

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

**Foster City Community Building – 1000 E. Hillsdale Blvd., Foster City
Wind Room
(Directions on Page 2)**

**Thursday, July 18, 2013
7:00 P.M.**

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page #</u>
1. Call to Order/Roll Call/Salute to Flag	(O’Connell)	
2. Comments by the Chair	(O’Connell)	
3. Break for San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting	(O’Connell)	
4. Reconvene following San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting	(O’Connell)	
5. Board Policy Committee Report (Attachment)	(Mendall)	<i>Pg 3</i>
6. Public Comments <i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(O’Connell)	
7. Consent Calendar	(O’Connell)	
A. Approve Minutes of the May 16, 2013 Meeting (Attachment)		<i>Pg 11</i>
B. Receive and File Budget Status Report – As of May 31, 2013 (Attachment)		<i>Pg 17</i>
C. Receive and File Investment Report – As of June 30, 2013 (Attachment)		<i>Pg 21</i>
D. Receive and File Directors’ Reimbursement Report – As of June 30, 2013 (Attachment)		<i>Pg 23</i>
<i>All matters listed under on the Consent Calendar are considered by the Board to be routine and will be enacted by one motion without discussion. If discussion is desired, the subject item may be removed and considered separately.</i>		
8. Action Calendar		
A. Approval of Professional Services Contract with EKI (Attachment)	(Sandkulla)	<i>Pg 25</i>
<i>The Board Policy Committee unanimously recommends approval of the proposed Board action.</i>		
9. SFPUC Report	(Kelly)	
10. Reports	(Jensen)	
A. Long-Term Agency Planning – A Necessary Perspective (Attachment)		<i>Pg 31</i>

- B. Board Policy Calendar (*Attachment*)
- C. CEO/General Manager's Letter (*Attachment*)
- D. Correspondence Packet (*Under Separate Cover*)

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11. Closed Session (*Under Separate Cover*) (O'Connell)

- A. Public Employee Appointment
Government Code Section 54957
Title: CEO and General Manager

12. Report From Closed Session (O'Connell)

13. Action Item Following Closed Session (O'Connell)

- A. Consider adoption of Resolution 2013- __ Appointing the New CEO and General Manager of the Bay Area Water Supply and Conservation Agency, and Authorizing the Chair of the Board to Execute an Employment Agreement (*Resolution to be provided at Board meeting*)

14. Directors' Discussion: Comments, Questions and Agenda Requests (O'Connell)

15. Date, Time and Location of Future Meetings (O'Connell) Pg 55
(See attached schedule of meetings)

16. Adjourn to next meeting scheduled for September 19, 2013 at 7pm (O'Connell)

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*All public records that relate to an open session item of a meeting of the BAWSCA Board that are distributed to a majority of the Committee less than 72 hours before the meeting, excluding records that are exempt from disclosure pursuant to the California Public Records Act, will be available for inspection at **BAWSCA, 155 Bovet Road, Suite 650, San Mateo, CA 94402** at the same time that those records are distributed or made available to a majority of the Committee.*

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

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

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

BAWSCA

Bay Area Water Supply & Conservation Agency

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MEMORANDUM

TO: BAWSCA Board Members
FROM: Arthur R. Jensen, Chief Executive Officer/General Manager
DATE: July 12, 2013
SUBJECT: Summary of Board Policy Committee meeting held June 12, 2013

Committee Vice Chair Al Mendall called the meeting to order at 1:30 pm. A list of Committee members present (7) present and absent (2), and other attendees is attached.

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

Comments by the Vice Chair: Vice Chair Mendall commented that he was very pleased with the 10-year anniversary reception held on May 16th prior to the Board meeting. He learned a lot from the attendees and the speakers, and commented that the event was both functional and enjoyable.

Director Vella added that he was amazed at what everyone had to say. The speakers shared interesting perspectives on the goals and achievements of the agency. As a Board member since 2003, Director Vella stated that he is impressed with the agency's accomplishments in the period of 10 years.

Mr. Jensen confirmed that there were photos taken which will be shared with the Board.

Public Comments: There were none.

Consent Calendar:

Director O'Connell made a motion, seconded by Director Vella, to approve the minutes of the Board Policy Committee meeting held on April 10, 2013. The motion passed unanimously.

Action Items:

A. Approval of Professional Services Contract with EKI: Mr. Jensen reported that EKI is the firm at which Anona Dutton accepted her new position. The purpose of the agreement with

EKI is to obtain temporary resources needed while filling the vacancy created by Ms. Dutton's departure from BAWSCA.

The specialized water resources services provided by Anona Dutton will complete the work in progress in the current fiscal year, maintain the momentum of critical activities associated with the adopted FY 2013-14 work plan, and support the transition of the incoming staff following the completion of the hiring process.

Mr. Jensen reported that he has already entered into an initial agreement with EKI for a not-to-exceed \$25,000 under his discretionary authority to get through the work in progress in the current fiscal year, and up to the July 18th Board meeting. He noted that Ms. Dutton is not working full time under the contract. He emphasized that should the current contract fall short of what the agency needs through July 18th, he may need to reschedule some work or authorize work beyond his authority. In either case he would inform the chair of the Board. Mr. Jensen does not anticipate having to take such measures, but said the Committee should be aware that it is a possibility.

The action before the Committee is to recommend that the Board increase the contract by an additional \$120,000, for a total of \$145,000, for a scope of activities anticipated through October 31, 2013, and extend the contract term to the end of the calendar year.

The initial contract was funded using available unspent funds in the FY 2012-13 budget, and the additional \$120,000 for FY 2013-14 can be funded through the General Reserve. Mr. Jensen reported that the action would not change the projected balance of the General Reserve dramatically, nor would it affect the timing of the decisions the Board might make regarding how to manage the General Reserve balance. The timing for the Board's consideration of a 4% increase in assessments would also not be affected.

The not-to-exceed cost of \$145,000 is for Ms. Dutton's services on a part time basis. Mr. Jensen noted that the hourly rate was negotiated by Ms. Sandkulla so that BAWSCA is not billed for Ms. Dutton's services as an officer of the firm, but as a high-level engineer instead.

In response to a question from Director Breault, Mr. Jensen reported that he will review how the \$145,000 equates to a percentage of time before the July Board meeting.

Director Piccolotti commented that it appears that Ms. Dutton was taken off of BAWSCA's payroll, and put on EKI's payroll but at BAWSCA's expense.

Mr. Jensen explained that Ms. Dutton was hired away from BAWSCA by EKI, and that BAWSCA is hiring Ms. Dutton as a consultant of EKI to maintain progress of ongoing work. She will be paid at the rate of a high-level engineer, instead of at a rate for the firm's VP of Water Resources, the position into which she was hired.

In response to Director Vella's question, Mr. Jensen anticipates having the replacement for Ms. Dutton's position in August or September.

Director Pierce made a motion, seconded by Director O'Connell, that the Committee recommend the Board to authorize the CEO/General Manager to execute a contract amendment with EKI that would increase the total not-to exceed amount to \$145,000 for as-needed specialized water resources services for FY 2013-14, and authorize the transfer of \$120,000 from the General Reserve. The motion passed unanimously.

Brief Reports:

- A. Investment Advisor Appointment: Mr. Jensen reported that the appointment of an investment advisor was done under his discretionary spending authority and requires no action from the Committee or Board. He reported three companies were solicited, and BLX was selected for a not-to-exceed contract amount of \$6,000.

Mr. Jensen explained BLX will provide expert advise on how to invest bond proceeds used to establish a stabilization fund, and bond surcharges that will be received from agency payments. Funds are automatically deposited into money markets with the Bank of New York in a manner consistent with the Board's investment policy. The Board's investment policy has certain parameters and criteria including Security, Liquidity, and Interest Earnings. BAWSCA does not have in-house expertise on how to distribute the money to safely maximize the investment return.

