

BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

April 11, 2012

1:30 p.m.

BAWSCA Offices, 155 Bovet Road, San Mateo, 1st Floor Conference Room

(Directions on page 2)

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
1. <u>Call To Order, and Roll Call</u> Roster of Committee members <i>(Attachment)</i>	(Klein)	<i>Pg 3</i>
2. <u>Comments by Chair</u>	(Klein)	
3. <u>Public Comment</u> <i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(Klein)	
4. <u>Consent Calendar</u> A. Approval of Minutes from the February 8, 2012 meeting <i>(Attachment)</i> B. Approval of Revisions to Personnel Handbook <i>(Attachment)</i>	(Klein)	<i>Pg 5</i> <i>Pg 17</i>
5. <u>Action Items</u> A. FY 2012-13 Proposed Work Plan and Budget <i>(Attachment)</i> <u>Issue:</u> What must BAWSCA accomplish in FY 2012-13, what resources are required and how should the budget be funded? <u>Information to Committee:</u> Memo presenting the work plan and proposed budget, incorporating comments from the February 8, 2012 BPC meeting and March 15 th board meeting. The committee presentation will address: 1. The results to be achieved during FY 2012-2013 2. The total amount of the proposed budget 3. The method for funding the budget <u>Committee Action Requested:</u> Recommendation that the board approve the proposed list of achievements, the budget and the funding plan. B. Priority FY 2012-13 Professional Services Contracts <i>(Attachments)</i> <u>Issue:</u> To ensure continuity of services, ten professional services contracts should be effective July 1, 2012. <u>Information to Committee:</u> A memo summarizing all recommended contracts and an individual memo for each professional service contract summarizing the purpose, scope and not-to-exceed amount. 1. Legal Counsel (Hanson, Bridgett et al.) 2. Strategic Counsel (Management Communications)	(Jensen)	<i>Pg 19</i> <i>Pg 31</i> <i>Pg 35</i> <i>Pg 41</i>

3. Engineering Consultant – WSIP Cost, Schedule & Construction Management (Terry Roberts) Pg 47
4. Engineering Consultant – Water Supply Agreement (Stetson Engineering) Pg 51
5. Engineering/Financial Consultant – Water Supply Agreement (Hilton, Farnkopf, Hobson) Pg 55
6. Financial Advisor – (KNN Public Finance) Pg 59
7. Water Supply Agreement Auditing/Accounting Support – (Burr, Pilger, Mayer) Pg 63
8. Large Landscape Conservation Services Consultant (Waterfluence) Pg 67
9. School Education Programs (Resources Action Program) Pg 71
10. School Assembly Program (EarthCapades) Pg 83

Committee Action: Recommendation for board approval.

- C. Request for Authority to Implement Grant Funding for Regional Water Conservation Programs (*Attachment*) (Sandkulla) Pg 89

Issue: Agreement (MOU) with Solano CWS is necessary to access the \$863,000 grant money for water conservation programs.

Information to Committee: Staff memo and oral presentation.

Committee Action: Recommendation for board approval.

6. Reports

- A. Board Policy Calendar (Jensen/Sandkulla)
- B. Long-Term Reliable Water Supply Strategy
- C. SFPUC Water Supply Improvement Program - Update
- D. Potential Bond Issuance to Pre-Pay Capital Debt Owed to SFPUC (*Attachment*) Pg 91
- E. SFPUC Wholesale Water Rate Proposal – Status of agency comments and schedule for consideration by the SFPUC Commission
- F. Hetch Hetchy Reservoir – Protecting the Water Users

7. Comments by Committee Members (Klein)

8. Adjournment to the next meeting on June 13, 2012 at 1:30pm in the 1st floor conference room of the BAWSCA office building, at 155 Bovet Road, San Mateo. (Klein)

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Directions to BAWSCA

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Committee Roster:

Larry Klein, City of Palo Alto (Chair)

Rob Guzzetta, California Water Service Company (Vice-Chair)

Ruben Abrica, City of East Palo Alto

Robert Anderson, Purissima Hills Water District

Randy Breault, City of Brisbane/GVMID

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

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

February 8, 2012 – 1:30 p.m.

Foster City Community Building, 1000 E. Hillsdale Blvd., Foster City, Port Room

MINUTES

1. Call to Order: 1:35 p.m.

Committee Chair Larry Klein called the meeting to order at 1:30pm. Eight members of the committee were present, constituting a quorum. A list of the directors present (8) and absent (2) and members of the community who attended is attached.

2. Public Comments: There were no public comments.

3. Consent Calendar:

Approval of the Minutes from the December 14, 2011 Meeting: Director Pierce made a motion, with the correction on the fourth bullet on page 7, to approve the Minutes. Director Breault seconded the motion. The Committee approved the minutes from the meeting of December 14, 2011. Three committee members abstained.

