

**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, March 21, 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. Board Policy Committee Report <i>(Attachment)</i>	(Guzzetta)	<i>Pg 3</i>
4. Public Comments <i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(O'Connell)	
5. SFPUC Report	(Kelly)	
6. Consent Calendar <i>(Attachments)</i>	(O'Connell)	
A. Approve Minutes of the January 17, 2013 Meeting		<i>Pg 21</i>
B. Receive and File Budget Status Report – As of January 31, 2013		<i>Pg 25</i>
C. Receive and File Investment Report – as of January 31, 2013		<i>Pg 27</i>
D. Professional Services Contract with Maddaus Water Management, Inc. to prepare Regional Water Demand and Conservation Projections <i>(Attachment)</i>		<i>Pg 29</i>
7. Action Calendar	(Jensen)	
A. Proposed Fiscal Year 2013-14 Bond Surcharges <i>(Attachment)</i> <i>The Committee voted unanimously to recommend approval of the proposed Board action.</i>		<i>Pg 33</i>
B. Resolution Appointing John Ummel as Temporary Sr. Administrative Analyst Emeritus <i>(Attachment)</i> <i>(By roll call vote)</i> <i>The Committee voted unanimously to recommend approval of the proposed Board action.</i>		<i>Pg 39</i>
8. Special Reports	(Jensen)	
A. Results of Other Post Employment Benefits Evaluation <i>(Attachment)</i>		<i>Pg 43</i>
B. Preliminary FY 2013-14 Work Plan and Budget <i>(Attachment)</i>	(Jensen/Sandkulla)	<i>Pg 45</i>
9. Reports	(Jensen)	
A. San Francisco Regional Water System - Water Supply Conditions <i>(Attachments)</i>		<i>Pg 63</i>
B. SFUC Water System Improvement Program – Status Report <i>(Attachment)</i>		<i>Pg 65</i>
C. 10-Year Anniversary – Marking a Decade of Delivering Results <i>(Attachment)</i>		<i>Pg 69</i>
D. CEO/General Manager's Letter <i>(Attachment)</i>		<i>Pg 73</i>
E. Correspondence Packet <i>(Under Separate Cover)</i>		

12. Adjourn to Closed Session

(O'Connell)

A. Public Employee Performance Evaluation

Title: CEO/General Manager

Closed Session Pursuant to Government Code Section 54957

B. Public Employment

Title: CEO/General Manager

Closed Session Pursuant to Government Code Section 54957

13. Reconvene from Closed Session – Report Actions Taken in Closed Session

(O'Connell)

14. Agreement with Executive Recruitment Firm (Attachment)

(Schutte)

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- A. Authorize the CEO to Negotiate and Execute a Professional Services Agreement with an Executive Recruitment Firm for an amount not to exceed \$50,000.**

15. Directors' Discussion: Comments, Questions and Agenda Requests

(O'Connell)

**16. Date, Time and Location of Future Meetings
(See attached schedule of meetings)**

(O'Connell)

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17. Adjourn to next meeting scheduled for May 16, 2013 at 7pm

(O'Connell)

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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

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MEMORANDUM

TO: BAWSCA Board Members

FROM: Arthur R. Jensen, Chief Executive Officer/General Manager

DATE: March 15, 2013

SUBJECT: Summary of Board Policy Committee meeting held February 13, 2013

Committee Chair Rob Guzzetta called the meeting to order at 1:30 pm. There being several new members of the Committee, Chair Guzzetta asked that committee and staff members introduce themselves. A list of Committee members present (9) and other attendees is attached.

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

Comments by Chair: Chair Guzzetta thanked former Committee Chair Larry Klein for his leadership of the committee during the past year, and his management of some critical discussions and decision-making. Chair Guzzetta also recognized the efforts of the CEO/General Manager, Art Jensen, his staff and legal counsel for completing the bond issuance.

Public Comments: Wynn Grcich provided public comments.

Consent Calendar:

Director Breault made a motion, seconded by Director Pierce, that the Minutes from the December 12, 2012 meeting be approved. The motion carried unanimously.

Action Items:

- A. Professional Services Contract with Maddaus Water Management, Inc. to Prepare Regional Water Demand and Conservation:** Anona Dutton, Senior Water Resources Specialist, reported that a key recommendation from the Long-Term Reliable Water Supply Strategy Phase IIA report, which the Board adopted in September 2012, was that BAWSCA update the water demand and conservation projections for the BAWSCA member agencies using a common methodology. This would create regional consistency, provide the basis for identifying promising regional water conservation programs, as well as provide strong support for local and regional water supply project decisions and environmental documents.

The Board-approved Work Plan for FY 2012-13 includes the selection of a projection methodology and selection of a consultant.

Ms. Dutton reported that staff from each of the BAWSCA agencies support the preparation of regional water demand and conservation projections. She reported that the Water Resources Committee provided input to the development of the Request for Proposals and the consultant selection process. All BAWSCA member agencies were invited to participate in the consultant selection process. Twelve agencies participated in the selection of the consultant and demand-projection methodology. Agency staff members from ten agencies served as an advisory group and staff members from ACWD and Mountain View served on the selection panel.

Ms. Dutton noted that the City of San Jose plans to use BAWSCA's consultant to do an expanded analysis for its service area.

Maddaus Water Management (MWM) was selected based on their efficient and rigorous approach for developing water demand and conservation projections. Ms. Dutton reported that the agencies were impressed with MWM's complete overhaul of their model which makes it a more user-friendly tool that will provide lasting value for the agencies. The firm has added the capability to track actual conservation performance and translate that information to water savings.

Ms. Dutton noted that the existing relationship and prior successful work MWM has completed for BAWSCA and individual agencies lessens the time required for data gathering and the time that would need to be invested by BAWSCA and its member agencies. Additionally, members of MWM staff were highly involved in the development of BAWSCA's water conservation database, and they will be able to leverage that experience, making MWM significantly more cost effective than the other short-listed firm.

The total cost for the project is \$365,000, which is equivalent to less than \$13,000 per individual agency model. Similar effort to develop comprehensive and robust models and reports for individual agencies would cost between \$50,000 and \$150,000. Ms. Dutton noted that a benchmark for comparison is the SFPUC's development of demand projections in 2004 to support the Program Environmental Impact Report for the WSIP. That work cost the equivalent of \$24,000 per agency model.

Ms. Dutton noted this project will benefit to the local agencies. Each agency will receive a copy of a user-friendly model for its service area to support future decision-making, regional investment in water supply projects and water conservation programs. The nature of the demand projection methodology will produce robust results that support decision making and high-level environmental review. The model will also provide a "check" for other local demand projection efforts which some agencies used in the past and may continue to use. The models for each agency will be completed in time to be used by agencies for updating their Urban Water Management Plans in 2015 and producing their 20% by 2020 reports.

Ms. Dutton presented the proposed project scope and noted that the design of the effort is to be rigorous and flexible. BAWSCA intends to rely on sound process methodologies and data, as well as recognize the unique characteristics of each member agency. That approach is built-in to all the tasks in the scope, and is emphasized in Task #7.

Task #7 provides an agency the option to pay for additional model development and Support. To the extent that an agency wants additional analysis, model modifications, or wants the

consultant to run additional analyses for them, the agency can contract through BAWSCA, for a fixed hourly rate, to buy more consultant time to complete the effort they require.

This is how the City of San José intends to expand their model to include all of their municipal area. This process is expected to save the City time by procuring the services through an existing, competitively-issued contract through BAWSCA. This process is similar to how agencies participate in BAWSCA's subscription conservation programs, which has a long history of success.

The project will take 15 months to complete. Completion of the project by July 2014 is critical to support key decision points for the Strategy as well as reporting for 2015 UWMP updates and 20% by 2020 reports. Ms. Dutton stated that to meet a schedule for completion by July 2014 means that work would need to begin in April 2013.

Director Mendall asked for confirmation that the approximate cost of \$12,600 is from the \$365,000 divided by the number of models, and that any added cost to the agencies will depend on what additional work an agency wants, and the complexity of that additional work.

Ms. Dutton confirmed his understanding and explained that for example, while the project scope allows for examining the effects of up to three different suites of conservation programs for each agency, some agencies might want to look at 4 or 5 different conservation program options.

While those investigations may be worthwhile for an agency, BAWSCA is not trying cover the cost of open-ended research. Therefore the agencies will have the option to buy additional consultant time at a fixed unit rate, if requested.

Director Mendall asked about the reduction in cost by 50% from the 2004 effort, and what it means for the agencies; for example, will the results be less or has the technology significantly improved that the cost is less? Ms. Dutton explained that consistent information for the region was non-existent prior to the 2004 effort. There was no repository for data, and no one had tried to apply a uniform methodology to the entire area. Now, the Water Conservation Database has been developed and there is a repository for data of all the water conservation efforts and water use statistics. In addition, BAWSCA's coordination of the 2004 effort with San Francisco provides better understanding of the unique features of each local service area.

Director Breault asked if the other proposers were significantly higher in cost. Ms. Dutton stated that they were significantly higher, and validated Director Breault's comment that MWM's past experience working with BAWSCA and the member agencies resulted in the cost-effectiveness of their proposal.

In response to Director Weed's question, Ms. Dutton stated that MWM's deliverables will include technical memoranda, a final report, 29 models, a models' users guide, and data that would be in a format consistent with the reporting requirements by the State to show compliance with 20% by 2020. Ms. Dutton further stated that an additional benefit to the MWM team is that they are knowledgeable of the State reporting requirements. MWM is able to incorporate the State formatting requirements so that the model results can be inserted directly into State reports. .

Director Weed suggested that Task #5 be modified to specific deliverables.

Director Pierce asked whether the individual agency option will be presented to the members through direct communication with technical staff by means of the Water Supply Committee and Water Resources Committee. Ms. Dutton confirmed that was the case. Ms. Sandkulla added that the process will be similar to BAWSCA's subscription program where there is a contract specifying what the results the participating agency expects, authorizing BAWSCA to communicate with the consultant to do the work at the agency's direction, and stating that the agency will pay BAWSCA upon receipt of an invoice.

With no further questions, Director Pierce made a motion, seconded by Director Mendall, that the Committee recommend Board approval of the following actions:

- **Authorize the CEO to negotiate and execute a contract with MWM for \$365,000 to provide technical support for the development of Regional Water Demand and Conservation Projections;**
- **Authorize a transfer of \$65,000 from the BAWSCA General Reserve to fund work performed in FY 2012-13; and**
- **Include \$300,000 in the proposed work plan for FY 2013-14, with funding from the General Reserve.**

The motion carried unanimously.

B. Proposed Fiscal Year 2013-14 Bond Surcharges: Mr. Jensen reported that the bonds were priced on January 31, 2013. The total net present value savings is \$62.3 million over the next 21 years. This represents a savings of 17% of the outstanding debt owed to San Francisco.

Mr. Jensen reported that during the negotiations of the bond sale in New York, some decisions had to be made on the bond structure to achieve an average interest rate of 3.14% for blended, 3.03 for tax-exempt, and 3.46% for taxable.

Mr. Jensen explained that there is not just one bond at one interest rate. There is a series of bonds that mature each year at different interest rates, and all of those were negotiated with a multitude of buyers. Mr. Jensen reported that in every year, except for one, BAWSCA was able to achieve a lower interest rate than San Francisco's most recent bond sale prior to February 12th.

It was a great achievement and he acknowledged the work of the Financial Team and San Francisco's role in the process. BAWSCA and the SFPUC worked well together and demonstrated a good model for agency participation. The Commission, at its meeting on February 12th, congratulated BAWSCA for its leadership in achieving a remarkable result as well as their staff for a job well done.

The closing date is February 27, 2013, and that is when the funds will be received by San Francisco.

Mr. Jensen presented SFPUC's preliminary projected water rates over the next several years, and a chart that showed the result of the prepayment to wholesale customers.

The SFPUC's projected FY 2013-14 Wholesale water rate without the prepayment is \$3.18 per Ccf. With the prepayment, the wholesale rate is \$2.78 per Ccf. The surcharge is approximately \$0.35 per Ccf. The total water bill is \$3.13 per Ccf. The net reduction in water cost is

\$0.05 per Ccf. Mr. Jensen reported that changes will appear beginning with the billings for July 2013 water purchases.

The committee provided comments on how to clearly present the savings of the prepayment to the Board at the March meeting.

Mr. Jensen continued his presentation by showing the proposed FY 2013-14 monthly Bond Surcharges for each agency. The numbers are calculated based on agencies' water purchases from San Francisco during the prior year. Mr. Jensen noted that a few agencies have asked what they should budget for the next fiscal year. He stated that while the \$0.05 savings is cumulatively important, it is probably within the noise of each agency's ability to estimate how much water it would purchase from San Francisco next year.

Mr. Jensen explained that because the amount of the surcharge is calculated based on a specific formula, there is no policy decision required of the Board, but the Board does have to adopt the numbers. The recommended action is that the Committee recommends Board approval of the proposed bond surcharges presented in the staff report.

Director Weed asked if BAWSCA is entitled to the interest earned from the \$370 million between the time of the bond issuance to the payment to San Francisco. Mr. Jensen acknowledged the question and will provide that information to the Board at its meeting in March.

Director Anderson made a motion, seconded by Director Breault, that the Committee recommend Board approval of the proposed bond surcharges presented in the staff report to the Board Policy Committee. The motion carried unanimously

- C. Resolution Appointing John Ummel as Temporary Sr. Administrative Analyst Emeritus:** Mr. Jensen reported that John Ummel served as BAWUA and BAWSCA's Senior Administrative Analyst for 17 years, and following his retirement a year ago, he has served as Senior Administrative Analyst "Emeritus" to provide training for Christina Tang, BAWSCA's current Senior Administrative Analyst.

To comply with PERS regulations and ensure John receives his PERS retirement benefits, the Board is required to act by resolution, making certain findings that his services and expertise are essential to the agency.

Mr. Jensen explained that a big part of what John Ummel used to do, and now Christina Tang, relates to events that occur only once each year. For example, the position must review the annual compliance audit for the Wholesale Revenue Requirement under the agreement with San Francisco. The process ensures the wholesale customers pay only their fair share of appropriate expenditures. Mr. Ummel has worked with Christina to review the compliance audit for FY 2011-12.

The recommended action would continue Mr. Ummel's assistance through the Fall of 2013 to review the compliance audit for FY 2012-13.

In response to Director Vella's question, Mr. Jensen stated that PERS allows a retiree to work no more than 960 hours per year. Also, for a new retiree, there is a waiting period unless the governing body of that agency specifically passes a resolution waiving it.

Director Weed noted that the resolution has to be based on specific criteria. Mr. Jensen stated that Legal Counsel drafts the resolution to ensure all criteria are met.

In response to Director Mendall's question, Mr. Jensen stated that he expects Mr. Ummel's services to total 200 hours.

Legal Counsel Allison Schutte clarified that the 960 hours applies to all work a retiree does for all public agencies in one year. As a retiree, if Mr. Ummel works for another public agency, he needs to be very cognizant of the total number of hours he puts in.

Director Mendall made a motion, seconded by Director Pierce, that the Board Policy Committee recommend Board adoption of the resolution approving the reappointment of John Ummel to the temporary position of Senior Administrative Analyst Emeritus, and making associated findings in support of such an appointment. The motion carried unanimously.

Discussion Items:

- A. Preliminary Fiscal Year 2013-14 Work Plan and Budget: Ms. Sandkulla reported that every year, BAWSCA's budget development is based on the results to be achieved and a work plan to achieve those results during the coming fiscal year. The preliminary work plan for FY 2013-14 aligns very closely with BAWSCA's three goals; a reliable supply of high quality water at a fair price.

The preliminary work plan includes all items reported to the Board at its January meeting, regardless of the funding source. BAWSCA's funding sources are the Operating Budget, the Water Management Charge, and the Subscription Water Conservation services.

Ms. Sandkulla noted that the *implementation* of a dry-year pilot water transfer plan with East Bay Municipal Utility District (EBMUD) is not included in the preliminary FY 2013-14 work plan. The development of the pilot water transfer plan is being produced this current fiscal year, and will be completed at the end of June 2013. However, implementation is not included in the FY 2013-14 budget for two reasons: 1) while this season has been dry, water demands remain low, and rationing is not expected next fiscal year; 2) implementation of a water transfer is a significant budget item and would require a review of the water supply conditions at mid-year, a better understanding of the water supply conditions for the following year, and presentation to the Board of the results of that analysis and an appropriate recommendation for Board consideration. If water conditions remain dry in the fall of 2013, an assessment of whether to initiate work on a water transfer should be considered during the mid-year work plan and budget review.

In response to Director Mendall's inquiry of the development cost, Ms. Sandkulla confirmed that the Board-approved budget for the preparation of the Pilot Water Transfer Plan is \$130,000.

Director Weed noted that EBMUD had some legal questions on the ability to test the Freeport facility until they have a declared dry year. BAWSCA should review EBMUD's ability to test moving water through that facility based on the way EBMUD's agreement is written.

Ms. Sandkulla reported that EBMUD has done an operational test of the system that was successful in making sure that the new facility, the pumps and the pipes were able to move

water into EBMUD's Mokulomne aqueducts. She explained that use of the facility, for EBMUD's purposes, is limited to dry-year reliability. The ability for BAWSCA to do a pilot water transfer with EBMUD is when Freeport is turned on as a result of a dry year. BAWSCA would only want to move forward with a pilot transfer during a dry year for two reasons: 1) the restrictions on EBMUD for use of the facility and 2) if EBMUD is using the facility, BAWSCA would not have to pay the entire cost of activating the facility. The cost of using the facility could be high, therefore both EBMUD and BAWSCA could benefit by sharing the costs during a dry year. BAWSCA is investigating what those costs might be with EBMUD and has legal counsel involved in that investigation.

