

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

**June 13, 2012 – 1:30 p.m.
BAWSCA Offices, 155 Bovet Road, San Mateo, 1st Floor Conference Room**

MINUTES

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

Committee Chair Larry Klein called the meeting to order at 1:30pm. Nine members of the committee were present, constituting a quorum. A list of the directors present (9) and absent (1) and members of the community who attended is attached.

- 2. Public Comments:** Spreck Rosekrans addressed the Committee on behalf of Restore Hetch Hetchy (RHH). He regrets that representatives from RHH were not able to attend BAWSCA's Board meeting on May 17th when Mr. Jensen presented BAWSCA's statement on the proposal to restore Hetch Hetchy and the upcoming vote in San Francisco. Mr. Rosekrans stated that RHH agrees with BAWSCA's statement about the need for alternative water storage and high-quality water, legally enforceable agreements, and having fully operating facilities in place before restoration begins. Furthermore, RHH agrees that voters outside San Francisco should have the same rights as voters in San Francisco. RHH will work with BAWSCA to make this happen.

Mr. Rosekrans noted that RHH also agrees that efforts to restore Hetch Hetchy should not cause delays on the Water System Improvement Program (WSIP). He emphasized his support for water supply reliability when he personally helped convince an environmental group 10 years ago, not to oppose a 2nd Irvington Tunnel as part of the WSIP

3. Consent Calendar:

Director McLeod thanked staff for the information they provided on the amendments to the personnel handbook, and for incorporating the suggestions she made.

- A. Approval of the Minutes from the April 11, 2012 Meeting: Director O'Connell made a motion, seconded by Director McLeod, that the minutes from the meeting of April 11, 2012, and the revisions to the Personnel Handbook be approved. The motion carried unanimously

5. Special Report:

Potential Bond Issuance to Prepay Debt Owed to SFPUC: Legal Counsel, Allison Schutte, and Financial Consultant, David Brodsky of KNN, reported on the status of the feasibility study to issue bonds to prepay debt owed to San Francisco. Ms. Schutte reported that the team has identified a potential structure that will allow most of the bonds to be tax exempt, which will support the objective for issuing the bonds: to save member agencies money. It is likely that the bonds will be secured by member surcharges which will be applied to water sales and

collected by San Francisco with water bills. The hope is to develop a payment structure that will be seamless to the customers and individual agencies.

The intention is that the surcharge would pay debt service on the bonds to payback the existing capital asset balance that is owed to San Francisco, but also to fund the general reserve to 1) make sure that, in general, the bonds have the best credit rating possible, and 2) to have adequate reserves to manage the fluctuation in water sales.

The team believes that each agency should adopt resolutions in the Fall acknowledging that it will be participating in the bond issuance and directing staff to help facilitate the final certifications that are needed. No amendments are expected for the Water Supply Agreement or to the individual agency agreements with San Francisco.

Ms. Schutte stated that a comprehensive feasibility analysis will be provided to the Board in September, and a confirmation of whether adoption of a resolution by individual member agencies is necessary. If so, staff will provide member agencies a resolution template, sample staff memos, and meeting opportunities with the Water Management Representatives and member agency staff to ensure all interested parties have all the information needed for action by each agency's council or governing body.

Also in the Fall, BAWSCA will negotiate a contract with San Francisco to outline its collection agent responsibilities and to outline how the money will be managed.

As stated in the staff memo included in the agenda packet, Ms. Schutte noted that the bonds can be issued through a negotiated sale or a competitive sale. The team has come to a conclusion that having an underwriter on board early in the process to assist with structuring and marketing the bonds would be advantageous for BAWSCA.

David Brodsky from KNN explained that the basic role of an underwriter is to purchase bonds in bulk from a public agency and sell them to individual and institutional investors. This is true for both negotiated and competitive sales. He stated that bond issues are comprised of a series of loans that vary in lifespan of 2, 3, 5 years, up to 30 years. It is the underwriter that distributes the loans among the investors.