5. Action Items: There were no actions taken.

6. Discussion items and Special Reports:

Chair Klein moved item 6B up on the agenda

Potential Bond Issuance to Pre-Pay Capital Debt Owed to SFPUC: Mr. Jensen introduced David Brodsky from KNN, who was invited to the meeting to answer committee members' questions about the potential bond issuance. Mr. Brodsky is one of the two managing Directors of KNN, BAWSCA's financial advisors since 2003. Mr. Brodsky has served as financial advisor to cities, water districts and governmental agencies throughout California. Prior to being with KNN, Mr. Brodsky was Vice-President and Senior Credit Officer with Moody's Investors Service.

Mr. Jensen reported that the objective of the bond issuance would be to help water customers by lowering the cost of water purchased from San Francisco. He explained that under the 1984 Settlement Agreement and Master Water Sales Contract between San Francisco and its Wholesale Customers, agencies repaid San Francisco for their share of infrastructure investments over the life of the assets, which could be 15 to 80 or more years. Under the 2009 Water Supply Agreement, the agencies agreed to pay their proportion of infrastructure investments costs in real time, as a percentage of debt service on bonds or a percentage of revenue-funded projects. At the end of the 1984 contract, there remained a present value of

approximately \$370 million of payments for old projects still owed to San Francisco, and those payments would have stretched out over several decades.

To resolve the outstanding amount owed, the 2009 Water Supply Agreement provides that the \$370 million would be paid amortized over the 25-year life of the Agreement at a 2009 interest rate of 5.13%. The Agreement also provides that the remaining balance can be prepaid at any time without penalty.

San Francisco initiated the discussion of whether BAWSCA could issue bonds to prepay this debt. If BAWSCA issued bonds and were repaid by its members, the bonds could quite possibly be sold at interest rates much lower than 5.13%. Interestingly, everyone may stand to gain in different ways.

BAWSCA member agencies could experience a net cost savings. KNN's preliminary estimate is that the net savings to BAWSCA's members could be as much as \$35 million over the next 25 years. The *net* savings would result from the difference between the payments to BAWSCA and a lower-than-otherwise cost of water from San Francisco.

San Francisco would benefit from the infusion of cash which could reduce the size of San Francisco's anticipated retail rate increase in 2015, increase the SFPUC's reserve cash balance, and have a positive impact on SFPUC's credit rating.

Mr. Jensen stated that it is critical to examine all possible issues that might affect the feasibility and approach to issuing such bonds. One potential issue includes whether BAWSCA's existing authority to issue bonds allows this type of use of bond funds. Mr. Jensen explained that if BAWSCA issued bonds, BAWSCA will be paying debt to San Francisco that is owed by its members, under an agreement to which BAWSCA is not a signatory. If BAWSCA's enabling legislation does not cover issuance of bonds for this purpose, the enabling statute might be able to be modified to enable the water customers to realize the potential benefit.

There are a variety of other financial issues that are being examined by BAWSCA's legal counsel and financial advisor, in conjunction with SFPUC staff. Mr. Jensen expects that outside bond counsel will need to be hired at a modest initial expense to help assess the feasibility of moving forward. He stated that it is important to ensure that the objective of lowering the wholesale customers' cost of water purchased from San Francisco is met. To that end, BAWSCA would need to ensure that San Francisco's use of the funds would not result in increased rates to the wholesale customers, and that allocation of net savings among the 26 wholesale customers would be made in a fair manner.

In addition, identifying an appropriate institutional arrangement might be important for securing good bond ratings. For example, it might be necessary to generate agreements between BAWSCA and each member agency.

The refinance appears to be advantageous to both San Francisco and the Wholesale Customers, and deserves thoughtful considerations.

Director McLeod asked if the bond ratings of individual agencies could be impacted by BAWSCA issuing bonds. Mr. Brodsky stated that while there are technical issues that call for

due diligence, a positive impact to the member agencies are more likely than an adverse impact.

In response to Director Pierce's question, Mr. Brodsky explained that bond issuance by either BAWSCA is not problematic. The challenging part is the nature of the underlying contracts that secure the bonds because there is no existing system through which BAWSCA charges its members "water rates" that can serve as a basis.

Mr. Brodsky confirmed that the savings of up to \$35M over 25 years is a net present value, and that the interest rate would be at an average of under 4%.

Director Weed noted that the Alameda County Water District recently issued bonds totaling \$47 M at an interest rate of 3.21%.

Director O'Connell asked how long would it take to do all that needs to be done and how long the low interest rates would be available. Mr. Brodsky stated that there are reasons to believe that low interest rates will remain into 2013, however, they can be affected by unforeseen events.

Mr. Brodsky noted that there is a substantial amount of work to be done under a tight schedule, and an August bond issuance would arguably be an ambitious deadline. He stated that progress can also depend on the need for local agency approvals.

Mr. Jensen commented that if agency approvals are needed for contracts, BAWSCA can move the process as it did with the Drought Implementation Plan, Water Supply Agreement, and the creation of BAWSCA, which took approximately four months, once all of the materials and documents had been prepared.