Director Weed noted there may be something in the works for the use of the Freeport facility during both wet and dry years that may enable BAWSCA to do a pilot water transfer without having to wait for a dry year.

Ms. Sandkulla said BAWSCA will look into that.

Ms. Sandkulla reported that the FY 2013-14 work plan and budget focuses on eleven critical results that fall under BAWSCA's goal of ensuring a reliable delivery of high quality water at a fair price. The eleven results account for 98% of the preliminary budget for FY 2013-14.

Ms. Sandkulla went over each of the eleven results, noting that they were closely reviewed to ensure that they were vital results for the member agencies and highlighting those results that were both critical and had limited schedule flexibility.

BAWSCA's continuing relationship with the SFPUC and its transition in working with the new General Manager has been successful to date. She noted that several long-standing commissioners are expected to be replaced in the future and that will necessitate building relationships with new commissioners.

BAWSCA's oversight of the WSIP is an ongoing and a critical item in the work plan, as it has been for several years. BAWSCA's oversight of project scopes, schedules and budgets benefits the member agencies and their customers. It will continue to be vital as the majority of WSIP projects approach completion in 2016, and with the significant changes to the Calaveras Dam Project.

Ms. Sandkulla reported that the SFPUC is ramping up a new 10-year Capital Improvement Program (CIP) for existing facilities and all of the new WSIP facilities that need to be maintained and upgraded over time. Ms. Sandkulla noted that one reason the WSIP is so large is because San Francisco was not maintaining and upgrading its existing infrastructure. It is to the wholesale customers' benefit that San Francisco has developed a CIP for ongoing investment in the Regional Water System. She noted that BAWSCA's predecessor, BAWUA, was heavily involved with the evolution and development of the WSIP beginning in 1995.

The value BAWSCA adds to SFPUC implementing the CIP is to ensure the water system continues to meet the needs from the wholesale customers' perspective. Ms. Sandkulla stated that it is critical to have input from the early stages of the development of the 10-year CIP to ensure the wholesale customers' interests are included. The SFPUC's 10-year CIP cur-

rently has an estimated cost of \$500 million, of which wholesale customers would pay two-thirds.

BAWSCA will be pursuing legislation to extend the State oversight of the WSIP. This will be a critical task in FY 2013-14 because the section of the California Water Code that requires State oversight of any changes to the WSIP will sunset on December 31, 2014. Next fiscal year is the last legislative session to amend the sunset date before this section of the Water Code, requiring State oversight protecting public health and safety, and all the other provisions contained in AB1823 (Papan) expires.

BAWSCA's technical involvement with the FERC process will become more critical in FY13-14 as it approaches completion in 2016. While BAWSCA has been monitoring the legal documents very closely from the beginning, active participation in the technical aspect of the process will be important as it will involve identification of what water needs exist and how can it be satisfied.

In response to Director Pierce's question, Ms. Sandkulla explained that the technical involvement is not limited to judging the technical merit of the documents, but also working with San Francisco, as well as independently, to address potential economic, environmental and other impacts to the regional area served with water from the Tuolumne River.

Mr. Jensen added that the SFPUC is working on a Regional Economic Impact study as part of the FERC process. SFPUC's staff and consultant spoke at BAWSCA's Water Supply Management meeting on Feb. 7th to report on the status of the effort. Mr. Jensen noted that BAWSCA is very familiar with the member agencies' concerns and needs, and how agencies might react to a report containing information about water demand projections and local economic impacts. BAWSCA adds value to the agencies by working with San Francisco member agencies to ensure their interests are properly reflected.

The improvement of the drought reliability and development of a uniform water demand projections that Ms. Dutton presented to the Committee is a critical part of the FY2013-14 work plan. The schedule for the completion of the Strategy is December 2014 and there is no more room to move the demand projections out without affecting the completion of the Strategy. The demand projections also provide input to the agencies' UWMP's due in 2015.

BAWSCA will continue to implement successful regional conservation programs to provide member agencies the reliable means to meet their committed goals in their UWMP's and 20% by 2020 plans. BAWSCA's conservation programs continue to provide effective results for the agencies at reduced cost and enable the agencies to leverage the effectiveness of their existing staff.

As noted earlier in the meeting, these benefits are also provided by BAWSCA's coordination and support for Integrated Regional Water Management (IRWMP) grant funds. These grants allow member agencies to fund conservation programs that might otherwise be infeasible and increase rebate potential or other benefits for their customers. BAWSCA has been successful in obtaining and managing such grants. Ms. Sandkulla explained that the State has now set up such grants to require regional agencies, such as BAWSCA, to manage grants.

Director O'Connell asked Ms. Sandkulla to provide further information about the IRWMP grants. Ms. Sandkulla reported that the current grant for water conservation is for \$800,000. This offsets the cost for the High Efficiency Toilet Rebates (HET), Washing Machine Rebate Program (WMRP), and Lawn Be Gone rebates (LBG). The grant funds make the programs effective as well as reduce the costs of the programs for the agencies. BAWSCA partners with ten other agencies in the region in applying for the grants. The Bay Area Water Agency Coalition (BAWAC) expects to be successful in getting the next two rounds of IRWMP grants, estimated to be another \$1 million. Ms. Sandkulla explained that the grant funds can last the BAWSCA agencies for about five to ten years.

In addressing the efforts to drain Hetch Hetchy, BAWSCA will continue to assess the significance and risks associated with local, legal and congressional actions that proponents say they are planning to take.

In ensuring a fair price for the water customers, BAWSCA will ensure the smooth implementation of bond payments, continue to administer the 2009 Water Supply Agreement, and maintain and effective and efficient operation of the agency.

Ms. Sandkulla reported that every year, available staff resources are allocated accordingly to produce each of the results that need to be achieved. The preliminary FY 2013-14 work plan would require allocating 4.5 Full-Time Equivalent for three positions: the CEO, the Water Resources Planning Manager, and the Water Resources Specialist. This significant over-allocation of staff resources is unrealistic and cannot be recommended.

In the past, this process typically results in staff positions being over-allocated, but only in the range of 110% – 130% of an FTE for any position. This is a reasonably acceptable result given the inherent uncertainties in the magnitude and timing of work.

However, it is unreasonable to expect to achieve the critical results with the key staff loaded at over 150%.

Staff examined four alternatives for balancing the work plan with staff and consultant resources. The recommendations differ based on the items included in the work plan and the mix of resources used to achieve the results.

Alternative 1 includes all the results that need to be achieved but attempts to do so with existing staff levels. This alternative provides an infeasible level of staff loading that can negatively impact the desired results and quality of work by the agency. Alternative 2 reduces the work plan. Alternative 3 retains all the results to be achieved, adds a new staff position and provides continuity of work-force for the next 5-10 years. Alternative 4 uses additional consultants to retain the results to be achieved without increasing BAWSCA's staff size.

The recommended Alternative is #3, which requires one new position. Ms. Sandkulla noted that Alternative #3 is the lowest cost alternative that completes the full work plan, as well as provides the resources needed for the next five to ten years. She stated that the critical work items such as the WSIP, the FERC process, SFPUC's new 10-year CIP, dry-year supply reliability and evaluating of pending action or inaction by the SFPUC in 2018 require continued investigations and action by BAWSCA.

Ms. Sandkulla stopped her presentation to answer any questions.

Chair Guzzetta asked if there is a check to BAWSCA's process of allocating staff hours against the work plan.

Mr. Jensen explained that the check is the 17-years of experience in producing the results contained in each year's work plan within budget. Another check is the mid-year work plan and budget review. Having repeated this process bi-annually since 1995, staff has been able to estimate what it can successfully achieve with the resources approved by the Board.

When asked whether time is logged and checked against estimates made at budget time, Mr. Jensen stated that BAWSCA staff does not complete time cards for that purpose. Staff time cards are used to track regular hours, vacation and other leave. With a staff of seven, using time cards to track hours against work assignments would provide little useful information for the administrative time consumed.

Ms. Sandkulla added that with the water conservation programs, staff does go back and look at what it budgeted for the year against what is billed to the participating agencies. The bill to the agencies includes staff's time for implementing the programs, and that serves as a balance for that portion of the work plan.

Ms. Sandkulla reported that work assignments are shifted as needed to take advantage of staff expertise effectively. For example, Ms. Dutton's time was directed to the long-Term Reliable Water Supply Strategy and assistance to agencies on with Urban Water Management Plans to take advantage of her expertise in water management and ability to perform complex water resources analysis. Ms. Enriquez, the CEO's assistant, took on management of the Landscape Education Program and Mr. Porter was assigned customer contact duties for the High Efficiency Toilet, Washing Machine, and Lawn Be Gone rebate programs.

Director Weed asked for clarification on how the conservation element is handled in the workload analysis and whether it represents an additional workload to be distributed among staff. Ms. Sandkulla explained that staff time to administer the conservation programs is included in the workload and within the operating budget.

Ms. Sandkulla explained that for subscription conservation programs BAWSCA cannot predict the volume of rebates or other subscription activities for the coming fiscal year. BAWSCA does track staff time and bills participating agencies for staff time after the activity for each subscription program has taken place.

Director Weed questioned the accuracy of the workload projection since there are elements in the conservation effort that are separately funded. He asked if the percentage of workload for the conservation effort could be subtracted.

Mr. Jensen noted that Alternative #2 examined removing a number of the results to be achieved, some of which were conservation programs. He explained that this option was reviewed to determine how much of the work load would have to be eliminated in order to balance of work with the existing staff level.

At the request of Director Weed, Ms. Sandkulla stated that she can provide the number of hours of workload that would be eliminated and include that in the memo to the Board for its meeting in March.

Director Weed stated that he did not support the addition of a new staff member when it was proposed 2 years ago because his agency, ACWD, believed that the conservation efforts should be fully subscription based. To the extent that the hours involved can be identified it would be helpful.

Director Bronitsky asked whether the total operating expenses shown under each of the Alternatives in the staff report include compensation increase for the fiscal year, and whether staff can provide the total operating expenses for each of the Alternatives if compensation increases were not included.

Ms. Sandkulla said yes, and explained that it is included as a merit budget and will be further explained in the next few slides.

Director Weed asked if staff can determine whether the workload proposed for the coming year is seen as workload at its peak, or an ongoing load. He noted that FERC goes away.

Ms. Sandkulla explained that the efforts classified as critical items for FY 2013-14 will remain critical for the next 5-10 years. The WSIP will continue until 2018, SFPUC's new CIP is a 10-year CIP, FERC will be completed in 2016, but will not go away immediately because there has always been actions following the FERC's issuance of the license that require investigation and action by BAWSCA. Additionally, implementing results of the Strategy will take several years.

Mr. Jensen added that the decisions to be made by the SFPUC prior to 2018 are significant and address whether San Francisco will provide additional water beyond the Supply Assurance, whether San Francisco will continue to serve water to San Jose and Santa Clara, and renegotiation of the drought allocation agreement. Mr. Jensen noted a Level of Service (LOS) goal report that the SFPUC examined on February 12th stated that they do not currently have the ability to meet the LOS goals adopted by the Commission to continue the Cities of San Jose and Santa Clara as permanent customers, or to meet future needs of the wholesale customers. The Water Supply Agreement contains specific claims reserved by BAWSCA members about San Francisco's future obligations. Those claims must be pursued, or alternatives developed, to protect the water customers. Mr. Jensen concluded that there are going to be significant policy issues that will need to be investigated and carefully considered.

Director Pierce commented that she appreciates the various alternatives and that staff looked at different ways of addressing the issues. She acknowledged staff's efforts to work with the existing resources when the Board decided not to add a staff person two years ago. She observed it was fortunate for the agency that a significant part of the FERC process has not materialized on the schedule originally anticipated. But that work remains and is now time critical. The timing is also beneficial because the economy is better than what it was 2 years ago.

Director Breault commented that in presenting the work plan, there are tangible results as well as future results that are not easily quantifiable. As an engineer, he expressed his support for staff recommendation for Alternative #3, and stated that others who trust the work of BAWSCA's staff, may support it too. However, he would anticipate criticisms and encourages staff to think of ways to present the critical results more concretely.

Secondly, Director Breault stated that he disagrees with reducing conservation programs because conservation is in BAWSCA's job description. He is not convinced that going with an alternative that removes water conservation from the work plan in order to address critical issues for the agency is an acceptable alternative.

Mr. Jensen stated that Ms. Sandkulla has done a good job at analyzing the critical issues for the agency and building the budget based on those issues. In response to the Directors' comments, the presentation to the Board in March can focus on the advantages and disadvantages of each alternative, noting what is gained and what is lost. The staff report can include specific information on SFPUC's decisions for 2018, and list the anticipated activities that will need to be addressed in the years towards 2018. These activities include decisions that the SFPUC may make that agencies disagree with, and would need to act on, or decisions that agencies may want to codify in the Water Supply Agreement (WSA). Those are examples of tasks that staff anticipated in building the budget.

Mr. Jensen explained that items in the list of results to be achieved were characterized as critical or vital because if they are not done, the agency fails to meet its goals. He noted that while items are critical, they can be prioritized, and that's how each alternative was developed. Alternative #2 for example, removes conservation efforts temporarily and perhaps re-instituted later. Similarly, the FERC efforts could be minimized to legal support. However, staff does not recommend this alternative because of the potentially damaging results. Not doing technical analysis and support in the FERC process would be a huge sacrifice for the agencies. Suspension of conservation efforts would be for 5 or more years, and rebuilding a program after such a hiatus will be difficult.

Mr. Jensen emphasized that the alternatives consider all possibilities, but staff responsibly recommends Alternative #3.

Director Weed noted that his understanding is that the subscription conservation program was self-funded including the administrative cost. He asked for clarification on what conservation programs would be removed.

Mr. Jensen clarified that the problem is not a funding issue. The issue is the work load on staff. He stated that the purpose in looking at reduced conservation or other programs was not to save money, but because there is not enough staff to do the necessary work. The other alternatives examined adding more consultant resources, or, equivalently, temporary staff. Those alternatives are not recommended for the reasons presented in the staff report.

Director Pierce asked for information on what is included in the 150% FTE overage.

Director Weed suggested providing a breakdown by source of funding as opposed to goal or task.

Ms. Sandkulla continued her presentation to provide information on funding sources and to address the comments from the committee members.

The preliminary operating budget is \$3,118,705. This includes \$140,000 for both salary and benefits for one new staff person, a COLA of +2.31% applied to salary ranges for all staff except for the CEO, an allowance for merit increases of less than 5% for staff positions as a result of the range adjustment, no increase in the CEO compensation, a 0.3% increase in PERS contribution, and an increased budget to cover health premiums. Ms. Sandkulla reported that the Office Manager is currently working with PERS to resolve problems in what PERS has been charging this fiscal year.

Mr. Jensen clarified that COLA is not an automatic salary increase for BAWSCA staff when it is approved by the Board. The COLA increase is applied to the salary ranges for each position. Any increase in an employee's salary is based upon merit and at the CEO's discretion.

In response to Director Bronitsky's question, Mr. Jensen explained that if an employee's current salary is within 1% of the top for his/her position, all they could possibly get is 1%.

Director Bronitsky asked what the dollar amount would be if the board approves a +2.31% COLA. Ms. Sandkulla reported that the allowance for merit totals to \$27,000 for the entire group.

Director Weed encourages BAWSCA to book and fund the required OPEB appropriate for BAWSCA. Director Mendall concurred and stated that it is a real expense that the agency is accruing and should budget for.

Mr. Jensen reported that the information will be provided at the March Board meeting.

Ms. Sandkulla continued her presentation and reported that funding the one-time cost for completing the water demand projections in FY 2013-14 could be paid using a portion of the General Reserve. The remainder of the operating budget to be paid by assessments or other sources would be \$2,818,705. Current assessments are sufficient to cover 89% of that amount. The balance would need to come from the General Reserve or an increase in assessments.

Ms. Sandkulla explained that historically, BAWSCA spends about 90% of its budget. If actual spending next year was 90% of the budget, assessments would not need to be increased. The mid-year budget review, done every year, would ensure that spending remained within budget.

Director Bronitsky stated that the Board should not approve a budget that is purposely high, nor should it have an approach of not funding a budget because expenses have historically been at 90%. The budget and funding should match.

Mr. Jensen stated that in the past few years, assessments have brought in \$2.5 million, and the approved budget has come in slightly over that amount. In approving the budget the Board has authorized the use of a specified amount of the General Reserve, if needed, providing BAWSCA with a balanced budget.

This is the 5th year that assessments have not increased. Additionally, because the expenditures have not been as much as the assessments, all unspent funds go back into the General Reserve.

What has been stated for the past two years is that if the level of spending stayed at \$2.5 million, then the assessments would need to be reduced by seven percent to prevent the General Reserve balance from continuing to grow.

With respect to the budget being historically underspent by eight to fifteen percent, Mr. Jensen explained that the budget numbers are good estimates based on the anticipated work plan but contain inherent uncertainty. Art said he would *not* support an approach that would encourage spending the entirety of the budget each year merely to make the numbers look good.

Reviews have been done in previous years to lower consultant budgets and create a contingency pool that could be used if a particular area needed more work, but the potential savings were only about one percent of the budget.

Director Bronitsky stated that while he understands the budget development based on anticipated activities, he expects a realistic budget that was not consistently underspent.

Director Breault commented that part of what he hears from Director Bronitsky's concerns is whether we can look at why we typically spend under 10%. It may not be from the same item every year. He would also not favor an approach of "spend it or lose it."