Underwriting implies a level of risk taking as the underwriter buys the bonds at a given price and then takes the risk of selling the bonds at a value that will provide an anticipated return.

For a negotiated bond sale, the underwriter becomes involved early on to help structure the deal. In the public sector, because of the public policy preference for competitive procurement, there is a developed competitive market where underwriters provide sealed bids and contracts are awarded to the lowest bidder.

Ms. Schutte stated that BAWSCA is a brand new bond issuer, and is not a typical water utility that sells water and has assets. BAWSCA has a story to be told and an underwriter can help frame its story, as well as structure and secure the package so that it is as desirable as possible in the marketplace.

Ms. Schutte stated that with the Committee's support, BAWSCA will issue a RFP and complete a competitive selection process to select the underwriter that best fits BAWSCA's needs. A recommendation for the underwriter will be presented to the BAWSCA Board for action at its July meeting.

In response to Director Weed's inquiry for clarification regarding pricing for the underwriter, Mr. Brodsky explained that the underwriter's "take down" (or profit) is the difference between what was paid for the bonds and the sale price of the bonds. KNN's RFP asks for that information on a maturity basis as part of the proposal. KNN does not recommend selection of the underwriter simply on the basis of lowest take down because it is a small element of the cost of funds, and if it is too thin, the underwriters will have very little incentive to take risks.

KNN's recommendation is to pay a market take down so underwriters are properly induced to take risks. The market has a band and the most effective way to determine the cost for the underwriter is through the proposal process. During the process, BAWSCA will have the knowledge of what the array of proposers are offering. Mr. Brodsky explained that, in a negotiated sale, take downs can change from the time the agency appoints the underwriters to when the parties enter into the bond purchase contract.

A second element in the price of the bonds is the interest rate. Interest rates are a significant driver of the cost of funds. The RFP asks proposers to provide what they think the common market data index would be. While this is not definite, it provides a basis from where to start the negotiations as well as a basis to hold the underwriters accountable.

Mr. Brodsky explained the difference between negotiated sales and competitive sales. Well known bond issuers with a structure that is known and is typical in a market tend to do better in competitive sales. These issuers benefit from a transparent process, and rely on input from a financial analyst as opposed to input from an underwriter. The sale process involves receiving bids and awarding contracts, and can have less flexibility in the bond structure and documentation on the day of the sale.

A negotiated sale is typical for a "story" bond, which are bonds that have to be explained to the market. BAWSCA's bond issuance is a classic "story" bond because BAWSCA is a special kind of agency with a special kind of role. The bonds will have special features that are atypical but are needed to ensure a marketable structure. The underwriter will take on the role of assisting in structuring the bonds, as well as talking with investors and pricing the bonds weeks before sale.

Mr. Brodsky stated that the underwriter joins the financing team in a negotiated sale, and noted that BAWSCA's bond issuance, as complex and atypical as it is, would be best served as a negotiated sale and can benefit from the underwriter's early involvement in structuring the credit.

Director McLeod asked that with water being so basic, wouldn't investors understand BAWSCA as a credit despite the bond issue's structural complexity?

Mr. Brodsky stated that BAWSCA's bonds will certainly get bids if they were sold in a competitive sale. Ms. Schutte added that the uncertainty could potentially result in a higher interest rate.

Director McLeod asked if there is potential for increased rates if some of the unknowns in the bond issuance kick in. Mr. Brodsky reiterated that the fundamental purpose for issuing the bonds is to replace a 5.13% obligation for something that is lower rate. There would be no reason to move forward if there proves to be no savings to issue bonds.

Director Klein noted that it should be stated that if the interest rate is more than a certain percentage, the issuer can cancel the transaction. Mr. Brodsky stated that the member agencies' approval for participation will include parameters, including an interest rate cap.

