

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

DIFFERENT LOCATION

**650 Shell Blvd., Foster City
Foster City Recreation Center – Lagoon Room**
(Directions on Page 3)

Thursday, May 16, 2013

***Immediately following Special Reception recognizing
BAWSCA's 10-year Anniversary***

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. 10-Year Anniversary	(O'Connell)	
3. Comments by the Chair	(O'Connell)	
4. Board Policy Committee Report <i>(Attachment)</i>	(Guzzetta)	<i>Pg 5</i>
5. 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)	
6. Consent Calendar	(O'Connell)	
A. Approve Minutes of the March 21, 2013 Meeting <i>(Attachment)</i>		<i>Pg 19</i>
B. Receive and File Budget Status Report – As of March 31, 2013 <i>(Attachment)</i>		<i>Pg 23</i>
C. Receive and File Investment Report – As of March 31, 2013 <i>(Attachment)</i>		<i>Pg 25</i>
D. Receive and File Directors' Reimbursement Report – As of March 31, 2013 <i>(Attachment)</i>		<i>Pg 27</i>
7. Action Calendar		
A. Amendment to Hanson Bridgett Professional Services Contract <i>(Attachment)</i> <i>The need for this amendment was analyzed after the April Board Policy Committee meeting, so no Committee recommendation is provided.</i>	(Jensen)	<i>Pg 29</i>
B. Recommended Funding Plan for Other Post-Employment Benefits <i>(Attachment)</i> <i>The Board Policy Committee recommends approval of the proposed Board action.</i>	(Jensen)	<i>Pg 33</i>
C. New Employee Pay and Benefits <i>The Board Policy Committee unanimously recommends approval of the proposed Board action.</i>	(Jensen)	<i>Pg 37</i>
D. Proposed Fiscal Year 2013-14 Work Plan and Budget <i>(Attachment)</i>	(Jensen)	<i>Pg 39</i>

1. Approval of the FY 2013-14 results to be achieved
 2. The recommended Operating Budget of \$3,214,189
 3. Funding the budget with no changes to assessments and a transfer of \$696,188 from the General Reserve, including \$300,000 for a one-time study, and 98,000 to fund the Annual Required Contribution to Other Post-Employment Benefits
- The Board Policy Committee recommends approval of the proposed Board actions.*

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E. Approval of Professional Services Contracts for FY 2013-14 (*Attachments*) (Jensen)

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1. Legal Counsel (Hanson, Bridgett et al.)

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2. Strategic Counsel (Management Communications)

Pg 73

3. Engineering Consultant – WSIP Cost, Schedule & Construction Management (Terry Roberts)

Pg 77

4. Engineering Consultant – Water Supply Agreement (Stetson Engineering)

Pg 81

5. Engineering/Financial Consultant – Water Supply Agreement (Hilton, Farnkopf, Hobson)

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6. Financial Advisor – (KNN Public Finance)

Pg 85

7. Water Supply Agreement Auditing/Accounting Support – (Burr, Pilger, Mayer)

Pg 87

8. Large Landscape Conservation Services Consultant (Waterfluence, LLC)

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9. Water Conservation Database (Brown & Caldwell)

Pg 99

10. School Education Programs (Resource Action Program)

Pg 115

11. School Assembly Program (EarthCapades)

Pg 121

12. Professional Services Agreement for BAWSCA and BAWUA Financial Auditing Services (Chavan & Associates)

The Board Policy Committee unanimously recommends approval of the contracts.

F. Compensation Adjustment for Chief Executive Officer and General Manager for FY 2012-13 (*Under separate cover*) (O'Connell)

The Board Policy Committee voted 5:3 to recommend approval of a 5% compensation adjustment for the CEO/General Manager for FY 2012-13.

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8. SFPUC Report (*Attachment*) (Kelly/Rydstrom)

9. Reports (Jensen)

A. SFPUC Water System Improvement Program - Update

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B. BAWSCA's Long-Term Reliable Water Supply Strategy – Update (*Attachment*)

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C. Board Policy Calendar (*Attachment*)

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D. CEO/General Manager's Letter (*Attachment*)

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

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

12. Adjourn to next meeting scheduled for July 18, 2013 at 7pm (O'Connell)

*Upon request, the Bay Area Water Supply and Conservation Agency will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and the preferred alternative format or auxiliary aid or service at least two (2) days before the meeting. Requests should be sent to: **Bay Area Water Supply & Conservation Agency, 155 Bovet Road, Suite 650, San Mateo, CA 94402** or by e-mail at bawsca@bawsca.org*

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

Directions to William E. Walker Recreation Center – 650 Shell Blvd., Foster City

From Hwy. 101 Southbound, Take exit 414A for Hillsdale Blvd. Keep right at the fork; and follow the signs for Hillsdale Boulevard/San Mateo. Turn left onto E Hillsdale Blvd. Turn Right onto Shell Blvd.

The Recreation Center will be on the right hand side. Park in the parking lot at the front of the building (It will be the second entrance that you see) The Lagoon Room is in the center of the building near the reception desk.

From Hwy. 101 Northbound. Take exit 414A for Hillsdale Blvd. Keep right at the fork; and follow the signs for Hillsdale Blvd. Turn right onto E Hillsdale Blvd. Turn Right onto Shell Blvd.

See underlined sentence of first paragraph above for remainder of directions.

From the East Bay, take Hwy. 92 West. Take exit 14B toward Foster City Blvd/E Hillsdale Blvd. Keep right at the fork to merge onto Chess Dr. Turn right onto Foster City Blvd. Turn Right onto E. Hillsdale Blvd. and proceed to Shell Blvd. Turn left onto Shell Blvd.

See underlined sentence of first paragraph above for remainder of directions.

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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 Members
FROM: Arthur R. Jensen, Chief Executive Officer/General Manager
DATE: March 15, 2013
SUBJECT: Summary of Board Policy Committee meeting held April 10, 2013

Committee Chair Rob Guzzetta called the meeting to order at 1:30 pm. A list of Committee members present (8) present and absent (1), and other attendees is attached.

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

Comments by Chair: Chair Guzzetta recognized the BAWSCA staff for their professionalism and institutional knowledge, and for keeping the agency functioning and producing results.

He noted the five action items on the agenda, and reminded the committee that the body represents a regional agency, and that members of the committee and the full board are stewards of BAWSCA who are responsible for the success of the organization.

Public Comments: There were none.

Consent Calendar:

Director Pierce made a motion, seconded by Director Mendall, to approve the Minutes of the February 13, 2013 meeting. The motion carried unanimously.

Action Items:

- A. Recommend Funding Plan for Other Post-Employee Benefits:** Mr. Jensen stated that the information being presented is in response to discussions by the committee at its December and February meetings, and with the Board in January and March. He introduced Marcus Wu from Hanson Bridgett, who specializes on Employee benefits and OPEB matters.

[The following notes from the Board Policy Committee incorporate consistent terminology related to OPEB components and funding.]

Mr. Jensen noted that he revised the recommendation in the staff memo to clarify: (a) that the \$63,000 needed to fund all of the Annual OPEB cost starting FY 2013-14 could come from

the General Reserve, and (b) that whether to deposit the funds in a bank or a trust should be fully evaluated prior to the funds being deposited. Mr. Jensen explained that the deposit could be made as late as November, giving appropriate time for informed decisions.

BAWSCA provides only one post-employment benefit, which is medical care.

Mr. Jensen presented the three OPEB funding alternatives.

Alternative #1 would continue the current pay-as-you-go approach, in which medical premiums are paid for retirees, but no funds are set aside to pay premiums for future retirees. This alternative is not recommended, because the net OPEB obligation continues to accrue. Under this alternative, BAWSCA's estimated cost in FY 2012-13 for its two existing retirees' medical benefits is \$30,978. The estimated cost for FY 2013-14 is \$37,109. Under this alternative, the net OPEB obligation would grow from \$129,491 by the end of FY 2012-13 to \$257,994 by the end of FY 2013-14.

Alternative #2 would fully fund the total Unfunded Actuarial Accrued Liability (UAAL). The total UAAL due to the past 18 years of employment is \$1,371,709 as of July 1, 2012. This alternative is not recommended because it is an inefficient way to fund the outstanding obligation. Typically, agencies amortize the unfunded liability over a fixed period, for example 30 years, and build a fund balance, including interest earnings, to cover the liability. [This alternative was removed from further consideration].

Alternative #3 includes two possible approaches for funding OPEB Annual Required Contribution (ARC) starting in FY 2013-14: One would deposit money in a bank account, and the other would deposit money in an irrevocable trust. Both approaches 3a and 3b fully fund the ARC.

The first approach would deposit the entire ARC of \$165,612 in a bank account. The actuarial analysis performed for BAWSCA assumed a long-term investment return of 4%, and that the premiums for the existing retirees can be paid out of this account. The net increase to the FY 2013-14 Operating Budget would be \$129,491. Mr. Jensen noted that this approach provides higher liquidity. However, because the funds could be used for other purposes, BAWSCA's financial reports would continue to show a large unpaid liability.

The second approach to Alternative #3 would fund the ARC starting FY 2013-14 with deposits into an irrevocable trust. Because the funds could not be used for other purposes, the actuarial analysis assumes higher interest earnings and results in a lower annual cost. The cost is \$99,650 for FY 2013-14, with net increase to the FY 2013-14 Operating Budget of \$62,541. The assumed long-term investment return is 7.61%.

Mr. Jensen presented a table that shows how the OPEB funding alternatives impacts the operating budget.

BAWSCA reviewed randomly selected BAWSCA agencies to see what funding approaches they currently use. Several agencies fund all or a portion of ARC by depositing money in a trust. One agency continues to use a pay-as-you-go approach. None of the agencies sampled deposited money in a bank account.

Mr. Jensen noted that the Board can leave the funds in the General Reserve until it makes a decision to use a bank or a trust.

Mr. Jensen stated that additional information will be provided to the Board at its meeting in May, including impacts on results of the actuarial analysis due to the CEO's retirement and new hires.

Chair Guzzetta stated that discussions by the committee may generate some questions that can be addressed over time, but the issue the committee must address at this meeting is whether to fund the Annual Required Contribution for BAWSCA's OPEB obligations each year.

The Committee discussed the alternatives in detail, the increasing trend of the OPEB obligation, and potential impacts of BAWSCA's current benefits structure on the annual OPEB costs.

Director Weed noted several factors that can affect future OPEB liability, including: health care costs increasing at a higher rate than that assumed by actuaries, interest earnings at lower rates than those assumed actuaries, the number and types of post-retirement benefits provided, and whether retirees elect to use health plans provided by spouse or other retirement programs.

In response to a question from Director Piccolotti, Mr. Jensen explained that BAWSCA's only post-retirement benefit is medical coverage. BAWSCA's program was initially modeled after the one at ACWD, but the ACWD program had since expanded, and then retracted retiree benefits.

Chair Guzzetta noted that this level of discussion is good for the health of the organization moving forward. However, he noted that the current amount BAWSCA have to budget beginning FY 2013-14 is less than 5% of the budget.

Director Weed cautioned that a revocable trust would not likely earn an average return on investment of 7.61%, over the next 30 years. He reported that ACWD selected 7.25%, which he believes is too high. He stated that Corporations have set theirs at 6% due to the IRS. He suggests 4% as a reasonable expectation over a period of 30-years.

Chair Guzzetta agreed that the projected yields may not be conservative, however, the action before this committee is whether to pay the net present value of BAWSCA's OPEB obligation (Alternative #2) or to put money aside in a trust or bank account (Alternative 3a or 3b). He emphasized the assumptions can be refined moving forward, and that the board will have the opportunity to address those issues in subsequent budgets.

Director Weed stated that he supports using an irrevocable trust, however, he recommends augmenting it to ensure that the liability does not continue to increase.

Director O'Connell clarified that how much BAWSCA puts in to an irrevocable trust to address BAWSCA's OPEB obligations can be modified every budget year. Over the course of time, the assumptions will become more real and the Board can make the necessary adjustments.

Director Weed noted that a risk to irrevocable trusts is that as much as the interest rates go up, it can also come crashing down.

Director Bronitsky agreed with Director Weed's comments, and suggested that BAWSCA should consider depositing the yearly OPEB obligation in a very safe investment, and take a greater risk for the actuarial portion. He added that he believes the 7.61% is too high.