Chair Guzzetta stated that BAWSCA's budget is based on a sound approach and that, at the end of the day, does not make a difference because the unspent funds go into the General Reserve. If members are uncomfortable with under spending an average of about 10%, the matter should be put on another agenda for further discussion. The recommendation today is to consider a budget that does not increase the assessments.

Mr. Jensen noted that a presentation was made in a prior year that examined the areas of the budget that were unspent. The findings were that small amounts are unspent in a variety of areas and that there is no one area that is consistently over-budgeted. Art suggested he meet with Director Bronitsky separately to review spending versus budget, and to include, if needed, additional information in the March memo to the Board. Director Bronitsky and the Committee concurred.

Ms. Sandkulla continued her presentation and stated that the recommended preliminary operating budget achieves the critical results for the agency, balances the human resources needs, matches the foreseeable needs in the upcoming five to ten years, and is the least-cost alternative that does not sacrifice critical results.

Director Mendall expressed his strong preference to hire the additional staff person needed. He would not want to hire a consultant that costs more to fulfill the need and lose the institutional knowledge and experience in the end. He said we have the need, and we either chop off the work that is critical to the agency, or hire a person and grow that person. Secondly, Hayward is going through concession bargaining where employees are being asked to take

pay cuts in their overall take home pay. It would be very difficult to support a seven percent pay increase for BAWSCA staff.

Director Bronitsky concurred with Director Mendall's comments.

Mr. Jensen clarified that the potential increased in employee salaries is not COLA plus a merit allowance of five percent, but that employees do not get COLA, only a merit increase of up to five percent.

Director Weed asked if a temporary hire is an option before it is made a permanent hire.

Mr. Jensen stated that previous experience with temporary hires has not been as successful, but that it is an available option.

Director Pierce stated that she appreciates the idea of further looking at how to make the budget closer to actual spending. She supports the recommendation for full funding of the budget and the addition of staff because there is a long-term need. She also noted that the current state of the General Reserve fulfills critical needs for the agency, and this will not always be the case. BAWSCA will need to manage and monitor that closely. The City of Redwood City has carefully managed its General Reserves so that it can serve as a planned support for the City's budget.

Chair Guzzetta commented that there may be a perception that because the WSIP is ending, the peak of the workload for BAWSCA will go down. He does not believe this is the case, and stated that staff needs to do a better job at communicating this to the full Board. Secondly, the Board would not be serving its constituents if it didn't monitor the SFPUC's maintenance of the \$4.6 billion improvements to the regional water system. This is one of the agency's utmost obligations.

Update and Reports

- A. SFPUC Water System Improvement Program – SFPUC Response to BAWSCA Recommendations: Mr. Jensen reported that the SFPUC adopted a notice of change to the WSIP in December. In January, the Board was presented with the SFPUC's preliminary schedule and cost impacts to the program as a result of those revisions. There is now a 25 month schedule delay and \$117 million cost impact to the program due to the Calaveras Dam Project. BAWSCA reviewed the SFPUC's notice of change and provided 5 cost recommendations and 5 schedule recommendations. All of BAWSCA's recommendations were discussed by the Commission and adopted in addition to the SFPUC's staff recommendations at its meeting on January 22nd.

Mr. Jensen reported that at the January 22nd SFPUC meeting, Commissioner Moran said he found BAWSCA's correspondence constructive and useful. Commissioner Caen said BAWSCA's letter brought issues to her attention. Ms. Labonte committed to meeting the deadlines listed in BAWSCA's letter.

The SFPUC will submit a notice to the Department of Public Health and the California Seismic Safety Commission that will initiate the State's review. BAWSCA will work closely with

the State agencies during their review process, and will continue to work with the SFPUC on addressing any concerns from the State. The SFPUC plans to issue a second Notice of Change in the Spring once cost negotiations with the contractor have been finalized.

- B. Water Supply Agreement Amendment – Update on Agency Approval: The pending amendment to the Water Supply Agreement states that the Hetch Hetchy Reservoir cannot be drained unless the Water Supply Agreement is further amended in the future. Because the governing bodies of the Wholesale Customers must approve any future amendment, the reservoir cannot be drained unless those bodies find the resulting water supply reliable, quality and cost acceptable to them.

The SFPUC approved the amendment on January 17th. To take effect, the governing bodies of the wholesale customers must approve the amendment (two-thirds by number, and three-fourths by volume of water purchases). Unanimity is desired and is expected, but is not required.

Agencies will each receive the necessary documents for adoption of the amendment.

- C. Board Policy Calendar: Mr. Jensen presented the Board Policy Calendar through January 2014.
- D. BAWSCA 10th Year Anniversary: BAWSCA was formed in May of 2003, and it is timely to recognize the anniversary at its meeting in May. Mr. Jensen reported that he has been working with Strategic Counsel on a plan to recognize BAWSCA's 10-year Anniversary. The occasion presents a strategic opportunity. A draft objective statement is to strengthen BAWSCA's identity as a public agency that delivers important results for its constituents, and demonstrate the value of its leadership.

The tone of the event would be serious, forward-looking, and most importantly constituent-oriented and modest.

Ms. Schutte announced that Hanson Bridgett, LLP would be happy to provide some sponsorship for the event.

In response to Director Breault, Mr. Jensen stated that he has started a list of legislative members who will be requested to be present.

Director Pierce commented that the occasion is also a good way to solidify for the member agencies BAWSCA's role and value. BAWSCA in some ways is very invisible and it's an opportunity to gain the visibility as well as emphasize regional strength. Director Mendall said it would be helpful to put BAWSCA's worth in dollar values where possible. It should be highlighted that the savings to the member agencies from the bond issuance alone is more than BAWSCA's annual budget, and all other achievements that are quantifiable should be included.

Director O'Connell added that BAWSCA's work leverages work for the agencies. BAWSCA's efforts with studies and conservation efforts would cost individual agencies significantly more or that those programs might not even be provided. She said the benefits of the IRWMP

grant of \$800,000 for conservation programs would not be possible for San Bruno without BAWSCA's work. Director O'Connell suggested extending the invitation to the governing bodies of each member agency. She stated she would be extremely pleased for her council members to see what BAWSCA has achieved over the years.

Director Mendall added it would be valuable if BAWSCA could provide a financial report in a concise format that Board members could share with their governing bodies.

Mr. Jensen noted of all of the members' comments and suggestions.

Mr. Jensen observed that the list included in the preliminary work plan does not include all of things BAWSCA could do that would add value to individual member agencies. There are additional results that can be produced that would benefit the agencies but that are not critical for BAWSCA to achieve its three goals. Mr. Jensen suggested that staff include a list of such results so that such work, while not undertaken, would be visible to the Board. Committee members agreed.

Comments by Committee Members: Director Bronitsky introduced the City of Foster City's new Public Works Director, Brad Underwood.

Director Weed noted the new FPPC Form 806 that BAWSCA Board members are required to file within their own agencies. Ms. Enriquez reported that the information can be circulated to the City Clerks and Clerks of the Board of each member agency.

Adjournment: The meeting was adjourned at 3:30pm. The next meeting is April 10, 2013.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – February 13, 2013

Roster of Attendees:

Committee Members Present

Rob Guzzetta, California Water Service Company (Chair)
Al Mendall, City of Hayward (Vice Chair)
Randy Breault, City of Brisbane/GVMID (BAWSCA Vice Chair)
Charlie Bronitsky, City of Foster City
Irene O’Connell, City of San Bruno (BAWSCA Chair)
Tom Piccolotti, North Coast County Water District
Barbara Pierce, Redwood City
Lou Vella, Mid-Peninsula Water District
John Weed, Alameda County Water District

BAWSCA Staff:

Art Jensen	CEO/General Manager
Nicole Sandkulla	Water Resources Planning Manager
Anona Dutton	Sr. Water Resources Specialist
Christina Tang	Sr. Administrative Analyst
Lourdes Enriquez	Assistant to the Chief Executive Officer
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP

Public Attendees:

Wynn Grcich	Flouride Action Network.org
Fan Lau	San Francisco Public Utilities Commission
Marilyn Mosher	City of Hayward
Brad Underwood	City of Foster City

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

**January 17, 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, Barbara Pierce, called the meeting to order. Art Jensen called the roll. Twenty-one (21) members of the Board were present, constituting a quorum. A list of Directors present (21) and absent (5) is attached.

2. Special Order of Business: Election of Officers for Calendar Year 2013.

Chair Pierce called for nominations for the position of Chair of the BAWSCA Board. Director O'Mahony nominated Irene O'Connell for Chair. Director Mendall seconded the nomination. There being no other nominations, nominations were closed by consensus.

Director O'Mahony made a motion, seconded by Director Quigg, to close the nominations and that Irene O'Connell be elected as Chair of the Bay Area Water Supply and Conservation Agency Board of Directors for calendar year 2013 to commence at the adjournment of the meeting at which she was elected.

Chair Pierce called for nominations for the position of Vice-Chair. Director Guzzetta nominated Randy Breault as Vice-Chair of the board, and was seconded by Director Richardson. There being no other nominations, nominations were closed by consensus.

Director O'Mahony made a motion, seconded by Director Griffith, to close the nominations and that Randy Breault be elected as Vice-Chair of the Bay Area Water Supply and Conservation Agency Board of Directors for calendar year 2013 to commence at the adjournment of the meeting at which he was elected.

3. The meeting adjourned at 7:03pm to convene the San Francisco Bay Area Regional Water System Financing Authority Board of Directors meeting.

4. The meeting re-convened at 7:08pm

5. Comments by the Chair: Chair Pierce expressed her appreciation for having the opportunity to work with the board. She is grateful for the Board's ability to work together on critical issues, and its excellent working relationship with San Francisco. She encouraged members of the Board to get involved as their leadership strengthens the organizations.

Chair Pierce stated that BAWSCA's recent accomplishments speaks volumes about the agency. The successful bond issuance will save member agencies a significant amount of money, BAWSCA's continuing oversight of the WSIP has and will continue to serve the interests of the wholesale customers in terms of the program's scope, schedule and budget,

and the staff's proactive strategy addresses ongoing challenges such as the effort to drain Hetch Hetchy. Chair Pierce thanked the Board for their support.

- 6. Board Policy Committee Report:** Committee Vice Chair Rob Guzzetta reported the discussions and actions that took place at the BPC meeting held December 12, 2012.

Chair Pierce moved Item #11A up on the agenda so the Board can hear a Status Report on the Bond Issuance. The report was presented by BAWSCA Sr. Administrative Analyst, Chistina Tang.

- 7. Public Comments:** Public comments were received from Wynn Greich and Michael Francois.

- 8. SFPUC Report:** SFPUC Deputy General Manager, Michael Carlin addressed the Board on behalf of SFPUC General Manager, Harlan Kelly, who was in Washington DC for the US Council of Mayors.

9. Consent Calendar:

Director O'Mahony made a motion, seconded by Director Vella, to approve the Consent Calendar. The items include the approval of the Minutes of the November 15th, 2012 Board Meeting, receive and file the Budget Status, Quarterly Investment, and Directors' Reimbursement Reports as of December 31st, 2012, appoint the BAWSCA Chair as the BAWSCA Representative, and the CEO as the Alternate to ACWA/JPIA, and receive and file the Annual Audit Reports for BAWSCA and BAWUA for FY 2011-12. The motion carried unanimously.

10. Action Calendar:

A. Mid-year 2012-13 Work Plan and Budget Review:

Director Richardson made a motion, seconded by Director Laporte, that the Board:

1. Approve the following revisions to the FY 2012-13 work plan:

- a. Investigate a potential pilot subscription program that would provide customers with water use information designed to promote water conservation, with all costs to be borne by participating member agencies.**
- b. Pursue agreement with San Francisco or legislation to protect customers outside San Francisco, with costs funded by reallocating funds within the existing budget.**
- c. Complete the sale of the bonds to prepay capital debt owed to San Francisco and implement monitoring and reporting measures to ensure proper management of bond proceeds.**

- 2. Board review and discuss alternatives for managing the General Reserve balance at the March 2013 Board meeting, and consider taking actions at the May 2013 Board meeting in conjunction with the consideration and adoption of the FY 2013-14 budget.**

The motion carried unanimously.

11. Reports: Additional staff reports were provided on the SFPUC WSIP, Fiscal Year 2013-14 Work Plan and Budget Preparation, Update on the Progress of Pursuing Administrative or Legislative Solutions to the Efforts to Drain Hetch Hetchy, and BAWSCA's upcoming 10-year anniversary.

12. Adjourned to Closed Session at 8:33 pm pursuant to Government Code 54957

13. Reconvenement to Open Session at 9:07. There were no action taken during Closed Session. Comments from the Board were received and a report on the CEO's Performance Evaluation will be finalized by the Chair of the Board.

14. Date, Time and Location of Next Meeting: The next meeting is scheduled on March 21st, 2013, in the Wind Room, Foster City Community Center.

15. Adjournment: The meeting adjourned at 9:09pm.

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
January 17, 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
Tom Kasten	Town of Hillsborough
Marty Laporte	Stanford
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
Mike Kasperzak	City of Mountain View
Larry Klein	City of Palo Alto
Jerry Marsalli	City of Santa Clara
Chuck Reed	City of San Jose

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: March 14, 2013
SUBJECT: Budget Status Report as of January 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 seven month period ending January 31, 2013, at 58 percent into the fiscal year, total expenditures were \$1, 431,359 or 53 percent of the total budget of \$2,715,504. A transfer of \$130,000 from the General Reserve was approved by the Board at the September board meeting for work related to the Pilot Water Transfer with EBMUD. Those funds were added to the operating budget for consultant expenses associated with water supply reliability.

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

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	965,162	347,811	36%
Fair Pricing	210,000	203,743	97%
Administration	91,000	69,418	76%
Subtotal	1,266,162	620,972	49%
Administration and General			
Salary & Benefits	1,099,742	679,791	62%
Other Expenses			
BAWSCA	280,600	130,596	47%
BAWUA	1,100	0	0%
Subtotal	2,647,604	1,431,359	54%
Capital Expenses	4,000	0	0%
Budgeted Contingency	62,500	0	0%
Regional Financing Authority	1,400	0	0%
Grand Total	2,715,504	1,431,359	53%

Overview:

Overall expenditures are tracking within budget.

Consultants

The \$140,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 43 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 72 percent expended. The Operating Budget allocation of \$509,000 budget for legal counsel was 58 percent expended. The \$225,162 budget for water management and conservation-related activities was 33 percent expended. The \$130,000 budget for the Pilot Water Transfer with EBMUD was 31% expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 62 and 47 percent expended, respectively.

Use of CEO's Discretionary Spending Authority:

In February, the CEO entered into an agreement for \$2,000 to conduct an OPEB (Other Post Employment Benefits) study. The expenses for this study will appear in the budget status report period ending March 31, 2013.

Use of Reserve Fund Balance:

At the September 2012 board meeting, the board authorized a transfer of \$130,000 from the General Reserve for work associated with the development of a plan for a Pilot Water Transfer with EBMUD. 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 January 31, 2013, shown below, reflects this deposit.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 11/30/12)	Account Balance (As of 01/31/13)
General Reserve	\$786,897	\$1,050,897

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 January 31, 2013 total \$1,332,537.



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: March 14, 2013

SUBJECT: Investment Report – As of January 31, 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.

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

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

<u>12/31/12</u>	<u>01/31/13</u>
\$2,930,866	\$2,823,241

Of the total in the BAWSCA LAIF account as of January 31, 2013, \$1,050,897 represents BAWSCA's General Reserve Fund, equivalent to approximately 39 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>09/30/12</u>	<u>12/31/12</u>
0.35%	0.32%

Although the Revenue Bond Series A and Series B were issued after January 31, 2013, it is timely to inform the Board about the status of the bond proceeds. The bonds 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 status of the proceeds investments will continue to be reported to the Board in each investment report.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Professional Services Contract with Maddaus Water Management, Inc. to Prepare Regional Water Demand and Conservation Projections**

Summary:

One of the key recommendations in the Strategy Phase IIA Report was that BAWSCA “Update the Water Demand and Conservation Projections for BAWSCA Member Agencies Using a Common Methodology”. This recommendation was adopted by the BAWSCA Board in September 2012 and has the unanimous support of the BAWSCA member agencies.

The adopted FY 2012-13 work plan includes the selection of a consultant to prepare consistent and defensible water demand and conservation projections throughout the BAWSCA area.

BAWSCA initiated a competitive selection process in October 2012 in which all of the BAWSCA member agencies were invited to participate. Through this process, Maddaus Water Management, Inc. (MWM) demonstrated that they were the most qualified and cost-effective firm to complete this Project. In order to complete the Project by July 2014, work will need to begin in April 2013.

Fiscal Impact:

A contract for a not-to-exceed amount of \$365,000 is recommended to complete this Project. While the consultant selection processes for this Project was included in the adopted FY 2012-13 work plan, no budget was included for this work. It was anticipated that a funding request would be brought forward if the work could be initiated in Spring 2013. Proposed funding for this Project is as follows:

- \$65,000 for work done in FY 2012-13 funded from the BAWSCA General Reserve; and
- \$300,000 for work done in FY 2013-14 as part of the FY 2013-14 budget, but with funding from the General Reserve.

BAWSCA has worked very closely with MWM to refine the scope of work and budget for this Project to produce robust and defensible results, while still remaining very cost-effective. The per-model cost for this Project will be approximately \$12,600. By comparison, if an individual agency were to undertake a similar effort to develop a robust water demand and conservation projection model and associated report, it would typically cost \$50,000 to \$150,000, depending on that agency's size and complexity.