Director McLeod noted that some agencies have interruptible supplies and asked if those agencies will be held responsible even after their supplies were interrupted. Mr. Brodsky explained that the expectation for accountability is just like in the current Water Supply Agreement, agencies pay their share based on the amount of water the agency purchases. If an agency cannot purchase water, then that agency will not be obligated to pay. The bond is not intended to be a form of indebtedness to the member agencies. Instead, it is intended that a part of each agency's current water payment will be put towards securitization.

In response to Director Weed's question about how this may appear on financial statements, Mr. Brodsky explained that agency financial statements, such as ACWD's, can have a note disclosure relative to the existence of the obligation. The obligation would not be viewed as indebtedness, but instead, as an operating expense. It should not affect ACWD's bonding as it would lower its operating cost and increase revenues. It will provide ACWD a little more bonding capacity and should not have any negative balance sheet or credit implications.

Mr. Brodsky acknowledged that the issue of accounting management is of concern and will be included in the feasibility assessment report for the Board. He offered to talk with ACWD's financial staff, and will survey the member agencies' financial statements to speak to their concerns when the feasibility study is presented to the Board in the Fall.

In response to Director Guzzetta, Mr. Brodsky stated that the principal amount is about \$370M with an approximate 10% present value of savings.

Director Breault stated that when the item is presented to the full Board or shortly thereafter, the practical question from each agency would be what does the \$370M over the course of 25 years mean to each agency. He asked if two probable bands of interest rates could be compared and contrasted so that agencies will know its impact on a yearly basis. The information would be helpful to have by the time agencies start paying.

Director Klein requested to have this information at the July Board meeting. Mr. Brodsky stated that he can provide an agency by agency analysis.

Director Breault asked Mr. Brodsky to go through the difference in what BAWSCA is getting in a competitive sale versus a negotiated sale.

Mr. Brodsky explained that in a negotiated sale, the investment bankers participate in the structuring of the bonds. If retained early in the process, an underwriter can provide countless hours of analysis and research efforts on the structure and marketability of the bonds.

Mr. Brodsky stated that it is not always clear whether there is an additional fee to the client for the underwriters' in-depth analysis, but because the underwriters' efforts provide certainty for selling the bonds, it serves as an exchange for their banking energy.

Additionally, in a negotiated sale, the underwriter and the finance team will analyze the market before the bond sale. They reach an agreement on a reasonable scale to go out in the market. When the bonds go on sale, the underwriter and financial advisors review the order book to see how strong or weak the orders are, and make appropriate adjustments. The bond sale is very much the market price, and KNN makes sure that the process is properly managed.

In a competitive sale, bonds go out for sale, bids are received, a list of different interest rates are calculated to get the net interest cost, and the sale is awarded the lowest bid. A benefit of competitive sale in a good situation is that sometimes sales can go through the market and get a lower interest rate than the market price.

Director Weed asked if BAWSCA would be eligible to issue all tax exempt bonds under the proposed structure. Mr. Brodsky stated that the goal is to maximize tax exemption. There will be two series of bonds under the same resolution to address Cal Water and Stanford's tax status.

Director McLeod wanted to verify whether participation in the bonds will complicate City finances in anyway.

Ms. Schutte stated that there is no expected complication. It is anticipated that the charges will be tied with the charges that agencies pay for water from San Francisco and will be collected by San Francisco with the water bills. Each bill will have two line items, and the totality of the bill should be less than what it would be under the current scenario.

Director Guzzetta stated that the current debt charges already exist for the agencies. The bond issuance will just put the debt at a lower interest rate.

In response to Director Weed's question, Ms. Schutte stated that issuance of bonds require a two-thirds vote of the Board members present and voting and 51% under the weighted voting provisions. BAWSCA has the traditional revenue bond authorities in its enabling legislation.

Ms. Schutte noted that part of the feasibility analysis is to investigate how to address a less than 100% participation among the agencies. What is expected is that agencies who choose not to participate will continue to pay the debt at the existing interest rate and will not benefit from the savings.

Director Weed asked if the tax exempt surrogate established under in San Mateo County for Cal Water under the RFA has been considered as one of the options to address the tax issues?