Mr. Jensen stated that the feasibility of issuing bonds, and the pros and cons, would be brought to the Committee before it was brought to the Board to ensure a thorough understanding prior to making a decision. He noted it would also be important to communicate with the member agencies so that they would be informed and prepared to act on any agreements needed to implement the idea.

As a response the Director O'Connell's question about the potential impact of the November elections on interest rates, Mr. Brodsky stated that it is difficult to predict what factors will affect interest rates. He noted that if the market opportunity passes by, the benefit of having developed an intellectual infrastructure to do the financing would put BAWSCA and the agencies in a position to do the financing swiftly the next time a favorable market occurred.

In response to a question from Director Klein, Mr. Brodsky stated that there is high probability that the re-finance can be done. He said to his knowledge, all 26 member agencies could individually issue bonds, and pool together the money to pay off the debt. However, it would be a very complex and cumbersome process. A simple method would be for BAWSCA to issue bonds on behalf of the 26 member agencies.

Mr. Brodsky stated that despite the challenges, he is confident that a method could be developed to secure bonds that can pay off the debt.

Mr. Jensen stated that if the re-finance is feasible, and assuming that issuing bonds is a part of the Work Plan for FY 2012-13, work would begin in Spring or, at the latest, early Summer. A cost of \$50K to look at feasibility is available in the existing budget. The out-of-pocket cost associated with issuing bonds is estimated at \$435,000 and could be funded during FY 2012-13, as he will explain when he presents the preliminary budget for next year.

Director Weed asked how individual agency's debt rating could be impacted. Mr. Brodsky does not see a negative impact to individual agencies, but states that the payments to BAWSCA may be a reportable obligation. Mr. Brodsky stated that since the contracts have yet to be developed, it is unknown how they would be reported. He expects them to be operating contracts which would be considered as off-balance sheet debt, which are typically used to restructure an existing obligation, and are viewed by rating agencies as such.

Director Breault asked if the nature of the existing capital debt repayment and structure, and the authority BAWSCA and the RFA have to issue bonds, require unanimity among all the member agencies, or could agencies opt out? Legal Counsel, Allison Schutte stated that issuance of bonds would require a 2/3rd's vote of the BAWSCA Board.

Director Breault also asked what would happen to debt coverage in the case that an agency defaults.

Mr. Brodsky stated that a tried and true mechanism would be a 25% step-up, which the State Water Contracts applied, but never exercised. Director Weed asked what bond rating KNN had assumed in developing its estimate. Mr. Brodsky replied that they assumed a AA- rating. Mr. Brodsky stated that not all the debt could be tax exempt.

Director Guzzetta asked if there was anything in the law that would allow privately-owned entities to use tax exempt bonds because the benefit is to the customers, and not to the company.

Mr. Brodsky said not at this time, but he was willing to explore that question.

As a response to Director Pierce's question of whether the materials provided in the packet were sufficient, members of the Committee suggested to highlight the potential risk factors, and the inclusion of all the information available at the time the matter is brought before the Board.

Mr. Jensen clarified that the feasibility study is being done now. When the bond issuance is proven to be the right thing to do, the Committee and the Board will be asked to authorize the resources needed to move forward. Mr. Jensen stated that the \$435,000 is the estimate for the out-of-pocket cost, and does not include costs that would be paid upon issuance of the bonds. The total cost of issuance would likely exceed of \$2M.

Ms. Schutte noted that compared with ACWD's recent bond issuance, the cost of issuance for BAWSCA with its 26 member agencies would have a higher price tag because of its complexity and the fact that it does not have a history of issuing bonds.

Director Pierce requested that all benefits of establishing the intellectual infrastructure be presented to the Board in March, regardless of how big or little they may be. As well as information on the revenue stream.

Mr. Jensen stated that a graph can be presented to show what the current debt payments look like now in comparison to what they would look like with the bond issuance based on some assumptions.

Director Breault commented that some people may see very little savings over the long period of time and ask, “Why bother?” The Committee agreed with Mr. Jensen who stated that he would not want to answer a question about why an opportunity to save \$35M was not examined.

Director Guzzetta stated that the savings does not have a “wow” factor, but it is the right thing to do. The Committee agreed.

Director Weed suggested that it would be helpful to provide the net present value and the bond rating assumptions.

Mr. Jensen thanked the Committee for the questions and comments.

Preliminary Fiscal Year 2012-13 Work Plan and Budget: Mr. Jensen reported that the preliminary Work Plan for FY 2012-13 covers all activities regardless of the source of funding, whether through the Operating Budget, the Water Management Charge, or payments for Subscription Water Conservation Services.

The Work Plan continues to address BAWSCA’s goals of ensuring a reliable supply of high-quality water at a fair price, as well as agency effectiveness. The presentation of the preliminary budget, however, is restricted to the Operating Budget for two reasons: the use of Water Management Charge revenue is restricted to a one-time study and the amount of subscription services and associated revenue depends on decisions made by member agencies once their budgets are adopted.