BLX will also perform the arbitrage rebate calculations which are necessary toward the end of the year. Mr. Jensen reported that BLX is familiar with San Francisco and BAWSCA's bond issuance, and was the best fit for BAWSCA's needs.

As required by Board policy, uses of the CEO's discretionary spending authority are reported in budget reports submitted with each Board packet. Because of the sums of money on deposit, this contract engagement was worthy of mention to the Committee in addition to the written budget report to the Board.

Director Weed asked about an additional report that he thought BAWSCA, as a public agency, might have to submit regarding its reserves because it has certain investments and returns limitations. He recommends that BLX be given responsibility for preparing such a report in addition to the arbitrage rebate calculation.

To address Director Weed's comment, Mr. Jensen will provide a list of all the documents BAWSCA is required to file with respect to the bond issuance.

In response to Director Mendall's question, Christina Tang, BAWSCA's Senior Administrative Analyst, clarified that the \$6,000 contract with BLX is for the investment advisory services, and that the arbitrage calculation services is an additional \$2,000.

- B. July Board meeting scheduled with RFA Meeting – Mr. Jensen reported that the July Board meeting will coincide with the bi-annual meeting of the RFA Board. The agenda will include the approval of the minutes from the January 17th Board meeting, and approval of a budget of \$1,400 for FY 2013-14.

Special Reports:

Long-term Agency Planning – A Necessary Perspective: Mr. Jensen reported that the SFPUC Commissioner Anson Moran asked him and Steve Ritchie to provide a joint presentation on what each agency is doing with respect to long-term water supply planning, and how the two agencies are working together. At the present time the stated objective for the

presentation to the Commission is to identify what each agency is doing and whether there are issues neither agency is addressing. The presentations will be made on June 25th.

The presentation to the Board Policy Committee serves three purposes. It is a preview of what will be presented to the Commission, but more importantly it reviews material presented to the Board on May 16 and connects important concepts that the Board will be addressing in critical policy decisions over the next several years.

Mr. Jensen stated that his presentation to the Commission will emphasize BAWSCA's goal to provide a reliable supply of high quality water at a fair price, augmented by the words "with certainty".

Mr. Jensen explained that "with certainty" is used to capture the essence of sound business and policy decisions. The words "with certainty" are not meant to suggest predictability in weather, hydrology or climate change. Instead, the words mean that the BAWSCA Board intends to have sufficient information with which to make confident decisions.

Mr. Jensen presented two quotes from Lincoln, which he believed demonstrate what BAWSCA is doing for its member agencies: "*The best way to predict your future is to create it,*" and "*Things may come to those who wait, but only the things left behind by those who hustle.*"

In a series of bullet points, Mr. Jensen reported that action or inaction by the City and County of San Francisco has created uncertainty for BAWSCA member agencies. Mr. Jensen explained that the SFPUC has made no commitment to meet the member agencies' future water needs and has reserved the claim that it has no obligation to do so. The SFPUC unilaterally limited water deliveries to the wholesale customers, including San José and Santa Clara, to 184 MGD through at least 2018.

Mr. Jensen noted that the Level of Service (LOS) goal the SFPUC adopted in 2008 includes rationing of up to 20% system-wide during droughts. For the wholesale customers, shortages would exceed 20% and economic losses are estimated to be billions of dollars for a single year of drought. The SFPUC is not yet able to meet its adopted LOS goal. Beyond 2018, San Francisco may or may not continue serving the cities of San José and Santa Clara.

Mr. Jensen emphasized that the above bullet points are facts, and are not disputed by San Francisco.

Mr. Jensen said the BAWSCA communities cannot flourish in the face of such large uncertainties in their water supplies, and BAWSCA's Long-Term Reliable Water Supply Strategy is designed to address and resolve these uncertainties.

Mr. Jensen then presented a series of reasonable assumptions that form the foundation of BAWSCA's planning and analyses. These assumptions include: The SFPUC will meet its LOS goal for drought reliability; the SFPUC will not provide greater drought reliability than its LOS goal; the SFPUC will provide 184 mgd to Wholesale Customers after 2018 (the contractual and perpetual supply guarantee for BAWSCA agencies other than San José and Santa Clara, the SFPUC will not provide more than 184 mgd; San Francisco will defend all of its

water rights; and lastly, San Francisco will never deliver more than an average of 265 mgd to the Bay Area.

Mr. Jensen emphasized that these assumptions are fact-based, conservative, but reasonable for making business and policy decisions.

As presented by Ms. Dutton at the May 16th Board meeting, the BAWSCA Board will be asked to consider whether to adopt a regional level of service goal for drought reliability. A question the Board can think about relative to the upcoming action is how much does it make sense to invest in increased drought reliability? Alternatively, does it make sense to not invest in more reliability?

The Board will be presented with information on the economic impacts at various levels of water shortage. The costs of potential means to enhance reliability will be presented in November. The information will lead to further discussions such as beneficiaries and cost allocations.

Mr. Jensen presented BAWSCA's future challenges in the next 10 years as listed in BAWSCA's 10-year Brochure. They include San Francisco's completion of the Water System Improvement Program, threats to supply reliability as a result of FERC proceedings and issues with the Delta, completing and implementing BAWSCA's Long-Term Reliable Water Supply Strategy, water supplies for San José and Santa Clara, whether San Francisco decides to provide additional water, and preparation of a new drought allocation plan among BAWSCA members. It is critical that BAWSCA addresses these challenges and remains engaged in discussions with San Francisco.

Director Pierce asked how the information will be presented to the Commission and how it will be framed so that there is clarity with the value of working together despite the differences in goals.

Mr. Jensen stated that he plans to have a copy of the memo to the BPC included in the Commission packet along with a revised version of his presentation.

He explained that the SFPUC staff and Commissioners recognize that BAWSCA's goals are different from theirs, and stated this recognition is a key to the success of the two agencies working together.

Director Weed brought up contingency water supply and encouraged BAWSCA to look at its alternatives in a worse-case scenario should the San Francisco Regional Water System be unable to provide water supply to its wholesale customers for more than 24 hours. Secondly, he stated that the SFPUC has 60 mgd for which they don't have customers. He noted that there is a risk of losing water rights to supply if it is not used. He said it would be to the member agencies' mutual advantage to maximize consumption of that water, and to the SFPUC's advantage to maximize sales of the supply, but added that this might not be the time nor the place to discuss his idea.

In response to Director Mendall's questions, Mr. Jensen reported the water consumption is down for San Francisco and the BAWSCA service area on both overall and per capita basis.

Director O’Connell commented that the presentation, when presented in July, should clarify the purpose for the Board.

Mr. Jensen explained that the information is relevant to critical decisions the Board will face beginning this Fall. Considering the available facts and reasonable assumptions, ignoring the issues is not an option. Mr. Jensen stated that *what* the Board chooses to do is another matter, but ignoring the issues should not be a choice.

Mr. Jensen stated the economic impacts are estimated to be in the billions of dollars per year of drought. Some dispute the estimates or the basis of the economic analyses. He added that even if the results are off by a factor of 100, the impacts would be tens of millions of dollars per year.

He said that if a drought occurs and the regional economy suffers such impacts, the public, businesses, communities and media will be asking why, when we knew the impacts could occur, this agency did nothing to prevent them. BAWSCA is the agency that has the authority to address these anticipated challenges.

The Committee suggested that the presentation should provide the board with that explanation. The Committee also suggested that Mr. Jensen’s presentation to the SFPUC Commissioners on June 25th should include the fact that many San Francisco residents work in the areas that are affected by the economic impacts of water supply shortages.