Ms. Schutte explained that this information is being investigated as part of the feasibility study that will be presented to the Board in the Fall. This is the same issue San Francisco deals with for its WSIP bonds and it has chosen to issue taxable commercial paper for the portion of the system that serves Cal Water. Some agencies are able to front load the taxable bonds so they get paid quickly, and so that higher interest rates are paid first compared to the lower tax exempt rates. However, Mr. Brodsky noted that there can be challenges to using that structure in BAWSCA's case.

Mr. Brodsky noted that even selling tax exempt bonds to prepay a contract was a challenging tax fact, and the fact that Bond Counsel was able to come up with an approach to overcome that hurdle is a plus.

Ms. Schutte reported on the status of AB 2167 and stated that the bill provides details and clarifies that BAWSCA can issue bonds to pay off existing capital assets, impose rates and charges not just for debt service but also to fund reserves and to comply with any financial covenants that are needed for this issue. The legislation also states that, if requested by BAWSCA, San Francisco will collect rates and charges and remit payments to BAWSCA. The legislation also authorizes BAWSCA to distribute excess funds that are not needed to comply with the covenants.

In response to Director McLeod's question, Ms. Schutte explained that, in general, the legislation specifically addresses the bond issuance. But, it also provides the mechanism and infrastructure for a whole variety of projects that BAWSCA might consider in the future, given the BAWSCA Board's authorization.

Ms. Schutte reported that the next steps are to issue a RFP for underwriters in June, with the Committee's recommendation. Board action will be requested in July to approve 1) an appointment of an underwriter, and 2) approve Phase 2 of the contract with Bond Counsel for an additional \$15,000 to complete the feasibility analysis. It is hoped that the Governor will sign AB 2167 in the Fall. In September, the feasibility analysis will be presented to the Board for a full discussion, and the Board can act to approve an engagement with Bond Counsel for Phase 3. Phase 3 would involve the preparation of bond documents. The engagement with the Bond Counsel for Phase 3 will be a contingency engagement which means that Counsel will be paid only after the successful closing of the bond transaction.

Final Board approval of the bond issuance and related documents will be in November. The bond may only be issued if approved by a two-thirds vote of the Board members present and voting, which also represents at least 51% of the votes cast pursuant to weighted voting (Water Code Section 81405).

BAWSCA Board Chair Barbara Pierce joined the meeting by teleconference at 2:22pm.

In response to Director Weed's question, Ms. Sandkulla stated that the selection process for the underwriter would likely follow BAWSCA's typical selection process for professional services. It involves a panel comprised of the CEO/General Manager, Legal and other Technical Counsel, the appropriate staff member, and, possibly experts from either member agencies or outside agencies who have additional knowledge about the professional services being sought.

Director Breault commented on legal counsel's clarity in getting 100% participation among the agencies. Ms. Schutte stated that the feasibility study is looking at potential scenarios of participation and the study will also address the possibility of partial participation. The transaction could be structured so that non-participants will continue to pay based on the 5.13% interest rate as opposed to the lower interest rate, and non-participants would not participate in the savings.

Director Breault noted the challenge of figuring out the amount of payments for non-participants. Mr. Brodsky stated that it is possible an allocation of principal on some rational basis would have to be done.

Ms. Sandkulla stated that the issues raised by the Committee are part of the feasibility analysis which BAWSCA is working on diligently with KNN, Bond Counsel, and the selected underwriter. BAWSCA will continue to work with the team of professional service consultants to study a full range of possibilities and parameters that will determine the value of moving forward with the issuance of the bonds.

Director Weed confirmed that the intention is a prepayment of the full debt amount in one lump sum. Ms. Schutte stated that while there are multiple structures possible, that is the structure being pursued.

Although the item was listed as an item for discussion on the agenda, Director Klein recommended that the committee take a vote to recommend the issuance of a RFP for an underwriter. Chair Klein made a motion, seconded by Director O'Connell and unanimously carried by a roll call vote of the Committee.