A substantial portion of the Work Plan has to do with ensuring both near-term and long-term reliability of water supply and delivery.

The work involved in the Long-Term Reliable Water Supply Strategy (Strategy) includes ensuring that reliable, high-quality supply of water is available where and when needed through the year 2035. It also addresses achieving a desired level of drought reliability, as well as providing a consistent and defensible basis for regional water planning. Mr. Jensen noted that the Work Plan includes the development of a common methodology for projecting water demands throughout the 26 service areas.

Near-term decisions stemming from development of the Strategy will focus on achieving sufficient drought reliability. In addition, continued implementation of core and subscription water conservation programs addresses the near-term solutions for water supply reliability.

With respect to the reliability of water delivery, BAWSCA will continue to monitor the SFPUC's WSIP scope, schedule and budget, focusing on construction and overall program management, project schedules and cost control. BAWSCA will take appropriate actions as necessary.

Protecting the members' interests will require BAWSCA's involvement in several major activities that affect water supply reliability including the FERC relicensing process of New Don Pedro Reservoir, the SFPUC's water transfer with Modesto Irrigation District (MID), and the current efforts by proponents of draining Hetch Hetchy reservoir.

The continued administration of the 2009 Water Supply Agreement (WSA) includes an effort to amend the Tier 1 drought allocation formula with the SFPUC, as well as amending the WSA to revise the provision that states "San Francisco will complete construction of the physical facilities in the WSIP by December 31, 2015," a date which the Commission has extended to mid-2016.

Finally, BAWSCA will pursue grant opportunities independently and in coordination with other agencies, and implement the use of Proposition 84 grant funds awarded for water conservation in 2011.

Directors discussed and asked questions about the preliminary Work Plan.

Director McLeod asked whether BAWSCA was considering each agency's other sources of water when looking at drought reliability. Mr. Jensen stated that the efforts to obtain the desired level of drought reliability will be consistent with the approach taken to date, which considers each agency's other sources of supply as local assets and not subject to reallocation unless those supplies are offered for study by the agency. Mr. Jensen noted that the drought allocation between BAWSCA member agencies will expire in 2018, which is one reason the matter appears in the Work Plan for FY 12-13.

Director McLeod asked if BAWSCA participates in any discussions with cities to gain a regional perspective on how cities might be impacted to ensure there is an overall balance.

Ms. Sandkulla stated that BAWSCA does not currently participate in any regional discussions of that nature, however, through the efforts on the Strategy, BAWSCA has initiated discussions among its member agencies about dry-year water supplies, which agencies want it, and at what level. Information is still being compiled and the question of how much to invest in drought reliability will be brought to the Committee and Board for discussion and consideration at a later date.

In response to Director McLeod's question about compliance with State greenhouse emission regulations, Ms. Sandkulla explained that since BAWSCA is not a supplier, it is not required to comply. However, because the SFPUC and individual agencies address it in their facilities plans, compliance is covered. Ms. Sandkulla noted that if BAWSCA develops a water supply project, BAWSCA's role relative to compliance may change depending on how such a project was implemented.

To ensure fair price, BAWSCA will continue to perform matters delegated to it by member agencies through the WSA. In addition, BAWSCA would pursue whether wholesale customers

would benefit from BAWSCA issuing bonds to retire capital debt owed to San Francisco, as discussed earlier.

BAWSCA will continue to support member agencies in receiving reliable communication of water quality events, and coordinate member agency participation in Water Quality Committee established by the WSA.

In the context of developing new water supplies or implementing water transfers, Director McLeod asked about how the mix of different water sources is addressed to ensure high quality water, and if there would be some value gained from a discussion that could set a minimum standard that exceeds basic drinking water requirements. Mr. Jensen explained that the WSA address water quality impacts if BAWSCA or member agencies transfer water through the San Francisco Regional Water System facilities.

Director Weed commented the inclusion of the number of personnel hours required to accomplish each of the functions in the Work Plan, and how the workload is distributed. Mr. Jensen stated that charts can be provided to show where the relative levels of efforts are associated.

Director Weed stated that one of BAWSCA's biggest challenges is the effort to drain Hetch Hetchy and that he finds it valuable to encourage the SFPUC to have water system tours to educate the government leaders, agency staff and others about the significance of system, and to gain a full understanding of it.

Mr. Jensen noted that BAWSCA's predecessor organization, BAWUA, used to conduct tours, which later evolved to a sponsorship of the Water Education Foundation's (WEF) tour of the Hetch Hetchy system. The tours stopped three years ago after proponents of draining Hetch Hetchy consumed a disproportionate use of the tour to promote their agenda. Mr. Jensen will discuss the idea with the SFPUC.

Mr. Jensen also noted that the Work Plan includes assessing the risks associated with efforts to drain Hetch Hetchy, and that he welcomes members of the Board to contact him with any questions.

