2012. The new rate is based on wholesale water purchases of 137 mgd in FY2012-13. The new rate represents an 11.4% increase from the current rate of \$2.63 per ccf.

The SFPUC proposed alternative rate structures in February, one of which included a mid-year rate reset if actual water purchases were lower than estimated. Due to the comments from several agencies and from BAWSCA, the approved rate structure uses a single volumetric rate for the entire fiscal year, with no mid-year change in rates.

Proposed 2 mgd Water Transfer between Modesto Irrigation District and San Francisco

As mentioned at prior Board meetings, the Modesto Irrigation District (MID) and the SFPUC have been working on two possible water transfers. The first is described as a transfer of 2 mgd to permit San Francisco to meet the Levels of Service goals for water supply reliability that were adopted by the SFPUC as part of the Water System Improvement Program.

BAWSCA is following the proposal closely to protect water supply and financial interests of the water customers. BAWSCA and member agency staffs have identified several questions which, if answered, would support informed decisions about the transfer. These questions are articulated in the attached May 8th letter to Ed Harrington, SFPUC General Manager. We will see that the written reply is distributed to member agencies and directors as soon as it has been received and reviewed.

Attached is information prepared by MID, including a memo from MID's General Manager, Allen Short, descriptive information, FAQ sheets, and other material.

The proposed transfer has elicited comments by both supporters and opponents in Modesto, as well as opposition from the Tuolumne River Trust (TRT). A copy of correspondence from the TRT to Bay Area mayors is attached, as well as a recent Modesto Bee newspaper article.

FY 2009-10 Settlement Agreement

In January, the Board was apprised of the settlement of outstanding issues raised in connection with the FY2008-09 wholesale revenue requirement which resulted in a credit to the wholesale customers of \$1,008,397. On March 30, 2012, the parties reached an agreement pertaining to outstanding issues as it relates to FY2009-10. That agreement resulted in a credit owed the wholesale customers of \$600k. In addition, a change in the allocation of debt funded capital expenditures also reduces wholesale debt service over the life of the bonds, which on a present value basis is a benefit to the wholesale customers of approximately \$2 million. On a present value basis, our financial consultants estimate the FY2009-10 settlement agreement represents overall savings to the wholesale customers of about \$2.6M.

Harry Tracy Water Treatment Plant Update

Pile driving for the foundation of the new 11 million gallon Treated Water Reservoir began Monday, May 7th and is expected to take two weeks, weekdays only.

Saturday work is required for the next three Saturdays to keep critical activities on schedule. The work will take place inside the plant only. Approximately 20 truck trips are anticipated on Crystal Springs Road each Saturday (May 5th, May 12th and May 19th) to bring backfill to the site. The trucks will arrive between 9 a.m. and 4 p.m. and will be escorted by pilot cars and flaggers.

The SFPUC has set up a 24 hour number for the community to call with any concerns about the construction. The number is (866) 973-1476.



May 8, 2012

Mr. Ed Harrington, General Manager
San Francisco Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, CA 94103

Re; Proposed 2mgd Water Transfer

Dear Mr. Harrington,

BAWSCA and its member agencies have been following the proposed 2 mgd water transfer between MID and the SFPUC with great interest. It is vital for San Francisco to respond to two important questions raised by Board members and agency staff. These questions have already been discussed with your staff. The purpose of this letter is to urge prompt attention to these questions and distribution of a written response to all of the Wholesale Customers. Several agencies are poised to consider public positions on the proposed transfer, and they deserve the benefit of the facts before acting.

The first question is whether the need for the 2 mgd transfer can be demonstrated today, in light of the recent reduced level of water purchases from the SFPUC and the lower water demand and lower SFPUC purchase projections through 2035.


We believe the entire picture must be considered, including the commitment to allocate 7.4 mgd of water to in-stream fisheries, an action taken after the completion of the PEIR and not reflected in its findings and conclusions. In addition, any assessment or statement must clarify whether conclusions are based on SFPUC delivery of water to the cities of San Jose and Santa Clara after 2018, or not. There may be other factors that should be taken into account, and they should be presented clearly so that public officials can understand them and take them into consideration.

The second question relates to the cost-effectiveness of the proposed 2 mgd water transfer. The statement has been made that it makes no sense to pay every year for a water transfer that may occur only once every few years. However, many utility expenses, for drought protection, earthquake reliability, and firefighting capacity to name a few, require annualized payments to protect customers from events that may happen rarely, or that one hopes might never occur. A valid, fact-based comparison should be provided.

We ask that San Francisco provide a clear demonstration that the proposed water transfer is cost-effective when compared to: (1) the estimated economic impacts of drought shortages and (2) alternative means of providing a comparable level of drought reliability.

If Commission approval of the transfer is requested, the responses to these questions should also be included in the staff report, so that the record clearly demonstrates both the need for the water and the relative cost-effectiveness or other advantages of the water transfer.

A prompt reply would ensure that public decisions are supported by sound reasoning.

Warm regards,

Arthur R. Jensen

April 27, 2012

MEMO

TO: Modesto Irrigation District Board of Directors

FROM: Allen Short, General Manager

RE: Water Transfers

At the Board's direction, MID staff has engaged in an extensive public outreach effort on the potential of water transfers to help offset the cost of water infrastructure improvements upon MID ratepayers. After six months of presentations, public forums, regular MID meetings and listening sessions with stakeholders, MID staff recommends:

- 1) Approval of a 2,240 acre feet transfer to the City and County of San Francisco (CCSF), on the terms and conditions in the attached contract.
- 2) MID Board authorization to conduct a full environmental and economic analysis of a potential transfer of 25,000 acre feet of water to CCSF. This review would meet the requirements of California Environmental Quality Act (CEQA) and provide for a scientific and comprehensive analysis of the impacts of such a transfer, and mitigation measures to be undertaken should the Board approve such a transfer. The CEQA environmental review process will provide the Board and the public with the detailed and comprehensive information necessary to make a decision on any further potential transfer. All costs of this study shall be borne by CCSF.

Attached for the Board's review are the following exhibits:

- A) Executive summary of the draft contract for the transfer of 2,240 acre feet of water
- B) Where our water comes from and where it goes (water system map and pie charts)
- C) Specific infrastructure categories and costs
- D) Potential revenues from water transfers
- E) Frequently Asked Questions (FAQ's)
- F) Draft contract with CCSF for transfer of 2,240 acre feet of water

MID staff has incorporated many of the ideas and suggestions discussed in the public outreach process in the proposed agreement with CCSF. Here are the criteria that were used:

- Water rights will not be sold or transferred.
- MID service area customers will be protected even in water short years.
- Price for transferred water will be competitive over the term of any transfer.
- Number of years for any transfer obligation shall be limited to provide reasonable assurances to MID customers.
- MID water dedicated to environmental purposes will not be impaired.

If a decision to move forward with the potential 25,000 acre foot water transfer occurs, the Board may also want to incorporate the following criteria into any further agreements:

- Terms of any large transfer will be reviewed by independent water experts in addition to MID staff.
- Establish an advisory committee to recommend spending priorities beyond water infrastructure.

It is important to emphasize that the transfers require no new infrastructure construction. Rather, all the infrastructure improvements are for the existing irrigation system (which some parts are close to 100 years old) and will allow MID to retain water currently lost through seepage and outflows. It is estimated that this retained water will be more than the amount needed for the transfers. Regardless of the potential transfers, the improvements must be made.

In keeping with the Board's direction to explore revenue sources exclusive of rate increases, we believe the above recommendation is the most prudent and responsible course.

Exhibit A: Executive Summary of Agreement between MID and CCSF on 2,240 AF Water Transfer

April 27, 2012



Pursuant to Modesto Irrigation District (MID) Board Resolution No. 2012-04, an agreement has been negotiated between MID and the City and County of San Francisco (CCSF) for the transfer of 2,240 acre feet (AF) of water yearly (the "Agreement"). *(NOTE: terms of this agreement apply only to the proposed 2,240 AF transfer. Should MID enter into further additional larger transfer agreements, terms will be subject to the information gathered by the comprehensive environmental and economic analysis associated with such a transfer.)* A summary of key provisions of the Agreement are described below. The complete Agreement is available at www.mid.org.

Size of Transfer

The transfer consists of 2,240 acre feet annually. For purposes of comparison, MID currently releases approximately 3,000 acre feet to charge or begin operation of its gravity driven irrigation system. It takes an additional 3,000 acre feet to close down the system once irrigation season concludes. The transfer equals 1.18% of water lost annually to operational outflows and seepage. MID has determined that it has 2,240 AF available for transfer which is surplus to its requirements for water supply.

Length of the Agreement

The agreement will commence on July 1st, 2012 and continue to December 31st, 2022 with two 20-year renewals unless parties execute agreement termination provisions.

Transfer Price

CCSF will pay MID \$700 per acre foot for all water scheduled to be transferred. CCSF will pay MID by April 30th of each year for the prior year's transfer. CCSF is obligated to pay for all scheduled water even if water is not actually diverted.

Escalator Clause

Beginning in 2015, and every five years thereafter, the transfer price will be adjusted upwards or downwards, to reflect inflationary changes. In no event however, will the annual average cost vary by more than 3%, or 15% for the five-year period. This agreement will utilize the Department of Labors Consumer Price Index (CPI) index for the western region to determine this adjustment. For the first quarter of 2012, the CPI for the western region was 2.5%. The last five year's annual average is 2.1%

Agency Discretion Protected

By entering into this Agreement, neither party is in any way limiting its discretion or the discretion of any other governmental agency with permitting or approval jurisdiction over any transaction related to the Transfer Water.

Water Rights Protected

This agreement does not confer, limit or otherwise affect any water rights of the San Francisco Public Utilities Commission (SFPUC), MID or Turlock Irrigation District (TID). This is an agreement to transfer water appropriated to MID under its water rights, but is not a transfer of those rights.