Peter Drekmeier of Tuolumne River Trust provided public comments in support of the reasonable assumptions presented in Mr. Jensen’s presentation. Where he disagrees with addressing additional water supply needs is in the billions of dollars in costs. He reported that Estero Municipal Improvement District was able to reduce their water use by 33% through a budget based water rates approach. He stated that if current consumption remains the same, it is almost at 20% below “BAWSCA’s cap.” He encourages BAWSCA to focus on water-efficient landscape irrigation and stated that TRT looks forward to working with BAWSCA on a forum in the Spring of 2014.

Closed Session: The Committee adjourned to Closed Session at 2:28.

Reconvenement to Open Session: No actions were taken during closed session

Recruitment of a New CEO and General Manager – Status Report: Chair O’Connell reported that the Ad Hoc Committee for the CEO Recruitment has met seven times. Robert Burg of Ralph Anderson and Associates is leading the recruitment. Recruitment closed on June 7th with 27 applications received. The process is confidential to protect the candidates.

Mr. Burg found seven candidates he believes the Committee should consider interviewing. The Committee’s job is to recommend the best qualified candidate to the Board by July 18th. The Committee is meeting on June 13th to determine the short list of candidates to be interviewed.

Comments by Committee Members: There were no comments.

Adjournment: The meeting was adjourned at 3:45pm. The next meeting is August 14, 2013.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – June 12, 2013

Roster of Attendees:

Committee Members Present

Al Mendall, City of Hayward (Vice Chair)
Randy Breault, City of Brisbane/GVMID (BAWSCA Vice Chair)
Irene O’Connell, City of San Bruno (BAWSCA Chair)
Tom Piccolotti, North Coast County Water District
Barbara Pierce, City of Redwood City
Louis Vella, Mid-Peninsula Water District
John Weed, Alameda County Water District

Committee Members Absent

Rob Guzzetta, California Water Service Company (Chair)
Charlie Bronitsky, City of Foster City

BAWSCA Staff:

Art Jensen	CEO/General Manager
Christina Tang	Sr. Administrative Analyst
Lourdes Enriquez	Assistant to the Chief Executive Officer
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP
Bud Wendell	Strategic Counsel, Management Communications

Public Attendees:

Peter Drekmeier	Tuolumne River Trust
Marilyn Mosher	City of Hayward
Michelle Novotny	San Francisco Public Utilities Commission

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING
May 16, 2013 – 7 p.m.
Foster City Community Building, Foster City CA**

MINUTES

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

BAWSCA Chair, Irene O’Connell, called the meeting to order. Art Jensen called the roll. Twenty-three (23) members of the Board were present, constituting a quorum. A list of Directors present (23) and absent (3) is attached.

- 2. 10-Year Anniversary:** Former Board Chairs, including Ira Ruskin, Bern Beecham, Rosalie O’Mahony, John Fannon, and Barbara Pierce congratulated the Board for the Agency’s accomplishments. Acknowledgements and Resolutions of Recognitions honoring BAWSCA’s 10-year Anniversary were presented to BAWSCA by Gina Papan, Mayor of the City of Millbrae, Brian Perkins from the Office of Congresswoman Jackie Speier, Marc Hershman from the office of Senator Jerry Hill, Margo Grant from the Office of Assemblymember Rich Gordon, SFPUC Commissioner Andy Moran, and San Mateo County Board of Supervisor, Don Horsley.

Displayed at the reception, were Proclamations, Resolutions, and Certificates of Commendation received by BAWSCA from the cities of Foster City, Daly City, Hayward, San Bruno, San Mateo County, and Alameda County. Also displayed were an Assembly Resolution from the offices of Assemblymembers Nora Campos, Paul Fong, Rich Gordon, Kevin Mullin, Bill Quirk, Mark Stone, and Bob Wieckowski, and a Senate Resolution from the offices of Senator Jim Beall, Ellen Corbett, Jerry Hill, Mark Leno, and Leland Yee.

3. Comments by the Chair:

Chair O’Connell thanked the attendees of BAWSCA’s reception marking its 10-years of service since its formation.

- 4. Board Policy Committee Report:** Committee Chair Rob Guzzetta reported the discussions and actions that took place at the BPC meeting held on April 10, 2013.

- 5. Public Comments:** Jack Burgett, Director of North Coast County Water District presented a Resolution, adopted by its Board of Directors, honoring BAWSCA’s 10-Year Anniversary. Public comments were received from Wynn Grcich and Michael Francois.

6. Consent Calendar:

Director Anderson made a motion, seconded by Director Richardson, to approve the Consent Calendar. The items include approval of the Minutes of the March 21, 2013 Board Meeting, that the Board receive and file the Budget Status Report, Investment Report, and Directors’ Reimbursement Report ending March 31, 2013.

The motion carried unanimously.

7. Action Calendar:**A. Amendment to Hanson Bridgett Professional Services Contract:**

Director Quigg made a motion, seconded by Director Laporte, that the Board authorize the CEO/GM to amend the professional services contract with Hanson Bridgett by \$60,000, for a total not to exceed the amount of \$569,000. The motion carried unanimously.

B. Recommended Funding Plan for Other Post-Employment Benefits:

Director Mendall made a motion, seconded by Director Kasperzak, that the Board approve funding the Annual Required Contribution (ARC) for the OPEB obligations into an irrevocable trust at an investment yield rate assumption of 7% starting FY 2013-14. The net increase to the FY 2013-14 Operating Budget would be \$98,000 from the General Reserve. The trust alternatives are to be fully evaluated before funds are deposited, no later than November 2013. The motion carried unanimously.

C. New Employee Pay and Benefits:

Mr. Jensen reported that the schedule for the current fiscal year is to complete a compensation survey for the staff positions in the Fall. If the Board approves filling the new position, BAWSCA can proceed with filling the vacant positions including the CEO position and the Water Resources Planner position, and evaluate whether changes should be considered by the Board. Mr. Jensen stated that the Personnel Handbook states that the agency reserves the right to modify, change or terminate benefits at any time to the greatest extent permitted under law. Offers of employment can highlight that position.

Director Kasten encouraged BAWSCA to be upfront with prospective employees and to highlight the section of the Personnel Handbook that states that BAWSCA reserves the right to modify, change or terminate benefits at any time as permitted under law.

Director Mendall made a motion, seconded by Director Griffith, that:

- 1. the Board postpone consideration of revisions to BAWSCA employee and post-retirement benefits until after completion of a comprehensive staff position compensation survey to be completed this coming fall;**
- 2. the actions needed to comply with the California Public Employee Pension Reform Act be implemented promptly;**
- 3. offers of employment to new employees could contain an explicit statement that retirement benefits may be modified by the Board following their being hired. Such a statement will be highlighted.**

The motion carried unanimously.

D. Proposed Fiscal year 2013-14 Work Plan and Budget:

Director Mendall stated that he would vote against the recommended Operating Budget of \$3,214,189 because, while he thinks highly of the BAWSCA staff, he could not

support merit allowances at the same time the employees of the City of Hayward is taking a pay cut.

The Board took for the following actions:

1. **Director Pierce made a motion, seconded by Director Quigg, to approve the FY 2013-14 results to be achieved. The motion carried unanimously.**
2. **Director Pierce made a motion, seconded by Director Quigg, to approve the Operating Budget of \$3,214,189. The motion carried. Directors Mendall and Bronitsky opposed.**
3. **Director Pierce made a motion, seconded by Director Quigg, to approve funding the budget with no changes to assessments, and a transfer of \$696,188 from the General Reserve, including \$300,000 for a one-time study and \$98,000 to fund the Annual Required Contribution to Other Post-Employment Benefits, and that a mid-year analysis be done. The motion carried unanimously.**

E. Approval of Professional Services Contracts for FY 2013-14:

Director Kasperzak made a motion, seconded by Director Vella, that the Board approve the 12 contracts for legal, engineering, financial, strategic and water conservation services needing to be in place by July 1, 2013. The motion carried unanimously.