Director Guzzetta stated that aside from the efforts of Restore Hetch Hetchy, he stated that there might be value in educating agency staff members who deal with the system and the public on a daily basis. It may not involve going to Hetch Hetchy, but perhaps an educational program that would provide information so agency staff can become better ambassadors of the system. The Committee agreed to request the CEO look into what resources would be needed to provide such a program.

Mr. Jensen reported that the preliminary Operating Budget is estimated at a range between \$2.6M and \$3M. The upper end estimate included \$435,000 associated with the possibility of issuing bonds.

Funding alternatives included funding the \$435K for issuing bonds through the General Reserve, should the Board decide to move forward with that activity.

Another alternative included decreasing the as-needed consulting budgets by 10% to reduce the budget by \$30K and increasing the contingency budget by \$30K for the CEO to use if and when needed.

Options for reducing the size of the preliminary budget include removing salary and benefit adjustments that are included in the initial estimate. Due to recent economic conditions and cost-cutting actions taken by many member agencies, BAWSCA has deferred making adjustments to staff position salary ranges to reflect the results of compensation surveys or implement COLA adjustments. The preliminary budget number included top-step salary adjustments for two positions, which totaled \$7,400, and COLA adjustments for positions other than the CEO amounting to \$17,000. Mr. Jensen stated that the budget could be reduced by \$24,400 if these adjustments were omitted.

Mr. Jensen then reported that the budget can be funded without an increase to the assessments. He noted that the General Reserve would continue to grow even if bonds were issued using the General Reserve funds.

Several alternatives were examined for managing the General Reserve balance. One that Mr. Jensen recommends is to either use a portion of the General Reserve to pay the out-of-pocket costs for issuing bonds, or rebate a similar amount to agencies in the event bonds are not issued. In addition, reduce assessments by 7% as part of the budget process for FY 2013-14.

Other alternatives included reducing assessments by 15% the first year, and increasing assessments by 9.5% the following year.

The Committee discussed and offered comments on the preliminary Work Plan, Operating Budget and funding plan.

Director O'Connell and other members asked that the presentation of budget alternatives be clarified.

Director O'Connell expressed her concern with removing the top-step salary adjustments for two positions. She said that while all cities continue to cut back and freeze wages, BAWSCA's personnel are unlike those of other cities. The skill set of BAWSCA's personnel positions fit the unique need of the agency and its member agencies. To lose a person would mean a lot of training for the replacement, and she would be interested in retaining the employees as opposed to losing them to save \$7,400.

Director McLeod concurred with Director O'Connell.

Director Breault suggested that it should be noted to the Board that the funding alternatives presented by Mr. Jensen are alternatives that the Board Policy Committee discussed and found that no further development of information to be necessary.

The Committee supported the results to be achieved, the preliminary Operating Budget, the use of the General Reserve to fund the possible issuance of bonds and the schedule for reducing assessments by 7%. The Committee also agreed that it does not support removing the top-step salary adjustments for two positions to save \$7,400.

Update and Reports:

Meeting with Mayor Lee held February 3, 2012: Director Pierce reported that a meeting with San Francisco Mayor Lee was arranged by Assembly Member Jerry Hill on February 3rd. She attended the meeting on behalf of BAWSCA with Art Jensen, Director Chuck Reed, and Bud Wendell. San Francisco members included Ed Harrington and Tony Winnicker.

Two messages delivered at the meeting were that the mayor consider the regional significance of the water system and the importance of the Wholesale Customers who pay the majority of regional system costs when he appoints a new SFPUC general manager to succeed Ed Harrington, and when he makes appointments or reappointments for the three seats on the commission for which the current terms expire this year.

Top priorities for the new general manager must remain completion of the WSIP on schedule and within budget, as well as ensuring water customers would be protected should the movement to drain Hetch Hetchy Reservoir go forward.

Mr. Jensen reported that Mayor Lee was receptive to BAWSCA's concerns and pledged to have Ed Harrington work with Art Jensen to address protection of water customers. Mayor Lee also acknowledged his understanding of the regional nature of the water system and pledged to pick Ed's successor with care.

Long-Term Reliable Water Supply Strategy – Status Report: Ms. Sandkulla reported that the Study Session with the Board about water transfers will be scheduled for the March Board meeting. A presentation will be given and will require no Board action. The objective is to achieve a common level of understanding about water transfers, and provide information to support further Board decisions with respect to drought and water supply reliability.

Director Breault suggested that information should be provided in a simple format with lots of graphics.

SFPUC Water System Improvement Program – Evaluation of SFPUC Response to BAWSCA Comments: Ms. Sandkulla reported that BAWSCA received the SFPUC's response to its December 7th letter containing six recommendations regarding the WSIP. The letter had a positive response and was appreciative of BAWSCA's efforts on behalf of the wholesale customers.