Director Mendall clarified that the \$1.5 million current unfunded obligation will decrease over the course of 30 years according to the assumption of, among others, 7.61%. He stated his support for Alternative #3b, under the condition that the Board, at its meeting in May, be provided with the estimated costs if the investment return assumptions were at 7% or 6%, and let the Board decide what percent it chooses to assume. He believes the 7.61% is unrealistically high, and he would encourage BAWSCA to set it realistically low.

Mr. Jensen asked the committee to state what additional information and concerns it recommends staff to have reviewed and present to the full Board at its May meeting. For example, other assumptions that are included in the actuarial analyses, such as changes in future health care costs.

Director Bronitsky suggested an excel spreadsheet with locked-in formulas for costs calculations, and the interests rates and medical inflation numbers can be plugged in a field to calculate the costs.

Director Piccolotti stated that NCCWD contracts with a consultant that does that kind of analysis at its Board meetings.

Chair Guzzetta suggested the committee decide whether to increase the operating budget to meet its annual OPEB obligations. The information that is available today will continue to change due to changes in the market, health care costs and additional factors that this committee cannot predict. He said it would be a higher risk for the Board to settle on an interest rate without the guidance of experts that would do the actuarial analysis each year.

Legal Counsel, Allison Schutte stated that the Board will receive an actuarial report at least every two years moving forward.

Director Mendall made a motion that the Committee recommend Alternative 3b at a return investment assumption of 7% instead of 7.61%. That the FY 2013-14 Operating Budget be increased by an additional \$63,000 from the General Reserve, and that trust alternatives be fully evaluated before funds are deposited, no later than November 2013. Director O’Connell seconded the motion.

Discussion of the Motion:

Director Pierce asked if an irrevocable trust provides BAWSCA different investment strategies. Marcus Wu explained that if BAWSCA invests in a managed Trust such as the Cal PERS trust, BAWSCA will not have control over the investments. BAWSCA would need to create its own trust to have discretion over the investments.

Director Mendall clarified that his motion is silent on that issue, and goes along with the staff recommendation that the alternatives for depositing the funds in a trust be fully evaluated before the funds are deposited.

The motion carried by a vote of 6 to 2. Directors Weed and Bronitsky opposed the motion.

Chair Guzzetta commented that the issue is highly complex, and that providing alternatives to the Board in May is premature. Deciding to address this issue is a good first step, however. More information is needed for further discussion by both the Committee and the Board before alternatives can be considered on how and where to invest the funds.

Mr. Jensen stated that the decision the Board makes in May will be for the purposes of budgeting only, and not for investing BAWSCA’s funds.

Director O'Connell added that the table presented was confusing and should be clarified for the Board.

- B. New Employee Pay and Benefit:** Several directors' comments at the March 21st Board meeting suggested that employee benefits be modified before new employees were hired. After an examination of changes being considered by other agencies and the reasons for those changes, and legal counsel's review of the agency's authority with respect to benefits programs, the following recommendations were presented to the Committee:
- a. Postpone consideration of the revisions to BAWSCA employee and post-retirement benefits until after completion of a comprehensive staff position compensation survey this coming fall, and further analysis of the applicability of PEPR to BAWSCA's compensation and benefits structure; and
 - b. Consider any actions needed to comply with the California Public Employee Pension Reform Act for Prompt implementation.

Mr. Jensen stated that the goal for employee benefits should be to attract and retain high-quality employees in today's market, and to ensure the agency is fiscally responsible and financially sustainable. He noted that these two goals are inextricably linked

Mr. Jensen noted that the Board's discussion at the March meeting highlighted the financial situations other agencies are experiencing, which, negative or positive, can be useful when examining and considering alternatives for BAWSCA. However, they should not serve as the starting point.

Mr. Jensen said that one matter not discussed at the March Board meeting was what benefits BAWSCA currently offers and whether the benefits package created any problems that needed to be fixed.

In order to achieve the goal for employee benefits, Mr. Jensen encourages the Board to examine BAWSCA's existing benefits program and identify what, if anything, needs to be fixed. He said the program should be examined as a whole as well as in parts because it is the package that attracts employees.

Data on benefits for comparable positions can be gathered as part of the compensation survey for staff employees that is scheduled to be conducted this fall. Mr. Jensen reported that a compensation survey is included in the proposed budget for FY 2013-14.

Mr. Jensen noted that much of the current market trend for employee benefits is in response to attempts to change existing MOU's for represented employees. BAWSCA has no MOU's or contracts. Only the CEO/GM position has an employment agreement. All of BAWSCA's employees are at-will employees. He stated that while BAWSCA is free of constraints that other agencies may have, it is also true that BAWSCA employees may not enjoy the security that MOU's provide employees in other agencies.

The evaluation of the existing benefits program could be scheduled in the work plan for FY 2013-14. Mr. Jensen does not recommend adding to the operating budget, but recommends using the contingency budget as a source of funds.

Mr. Jensen recommended that revisions to BAWSCA's benefits should not be rushed, nor should it delay hiring new employees to ensure the agency's productivity.

He reported that BAWSCA's Board-approved personnel handbook states that "...BAWSCA reserves the right to modify, change or terminate benefits as business needs may require and to the greatest extent permitted under law."

Mr. Jensen suggested that the offer letter for the new hires can highlight the fact that the Board can elect to make changes to the benefits package.

The process moving forward include the completion of the compensation survey for the CEO and the staff positions, filling the position of the CEO and the new position, if it is approved in the budget, and assessing whether additional resources will be needed to evaluate changes in existing or new employee benefits.

Director Pierce stated that when doing the compensation survey, the factors that need to be considered to retain high-level employees should be clearly identified.

Director Pierce made a motion, seconded by Director Mendall, that the Committee recommend the Board to:

- a. Postpone consideration of the revisions to BAWSCA employee and post-retirement benefits until after completion of a comprehensive staff position compensation survey to be completed this coming fall and further analysis of the applicability of PEPRRA to BAWSCA's compensation and benefits structure; and**
- b. Consider any actions needed to comply with the California Public Employee Pension Reform Act for Prompt implementation.**

The motion carried unanimously.

- C. Proposed FY 2013 – 14 Work Plan and Budget:** Mr. Jensen reported that the discussions of the preliminary work plan and budget by the Committee in February and the Board in March were thorough. While no actions were taken, there were no objections to the recommended results to be achieved, the proposed new position, the size of the budget, and the alternatives for funding the budget.

Outstanding issues following the March Board meeting include the impact of funding BAWSCA's OPEB obligation beginning FY 2013-14, when to fill the new position, and how much, if any, allowance to budget for merit increases for existing staff positions.

Mr. Jensen presented a table that breaks down, in dollars, the allowance for the new position's salary and benefits, showing the factors that cause the increase over this fiscal year's budgeted amounts.

Mr. Jensen explained that COLA, if approved by the Board, is not automatically applied to the salary of incumbent BAWSCA employees. It is applied to the salary range for each position. Merit increases are under the discretion of the CEO/General Manager, and are capped so that no employee can earn more than the top step salary for their position.

Chair Guzzetta asked for confirmation that the merit increase allowance is a maximum of 5% this year, so that if the board does not approve a COLA adjustment, and a position is 3% below their top step, that position's merit increase could only be up to 3%. Mr. Jensen confirmed that was correct.

In response to the comments and discussions by members of the committee, Mr. Jensen explained that the top step salary ranges for each position of the agency have been approved by the Board, and adjusted by COLA only if approved by the Board.

BAWSCA tries to maintain top step salaries at the median of the market for like positions in other bay area agencies by doing compensation surveys every two years. A compensation survey was not done in FY 2011-12 because data were fluctuating widely in response to financial pressures.

In the interim years when there are no compensation surveys, a COLA adjustment, if approved, is applied to the salary ranges to keep the ranges within the market. Mr. Jensen stated that the compensation survey proposed to be done in FY 2013-14 could lead to recommendation to adjust salaries for some positions, effective in FY 2014-15.

Mr. Jensen described the three alternatives presented in the budget memo: approve a COLA adjustment to top step salaries and up to 5% for merit increases for staff positions, for a total of \$30,763; approve to 5% for merit increases but without increasing top steps salaries by COLA, for a total of \$22,000; or approve no merit allowance for staff positions. The last alternative would reduce the proposed budget by \$30,763.

Mr. Jensen reported that the proposed budget can be funded using assessments and the General Reserve. The funding plan does not recommend a change in assessments at this time. The decision to fund all or a portion of OPEB will increase the operating budget by roughly \$100,000, and the implications to the funding plan will be presented at the May Board meeting.

The proposed work plan and operating budget achieve the agency goals, produce critical results on necessary schedules, and provide resources needed for the next five to ten years. The proposed budget also represents the least-cost alternate that produces the critical results, maintains the General Reserve within the Board's guidelines, and does not change the assessments.

Chair Guzzetta stated his support for adjusting the salary ranges of positions based on the COLA adjustment, and the allowance that provides merit increases up to 5% at Mr. Jensen's discretion.

He noted that the agency will undergo big changes with the change in CEO, and the value of the agency is with its staff. He said the Board has the responsibility to ensure the agency goes through this transition successfully. Additionally, in reviewing the data provided in the agenda packet, Chair Guzzetta noted that the salary increases at BAWSCA average 1 ½ percent over the past four years.

Chair Guzzetta also cited that while the Committee is passionately deliberating a \$30,000 allowance for merit increases out of a \$2.8 million budget, there is a Calaveras Dam project under the SFPUC's WSIP that, as reported to the Board at its March meeting, will be \$50 million over budget. If this Committee and the Board are going to go through the costs flowing through to its water customers, he encourages the Committee and the Board to think about the increasing cost of the WSIP that BAWSCA staff help minimize.

In response to Director Weed's question, Chair Guzzetta clarified that the proposed budget includes the hiring of the new position.

Director Pierce made a motion, seconded by Director O’Connell, that the Committee recommend the Board to adopt:

- a. **The FY 2013-14 results to be achieved**
- b. **The recommended Operating Budget of \$3,116,189;**
- c. **Funding the budget with no changes to assessments and a transfer of \$599,188 from the General Reserve, including \$300,000 for a one-time study.**

Discussion of the Motion:

Director Weed said he opposed the motion because the OPEB payment is not reflected in the proposed budget. He proposed adding \$129,000 for the OPEB obligation for FY 2013-14 in place of hiring a new position.

Chair Guzzetta explained that if the new position is postponed, the work plan will have to change based on the available resources.

Director Bronitsky asked if the General Reserve would be below the level that it should be, if \$129,000 was taken out of the General Reserve to pay the OPEB obligation for FY 2013-14.

Mr. Jensen explained that the General Reserve will decline, and the Board will have to decide whether to increase assessments in FY 2013-14 or FY 2014-15 to bring the General Reserve back to up to 35% of the operating budget.

Director Bronitsky moved to add \$129,000 in the Operating Budget for the OPEB for FY 2013-14.

Legal Counsel, Allison Schutte, clarified that the previous Committee action for OPEB is to recommend Alternative 3B, which funds the OPEB cost at \$99,650.

Director Weed explained that the previous action was to recommend 3B, but to get a better discount rate instead of 7.61%. The \$99,650 will change, and since that number is unknown, he recommends a higher number to ensure adequate coverage.

The Committee amended the motion to add up to \$129,000 to the Operating Budget to cover the OPEB obligation for FY 2013-14. Director Pierce who made the first motion, and Director O’Connell, who seconded the first motion, accepted the amendment.

Director Pierce commented that if what was allocated in the budget is not enough, there is money in the General Reserve, as well as time to make necessary adjustments.

The motion carried 7:1. Director Mendall opposed.

- D. Approval of Professional Services Contract for FY 2013-14:** Mr. Jensen reported that there are 12 Professional Services contracts that need to be approved by the Board so that they can be in place by July 1, 2013 for continuity of service. Professional services for subscription based conservation programs are included.

A memo for each professional service is included in the Committee’s packet.

Director Weed commented that the exclusion of BAWSCA's OPEB liability in the audit report is a major oversight of the auditor.

Mr. Jensen agreed, and reported that he has discussed the matter with the auditor as well as with internal staff. He has clarified the audit scopes, staff assignments, and the expectations the CEO/General Manager for the next audit, so that this contract can be presented to the Committee and the Board with confidence.

Director O'Connell reported that BAWSCA's Lawn Be Gone program was applied to San Bruno's fire station in the Spring of 2012. The process was filmed by a San Bruno Cable Station crew member who lives in Hayward. She applied the process to her own home and is being recognized by the City of Hayward for her water conservation efforts.