F. Compensation Adjustment for Chief Executive Officer and General Manager for FY 2012-13:

Director Kasperzak stated his support for the CEO and General Manager's merit increase, but expressed his concern about the merit being PERS-able and resulting in a spike.

Hanson Bridgett's Employee Benefit expert, Marcus Wu, explained that while the merit increase is PERS-able, it falls under the category of "special compensation" which PERS does not consider as spiking.

Director Pierce stated that due to a number of critical activities including the bond issuance and the proposal to drain Hetch Hetchy, she, as Chair of the Board, and the CEO agreed to postpone his evaluation, which then postponed any potential merit increase. She said that if the merit increase had been done on schedule, the Board would be making this decision on the basis of his performance. Director Pierce noted that the timing is an indication that the CEO put the organization first, and delayed his evaluation until all the critical issues had been addressed, an act for which he should not be penalized.

Director Pierce made a motion, seconded by Director Richardson, that BAWSCA grant a one-time merit bonus to the CEO/General Manager in the amount of \$13,187 that represents a bonus well within the 15% limit set forth in the employment agreement, and that recognizes the CEO/General Manger's superior

performance during the FY 2011-12 and proceeding into the first eight months of FY 2012-13. The motion carried unanimously.

- 8. SFPUC Report:** SFPUC General Manager, Harlan Kelly, congratulated the Board on its 10-Year anniversary, and provided an update on the Water System Improvement Program (WSIP), including the Commission's approval of revisions to the WSIP schedule and budget.

SFPUC Assistant General Manager and Chief Financial Officer, Todd Rydstrom provided an informational report on SFPUC's approach to OPEB.

- 9. Reports:** Additional staff reports were provided on SFPUC Water System Improvement Program (WSIP), BAWSCA's Long-Term Reliable Water Supply Strategy, Board Policy Calendar, and items on the CEO/General Manager's letter.

- 10. Date, Time and Location of Next Meeting:** The next meeting is scheduled on July 18, 2013, in the Wind Room, Foster City Community Center.

- 11. Adjournment:** The meeting adjourned at 9:35pm.

Respectfully submitted,

Arthur R. Jensen,
Chief Executive Officer/General Manager

ARJ/le

Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board of Directors Meeting
May 16, 2013

Attendance Roster

Present:

Ruben Abrica	City of East Palo Alto
Robert Anderson	Purissima Hills Water District
Randy Breault	Guadalupe Valley Water District
Charlie Bronitsky	City of Foster City
Tom Chambers	Westborough Water District
Ken Coverdell	Coastside County Water District
Kelly Ferguson	City of Menlo Park
Jim Griffith	City of Sunnyvale
Michael Guingona	City of Daly City
Rob Guzzetta	California Water Service Company
Mike Kasperzak	City of Mountain View
Tom Kasten	Town of Hillsborough
Marty Laporte	Stanford
Jerry Marsalli	City of Santa Clara
Al Mendall	City of Hayward
Irene O'Connell	City of San Bruno
Rosalie O'Mahony	City of Burlingame
Tom Piccolotti	North Coast County Water District
Barbara Pierce	City of Redwood City
Dan Quigg	City of Millbrae
Sepi Richardson	City of Brisbane
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District

Absent:

Armando Gomez	City of Milpitas
Larry Klein	City of Palo Alto
Chuck Reed	City of San Jose

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

TO: Arthur R. Jensen, CEO/General Manager
FROM: Deborah Grimes
DATE: July 10, 2013
SUBJECT: Budget Status Report as of May 31, 2013

This memorandum shows fiscal year budget status for FY 2012-13. It includes major areas of spending, provides an assessment of the overall budget, and summarizes reserve fund balances. This report covers the budget and expenses for BAWSCA. The BAWSCA budget includes necessary resources for the RFA and BAWUA.

Operating Budget Summary:

For the period ending May 31, 2013, total expenditures were \$2,305,723 or 83 percent of the total budget of \$2,780,504. Expenses through June are expected to come in at approximately 94% of the budget, with unspent funds of \$167,000 going to the General Reserve.

Table 1. Operating Budget Summary as of May 31, 2013

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	974,662	616,826	63%
Fair Pricing	210,000	253,173	121%
Administration	209,000	194,137	93%
Subtotal	1,393,662	1,064,136	76%
Administration and General			
Salary & Benefits	1,099,742	1,042,086	95%
Other Expenses			
BAWSCA	280,600	199,501	71%
BAWUA	1,100	0	0%
Subtotal	2,775,104	2,305,723	83%
Capital Expenses	4,000	0	0%
Budgeted Contingency	0	0	0%
Regional Financing Authority	1,400	0	0%
Grand Total	2,780,504	2,305,723	83%

Use of CEO’s Discretionary Spending Authority:

In May, the CEO entered into the following agreements under his discretionary spending authority:

- EKI contract in the amount \$25,000 for services related to water resources planning.
- Bud Wendell contract amendment in the amount of \$25,000 for services related to strategic counsel.

In June, the CEO entered into the following:

- BLX contract in the amount of \$6,000 for investment advisory services related to bonds.
- Orrick contract amendment in the amount of \$970 for professional services related to bonds.

Funds were reallocated from the Operating Budget Contingency and Reliability budget, including water management and conservation activities budgets and are reflected in this report. Expenses related to the last two items mentioned above will be reflected in the budget status report period ending June 30, 2013. The total budget remains unchanged.

Overview:

Overall expenditures are tracking within budget.

Consultants

The revised budget of \$115,000 budget for technical review and tracking of the SFPUC’s Water System Improvement Program was 88 percent expended as of May 31, 2013. The revised budget of \$175,000 for strategic counsel was 96 percent expended. The revised budget of \$569,000 budget for legal counsel was 92 percent expended. The revised budget of \$284,662 for water management and conservation-related activities was 47 percent expended. The technical budget of \$72,000 for the Pilot Water Transfer with EBMUD was 66% expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 95 and 71 percent expended, respectively.

Use of Reserve Fund Balance:

At the March 2013 board meeting, the Board authorized a transfer of \$65,000 from the General Reserve for work associated with the Regional Water Demand & Conservation Projections project with Maddaus Water Management. Those funds were added to the operating budget for consultant expenses associated with water supply reliability and are reflected as a decrease in the General Reserve balance shown below.

Unspent funds at the end of FY 2011-12 were \$264,000. The BAWSCA reserve balance as of May 31, 2013, shown below, reflects this deposit.

Table 2. General Reserve Fund Balance

Fund	Account balance (As of 03/31/13)	Account balance (As of 05/31/13)
General Reserve	\$985,897	\$985,897

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

Phase 2 of the Long-Term Reliable Supply Strategy (Strategy) began FY 2010-11. Funding is provided through the Water Management Charge, approved by the Board in July 2010. All Water Management Charge revenue, totaling \$2,321,998 has been collected by the SFPUC and received by BAWSCA. Expenditures for strategic and legal support of the Long-Term Reliable Water Supply Strategy are within their respective budgets. Consultant invoices received and paid through May 31, 2013 total \$1, 456,314. This project is scheduled for completion in December 2014.

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Arthur R. Jensen, CEO/General Manager
FROM: Deborah Grimes
DATE: July 9, 2013
SUBJECT: Investment Report – As of June 30, 2013

In February 2004, the Board originally adopted an investment policy consistent with the Government Code that requires a report on the Agency's investments be provided to the Board. The Board most recently reviewed and revised the investment policy at the November 15, 2012 Board meeting. This report presents fund management in compliance with the current investment policy.

Funds in excess of \$250,000 are deposited in the BAWSCA Local Agency Investment Fund (LAIF) account throughout the year to ensure compliance with BAWSCA's investment.