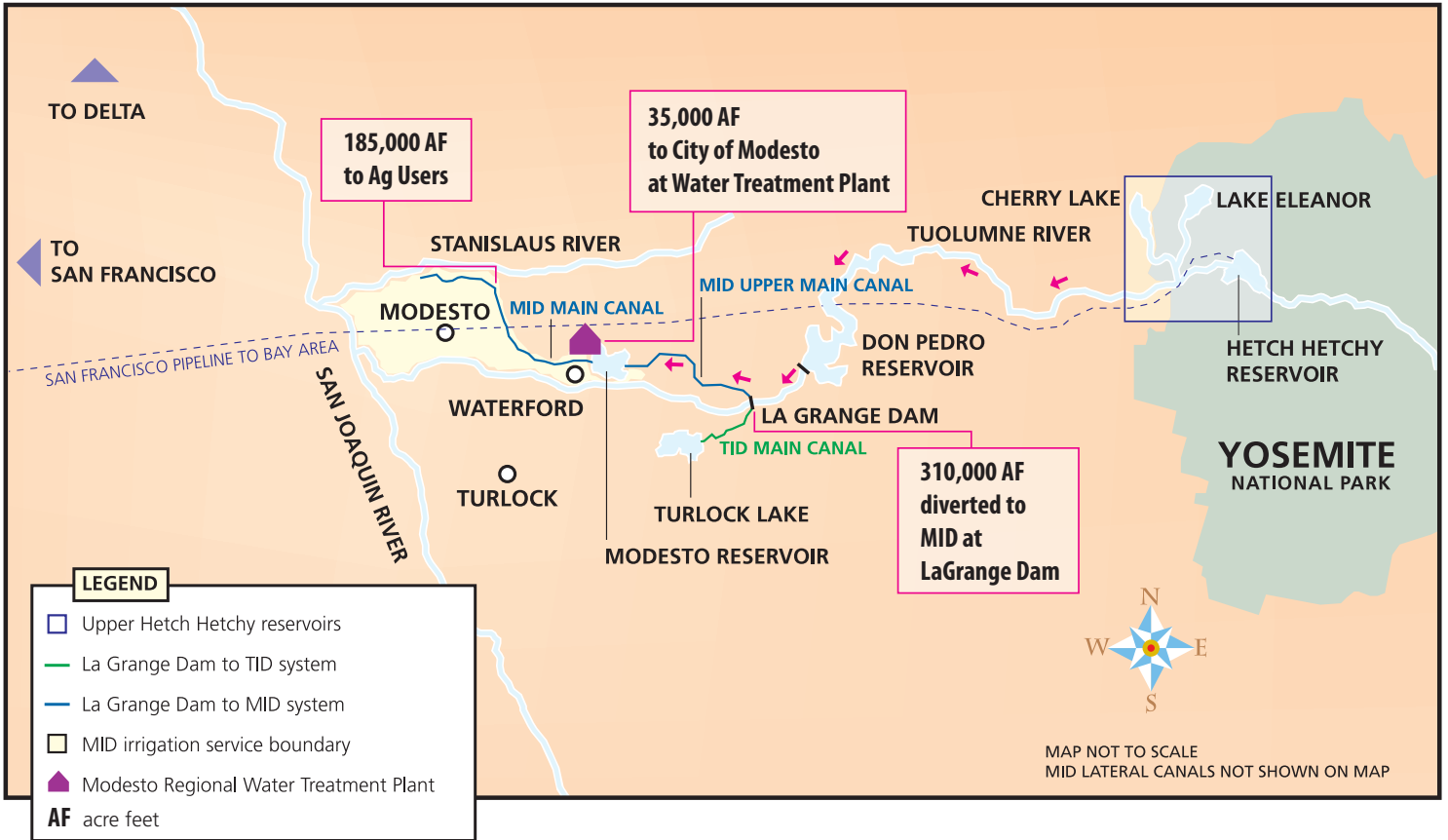
Litigation Costs

CCSF is obligated to pay for all litigation costs associated with this agreement.

FERC Provision

CCSF and MID recognize that the upcoming Federal Energy Regulatory Commission (FERC) process may result in increased downstream flow requirements. CCSF reserves the right to terminate agreement if CCSF and MID cannot come to an agreement on responsibility for increased flow.

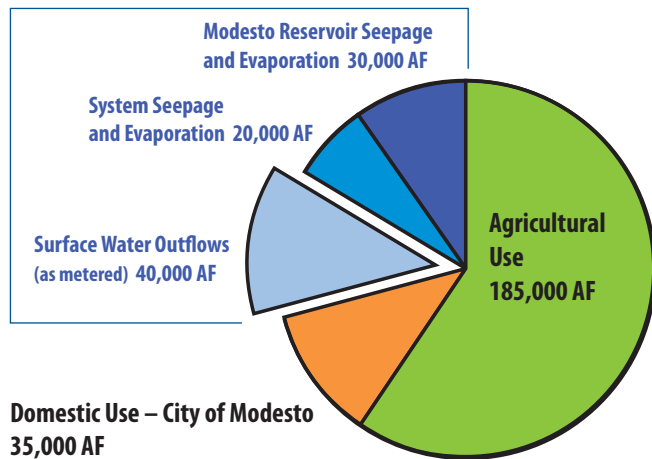
Where our water comes from and where it goes



310,000 AF MID Canal Diversions at LaGrange Dam

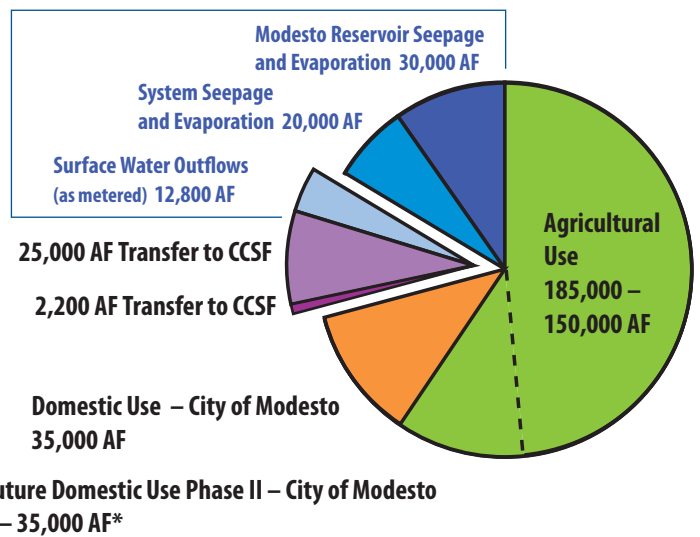
Before Infrastructure Improvements and Proposed Transfers
(Average Annual Numbers)

Operational Outflows & Seepage 90,000 AF



After Infrastructure Improvements and Proposed Transfers
(Average Annual Numbers)

Operational Outflows & Seepage 62,800 AF



* Usage dependant on ag to urban land conversions initiated by the property owner.

Specific Infrastructure Categories and Costs (\$115 Million)

BENEFITS				BROAD CATEGORIES	INITIAL COSTS*
General	Water Retention	Safety	Farmer Service		(2010 Millions \$)
	X		X	Main Canal Reservoir (head of Lateral 3), controls, Main Canal modifications	\$10 M
		X		Dry Creek Flume	\$10 M
	X		X	Laterals 6 and 8 Reservoirs, interceptor, and return lines	\$22 M
	X	X	X	Computer control system upgrades (SCADA)	\$10 M
		X		Trash screens on highway crossings	\$1 M
			X	Removal of bottlenecks	\$3 M
X				Planning/Permitting (CEQA/EIR)	\$3 M
	X		X	Waterford area improvements	\$6 M
	X		X	Laterals 4 and 5 Reservoir, interceptor, and supply pipelines	\$25 M
	X		X	Laterals 3 and 7 Reservoir, interceptor, and supply pipelines	\$25 M
TOTAL COST					\$115 M

* Initial costs include engineering, mobilization, contingency

Potential Revenues from Water Transfers

2,200 AF @ \$700	w/ 2% increase	w/ 3% increase
5 years	\$8,014,221	\$8,176,069
10 years	\$16,862,570	\$17,654,374
15 years	\$26,631,862	\$28,642,327
20 years	\$37,417,949	\$41,380,376
25 years	\$49,326,661	\$56,147,267

25,000 AF @ \$700	w/ 2% increase	w/ 3% increase
5 years	\$91,070,702	\$92,909,876
10 years	\$191,620,117	\$200,617,887
15 years	\$302,634,796	\$325,480,993
20 years	\$425,203,971	\$470,231,553
25 years	\$560,530,245	\$638,037,125

Potential Uses of Revenue

Water sales revenue will be used for water related costs including but not limited to:

- Infrastructure improvements
- FERC relicensing and related obligations
- Water conservation programs
- Debt retirement
- Rate stabilization
- Improvement district repairs/updates
- Enhanced canal security
- Pressurized systems

The Modesto Irrigation District (MID) is in the process of considering a proposal to sell water to the City and County of San Francisco (CCSF). The goal of this potential transaction is to generate revenue which will be used to improve MID's irrigation system infrastructure. The cost of these necessary improvements, along with the cost of the Don Pedro relicensing project, are expected to exceed \$140 million. MID will have to pay these costs **whether or not** a water transfer agreement is reached. However, transfers would provide new revenue to MID, relieving the burden of these necessary activities on MID customers. A key outcome of this approach is that these infrastructure improvements will allow MID to improve the efficiency of our system and the water use, using the revenue received from the sale to conserve the water within our system to serve CCSF. This model serves state policy to look at agricultural to urban water transfers as a way to improve the health of California's water resources.

1. Will transferring the water for a long term deal endanger MID's water rights?

The proposal is for selling water. Just water; MID's water rights will be retained by MID; in fact by putting water to beneficial municipal and industrial uses, MID is protecting the water right.

2. Why give the water to CCSF?

MID is **NOT** giving water to CCSF. CCSF is offering an attractive market price in this area and the potential transfer will **NOT** require any new infrastructure. CCSF has a long standing relationship with the MID and has been a good river stewardship partner.

3. Is there a guarantee or "opt out" in drought years?

Any transfer being considered will be designed to protect MID's existing customers, including the agricultural and City of Modesto water users. There are a variety of ways to satisfy this requirement and unless this issue is resolved, there will be no transfer.