Board Policy Committee Action:

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

Recommendation:

It is recommended that the Board approve of the following actions:

- Authorize the CEO to negotiate and execute a contract with MWM for \$365,000 to provide technical support for the development of Regional Water Demand and Conservation Projections;
- Authorize a transfer of \$65,000 from the BAWSCA General Reserve to fund work performed in FY 2012-13; and
- Include \$300,000 in the proposed work plan for FY 2013-14, with funding from the General Reserve.

Discussion:

In September 2012 the BAWSCA Board unanimously approved the following three recommendations that were presented in the Strategy Phase II A Report:

1. Complete the Reprogrammed Phase II A Work by December 2014.
2. Develop a Plan for a Pilot Water Transfer with EBMUD and/or the Santa Clara Valley Water District (SCVWD).
3. Update the Water Demand and Conservation Projections for BAWSCA Member Agencies Using a Common Methodology.

Updating the water demand and conservation projections for the BAWSCA member agencies using a common methodology was supported by the BAWSCA Board because:

- A more robust and consistent water demand and conservation projection methodology for the BAWSCA member agencies as a whole is necessary for effective planning at the regional level to support future local and regional investment decisions.
- Preparing updated water demand and conservation projections in advance of December 2014 will enable the agencies to use these demand estimates for their 2015 Urban Water Management Plans (UWMPs) and 20 by 2020 assessments. This will increase the level of consistency in regional planning among the BAWSCA member agencies and streamline their 2015 UWMP development process.

The Board's adopted FY 2012-13 work plan included the selection of a projection methodology and consultant associated with Recommendation #3, Update the Water Demand and Conservation Projections for BAWSCA Member Agencies Using a Common Methodology. At the time the Board adopted the FY 2012-13 work plan, it was anticipated that a request for the necessary resources to initiate the Project would be brought to the Board for consideration and action in Spring 2013.

Consultant Selection Process

On October 23, 2012 BAWSCA issued a Request for Proposals for the development of updated water demand and conservation projections for the BAWSCA member agencies. Three proposals were received and two firms were invited to interview on January 8, 2013. The BAWSCA member agencies were included in the consultant selection process as part of an advisory panel that reviewed a summary of the proposals and observed a presentation by the proposing consultants.

Representatives of the following agencies opted to participate in an advisory role in the consultant selection process: Alameda County Water District (ACWD), City of Palo Alto, City of Mountain View, City of Redwood City, Mid-Peninsula Water District, California Water Services Company, City of Hayward, Town of Hillsborough, City of San Jose, and the City of Menlo Park. In addition, representatives from ACWD and the City of Mountain View served on the BAWSCA selection panel.

Based on the proposals, the consultant presentations and interviews, and considering the input of the participating member agencies, the BAWSCA selection panel unanimously concluded that MWM had demonstrated that they were the most qualified and cost-effective firm to complete this Project, and recommended the selection of MWM for this work.

MWM has worked with BAWSCA and the member agencies on multiple occasions to develop regional water demand and conservation projections (e.g., all of the prior BAWSCA regional demand studies cited below in the Background section of this memo). They have a high degree of institutional

knowledge regarding BAWSCA, the member agencies, and the BAWSCA Water Conservation Database. MWM also already has much of the key agency data that will be needed for this Project, which will reduce the coordination and data gathering demands on the agencies and BAWSCA.

Another key to the success of MWM's proposal was the release of their updated model for projecting water demand and conservation potentials. The user-interface of the model has been designed to increase the usability of the model, and new features like the tracking tool have been added that will give agencies the ability to calculate the actual water savings from the conservation activities they have completed. In its updated form, the model will provide lasting value to the member agencies as a tool they can use for robust future water supply planning and for documentation of actual versus planned conservation efforts and water savings.

Agency staff were particularly impressed with the sample results produced by the model and the much-improved user interface.

Scope of Work and Schedule

The proposed Scope of Work for this Project includes:

- Task 1: Data Collection and Verification
- Task 2: Baseline and Future Water Demand Analysis (Including Econometric Modeling)
- Task 3: Water Conservation Analysis (Measure Selection and Program Design)
- Task 4: Agency Coordination
- Task 5: Deliverables (3 Technical Memoranda, Final Report, 29 Models, and a Model User Guide, and tables and charts that agencies can use for SB7X-7, UWMP and other reporting)
- Task 6: Project Management
- Task 7: Individual Agency Option to Pay for Additional Model Development and Support at a Fixed Unit rate

Based on the level of effort needed to complete this Project, the work will extend over 15 months. The completion of this Project by July 2014 is critical to the development of the Final Strategy Report by December 2014. As such, work on this Project must be initiated as soon as possible (i.e., April 2013). Initiating the work in 2013 will also ensure that the BAWSCA agencies have updated water demand and conservation data to support the development of their 2015 UWMPs.

Alternatives to the Recommended Action:

The following alternatives to the recommended actions have been considered:

- Alternative #1: Support the Recommended Actions. An expedited start on the Project will ensure that the updated demand and conservation data are available in time to support the development of the Final Strategy and the Agencies' 2015 UWMPs. **This alternative is recommended.**
- Alternative #2: Reduce the Scope of the Project. In order to reduce the cost of the Project, the Board could opt to remove the individual agency calibration step that is currently included as part of econometric modeling in Task 2. The current scope of the econometric modeling includes evaluating each agencies' historical water use data and quantifying the impacts of weather, economy, price, and conservation on historical water use patterns. By quantifying the impacts of these factors, one can better evaluate how changes or trends in these factors will impact future water use. Eliminating this step would save \$75,000, but would greatly increase the uncertainty associated with the baseline water demands and future water demand projections. *This alternative is not recommended.*

- Alternative #3: Do Not Move Forward With the Recommended Project and Schedule. The development of updated demand and conservation projections for the BAWSCA member agencies using a common methodology was recommended by the BAWSCA Board in 2012 to support effective planning at the regional level and future local and regional investment decisions. In order to complete this Project in time to support the Strategy and the Agency 2015 UWMPs, the work would have to start in April 2013. If the Project is not approved, or the Project start is delayed until July 2013, then the Strategy may not be sufficiently robust to support future decision making or environmental scrutiny, and/or the completion of the Strategy would have to be delayed. *This alternative is not recommended.*

Background:

BAWSCA is currently developing the Long-Term Reliable Water Supply Strategy (Strategy) which is designed to quantify the water needs of the BAWSCA region and identify and implement projects to meet that need. In order to effectively quantify the water supply need, BAWSCA needs to have a reliable means to quantify the water demands and conservation potential for each individual BAWSCA member agency and for the BAWSCA region as a whole.

Most of the BAWSCA member agencies recently developed individual 2010 UWMPs, which were submitted to the California Department of Water Resources (DWR) as required by the Urban Water Management Planning Act. The member agencies' UWMPs relied on multiple projection methods with different levels of refinement regarding their demand and conservation estimates and included different basis for land use and population projections, among other differences. The results are not easily combined for regional planning, as there are different forms of input and output. These differences create a large potential for error when compiling the individual UWMP results to represent regional water demand and conservation estimates.

Other efforts have been successfully conducted in the past related to developing regional demand and conservation projections for the BAWSCA region, including:

- San Francisco Public Utilities Commission (SFPUC) Wholesale Customer Water Demand Projections – URS, November 2004
- SFPUC Wholesale Customer Water Conservation Potential - URS, December 2004;
- Projected Water Usage for BAWSCA Agencies – Brown and Caldwell, November 2006; and
- BAWSCA Water Conservation Implementation Plan – Maddaus Water Management, September 2009.

BAWSCA has worked very closely with MWM refine the scope of work and budget to produce robust and defensible results, while still remaining very cost-effective. The per-model cost for this Project will be approximately \$12,600. By comparison, if an individual agency were to undertake a similar effort to develop a robust water demand and conservation projection model and associated report, it would typically cost \$50,000 to \$150,000, depending on that agency's size and complexity. When San Francisco did this work on behalf of the BAWSCA agencies in 2004, the per-agency model cost was roughly \$24,100 (i.e., a total project cost of \$675,000).

In addition to being a cost-effective way for the agencies to get an updated set of water demand and conservation projections, this Project adds value and benefit to the agencies in the following ways:

- Each agency will get its own user-friendly model that they can use on an on-going basis to support local and regional water supply project and conservation decision making;
- The robust nature of the work will provide strong support environmental documents (e.g., as was evidenced during environmental review of the WSIP PEIR);
- The Project will be completed in time, and specific model outputs will be generated, to support agency reporting for the 2015 UWMPs and 20 by 2020 reports; and
- To the extent that an agency utilizes a different demand projection methodology, this work will at a minimum provide a "check" on the results of those other local demand projection efforts.

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

Agenda Title: **Proposed Fiscal Year 2013-14 Bond Surcharges**

Summary:

This memorandum presents the proposed bond surcharges for each agency for FY 2013-14. The surcharge would go into effect at the beginning July 2013.

BAWSCA's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued to prepay the existing asset payments that the agencies owe San Francisco. The bond transaction and the prepayment program will generate approximately \$62.3 million in net present value savings over the term of the bonds, or about 17% of the \$356.1 million in principal to be prepaid from bond proceeds upon closing at the end of this month. The existing asset payments to San Francisco would stop at the end of June 2013.

From the total proceeds, \$356.1 million will be used to prepay the capital debt, and the rest of proceeds will be used to fund a stabilization reserve, interest on the bonds through October 1, 2013, and the costs of bond issuance.

Board Policy Committee Action:

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

Recommendation:

That the Board approves the proposed bond surcharges for FY 2013-14.

Discussion:

The surcharge for each member agency is a fixed amount each year. The annual surcharges for FY 2013-14 are calculated by multiplying the debt service in FY 2013-14 by each agency's percentage of total wholesale customer purchases in FY 2011-12. One-twelfth of the annual surcharge, or the monthly surcharge, will be included in the first water bill from San Francisco sent to the agencies each month. In the following year, when the actual percentage of water purchases in FY 2013-14 is known, there will be a "true up" adjustment to reflect each agency's actual percentage of water purchases. This surcharge setting conforms to BAWSCA's Revenue Bond Indenture.

The proposed FY 2013-14 bond surcharge for each agency is shown in the Table 1. Table 2 indicates how much the capital recovery payment cost would be (column A) if BAWSCA didn't issue the bonds to prepay the capital debt that the agencies owe to San Francisco, assuming the percentage of water purchases in FY 2011-12. The estimated annual savings to each agency (column C) are calculated accordingly.

In future years, the surcharges may include the costs incurred in connection with the bond administration, which includes the fees to Bank of New York for its Trustee services and the costs of legal and financial analyst support. Pursuant to the Prepayment and Collection Agreement between BAWSCA and San Francisco, future surcharges may also include reimbursement of specific expenses incurred by San Francisco for compliance with tax-exempt regulations. Such costs are estimated to be no more than \$30,000 a year, which represents 0.12% of the average annual debt service of the bonds.

At the February 13th BPC meeting, Director Weed asked if BAWSCA is entitled to the interests earned from the \$370 million between the time of the bond issuance to the payment to San Francisco. The answer is member agencies are entitled to the interests. The interests earned from the proceeds were deposited directly in a Trustee account.

Table 1. Proposed FY2013-14 Bond Surcharges

Agency	Annual Surcharge (Dollars)	Monthly Surcharge (Dollars)	Agency	Annual Surcharge (Dollars)	Monthly Surcharge (Dollars)
Alameda County WD	1,381,008	115,084	Mid Pen WD	500,087	41,674
Brisbane Water	51,307	4,276	Millbrae	361,319	30,110
Burlingame	710,442	59,203	Milpitas	1,057,528	88,127
Coastside County WD	281,454	23,455	Mountain View	1,492,817	124,401
CWS - Bear Gulch	1,997,787	166,482	North Coast WD	502,034	41,836
CWS - Mid Peninsula	2,417,837	201,486	Palo Alto	1,942,943	161,912
CWS - South SF	1,202,618	100,218	Purissima Hills WD	314,145	26,179
Daly City	617,148	51,429	Redwood City	1,544,344	128,695
East Palo Alto WD	332,523	27,710	San Bruno	340,700	28,392
Estero Municipal ID	692,518	57,710	San Jose (North)	747,164	62,264
Guadalupe Valley	47,084	3,924	Santa Clara	319,014	26,585
Hayward	2,658,912	221,576	Stanford University	367,446	30,621
Hillsborough	552,293	46,024	Sunnyvale	1,539,526	128,294
Menlo Park	549,156	45,763	Westborough WD	153,661	12,805
Total				24,674,815	2,056,235

Table 2. Estimated Annual Savings to Each Agency

Agency	Capital Recovery Payment	Annual Bond Surcharge	Annual Savings	Agency	Capital Recovery Payment	Annual Bond Surcharge	Annual Savings
	A	B	C = A - B		A	B	C = A - B
Alameda County WD	\$1,578,307	\$1,381,008	\$197,299	Mid Pen WD	\$571,533	\$500,087	\$71,445
Brisbane Water	\$58,637	\$51,307	\$7,330	Millbrae	\$412,939	\$361,319	\$51,620
Burlingame	\$811,940	\$710,442	\$101,498	Milpitas	\$1,208,612	\$1,057,528	\$151,084
Coastside County WD	\$321,664	\$281,454	\$40,210	Mountain View	\$1,706,089	\$1,492,817	\$213,272
CWS - Bear Gulch	\$2,283,202	\$1,997,787	\$285,415	North Coast WD	\$573,758	\$502,034	\$71,724
CWS - Mid Peninsula	\$2,763,263	\$2,417,837	\$345,426	Palo Alto	\$2,220,522	\$1,942,943	\$277,580
CWS - South SF	\$1,374,430	\$1,202,618	\$171,813	Purissima Hills WD	\$359,025	\$314,145	\$44,881
Daly City	\$705,317	\$617,148	\$88,169	Redwood City	\$1,764,978	\$1,544,344	\$220,634
East Palo Alto WD	\$380,029	\$332,523	\$47,506	San Bruno	\$389,374	\$340,700	\$48,674
Estero Municipal ID	\$791,455	\$692,518	\$98,937	San Jose (North)	\$853,908	\$747,164	\$106,744
Guadalupe Valley	\$53,810	\$47,084	\$6,727	Santa Clara	\$364,590	\$319,014	\$45,576
Hayward	\$3,038,780	\$2,658,912	\$379,867	Stanford University	\$419,942	\$367,446	\$52,496
Hillsborough	\$631,197	\$552,293	\$78,904	Sunnyvale	\$1,759,472	\$1,539,526	\$219,946
Menlo Park	\$627,612	\$549,156	\$78,456	Westborough WD	\$175,614	\$153,661	\$21,953
Total					28,200,000	24,674,815	3,525,185

Attachments:

Copy of January 31st email to BAWSCA member agencies

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TO: BAWSCA Board Members
Agency Appointed Financial Representatives

CC: Financing Team, Water Management Representatives

FROM: Art Jensen, CEO

DATE: January 31, 2013

SUBJECT: Results of BAWSCA Revenue Bonds Sale

I am extremely pleased to report that the pricing of BAWSCA's Revenue Bond Series 2013A and Series 2013B (Taxable) was completed today as planned.

The bond transaction and the payment program will generate approximately \$ 62.3 million in net present value savings over the term of the bonds, or about 17% of the outstanding debt expected to be prepaid. These savings are significantly larger than our pre-market conservative estimates for a variety of reasons, including structural details, aggressive marketing and favorable market conditions.

The total bonds were issued in par amount of \$335.8 million at a blended interest rate of 3.14%. The blended interest rate reflects the 3.03% average interest rate on the Series 2013A tax-exempt bonds and the 3.46% average interest rate on the Series 2013B taxable bonds.

Among the total proceeds, \$356.1 million will be used to prepay the capital debt that the agencies owe San Francisco, and the rest of proceeds will be used to fund a stabilization reserve, interest on the bonds until surcharges are collected, and the costs of bond issuance.

The final bond structure is attached.

In Millions		
Bond Proceeds	Total Par Amount	\$335.8
	Premium	\$42.4
	Total Proceeds	\$378.2
Prepayment Funds	Tax-Exempt Proceeds	\$269.6
	Taxable Proceeds	\$86.5
	Total Proceeds Paid to SFPUC	\$356.1
Capitalized Interest	Interest Funded by Proceeds	\$8.0
Cost of Issuance	Cost of Issuance (From Bond Proceeds)	\$1.8
Reserves	Stabilization Fund (From Bond Proceeds)	\$12.3
Savings	PV Savings for All Members over Bond term	\$62.3
Term	Term of Bonds	Through 2034

This is an important achievement for the agency, its members and their customers. I congratulate the Board for its role in obtaining this result and BAWSCA's member agencies for their unanimous participation. Of course the real beneficiaries will be the water customers, who ultimately benefit from the incremental savings through future water rates.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Item: **Resolution Appointing John Ummel as Temporary Senior Administrative Analyst Emeritus**

Summary:

As required by PERS, Board findings are required before John Ummel, retired from BAWSCA, can be reappointed to the temporary position of Senior Administrative Analyst Emeritus to provide BAWSCA with essential services.

Fiscal Impact:

Funds are available for FY 2012-13. The proposed FY 2013-14 budget will include the expected necessary funding.

Board Policy Committee Action:

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

Recommendation:

That the Board adopt the attached resolution approving the reappointment of John Ummel to the temporary position of Senior Administrative Analyst Emeritus, and making associated findings in support of such an appointment.

Discussion:

Although John Ummel has retired from BAWSCA, his services continue to be necessary in order to effect a smooth transition to his successor, without jeopardizing BAWSCA's ability to review and audit issues relative to the wholesale water purchase agreement with San Francisco.

The California Government Code allows the temporary employment of a PERS covered retiree only under specified conditions, and only if the person works no more than 960 hours per fiscal year. The attached resolution includes findings that the Board must adopt in order for the CEO to appoint John Ummel to a temporary position for no longer than one year in compliance with all legal requirements.