Director McLeod requested that the minutes of the Committee discussions on the bond issuance be inclusive of all the questions and issues raised in the meeting.

6. Action Items:

- A. Authorization to Amend the Contract with Orrick: Ms. Schutte reported that as previously discussed with the BPC and Board, a RFP for Bond Counsel was issued in March. Orrick was selected among three other very qualified law firms. The contract was executed under the CEO/General Manager's procurement authority to begin Phase 1 of the engagement, which included Bond Counsel review of AB 2167, which was very time-sensitive.

This contract amendment is for an additional \$15,000 to initiate Phase 2 of the Bond Counsel engagement and complete the feasibility analysis.

Ms. Schutte explained that if the Board chooses to move forward with the issuance of the bonds, staff will come back to the Board for approval of Phase 3 of the Bond Counsel contract, which is a contingency arrangement.

In response to Director Breault's question, Ms. Schutte stated that Phase 1 was funded by contingency funds for FY 2011-12, and Phase 2 and 3 were included in the Board approved operating budget for FY 2012-13.

Director McLeod made a motion, seconded by Director O'Connell to recommend Board authorization of the CEO/General Manager to amend the contract between BAWSCA and Orrick by increasing the not-to-exceed amount by \$15,000 subject to legal counsel's review. The motion carried unanimously by a roll call vote.

- B. Professional Services Contract with Brown & Caldwell to Support the Implementation of the BAWSCA Water Conservation Database for FY 2012-13: Ms. Sandkulla explained that BAWSCA has been working with Brown and Caldwell (B&C) since the development of the Water Conservation Data Base (WCDB) in FY09-10. BAWSCA has continued to work with B&C to maintain development of the database and troubleshoot problems that occur during the course of the year.

The proposed contract before the Committee is to continue the troubleshooting efforts on the existing data, as well as on the outputs for some reports. The WCDB is now being used to semi-automate the development process of the Annual Survey and is the primary location of conservation data for BAWSCA and its member agencies.

BAWSCA has reduced its reliance with B&C since 2010-11. This value is expected to decrease for the subsequent fiscal year. The proposed \$50,000 contract is included in the approved operating budget and is focused on technical assistance for the utilization of the WCDB.

Director McLeod asked whether cyber security issues have been factored in already, and whether BAWSCA owns the data. Ms. Sandkulla confirmed that the database is BAWSCA's product. The database is hosted by the City of Redwood City and uses the same system as the City's Internal Security database.

Director Breault made a motion, seconded by Director O'Connell, to recommend Board authorization of the CEO/General Manager to negotiate and execute a contract with B&C for up to \$50,000 to provide as needed technical support services for the implementation of the WCDB in FY 2012-13. The motion carried unanimously by a roll call vote.

6. Reports:

- A. Long-Term Reliable Water Supply Strategy: Ms. Sandkulla provided an update on the Strategy and an introduction of the study session for the July Board meeting.

She restated that the objective of the Strategy is to determine how much water is needed in normal and dry years, and to develop solutions and specific water supply management projects that could be implemented.

The development of the Strategy in phases assists staff to confirm the direction of efforts at key times, so that adjustments can be made, if necessary. Ms. Sandkulla reported that the progress of the phases is consistent with the schedule.

Phase 1 of the study was completed in 2010 and provided the problems that needed to be looked at, and the realm of things that the Board and member agencies wanted to

investigate. The Phase IIA scoping report is nearing completion and will be presented at the July Board meeting.

Phase IIA identified the problem of how much, when and where additional water will be needed in normal and dry years. Economic and other impacts were examined in the event the water need was not met. The number of potential solutions were narrowed down from 65 to a handful of projects, and for those potential solutions, project information were developed for comparison and identification of the merits for each project.

BAWSCA worked with the SFPUC in examining the impacts of drought and reviewing the analysis of the frequency and magnitude of shortages on SFPUC supply. BAWSCA is currently working with San Francisco in updating the economic impacts of drought.

There will be specific recommendations provided in July that will anticipate Board actions for September.