BAWSCA's prior and current period LAIF account balances are shown below.

<u>03/31/13</u>	<u>06/30/13</u>
\$2,873,241	\$2,716,268

Of the total in the BAWSCA LAIF account as of June 30, 2013, \$985,897 represents BAWSCA's General Reserve Fund, equivalent to approximately 35 percent of FY 2012-13 Operating Budget. The remaining amount consists of Subscription Conservation Program funds, Water Management funds and unrestricted funds.

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

<u>12/31/12</u>	<u>03/31/13</u>
0.32%	0.28%

Revenue Bond Series 2013A and Series 2013B - Update

The Revenue Bond Series A and Series B issued on February 27, 2013 were deposited and distributed by the Trustee in accordance with the closing documents, and the balance of \$20,556,980.09 as of February 28, 2013 was invested by the Trustee in accordance with the Board's investment policy.

The total balance of the funds at the Bank of New York as of June 30, 2013 was \$19,101,155.40.

In the past four months, total interest payment of \$1,270,732.46 to the bondholders, a fee of \$600 to the BNY, an amount of \$125,000 to Standard & Poor's for the credit rating cost, and an amount of \$60,000 to SFPUC for their cost of assisting the bond issuance were paid out of the accounts. The funds received a total of \$507.77 as investment interest earnings from March through June.

BASWSCA recently retained BLX Group LLC as the investment advisor to identify the investment alternatives available to the agency's funds deposited at the BNY. The investment advisor's recommended US Treasury Securities provided a strong combination of safety, liquidity, and investment return under current and reasonably expected market conditions in a manner consistent with Board's investment policy. With BLX's assistance, BAWSCA selected the winning brokers for the Stability Fund through a competitive bidding process on July 10. The trades will be executed on July 12. The interest earnings of the purchased US Treasury Securities will be included in the next investment report.

All investment interest earnings are deposited into the Trustee accounts directly, and will be used to pay for future expenses and debt service of the bonds. Ultimately, all interest earnings are returned to the member agencies through annual savings and through distribution of the Stabilization Fund, including interest, when the bonds are fully paid.

The status of the proceeds investments will continue to be reported to the Board in each investment report.

BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Arthur R. Jensen, CEO/General Manager

FROM: Deborah Grimes

DATE: July 10, 2013

SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending June 30, 2013

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

Irene O'Connell \$249.98 Check issued 6/24/13.
Recruitment interview dinner with CEO candidate and ad hoc
Committee members.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Approval of Professional Services Contract with Eler and Kalinowski Inc. to Provide As Needed Specialized Water Resources Services**

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract amendment with Eler and Kalinowski Inc. (EKI) to provide specialized water resources services for FY 2013-14. These resources are needed to backfill the vacancy caused by the departure of Anona Dutton, and the needed services would be provided by Anona Dutton.

The recommended action will provide critical resources necessary to complete activities associated with the adopted FY 2013-14 Work Plan while the vacancy is being filled and for a transition and training period following the completion of a successful hiring process. The CEO has already entered into an initial \$25,000 contract with EKI under his discretionary authority in order to avoid delays and interruption of work already in progress.

The recommended action would increase the compensation by an additional \$66,000 for a total contract amount of \$91,000, modify the scope to address activities anticipated through October 31, 2013, and extend the contract term.

Fiscal Impact:

The need for these outside resources was unanticipated during the budget process. The initial \$25,000 contract was funded using available unspent funds in the FY 2012-13 budget. The proposed amendment for an additional \$66,000 for FY 2013-14 can be funded through the General Reserve. Sufficient funds exist to cover this one-time expense. Funding this need will not impact the timing of decisions for managing the General Reserve, as presented at the May Board meeting.

Board Policy Committee Action:

The Committee voted unanimously to recommend approval of authorizing the CEO/General Manager to execute a contract amendment with EKI for \$120,000, which is larger than the modified recommendation below for a not to exceed contract of \$91,000.

Recommendation:

That the Board authorize the CEO/General Manager to negotiate and execute a contract amendment with EKI that would increase the total not-to-exceed amount to \$91,000 for as-needed specialized water resources services for FY 2013-14, and authorize the transfer of \$66,000 from the General Reserve.

Discussion:

At its May 2013 meeting, the Board adopted the FY 2013-14 Work Plan and Budget. The Work Plan and budget assumed continued availability of existing staff resources, including the Senior Water Resources Engineer/Planner, as well as the immediate hiring of a junior-level Water Resources Engineer/Planner.

In late May, Ms. Anona Dutton provided BAWSCA with notice that she would be taking a position as Vice-President for EKI. As a result, the Senior Water Resources Engineer/Planner position has been vacant since June 1st.

In order to achieve BAWSCA's critical planned results for the remainder of FY 2012-13 and the beginning of FY 2013-14, the CEO determined that the best way to meet BAWSCA's near-term resource needs would be to hire Ms. Dutton through her new firm, EKI, on a temporary and part-time basis.

The CEO entered into a \$25,000 contract with EKI under his signature authority to provide the needed resources immediately and without interruption. The Board would need to approve a contract amendment to provide continued access to Ms. Dutton's expertise during the hiring and transition process.

Ms. Dutton's services would be used in two ways. First, during the recruitment process while the staff vacancy exists, Ms. Dutton would be performing key tasks previously delegated to her that are critical to BAWSCA's adopted results to be achieved including development of the Long-Term Reliable Water Supply Strategy, development of a Plan for a Pilot Water Transfer, management of BAWSCA's Regional Water Demand and Conservation Projections project, and implementation of BAWSCA's award winning conservation program. During this period, it is anticipated that Ms. Dutton will be working for BAWSCA 35% to 50% of an FTE.

Second, after a new employee has been hired to fill the vacant position, Ms. Dutton would serve as a resource to educate the new employee about the critical work, and support the transition of the new employee through the end of October. During this period, it is anticipated that Ms. Dutton would be working for BAWSCA 25% and 35% of an FTE.

Since the Board Policy Committee meeting, the assumption for use of Ms. Dutton's time has been adjusted to reflect the current anticipated hire date of August 31, 2013 for the two new Water Resources staff. In addition, the total contract amount requested has been reduced from \$145,000 (as originally presented to the Board Policy Committee) to \$91,000. While the possible need for an additional increase to the contract amount prior to the July Board meeting was discussed with the Committee, staff has been able to effectively utilize Ms. Dutton's time over the past five weeks to stay within the initial \$25,000 limit.

Ms. Dutton is a talented individual with unique knowledge of BAWSCA's goals, programs, and member agencies. With her experience and knowledge, Ms. Dutton is able to provide the necessary support in an efficient and cost-effective manner.

Alternatives:

Two alternatives to the recommended action have been examined and rejected.

The first alternative would be to not secure assistance during the recruitment process. This is not recommended as it would require an immediate modification of the adopted Work Plan and would result in extensions to the schedules for completing the Updated Water Demand Projections Project, the Water Transfer Pilot Plan, and the Long-Term Reliable Water Supply Strategy.

The second alternative would be to secure alternative outside consultant resources. This alternative is not recommended as Ms. Dutton's experience at BAWSCA enables her to provide the most cost-effective and efficient resources to BAWSCA during this transition period.

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EXHIBIT A

**TO THE CONSULTING SERVICES AGREEMENT
Between the Bay Area Water Supply and Conservation Agency
and Erler & Kalinowski, Inc.**

SCOPE OF SERVICES (proposed revised)

Purpose

To provide specialized services to BAWSCA related to water resources and water resources planning.