Attachments:

1. Resolution for the temporary appointment of John Ummel as Senior Administrative Analyst Emeritus.

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RESOLUTION NO. 2013-____
BY THE BOARD OF DIRECTORS OF THE
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

TEMPORARY APPOINTMENT OF JOHN UMMEL
AS SENIOR ADMINISTRATIVE ANALYST EMERITUS

WHEREAS, the Bay Area Water Supply and Conservation Agency ("BAWSCA") is organized and established pursuant to the Bay Area Water Supply and Conservation Agency Act, Water Code section 81300, et seq. (the "Act"); and

WHEREAS, section 81408 of the Act authorizes the Board of Directors of BAWSCA (the "Board") to (i) employ employees that it determines are necessary or convenient to operate BAWSCA, and (ii) delegate that authority to the Chief Executive Officer and General Manager of BAWSCA (the "Chief Executive Officer") with respect to the employment of additional employees; and

WHEREAS, the Chief Executive Officer wishes to temporarily appoint John Ummel (the "Appointee") to the position of Senior Administrative Analyst Emeritus; and

WHEREAS, the Appointee is a retired annuitant entitled to receive retirement benefit payments under the California Public Employees' Retirement System ("PERS"), which benefits he accrued based on service with one or more PERS-covered agencies; and

WHEREAS, BAWSCA contracts with PERS to provide retirement benefits to its eligible employees; and

WHEREAS, the California Government Code ("Code") generally requires that a retired PERS annuitant be reinstated to active PERS membership upon employment by a PERS-covered agency, unless he is temporarily appointed by the agency's appointing authority under section 21224 of the Code, which exempts a retired PERS annuitant from the reinstatement requirement if (i) he is temporarily appointed because he "... has specialized skills needed in performing work of limited duration," (ii) he works no more than 960 hours per fiscal year for all PERS-covered employers, (iii) his rate of pay is neither less than nor more than that paid by the agency to any of its other employees who perform comparable duties, and (iv) he has not received unemployment compensation arising out of any prior employment subject to these requirements with the same employer during the 12-month period preceding his appointment; and

WHEREAS, the Board has determined that the Appointee has the skills needed in performing work as Senior Administrative Analyst Emeritus for a limited term of no more than one year and intends that his appointment to that position for such term meet this and all other applicable requirements of section 21224 of the Code.

NOW THEREFORE BE IT RESOLVED, that subject to BAWSCA's customary employment practices and the specific terms and conditions of any offer of employment by BAWSCA to the Appointee in connection therewith, the Board hereby approves the appointment of the Appointee to the position of Senior Administrative Analyst Emeritus for up to a one-year term, effective upon appropriate action by the Chief Executive Officer; and

RESOLVED FURTHER, that in accordance with section 21224 of the Code:

1. the Board finds and declares that the that the Appointee possesses extensive, highly specialized skills and experience needed to continue to effect a smooth transition to his successor, without jeopardizing BAWSCA's ability to review and audit issues relative to the wholesale water purchase agreement with San Francisco;
2. the Appointee's appointment to the position of Senior Administrative Analyst Emeritus will not exceed 960 hours in any fiscal year for all PERS-covered agencies;
3. the Appointee's rate of pay as Senior Administrative Analyst Emeritus will be neither less than nor more than that of any of BAWSCA's other employees who perform comparable duties;
4. the Appointee has not received any unemployment compensation arising out of his prior employment with BAWSCA during the 12-month period preceding his appointment; and
5. subject to BAWSCA's customary employment practices, including "at-will" employment, the appointment of Appointee as Senior Administrative Analyst Emeritus will continue only until the earlier of: (i) the end of the appointment's one-year term, or (ii) termination of the Appointee's employment by either BAWSCA or the Appointee for any other reason.

FURTHER RESOLVED, that the Chief Executive Officer is hereby authorized and directed to execute all documents and take all other actions necessary or advisable to effect the purposes of this resolution.

PASSED AND ADOPTED this ____ day of _____, 2013, by the following vote:

AYES:

NOES:

ABSENT:

Chair, Board of Directors
Bay Area Water Supply and
Conservation Agency

ATTEST:

Secretary

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Results of Other Post-Employment Benefits Evaluation**

Summary:

This memorandum presents the results of an evaluation of Other Post-Employment Benefits (OPEB) obligations as of July 1, 2012.

In response to a suggestion from Director Weed, BAWSCA had an OPEB evaluation done by North Bay Pensions in March 2013. The objective of the evaluation was to determine the best estimate of the retiree medical liability as of July 1, 2012 and how much BAWSCA would need to set each year to fully fund that liability.

The Annual OPEB Cost for FY 2012-13 is \$160,469 and \$165,612 for FY 2013-14.

Board Policy Committee Action:

The evaluation was completed on March 3, 2013. This item was not presented at the February 13th Board Policy Committee meeting.

Recommendation:

This is an informational item. Board comments would assist staff in preparing a specific recommendation for discussion with the Board Policy Committee in April.

Discussion:

Government Accounting Standards Board (GASB) No. 45 requires that public entities measure and report the long-term costs of non-pension retiree benefits, or OPEB. Medical coverage is the only OPEB offered by BAWSCA to its retirees. Currently, BAWSCA uses a pay-as-you-go approach to fund the retiree medical benefits.

BAWSCA's current pay-as-you-go amount for two existing retirees' medical benefits is estimated to be \$30,978 for FY 2012-13. In FY 2016-17, the pay-as-you-go amount is projected to be \$46,933.

The "Annual OPEB Cost" consists of the pay-as-you-go costs for current retirees plus an increase in Net OPEB Obligation to cover medical benefits earned by current employees. The latter amount is projected to be \$129,491 for FY2012-13, and grows to \$134,024 in FY 2016-17.

These obligations, if not set aside, would accumulate. By the year 2016-17, the projected cumulative Net OPEB Obligation is projected to be about \$650,000. There are several options available for funding these obligations, including:

1. Continue the pay-as-you-go approach with an increasing amount each year.
2. Increase the annual budget by an amount sufficient to fund all or apart the Annual OPEB Cost.
3. Increase the Operating budget and deposit funds in an irrevocable trust to fund all or a part of the Annual OPEB Cost.

In addition, a portion of the General Reserve balance could be used to fund an initial portion of this obligation.

Following input from the Board and Board Policy Committee, staff could further evaluate these or other alternatives and bring the Board a recommendation at the May Board meeting.

SFPUC OPEB. Staff has also asked how the SFPUC funds its OPEB obligations, as that obligation could have a potentially significant impact on costs to BAWSCA member agencies. The SFPUC reports that the Water Enterprise's current Unfunded Actuarial Accrued Liability (UAAL) is about \$200,000,000, and it covers its OPEB obligations on a pay-as-you-go process through the water rates. By comparison, BAWSCA's current Unfunded Actuarial Accrued Liability (UAAL) is projected as \$1,371,709 for fiscal year 2012-13, as stated above. The SFPUC's Water Enterprise's Net OPEB Obligation as of June 30 2012 is \$73,000,000. For comparison, BAWSCA's Net OPEB Obligation is \$129,491 for FY 2012-13.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Preliminary Fiscal Year 2013-14 Work Plan and Budget**

Summary:

This memorandum presents the preliminary results to be achieved, a preliminary Operating Budget estimate, a preliminary assessment of how the work could be funded, and specific budget issues requiring input from the Board. As was done last year, this memorandum includes additional detail in appendices.

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

This memorandum presents four alternatives for initial consideration, including a recommended alternative. The alternatives differ in terms of which results are produced by the Work Plan and what resources are used to achieve results. One alternative results in three positions being allocated a total of 8,871 hours, equivalent to over 4.5 Full Time Equivalents (FTE). A second alternative eliminates results from the Work Plan to make the work load match existing staff resources. The remaining two alternatives present ways to provide additional resources to achieve the full Work Plan. The advantages and disadvantages of each alternative are presented.

The recommended alternative (Alternative 3) requires hiring a junior-level staff person and is the lowest-cost alternative that completes the full Work Plan. Challenges that must be addressed over the next five to ten years demonstrate continued need for the position.

The preliminary estimate for the next year's Operating Budget associated with the recommended alternative is \$3,116,188. Of this amount, \$300,000 is for a one-time cost. The budget could be funded without increasing assessments for the fifth year in a row. However, budget adjustments, historical levels of spending, and the level of assessments need to be considered in managing the General Reserve balance over the next several years.

Board Policy Committee Action:

The Preliminary Work Plan and Budget were presented to the Committee for discussion and comments. No Committee action was requested. Committee members supported the Preliminary Work Plan and the results to be achieved in FY 2013-14. Committee members expressed support for the recommended alternative, including the new position. Committee members questioned whether the allowance for merit increases could be supported at this time. Clarifying questions raised by the Committee are addressed in this memo.

Recommendation:

That the Board provide comments and suggestions concerning the results to be achieved, the preliminary Operating Budget estimate, the recommended alternative, and alternatives for funding the budget and managing the General Reserve.

Preliminary Work Plan:

Next year's preliminary Work Plan addresses all of the ten forward-looking issues discussed with the Board Policy Committee in December and with the Board in January.

Major efforts included in the Work Plan and that affect the Operating Budget are:

- Ongoing oversight of the San Francisco's WSIP
- Pursuing legislation to extend State oversight of San Francisco's progress implementing the WSIP
- Administering BAWSCA's bonds during the first year of the surcharge and bond payments
- Actively participating in the relicensing of New Don Pedro Reservoir to protect regional water supplies
- Completing the development of updated water demand projections
- Completing the Long-Term Reliable Water Supply Strategy
- Completing initial actions to improve drought reliability.

Table 1 lists all of the major results to be achieved. The activities are grouped according to the agency goals they support.

Table 2 lists the items that are not included in the preliminary budget. Any of these items could be added at a later date, if needed.

In developing the preliminary Work Plan, several activities were identified that could be performed by BAWSCA to the benefit of the agency and its members but that are not included in the preliminary Work Plan as they are not critical to the agency achieving its state mandated mission and purpose. At the request of the Committee, this information is presented in Appendix J to this memo.

Reduced Schedule Flexibility: During the past two years it has been possible to defer action on some work because deadlines were more distant. The flexibility in deadlines no longer exists in the following areas:

- Continued oversight of the WSIP is vital during the completion of projects and activities related to achieving Levels of Service goals.
- Legislation to extend State oversight of the WSIP must be introduced and passed during FY 2013-14 or the existing sunset clause would take effect January 1, 2015.
- The SFPUC has developed an ongoing Capital Improvement Program to follow completion of the WSIP. Review and comment, particularly at the initial stage, is vital to ensure that only value-added projects are pursued and that critical capital investments are not deferred.
- FERC will complete the relicensing of New Don Pedro Reservoir by 2016. Review and production of documents and testimony will begin this calendar year.
- Updated regional water demand projections are needed to complete the Long-Term Reliable Water Supply Strategy on schedule, and for input to agency Urban Water Management Plans in 2015.

- Regional conservation programs provide effective programs at reduced cost to members, and enable agencies to leverage the effectiveness of their existing staff.
- Coordinated support for current and future Integrated Regional Water Management Plan (IRWMP) grant funds enable member agencies to fund conservation and recycling projects that might otherwise be infeasible.

Long-term Budgeting Implications: Many of these activities will extend for five or more years, and others will be replaced with other activities between now and 2018 to 2020.

BAWSCA's oversight of the WSIP will extend to 2016, when most of the projects are completed, and to 2018 when the Calaveras Dam project is completed. BAWSCA's input to, and oversight of the SFPUC's ongoing CIP will continue indefinitely, as it did prior to 1995.

The FERC relicensing work will continue at least through 2016, assuming the deadline is not extended by FERC, and that opponents to the license do not initiate legal action.

In 2018, the SFPUC must make decisions related to future supply of water to all Wholesale Customers, as well as to San Jose and Santa Clara. Also in 2018, the agreement among Wholesale Customers for allocating SFPUC water during drought will expire and will need to be renegotiated. Prior to 2018, significant efforts will need to begin to examine these decisions, evaluate alternatives, and represent the interests of member agencies in the decisions made by San Francisco. BAWSCA should also expect to facilitate the development of the drought allocation agreement, as BAWSCA has, twice before.

In response to questions from the Committee, further detail on the future challenges between now and 2035 to be faced by BAWSCA, its member agencies, and their customers that were identified and reviewed as part of the FY 2013-14 preliminary Work Plan development are presented Table 3.

Budget Assumptions: The list of results to be achieved and the preliminary budget assume the Board authorizes the consultant contract to begin development of updated water demand projections at the March 21, 2013 Board meeting.

One item specifically not included in the preliminary Work Plan or preliminary Operating Budget is any work associated with implementation of a short-term pilot water transfer with East Bay Municipal District (EBMUD) in FY 2013-14 or FY 2014-15. Given current hydrologic conditions and available water supplies, neither SFPUC nor EBMUD anticipate mandatory drought cutbacks. Water supply conditions will be reviewed as part of the FY 2013-14 mid-year budget discussions (December 2013/January 2014) allowing sufficient time to increase resources in Spring 2014 if next winter is so dry that the SFPUC's supplies would be insufficient to meet agency needs.

Alternatives associated with salaries and benefits are presented in the memo. Other budget details and historical budget information is included in the appendices to this memo.

Table 1. Results to be Achieved in FY 2013-14

RELIABLE SUPPLY - WATER SUPPLY MANAGEMENT PROGRAM

- 1. Long-Term Supply Solutions: Ensure a Reliable, High Quality Supply of Water is Available Where and When Needed.**
 - a. Reliable Water Supply Strategy – Continue work to complete Strategy by December 2014. Work will include groundwater supply evaluation, evaluation of project portfolios to meet updated supply needs, and the presentation of policy decisions for board consideration including drought level of service.
 - b. Drought Reliability – Pursue planning for projects that would enhance near-term drought reliability for all agencies. Implementation of a pilot water transfer is not included but would be reviewed in December 2013 as part of mid-year budget review.
 - c. Consistent and Defendable Regional Planning – Develop updated water demand projections, estimates of current conservation savings, and identification of conservation savings potentials for each BAWSCA member agency through 2040 using a uniform method.
- 2. Near-term Supply Solutions: Water Conservation**
 - a. Implement Core Water Conservation Programs - Programs that benefit all customers.
 - b. Implement Subscription Water Conservation Programs - Rebate and other programs that benefit, and are paid for by, agencies that subscribe for these services.
- 3. Facility Reliability: Monitor the SFPUC's Water System Improvement Program/10-Year Capital Improvement Program**
 - a. Monitor WSIP scope, cost and schedule as San Francisco continues an aggressive construction schedule through 2015 - Press the SFPUC and the city's political leadership to meet the city's adopted schedule, satisfy the requirements of AB 1823 and respond promptly to BAWSCA's reasonable requests. Focus resources on monitoring project and program performance during construction.
 - b. Pursue legislation to modify current sunset clause and extend State oversight on WSIP implementation
 - c. Review and monitor SFPUC's Regional 10-Year Capital Improvement Program to ensure that identified projects and programs meet the needs of the BAWSCA member agencies in a cost-effective and appropriate manner. Some of the consultant resources currently being utilized as part of BAWSCA's WSIP review will aid in this effort.
- 4. Protect Members' Interests in a Reliable Water Supply**
 - a. Proponents of draining Hetch Hetchy Reservoir – Continue to assess potential significance and risks associated with “legal and congressional” actions that might be taken by proponents.
 - b. FERC – Ensure resources for legal and technical monitoring and intervention in the FERC Re-licensing of New Don Pedro Reservoir are sufficient to protect the customers' long-term interests in Tuolumne River water supplies.
 - c. SFPUC water transfer – Protect members' water supply and financial interests as SFPUC continues to pursue securing a water transfer to meet WSIP LOS goals.
- 5. Take Actions to Protect Members' Water Supply Interests in the Administration of the 2009 Water Supply Agreement**
 - a. Pursue amendment of the Tier 1 drought allocation formula with SFPUC.

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

- a. Implement use of Proposition 84 grant funds awarded for water conservation programs.
- b. Secure new Proposition 84 Round 2 grant funds as appropriate for water conservation programs.
- c. Investigate the potential for additional grant funds to support the implementation of the Strategy.

7. Reporting and Tracking of Water Supply and Conservation Activities

- a. BAWSCA Annual Survey
- b. BAWSCA Annual Water Conservation Report
- c. Water Conservation Database

FAIR PRICE

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

- a. Administer the Water Supply Agreement with San Francisco to protect interests of members and their customers in a fair price for water purchased from San Francisco.
- b. Administer bonds issued by BAWSCA to retire capital debt owed to San Francisco.
- c. Coordinate input to goals and objectives for future examination of alternative wholesale water rate structures and potential relationship to alternative retail rate structures Member Agencies might consider to stabilize water rates and water revenues.

HIGH QUALITY WATER

9. Support Member Agencies in Receiving Reliable Communication of Water Quality Issues

- a. Coordinate member agency participation in Water Quality Committee established by the 2009 Water Supply Agreement to ensure it addresses Wholesale Customer needs.
- b. Review and act on, if necessary, State legislation affecting water quality regulations.

AGENCY EFFECTIVENESS

10. Maintain Community Allies and Contacts with Environmental Interests

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

11. Manage the Activities of the Agency Professionally and Efficiently

Table 2: Activities Not Included in Proposed Operating Budget for FY 2013-14

Reliable Supply

1. Implement a pilot water transfer with EBMUD in FY 2013-14 or FY 2014-15, following completion of the pilot transfer plan.
2. Engage in extended or complex applications for grant funds. Application for water conservation grants will continue to be made through or with the Bay Area Water Agency Coalition, the California Urban Water Conservation Council or other agencies.
3. Introduce major new legislation or supporting/opposing legislation initiated by others. If needed, the agency could support major legislative efforts by redistributing resources, using the contingency budget or accessing the general reserve, subject to prior Board approval.