The SFPUC agreed with two of BAWSCA's recommendations and will include additional information on cost and schedule trends in reports submitted to the Commission and the public, including the Quarterly Reports. The SFPUC will also analyze approved WSIP change orders to confirm conformance with existing policy.

BAWSCA will follow up with Julie Labonte and her staff to discuss other outstanding areas of concern, including the inclusion of trends in both cost and schedule estimates, and how sufficient information on WSIP trends could be provided to the public and policy makers to help set realistic expectations. Any further developments will be shared with the Board at future meetings.

Comments by Committee Members: Regarding current water supply conditions, Ms. Sandkulla reported that in spite of this relatively dry winter, San Francisco anticipates no mandatory rationing given the continued low water use and last year's wet season.

Adjournment: The meeting was adjourned at 3:20pm.

Respectfully submitted,

Arthur R. Jensen, Chief Executive Officer and Secretary

ARJ/le

Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board Policy Committee
February 8, 2012**

Attendance Roster

Committee Members Present:

Larry Klein	City of Palo Alto (Chair)
Rob Guzzetta	California Water Service Company (Vice Chair)
Robert Anderson	Purissima Hills Water District
Randy Breault	City of Brisbane/GVMID
Jamie McLeod	City of Santa Clara
Irene O'Connell	City of San Bruno
Barbara Pierce	City of Redwood City
John Weed	Alameda County Water District

Committee Members Absent:

Ruben Abrica	City of East Palo Alto
Tom Piccolotti	North Coast County Water District

BAWSCA Staff Members Present:

Arthur Jensen	Chief Executive Officer
Nicole Sandkulla	Water Resources Planning Manager
John Ummel	Sr. Administrative Analyst
Lourdes Enriquez	Assistant to the CEO
Allison Schutte	Legal Counsel, Hanson Bridget, LLP.
Dave Brodsly	KNN Public Finance

Guests:

Peter Drekmeier	Tuolumne River Trust
Marilyn Mosher	City of Hayward
Michelle Sargent	San Francisco Public Utilities Commission
Nico Procos	City of Palo Alto

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Agenda Title: Adoption of Personnel Handbook Amendments

Summary:

The BAWSCA Board of Directors adopted a Personnel Handbook in September 2003. Previous amendments to the handbook have included policy and administrative changes, as well as changes necessary to keep current with legal requirements. At this time, there are no policy changes. A summary of recommended changes are listed below.

- "Parents of domestic partner" has been added to the list of family members for whom employees can take bereavement leave. The Handbook already included parents of spouse, so this makes it non-discriminatory.
- The section related to the use of vacation time while on military leave has been clarified so that it is clear that vacation may be used for any type of military leave, not just weekend reservists.
- The section on personnel files has been amended to include a provision that employees may make copies of documents that bear their signatures. This is a labor code requirement.
- "Gender identity" and "genetic information" have been added to the lists of protected categories throughout the document, as legally required.
- The lengthiest changes included updates and comprehensive provisions on the FMLA/CFRA (Family Medical Leave Act/California Family Rights Act). These are legally required and must be included in the Employee Handbook.
- In addition, a new section on pregnancy-disability leave has been included. This is applicable under the FEHA (Fair Employment and Housing Act) and is often interrelated with FMLA/CFRA leave.
- References to BAWUA have been removed where appropriate.

Fiscal Impact: None

Committee Action Requested:

That the Committee recommend Board approval of the proposed amendments to the personnel handbook.

Discussion:

Attachment A (under separate cover) shows the Personnel Handbook with recommended changes highlighted. Attachment B (under separate cover) shows a clean copy of the Personnel Handbook.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

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

Summary:

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

The preliminary 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 preliminary estimate for the FY2012-13 Operating Budget is \$2,585,214, about 1% 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 a recommended work plan, budget and funding plan, alternatives are provided for comparison.

Prior Board and Board Policy Committee Action:

The Work Plan and proposed 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.

Recommendation:

That the Committee recommends 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 this memorandum.

Proposed Work Plan:

Next year's Work Plan addresses all of the ten 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 during FY 2011-12 and that a decision on whether or not to move forward can be made in May or July 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 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. 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 preliminary budget. Any of these items could be added 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.

2. Near-term Supply Solutions: Water Conservation

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

3. Facility Reliability: Monitor SFPUC Water System Improvement Program

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

Fair Price

8. Evaluating potential economic or water supply impacts of State efforts to fix the Delta and other State water management projects.
9. Development of alternative wholesale rate structures that the SFPUC might consider. Actions will be limited to development of goals and objectives relevant to Wholesale Customers, and facilitating communication with SFPUC.
10. Development of alternative retail rate structures that member agencies might consider for stabilizing water rates and water revenues.
11. Arbitration of issues related to the 2009 Water Supply Agreement.

High Water Quality

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

Agency Efficiency

14. 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 proposed 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 \$2,585,214, which is 1% lower than the current year’s budget.