Ms. Sandkulla reported that current progress on the Strategy is on schedule. She noted the schedule extension approved by the Board in March was done to address both internal staffing resource constraints as well as demand projection information from each agency that were significantly changing and needed to be waited on.

Ms. Sandkulla reported that the element of studying the economic impact during drought will be deferred to after September 2012. Ms. Sandkulla explained that BAWSCA initially intended to do an independent study, however when San Francisco decided to engage in similar efforts for the FERC re-licensing process, BAWSCA decided to join that initial effort with SFPUC. It made sense for BAWSCA to join San Francisco's efforts to avoid competing experts, understand San Francisco's perspectives, as well as have the flexibility to add to the study, if needed. The results from San Francisco's study are expected after September 2012.

The significant change in water consumption led to adjustments in the Strategy's scope to reflect the changed conditions in water supply needs and the solutions to meet the needs.

Ms. Sandkulla reported that the study is progressing within budget. It is projected that 60% of the \$2.1M budget would be expended in the completion of Phase IIA in September, and that there are sufficient funds to complete the deferred scope for completion of the Strategy by December 2014.

Ms. Sandkulla stated that the purpose of the study session is to thoroughly review with the Board, the findings, conclusions, and recommendations of the technical evaluation. The desired response from the Board is input on framing the policy questions and issues for potential action in September.

Policy issues for completing and implementing the Strategy include consideration of BAWSCA's possible role in meeting the normal year needs of a subset of agencies, and under what conditions might non-beneficiaries be willing to share the costs of projects. BAWSCA will be meeting with individual member agencies to obtain the information needed for a valuable policy discussion by the Board in September.

Ms. Sandkulla noted that the issue of the region's drought reliability would not be ready for policy discussion and decision until after the economic impact of drought analysis has been completed.

In response to Director O'Connell's question, Ms. Sandkulla explained that agencies would want to weigh their investment cost against the benefit of increasing reliability during drought, and therefore, policy discussion on this issue will have to wait until more information is available.

Director McLeod asked whether the assessments for future water supply needs include agencies with interruptible supplies, and whether it would make sense to look at the possibility for a larger multi-county, multi-agency, multi-jurisdictional regional planning effort.

Ms. Sandkulla confirmed that the assessments done to date as part of the Strategy include the two agencies with interruptible supplies. She also explained that a difficulty in coordinating a regional planning effort similar to the Association of Bay Area Government (ABAG) where BAWSCA would be one of the participating agencies working towards a regional goal, is identifying the link for everyone else to want to participate in such an effort. In most cases, participation is driven by access to funds or other direct benefits that agencies can't otherwise get.

In working with other agencies, Ms. Sandkulla reported that BAWSCA has met several times with representatives from Santa Clara Valley Water District (SCVWD) to review the respective planning processes. For example, since some of the agencies that have an identified need for normal year supply are in Santa Clara County, BAWSCA and SCVWD have discussed each other's plans for meeting those water supply needs. In addition, Ms. Sandkulla plans to meet with individual agencies that have the supply needs, to share the information BAWSCA has, and to find out what actions or assistance these individual agencies would like from BAWSCA as part of the Strategy.

Ms. Sandkulla added that although there are no overlapping jurisdictions between BAWSCA and East Bay Municipal Utility District (EBMUD), BAWSCA is having active discussions with them about the Strategy and specifically, a potential water transfer that would use their existing water system and the existing system intertie.

The Board Policy Committee meeting in August will have a full discussion of the policy issues and recommendations for the Board's consideration in September. Information on what is learned from the individual agency meetings will be presented, as well as alternatives, advantages and disadvantages of the recommended policies.

The committee is asked to provide input on what additional information would be helpful to the Board during the study session in July.

Director Pierce asked if recycled water is included in the drought reliability assessment. Ms. Sandkulla stated that four recycled water projects, including Redwood City's, is included in the Strategy evaluation.

There were no further questions or comments from the Committee.