Fair Price

4. Evaluate potential economic or water supply impacts of State efforts to fix the Delta and other State water management projects.
5. Develop alternative wholesale rate structures that the SFPUC might consider. Actions will be limited to facilitating communication with SFPUC, development of goals and objectives relevant to Wholesale Customers, and addressing the potential relationship to alternative retail rate structures Member Agencies might consider to stabilize water rates and water revenues.
6. Arbitrate issues related to the 2009 Water Supply Agreement.

High Water Quality

7. Perform technical studies of water quality or San Francisco's treatment of the water it delivers to the BAWSCA agencies.
8. Advocate changes to water quality regulations or the manner in which San Francisco treats water for drinking and other purposes.

Agency Efficiency

9. Add resources to support additional Board, Board committee or technical committee meetings.
10. Conduct tours of member agency facilities to acquaint Board members with potential supply projects and their neighboring jurisdictions, *other than through co-sponsoring tours with San Francisco.*

Table 3 lists major activities over the next 20 years that will require coordinated action by BAWSCA and its member agencies to protect water reliability, quality and fair price.

These results will take the form of agreements, legislation or other legally enforceable work products. Development of these documents will result from skilled negotiations based on rigorous investigations of impacts and alternatives, costs, cost allocation and other matters.

**Table 3. Future Challenges Facing BAWSCA, Member Agencies,
and Their Customers**

Year or Period	Major Challenges or Issues
2013 to 2015	<ul style="list-style-type: none">• Protect health and safety through legislation that amends the California Water Code to extend State oversight of the WSIP until completion of the WSIP (FY2013-14)• Administer repayment and reporting of BAWSCA's 2013 bonds• Complete development of BAWSCA's Long-Term Reliable Water Supply Strategy (December 2014)• Represent member agencies in Federal relicensing of New Don Pedro and to protect SFPUC supplies (2015-16)• Produce regional water demand projections using a uniform method• Amend Tier 1 drought allocation formula with San Francisco• Provide additional drought protection to protect BAWSCA member agencies from excessive economic impacts• Ensure new water supplies or transfers are brought on line to meet the needs of agencies that require additional water• Protect customers from legal and legislative efforts to draining Hetch Hetchy that disregard their interests in reliability, quality and cost
2016 to 2020	<ul style="list-style-type: none">• Continue representing members' interests in reliable supplies through FERC issuance of an new license for New Don Pedro in 2016• Conduct investigations and advocate appropriate positions prior to San Francisco deciding whether or not to make San Jose and Santa Clara permanent Wholesale Customers by 2018• Conduct investigations and advocate appropriate positions prior to San Francisco deciding whether to provide more than 184 mgd to Wholesale Customers and whether or not to increase the perpetual Supply Assurance by 2018• Ensure San Francisco maintains its Tuolumne River water rights• Enforce the Water Supply Agreement to ensure San Francisco meets its water supply, quality, maintenance and reporting commitments• Assist member agency negotiation of a new Tier 2 drought allocation formula by preparing and analyzing alternatives, facilitating agreement and producing legal documents before the existing one expires at the end of 2018
2021 to 2035	<ul style="list-style-type: none">• Ensure new water supplies are on line to meet future needs that are not met by San Francisco• Extend or renegotiate the Water Supply Agreement before it expires in 2034

Work Plan and Budget Alternatives Examined

In developing the preliminary Operating Budget, a level of staff effort (in hours) and consultant effort (in dollars) was developed for each Work Plan item. When completed, the resulting staff loads were examined to evaluate the availability and allocation of staff resources to achieve the Work Plan.

The initial evaluation of the resources necessary to achieve the preliminary Work Plan showed that three staff positions were allocated hours at significantly in excess of a Full Time Equivalent (FTE):

- CEO/General Manager budgeted at 150% of an FTE.
- Water Resources Planning Manager budgeted at 164% of an FTE; and
- Water Resources Planner budgeted at 148% of an FTE.

Combined, this represents budgeted workload of 4.5 FTE for these three existing positions. This level of staff loading is infeasible and is not recommended. Reductions to the Work Plan and alternative resources were examined to resolve this problem.

The following four alternatives were evaluated:

Alternative 1: The Initial Work Plan and Operating Budget (Infeasible staff loading)

Alternative 2: Reduced Work Plan (Balanced staff loading)

Alternative 3: New Junior Level Staff Position (Balanced staff loading) -- RECOMMENDED

Alternative 4: Increased Use of Consultants (Balanced staff loading)

These four alternatives are presented below, with an evaluation of their advantages and disadvantages. A detailed budget is presented for the recommended alternative.

Alternative 1: The Initial Work Plan and Operating Budget (Infeasible Staff Loading)

This alternative retains the entire proposed Work Plan and relies on existing staff resources. In this alternative, additional consultant resources were added to complete discrete tasks as appropriate and achievable, but not to serve as ongoing extensions of staff.

For this alternative, budgeted work effort for the combined CEO/General Manager, Water Resources Planning Manager, and Water Resources Planner positions is in excess of an additional 4.5 FTE for these three positions

The breakdown of the budget for Alternative 1 is shown below:

<u>Alternative 1</u>	
Consultants/Direct Expenses	\$1,475,162
Administration Expenses/Other	\$1,468,043
<u>Contingency</u>	<u>\$ 57,500</u>
Total Operating Expenses	\$3,000,705

This alternative is not recommended, because the results could not be reliably achieved and decreased quality of work would adversely affect the long-term, integrity of the agency.

Alternative 2: Reduced Work Plan (Balanced Staff Loading)

The initial Work Plan was reviewed to determine if some work could be delayed or the effort reduced to achieve balance with available staff resources. As noted above, the ability to defer work to a subsequent fiscal year is extremely limited.

For Alternative 2, the following items have been removed from the preliminary Work Plan:

- All staff effort related to technical aspects of FERC relicensing of New Don Pedro Reservoir. Estimated reduction is 400 staff hours. Legal support remains in the budget.
- Staff and consultant review of the SFPUC's 10 Year CIP (current budget=\$497M). Estimated reduction is 350 staff hours.
- Core water conservation programs (e.g. regional outreach to support conservation and education, Silicon Valley Water Conservation Awards) except the Landscape Education Program and Water Conservation Database. Estimated reduction is 360 staff hours.
- New "Home Water Use Reports" water conservation program. Estimated reduction is 250 staff hours.
- Support for and use of current and future Integrated Regional Water Management Plan (IRWMP) grant funds. Estimated reduction is 148 staff hours.

Advantages of Alternative 2:

- Would not increase the size of BAWSCA staff
- Least cost preliminary Operating Budget

Disadvantages of Alternative 2:

- Limits input to New Don Pedro FERC relicensing to legal counsel support. Unable to ensure that documents and testimony by the SFPUC, environmental interests and FERC accurately portray the value of the water supply to the member agencies and the financial and other impacts that might result from changes to the supply and decreases in water supply reliability
- No oversight of SFPUC's 10-year CIP, of which BAWSCA agencies will pay two-thirds. This adverse impact would be expected to continue in future years.
- Immediate loss of current IRWMP grant monies available to BAWSCA member agencies (\$400K) and loss of future anticipated grant monies (estimated at \$1M)
- No regional support for BAWSCA's water conservation programs and regional outreach to schools in conjunction with other agencies
- Requires removal of significant work items from future Work Plans unless a future decision were made to add staff or consultant resources (Alternative 3 or 4), because these and other activities are projected to continue for the next 5-10 years.

The breakdown of the budget for Alternative 2 is shown on the next page.

<u>Alternative 2</u>	
Consultants/Direct Expenses	\$1,327,162
Administration Expenses/Other	\$1,468,043
<u>Contingency</u>	<u>\$ 57,500</u>
Total Operating Expenses	\$2,852,705

**Alternative 3: New Junior Level Staff Position (Balanced Staff Loading) --
RECOMMENDED**

In this alternative, additional junior-level water resources staff person was added to implement portions of the preliminary Work Plan. In adding this new staff person, the work load was re-distributed to get maximum value from persons with high levels of expertise (the CEO/GM, Water Resources Manager, and current Water Resources Planner) and to assign lower-level water resources planning tasks to the junior-level staff person. These assignments decreased the over-allocation of hours to 100 - 135% of an FTE. The level of work assigned to the new staff person is 106% of an FTE.

In looking at the long-range horizon of work identified by BAWSCA to be performed between now and 2020-2022 time period, this alternative provides resources that can continue to be fully utilized.

Advantages of Alternative 3:

- Provides necessary resources to complete full preliminary Work Plan for FY 2013-14
- Provides resources to meet planned needs in upcoming 5-10 years based on long-term planning horizon and known activities: e.g. FERC, increasing drought reliability, monitoring SFPUC's WSIP and CIP, decisions pending between 2016 and 2020
- Takes advantage of current staff capabilities while allowing a junior-level staff person to perform appropriate level work
- Less costly than using consultant to perform similar work
- Provides staff continuity for work anticipated over the next, at least, 5-10 years

Disadvantages of Alternative 3:

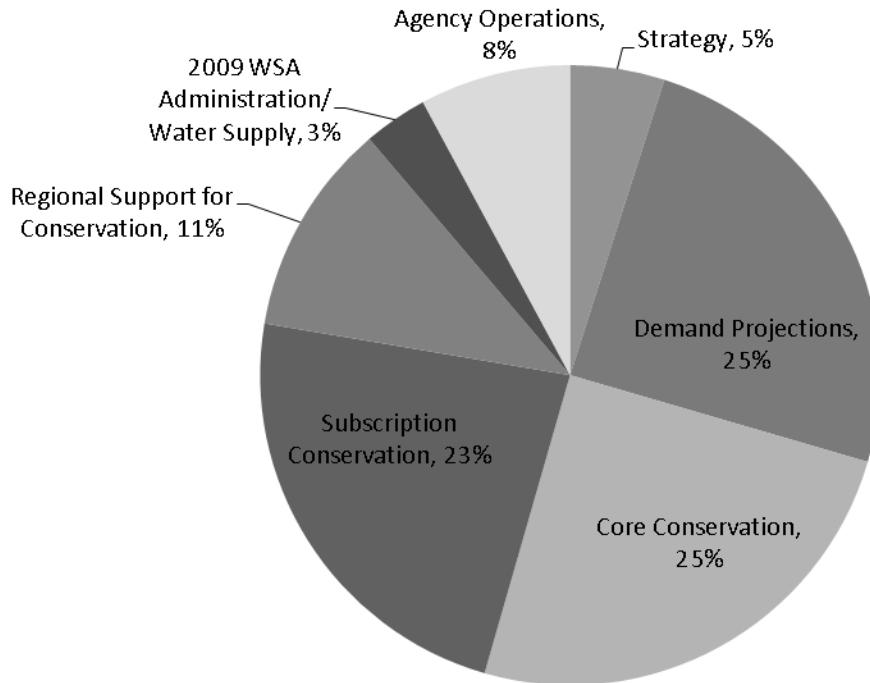
- Increases the preliminary Operating Budget by an estimated \$140,000 (for salary and benefits)

The breakdown of the budget for Alternative 3 is shown below:

<u>Alternative 3</u>	
Consultants/Direct Expenses	\$1,453,162
Administration Expenses/Other	\$1,600,126
<u>Contingency</u>	<u>\$ 57,500</u>
Total Operating Expenses	\$3,116,188

In response to Committee questions, Figure 1 below presents the estimated allocation of hours to major work plan activities for the proposed new staff position.

Figure 1: Alternative 3 - Allocation of Proposed New Staff Person to Major Activity Areas



Alternative 4: Increased Use of Consultants (Balanced Staff Loading)

This alternative relies on a consultant in the role of extended staff to balance the resource needs to implement the preliminary Work Plan. This arrangement was used during an approved, short-term staff leave two years ago.

Advantages of Alternative 4:

- Provides resources necessary to implement preliminary Work Plan
- Does not increase BAWSCA staff size

Disadvantages of Alternative 4:

- Only addresses the resource imbalance for FY 2013-14
- Requires the largest budget for consultant expenses
- Impossible to guarantee commitment of dedicated individual for BAWSCA use, especially in subsequent years
- Limited role of BAWSCA in assessing and affecting individual performance and productivity

The breakdown of the budget for Alternative 4 is shown on the next page:

<u>Alternative 4</u>	
Consultants/Direct Expenses	\$1,727,362
Administration Expenses/Other	\$1,468,043
<u>Contingency</u>	<u>\$ 57,500</u>
Total Operating Expenses	\$3,252,905

Conclusions: Given the relative advantages and disadvantages noted above, Alternative 3, performing the full Work Plan with the addition of a junior level staff position is recommended. This alternative performs the full Work Plan at the lowest cost.

A detailed budget estimate for this alternative is presented below.

Recommended Preliminary Operating Budget Estimate:

The preliminary Operating Budget estimate presented below reflects Alternative 3 which includes the full Work Plan and the addition of a junior level staff position.

**Table 4. Recommended Preliminary Operating Budget Estimate
by Major Expenditure Category**

Cost Category	Approved FY 2012-13 Budget, dollars*	Preliminary Estimate FY 2013-14 Budget, dollars	Difference, dollars
Consultants/ Direct Expenditures			
Reliability	965,162	1,126,662	161,500
Fair Pricing	210,000	247,500	37,500
Administration	91,000	79,000	(12,000)
<i>Subtotal</i>	1,266,162	1,453,162	187,000
Administration			
Employee Salaries & Benefits	1,099,742	1,308,526	208,784
Operational Expenses	280,600	290,500	9,900
BAWUA	1,100	1,100	0
<i>Subtotal</i>	1,381,442	1,600,126	218,684
Total Operating Expenses	2,647,604	3,053,288	405,684
Capital Expenses	4,000	4,000	0
Budgeted Contingency	62,500	57,500	(5,000)
Regional Financing Authority	1,400	1,400	0
Grand Total	2,715,504	3,116,188	400,684

*As amended by the Board on September 20, 2012.

Explanation and Alternatives for Salaries and Benefits:

The increase in salaries and benefits of \$208,784 reflects the following changes:

a. An allowance for salary and benefits for a new position	\$140,000
b. Correction to FY 2012-13 benefits budget	27,000
c. Net of misc changes to benefit costs for FY 2013-14	11,021
d. Impact of COLA adjustment to top step salaries	8,763
e. Size of merit allowance without COLA adjustment	22,000
Total of changes	\$208,784

Removing the COLA adjustment for top step salaries would reduce the budget but retain a \$22,000 allowance for positions not already at top step.

Funding the Budget:

Current assessments are \$2,517,000 per year.

The projected General Reserve balance at the end of the current fiscal year will be about \$1,251,000, or 44 percent of an operating budget of \$2,800,000. The Board's guideline for the maximum balance of the reserve is 35%, or \$980,000.

One alternative for funding the budget would be to use \$2,517,000 in assessments (no change) and a total of \$599,188 (\$3,116,188 - \$2,517,000) from the General Reserve.

Of this use of the General Reserve, \$300,000 represents one-time consultant expenses for the updated water demand projections. Without that one-time expense, the approximate size of the ongoing Operating Budget would be about \$2,800,000.

This funding alternative would reduce the General Reserve balance to about \$652,000, or 23% of an operating budget of \$2,800,000.

In future years, if the budget remained at a level of about \$2,800,000 and assessments were not increased, and each year's budget were fully expended, the reserve would be exhausted in a few years.

To the extent that the budget is not fully expended, the reserve would not be drawn down, or not drawn down as quickly. Because the annual budget is typically underspent by 8 to 14 percent, the above scenario may be overly conservative.

Assessments have not been increased for four years. To fully fund a budget of \$2,800,000 would require an increase in assessments of 11%. However, such a large increase would likely result in a growing General Reserve balance, as has been experienced over the last several years because the budget has historically been underspent by between 8 and 14 percent.

Budget adjustments, historical levels of spending, and the level of assessments need to be considered in managing the General Reserve balance over the next several years.

A more detailed analysis of alternatives for funding the budget and managing the General Reserve balance that balance over the next several years will be presented at the March Board meeting.

Appendices

Appendices A through I present additional detail about the Operating Budget.

Appendix A: Funding for Subscription Conservation Programs

As in prior years, a portion of operating expenses would be reimbursed by agencies that participate in BAWSCA's subscription water conservation programs. The staff time to be devoted to those programs during FY 2012-13 is estimated to be 660 hours. The reimbursement for those hours is estimated to be \$23,000. Agencies participating in subscription programs also pay for associated consultant support and direct expenses. A similar level of effort is planned for FY 2013-14. As in prior years, those consultant costs and direct expenses are not included in the Operating Budget.

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

The Operating Budget does not include the cost of consulting services for developing the Long-Term Reliable Water Supply Strategy, which is being funded through the Water Management Charge authorized by the Board in July 2010. An update on the Water Management Charge revenue is provided in the Monthly Budget Status Report, Item #6B.

Appendix C: Value for the Cost

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

Appendix D: Historical Assessments

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

Table 5. Historical Annual Assessments and Year-End Reserves

Fiscal year	Assessments	Year-End Reserves
2003-04	\$1,668,550	\$276,480
2004-05	\$1,641,995	\$246,882
2005-06	\$1,953,998	\$240,000
2006-07	\$2,117,904	\$654,000
2007-08	\$2,117,904	\$691,474
2008-09	\$2,309,000	\$507,474
2009-10	\$2,517,000	\$407,192
2010-11	\$2,517,000	\$653,763
2011-12	\$2,517,000	\$916,897
2012-13	\$2,517,000	\$1,050,897 (est.)