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

Cost Category	Approved FY 2011-12 Budget, dollars*	Proposed Estimate FY 2012-13 Budget, dollars	Difference, dollars
Consultants/ Direct Expenditures			
Reliability	833,930	835,162	1,232
Fair Pricing	233,000	211,000	(22,000)
Administration	112,000	95,000	(17,000)
<i>Subtotal</i>	1,178,930	1,141,162	(37,768)
Administration			
Employee Salaries & Benefits	1,075,875	1,079,452	3577
Operational Expenses	258,900	280,600	21,700
BAWUA	1,100	1,100	0
<i>Subtotal</i>	1,335,875	1,361,152	25,277
Total Operating Expenses	2,514,805	2,502,314	(12,491)
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	2,585,214	(34,491)

*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. 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 summarized and discussed with the Board at the January Board meeting, 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 an important consideration in determining the value to the water customers. 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 possible one-time costs associated with issuing bonds to repay Wholesale Customer debt owed to San Francisco. 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 this spring, and it should be possible to bring a recommendation to the Board in July or September 2012

If feasibility is demonstrated this Spring, this one-time effort could be funded using the General Reserve.

If bonds were ultimately issued next fiscal year and the General Reserve was used to fund the issuance of bonds, the projected FY 12-13 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 \$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:

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.

These amounts might be small compared to most member agency budgets and expenses, but would cause BAWSCA's General Reserve balance to exceed the guideline set by the Board: the projected year-end balance should be no more than 35% of the current year's Operating Budget.

Given the possibility of a large one-time expenditure to benefit water customers, no immediate action to reduce assessments is recommended.

A plan has been created to bring the General Reserve balance within the Board's guidelines within the next year.

If bonds are issued to save water customers up to \$35 million, the one-time out-of-pocket costs for bond issuance, estimated to be \$435,000, could be funded from the current General Reserve balance. The following year, a 7% decrease in annual assessments would maintain the General Reserve balance within the Board's guidelines.

If, however, a decision were made to not issue bonds, the comparable amount, \$435,000, could be refunded to member agencies. Again, the following year, a 7% decrease in annual assessments would maintain the General Reserve balance within the Board's guidelines.

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
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	\$1,146,900 (est.)

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.

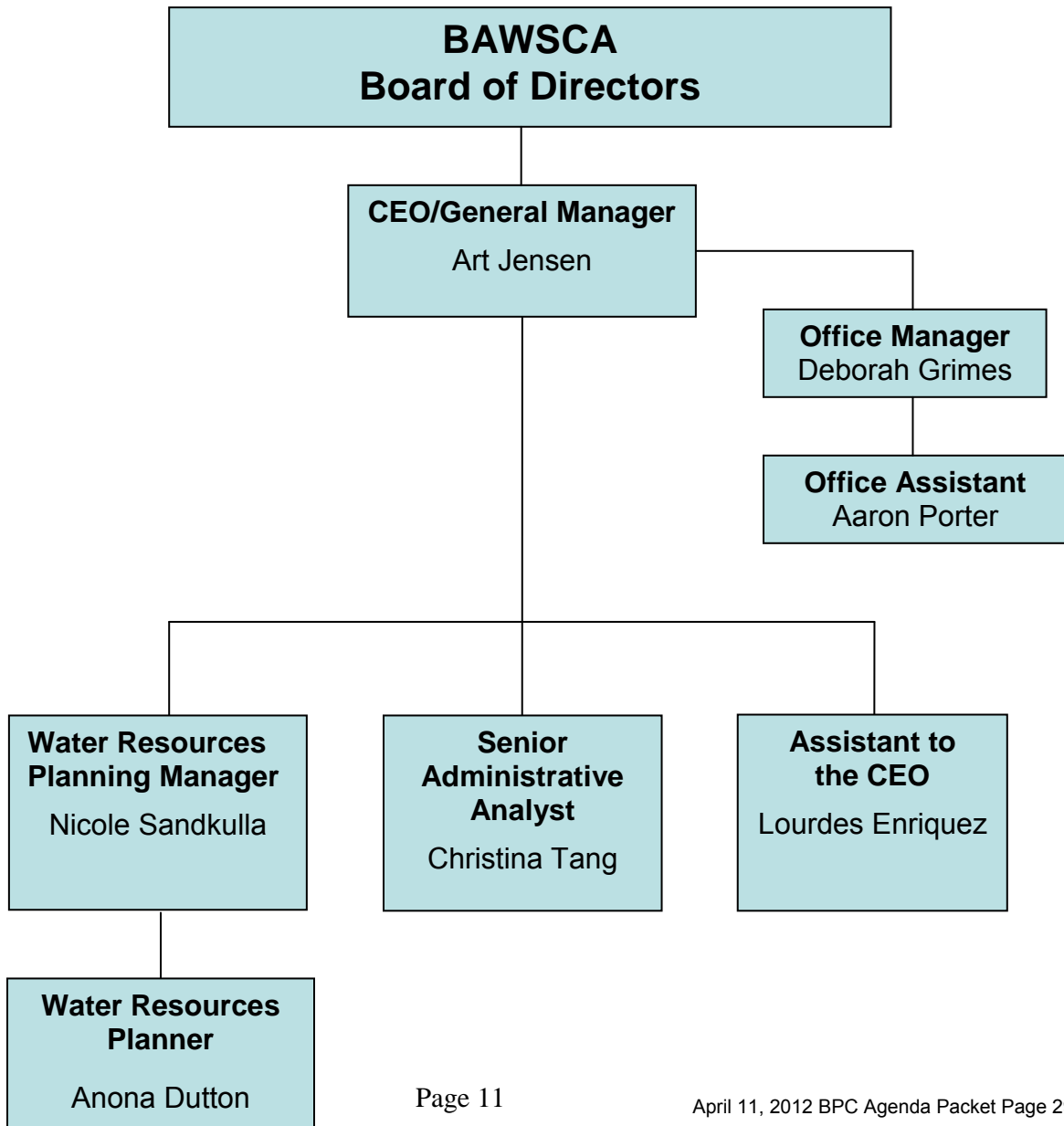
Appendix H: Uses of Professional Services. Outside professional services are used to provide specialized services and augment staff.