Director Pierce motioned, seconded by Director Bronitsky, that the Committee recommend approval of the twelve contracts for legal, engineering, financial, strategic, and water conservation services needing to be in place by July 1, 2013. The motion carried unanimously.

- B. Compensation Adjustment of Chief Executive Officer and General Manager for FY 2012-13.** BAWSCA Chair O'Connell reported that based on the CEO's performance evaluation and significant accomplishments delivered in FY 2012-13, she proposes a 10% salary adjustment for the CEO/General Manager, retroactive to July 2012.

Director Weed expressed his concern with the public policy implications of retroactive pay. He stated that there are constitutional provisions that prohibit retroactive pay. Additionally, CalPERS has policies that affect what can be included as part of PERS retirement compensation. He also expressed concern about the public impression due to an adjustment being made close to someone's announced retirement. He asked how the constitutional criteria of not giving retroactive pay be avoided.

He added that moving forward with the new CEO/General Manager, the Board may consider revising the pay scale significantly. Lastly, he strongly encouraged the Board to retain Mr. Jensen as a consultant for the agency.

In response to Director Weed's question, Ms. Schutte explained that the recommendation should be revised to remove the word retroactive because the possibility of adjustments to the CEO/General Manager's salary was discussed with the former Chair and Vice-Chair during his evaluation prior to the close of the fiscal year, and there was uncertainty as to his salary for the ensuing fiscal year.

Director Bronitsky stated his high regard for the CEO/General Manager, personally and professionally. He, however, would vote against the recommendation, for two reasons. The first is the public perception of a 10% increase for a public employee who is about to go on PERS. Second is because of the current circumstances for many public agencies including his own, that prevent merit raises to staff who are also well deserving of a salary increase. He stated that it is a hard decision because he recognizes the value Mr. Jensen provides the organization and its member agencies.

Director Mendall stated that he voted against the budget recommendation because he could not support the raise for the staff, and therefore, he will vote against the raise for the CEO.

He thinks highly of the BAWSCA staff, however, he is not in a position to support the compensation increase provided the economic circumstances of his city.

Director Pierce asked how 10% was chosen and whether a combination of COLA and a percentage was considered.

Director O'Connell stated that the 10% was chosen as a starting point and as a maximum amount.

Director Vella commented that agencies have to be able to justify their actions in the current economic circumstances. He added that a 10% salary adjustment at the end of someone's career raises a red flag, and that the adjustment could be viewed as the level of pay an incoming CEO/General Manager might expect.

Director Piccolotti suggested consideration of a 5% increase in place of 10%.

Director Guzzetta stated that perception is not always founded in facts, and noted that during the course of the CEO's career with BAWSCA and its predecessor organization, the CEO/General Manager salary has been adjusted at 0%, 3%, 0% and 0%. The Board has to do the right thing for its employees. The rate of 10% is a justifiable number that the Board can explain to those who asks why it was the right thing to do. Director Guzzetta recommends proposing 10% to the full Board for discussion.

Director O'Connell made a motion, seconded by Director Pierce, that the Committee recommend a 10% salary adjustment for the CEO/General Manager for the FY 2012-13. The motion failed by 3:5 votes. Directors Bronitsky, Mendall, Piccolotti, Vella, and Weed, opposed.

Director O'Connell made a second motion, seconded by Director Piccolotti, to recommend a 5% salary adjustment for the CEO/General Manager for the FY 2012-13. The motion carried by a vote of 5:3. Directors Bronitsky, Mendall, and Weed opposed.

Director Weed encouraged the Committee to receive a legal review of how the words bonus and retroactive are included as they relate to existing law.

Reports:

- A. SFPUC Wholesale Water Rate Proposal: Mr. Jensen reported that the SFPUC will have a public hearing in May on the Wholesale Rate Proposal for FY 2013-14. Information will be circulated to the member agencies for their budgeting information. The information will also include the BAWSCA surcharge for the prepayment of the Bonds.
- B. Amendment to the Water Supply Agreement – Status Report: Mr. Jensen reported that the last few agencies acted on the adoption of the resolution on April 9th, with the possible exception of Palo Alto, which is reviewing the language of the resolution. Ms. Schutte will schedule a meeting with SFPUC General Manager to get his signature on the signature pages of the amendment for each member agency.

- C. SFPUC Water System Improvement Program – Update: Ms. Sandkulla reported that the SFPUC has a second notice of changes to the WSIP this year, and is scheduled to have a public hearing in the next few weeks.

The increase to the program cost is \$76.3 million, or about 2% of the total program budget, which is a different number than was cited by the SFPUC at the March 21st Board Meeting.

Two critical water supply project schedules that will extend the WSIP past July 2016 include the Calaveras Dam Replacement Project, and the Alameda Creek Recapture project. The completion date for Calaveras extends to August 2018, and completion for Alameda Creek extends to April 2019. Ms. Sandkulla stated that the completion date of April 2019 for Alameda Creek is highly speculative because it is in the early conceptual engineering process and will require extensive pilot studies to quantify the water supply reliability provided by the project.

Ms. Sandkulla noted that these two projects are important because they protect wholesale customers from water supply shortages. BAWSCA is concerned with the ability of the SFUPC to meet its Level of Service goals for drought reliability, specifically with the yield of the Alameda Creek Recapture Project.

To address the SFPUC's proposed changes, BAWSCA is reviewing all technical and supporting data, and has requested additional information and analyses from the SFPUC. WSIP Program Director, Julie Labonte, has been responsive to BAWSCA's requests, and continues to meet with BAWSCA technical and program management experts.

BAWSCA's review will also identify or request information be provided on the increased risk to public health and safety, whether all possible cost savings have been achieved, and whether the SFPUC has implemented appropriate measures to minimize the risk of future cost increases.

BAWSCA is preparing comments and recommendations for submittal to the Commission.

In response to Director Mendall's questions, Ms. Sandkulla explained that work on the Calaveras Dam Project progressed significantly before geological problems were discovered. The question of whether to continue the project was presented by BAWSCA to the SFPUC when the problem was first encountered. Because the dam could not be used before the project began, and because the storage is so vital to the region, it is not advisable to stop the project.

Ms. Sandkulla explained that while there remain site uncertainties and potential additional risks with the Calaveras Project, there are no critical design decisions that are outstanding. The Program Environmental Impact Report (PEIR) adopted in 2008, as well as the early engineering design process addressed all the major design issues for the project.

In response to Director Piccolotti's question, Ms. Sandkulla stated that from the beginning, John Ummel and now Christina Tang, works diligently to track the accounting of the costs and expenditures of the program, and keeping the costs of "retail customer projects" inside

San Francisco separate from the regional projects, for which wholesale customers pay two-thirds of the cost.

Director Weed noted that the Calaveras Dam is critical to BAWSCA member agencies. He stated that the level of uncertainty with the project remains unknown until the full excavations have been done and stable ground is found. Additionally, the Calaveras fault is remarkably close to the dam.

In response to Director Vella's question, Nicole explained that under BAWSCA's recommendation, total bid savings of approximately \$175 million which the SFPUC received in the early stages of the WSIP were put in a Project Management Reserve. The Reserve was used to fund the first change for Calaveras, and the balance of that reserve is now zero.

Director Guzzetta encouraged Board members to attend a tour of the Calaveras, if one will be scheduled, to understand the scope of the project.

Ms. Sandkulla agreed, and stated that she will request a tour with the SFPUC in June or July. A tour of Calaveras is the best way for members of the BAWSCA Board to understand the magnitude and importance of the project.

- D. 10-Year Anniversary: Mr. Jensen reminded the Committee that the objective of the event is to strengthen BAWSCA's identity among its constituents, allies, and adversaries, and is an opportunity to note BAWSCA's delivery of valuable, concrete results for its members and their constituents.

The event will be held in the Foster City Recreation Center, which is a more feasible venue for accommodating the expected number of attendees. Mr. Jensen presented the draft order of events for the evening, and stated that a modest 30 minute reception will begin at about 6:15 or 6:30pm, followed by the regularly scheduled Board meeting at 7pm. Former board chairs and elected officials who have assisted BAWSCA in achieving its results will be invited to speak. Remarks will be scheduled in the first 45 minutes of the Board meeting, followed by a short break, so that guests may leave and the Board can address the business items on the agenda.

Invitations will be sent out to appropriate people, including former board members, elected officials, and labor and businesses organizations.

An inexpensive brochure is being developed for the event highlighting BAWSCA's 10-year results and future challenges.

Strategic Counsel, Bud Wendell, noted that as the Board thinks about the future challenges of the organization, he would encourage the Board to look at the support and governance the BAWSCA Board provided the CEO, as well as the leadership the CEO exhibited in the legislature and elsewhere.

Mr. Jensen added that labor, business and community organizations, provided valuable support, and that the City/County Association of Governments (CCAG) and the Cities Associa-

tion of Santa Clara Counties (CASCC) were helpful with the amendment to the Water Supply Agreement.

Director O'Connell reported that the City of San Bruno passed a resolution acknowledging BAWSCA's accomplishments, which she plans to present at the May 16th Board meeting. She asked members of the Committee to urge their governing bodies to consider a similar resolution, and to bring it to the 10-year event.

- E. Board Policy Calendar: Mr. Jensen reported that there are additional water reliability related issues that will have to come before the Board in the Summer and Fall. An updated calendar will be presented to the Board at its meeting in May.
- F. Water Supply Update: Mr. Jensen reported that water supply conditions for the year remain dry with the most recent storm occurring in late March. .

Comments by Committee Members: Director Piccolotti stated that having been a member of the BAWSCA Board for the past 10-years, he felt that Director Pierce has been the most effective and inclusive board chair in terms of getting agencies and directors involved. He noted her development of an effective evaluation process for the CEO/General Manager that the agency can use moving forward.

Director Weed encouraged the Board to stay on top of potential rate impacts given the cost overruns on the WSIP, and the SFUPC's unfunded OPEB liability for which the wholesale customers may be responsible for two-thirds. He noted that the SFUPC is not currently funding their OPEB obligations. He also noted upcoming ACWA meetings in April and May.

Chair Guzzetta reported that he will be attending the AWWA conference in June and will not be able to Chair the next committee meeting.

Mr. Jensen noted that he will be out of town in August, and will teleconference into the August Committee meeting, if necessary.

Adjournment: The meeting was adjourned at 4:15pm. The next meeting is June, 2013.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – April 10, 2013

Roster of Attendees:

Committee Members Present

Rob Guzzetta, California Water Service Company (Chair)
Al Mendall, City of Hayward (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, City of Redwood City
Louis Vella, Mid-Peninsula Water District
John Weed, Alameda County Water District

Committee Members Absent

Randy Breault, City of Brisbane/GVMID (BAWSCA Vice Chair)

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
Bud Wendell	Strategic Counsel, Management Communications

Public Attendees:

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

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING
March 21, 2013 – 7 p.m.
Foster City Community Building, Foster City CA**

MINUTES

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

BAWSCA Chair, Irene O’Connell, called the meeting to order. Art Jensen called the roll. Twenty-two (22) members of the Board were present, constituting a quorum. A list of Directors present (22) and absent (4) is attached.

2. Comments by the Chair:

Chair O’Connell acknowledged Mr. Jensen’s pending retirement and recognized his leadership that led to BAWSCA’s achievements.

As a follow up to her email following Art Jensen’s retirement announcement, Chair O’Connell reported that she had formed an Ad Hoc Committee to work on the selection of the new CEO/General Manger. The members include herself, Al Mendall, Rob Guzzetta, and Randy Breault. BAWSCA’s founding Board Chair, Ira Ruskin, has agreed to assist the committee. The Committee will be working with Legal and Strategic Counsels on the selection process.

Chair O’Connell emphasized the special importance of two report items on the agenda. The first item is the Preliminary Work Plan and Budget for FY 2013-14, which the Board will act on in May. She noted that they are result-driven and direct the activities of the agency during the coming year. The second item is the opportunity to mark BAWSCA’s first 10 years of delivering results for its member agencies and its customers. The Anniversary will be marked at the Board meeting in May.

3. Board Policy Committee Report: Committee Chair Rob Guzzetta thanked former Committee Chair Larry Klein for his leadership of the Committee since 2011. He also thanked former committee members Ruben Abrica and Robert Anderson for their participation in the committee, and welcomed two new members of the Committee, Al Mendall from the City of Hayward and Charlie Bronitsky from the City of Foster City.

Committee Chair Guzzetta reported the discussions and actions that took place at the BPC meeting held February 13, 2013.