4. How will sales revenues be used?

Water sales revenue will be used for water related costs including infrastructure improvements, FERC relicensing and related obligations, water conservation programs and debt retirement. Such use of the revenues will enable MID to keep water rates stable for a number of years and take some of the hydroelectric facility burdens off of electric customers.

5. Why are we considering such a long-term contract?

Long-term water contracts aren't unusual. The domestic water contract with the City of Modesto has an unlimited term. MID has also engaged in contracts for as short as one year. As a rule, a long-term contract ensures reliability for both parties, commands a higher price and allows for built in price increases over the contract term. The terms of this proposal are still under discussion.

6. Will such a transfer impact the efforts to tear down O'Shaughnessy Dam and restore the Hetch Hetchy Valley?

No. The proposal doesn't directly impact that effort. Hetch Hetchy and Don Pedro are independent projects. However, the group leading this effort opposes the water transfer proposal.

Removal of O'Shaughnessy Dam would result in CCSF being unable to serve its customers without construction of new facilities to store and divert water. Don Pedro Reservoir does not have sufficient storage capacity to replace Hetch Hetchy.

7. Will this sale jeopardize MID's ability to serve agricultural customers and recharge groundwater?

No, providing adequate water to MID agriculture customers has always been and will continue to be a priority and will not be impacted by water transfers to CCSF. MID will continue its efforts to maintain and manage groundwater conditions in our service area. In the future, if sufficient revenues are available, property could be purchased to use as groundwater recharge basins.

8. How is MID's water currently distributed?

MID's share of water from Don Pedro Reservoir is 300,000 acre-feet. Each year, approximately 185,000 acre-feet is distributed to agriculture customers and around 35,000 acre-feet to the City of Modesto. The remaining water is distributed in operational outflows, utilized for environmental stewardship, groundwater recharge and some is kept in storage in Don Pedro.

9. Will there be an economic impact analysis discussing the pros and cons of the sale?

Yes. The economic benefits of a proposed transfer and alternative uses of the water will be part of the MID Board of Directors' review process.

10. Is there any loss of hydro generated power? If so, how will this be reconciled?

Any lost hydropower, both long-term and short-term, will be fully reimbursed by the terms of the transfer. Hydropower accounts for only a small percentage – about 10% – of MID's total power generation.

11. Why doesn't MID make this water available for purchase to west side or other nearby agricultural users?

Significant infrastructure, economic and legal hurdles make this an unrealistic option at this time.

12. What is the effect of this sale on the Tuolumne River?

The Tuolumne River won't be significantly impacted by any water transfer by MID. MID remains committed to conservation and its stewardship of the river. CCSF has completed an environmental review of the potential 2,200 acre foot transfer, and before any larger arrangement moves forward a thorough environmental review process, including a full Environmental Impact Report, will be completed. If any concerns are identified, appropriate action will be recommended at that time.

13. Will the purchase price for the water be a set price?

No, the contract will include built-in price increases (escalator clause) to keep pace with market increases.

14. Why not delay a water transfer until after the Federal Energy Regulatory Commission's (FERC) relicensing process for Don Pedro is complete?

The FERC process will last five years or longer. MID can ill-afford to postpone action to improve our infrastructure. Without the needed improvements we face the likelihood of both a loss of water and loss of potential revenue. Water committed for urban use is viewed very favorably in the relicensing process and meets the "beneficial uses" standard.

Also, FERC doesn't have jurisdiction over transfers. The transfer being considered is consistent with the overall objectives of the FERC process.

15. Why has MID changed its position from the 2007 Bee story?

The circumstances around this proposal are considerably different. In this case a willing buyer and a willing seller exist. Proceeds from the transfer will relieve MID customers of hundreds of millions of dollars in improvement expenses and help pay for the Don Pedro relicensing project. The water sent to CCSF under the proposal is recovered water, conserved as a result of infrastructure improvements.

16. How will this impact the economic conditions in our community?

It protects our water rights which are the lifeblood of our community. Additional jobs could be generated by the construction activities of the infrastructure improvements. Domestic, agricultural and industrial water rates could remain stable, and some burden on electric rates could be eased, positively impacting overall job stability throughout the region.

17. What are the next steps?

- A) Negotiate terms and conditions of initial water transfer to CCSF.
- B) Public meeting, discussion and MID Board of Directors' consideration of the 2,200 acre foot transfer.
- C) Direction by MID Board to initiate environmental review and evaluation of larger water transfer subject to:
 - Protection of MID customers against any shortage of deliveries in drought years.
 - Commitment to looking at possibility of funding water conservation programs for urban and agricultural customers with proceeds from water sale.
 - Understanding that as much infrastructure improvement work as possible will be awarded to local contractors.
 - Reimbursement to MID's electric budget for any shortfall in power generation caused by the water sale.

18. Why can't MID furnish this water to agricultural interests outside of MID's service area, keeping water available for our number one industry? What is the difference between a transfer to the City and County of San Francisco and transfers to the west side?

There are three major factors that must be weighed in any water transfer proposal;

- 1) Infrastructure needs to convey the water,
- 2) Potential revenue from the transfer, and
- 3) Timing.

MID has explored efforts to move water both to the Westlands water district, and to other agricultural interests.

Infrastructure. To serve such interests, new infrastructure and permitting would be needed. An effort to explore movement of MID water to the Westlands Water District indicated that infrastructure alone for the conveyance would cost over \$180 million (June 2011 Project Feasibility study by Provost and Pritchard Consulting Engineers). Westlands is a district that serves 600,000 acres between Firebaugh in the north and Kettleman City in the south. The average farm size in Westlands is 900 acres (MID average farm size is 20 acres). Other agricultural interests requesting MID to transfer water identified initial infrastructure costs of \$90 million to \$120 million (September 2008 Feasibility Study by CH2M Hill). In addition to these up-front costs of constructing infrastructure, the environmental and other permitting requirements are prohibitive. If these requirements could be met, significantly greater amounts of water would have to be transferred to justify the infrastructure investments. MID property owners and ratepayers must not be required to subsidize these investments. The proposed CCSF transfer only uses existing infrastructure. **There are no infrastructure costs associated with the transfer.**

Revenues: The proposed transfer to CCSF starts at \$700/acre-foot in revenue, whether CCSF diverts the water or not. Urban water market prices far exceed the price agricultural interests are able or willing to offer MID ratepayers. If MID did not strive to meet these higher market rates, MID ratepayers would in effect be required to subsidize the transfers by financing through water rate increases the costs of system upgrades necessary to provide water to transfer. MID has committed that all revenue from the transfer to CCSF will be used to meet MID water costs like upgrading the irrigation system and securing a new license for the Don Pedro project.

Timing: Even if the party purchasing the water financed the multi million-dollar cost of new conveyance infrastructure to send water outside MID, the project could not be approved for many years, as land, easements, and regulatory approvals must be acquired. Such timing issues delay any revenue or benefit to MID ratepayers now when the irrigation system upgrades are needed.

In addition to these hurdles to serve nearby landowners, the acreage that MID serves is limited by the Raker Act. Per the Raker Act, MID and our neighbor Turlock Irrigation District's total acreage cannot exceed 300,000 acres. We are at this limit today. Annexations into the MID service area would require changes in this law and/or land deannexations. Due to the complexity of deannexation and our relationship with our irrigation district partners, MID doesn't plan to pursue either at this time.

19. What happens if no transfers occur?

There is the potential that water not put to "beneficial use" could be taken or allocated elsewhere, without any benefit to MID or our water users. Urban and agricultural uses are deemed beneficial by state law. In addition to losing the multi million dollar revenue stream from a transfer to CCSF, MID would still have to spend up to \$140 million in irrigation system infrastructure and relicensing costs.

20. Won't the proposed transfers adversely impact the groundwater within the MID service area?

No. Since the 1990's the groundwater basin serving MID has significantly recovered. Recent studies demonstrate groundwater levels in the MID service area are at healthy levels. In fact, groundwater levels in the area have recovered

in some instances by 30 to 40 feet. There are concerns in the eastern part of Stanislaus County, outside of the MID service area, that have been raised due to the relatively recent agricultural development that has occurred in the area for which groundwater is the only available source of supply water. Groundwater information is available on the MID web site at www.mid.org.

21. Will local water users needs be met under the potential water transfers scenarios?

Water in an amount greater than the proposed transfers is currently lost from MID's irrigation system every year due to seepage and operational outflows. That water will be captured through system efficiencies made possible as part of the infrastructure improvements. Modeling studies show that with these system efficiencies, the transfers can be made without impacting local users.

22. Have you considered the potential impact to the water table by use of wells in dry years to pump water to meet demand?

Yes, and it appears to have no impact. However, a comprehensive analysis will be undertaken before any decision is made on the 25,000 acre foot transfer.

23. How much of the \$115 million infrastructure cost is there just to sell water to CCSF?

None. These improvements are necessary regardless of the proposed transfer. The only impact the transfers have on the improvements is providing a non district source of revenue to pay for them.

24. What would the rate impact be to MID irrigation customers if no transfer occurs?

Average water rate is currently \$7.71 acre-foot (AF). Other funding options considered and rate impacts are as follows:

Option A: Pay as you go

Pay for \$115 million improvements as they are undertaken.

- Potential water rate increase to meet needs is \$60-65 AF
- City of Modesto drinking and industrial water raw water cost could increase about \$2 million annually.

Option B: Debt Financing

Financing \$115 million infrastructure improvement costs equals \$7.9 million annually for 30 years.

- Potential water rates increase to meet needs is \$40-45 AF
- City of Modesto drinking and industrial raw water costs could increase about \$1.3 million annually.

Option C: Irrigation Bill Adjustment

Only irrigation customers pay an adjustment to cover \$115 million infrastructure improvement costs.

- Adjustment is estimated to total \$200 / acre annually.
- Average irrigator (20 acres) would pay \$4,000 annually.