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

The Board will consider a separate action in July 2013 to approve the proposed FY 2013-14 budget for BAWUA of \$1,100. This amount appears in the BAWSCA budget.

Appendix F: Preliminary Budget for the Regional Financing Authority Budget

The BAWSCA Board of Directors has continued to agree to fund nominal administrative costs for the Regional Financing Authority (RFA), at least until it became more actively involved and required significant resources. Assuming a low level of activity in FY 2013-14, the proposed RFA budget is \$1,400. The RFA will formally consider and adopt this budget in July 2013.

Appendix G: History of Salary and Benefits Adjustments

Salary adjustments were approved in FY 2012-13 following the deferral of salary adjustment for several years:

- FY 2012-13: The Board approved a 3.10 percent increase to the top step of staff salary ranges. Those adjustments were consistent with the December value for the Consumer Price Index for Urban Wage Earners and Clerical Workers in the San Francisco-Oakland-San Jose. COLA increases for employees are not automatic but can be granted by the CEO on the basis of merit.
- FY 2011-12: The Operating Budget included no adjustment to the salary for any employee for COLA, merit or any other reasons.
- FY 2010-11: The Board approved a 3.01 percent increase to the top step of staff salary ranges. Those adjustments were consistent with the December value for the Consumer Price Index for Urban Wage Earners and Clerical Workers in the San Francisco-Oakland-San Jose. COLA increases for employees are not automatic but can be granted by the CEO on the basis of merit.
- FY 2009-10: There was no COLA adjustment. An allowance for merit adjustments was budgeted for employees not yet at top step.

Appendix H: Uses of Professional Services

Outside professional services are used to provide specialized services and augment staff.

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

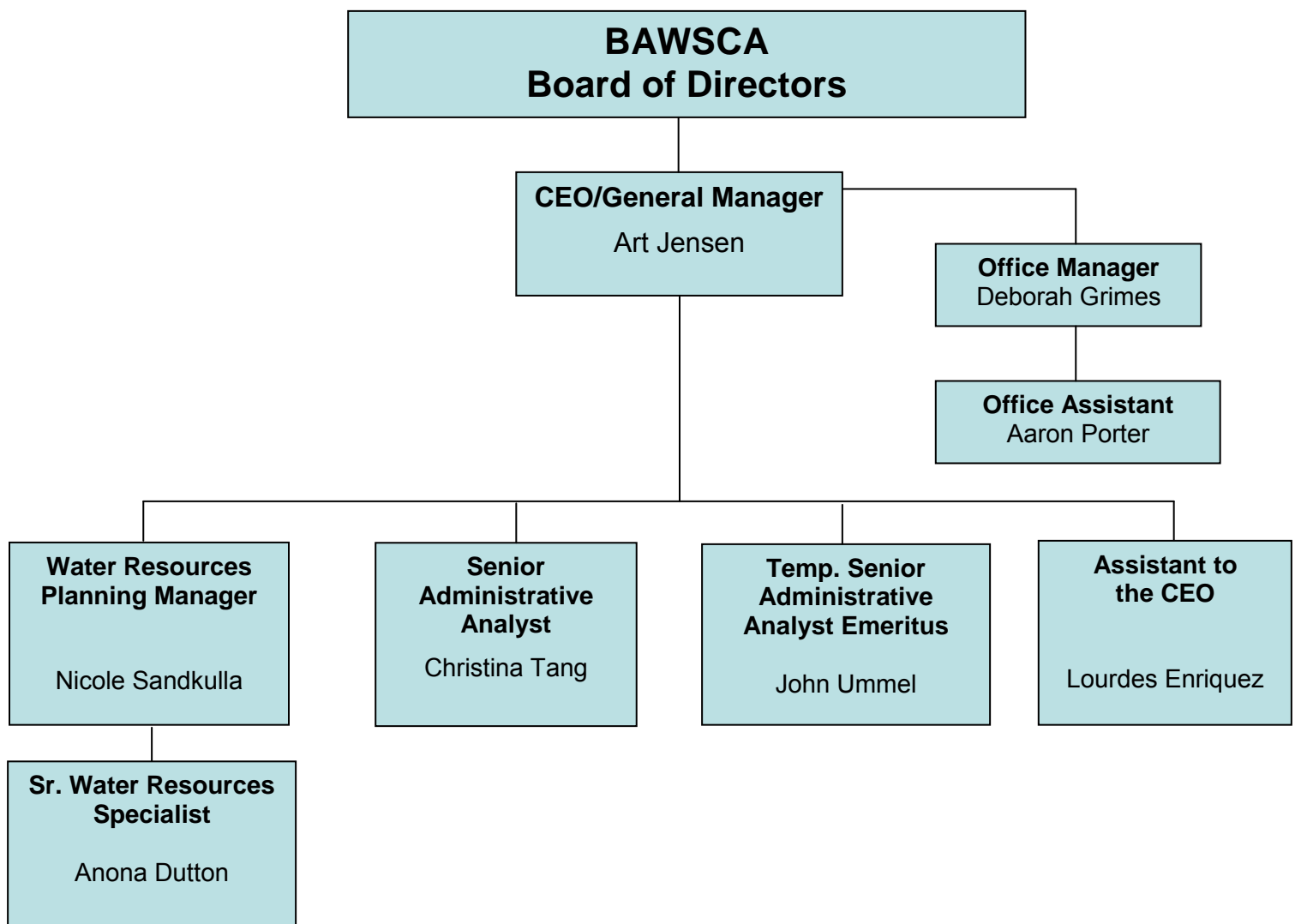
Reliable Water Supply Strategy, providing legislative and political support, and providing advice to the CEO and the Board on other issues significant to the water customers and the effectiveness of the agency.

4. Financial advisory services to conduct specified capital financing and rate impacts analyses on a task order basis.
5. Accounting/auditing expertise to assist with implementing the new water agreement, as well as an independent auditor to prepare and review annual financial statements.

Appendix I: Current Organization and Staffing

Figure 2 represents the current reporting relationships in the organization. The staffing level has not changed in nine years with the exception of the Temporary Sr. Administrative Analyst position.

Figure 2. Current Organization Chart



Appendix J: Future Challenges Facing BAWSCA, Member Agencies, and Their Customers

Table 3 details the major challenges faced by BAWSCA, Member Agencies, and their customers between now and 2035 that were identified during the FY 2013-14 Work Plan development.

Appendix J: Beneficial Activities Identified But Not Included in Work Plan

In developing the preliminary Work Plan, several activities were identified that could be performed by BAWSCA to the benefit of the agency and its members but that are not included in the preliminary Work Plan as they are not critical to the agency achieving its state mandated mission and purpose. These items are presented in Table 6 below.

**Table 6: Beneficial Activities Identified
But Not Included in Proposed Operating Budget for FY 2013-14**

<u>Program Area</u>	<u>Activity</u>
Fair Price	<ul style="list-style-type: none">• Produce an independent evaluation of wholesale rate structures and how retail rates could be structure to avoid large revenue uncertainties. San Francisco has considered setting rates based on Individual Supply Guarantees, which would reduce or eliminate savings in the cost of water as an incentive for developing water conservation or alternative supplies.
Reliable Supply	<ul style="list-style-type: none">• Coordinate or develop and implement drills of emergency preparedness procedures between the SFPUC and the BAWSCA member agencies (and including their associated cities and counties) to protect the public health and safety of the water customers. Historical drills have focused on more on testing SFPUC response and communication rather than integrated response and operations.• Develop regional conservation program materials for BAWSCA member agencies to support their programs and BAWSCA's programs in a uniform fashion• Modify to BAWSCA's Water Conservation Database to match current CUWCC reporting requirements.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING

Agenda Title: **San Francisco Regional Water System – Water Supply Conditions**

Summary:

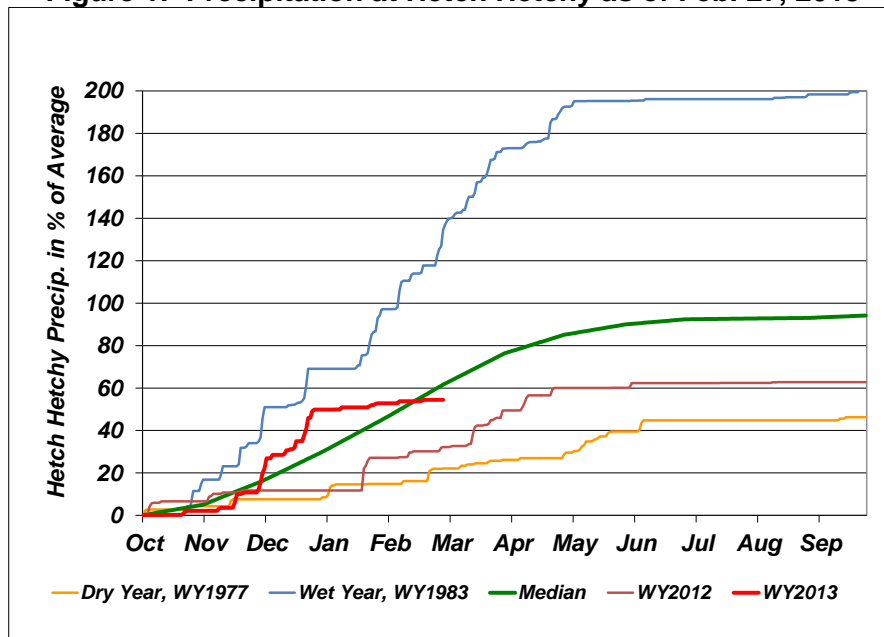
The SFPUC has released its March 2013 Water Supply Outlook for the San Francisco Regional Water System. At this time, despite the historic dry conditions in January and February, the SFPUC is not anticipating the need for voluntary rationing at this time. Water use throughout the region has continued to be low this year. Customers are encouraged to continue their water conservation activities and overall wise use of water.

Discussion:

Following a wet December, precipitation in the Tuolumne basin in January and February of 2013 have been the lowest on record for the Hetch Hetchy gage. As such, precipitation totals for Hetch Hetchy, which were well above normal in early Winter, are now just below the median for March 1st.

Total season to date precipitation at Hetch Hetchy is 19.51” or about 56% of total average annual precipitation accumulation. This can be seen in Figure 1 below which compares the precipitation at Hetch Hetchy for the current water year (WY 2013) against several prior years and the median.

Figure 1: Precipitation at Hetch Hetchy as of Feb. 27, 2013



The SFPUC has stated that it is not anticipating the need for voluntary rationing at this time despite the continuing dry conditions. Overall, water use throughout the region has continued to be low despite some recent small increases due to dry conditions. Water customers are encouraged to continue their wise use of water and implementation of water conservation.

The SFPUC will provide a final update on water supply availability around April 15th. Weekly information on water consumption, SFPUC reservoir storage, and precipitation data can be found at <http://sfwater.org/index.aspx?page=69>.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: SFPUC Water System Improvement Program (WSIP) – Status Report

Summary:

On January 22nd, the Commission adopted revisions to its Water System Improvement Program (WSIP). This is the fifth revision of the WSIP since its initial adoption in 2003. The revisions do the following: (1) increase the approved budget for the Calaveras Dam Replacement Project (CDRP) by \$117M from \$415.6M to \$532.6M, and (2) extend the completion date 25 months to August 31, 2018.

BAWSCA submitted 10 recommendations as part of its comment letter on the revised WSIP. In general, BAWSCA's comments made specific analytical requests to be included by the SFPUC as part of anticipated 2nd Notice of Change that is necessary to re-baseline all of the projects in the WSIP. BAWSCA's recommendations were subsequently incorporated into the Commission's January 22nd action revising the WSIP.

The SFPUC has indicated that the 2nd Notice of Change will be available by March 22nd and will present the results of a complete cost and schedule analysis for each WSIP project and the program as a whole. A recent staff update to the Commission provided the following early results of the cost and schedule analysis: (1) the overall program cost is expected to increase by 1% to 1.5% of the current \$4,586M budget and (2) all WSIP projects will be complete by July 2016 except the Calaveras Dam Replacement Project and the Alameda Creek Recapture Project. Those projects will be complete in August 2018 and early 2019, respectively.

BAWSCA will closely review the details associated with the 2nd Notice of Change to fully understand the cost and schedule impacts presented, and will present comments to the Commission as appropriate.

A summary of the SFPUC's progress in implementing the WSIP to date is presented in this memo.

Discussion:

The WSIP was originally adopted by the Commission in 2003. Since that time, the Commission has adopted changes to the WSIP five times, including the most recent change adopted by the Commission on January 22, 2013. Table 1 presents the program budget and schedule changes associated with each WSIP revision. With each adopted revision, State law requires the SFPUC to provide 30 day public notice of anticipated changes prior to action, and notify the State after a change has been adopted.

Table 1
WSIP Budget and Schedule Revisions 2003-2011

WSIP Program Revision	Commission Approval	Total Budget (Millions)	Regional Budget (Millions)	Schedule*
2003 (Original)	March 1, 2003	\$3,628	\$2,900	3/15/16
2005 (Baseline)	Nov. 29, 2005	\$4,343	\$3,407	6/30/14
2007 (Revised)	Feb. 26, 2008	\$4,392	\$3,547	12/18/14
2009 (Revised)	July 28, 2009	\$4,586	\$3,514	12/4/15
2011 (Revised)	July 12, 2011	\$4,586	\$3,326	7/29/16
2013 (Latest Approved)	Jan. 22, 2013	\$4,586	\$3,589	8/31/2018

* Final Program Completion Date

BAWSCA submitted the following 10 recommendations as part of its comment letter on December 2012 Notice of Change. .

Related to cost, BAWSCA recommended that the Commission direct staff to:

1. Immediately implement a cost saving plan aimed at slowing the expenditure of contingency funds and soft costs so that all available funds can be used for completing the WSIP within the approved budget.
2. Re-evaluate the forecast cost at completion for individual projects and for the WSIP as a whole.
3. Identify potential project cost reductions or savings to fund the remaining estimated costs, and identify any budget shortfall.
4. Provide this information as part of the Notice of Change that is anticipated following the final negotiation of the Calaveras Project change order but no later than the Commission's March 19, 2013 meeting.
5. Report back to the Commission by February 26, 2013 on the progress made on each of these recommended actions.

Related to schedule, BAWSCA recommended that the Commission direct staff to:

1. Review and present schedules for all remaining WSIP projects.
2. Review and present schedules for completing other activities related to achieving the Levels of Service goals.
3. Present a plan to the Commission for keeping all projects and activities except the Calaveras Project on schedule for completion by the end of July, 2016.
4. Prepare and implement a plan to terminate all unnecessary WSIP organizational components by July 31, 2016, except for the Calaveras Dam Replacement Project.
5. Provide the above information to the Commission as part of the second Notice of Change, but not later than March 19, 2013.

BAWSCA's comments were unanimously supported by the Commission and included in a revised resolution passed by the Commission adopting the program changes. BAWSCA's recommendations were also included in the resolution adopted by the San Francisco Board of Supervisors.

Upcoming Anticipated 2nd Notice of Change

The SFPUC has indicated that it will release a 2nd Notice of Change by March 22nd that addresses the cost and schedule for all WSIP projects and the program as a whole. SFPUC will address each of BAWSCA's ten recommendations as part of this Notice of Change.

At a recent Commission meeting, SFPUC staff provided some preliminary results of their program-wide review:

- All WSIP projects are projected to be complete by July 2016 with the exception of two projects, Calaveras Dam Replacement Project and the Alameda Creek Recapture Project. These two projects are projected to be complete in August 2018 and early 2019 respectively.
- Cost increases are anticipated on 12 projects
- Cost savings are anticipated on 20 projects
- The overall program cost is expected to exceed its approved \$4,586M budget by 1% to 1.5%. This equates to an increase cost of \$45M to \$67.5M.

BAWSCA will perform a thorough review of the technical data supporting the proposed changes including separate meetings with SFPUC staff as necessary. BAWSCA anticipates submitting a comprehensive comment letter on behalf of its member agencies and their customers addressing the proposed changes, the impact of the proposed schedule changes to the public health and safety of water users, and the impacts of any proposed cost increases on BAWSCA's agencies and water ratepayers.

Status of WSIP Regional Projects as of December 2012

Included in the WSIP are 46 regional projects with an approved budget of \$3,589M. These projects are in various stages of implementation: pre-construction; construction; close-out; and completed. Tables 2 and 3 below present the budget and schedule status for those projects in Pre-Construction and Construction respectively (as of December 2012).