4. Public Comments: Public comments were received from Wynn Grcich and Michael Francois.

5. SFPUC Report: SFPUC General Manager, Harlan Kelly addressed the Board. He acknowledged Mr. Jensen’s upcoming retirement, and provided an update on the revisions to the WSIP that the Commission will consider at a public hearing on April 23, 2013.

Assistant General Manager for Water, Steve Ritchie, reported on current water supply conditions.

6. Consent Calendar:

Director Richardson made a motion, seconded by Director Pierce, to approve the Consent Calendar. The items include approval of the Minutes of the January 17, 2013 Board Meeting, that the Board receive and file the Budget Status, and Investment reports ending January 31, 2013, and approval of the following Board actions:

- a. **Authorize the CEO/General Manager to negotiate and execute a Professional Services Contract with Maddaus Water Management, Inc., for \$365,000 to provide technical support for the development of Regional Water Demand and Conservation Projections;**
- b. **Authorize a transfer of \$65,000 from the BAWSCA General Reserve to fund work performed in FY 2012-13; and**
- c. **Include \$300,000 in the proposed work plan for FY 2013-14, with fund from the General Reserve.**

The motion carried unanimously.

7. Action Calendar:

A. Proposed FY 2013-14 Bond Surcharges:

Director Kasperzak made a motion, seconded by Director Pierce, that the Board approve the proposed bond surcharges for FY 2013-14. The motion carried unanimously.

B. Resolution Appointing John Ummel as Temporary Sr. Administrative Analyst Emeritus

Director Richardson made a motion, seconded by Director Klein, to adopt 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. By roll call vote, the motion carried unanimously.

8. Reports: Additional staff reports were provided on the results of Other Post-Employment Benefits (OPEB) Evaluation, Preliminary FY 2013-14 Work Plan and Budget, SFPUC Water Supply Conditions, SFPUC WSIP, the upcoming Ten-Year Anniversary, and items on the CEO/General Manager's letter and correspondence packet.

9. Adjourned to Closed Session at 9:00 pm pursuant to Government Code 54957

10. Reconvened to Open Session at 9:27. Chair O'Connell reported the actions taken during Closed Session:

- A. Board approval that the General Manager's title be officially changed to CEO and General Manager, and to approve the changes to the CEO and General Manager's

roles and responsibilities in the Attachment to the CEO and General Manager's Agreement, with direction for further revisions.

B. Board acceptance of the CEO and General Manager's retirement.

Director Vella made a motion, seconded by Director O'Mahony, to extend the meeting to accommodate the remaining agenda items. The motion carried unanimously.

11. Agreement with Executive Recruitment Firm: Legal Counsel, Allison Schutte, reported that to fill the pending vacancy for the CEO/General Manager position, a Request for Proposals (RFP) for executive recruitment firms has been drafted. She reported that the RFP will be published on March 22, 2013. Ms. Schutte anticipates the selection of a recruitment firm in early April.

Director Laporte made a motion, seconded by Director Mendall, to authorize the CEO/General Manager to negotiate and execute a Professional Services Agreement with an Executive Recruitment Firm for an amount not-to-exceed \$50,000. The motion carried unanimously.

12. Date, Time and Location of Next Meeting: The next meeting is scheduled on May 16, 2013, in the Wind Room, Foster City Community Center.

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

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
March 21, 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
Armando Gomez	City of Milpitas
Rob Guzzetta	California Water Service Company
Mike Kasperzak	City of Mountain View
Tom Kasten	Town of Hillsborough
Larry Klein	City of Palo Alto
Marty Laporte	Stanford
Jerry Marsalli	City of Santa Clara
Al Mendall	City of Hayward
Irene O'Connell	City of San Bruno
Rosalie O'Mahony	City of Burlingame
Tom Piccolotti	North Coast County Water District
Barbara Pierce	City of Redwood City
Sepi Richardson	City of Brisbane
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District

Absent:

Jim Griffith	City of Sunnyvale
Michael Guingona	City of Daly City
Dan Quigg	City of Millbrae
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: May 3, 2013
SUBJECT: Budget Status Report as of March 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 nine month period ending March 31, 2013, at 75 percent into the fiscal year, total expenditures were \$1,805,149 or 65 percent of the total budget of \$2,780,504. A transfer of \$65,000 from the General Reserve was approved by the Board at the March board meeting for work related to the Regional Water Demand and Conservation Projections with Maddaus Water Management. Those funds were added to the operating budget for consultant expenses associated with water supply reliability. A transfer of \$50,000 from the contingency was approved at the March board meeting for consultant expenses associated with CEO recruitment. These funds were added to the operating budget for consultant expenses associated with administration.

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

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	1,030,162	462,620	45%
Fair Pricing	210,000	236,236	112%
Administration	141,000	119,580	85%
Subtotal	1,381,162	818,435	59%
Administration and General			
Salary & Benefits	1,099,742	823,034	75%
Other Expenses			
BAWSCA	280,600	163,680	58%
BAWUA	1,100	0	0%
Subtotal	2,762,604	1,805,149	65%
Capital Expenses	4,000	0	0%
Budgeted Contingency	12,500	0	0%
Regional Financing Authority	1,400	0	0%
Grand Total	2,780,504	1,805,149	65%

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 57 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 91 percent expended. The Operating Budget allocation of \$509,000 budget for legal counsel was 81 percent expended. The \$290,162 budget for water management and conservation-related activities was 31 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 75 and 58 percent expended, respectively.

Use of CEO’s Discretionary Spending Authority:

In April, after the end of this reporting period, the CEO entered into an agreement with an actuarial firm for \$2,000 to conduct an additional OPEB (Other Post-Employment Benefits) study to reflect upcoming personnel changes including the CEO’s retirement. Additional analyses have been required. The expenses for this study will appear in the budget status report period ending June 30, 2013.

Use of Reserve Fund Balance:

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

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

Table 2. General Reserve Fund Balance

Fund	Account balance (As of 01/31/13)	Account balance (As of 03/31/13)
General Reserve	\$1,050,897	\$985,897

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

Phase 2 of the Long-Term Reliable Supply Strategy (Strategy) began FY 2010-11. Funding is provided through the Water Management Charge, approved by the Board in July 2010. All Water Management Charge revenue, totaling \$2,321,998 has been collected by the SFPUC and received by BAWSCA. Expenditures for strategic and legal support of the Long-Term Reliable Water Supply Strategy are within their respective budgets. Consultant invoices received and paid through March 31, 2013 total \$1,392,146.

BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Arthur R. Jensen, CEO/General Manager

FROM: Deborah Grimes

DATE: May 3, 2013

SUBJECT: Investment Report – As of March 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>01/31/13</u>	<u>03/31/13</u>
\$2,823,241	\$2,873,241

Of the total in the BAWSCA LAIF account as of March 31, 2013, \$985,897 represents BAWSCA's General Reserve Fund, equivalent to approximately 35 percent of FY 2012-13 Operating Budget. The remaining amount consists of Subscription Conservation Program funds, Water Management funds and unrestricted funds.

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

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

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.

Revenue Bond Series 2013A and Series 2013B - Update

The sale of BAWSCA's Revenue Bond Series 2013A and Series 2013B was closed on February 27. BAWSCA received a total of \$377,163,319.79 as bond proceeds less Underwriters' Discount. The funds were deposited in the Trustee's account at the Bank of New York (BNY). On the same day, February 27, a total of \$356,138,829.00 was withdrawn to prepay the capital recovery payments that the member agencies owe San Francisco.

That same day, a total of \$467,510.70 was withdrawn to pay various vendors (i.e. financial advisor, bond/disclosure counsel, Standard & Poor, Trustee, etc.) for costs of issuance. The balance of the proceeds, \$20,556,980.09, was deposited in money market funds by the Bank of New York.

In the month of March, an amount of \$600.00 was paid to the BNY for establishing the accounts, and the funds received a total of \$11.26 as investment interest earnings. The total balance as of March 31, 2013 was \$20,556,391.35.

In the month of April, the funds received a total of \$174.53 as investment interest earnings. The semi-annual bond payment of \$1,270,732.46 was made to bondholders on April 1. The total balance as of April 30, 2013 is \$19,285,833.42. The total balance consists of \$6,727,479.34 in the Capitalized Interest Fund, \$12,337,646.27 in the Stabilization Fund, and \$220,707.81 in the Costs of Issuance Fund.

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

BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Arthur R. Jensen, CEO/General Manager

FROM: Deborah Grimes

DATE: May 3, 2013

SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending March 31, 2013

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

There were no director expenses reimbursed for the quarter ending March 31, 2013.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: Amendment to Hanson Bridgett Professional Services Contract

Summary:

Matters requiring additional use of legal counsel services arose toward the end of the year and the contract with Hanson Bridgett must be amended to avoid disruption of necessary work.

Fiscal Impact:

The amount requested, \$60,000, is an appropriate estimate. Any funds remaining unspent at the end of the year will return to the General Reserve. The source of funds would be various budget amounts from unspent water conservation activities, water conservation database support and miscellaneous sponsorships.

Board Policy Committee Action:

The need for this amendment was analyzed after the April Board Policy Committee meeting, so no Committee recommendation is provided.

Recommendation:

That the Board authorize the CEO/GM to amend the professional services contract with Hanson Bridgett by \$60,000, for a total not to exceed amount of \$569,000.”

Discussion:

The attached memorandum from legal counsel accurately describes the work involved and the budget adjustments made earlier in the year to accommodate unanticipated needs for legal services. Alternatives considered included delaying less critical work item until next fiscal year, and those actions are being taken to the extent that the schedules are flexible.

Attachment:

- Memo from Allison Schutte, Hanson, Bridgett, LLP, to Art Jensen dated May 9, 2013

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Memorandum

TO: Art Jensen, CEO and General Manager
BAWSCA

FROM: Allison C. Schutte, Legal Counsel

DATE: May 9, 2013

RE: **Proposed Budget Amendment to Agreement for Legal Services for FY 2012-13**

I have analyzed the key legal issues that BAWSCA is facing for the remainder of the 2012-13 Fiscal Year and have determined that to successfully support BAWSCA's goals and objectives through June 30, 2013, I request an additional \$60,000 be made available for legal services.

The previously estimated costs for legal support required to achieve the scope of work for FY 2012-13, including services needed to support the Pilot Water Transfer Study with EBMUD, totaled \$509,000. As of April 30, 2013, services rendered have reached approximately \$475,000.

I anticipate significant expenditures in the next two months will be needed to support CEO transition activities, including support of the Ad Hoc Recruitment Committee, analysis and drafting of transfer agreements required to complete the Pilot Water Transfer Study, as well as additional work to analyze impacts of portions of the newly released environmental documents related to the Water Quality Control Plan for the San Francisco Bay / Sacramento-San Joaquin Delta Estuary ("Bay-Delta Plan") regarding flow objectives for the Tuolumne River. Both the CEO transition and the Bay-Delta Plan analyses were not anticipated when preparing the scope of work for our current Agreement for Legal Services nor were they anticipated during the Mid-Year 2012-13 Work Plan and Budget Review ("Mid-Year Review").

The Mid-Year Review, considered by the Board at its January 17th meeting, reallocated legal budget resources within the existing total not-to-exceed contract amount. At that time, resources were moved from FERC and other efforts to accommodate my Issuer's Counsel role for the BAWSCA bond issuance and the significant legal effort necessary to support all the strategic activities required to respond to the Hetch Hetchy Reservoir initiative, including development of legislation and negotiating and drafting an amendment to the Water Supply Agreement with San Francisco. Both of these projects were not anticipated in the original Fiscal Year budget preparation.

I pride myself on carefully managing resources throughout the year to deliver excellent legal services, on budget, throughout the Fiscal Year. However, despite my best efforts to manage within the reallocated categories, since January, significant unanticipated projects arose, including the CEO transition and recruitment, the OPEB legal review and benefits questions and the Bay-Delta Plan analysis. These put additional pressure on our reallocated legal budget since our last review in March.

As always, I will continue to strive to deliver legal services to BAWSCA effectively and efficiently and will only invoice the Agency for services actually rendered through the close of this Fiscal Year.

Thank you for your consideration.

Hanson Bridgett LLP

425 Market Street, 26th Floor, San Francisco, CA 94105

hansonbridgett.com

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: Recommended Funding Plan for Other Post-Employment Benefits

Summary:

This memorandum presents several funding plan options for Other Post-Employment Benefits (OPEB).