**AGREEMENT
BETWEEN
MODESTO IRRIGATION DISTRICT
AND
SAN FRANCISCO PUBLIC UTILITIES COMMISSION
FOR A
FIRM LONG TERM TRANSFER
OF 2 MGD OF WATER SUPPLY**

THIS AGREEMENT FOR A WATER TRANSFER OF 2 MGD ("Agreement") is entered into as of January 24, 2012, by and between the CITY AND COUNTY OF SAN FRANCISCO), a municipal corporation, acting by and through its PUBLIC UTILITIES COMMISSION ("City", "San Francisco" or "SFPUC"), and the MODESTO IRRIGATION DISTRICT, a California irrigation district acting through its Board of Directors ("MID"), upon the following facts, intentions and understandings of the parties.

I.
BACKGROUND

A. MID owns and operates a water supply system that supplies water for irrigation and municipal use in Stanislaus County.

B. San Francisco owns and operates a water supply system that supplies water for domestic, municipal and industrial uses to wholesale and retail customers in San Francisco, San Mateo, Santa Clara, Alameda, and Tuolumne Counties.

C. The parties own water rights to, and operate separate water conservation and conveyance facilities on, the Tuolumne River. Such rights include MID's and San Francisco's pre-1914 appropriative rights to water from the Tuolumne River.

D. The relationships between the respective water entitlements of the City, MID, and the Turlock Irrigation District ("TID") to daily flows of the Tuolumne River are determined by the seniority of water rights, the Raker Act, and several agreements by and among the City, MID and TID.

E. The *Fourth Agreement Between the City and County of San Francisco and the Turlock Irrigation District and Modesto Irrigation District* dated May 23, 1966, ("Fourth Agreement") establishes a water bank account in Don Pedro Reservoir whereby the City may make advance releases or bypasses at the City's upstream facilities to satisfy MID's and TID's water rights and Raker Act entitlements, and in turn the City is authorized to divert water to the Bay Area at times that the City would otherwise be required to release or bypass water to the Districts.

F. Under the construction agreement for the Don Pedro Project signed in April 1919, TID and MID hold undivided ownership interests in the yield of the Don Pedro Project as follows: TID owns 68.46% and MID owns 31.54%.

G. The SFPUC completed environmental review required under the California Environmental Quality Act ("CEQA"), adopted findings, including a mitigation monitoring and reporting program, and approved a Water System Improvement Program ("WSIP") in October 2008. In approving the WSIP the SFPUC adopted delivery and drought water service reliability objectives. To meet WSIP objectives, and consistent with its prior approval, the SFPUC seeks to increase the quantity that it can divert through its Hetch Hetchy facilities by 2 million-gallons-per-day ("mgd") as firm, long term water supply for use in SFPUC's service area.

H. MID has determined that it has 2 mgd of water available for transfer which is surplus to its requirements for water supply.

I. The Parties recognize that future licenses from FERC for the Don Pedro Project may include new and additional conditions and requirements, including conditions and requirements imposed by the State Water Resources Control Board ("SWRCB") through the federal Clean Water Act section 401 Water Quality Certification process, and by federal fish and wildlife agencies pursuant to the Federal Power Act and the federal Endangered Species Act. Such new and additional conditions and requirements may include greater minimum instream flow requirements below Don Pedro Reservoir. The parties acknowledge that the benefit to the SFPUC of the water transferred under this Agreement depends upon resolution and future agreements as to the allocation of responsibility, if any, of the SFPUC to provide water to meet instream flow schedule requirements for any future licenses for the Don Pedro Project.

II.

TERMS AND CONDITIONS FOR WATER TRANSFER

A. Background Recitals.

The above stated background recitals are incorporated herein by this reference.

B. Term.

The initial term of this Agreement will commence on July 1, 2012 and continue through December 31, 2022. Prior to the end of the initial term SFPUC and MID will review the impacts of new FERC flow schedules and/or SWRCB San Joaquin River flow objectives on implementation on the Agreement. Such review shall not result in amendment or termination of the Agreement without the mutual consent of the Parties. The Agreement, after the initial term and review, will automatically renew for two (2) successive terms of

twenty (20) years each unless SFPUC or MID terminate pursuant to the terms of this Agreement.

C. Transfer Water.

MID shall transfer 2,240 acre-feet-per-year ("afy"), which is equivalent to 2 million-gallons-per-day ("mgd"), subject to the following terms and conditions.

1. MID General Obligations:

- i. MID shall be solely responsible for design, implementation and funding of all projects and measures of any character that may be necessary to make water available to SFPUC for transfer.
- ii. MID will be solely responsible for all costs, compliance with all laws, agreements with third parties, liability, and in all other respects to make water available for transfer under this Agreement.
- iii. MID will ensure that all Transfer Water will satisfy the following criteria:
 - a. Transfer Water will be made available to SFPUC within the scope of MID's valid pre-1914 appropriative water rights, including the authorized season, rate, and volume of diversion and consistent with all other attributes of said water rights, duly established and maintained under all applicable laws. MID shall duly and diligently maintain the rights to Transfer Water throughout the term of this Agreement, under all applicable laws, including but not limited to timely reporting of water diversion and use including diversion and use of transferred Transfer Water by the SFPUC, to the State Water Resources Control Board.
 - b. Transfer Water will be made available by MID to SFPUC at SFPUC's Hetch Hetchy facilities, which will be the Point of Delivery. Unless the SFPUC specifies Eleanor Reservoir or Lake Lloyd, the Point of Delivery shall be Hetch Hetchy Reservoir.
 - c. Transfer Water will not be subject to shortage or reduction for any reason other than a Force Majeure Event.

2. SFPUC General Obligations:

- i. SFPUC will make agreed upon payments to MID.

- ii. SFPUC will divert Transfer Water made available to it at the Point of Delivery, and will account for the Agreement as diverted under MID's water rights. SFPUC will divert Transfer Water in volumes and rates, and during periods when said water is available under MID's pre-1914 appropriative water rights. The SFPUC may divert Transfer Water during any 30 day period chosen by SFPUC during which MID's pre-1914 appropriative water right is available for appropriation at the SFPUC's Hetch Hetchy facilities, based on natural hydrology in the Tuolumne River. Such diversions shall occur pursuant to a schedule that the SFPUC shall provide to MID ("Transfer Schedule") within 30 days of the date for commencement of delivery. Transfer Water diverted by the SFPUC may be directly diverted to the SFPUC's water supply system, or may be diverted to storage in SFPUC's Hetch Hetchy facilities, and may be used for any purpose authorized by law. Transfer Water is not transferred under this Agreement unless and until SFPUC diverts it, but SFPUC shall be obligated to pay for Transfer Water pursuant to this Agreement, regardless of whether or not SFPUC diverts Transfer Water.
 - iii. SFPUC will provide notice to MID of the volumes and rates of Transfer Water that SFPUC has diverted each year, and the timing of diversions, in a manner sufficient and timely for MID compliance with mandatory water rights reporting requirements.
3. Payments for Transferred Water. SFPUC shall pay to MID seven hundred dollars (\$700) per acre-foot for Transfer Water in accordance with this Agreement and the Transfer Schedule. The SFPUC shall make payments to MID for the total volume of Transfer Water pursuant to the Transfer Schedule, regardless of the actual volume that the SFPUC diverts from year to year. Payment is due to MID by April 30th of each year for water delivered in the previous year.
4. True Up. The price for the Transfer Water beginning in 2015, and updated every five (5) years thereafter, shall be adjusted upward or downward since the last five-year adjustment was made, by the Consumer Price Index as published by the US Department of Labor's Bureau of Labor Statistics for the Western Region, specifically the Western Urban Consumer Price Index, or its successor index in the event the series is discontinued. In no event shall the effective five-year adjustment upward or downward exceed on average of 3% per annum or 15% for a five-year period.
5. Water Accounting. Water transferred under this Agreement will be accounted for on a daily basis by (1) reducing the amount of Tuolumne River water that the SFPUC is

required to bypass or release at the SFPUC's Hetch Hetchy facilities in order to satisfy the Raker Act and the Fourth Agreement, and (2) as a corresponding decrease in MID's Raker Act entitlements as accounted for in Don Pedro, as between MID and TID, so long as such decreases do not exceed 31.54% of Raker Act entitlements. This accounting is depicted more specifically in the attached Exhibit A.

6. Turlock Irrigation District.
 - i. Transfers under this Agreement shall not affect TID's water rights or Raker Act entitlements to 68.46% of the daily natural flow of the Tuolumne River, as such flow is calculated and accounted for under the Fourth Agreement.
 - ii. MID accepts all responsibility and liability to TID associated with implementation of this Agreement, including but not limited to necessary adjustments to Water Bank accounting, and will indemnify and defend SFPUC as to such responsibility and liability.

III. RIGHTS AND OBLIGATIONS OF THE PARTIES

- A. **Right of First Refusal.** MID hereby grants to SFPUC a right of first refusal as to any transfer of water to any out-of-basin entity whether on an interim or short-term basis at the price such out-of-basin entity has agreed to pay, and on other terms consistent with the terms of transfer set forth herein. If SFPUC proposes to enter into a water transfer with any other agency in the Tuolumne River watershed and reaches agreement as to the terms of said water transfer, then prior to final approval by SFPUC, SFPUC will offer MID the right to make the transfer subject to same terms and conditions.
- B. **Approvals and Regulatory Compliance Required Transfer Water.** By entering into this Agreement, neither party is in any way limiting its discretion or the discretion of any other governmental agency with permitting or approval jurisdiction over any transaction related to the Transfer Water.
- C. **Relationship to Other Contracts.** The Transfer Agreement shall be implemented in a manner consistent with the terms of the Fourth Agreement, and is not intended to be inconsistent with that agreement, nor is it intended to supersede any requirement or provision of the Fourth Agreement.
- D. **Water Rights.** MID guarantees that it has valid pre-1914 appropriative water rights as referenced in this Agreement. The only rights granted to the Parties as a result of this Agreement are those expressly set forth in this Agreement. This is an Agreement in part to transfer water under MID's pre-1914 appropriative water rights; it is not a transfer of those

rights. This Agreement does not confer, limit or otherwise affect any water rights of the SFPUC or MID, except as expressly identified in this Agreement. Nothing in this Agreement is intended or will be construed to act as a forfeiture, diminution or impairment of any water right of MID, TID or the SFPUC. The parties agree that this Agreement is not an agreement under Section 7(e) of the Fourth Agreement to increase, or to go negative, in the Water Bank Account.