Work to be Performed

At the direction of Nicole Sandkulla, Anona Dutton will provide specialized water resources and water resources planning services for BAWSCA including the following:

- **Water Conservation/Resources Support, As Needed**
 - Support implementation of the water conservation programs
 - Support work on the WCDB
 - Support completion of the Annual Water Conservation Report
 - Support completion of the Annual Survey
 - Prop 84 Reporting/Invoicing
 - Prop 84 Round 2 Initiation

- **Regional Water Demand and Conservation Projection Project**
 - Manage MWM; provide input on project direction
 - Participate in meetings and calls
 - Review and revise draft reports and other work products (e.g., surveys and presentations)

- **Long-Term Reliable Water Supply Strategy**
 - Manage CDM; provide input on project direction
 - Participate in meetings and calls
 - Review and revise draft reports and other work products (e.g., technical memoranda)
 - Develop information on non-potable alternative supplies (stormwater, rainwater, greywater)

- **Pilot Water Transfer**
 - Provide strategic and technical support to BAWSCA in securing a water transfer
 - Participate in meetings and calls
 - Prepare or review reports and other work products (e.g., technical memoranda, presentations)

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Long-Term Agency Planning – A Necessary Perspective**

Summary:

The presentation to the BAWSCA Board on July 18th provides context for BAWSCA's ongoing work and pending decisions. On May 16, 2013, the BAWSCA Board received an update on the Long-Term Reliable Water Supply Strategy, including a timeline for coming policy discussion and decisions. The presentation was also given in response to a request from the San Francisco Public Utilities Commission (Commission). The presentation was given to the Board Policy Committee on June 12th and the Commission on June 25th.

Earlier this calendar year, the Commission asked if its staff and BAWSCA's CEO would provide a presentation on the long-term water management planning activities of each agency. The Commission's stated interest was to see how, or to what extent, the two agencies work jointly on planning activities.

The purpose of this presentation is to provide the Board with a necessary perspective on the future policy decisions related to investments in water supply reliability. The presentation connects these decisions to: 1) facts that are currently available, 2) analyses that are, or soon will be, available, 3) a set of assumptions that form a reasonable foundation for making sound policy and business decisions, and 4) a list of what BAWSCA expects from the SFPUC.

The Commission faces several questions about its present and future role as a "regional water provider." Mr. Richie's presentation cited the Level of Service goals for water supply and drought reliability that were adopted by the Commission in October 2008. He stated the SFPUC is not currently able to achieve the drought reliability goals and listed projects being considered to enable their achievement.

Commissioner Moran emphasized that the Commission's current dry year water supply capabilities are insufficient. He stated this condition conflicts with prior Commission statements that it desires to be the regional water provider. Commissioner Torres questioned how the SFPUC could hope to meet its Level of Service goals with water transfers and desalination projects that are, at this time, speculative, and could not all be completed within ten years, at best.

Following the presentations, Commissioner Moran asked the SFPUC to draft a strategy of what it would take for the SFPUC to say "yes" to meeting projected future water needs beyond the Supply Assurance, serving San José and Santa Clara as permanent customers, and increasing the Supply Assurance.

If you would like to watch the June 25th Commission presentation and discussion, you may do so by going to the following web site and clicking on agenda item #8: http://sanfrancisco.granicus.com/MediaPlayer.php?view_id=22&clip_id=17845. The entire

presentation, with questions and responses, runs about 54 minutes. For the best viewing, I suggest clicking on the “full screen” () button.

Mr. Ritchie’s and my slides from the June 25th presentation are attached to this memo. The slides I will use on July 18th may include further refinements.

Background:

The SFPUC and BAWSCA coordinate their planning activities where the other party needs to be involved or might be affected (e.g., water operations modeling, use of Regional Water System facilities, clarification of the intended uses of water from SFPUC transfers or specific projects, and clarification of beneficiaries and cost allocation).

However, the various planning activities are not conducted *jointly* in the sense that the two agencies do not share common needs and objectives, nor are there mutual agreements specifying work plans, deliverables and cost allocations.

Attachments:

1. Copy of June 25th slides presented to the SFPUC by Steve Ritchie
2. Copy of June 25th slides presented to the SFPUC by Art Jensen



Services of the San Francisco Public
Utilities Commission

SFPUC/BAWSCA Joint Water Supply Presentation (SFPUC Portion)

**June 25, 2013
Steven R. Ritchie
Assistant General Manager, Water**

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Water Supply Level of Service Goal and Objectives

Services of the San Francisco Public
Utilities Commission

- *Meet customer water needs in non-drought and drought periods*
 - Meet average annual water demand of 265 mgd from the SFPUC watersheds for retail and wholesale customers during non – drought years for system demands through 2018.
 - Meet dry-year delivery needs through 2018 while limiting rationing to a maximum 20 percent system-wide reduction in water service during extended droughts.
 - Diversify water supply options during non-drought and drought periods.
 - Improve use of new water sources and drought management, including groundwater, recycled water, conservation, and transfers.



Summary of Phased WSIP Approval: Implementation Elements

Services of the San Francisco Public
Utilities Commission

- Full implementation of all WSIP facility improvement projects;
- Water supply delivery to regional water system customers through 2018;
- Water supply sources:
 - 265 mgd average annual from SFPUC watersheds,
 - Additional 10 mgd conservation, recycled water, groundwater in San Francisco, and
 - Additional 10 mgd conservation, recycled water, groundwater in the wholesale service area;
- Dry-year water transfers coupled with the Groundwater Storage and Recovery Project for drought reliability;



2009 Water Supply Agreement

Services of the San Francisco Public
Utilities Commission

- Section 3.01: San Francisco agrees to deliver water to the Wholesale Customers up to the amount of the Supply Assurance. (184 mgd)
- Section 3.09: San Francisco will complete construction of the physical facilities in the WSIP by December 31, 2015.

Supply Shortfall

Services of the San Francisco Public
Utilities Commission

- **Regulatory**

- San Mateo Creek instream flows (3.5 mgd reduction)
- Alameda Creek instream flows (9.3 mgd reduction)
 - Alameda Creek Recapture Project may offset a portion of this (assumed at 5.4 mgd)
- Total regulatory shortfall between 7.4 and 12.8 mgd

- **Policy**

- Providing San Jose and Santa Clara supply guarantee (9 mgd)
- Meeting future Wholesale Customer demands (4.3 mgd in 2035) or decreasing drought supply reductions
- Total policy shortfall 13.3 mgd

Total potential supply shortfall: Up to 26.1 mgd



Future Supply Risks & Demand Uncertainty

Services of the San Francisco Public
Utilities Commission

- Supply risks
 - New Don Pedro Project FERC proceedings
 - State Board Water Quality Control Plan for SF Bay/Sacramento-San Joaquin Delta Estuary: 35% of unimpaired flow of Tuolumne during January through June
 - State Board development of flow criteria for Delta ecosystem required by Sacramento-San Joaquin Delta Reform Act of 2009:
 - Net Delta outflow of up to 75% of unimpaired flow January-June
 - Up to 60% of unimpaired San Joaquin River flow January-June at Vernalis
- Demand uncertainty
 - Rebounding demand with improving economy
 - Smart growth (Association of Bay Area Government's Sustainable Communities Strategy)



WSIP Water Supply Projects

Services of the San Francisco Public
Utilities Commission

- Regional Water System Supply
 - Alameda Creek Recapture Project (5.4 mgd for now)
- Regional Water System Dry Year Supply
 - Transfer from an irrigation district (2 mgd dry year)
 - Discussion of potential transfer with Oakdale Irrigation District
 - Groundwater Storage and Recovery Project (7.4 mgd dry year)
 - Draft EIR comments under review
- Retail Supply
 - San Francisco Groundwater Supply (4 mgd)
 - Draft EIR comments under review
 - Westside Recycled Water Project (1.6 mgd)
 - CEQA Notice of Preparation to be released this year
 - Eastside Recycled Water Project (2 mgd)
 - Evaluating alternative plant sites