In response to a suggestion from the Board Policy Committee, BAWSCA had an OPEB actuarial evaluation done by North Bay Pensions in March 2013. Further analyses were performed to utilize a more conservative investment yield for an irrevocable trust and to reflect the known upcoming personnel changes. The objective of the evaluation was to determine the best estimate of post-employment financial obligations as of July 1, 2012 and how much BAWSCA would need to set aside to fully fund that liability.

The estimated Annual Required Contribution (ARC) for FY 2013-14 would be \$234,606 if funded through a bank with an assumed investment yield of 4%, or \$142,912 under the recommended approach, fully funding the ARC through an irrevocable trust with an assumed investment yield of 7%.

Fiscal Impact:

Fully funding the ARC by depositing funds in an irrevocable trust, and paying medical premiums for existing retirees from the trust, would result in a net addition of about \$98,000 to the Operating Budget for FY 2013-14. Starting to fully fund OPEB in FY 2013-14 would result in drawing down the General Reserve Balance by an equivalent amount if increasing the annual assessments is to be avoided. If the Board approves this approach in May, available trust options could be examined and presented to the Committee in June.

Board Policy Committee Action:

The Committee voted 6:2 to recommend approval of the proposed Board action.

Recommendation:

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

Discussion:

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.

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. This estimate does not appear in the FY 2011-12 Financial Reports, but will be included in future Financial Reports.

The Unfunded Actuarial Accrued Liability (UAAL) represents the difference between the present value of benefits promised to employees as compensation for services already rendered and the actuarial value of the resources accumulated to meet it. As of July 1, 2012, BAWSCA's UAAL is \$1,371,709.

The ARC is an actuarially determined annual contribution consisting of the current costs for retiree medical benefits earned by current employees plus the amortized portion of the total UAAL for retiree medical benefits.

Alternatives:

There are several options available for funding the OPEB obligations, including:

1. Continue a pay-as-you-go approach
2. Fully fund the Annual Required Contribution (ARC) into a bank
3. Fully fund the Annual Required Contribution (ARC) into an irrevocable trust

Each alternative is described and evaluated below.

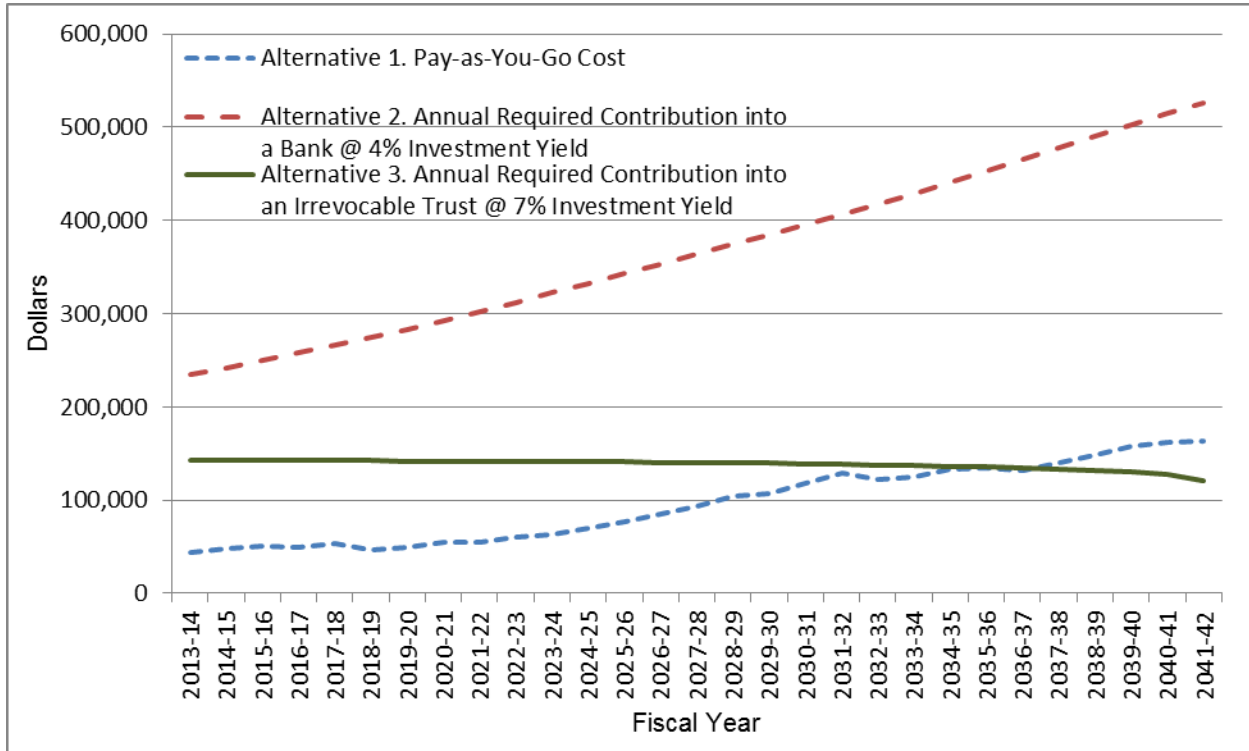
1. Continue the pay-as-you-go approach with an increasing amount each year.
 - Continuing this approach is not recommended because the obligation is not fully funded and continues to accrue.
 - BAWSCA's current pay-as-you-go amount for two existing retirees' medical benefits is estimated to be \$28,103 for FY 2012-13 and \$44,507 for FY 2013-14.
 - The Net OPEB Obligations, if not set aside, would accumulate. The Net OPEB Obligation at the end of FY 2016-17 is estimated to be \$924,162 and \$8,066,164 at the end of FY 2041-42.
2. Fully fund the Annual Required Contribution (ARC) into a bank starting FY 2013-14, and pay current medical premiums for retirees from that account.
 - This approach is not recommended due to the higher cost.
 - The long-term investment return is expected to be 4%.
 - The funds would be more liquid than if they were in an irrevocable trust.
 - Because the funds could be used for other purposes the annual financial reports would continue to show a large unpaid liability.
 - The cost for FY 2013-14 would be \$234,606.
 - The net increase to the FY 2013-14 Operating Budget would be \$190,100.
 - The Net OPEB Obligation shown on BAWSCA's financial statement at the end of FY 2016-17 is estimated to be \$924,162 and \$8,066,164 at the end of FY 2041-42, because the funds are not in an irrevocable trust and could be used for other purposes.
3. Fully fund the ARC into an irrevocable trust starting FY 2013-14, and pay current medical premiums for retirees from that account. **(Recommended)**
 - This approach is recommended because it fully funds the OPEB obligation at the lowest cost.
 - The long-term investment return is expected to be 7%.
 - The cost for FY2013-14 would be \$142,912.
 - The net increase to the FY 2013-14 Operating Budget would be \$98,000.
 - The net increase to the budget is about half of the amount for alternative 2.
 - The Net OPEB Obligation shown on BAWSCA's financial statement at the end of FY 2016-17 is estimated to be \$125,639 and \$0 at the end of FY 2041-42.

Additional alternatives would be to fund only part of the annual obligation, to implement the budget impact in stages, or both. These alternatives do not appear to provide significant advantages, and are not recommended.

If the Board approves this approach in May, available trust options could be examined and presented to the Committee this summer.

The chart below shows the relative budget impacts of alternatives 1, 2 and 3.

Fiscal Impact of Three Alternatives per Year



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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: New Employee Pay and Benefits

Summary:

Discussion at the March 21, 2013 Board meeting included suggestions that BAWSCA consider modifying its employee-benefit structure for future hires, including retirement benefits provided to those employees. One Board member suggested that these changes be identified and implemented before BAWSCA hires any new employees.

The committee recommends that BAWSCA begin a comprehensive review of its benefit structure for future hires. Further, the committee recommends that BAWSCA proceed with hiring new employees without delay, but with one condition – those employees must be informed in writing before their hire date that their benefits may be altered depending on the outcome of the benefit review. This approach permits the Work Plan to be implemented and for a comprehensive review of benefits to be performed.

In addition, BAWSCA should promptly take actions needed to comply with the California Public Employee Pension Reform Act.

Fiscal Impact:

Even if revisions to employee benefits could be identified and implemented immediately, the impact on the FY 2013-14 Operating Budget would be small. Changes to employee benefits could significantly affect future expenditures, and should be thoroughly examined. The proposed Operating Budget already contains funding for a compensation survey for staff positions.

Board Policy Committee Action:

The Committee voted unanimously to recommend Board adoption of the recommendation.

Recommendation:

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

Discussion:

The goal for revisions to employee benefits should be two-fold: 1) to attract and retain high-quality employees in today's market, and 2) to ensure the agency is fiscally responsible and financially sustainable.

Benefits experts at Hanson Bridgett state that necessary and prudent analyses would require more time than can be afforded before replacing the CEO/General Manager.

A thoughtful approach would also affect the filling of the proposed new position, delaying progress toward key results by one-third to one-half of a year.

Board discussion to date did not include an inquiry or discussion of BAWSCA's current mix of benefits. The normal bi-annual compensation survey was intentionally postponed since 2010 because salaries and benefits at comparator agencies have been in a state of flux, and the data would have had little meaning.

For these reasons it is unclear what, if any problems exist with BAWSCA's benefits, nor what appropriate remedies might be.

Because BAWSCA does not have MOU's with bargaining units, BAWSCA has no history of negotiated benefits packages. This is both an advantage and a disadvantage. The disadvantage is that there is no history of employee preferences and trade-offs. The advantage is that BAWSCA is not encumbered by existing MOU provisions and a history of past trade-offs.

With respect to the market place, BAWSCA has a good benefit program but does not have many of the retirement benefits that have imposed a financial burden on some other agencies.

Suggested Approach:

All of these factors suggest that a prudent approach would be to begin with a review of BAWSCA's current benefits, obtain information about benefits provided to similar positions in the Bay Area market, and make an informed determination of whether the benefit package is light, adequate, or generous, and where changes might be appropriate.

A compensation survey is about to begin for the CEO position in conjunction with the recruitment process. This information will be useful to the Board in negotiating an employment contract with that selected individual.

The proposed Operating Budget contains funds for a compensation survey of all other positions. That survey is to be completed by late fall for input to the FY 2014-15 budget process.

Comprehensive review and modification of the package of benefits for employees and retirees is not included in the proposed Work Plan. Such a comprehensive review and alteration of benefits could be accommodated if resources were made available. Resources that might be needed for such an effort would include:

- a) Time for Hanson Bridgett legal expertise on employee benefits;
- b) Consultant time for collection of more market data on benefits than currently anticipated;
- c) Time for the CEO, office manager and perhaps the Senior Administrative Analyst to evaluate and summarize data, findings, conclusions and policy recommendations for Committee and Board consideration; and
- d) Time for the CEO, legal counsel and the office manager to implement any changes approved by the Board.

A decision to proceed with this level of review and allocate resources to do so would need to be made well in advance of budget preparation for FY 2014-15.

Benefits for New Employees

In the meanwhile, the Board's ability to manage future financial obligations can be protected by ensuring offers of employment to new employees contain an explicit statement that retirement benefits may be modified by the Board following their being hired.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

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

Summary:

This memorandum presents the proposed results to be achieved, a proposed Operating Budget, a proposed assessment of how the work could be funded, and specific budget issues requiring input from the Board.

The proposed 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 focuses on outstanding issues discussed at the March Board meeting and the April Board Policy Committee meeting. Those matters include: the impact of funding the Other Post-Employment Benefits, the timing of filling the proposed new position, an allowance for staff merit increases, and the management of the General Reserve.

Earlier discussion of the preliminary budget, reviewed by the Board Policy Committee in February and the Board in March, revealed no issues with the Work Plan, the budgeting alternatives considered, or the recommended budget. Earlier material related to these matters is included in the form of appendices to this memo.

Fiscal Impact: To address Other Post-Employment Benefits, the Board Policy Committee recommends adding the Annual Required Contribution (ARC) to the Operating Budget. The net addition to the Operating Budget would be \$98,000 for FY 2013-14. A funding plan is presented that permits this level of funding without increasing assessments this year.

The *preliminary* FY 2013-14 Operating Budget presented in March was \$3,116,189. Of this amount, \$300,000 is for a one-time cost. Adding the amount to fund ARC brings the recommended FY 2013-14 Operating Budget to \$3,214,189.

Board Policy Committee Action: The Committee recommends Board approval of the proposed budget, with the inclusion of funding for Other Post-Employment Benefits.