- E. Water Quality.** MID makes no warranty or representations as to the quality or fitness for use of the Transfer Water. The parties acknowledge that the SFPUC is familiar with the quality of the Transfer Water, and that the SFPUC shall be responsible for all necessary measures at its own expense for any testing, treatment, and other steps required for the intended uses of the Transfer Water.
- F. Regulatory Compliance.** MID shall obtain permits, agreements, or approvals necessary to make water available for transfer or to transfer water pursuant to this Agreement.
- G. Litigation; Cooperation in Litigation.** The Parties will vigorously defend any legal challenge to this Agreement or its implementation. The parties will reasonably cooperate, to the extent permitted by law, in the defense and any settlement of any claims challenging the validity of this Agreement or its implementation; including but not limited to claims brought under CEQA, NEPA, the Clean Water Act, state or federal Endangered Species Acts. The parties agree to jointly retain outside counsel. Unless otherwise provided in this Agreement, SFPUC agrees to pay litigation fees and costs, including costs of the outside counsel.
- H. Additional Acts.** Each party agrees, on the demand of the other, to execute or deliver any instrument, furnish any information or perform any other act necessary to carry out the provisions of this Agreement without undue delay or expense. Any party who fails to comply with this paragraph shall reimburse the other party for any expenses, including attorneys' fees or costs, which as a result of this delay have become reasonably necessary to carry out the provisions of this Agreement.
- I. Force Majeure.** If a Party's performance of any of its obligations pursuant to this Agreement is prevented, hindered or delayed by fire, flood, earthquake, or acts of God, acts of war (declared and undeclared), riots, rebellions, revolutions or terrorism, directly affecting transfers hereunder, whether foreseeable or unforeseeable, the effects of which were not caused by that Party and could not be prevented or avoided by the exercise of due care or foresight of that Party (each, a "Force Majeure Event"), that Party shall use reasonable efforts, consistent with prudent water utility practice, to recommence performance whenever and to whatever extent possible without delay, including through the use of alternate sources, workaround plans or other means. Neither drought nor changed

hydrology is a Force Majeure Event under this Agreement. To the extent a Party's performance of any of its obligations pursuant to this Agreement is prevented, hindered or delayed by a Force Majeure Event and such non-performance, hindrance or delay could not have been prevented, then the non-performing, hindered or delayed Party shall be excused for such non-performance, hindrance or delay, as applicable, of those obligations affected by the Force Majeure Event for as long as the Force Majeure Event continues and such Party continues to use reasonable efforts consistent with prudent water utility practice to recommence performance pursuant to the foregoing sentence. The Party whose performance is prevented, hindered or delayed by a Force Majeure Event shall immediately notify in writing the other Party of the occurrence of the Force Majeure Event and describe in reasonable detail the nature of the Force Majeure Event.

- J. No Assignment.** All covenants and agreements contained in this Agreement shall inure to the benefit of the SFPUC and MID and their respective successors and assigns; provided, that neither party may transfer or assign its interest or rights under this Agreement without the written permission of the other party, which such written permission shall not be unreasonably refused. No such permission shall be required in the case of the transfer or assignment of a party's interests or rights or the assignment of the security interest therein to any entity into which or with which the party making the transfer may be merged or consolidated, or successor entity as a result of any other change in organization.
- K. No Third Party Beneficiaries.** Except for the parties and their respective permitted successors and assigns, nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person including but not limited to any governmental entity.
- L. Representations and Warranties.** The parties represent and warrant, each to the other, that as of the Commencement Date:
1. Each party is validly organized and existing under and by virtue of the laws of the State of California.
 2. Each party has authority to execute and perform this Agreement, and has authorized the execution and performance of this Agreement.
 3. Neither party's execution and performance of this Agreement will result in the breach of any other agreement to which that party is a party or to which that party is otherwise subject or bound.
- M. Default, Cure and Remedies.**

1. Notice to MID. The SFPUC shall provide notice to MID if the annual budget for the SFPUC does not include sufficient funds allocated to pay for the water to be transferred pursuant to this Agreement.
2. Default by the SFPUC. If the SFPUC fails to make any payment required hereunder or to perform any of its other obligations under this Agreement, MID may give written notice thereof to the SFPUC specifying in reasonable detail the basis for the claim of the default. The SFPUC shall not be in default under this Agreement if the SFPUC cures such failure within thirty (30) days after the date the notice of default was given to the SFPUC. If the claimed default cannot reasonably be cured within 30 days, the SFPUC shall not be in default of this Agreement if the SFPUC commences to cure the claimed default within the 30-day period and diligently and in good faith continues to cure the claimed default.
3. MID's Remedies. If a default by the SFPUC occurs, MID may, at its option, (i) terminate this Agreement upon written notice to the SFPUC, sent in accordance with Section O below, (ii) seek to recover from the SFPUC any funds due and owing to MID, or (iii) terminate this Agreement upon written notice to SFPUC, sent in accordance with Section O below and seek to recover from SFPUC any funds due and owing to MID.
4. Default by MID. If MID fails to perform any of its obligations under this Agreement, the SFPUC may give written notice thereof to MID specifying in reasonable detail the basis for the claim of the default. MID shall not be in default under this Agreement if MID cures such failure within thirty (30) days after the date the notice of default was given to MID. If the claimed default cannot reasonably be cured within 30 days, MID shall not be in default of this Agreement if MID commences to cure the claimed default within the 30-day period and diligently and in good faith continues to cure the claimed default.
5. SFPUC's Remedies. If a default by MID occurs, in addition or in the alternative to the other remedies set forth in this Agreement the SFPUC, at its option, may (i) terminate this Agreement upon written notice to MID, and seek restitution; or (ii) seek specific performance.

N. Termination.

1. SFPUC may terminate this Agreement without penalty:

- (i) For any reason, provided it gives MID written notice of termination no less than two (2) years prior to the date of the expiration of any then-applicable term;
 - (ii) In the event SFPUC and MID cannot reach agreements regarding allocation of responsibility to provide water required to satisfy the flow schedules set forth in future licenses issued by FERC for the Don Pedro Project; or
 - (iii) In the event of a default by MID, as provided in Section III.M.4.
2. MID may terminate this Agreement without penalty:
- (i) In the event of a default by SFPUC, as provided in Section III.M.2.
3. Either party may terminate this Agreement if, after any subsequent judicial, regulatory, legislative or administrative act, decision, or order precludes either Party from substantially realizing the benefits of this Agreement, including the destruction or modification of facilities necessary to implement this Agreement, the parties have been unable to amend the Agreement through a diligent and good faith effort to prevent the substantial deprivation of the benefits of this Agreement.
- (i) Written notice of termination must be provided to the other Party. Such notice cannot be provided until at least one (1) year after the occurrence that is alleged to have caused, or will allegedly cause, substantial benefits of this Agreement, and then only if such action is still in effect.
 - (ii) Upon service and receipt of such notice of termination, either Party may seek relief in a court of competent jurisdiction.

O. Notices.

Any notice given under this Agreement shall be in writing and given by delivering the notice in person, by commercial courier, or by sending it by registered or certified mail, or Express Mail, return receipt requested, with postage prepaid, to the mailing address listed below or any other address notice of which is given. For the convenience of the parties, copies of notices may also be given by the then-current method for electronic communication of documents (for example, a Portable Document File), but such notice shall not be binding on either party.

To the SFPUC:

General Manager
Public Utilities Commission
1155 Market St.
San Francisco, CA 94103

with a copy to:

Office of the City Attorney
City and County of San Francisco
Room 234, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Attn: General Counsel, SFPUC

To MID:

General Manager
Modesto Irrigation District
1231 Eleventh Street
P.O. Box 4060
Modesto, California 96352

with a copy to:

General Counsel
Modesto Irrigation District
1231 Eleventh Street
P.O. Box 4060
Modesto, California 96352

Any mailing address may be changed at any time by giving written notice of such change in the manner provided above at least ten (10) days prior to the effective date of the change. All notices under this Agreement shall be deemed given, received, made or communicated on the date personal receipt actually occurs or, if mailed, on the delivery date or attempted delivery date shown on the return receipt. A party may not give official or binding notice electronically. The effective time of a notice shall not be affected by the receipt of the original notice.

P. City Requirements.

1. Certification of Funds. This Agreement is subject to the budget and fiscal provisions of the City's Charter. Charges will accrue only after prior written authorization certified by the Controller, and the amount of City's obligation hereunder shall not at any time exceed the amount certified for the purpose and period stated in such advance authorization. This Agreement will terminate without penalty, liability or expense of any kind to the City at the end of any fiscal year if funds are not appropriated for the next succeeding fiscal year. If funds are appropriated for a portion of the fiscal year, this Agreement will terminate, without penalty, liability or expense of any kind at the end of the term for which funds are appropriated. The City has no obligation to make appropriations for this Agreement in lieu of appropriations for new or other agreements. The City budget decisions are subject to the discretion of the Mayor and the Board of Supervisors. MID's assumption of risk of possible non-appropriation is part of the consideration for this Agreement. This section controls against any and all other provisions of this agreement.
2. Submitting False Claims; Monetary Penalties. Pursuant to San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for three times the amount of damages which the City sustains because of the false claim. A contractor, subcontractor or consultant who submits a false claim shall also be liable to the City for the costs, including attorneys' fees, of a civil action brought to recover any of those penalties or damages, and may be liable to the City for a civil penalty of up to \$10,000 for each false claim. A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

Q. Miscellaneous Provisions.

1. California Law. This Agreement shall be construed and interpreted in accordance with the Laws of the State of California and the City's Charter.

2. Entire Agreement. This Agreement contains all of the representations and the entire agreement between the parties with respect to the subject matter of this agreement. Any prior correspondence, memoranda, agreements, warranties, or written or oral representations relating to such subject matter are superseded in total by this Agreement. No prior drafts of this Agreement or changes from those drafts to the executed version of this Agreement shall be introduced as evidence in any litigation or other dispute resolution proceeding by any party or other person, and no court or other body should consider those drafts in interpreting this Agreement.