Additional Water Supply Options

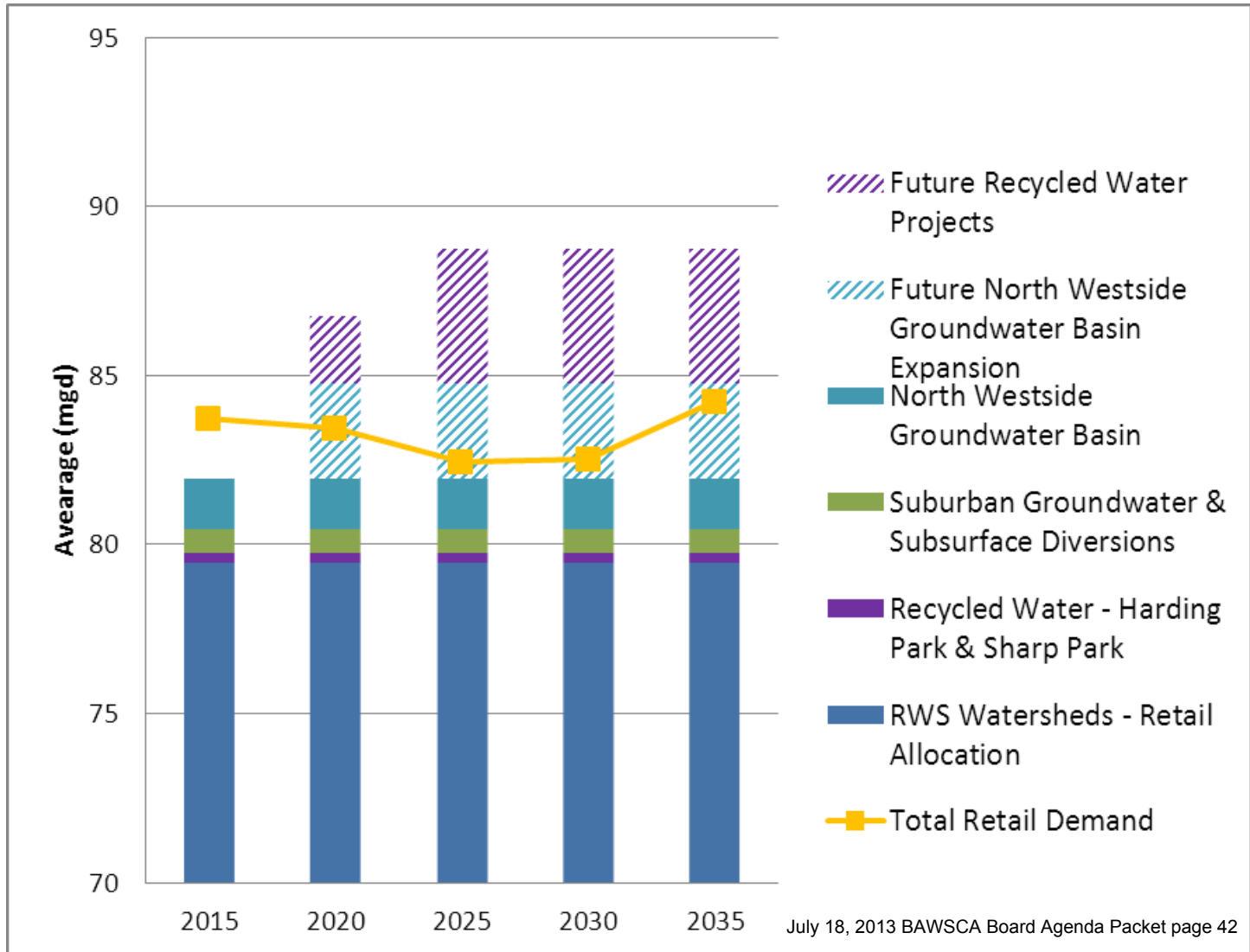
Services of the San Francisco Public
Utilities Commission

- More Conservation
- Daly City Recycled Water (1.3 mgd)
 - Study to increase plant capacity under way
- South San Francisco Recycled Water (0.6 mgd retail)
 - MOU approved in 2012, but South SF interest has decreased
- Menlo Country Club Recycled Water (0.2 mgd retail)
- Regional Desalination (9 mgd)
 - Conducting outreach and additional studies
- Additional Transfer from OID?
- Nonpotable Supply Program (retail)
- Utilization of San Francisco's unused retail allocation
 - Demand projections are up, thus unused allocation reduced from 10 mgd to about 5 mgd



Retail Water Availability in Multiple Dry Years with Increased Demand

Services of the San Francisco Public Utilities Commission





Water Supply Project Timeline By Year

Services of the San Francisco Public Utilities Commission

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<i>Projects in final planning or environmental review (1)</i>											
Reg. Groundwater Storage/Recovery	W	Design	Construction	Construction	Construction						
San Francisco Groundwater Supply	W	Design	Construction	Construction	Construction	Construction					
SF Westside Recycled Water Project	W	Design	Design	Design	Design	Design	Design	Design	Design		
<i>Projects undergoing feasibility analysis</i>											
SF Eastside Recycled Water Project	W	Approval	Approval	Approval	Approval	Approval	Approval	Approval	Approval	Approval	Approval
Daly City Recycled Water Project (2)	C	Approval	Approval	Approval	Approval	Approval	Approval	Approval	Approval	Approval	Approval
So. SF Recycled Water Project	C	Approval	Approval	Approval	Approval	Approval	Approval	Approval	Approval	Approval	Approval
Menlo Country Club Recycled Water	C	Approval	Approval	Approval	Approval	Approval	Approval	Approval	Approval	Approval	Approval
Regional Desalination Project		Approval	Approval	Approval	Approval	Approval	Approval	Approval	Approval	Approval	Approval
Transfers (2)											
Non-potable Supply Program		Design									

(1) The decision to begin environmental review has already been made for the three projects in this category.

(2) Schedules for potential transfers & the proposed Daly City & South San Francisco Recycled Water Projects depend on funding and Commission and partner approval.

Key:

◊ = Approval to commence environmental review, including sufficient design work to complete environmental review

◊ = Commission action necessary to proceed

W = Included in WSIP/PEIR

C = Included in the FY2012/13 Water CIP Budget

- Feasibility analysis / Preliminary planning
- Environmental review
- Project approval
- Design
- Construction (including bid and award)

Conclusions

Services of the San Francisco Public
Utilities Commission

- We have a water supply shortfall with regard to our contractual commitments.
- Completion of the WSIP projects will close that gap, but not eliminate it.
- Desalination or transfer needed to completely close the gap.
- Those and other opportunities are available, but bringing them to fruition is challenging.

Bay Area Water Supply and Conservation Agency



“A multicounty agency authorized to plan for and acquire supplemental water supplies, encourage water conservation and use of recycled water on a regional basis.”

[Bay Area Water Supply and Conservation Agency Act, AB2058(Papan-2002)]

San Francisco Public Utilities Commission Meeting

June 25, 2013

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BAWSCA's Objectives for Long-Term Water Supply Decisions

- Goal: A reliable supply of high quality water at a fair price.
- For making sound business decisions and policy, add the words, *with certainty*.
- BAWSCA does not assume its members' needs will be met by San Francisco.
- Consider Lincoln:
 - "The best way to predict your future is to create it."
 - "Things may come to those who wait, but only the things left behind by those who hustle."