Table 2: WSIP Regional Projects in Pre-Construction (as of 1/1/2013)

Regional Projects (Project Value \$M)	Status	Forecast Budget Overrun		Forecast Schedule Overrun (Days)
	(% Complete)	(1000 \$)	(% of Budget)	
Projects in Pre-Construction (\$308 M)				
1. Upper Alameda Creek Filter Gallery	10.8	-	-	0
2. San Antonio Backup Pipeline	21.1	651	1.2	6.1 mo
3. Peninsula Pipelines Seismic Upgrades	21.9	10,386	33.9	0
4. Regional Groundwater Storage	22.7	2,269	2.7	1.4 mo
5. Bioregional Habitat Restoration	50.1	9,189	10.3	1.1 mo
6. Vegetation Restoration	0.0	-	-	0

Source: Q2 FY 2012-13 Report on WSIP Regional Projects and Supplemental Report

Table 3: WSIP Regional Projects in Construction (as of 1/1/2013)

Regional Projects (Project Value \$M)	Status	Forecast Budget Overrun		Forecast Schedule Overrun (Days)
	(% Complete)	(1000 \$)	(% of Budget)	
Projects In Construction (\$2,496M)				
1. San Joaquin Pipeline System	91.1	-	-	0
2. Tesla Treatment Facility	97.6	43	-	11 mo
3. New Irvington Tunnel	73.8	-	-	1.8 mo
4. Calaveras Dam Replacement	35.9	41,862	7.9	0
5. SVWTP Expansion & TW Reservoir	90.3	7,532	5.8	0
6. Seismic Upgrade of BDPL Nos. 3 & 4	30.8	-	-	2.1 mo
7. BDPL Reliability – Tunnel	73.3	-	-	0
8. BDPL Reliability – Pipeline	95.2	3,198	1.4	0
9. BDPL Nos. 3 & 4 Crossovers	96.1	-	-	0
10. HTWTP – Long Term Imp	42.9	-	-	0
11. CS/SA Transmission Upgrade	65.4	3,000	1.8	2.3 mo
12. CS Pipeline No. 2 Replacement	92.0	1,711	3.0	0
13. System Security Upgrades	45.6	35	0.2	0
14. Watershed Environmental Imp.	34.0	-	-	0

Source: Q2 FY 2012-13 Report on WSIP Regional Projects and Supplemental Report

Background:

In 2002, Assembly Bill AB 1823 “The Wholesale Regional Water System Security and Reliability Act” was signed by the Governor requiring San Francisco to adopt a capital improvement program to ensure delivery of water following a major seismic event in the region, and to report changes to the program and progress implementation to the State.

On March 1, 2003, the San Francisco Public Utilities Commission adopted the WSIP, a multi-year capital program to upgrade the City of San Francisco’s regional and local drinking water systems. With an original budget of \$3.6B and today with a budget of \$4.6B, the WSIP is designed to cost-effectively meet water quality requirements, improve seismic and delivery reliability, and achieve water supply goals in accordance with adopted Level of Service Goals.

The WSIP consists of 35 local projects located within San Francisco and 46 regional projects spread over seven different counties from the Sierra foothills to San Francisco. Local projects only benefit San Francisco residents (retail customers) whereas regional projects benefit both the retail customers and the 26 wholesale agencies that receive water from the Regional Water System operated by SFPUC.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **10-Year Anniversary – Marking a Decade of Delivering Results for Water Users**

Summary:

On May 23, BAWSCA will complete its first 10 years, since it was formed in 2002 by member agencies following authorization by the State Legislature in AB 2058. It is timely to recognize the anniversary at its meeting in May. The occasion presents a strategic opportunity to strengthen BAWSCA's identity among its constituents that it and its predecessor organization, the Bay Area Water Users Association, have delivered valuable, concrete results for member agencies and their customers.

Attached is a draft outline describing how this occasion could be marked.

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BAWSCA: MARKING 10 YEARS OF DELIVERING RESULTS FOR WATER USERS

On May 23, BAWSCA will complete its first 10 years, since it was formed in 2002 by member agencies following authorization by the State Legislature through AB 2058.

What is the objective for this reception? To strengthen BAWSCA's identity among its constituents that it and its predecessor organization, the Bay Area Water Users Association, have delivered valuable, concrete results for member agencies and their customers.

What is BAWSCA's identity? It is a legislatively authorized public water agency that is representing the interests of its member agencies and their customers, and its capabilities are demonstrated by valuable results.

What should be the tone of this event? Modest, inexpensive, specific, forward looking, and constituent-oriented.

How would this occasion be recognized? A 30-minute item on the agenda for the May Board meeting: a) highlighting the results; b) recognizing BAWSCA's previous and present board and Board Policy Committee chairs, vice chairs, member agencies and invited public officials; and c) an inexpensive, brochure highlighting the 10-year results. Prior to the Board meeting, a 30-minute, soft-drink/cookie reception for about 100 invitees including member-agency representatives and individuals who have been an important part of BAWSCA's 10 years.

What results has BAWSCA (and its predecessor agency) achieved?

1. State legislative action requiring San Francisco to develop a Water Supply Improvement Program to rebuild the regional water system, protecting 1.7 million residents, 30,000 businesses and countless community organizations in its service area.
2. Closely monitoring the \$4.6 billion rebuilding program and recommending actions for San Francisco to keep it on scope, on budget, and on schedule.
3. A new, long-term Water Supply Agreement that specifies the ways by which the water users will receive a reliable supply of high quality water at a fair price.
4. A vote for BAWSCA's member agencies about any future plan approved by San Francisco voters to drain the Hetch Hetchy Reservoir or remove the O'Shaughnessy Dam.
5. \$17 million saved for water customers by auditing and enforcing water-agreement provisions.
6. \$62 million saved for water customers by issuing bonds to prepay prior capital investments.
7. An agreement brokered by BAWSCA among the 26 member agencies and approved by them to share water during droughts.
8. Award-winning water conservation programs that save water, save money, and leverage the staff of member agencies.
9. Better perception and treatment by San Francisco of water customers outside the city.

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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: March 15, 2013
FROM: Arthur R. Jensen, CEO/General Manager
SUBJECT: Chief Executive Office/General Manager's Letter

Long-Term Reliable Water Supply Strategy

Work on BAWSCA's Strategy continues, with a target completion date of December 2014. Recent technical activity includes the development and calibration of a regional groundwater model to assess the potential to develop brackish groundwater desalination project(s) along the western edge of San Francisco Bay. Analysis to date indicates that the model is sufficient to conduct a planning level quantification of the potential brackish groundwater yields. Further, the model results suggest that the anticipated brackish groundwater yields are sufficient to warrant additional analysis to assess the potential local and regional impacts of brackish groundwater extraction in the three Focus Areas.

Pilot Water Transfer with EBMUD

BAWSCA's collaborative work with EBMUD and the City of Hayward on the development of a Plan for a Short Term Water Transfer continues, with completion of the Plan scheduled for this Summer. Based on current hydrology and anticipated water demands, BAWSCA does not anticipate asking the Board to approve the execution of a Pilot Water Transfer in FY 2013-14. As part of the Strategy, BAWSCA is also considering other water transfer options, including continued discussions with SCVWD and other potential water transfer partners.

Annual Water Conservation Report

The FY 2011-12 Annual Water Conservation Report is now available on BAWSCA's website at <http://bawasca.org/water-conservation/>. This Report presents a summary of the water conservation activities that BAWSCA and the participating member agencies completed during FY 2011-12 and includes a look ahead the anticipated conservation efforts in future years.

Board of Directors Bios and Contact Information

BAWSCA's current versions of its Board member bios and contact information will be sent to each Director for review and update. Please respond directly to Lourdes Enriquez with your revisions to your Bios and contact information.

BAWSCA Staff Bios

Attached are Bios of BAWSCA's staff members for the Board's reference.

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Nicole Sandkulla is the Water Resources Planning Manager for the Bay Area Water Supply and Conservation Agency (BAWSCA), which comprises the 26 utilities that purchase water from the San Francisco Public Utilities Commission (SFPUC) for resale to their local service areas. BAWSCA represents its members' collective interests in their relationship with the SFPUC on matters related to water supply, facility reliability, operations, water quality and wholesale water rates.

Directly reporting to the Chief Executive Officer, Nicole monitors water supply and water quality issues associated with new and ongoing projects of the SFPUC regional water system. She provides complex analysis and recommendations to facilitate policy decisions as well as long and short-term planning in areas of assignment.

Nicole oversees the implementation of BAWSCA's water resources programs to meet the agency objectives. In addition to the development and implementation of BAWSCA's Long Term Reliable Water Supply Strategy, Nicole oversees the implementation of BAWSCA's twelve regional water conservation programs and BAWSCA's other regional water supply planning efforts. Nicole represents the BAWSCA member agencies' interests in issues and activities related to regional water supply planning efforts with the SFPUC and other regional water agencies. She establishes water supply strategies, identifies current issues, activities, key legislation and efforts regarding water resources management. She works with environmental matters including implementation of San Francisco's Environmental Impact Reports. Nicole is highly involved in several governmental and regulatory agencies, as well as commissions, task forces and internal and external committees.

Nicole is responsible for BAWSCA's oversight of the SFPUC's \$4.6 billion Water System Improvement Program (WSIP) on behalf of the 1.7 million customers outside San Francisco that rely on the system to provide water supply following an earthquake. BAWSCA's focus on the WSIP is to ensure that the program is implemented on time, within budget, and will meet the needs of the water users that rely on the system.

Prior to joining the Bay Area Water Users Association (BAWUA), BAWSCA's predecessor organization in 1999, Nicole served as Associate Civil Engineer for East Bay Municipal Utilities District (EBMUD) for 9 years.

Nicole is a registered Professional Civil Engineer and has a B.S in Civil Engineering from California Polytechnic State University in San Luis Obispo. She resides in San Mateo with her husband and children.

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Anona Dutton is the Senior Water Resources Specialist for the Bay Area Water Supply and Conservation Agency (BAWSCA), which comprises the 26 utilities that purchase water from the San Francisco Public Utilities Commission (SFPUC) for resale to their local service areas. BAWSCA represents its members' collective interests in their relationship with the SFPUC on matters related to water supply, facility reliability, operations, water quality and wholesale water rates.

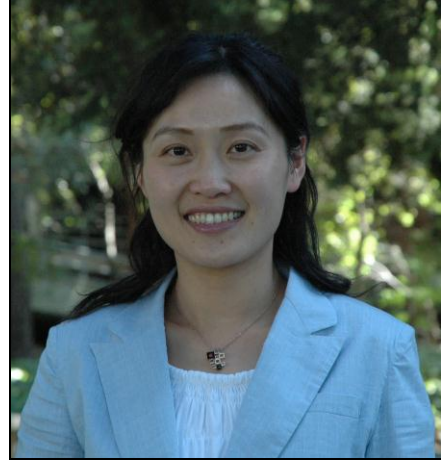
Anona is responsible for the development and implementation of BAWSCA's Long-Term Reliable Water Supply Strategy, its twelve regional water conservation programs, and the Regional Water Demand and Conservation Projection project. Anona is leading BAWSCA's effort to secure a dry-year water transfer option in partnership with other entities and is serving as lead administrator for close to \$1M in grant funds.

Anona oversaw the development of the database that serves as the repository for all member agency information related to conservation, the BAWSCA Annual Survey, and supports the administration of the drought allocation plan. Anona plays a key role in supporting BAWSCA's technical and policy-level work, and in coordinating with the BAWSCA agencies, local and state agencies, and the public to achieve regional compliance with legislative and contractual requirements. Her other duties include: selection and management of consultants, budget preparation and tracking, report preparation and analysis, and marketing plan development and implementation.

Previously, Anona was the Director of Water Resources at Erler & Kalinowski, Inc. where she managed a variety of environmental and water resources projects that accounted for 20 percent of the firm's annual revenue.

Anona is a Registered Professional Geologist, a Certified Hydrogeologist, a Certified Water Conservation Practitioner, a LEED Green Associate, and a Certified Green Building Professional. She was selected by the Water Education Foundation to be a Water Leader in 2010. She has a Masters in Hydrogeology and a Bachelors in Environmental Science from Stanford University.

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Christina Luning Tang is the Senior Administrative Analyst for the Bay Area Water Supply and Conservation Agency (BAWSCA), which comprises the 26 utilities that purchase water from the San Francisco Public Utilities Commission (SFPUC) for resale to their local service areas. BAWSCA represents its members' collective interests in their relationship with the SFPUC on matters related to water supply, facility reliability, operations, water quality and wholesale water rates.

Reporting directly to the General Manager, Christina administers the Water Supply Agreement with San Francisco to protect interests of members and their customers in a fair price for water purchased from San Francisco. Christina reviews and analyzes the SFPUC's wholesale rate projections, conducts the Wholesale Revenue Requirement review, makes recommendations related to the compliance audit and negotiates equitable settlements with the SFPUC.

Christina manages activities related to BAWSCA's revenue bonds, performs annual surcharge setting calculations, maintains proper records and accounts, ensures timely continuing disclosure filing, and monitors revenues collected by SFPUC and expenditures spent through the Trustee.

Christina joined the BAWSCA in April 2012, following more than eight years of day-to-day financial operations with City and County governments and special district governmental entities.

Christina received her Master of Science Degree in Finance from the University of Houston, her Master of Public Administration from the University of Illinois at Springfield, and her Bachelor of Science Degree in Finance from Nanjing University in China.

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Lourdes Enriquez is the Assistant to the Chief Executive Officer/General Manager for the Bay Area Water Supply and Conservation Agency (BAWSCA), which comprises the 26 utilities that purchase water from the San Francisco Public Utilities Commission (SFPUC) for resale to their local service areas. BAWSCA represents its members' collective interests in their relationship with the SFPUC on matters related to water supply, facility reliability, operations, water quality and wholesale water rates.

Under the direction of the CEO/General Manager, Lourdes develops the agenda for Board and Committee meetings according to the Brown Act provisions, prepares the minutes of the Board and Committee meetings, and assists in the follow-up and implementation of Board decisions.

She tabulates and analyzes data on a variety of administrative and policy matters; administers required State filings and assists directors with their submittals; coordinates meetings and schedules for the CEO; manages mass mailings (hard copies and electronic copies); and provides quality control on all Board and committee materials and the CEO's correspondence. She also maintains the agency website

In addition to assisting the CEO/General Manager, Lourdes represents the BAWSCA member agencies' interests in issues and activities related to water conservation. She manages the Landscape Education Program, prepares and analyzes recommendations associated with conservation services, and tabulates and analyzes data associated with these programs. She also assists in the development of marketing materials for indoor and outdoor conservation programs.

Prior to BAWSCA, Lourdes was Advertising Coordinator for companies including Alameda Newspaper Group, San Francisco Daily Journal, and dot-com corporations. Lourdes earned her B.A in Mass Communications and Minor in Public Relations from California State University, East Bay. She is a member of City Clerks Association of California. She resides in San Mateo with her husband and children.

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Deborah Grimes is the Office Manager for the Bay Area Water Supply and Conservation Agency (BAWSCA), which comprises the 26 utilities that purchase water from the San Francisco Public Utilities Commission (SFPUC) for resale to their local service areas. BAWSCA represents its members' collective interests in their relationship with the SFPUC on matters related to water supply, facility reliability, operations, water quality and wholesale water rates.

Directly reporting to the CEO/General Manager, Deborah is responsible for the day-to-day operations and office management of BAWSCA, including supervision of the office assistant. Deborah is also in charge of human resources, and is the liaison with CALPERS. She is responsible for administration of payroll, including related taxes and personnel benefits.

In addition, she performs or oversees BAWSCA's accounting including: accounts payable and receivable; the monthly budget report; the quarterly investment report; the annual audit, and payment of property and liability taxes. She prepares consultant and vendor contracts related to her duties.

She is responsible for office equipment and supplies and works with property management and IT personnel to assure the office and operations run smoothly.

Deborah has been with BAWSCA for nine years. Prior to that, she worked in human resources and accounting for various technology companies in Silicon Valley. She attended the University of Florida and Portland State University.

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Aaron Porter is the Office Assistant for the Bay Area Water Supply and Conservation Agency (BAWSCA), which comprises the 26 utilities that purchase water from the San Francisco Public Utilities Commission (SFPUC) for resale to their local service areas. BAWSCA represents its members' collective interests in their relationship with the SFPUC on matters related to water supply, facility reliability, operations, water quality and wholesale water rates.

Aaron reports to Deborah Grimes, the office manager, and helps to maintain the day-to-day operations of BAWSCA, including arrangement of meeting facilities, materials production and general office maintenance and support. He is the first point of contact with the public, and as such helps to establish the image that BAWSCA strives to maintain.

He is also the agency contact and is integrally involved in the administration of all of BAWSCA's water conservation programs, such as the High-Efficiency Toilet (HET) Rebate Program, the Washing Machine Rebate Program (WMRP), and the Lawn Be Gone! Rebate Program. In this role, he acts as a facilitator and liaison between the participating BAWSCA member agencies, the public, and any third-party vendors associated with administering these programs. He also assists in the development of marketing materials for these programs.

Aaron has been with BAWSCA for 5 years, prior to which he worked with public relations in the private sector for 7 years.

Aaron has an Associates Degree from Chabot Community College in Hayward, California. He currently resides in Hayward with his wife and son.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Agreement with Executive Recruitment Firm**

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a Professional Services Agreement (Agreement) with an Executive Recruitment Firm.

Fiscal Impact:

The not-to-exceed Agreement amount is \$50,000. Funds are available in the contingency budget. The account balance of the contingency budget is \$62,500. There would be no fiscal impact on the total adopted budget for FY2012-2013.

Recommendation:

That the Board authorize the CEO/General Manager to negotiate and execute an Agreement with an Executive Recruitment Firm in full compliance with the terms of the Request for Proposals (RFP) and in a form approved by legal counsel.

Discussion:

In order to fill the pending vacancy of the CEO/General Manager position, staff and legal counsel have drafted an RFP, which will be provided to a number of select executive recruitment firms that specialize in assisting public agencies with filling positions similar in scope to the CEO/General Manager position. The RFP, which will be published on March 22, 2013, will set forth the scope of services, evaluation criteria, and the evaluation, selection and contract award process. It will also include a proposed timeline in which the recruitment of the CEO/General Manager position shall be completed.

Staff anticipates that proposals in response to the RFP will be submitted in early April and, following the selection and negotiation process, that the Professional Services Agreement between BAWSCA and the selected firm will be executed shortly thereafter.

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

Meeting Schedule through December 2013

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

Schedule for RFA Board Meetings (Meeting time will be announced)	
<u>Date</u>	<u>Location</u>
Thursday – July 18, 2013	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, April 10, 2013	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday, June 12, 2013	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
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.