3. Amendments. No amendment of this Agreement or any part thereof shall be valid unless it is in writing and signed by all of the parties hereto.

4. Severability. Except as is otherwise specifically provided for in this Agreement, invalidation of any provision of this Agreement, or of its application to any person, by judgment or court order, shall not affect any other provision of this Agreement or its application to any other person or circumstance, and the remaining portions of this Agreement shall continue in full force and effect, unless enforcement of this Agreement as invalidated would be unreasonable or grossly inequitable under all of the circumstances or would frustrate the purposes of this Agreement.

5. No Party Drafter; Captions. The provisions of this Agreement shall be construed as a whole according to their common meaning and not strictly for or against any party in order to achieve the objectives and purposes of the parties. Any caption preceding the text of any section, paragraph or subsection or in the table of contents is included only for convenience of reference and shall be disregarded in the construction and interpretation of this Agreement.

6. Singular, Plural, Gender. Whenever required by the context, the singular shall include the plural and vice versa, and the masculine gender shall include the feminine or neuter genders, and vice versa.

7. Waiver. No failure by a Party to insist upon the strict performance of any obligation of the other Party under this Agreement or to exercise any right, power or remedy arising out of a breach thereof, irrespective of the length of time for which such failure continues, and no acceptance of any full or partial payment including, without limitation, during the continuance of any such breach shall constitute a waiver of such breach or of the Party's rights to demand strict compliance with such term, covenant or condition. A Party's consent to or approval of any act by the other Party requiring a Party's consent or approval shall not be deemed to waive or render unnecessary the Party's consent to or approval of any subsequent act by the other Party. Any waiver by a Party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Agreement.

8. Counterparts. This agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

WHEREFORE, this AGREEMENT was executed by the parties on the date first above written.

MID: MODESTO IRRIGATION DISTRICT,

By: _____

Name: _____

Title: _____

Date Signed: _____

SFPUC: CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation acting by and through the SAN FRANCISCO PUBLIC UTILITIES COMMISSION

By: _____

Ed Harrington
General Manager

Date Signed: _____

APPROVED AS TO FORM:

DENNIS HERRERA
City Attorney

By: _____
Deputy City Attorney

SFPUC Resolution No. _____

Date of Resolution: _____

Exhibit A

EXAMPLE OF WATER BANK ACCOUNTING OF 2 MGD WATER TRANSFER

Transfer Accounting Example
2,240 Acre-feet (2 mgd annual transfer)

Date	Unimpaired Runoff (Col 21) (CFS)	MID 31.54% : Max 1,419 (CFS)	MID 31.54% (AF)	MID pre-1914 Storage (AF)	MID to SFPUC Transfer (AF)	Transfer Balance (AF)	SFPUC Credit/Debit (Col 23) (AF)	SFPUC Gross WB Balance (Col 24) (AF)	SFPUC WB Evap (Col 25) (AF)	SFPUC WB Balance (Col 27) (AF)	SFPUC WB Revised Balance (AF)
04/01/07	2,193	692	1,372	NA	0	2,240	-577	545,671	22	545,649	545,649
04/02/07	2,610	823	1,633	NA	0	2,240	-1,238	544,411	22	544,389	544,389
04/03/07	2,492	786	1,559	NA	112	2,128	-1,476	542,913	22	542,891	543,003
04/04/07	2,486	784	1,555	NA	112	2,016	-2,162	540,729	22	540,707	540,931
04/05/07	3,040	959	1,902	NA	112	1,904	-1,793	538,914	22	538,892	539,228
04/06/07	3,320	1,047	2,077	NA	112	1,792	-2,190	536,702	22	536,680	537,128
04/07/07	3,841	1,211	2,403	NA	112	1,680	-1,778	534,902	22	534,880	535,440
04/08/07	4,067	1,283	2,545	NA	112	1,568	-1,786	533,094	22	533,072	533,744
04/09/07	3,865	1,219	2,418	NA	112	1,456	-2,359	530,713	22	530,691	531,475
04/10/07	3,567	1,125	2,232	NA	112	1,344	-2,262	528,429	22	528,407	529,303
04/11/07	3,314	1,045	2,073	NA	112	1,232	-2,325	526,082	22	526,060	527,068
04/12/07	3,295	1,039	2,062	NA	112	1,120	-2,121	523,939	22	523,917	525,037
04/13/07	1,712	540	1,071	NA	112	1,008	-2,180	521,737	21	521,716	522,948
04/14/07	2,173	685	1,359	NA	112	896	-2,020	519,696	21	519,675	521,019
04/15/07	2,532	799	1,584	NA	112	784	-2,617	517,058	21	517,037	518,493
04/16/07	2,105	664	1,317	NA	112	672	-1,825	515,212	21	515,191	516,759
04/17/07	1,981	625	1,240	NA	112	560	-1,029	514,162	21	514,141	515,821
04/18/07	2,189	690	1,369	NA	112	448	-260	513,881	21	513,860	515,652
04/19/07	1,660	524	1,039	NA	112	336	-340	513,520	21	513,499	515,403
04/20/07	2,110	666	1,320	NA	112	224	-170	513,329	21	513,308	515,324
04/21/07	1,248	394	781	NA	112	112	368	513,676	21	513,655	515,783
04/22/07	2,513	792	1,572	NA	112	0	-63	513,592	21	513,571	515,811
04/23/07	2,914	919	1,823	NA	0	0	-1,044	512,527	21	512,506	514,746
04/24/07	2,269	715	1,419	NA	0	0	-1,045	511,461	21	511,440	513,680
04/25/07	2,851	899	1,784	NA	0	0	-2,090	509,350	21	509,329	511,569
04/26/07	3,393	1,070	2,123	NA	0	0	-3,681	505,648	21	505,627	507,867
04/27/07	3,796	1,197	2,374	NA	0	0	-4,050	501,577	21	501,556	503,796
04/28/07	3,922	1,237	2,454	NA	0	0	-5,627	495,929	20	495,909	498,149
04/29/07	5,110	1,419	2,815	NA	0	0	-5,299	490,610	20	490,590	492,830
04/30/07	5,632	1,419	2,815	NA	0	0	-5,011	485,579	20	485,559	487,799

Note: "Max 1,419" represents 31.54% of MID diversion right of 4,500 cfs.

Note: "Col" notations are in reference to Form 174.

Note: SFPUC WB Revised Balance would be adjusted from example values by an adjustment to the computed evaporation associated with the revised storage.



DRAFT MID-SFPUC AGREEMENT
Page 15 of 15

MID/TID Don Pedro Accounting Example – Inflow Adjustment
2,240 Acre-feet (2 mgd annual transfer)

Date	DP Inflow (Col 20) (CFS)	DP Total Reelase (Col 19) (CFS)	DP Evap (Col 18b) (CFS)	DP Act Storage (Col 16) (AF)	Example MID Inflow Share (CFS)	Example TID Inflow Share (CFS)	Example Act MID Storage (AF)	Example Act TID Storage (AF)	Example Affected DP Inflow (CFS)	Example Affected DP Inflow (CFS)	Example TID Inflow Credit due to Transfer (CFS)	Example MID Inflow Share (CFS)	Example TID Inflow Share (CFS)	Example Adjusted MID Inflow (CFS)	Example Adjusted TID Inflow (CFS)	Example Adjusted MID Storage (AF)	Example Adjusted TID Storage (AF)	Example Adjusted DP Storage (AF)
04/01/07	1,902	1,868	34	1,641,278	600	1,302	517,659	1,123,619		1,902	0	600	1,302	0	0	517,659	1,123,619	1,641,278
04/02/07	1,792	1,758	34	1,641,278	565	1,227	517,659	1,123,619		1,792	0	565	1,227	0	0	517,659	1,123,619	1,641,278
04/03/07	1,672	2,193	34	1,640,178	527	1,145	517,312	1,122,866		1,672	0	527	1,145	0	0	517,312	1,122,866	1,640,178
04/04/07	1,326	2,401	34	1,637,978	418	908	516,618	1,121,360		1,326	0	418	908	0	0	516,618	1,121,360	1,637,978
04/05/07	1,512	2,586	34	1,635,781	477	1,035	515,925	1,119,856	113	1,399	77	364	1,035	-113	0	515,701	1,119,856	1,635,557
04/06/07	1,312	2,385	34	1,633,586	414	898	515,233	1,118,353		1,312	0	414	898	0	0	515,009	1,118,353	1,633,362
04/07/07	1,520	2,039	34	1,632,490	479	1,040	514,887	1,117,603	113	1,407	77	366	1,040	-113	0	514,439	1,117,603	1,632,042
04/08/07	1,516	2,035	34	1,631,394	478	1,038	514,542	1,116,852	113	1,403	77	365	1,038	-113	0	513,869	1,116,852	1,630,722
04/09/07	1,227	2,298	34	1,629,203	387	840	513,851	1,115,352		1,227	0	387	840	0	0	513,178	1,115,352	1,628,531
04/10/07	1,276	2,345	34	1,627,015	402	873	513,161	1,113,854		1,276	0	402	873	0	0	512,488	1,113,854	1,626,343
04/11/07	1,244	1,210	34	1,627,015	392	851	513,161	1,113,854		1,244	0	392	851	0	0	512,488	1,113,854	1,626,343
04/12/07	1,347	1,864	34	1,625,922	425	922	512,816	1,113,106		1,347	0	425	922	0	0	512,143	1,113,106	1,625,250
04/13/07	613	1,681	34	1,623,737	193	419	512,127	1,111,610		613	0	193	419	0	0	511,454	1,111,610	1,623,065
04/14/07	1,155	1,672	34	1,622,645	364	790	511,782	1,110,863		1,155	0	364	790	0	0	511,110	1,110,863	1,621,973
04/15/07	1,213	1,729	34	1,621,554	382	830	511,438	1,110,116		1,213	0	382	830	0	0	510,766	1,110,116	1,620,882
04/16/07	1,185	1,701	34	1,620,464	374	811	511,094	1,109,370		1,185	0	374	811	0	0	510,422	1,109,370	1,619,792
04/17/07	1,463	1,429	34	1,620,464	461	1,001	511,094	1,109,370		1,463	0	461	1,001	0	0	510,422	1,109,370	1,619,792
04/18/07	2,058	1,474	34	1,621,554	649	1,409	511,438	1,110,116		2,058	0	649	1,409	0	0	510,766	1,110,116	1,620,882
04/19/07	1,489	2,005	34	1,620,464	470	1,019	511,094	1,109,370	113	1,376	77	357	1,019	-113	0	510,198	1,109,370	1,619,567
04/20/07	2,025	2,541	34	1,619,374	639	1,386	510,751	1,108,623	113	1,912	77	526	1,386	-113	0	509,630	1,108,623	1,618,253
04/21/07	1,434	1,950	34	1,618,284	452	981	510,407	1,107,877	113	1,321	77	339	981	-113	0	509,062	1,107,877	1,616,939
04/22/07	2,481	1,897	34	1,619,374	782	1,698	510,751	1,108,623	113	2,368	77	669	1,698	-113	0	509,182	1,108,623	1,617,805
04/23/07	2,388	2,354	34	1,619,374	753	1,635	510,751	1,108,623	113	2,275	77	640	1,635	-113	0	508,958	1,108,623	1,617,581
04/24/07	1,742	2,258	34	1,618,284	549	1,192	510,407	1,107,877	113	1,629	77	436	1,192	-113	0	508,390	1,107,877	1,616,267
04/25/07	1,798	2,313	34	1,617,196	567	1,231	510,064	1,107,132	113	1,685	77	454	1,231	-113	0	507,823	1,107,132	1,614,956
04/26/07	1,538	2,053	34	1,616,107	485	1,053	509,720	1,106,387		1,538	0	485	1,053	0	0	507,480	1,106,387	1,613,867
04/27/07	1,754	2,268	34	1,615,020	553	1,200	509,377	1,105,643		1,754	0	553	1,200	0	0	507,137	1,105,643	1,612,780
04/28/07	1,086	2,148	34	1,612,846	342	743	508,692	1,104,154		1,086	0	342	743	0	0	506,451	1,104,154	1,610,606
04/29/07	1,395	1,909	34	1,611,760	440	955	508,349	1,103,411		1,395	0	440	955	0	0	506,109	1,103,411	1,609,520
04/30/07	1,539	2,600	33	1,609,590	486	1,054	507,665	1,101,925		1,539	0	486	1,054	0	0	505,424	1,101,925	1,607,350