Recommendation:

That the Committee recommend the Board adopt:

- 1. The FY 2013-14 results to be achieved;**
- 2. The recommended Operating Budget of \$3,214,189;**
- 3. Funding the budget with no changes to assessments and a transfer of \$696,188 from the General Reserve, including \$300,000 for a one-time study and \$98,000 to fund the Annual Required Contribution to Other Post-Employment Benefits.**

Discussion:

At the March board meeting, the preliminary work plan and budget were presented including the recommended alternative. Board members expressed support for the proposed Work Plan, the results to be achieved, and the recommended alternative involving the hiring of a new staff person.

The Work Plan has been modified, as suggested, to include the successful recruitment, hiring, and transition of a new Chief Executive Officer/General Manager.

The Board Policy Committee continued discussion of the proposed allowance staff merit increases, including three alternatives. The proposed Operating Budget recommended by the Committee includes amount presented in the preliminary budget in March.

The issue of funding Other Post-Employment Benefits (OPEB) was discussed in detail at the April Board Policy Committee meeting. Based on that discussion, the analysis presented in a separate memorandum, and the Committee's recommendation, this budget includes payment of the Annual Required Contribution. The net increase to the budget is \$98,000 for FY 2013-14.

The budget can 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.

With the pending transition to a new CEO/GM, and consistent with past practice, it will be important to review progress on the Work Plan and status of the budget, and projected spending at mid-year.

Proposed Work Plan:

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 proposed budget. Any of these items could be added at a later date, if needed.

In developing the proposed 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 proposed Work Plan as they are not critical to the agency achieving its state mandated mission and purpose. This information is presented in Appendix K 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 proposed Work Plan development are presented Table 3.

Budget Considerations: The list of results to be achieved and the proposed budget include the consultant contract to begin development of updated water demand projections that the Board authorized at the March 21, 2013 Board meeting.

One item specifically not included in the proposed Work Plan or proposed 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.

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 SF to protect interests of members and their customers in a fair price for water purchased.
- 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

12. Successful recruitment, hiring, and transition of a new Chief Executive Officer/General Manager

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

Recommended Proposed FY 2013-14 Operating Budget:

The proposed Operating Budget presented below reflects funding to achieve the full Work Plan, the addition of a junior level staff position and the net increase to fund the Annual Required Contribution for Other Post-Employment Benefits. The last item is included as a separate line item to highlight its inclusion in this first year of funding.

**Table 4. Proposed Operating Budget
by Major Expenditure Category**

Cost Category	Approved FY 2012-13 Budget, dollars*	Proposed FY 2013-14 Budget, dollars	Difference, dollars
Consultants/ Direct Expenditures			
Reliability	965,162	1,151,662	186,500
Fair Pricing	210,000	227,500	17,500
Administration	91,000	74,000	(17,000)
<i>Subtotal</i>	1,266,162	1,453,162	187,000
Administration			
Employee Salaries & Benefits	1,099,742	1,308,527	208,785
<i>Other Post-Employment Benefits (net)</i>	0	98,000	98,000
Operational Expenses	280,600	290,500	9,900
BAWUA	1,100	1,100	0
<i>Subtotal</i>	1,381,442	1,698,127	316,685
Total Operating Expenses	2,647,604	3,151,289	503,685
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	3,214,189	498,685

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

Explanation and Alternatives for Salaries and Benefits:

The increase in salaries and benefits of \$208,785 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	11,022
d. Impact of COLA adjustment to top step salaries	8,763
e. Size of merit allowance without COLA adjustment	22,000
Total of changes	\$208,785

The size of the merit allowance would permit awarding salary increases of up to 5%, or to top step for the position, whichever is less. Consistent with past practice, no salary increment is budgeted for the CEO.

One alternative to the proposed budget would be to not approve a COLA adjustment to top step salaries, but retain an allowance for merit increases within the existing salary ranges. This would be consistent with member agencies that budget for step increases for non-management positions.

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. The possible merit adjustments for the Water Resource Planning Manager, the Office Manager and the Assistant to the CEO would be affected.

<u>Summary of Alternatives</u>	<u>Budgeted merit allowance</u>
1. Proposed allowance for merit increases	\$30,763
2. Allowance for merit increases without COLA adj to top step	\$22,000
3. Eliminate allowance for merit increases	\$0

A prudent objective for all agencies is to attract and maintain high quality employees. BAWSCA has tried to maintain top step salaries at the median for like positions in other agencies. While providing automatic salary increases, BAWSCA has tied merit increases to performance to train and retain high quality personnel and the knowledge they acquire.

Discussion at the March Board meeting raised questions about whether benefits should be modified for new employees. The Board Policy Committee approved the budget. This matter is agenzized for separate action and would not have a material impact on the proposed Operating Budget.

Funding the Proposed Operating Budget:

Four principles were considered when considering how to fund the proposed budget:

1. Budget sufficient resources to achieve the desired Work Plan results.
2. Spend only what is needed to achieve the results.
3. Do not increase assessments unless absolutely necessary.
4. Maintain a prudent General Reserve balance within Board guidelines.

The proposed funding plan complies with all four principles. The proposed budget achieves the results listed in the Work Plan. Unspent funds are moved to the General Reserve to fund special needs and future year's budgets. The proposed budget can be funded at the current level of assessments plus a transfer from the General Reserve. The resulting General Reserve balance provides a prudent balance within the Board's guidelines.

The General Reserve balance has increased over the last several years, and should be drawn down to remain within the Board's guidelines. A multi-year assessment indicates that an ongoing budget of comparable size can be sustained, but would require a future increase in assessments of 4%.

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 \$2,898,000. The Board's guideline for the maximum balance of the reserve is 35%, or \$1,014,000.

This alternative for funding the budget would be to use \$2,517,000 in assessments (no change) and a total of \$697,188 (\$3,214,188 - \$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 \$2,898,000 (including OPEB funding). Current assessments are \$2,517,000 per year.

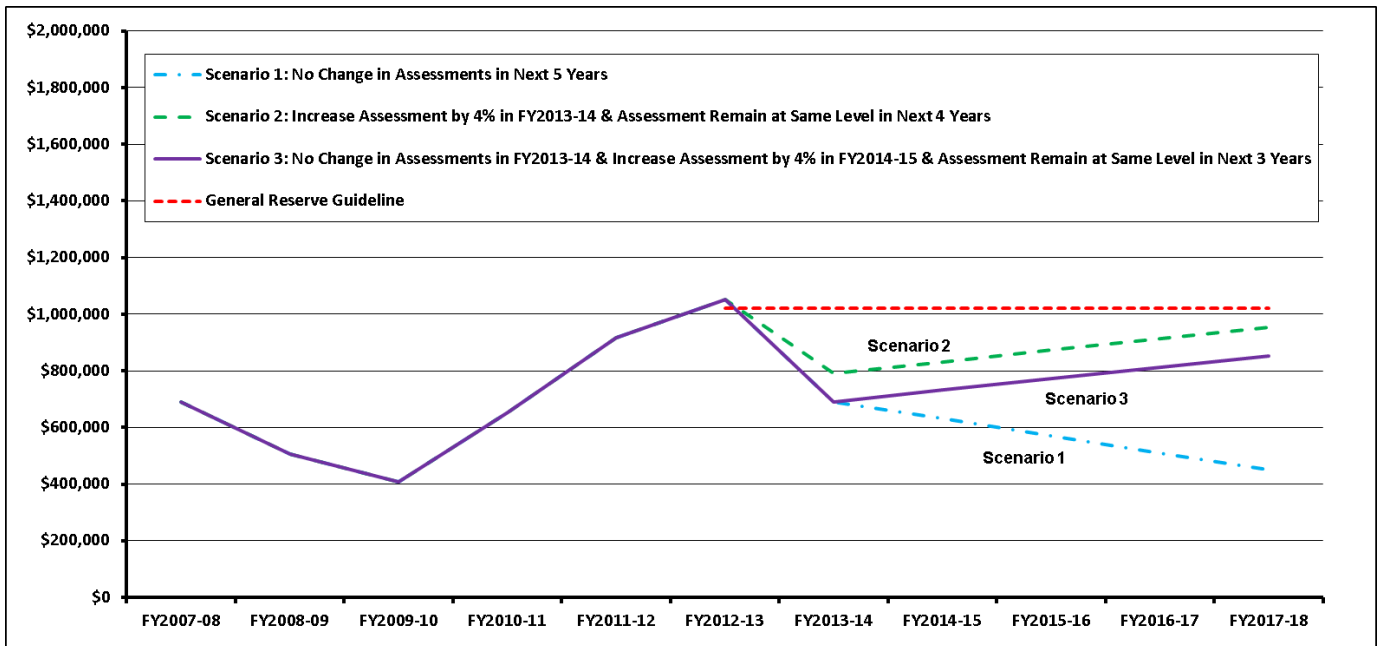
Three were examined and are depicted in Figure 1:

1. An ongoing budget level of \$2,898,000 with no change in assessments for five years.
2. An ongoing budget level of \$2,898,000, with a 4% increase in assessments beginning in FY 2013-14.
3. An ongoing budget level of \$2,898,000, with a 4% increase in assessments beginning in FY 2014-15.

All three scenarios assume full funding of the budget through assessments and transfers from the General Reserve, the historical spending-to-budget ratio of 88%, and that unspent funds are deposited back into the General Reserve at year-end.

Scenario 3 funds the proposed budget without an increase in assessments and maintains the General Reserve balance within Board guidelines.

Figure 1: Scenarios Demonstrate a Budget of \$2,898,000 Can be Sustained Without Increasing Assessments



Need for ongoing review: With the pending transition to a new CEO/GM, and consistent with past practice, it will be important to review progress on the Work Plan and status of the budget, and projected spending at mid-year.

Appendices

Appendices A through L 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 Budget Status Reports to the Board.

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 D-1 displays the history of assessments and year-end reserves.

Table D-1. 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	\$1,251,000 (est.)

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

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

Appendix F: Proposed Budget for the Regional Financing Authority Budget

The BAWSCA Board of Directors has continued to agree to fund nominal administrative costs for the Regional Financing Authority (RFA), at least until it became more actively involved and required significant resources. Assuming a low level of activity in FY 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

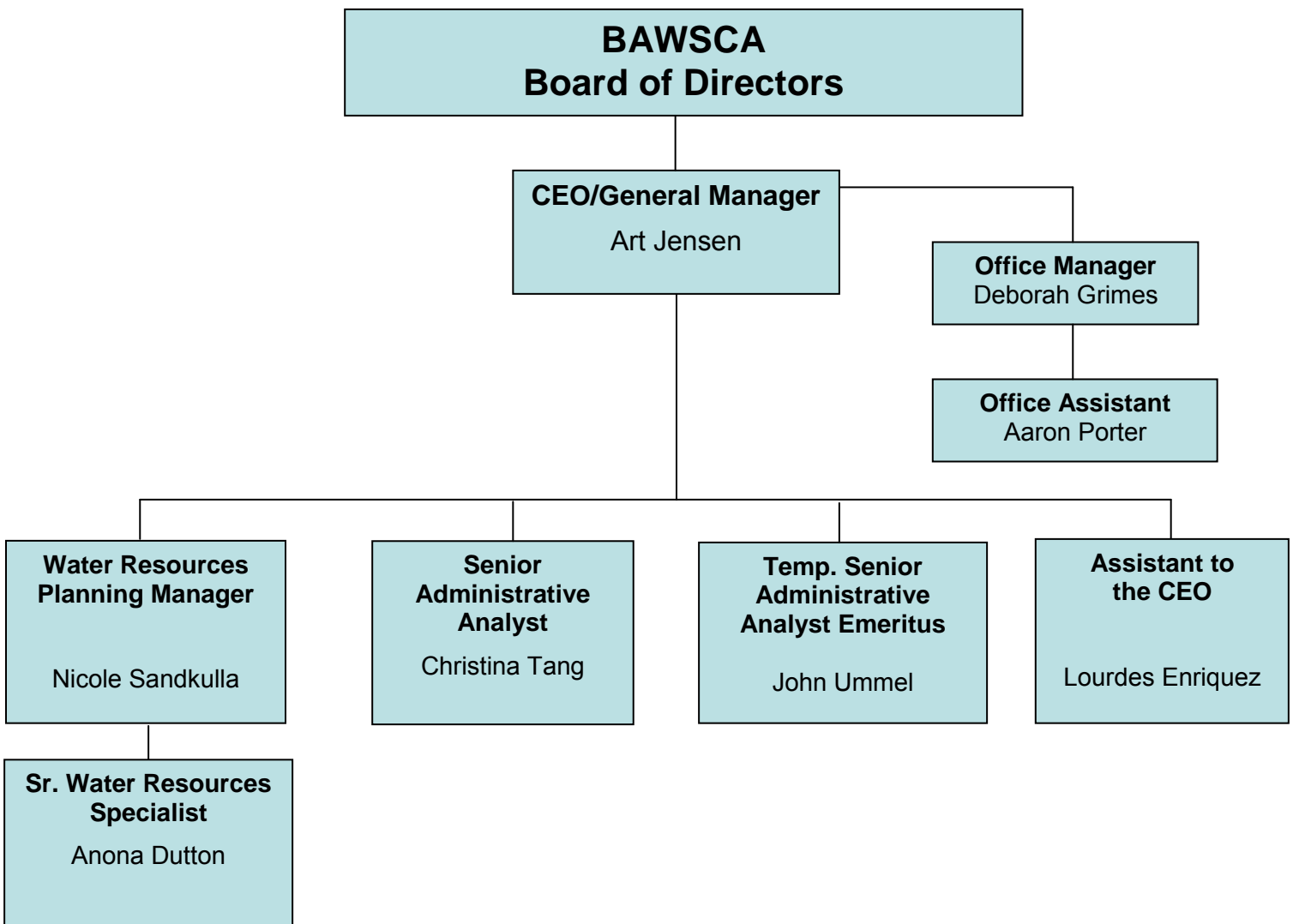
Reliable Water Supply Strategy, providing legislative and political support, and providing advice to the CEO and the Board on other issues significant to the water customers and the effectiveness of the agency.