- B. Water Supply Improvement Program: Ms. Sandkulla reported that the SFPUC adopted the recommended changes to the WSIP at its meeting on June 12th. The changes were schedule extensions for 3 projects, and the hearing for the changes was noticed 30-days ago in compliance with AB 1823.

BAWSCA submitted a comment letter that recommended adoption of the changes, as well as to disclose the cost impacts of the changes as part of the item presented to the Commission.

- C. July Board Meeting scheduled with RFA Meeting: Ms. Sandkulla reminded the Committee that the July Board meeting will be preceded by the RFA meeting. The meeting will adopt the FY 2012-13 operating budget of \$1,400.

7. **Public Comments**: Peter Drekmeier of Tuolumne River Trust provided comments on the proposed water transfer between San Francisco and Modesto Irrigation District (MID). He reported that the vote on the 2 mgd water transfer with MID is scheduled for SFPUC's July 24th meeting. He stated that it would be helpful to have the full information from the Strategy to determine whether the transfer is needed.

Mr. Drekmeier stated that a potential cost for the transfer is \$2,500/acre ft., and that the need for the transfer would only be every 3 years. He questions whether conservation programs that might have been ruled out in past because of the high cost, would prove to be less expensive compared to the water transfer.

The BAWSCA service area has so much potential for additional water supply, and Mr. Drekmeier encourages BAWSCA to ask San Francisco to wait until all information from the Strategy is available before the SFPUC makes a decision on the 2 mgd.

Director McLeod asked about the potential effects of doing what Mr. Drekmeier asked.

Ms. Sandkulla stated that the SFPUC's Dry Year Reliability Level of Service Goal (LOS) of no more than 20% system-wide rationing in any single year was included in the Program EIR for the Water System Improvement Program and is also included in the 2009 WSA. It is critically important that the SFPUC is held to its commitment for this level of service.

The LOS goal is the foundation for dry-year planning purposes for every BAWSCA agency. As part of the Strategy, the BAWSCA agencies are investigating what more could be done and potentially should be done to increase their own water supply reliability during drought, above and beyond the level of commitment from the SFPUC. The Strategy is not intended to identify and develop a water supply to meet the SFPUC commitment to each of the BAWSCA member agencies.

As a response to Director Breault's question, Ms. Sandkulla stated that the 2 mgd is a part of the WSIP PEIR.

8. **Comments by Committee Members:** Director Weed reported that the City of Fremont recently issued a conditional use permit to fill a former quarry pit with approximately 6million cubic yards of fill. The pit, located in the Baylands Community Plan Area could potentially serve as a reservoir. He encourages agencies to recognize locations with opportunities for operational water supply asset and contingency water reserve for the San Francisco Bay Area.
8. **Adjournment:** The meeting was adjourned at 3:04pm. The next meeting is August 8, 2012.

Respectfully submitted,



Arthur R. Jensen, Chief Executive Officer and Secretary

ARJ/le

Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board Policy Committee
June 13, 2012**

Attendance Roster

Committee Members Present:

Larry Klein	City of Palo Alto (Chair)
Rob Guzzetta	California Water Service Company (Vice Chair)
Ruben Abrica	City of East Palo Alto
Robert Anderson	Purissima Hills Water District
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 (<i>by teleconference</i>)
John Weed	Alameda County Water District

Committee Members Absent:

Tom Piccolotti	North Coast County Water District
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BAWSCA Staff Members Present:

Nicole Sandkulla	Water Resources Planning Manager
Anona Dutton	Water Resources Planner
Christina Tang	Sr. Administrative Analyst
Lourdes Enriquez	Assistant to the CEO
Allison Schutte	Legal Counsel, Hanson Bridget, LLP.
David Brodsky	KNN Public Finance

Guests:

Peter Drekmeier	Tuolumne River Trust
Marilyn Mosher	City of Hayward
Nico Procos	City of Palo Alto
Spreck Rosekrans	Restore Hetch Hetchy
Michelle Sargent	SFPUC
Craig Von Bargaen	CDM Smith