Note: MID to TID crediting assumed as 2,240 acre-feet over 10 days (113 cfs/day). 2,240 acre-feet
 Note: Assumes non-coincidence of SFPUC transfer and MID/TID crediting is acceptable.
 Note: Assumes "negative" inflow calculation for MID acceptable.
 Note: Don Pedro Reservoir evaporation would be affected by change in reservoir storage (not incorporated in example).
 Note: "Col" notations are in reference to Form 174.



From: Peter Drekmeier [<mailto:Peter@Tuolumne.org>]
Sent: Thursday, May 03, 2012 1:10 PM
To: Council, City
Cc: Fong, Valerie; Procos, Nicolas; Ratchye, Jane
Subject: Rising Water Rates

Dear Mayor Yeh and Councilmembers,

As you are well aware, residents are concerned about escalating water rates. In general, 80% of rate increases are necessary to pay for seismic upgrades to the Hetch Hetchy Water System, while 20% are to cover fixed costs incurred regardless of how much water is being used. As water use has declined, it has been necessary to increase the price per unit.

I wanted to alert you to another potential rate increase that is avoidable. Right now the SFPUC is negotiating a transfer of 2 million gallons of water per day (mgd) from the Modesto Irrigation District (MID). This transfer was studied in the EIR for the Water System Improvement Program in 2008 when the SFPUC and its wholesale customers (represented by BAWSCA) were using 257 mgd. Since then, water demand has declined dramatically. Last year we used only 210 mgd systemwide, and demand is projected to remain flat for at least the next few years (see attached chart from an SFPUC staff report last week).

The contract with MID would be "take-or-pay," meaning the SFPUC would be obligated to pay \$1.5 million per year (\$700/acre foot) regardless of whether the water was used or not. The SFPUC also would be obligated to cover all litigation expenses associated with the transfer. I assume the SFPUC's wholesale customers would be expected to pay their share of these costs, even though the water is not needed.

You can review the draft transfer agreement and related documents on the MID website at <http://www.mid.org/about/newsroom/projects/watertransfer/documents/MIDWaterTransfer2012.pdf>

If anyone would like to discuss this issue, I can be reached at the contact information in my signature.

Sincerely,
Peter Drekmeier

Harsh words, lawsuit threats greet MID plan to sell water to SF

By John Holland jholland@modbee.com

May 09, 2012 05:54:14 AM

Critics let the rhetorical barbs fly Tuesday about the Modesto Irrigation District's proposed water sale to San Francisco.

And later Tuesday one member of the Modesto City Council raised the possibility of legal action.

"What you're doing is an act of tyranny," Modesto resident Linda Hodges told the district board, which could vote on the first small sale May 22.

She and other opponents said they do not believe assurances the sales would leave the MID with an adequate supply from the Tuolumne River during drought.

Proponents say the sales, mostly involving water freed up by conservation projects, could cover an estimated \$140 million in upcoming expenses in the MID system.

"We need to sell this water because they are willing to pay the highest price," said Modesto resident Josh Vander Veen.

About 120 people packed the boardroom for a debate that lasted nearly three hours.

The MID and San Francisco released a draft contract last week that envisions the city buying 2,240 acre-feet per year, about 1.2 percent of MID's average farm deliveries.

San Francisco would pay \$700 per acre-foot to start, with annual increases of up to 3 percent. The MID's farmers are paying close to \$30 per acre-foot for their basic water allotment this year, after a rate increase approved Tuesday.

The MID ultimately could sell 27,200 acre-feet, about 15 percent of its annual farm deliveries, at prices to be determined.

It became evident Tuesday that local elected officials are taking sides on the proposed water sales.

A letter surfaced in which Ruben Villalobos, chairman of the Modesto City Schools board, urged Modesto Councilwoman Stephanie Burnside "not to take any hasty action" toward litigation.

The Modesto City Council discussed a case of potential litigation in closed session Tuesday. The agenda item said it was a conference with legal staff to discuss whether to initiate a lawsuit

against an undisclosed party. City Attorney Susana Alcala Wood later said there was nothing to report from the closed session.

Burnside declined after Tuesday's council meeting to comment on Villalobos' letter. Asked whether the city should pursue legal action over the water sales, she said: "We are considering it, but at this point I am going to reserve comment until after decisions are made."

In the letter to Burnside last week, Villalobos said he was aware that community members had urged the councilwoman to support a lawsuit against the MID to stop the water transfer. The letter suggested that opponents were misinformed about the facts of the transfer. Villalobos urged Burnside to wait until an environmental review is conducted. "To file suit prior to this process would be to act without knowing all the facts," he wrote.

Selling without harm?

San Francisco's Hetch Hetchy Water and Power System serves about 2.5 million water customers in four Bay Area counties. Most of the supply comes from the Tuolumne upstream of the MID's diversion.

Tim O'Laughlin, the district's general counsel, said a review of drought records shows the MID could sell the 2,240 acre-feet without harm to its farmers or Modesto-area residents who receive treated river water.

MID officials said the other 25,000 acre-feet would be sold only if an exhaustive study shows that it would not leave customers short.

The May 22 vote includes the first sale and the launch of roughly a year of study on the larger transfer.

Board member Larry Byrd said he was concerned about contract language that said the first sale could not be suspended in dry years.

"MID would have to deliver the full amount to San Francisco even in a severe drought that results in cutbacks to farmers and Modesto," he said.

Hodges said proof that a water shortage already exists lies in the fact that she and other Modesto residents must follow year-round restrictions on outdoor watering.

Brian Dubois, a Modesto resident and an active member of the tea party movement, said the sale is being pushed to fix "mismanagement" at the MID. "Stop wasting our time," he said. "Stop gambling our future. Leave the water here in our valley."

Ron Peterson, president of the Stanislaus County Farm Bureau, said its members are willing to upgrade the MID system via water rate hikes greater than the one approved Tuesday.

Supporters of selling water said the 2,240 acre-feet is a minor amount and the district should at least get answers about the impact of parting with the other 25,000.

The MID would use part of the income to pay for an estimated \$115 million in canal system improvements. They include a few small reservoirs to capture water that spills from the ends of the canals into the Tuolumne, San Joaquin and Stanislaus rivers. Some of this water would go to San Francisco.

The district also is planning connections between canals, repair or replacement of the flume that carries the Main Canal over Dry Creek, and other work.

The money also could cover the estimated \$25 million cost to the MID of a new federal license for Don Pedro Reservoir, which it shares with the Turlock Irrigation District.

The first water transfer could begin as soon as July 1. The sale would have an initial term of 10 years, during which time the two sides would review whether the sale could be affected by new river flow requirements aimed at protecting fish. The sale then could be renewed for two 20-year periods.

San Francisco officials have said the MID water, even at \$700 per acre-foot, is more practical than the alternatives for meeting future demand. They include water conservation, recycling, groundwater and desalinization.

Environmental groups oppose the MID sales because they would rather see the conserved water released into the Tuolumne to enhance its fish habitat.

Peter Drekmeier, the Bay Area program director for the Tuolumne River Trust, said San Francisco does not need the water. He said demand averaged 205 million gallons a day last year in the communities served by Hetch Hetchy, down from 250 million in 2007 because of water-saving efforts and the slow economy.

Special to The Bee

Viewpoints: Snowpack shows vulnerability of water supply

Published Saturday, May. 05, 2012

Last year, in late March, Gov. Jerry Brown declared an end to California's three-year drought. The mountain snowpack was at 165 percent of normal, and major reservoirs in the state and federal water systems all had more water in them than usual.

This year, it's a different story. Sierra snow depths are well below average, with water content in the Sierra snowpack measured at only 40 percent of normal. This contrast is a sobering illustration of the state's unpredictable water supply and should be a wake-up call to action. If we are to ensure that there is enough water to meet the state's ever-increasing needs, we must first address the challenges facing the Sacramento-San Joaquin Delta.