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 I-1 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 Emeritus position.

Figure I-1. 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 K: Beneficial Activities Identified But Not Included in Work Plan

In developing the proposed 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 proposed Work Plan as they are not critical to the agency achieving its state mandated mission and purpose. These items are presented in Table K-1 below.

**Table K-1: 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.

Appendix L: Work Plan and Budget Alternatives Examined

In developing the proposed 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 proposed 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
- Sr. Water Resources Specialist 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.

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 Sr. Water Resources Specialist 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	\$1,463,527
<u>Contingency</u>	<u>\$ 57,500</u>
Total Operating Expenses	\$2,996,189

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 proposed 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 to proposed 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	\$1,463,527
<u>Contingency</u>	<u>\$ 57,500</u>
Total Operating Expenses	\$2,848,189

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 proposed 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 Sr. Water Resources Specialist) 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 proposed 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 least 5-10 years

Disadvantages of Alternative 3:

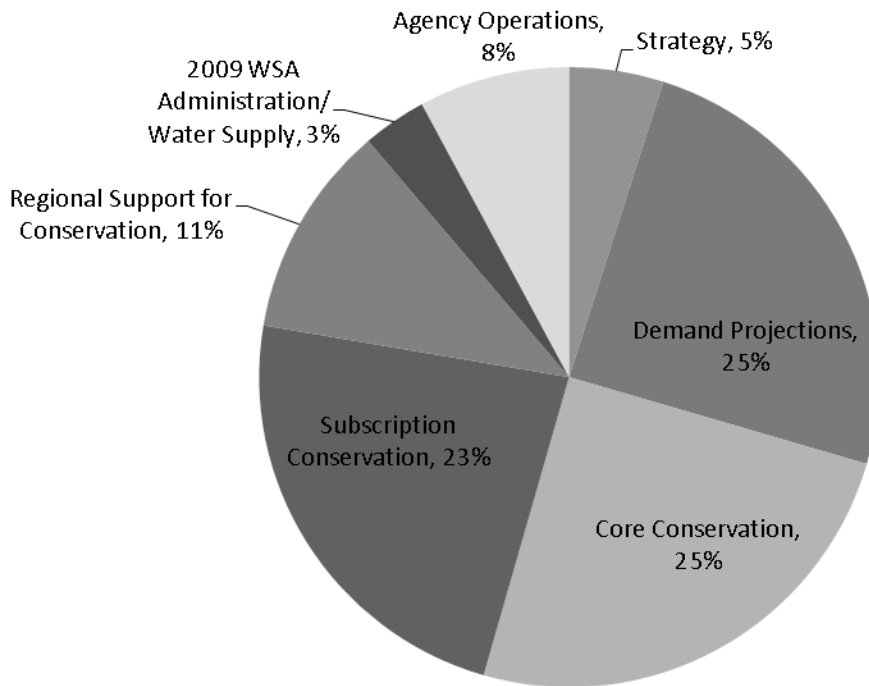
- Increases the proposed Operating Budget by an estimated \$140,000 (for salary and benefits)

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

<u>Alternative 3</u>	
Consultants/Direct Expenses	\$1,453,162
Administration Expenses/Other	\$1,605,527
<u>Contingency</u>	<u>\$ 57,500</u>
Total Operating Expenses	\$3,116,189

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

Figure L-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 proposed 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 proposed 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	\$1,463,527
<u>Contingency</u>	<u>\$ 57,500</u>
Total Operating Expenses	\$3,248,389

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.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: Approval of Professional Services Contracts for Fiscal Year 2013-14

Summary:

Outside professional services are used for legal, engineering, financial, strategic and water conservation support of BAWSCA's programs and objectives for FY 2013-14. To ensure work begins promptly or continues without interruption, twelve contracts need to be in place by July 1, 2013.

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

Following consideration and adoption of a budget for FY 2013-14, the Board will consider each of the twelve contracts. Other consulting services that may be needed to complete this year's Work Plan will be brought to the Board for authorization during the year.

Fiscal Impact:

The proposed FY 2013-14 Operating Budget contains a total of \$1,453,162 for outside professional services to support BAWSCA, and \$2,000 to support the RFA and BAWUA. The combined budget for the 12 professional services contracts needing to be in place on July 1, 2013 is \$966,000. The balance of professional services included in the Operating Budget is for services that will be needed later in the year and authorization would be considered by the Board at a later date.

Board Policy Committee Action:

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

Recommendation:

That the Board approve the 12 contracts for legal, engineering, financial, strategic and water conservation services needing to be in place by July 1, 2013.

Discussion:

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

A separate memorandum for each professional service contract presents the qualifications of the service providers and the scopes of work for FY 2013-14. BAWSCA's standard form of contract will be used as the basis for each contract.

Table 1 summarizes the costs for 12 professional services contracts needed in place by July 1, 2013. The combined budget for these professional services is \$966,000. The corresponding consulting budgets for FY2012-13 are the values as of March 31, 2013.

Table 1: Annual Professional Services Funded Through the Operating Budget		
<u>Services Provided</u>	<u>FY 2012-13</u>	<u>Proposed FY 2013-14</u>
Legal Counsel (Hanson Bridgett, LLP) ¹	\$509,000 ^{1,2}	\$496,000
Strategic Counsel (Bud Wendell)	\$150,000	\$150,000
Engineering – WSIP Cost, Schedule, and Construction Management (Terry Roberts)	\$140,000	\$125,000
Engineering - Contract Administration Water Use Analyses – (Stetson Engineering)	\$45,000	\$47,500
Engineering/Financial – Water Supply Agreement (Hilton Farnkopf Hobson)	\$45,000	\$30,000
Financial Counsel (Kelling, Northcross, Nobriga)	\$40,000	\$60,000
Burr Pilger Mayer – Auditing - Water Supply Agreement	\$15,000	\$15,000
Large Landscape Conservation Services (Waterfluence)	N/A ³	N/A ³
Brown and Caldwell – Conservation Database	\$50,000	\$35,000
School Education Programs (Resource Action Program)	N/A ³	N/A ³
School Assembly Program (EarthCapades)	N/A ³	N/A ³
Chavan & Associates – Financial Audit	- ⁴	\$7,500
Total	\$994,000	\$966,000

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

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

3) Subscription Programs paid by participating agencies.

4) Audit contract was not part of initial batch in FY 2012-13.

Legal counsel services funded by the Operating Budget

The contract not-to-exceed amount for legal services is \$496,000 and is contained in the FY 2013-14 proposed Operating Budget. The proposed legal budget of \$496,000 is \$13,000 less than the currently approved budget for FY 2012-13. Not included in this amount is the funding for legal counsel support of the Long-Term Reliable Water Supply Strategy. The use of a portion of the Water Management Charge for these legal services was approved by the Board on July 2010.

Strategic counsel services funded by the Operating Budget

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

If large unanticipated legislative or other efforts that arise during FY 2013-14 require additional strategic counsel or legal assistance, the Board would be asked to reprogram the FY 2013-14 Work Plan and budget resources, and authorize any additional strategic and/or legal resources needed. Proponents of draining Hetch Hetchy Reservoir may take their battle to the federal level, and the budget for strategic counsel does not cover the work that would be necessary to protect the water customers from such a development.

Technical services funded by the Operating Budget

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

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

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

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

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

- Are project scopes consistent with the SFPUC's levels of service goals?
- Have scopes been narrowed to stay within schedule or budget?
- Will projects remain within scope?
- Are projects on their adopted schedules?
- When will scope changes and schedule delays be reported to the State?
- Is work being completed within planned budgets and will projects remain within budgets?
- Does sufficient project contingency remain to complete construction?
- Do construction bids compare favorably to engineers' estimates and cost at completion?
- Does the escalation allowance continue to appear sufficient?

- How does SFPUC address project quality control?
- Is the SFPUC anticipating problems and taking appropriate actions?
- What is SFPUC doing to ensure sufficient resources in time for the steep construction period?
- Will changes in policy and management leadership before the end of construction delay the program?

Financial services funded by the Operating Budget

KNN is BAWSCA's financial advisor. KNN provides services on an as-needed basis. Their expertise protects the Wholesale Customers by ensuring that San Francisco adheres to the many financial provisions in the Water Supply Agreement. Specific examples of value added are provided in the attached memorandum. KNN provided the preliminary assessment of whether it would add value for BAWSCA to prepay capital debt owed to San Francisco by Wholesale Customers, and guided BAWSCA through the process of securing other bond-related professional services, securing a high bond rating, and provided financial counsel during the negotiated sale of the bonds.

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Professional Services Contract with Hanson Bridgett LLP
(Legal Services) for FY 2013-14**

Summary:

The annual contract for legal services should be executed by July 1, 2014. In addition to providing general legal services for BAWSCA, BAWUA, and the RFA, next year's proposed scope includes work related to protecting member agency interests during FERC negotiations, and implementation of solutions for meeting near-term and long-term water needs, and the potential bond issuance to pre-pay debt owed to SFPUC. In FY 2013-14, Hanson Bridgett will continue its support for recruiting and hiring a new CEO/General Manager.

This item requests authorization for the CEO/General Manager to execute a contract with Hanson Bridgett for FY 2013-14. The contract will be prepared in BAWSCA's standard form of agreement.

Fiscal Impact:

The contract not-to-exceed amount for legal services is \$496,000 and is contained in the FY 2013-14 proposed operating budget. The proposed budget of \$496,000 is \$13,000 less than the currently approved budget for FY 2012-13 of \$509,000. Lower levels of work are anticipated in supporting conservation activities, urban water management plan, and closing out the 1984 Master Water Contract. Increased levels of effort are anticipated to protect water supplies during the FERC process, including the cost of a fisheries consultant to assist legal counsel during FERC negotiations, and potential legislative activity.

The proposed contract not-to-exceed \$496,000 does not include legal support for developing the Long-Term Reliable Water Supply Strategy (Strategy). The estimated cost of \$30,000 for such support was separately authorized by the Board and is paid using revenue from the Water Management Charge approved by the Board in July 2010.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and Hanson Bridgett for a not-to-exceed amount of \$496,000.

Discussion:

Hanson Bridgett's scope includes routine general legal services related to contract reviews, personnel and other administrative functions. The scope also supports work related to

achieving specific results such as water contract administration for the new Water Supply Agreement, implementing solutions for meeting near-term and long-term water needs, assisting in efforts to get the system rebuilt in a way that satisfies water customer needs, protecting the water supply on which member agencies depend, and assistance with legislation.

In FY 2013-14, legal counsel will be providing support for closing out the old contract as well as initiation of the implementation of the new agreement.

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

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

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

Attachment A

Hanson Bridgett LLP

Legal Services

PURPOSE

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

1. General legal support (e.g., administration, contracting and personnel administration)
2. Assistance for achieving results during FY 2013-14.