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 POLICY COMMITTEE 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 eleven contracts. Other consulting services that may be needed to complete this year's Work Plan will be brought to the Board for authorization during the year.

Fiscal Impact:

The proposed FY 2012-2013 Operating Budget contains a total of \$1,143,162 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.

Recommendation:

That the Board Policy Committee 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.

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 ¹
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 POLICY COMMITTEE MEETING

Agenda Item 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, and potential legislative activity. The net increase of \$61,000 is primarily for work in these two areas.

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 \$30,000 for such support was separately authorized by the Board and is paid using revenue from the Water Management Charge approved by the Board in July 2010.

Recommendation:

That the Committee recommend Board authorization of 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 FY 2012-13, legal counsel will be providing support for closing out the old contract as well as initiation of the implementation of the new agreement.

Hanson Bridgett has been providing legal assistance to BAWSCA and its predecessor for more than 25 years. Hanson Bridgett helped negotiate both the prior and the current Water Supply Agreement with San Francisco. They drafted the legislation that now pressures San Francisco to fix the system, formed the RFA and enabled the formation of BAWSCA.

Hanson Bridgett has successfully arbitrated settlements totaling several millions of dollars on behalf of the wholesale water customers. Hanson Bridgett's familiarity with the business relationship between the wholesale customers and San Francisco and their knowledge of the Water 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

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

The above-mentioned activities may require legal counsel to:

- Provide ongoing counsel to the CEO and Board of Directors.
- Provide support for interpreting the 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. There will be 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	\$275 per hour
Associate	\$210
Paralegals/Case Assistants	\$100 to \$150 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
Attendance of regular Board of Directors meetings for BAWSCA and RFA	no charge

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Item 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.

Recommendation:

That the Committee recommend authorization of 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.

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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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Agenda Item 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.

Recommendation:

That the Committee recommend Board authorization of 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 Plant 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 POLICY COMMITTEE MEETING

Agenda Item 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.

Recommendation:

That the Committee recommend Board authorization of 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 POLICY COMMITTEE MEETING

Agenda Item 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.

Recommendation:

That the Committee recommend Board authorization of 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.

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**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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Item 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.

Recommendation:

That the Committee recommend Board authorization of 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.

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**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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Item 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.

Recommendation:

That the Committee recommend Board authorization of 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.

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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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE 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.

Recommendation:

That the Committee recommend Board authorization of 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 POLICY COMMITTEE 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.

Recommendation:

That the Committee recommend Board authorization of 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	3342
Est. Annual Water Savings (gallons per kit) (a) (b)	17,451	17,451	17,451	9,785	6,475	4844
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 FY 2008/09 and FY 09/10, water savings estimated based on actual kit installation rate and a 10-year lifetime.

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

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

Because of its connection with school children, this program would be initiated in September 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.

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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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE 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.

Recommendation:

That the Committee recommend Board authorization of 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 POLICY COMMITTEE

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.

Recommendation:

That the Board Policy Committee 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.

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 POLICY COMMITTEE MEETING

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

Summary:

The Board Policy Committee will receive a status report at the meeting.

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 Policy Committee in February.

A status report will be made to the Board at its May meeting.

Conclusions as to the feasibility and benefits of such an action will not be known until later this spring or summer. If a recommendation were made to move forward, it would likely be presented to the Board for 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.

Recommendation:

That the Board Policy Committee 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 Committee in February:

“...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.”

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 and bond issuance. 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 it was distributed to three highly experienced firms. Proposals are due April 11. The RFP 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 approval of the additional work and additional funding.

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 is scheduled to be heard by the Assembly Local Government Committee this month.

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.