The Delta is the heart of California's water system, and I've experienced its decline directly; first as a fourth-generation San Joaquin Valley rancher, then serving as secretary of California's Natural Resources Agency and now as a board director of the Delta Vision Foundation.

Over the years, I have heard just about every argument, from every side, about how the Delta should be managed to restore its damaged ecosystem and provide a reliable water supply for the state. Rarely have I seen the various combatants in California's "water wars" agree on anything. But over the past year, in roundtable discussions with experts at the top level of engagement on water issues in California, I'm hearing less acrimony and more consensus. Sponsored by the Delta Vision Foundation, these discussions are frank, civil and solution-oriented. Importantly, almost everyone agrees that we've spent far too much time talking about solutions and not enough energy implementing them.

It is time to make tough choices and act on them.

The Delta is in crisis, both as a valuable ecosystem and essential water supply. Its levees are crumbling, putting thousands of people at risk for flooding and water supply disruption. The entire Delta ecosystem remains at critical risk of failure. And yet we are no closer to improving the long-term reliability of water supplies from the Delta, on which much of California depends.

The institutional framework is in place to solve these thus-far intractable issues. The 2008 Delta Vision Strategic Plan was developed by the governor's appointed Delta Vision Blue Ribbon Task Force, with representation from a variety of water, environmental, business and agriculture experts. The plan's recommendations hinge on the comprehensive set of integrated and linked actions to achieve the two equal goals of restoring the Sacramento-San Joaquin Delta ecosystem and ensuring a reliable water supply for California.

Next month, the Delta Vision Foundation's third annual report card will be released, grading the governor's administration, the Legislature and state and federal agencies on their progress and effectiveness in advancing the strategic plan's recommendations for the Delta. The report card covers a comprehensive range of issues along with water supply reliability, including ecosystem

restoration and recovery; Delta vitality and security; and cooperation among the state, federal agencies and stakeholders.

These components all carry equal weight and must be looked at as a whole. History has taught us that the Delta's problems cannot be addressed by any single action – over 30 years of political deadlock has shown that we need to take an inclusive approach. But it takes time to bring everyone to the table, and given the clear evidence that our water supply is episodic and changeable, time is a luxury we cannot afford.

It is urgent that implementation of the strategic plan's recommendations moves forward now. The upcoming report card will clearly define the state's progress on fixing the Delta, as well as what remains to be done. Although last year's grades were disappointing, perhaps this year's paltry snowpack – along with the report card's frank evaluation – will move our leaders to action.

For Immediate Release

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San Bruno Offers Two Free Workshops: “How to Get Paid to Transform Your Lawn!”

The City of San Bruno is holding two free landscape workshops on May 12th and May 19th. These workshops support the City’s “**Lawn Be Gone!**” Rebate Program. The Lawn Be Gone! Rebate Program gives San Bruno residents and property owners up to \$500 to \$3,000 for converting front lawns into water-efficient landscapes. These water-efficient landscapes are affordable, easy to maintain, and provide long-term benefits to the property owners, community and the environment.

Workshop participants will create a water-efficient demonstration garden in front of San Bruno **Fire Station #51** on El Camino Real. Participants will learn about water-efficient landscaping techniques from experts, and get hands-on experience that they can apply to their own water-efficient landscape conversions at home.

The workshops are made possible by the Bay Area Water Supply and Conservation Agency (BAWSCA) and the City of San Bruno.

The Lawn Be Gone! Rebate Program offers \$0.50 per square foot to qualifying San Bruno residents and property owners who convert a minimum 200 square feet of lawn to a water-efficient landscape. Additional terms and conditions are available at BAWSCA’s website at www.bawasca.org, and San Bruno’s website at www.sanbrunowater.ca.gov.

May 12th Workshop: The workshop on May 12th will demonstrate how to convert a spray irrigation system to a drip system. Instructor Lori Palmquist will teach basic drip irrigation design and installation, how to choose the right irrigation components, watering techniques and proper system maintenance.

Ms. Palmquist has been a landscape professional for 22 years. She is a Certified Landscape Water Manager per the California Landscape Contractors Association standards, and consults as well as teaches water management workshops for Qualified Water-Efficient Landscaper (QWEL).

May 19th Workshop: The workshop on May 19th will include the installation of a landscape that features California Native and drought tolerant plants. This workshop will be taught by Sherri Osaka.

Ms. Osaka is a licensed Landscape Architect, a Bay-Friendly Qualified Designer, and a Certified Green Building Professional. She is the co-founder of the Sustainable Landscape Roundtable, an organization that encourages local landscape professionals to adopt ecological practices. She is a director of the local chapter of the California Native Plant Society.

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For Immediate Release: April 19, 2012



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WATER-EFFICIENT GARDEN EVENT AT SAN CARLOS HOME DEPOT

Parking Lot Event Will Showcase “Bay Area Garden Friendly”
Plants and Gardening Techniques

The Bay Area Water Supply & Conservation Agency (BAWSCA) will be co-sponsoring a “Bay Area Garden Friendly” parking lot event at the **San Carlos Home Depot on April 28th from 9am-2pm**. During the event, BAWSCA representatives will be providing information and assistance to residents interested in planting a water-efficient garden.

The Home Depot, host of the event, has seen increased interest from local residents in replacing water intensive landscaping with native and climate-appropriate plants. Southern California stores hosted similar events last year that were so successful they are being replicated here in the Bay Area this year.

Throughout the event, BAWSCA will provide information about outdoor water conservation programs, including its free Landscape Education Program and its Lawn Be Gone! Rebate Program. Residents will also be able to get information from experts and great deals on water-efficient plants and products.

BAWSCA Water Resources Planning Manager, Nicole Sandkulla says, “40% of residential water consumption goes to the landscape, and the use of California Native and water-efficient plants and irrigation devices can significantly reduce outdoor water consumption.”

Vendor displays, activities for children, “how to” seminars, and giveaways will all be a part of this special “Bay Area Garden Friendly” event. For a list of similar events being hosted at Home Depot locations throughout the Bay Area through July, please visit www.bawasca.org or call 650-349-3000.

“Bay Area Garden Friendly” parking lot events are being co-sponsored by Bay Area water agencies, The Home Depot, its vendors and numerous community outreach groups.



Contra Costa
Water District



Santa Clara Valley
Water District



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THE DAILY JOURNAL

Wash your car, go to jail?

By Bill Silverfarb Daily Journal staff

05/09/2012

Is washing your car in the driveway bad for the environment?

It is, according to the California Regional Water Quality Control Board.

But is it illegal?

It is not, according to the state water board.

But a Belmont man was told he will face a \$500 fine or up to six months in jail if he continues to wash his cars on his Coronet Boulevard driveway.

He received a warning from the city's Public Works Department April 30 that "washing activities can only be performed on vegetated or grassy areas where the wash water can be absorbed into the ground instead of allowing it to enter the storm drain system."

Vic Trierweiler got the warning after a city construction and stormwater inspector first had a conversation with him about keeping the sudsy water from entering the storm drain system.

City code makes it unlawful for anyone to allow "waste matter, garbage, sewerage, grass clippings, paper, metal, wood or plastic objects, oil or gasoline, flammable materials or substances prohibited by the Municipal Regional Stormwater Permit" issued by the state water board.

Trierweiler was told he had to stop rinsing out his Recology bins in the driveway also.

City code, however, does not specifically say soapy water is prohibited from entering the storm drains.

The city inspector cited an ordinance passed in recent years related to a sewer rate increase that prohibits allowing pollutants into storm drains.

The inspector even offered Trierweiler a coupon to take to a local carwash.

The whole matter has left Trierweiler scratching his head.

"I have made a conscious effort to use biodegradable soap to minimize the effects on the environment," Trierweiler said.

His family cannot afford to go to the carwash weekly, he said, and is shocked a jail sentence can be the result of the activity.

Councilwoman Coralin Feierbach told the Daily Journal she sees people washing their cars in driveways all over Belmont and was surprised to hear a jail sentence was possible.

“No one should go to jail for washing their cars. I didn’t know it was prevented. It’s not clear. It’s a weird one,” Feierbach said about city code.

The state nor regional water quality control boards attach fines or penalties for the behavior.

“We try to discourage the behavior through outreach,” said Bruce Wolf, executive at the San Francisco Bay Regional Water Quality Control Board. Soapy water, he said, should drain into lawns and not down the gutter.

“On the flip side, we are not trying to be water cops,” Wolf said. “In general, the city employee was doing the right thing but we are not telling people to call the cops on their neighbors.”

The Bay Area Water Supply and Conservation Agency’s Art Jensen said there is no “broad effort in place to prevent people from washing cars.”

“There’s no mandate on a regional basis,” said Jensen, BAWSCA’s general manager.

Jensen’s comments are not necessarily related to storm drain runoff, however, but more toward water conservation.

Belmont’s Public Works Director Afshin Oskoui told the Daily Journal it is not unlawful to wash a car in a driveway but it is unlawful to allow the water to enter the city’s storm drain system.

“The runoff goes directly in the storm system,” Oskoui said.

Oskoui said landscape buffer areas could help keep polluted water out of the storm drain system.

Storm water goes directly into area creeks and ultimately feeds into the Bay.

The city needs to do make more outreach to the community on the rules, Oskoui said.

Even hosing down the sidewalk could be unlawful, he said.

“But we are not actively chasing violators,” Oskoui said.

The Municipal Regional Stormwater Permit, which covers nine counties in the Bay Area, specifically states, “soaps and automotive pollutants such as oil and metals can be discharged into storm drains and waterbodies from individual residential car washing activities. However, it is not feasible to prohibit individual residential car washing because it would require too much resources for permittees to regulate the prohibition. This section of the permit requires permittees to encourage residents to implement best management practices such as directing car washwaters to landscaped areas, using as little detergent as possible, and washing cars at commercial car washing facilities.”

Trierweiler finds Belmont’s city code to be a violation of his personal rights.

“I’m amazed that a law like this, that us citizens did not vote on, can be upheld,” he said.