Through Action or Inaction, CCSF Has Created Uncertainty for BAWSCA Member Agencies

- No commitment to meet their future water needs
- Reserved the claim that it has no obligation to do so
- Limited deliveries to 184 MGD through at least 2018
- Adopted Level of Service goal of rationing up to 20% system-wide during droughts, which translates to billions of dollars in economic losses
- Not yet able to meet adopted drought Level of Service goal
- May or may not continue serving San José & Santa Clara



BAWSCA's Planning Assumptions Account for These Uncertainties

That SF will:

- Meet its LOS goal for drought reliability
 - 80% of 265 mgd (212 mgd) until 2018
 - Use Tier 1 split with Wholesale Customers until 2035*
- Not provide greater drought reliability
- Provide Wholesale Customers up to 184 mgd (in perpetuity)
- Not provide Wholesale Customers more than 184 mgd
- Defend all of its water rights (Water Supply Agreement, Section 8.05)
- Never deliver more than an average of 265 mgd



BAWSCA Board Will Consider Whether to Adopt a Level of Service Goal for Drought Reliability

- How much should be invested for increased drought reliability?
- Does it make sense to not invest in more drought reliability?
- Knowing the potential downside risk, how would one respond to the residents? To businesses? To the media?
- Information presented to the Board in Fall 2013:
 - Economic impacts at various levels of water shortage
 - Costs of potential ways to enhance water supply reliability



Future Challenges That BAWSCA's Planning Will Address

- | | |
|---|------|
| 1. Protection against water shortages (drought, population & jobs) | 2013 |
| 2. Implementation of the Long-Term Reliable Water Supply Strategy | 2015 |
| 3. Protection against threats to supply reliability (FERC, Delta, etc.) | 2016 |
| 4. Ensured water supplies for San José and Santa Clara | 2018 |
| 5. SFPUC decisions about whether to provide additional water | 2018 |
| 6. A new drought allocation agreement among BAWSCA members | 2018 |
| 7. Completion of SF's Water System Improvement Program | 2019 |



Why Is BAWSCA Doing This?

- The customers and communities need certainty
- The SFPUC stated its desire to be “the regional water provider” yet its actions are inconsistent with that role
- The Wholesale Customers voted to form BAWSCA for just this purpose
- No other agency has this specific authority
- No other agency is accountable to the residents and businesses that are at risk in BAWSCA's service area



San Francisco Should Willingly Support Its Wholesale Customers

- San Francisco should provide and support:
 - Continued coordination of and for planning studies
 - Access to the Regional Water System for implementing water management alternatives
 - Agreements for implementing projects
 - Joint projects that add value with certainty
- Doing so would be: consistent with contractual obligations; good public policy; and good for regional businesses, jobs and residents



O'Shaughnessy Dam

A Jensen, November 2009



Board of Directors Policy Calendar for FY 2013-14

Board Meeting	Purpose	Issue or Topic
July 2013	D&A	Hiring decision for new CEO/GM
Sept. 2013	D D&A D&A R	Updated Results of Economic Impact of Droughts BAWSCA Pilot Water Transfer Plan – Consideration of Next Steps OPEB Trust Provider Bond Surcharge Collection Update
Nov. 2013	D&A D&A	Consideration of a Regional Drought Level of Service Goal FY 2014-15 Bond Surcharge Setting
Jan. 2014	D&A D&A D	Review Water Supply Forecast and Consider whether Water Transfer might be needed BAWSCA Mid Year Review of Work Plan and Budget Work Plan and Budget Planning for FY 2014-15
March 2014	D D&A	Discussion of Preliminary FY 2013-14 Work Plan and Budget Review Water Supply Forecast and Decide if a Water Transfer should be Pursued
May 2014	D&A D&A D	Adoption of FY 2014-15 Work Plan and Budget Approval of Annual Contracts Presentation of Updated Water Demand Projections: Recommended Actions

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

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors
DATE: July 12, 2013
FROM: Arthur R. Jensen, CEO/General Manager
SUBJECT: Chief Executive Office/General Manager's Letter

SFPUC Notifies State of Adopted Changes to WSIP

On June 28th, in accordance with the Wholesale Regional Water System Security and Reliability Act (AB 1823), the SFPUC notified the California Seismic Safety Commission (CSSC) and California Department of Public Health (CDPH) that it had adopted changes to the Water System Improvement Program (WSIP) on April 23, 2013 following the required 30-day public review and hearing. A copy of this notification is attached to this memorandum. This notification initiates the 90-day review by the State after which both CSSC and CDPH are required to submit written comments with regard to the significance of the changes with respect to public health and safety to San Francisco and the Joint Legislative Audit Committee (JLAC).

BAWSCA has initiated its review of the SFPUC's notification to the State. Of particular interest will be how the SFPUC addressed BAWSCA's recommendation that an analysis of the increased risk of a water supply outage and shortfall associated with the revised schedule be performed and the results provided to the State for inclusion in its review of the adopted changes. BAWSCA is prepared to provide additional comments to the State based on our review of the information transmitted by SFPUC. In addition, BAWSCA continues to be available to the State to provide additional support during its review.

Bond Related Documents BAWSCA is Required to File

Per the Official Statement of BAWSCA's Revenue Bonds Series 2013 A & B, BAWSCA is required to provide the following information to the Municipal Securities Rulemaking Board (MSRB), no later than 270 days after the end of the fiscal year:

1. The audited general purpose financial statements
2. Total amount of Surcharges received in the prior fiscal year
3. Identification of any Surcharges paid more than 90 days in arrears during the prior fiscal year
4. Updated tables included in the Official Statement to reflect the prior fiscal year –
 - a. Table 1: Historical percentage increases (decreases) in wholesale water rates
 - b. Table 3: Wholesale customer water demand by sector
 - c. Table 6: Historic wholesale water sales
 - d. Table 8: Percentage of water purchased from the regional water system by wholesale customers
 - e. Table 9: Water deliveries to wholesale customers by source

An arbitrage rebate calculation will be performed on a regular basis. If a rebate is determined, the rebate is required to be remitted to the IRS within 60 days of each fifth bond year. An IRS

Form 8038-T is also required to be sent along with any rebate payment. The arbitrage rebate compliance firm will assist BAWSCA in completing Form 8038-T.

Status of Water Resources Engineer/Planner and Senior Water Resources Engineer/Planner Recruitment

The recruitment process for BAWSCA's Water Resources Engineer/Planner and Senior Water Resources Engineer/Planner positions is ongoing. All applications must be submitted by July 17th. Interviews will be held on July 30th and 31st for the best qualified applicants. The current schedule calls for a completion of the recruitment process and the hiring of two new staff members by August 31, 2013.

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

Meeting Schedule through December 2014

Schedule for BAWSCA Board Meetings (Meetings are held from approx. 7:00 – 9:00 p.m.)	
<u>Date</u>	<u>Location</u>
Thursday – September 19, 2013	Wind Room, Foster City Community Center
Thursday – November 21, 2013	Wind Room, Foster City Community Center
Thursday – January 16, 2014	Wind Room, Foster City Community Center
Thursday – March 20, 2014	Wind Room, Foster City Community Center
Thursday – May 15, 2014	Wind Room, Foster City Community Center
Thursday – July 17, 2014	Wind Room, Foster City Community Center
Thursday – September 18, 2014	Wind Room, Foster City Community Center
Thursday – November 20, 2014	Wind Room, Foster City Community Center

Schedule for RFA Board Meetings (Meeting time will be announced)	
<u>Date</u>	<u>Location</u>
Thursday – January 16, 2014	Wind Room, Foster City Community Center
Thursday – July 17, 2014	Wind Room, Foster City Community Center

Schedule for BAWSCA Board Policy Committee Meetings (Meetings held from 1:30-4:00 p.m.)	
<u>Date</u>	<u>Location</u>
Wednesday, August 14, 2013	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday, October 9, 2013	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday, December 11, 2013	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday, February 12, 2014	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday, April 9, 2014	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday, June 11, 2014	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday, August 13, 2014	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday, October 8, 2014	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday, December 10, 2014	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.

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