SCOPE OF WORK

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

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

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

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

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

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

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

The above-mentioned activities may require legal counsel to:

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

Budgeted Activities and Not to Exceed Contract Limit: \$496,000

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

Conservation, FERC, MID/TID Transfer, legislation	\$350,000
Water Supply Agreement admin	\$80,000
Capital program	\$20,000
BAWSCA	\$44,000
RFA & BAWUA	\$2,000
<hr/>	
Total	\$496,000

This breakdown of activities is based on estimates at the time of budgeting. The contract will be managed to provide actual services required within the total not-to-exceed limit of \$496,000. If unanticipated activities require significant legal support, recommended changes would be brought to the Board of Directors.

Attachment B

**Hanson Bridgett LLP
Rate and Charges**

FY 2013-14

The charges and billing rates for persons/positions associated with this agreement are set forth below for all matters except specialized litigation. There will be no changes to the hourly rates for FY 2013-14. The contract will be managed to provide actual services required within the total not-to-exceed limit of \$496,000.

FY 2013-14 RATES

Partner	\$325 per hour
Senior Counsel	\$290 per hour
Associates	\$260 per hour

OUT OF POCKET EXPENSES

At Cost

OTHER CHARGES

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

COST SAVING ADJUSTMENTS

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

BOARD OF DIRECTORS MEETING

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

Summary:

This item requests authorization for the CEO/General Manager to execute a contract with Mr. Wendell for FY 2013-14.

Fiscal Impact:

The not-to-exceed amount of \$150,000 for strategic services is included in the proposed budget for FY 2013-14.

If large unanticipated legislative or other efforts that arise during FY 2013-14 require additional strategic counsel or legal assistance, the Board would be asked to reprogram the FY 2013-14 Work Plan and budget resources, and authorize any additional strategic and/or legal resources needed. Proponents of draining Hetch Hetchy Reservoir may take their battle to the federal level, and the budget for strategic counsel does not cover the work that would be necessary to protect the water customers from such a development.

If, following the retirement of the current CEO/General Manager, Mr. Wendell elects to terminate his services for the agency, this contract may be terminated and the unspent balance made available for securing alternate strategic counsel services.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to execute a contract between BAWSCA and Mr. Wendell for a not-to-exceed amount of \$150,000 from the Operating Budget.

Discussion:

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

During FY 2012-13, Mr. Wendell advised the CEO/General Manager and the leadership of the Board on a variety of issues. Examples include the following:

- a) Strategic counsel to protect water users from possible negative impacts of draining Hetch Hetchy Reservoir. That assistance included advising the CEO/General Manager prior to and following interactions with legislators, legislative staff, the

mayor of San Francisco and the leadership of the Board. This effort ultimately resulted in an amendment to the Water Supply Agreement that gives each member agency a vote before San Francisco could implement a plan to drain the reservoir or remove the dam.

- b) Creating and executing strategies for successful passage of State legislation. Mr. Wendell provided invaluable support for preparation of legislation, including modification of BAWSCA's financial authorities. The CEO/General Manager received financial counsel from KNN and legal counsel from Hanson Bridgett.

Examples of the historical value provided by Strategic Counsel:

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

Qualifications:

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

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

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

Scope of Services:

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

For FY 2013-14, strategic services are needed to help BAWSCA achieve its results. The most significant activity at the beginning of the year will be to assist the Board in recruiting a new CEO/General Manager and implement a successful transition to the new CEO.

A second major result to be produced during FY 2013-14 will be the passage of legislation to extend State oversight of San Francisco's Water System Improvement Program. This legislation must be introduced and passed by the legislature during the next session. The governor's signature usually is not secured until late summer, and support for this activity must necessarily extend until that signature is obtained in August or September of 2014.

Strategic support is an integral activity to pursue reliable water supply, ensure the water system is rebuilt, create a productive business relationship with San Francisco, and assist in structuring action items so that informed decisions can be made by the BAWSCA Board or individual agencies, as required. The proposed level of effort supports routine work with legislators and other public officials, but does not necessarily support major legislation or lobbying efforts.

To help manage these challenges and achieve BAWSCA's desired results, Mr. Wendell brings a 64-year governmental and corporate career with extensive organizational, political and communication experience.

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

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

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

Attachment A includes a proposed scope of work.

Attachment A

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

PURPOSE

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

SCOPE OF WORK

Work to be Performed:

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

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

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

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

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

Rates and Charges:

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

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Professional Services Contract with Terry Roberts Consulting, Inc. for FY 2013-14**

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with Terry Roberts Consulting, Inc. for FY 2013-14. Mr. Roberts' experience and insights have been an integral part of reviewing the SFPUC's management of the Water System Improvement Program and preparing recommendations for its improvement. BAWSCA's recommendations to date have ensured that tens of millions of dollars in savings have remained available to benefit the water customers.

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

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

Fiscal Impact:

The proposed budget contains \$125,000 for these services.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and Terry Roberts Consulting, Inc. for a not-to-exceed amount of \$125,000, subject to legal counsel's review.

Discussion:

In November 2007, Mr. Roberts was retained to assist in reviewing the progress of the WSIP. In FY 2013-14, the SFPUC's efforts in implementing the WSIP will be nearly 100% engaged in construction activities. Several key projects will be in the construction phase next fiscal year, including the Calaveras Reservoir Replacement, New Irvington Tunnel, Bay

Division Reliability Upgrade Tunnel and Pipeline, and the Harry Tracy Water Treatment Plan Long-Term Improvements.

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

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

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

Scope of Services – Results to Be Achieved:

The draft scope of services with Mr. Roberts for FY 2013-14 is shown in Exhibit A.

Billing Rates:

The following are the 2013-14 billing rates for this contract for next fiscal year:

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

These billing rates have not been increased from the FY 2012-13 rates.

EXHIBIT A

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

DRAFT

FY 2013-14 SCOPE OF SERVICES

Purpose:

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

Work to be performed:

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

Not to Exceed Contract Limit: \$125,000

Rates and Charges:

The hourly billing rate is shown below.

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: Professional Services Contract with Stetson Engineering

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with Stetson Engineering for FY 2013-14 to assist with administration of the Water Supply Agreement. The contract will be prepared in BAWSCA's standard form of agreement.

Fiscal Impact:

The contract not-to-exceed amount of \$47,500 is included in the FY 2013-14 proposed budgets.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and Stetson Engineering for a not-to-exceed amount of \$47,500 subject to legal counsel's review.

Discussion:

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

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

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

Attachment A

Stetson Engineering, Inc.

**Water Supply Agreement and
Engineering Support Services**

PURPOSE

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

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

SCOPE OF WORK

Work to be Performed: Stetson Engineering will analyze the prior year's (FY 2012-13) water usage information and calculate water use factors in accordance with Exhibit J of the Water Supply Agreement. Stetson Engineering will also monitor whether San Francisco performs mainline water meter repair, calibration and testing in accordance with the provisions of the Agreement. As required, Stetson will bring issues and recommendations to the BAWSCA General Manager or designated staff contact. In addition, Stetson will assist on an as needed basis in the implementation of the new water supply agreement.

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

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

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

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

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

Budgeted Activities:

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

Administration/General	\$ 5,250
Analyze Water Usage	20,000
Max. Day	1,000
J-Tables	5,250
System/County-line Meters	<u>16,000</u>
Sub-Total	\$47,500

Not-to-Exceed Contract Limit: \$47,500

Rates and Charges:

Hourly billing rates are shown below.

Supervisor II	\$171
Associate II	\$105
Associate I	\$110
Assistant I	\$93
Assistant II	\$88
Administrative I	\$68

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

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

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with Hilton, Farnkopf and Hobson (HFH) for as needed assistance in administering the Water Supply Agreement and other activities during FY 2013-14. The contract will be prepared in BAWSCA's standard form of agreement.

Fiscal Impact:

The contract for a not-to-exceed amount of \$30,000 is included in the FY 2013-14 proposed budget.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and Hilton, Farnkopf and Hobson for a not-to-exceed amount of \$30,000 subject to legal counsel's review.

Discussion:

HFH has been providing BAWUA/BAWSCA key financial and rate setting advice for over two decades (though not under contract every year). One of the firm's principals, John Farnkopf, was instrumental in developing the 1984 Master Contract and assisted in negotiating the 2009 Water Supply Agreement. HFH has assisted BAWSCA staff with analyzing the water shortage allocation plan alternatives. HFH has extensive knowledge of water rate setting, having developed over 120 rate studies for retail and wholesale water, wastewater, and storm water agencies. During BAWSCA's review of SFPUC's calculation of the annual Wholesale Revenue Requirement for FY 2010-11, a dispute existed between the SFPUC and the BAWSCA as to the classification of Hetch Hetchy penstocks. HFH will assist BAWSCA in developing a well-founded argument to counter the SFPUC's claim that one or more of the penstock projects should be classified as "joint" rather than "power" in FY 2013-14.

HFH will also provide reviews and analyses for administration of the Water Supply Agreement on an as-needed basis and assist BAWSCA staff in analyzing alternatives to the existing drought allocation formula between SFPUC and the Wholesale Customers in FY 2013-14. Mr. Farnkopf's past experience is invaluable for analyzing certain cost allocation issues during administration of the Water Supply Agreement.

**Hilton, Farnkopf and Hobson
Financial Advisors**

PURPOSE

For FY 2013-14, BAWSCA requires on going professional analytical work and expert advice in conjunction with the implementation of the new agreement and possibly other important matters (e.g, water supply allocation, wholesale rate structure, conservation rates, wholesale revenue requirement, etc). HFH will also provide analytical assistance to BAWSCA staff associated with potential alternatives to the existing drought allocation formulas between SFPUC and the BAWSCA member agencies. As directed, HFH will provide the necessary analytical work, attend meetings with BAWSCA and/or SFPUC staff, and provide written reports or updates as required.

SCOPE OF WORK

Work to be Performed:

As requested, assist with the implementation of the Water Supply Agreement; particularly in the areas of cost allocation, interim supply limitations drought allocations and related tasks. The budget for this work is \$30,000.

Proposed Budget: \$30,000

Rates & Charges:

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

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

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with KNN Public Finance (KNN) for FY 2013-14. The contract will be prepared in BAWSCA's standard form of agreement.

Fiscal Impact:

The contract not-to-exceed amount of \$60,000 is included in the FY 2013-14 proposed budgets for financial advisory services. The proposed budget is the same as the current year's adopted budget.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and KNN for a not-to-exceed amount of \$60,000 subject to legal counsel's review.

Discussion:

KNN has been BAWSCA's financial advisor since FY 2002-03. KNN provides analyses that help BAWSCA's review and interpretation of SFPUC reports and other financial information. For example, KNN assisted BAWSCA in reviewing the SFPUC's revenue and expenditure projections, bond refund authorizations and proposed operating and capital budgets. During FY2012-13, KNN assisted BAWSCA staff in reviewing debt service and capital spending calculations and other components of the wholesale revenue requirement.

KNN provided the Financial Advisory Services during BAWSCA recent negotiated sale of \$335 million in bonds. KNN assisted BAWSCA in conjunction with the other members of the financing team, in the development and refinement of a financing plan, in the preparation of financing documents, and in the pre-marketing efforts associated with the Bonds. It turned out to be a very successful bond sale in February 2013.

For FY 2013-14, the consultant will assist in reviewing the FY2012-13 wholesale revenue requirement calculation, verify the wholesale share of SFPUC's debt service, support BAWSCA's on-going bond administration, and provide recommendations that best serve the interests of the water customers.

**KNN Public Finance
Financial Advisors**

PURPOSE

For FY 2013-14, BAWSCA requires on-going professional financial analysis and advice in conjunction with the wholesale revenue requirement, rate and financial implications, bond administration and ongoing implementation of the new Water Supply Agreement.

SCOPE OF WORK

Work to be Performed:

Anticipated tasks may include the following:

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

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

Proposed Budget: \$60,000

Rates & Charges:

Managing Director	\$325
Vice President	\$295
Asst. Vice President/ Sr. Analyst/ Sr. Assoc.	\$245
Associate	\$200
Analyst	\$175

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

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

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with Burr, Pilger and Mayer (BPM) for FY 2013-14. The contract will be prepared in BAWSCA's standard form of agreement.

Fiscal Impact:

The contract not-to-exceed amount of \$15,000 is included in the FY 2013-14 proposed budget for external auditing services associated with the wholesale revenue requirement/compliance audit.

Board Policy Committee Action:

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

Recommendation:

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

Discussion:

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

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

Burr, Pilger and Mayer
Auditing and Accounting Advisors

SCOPE OF WORK

PURPOSE

For FY 2013-14, BAWSCA requires on going professional auditing and accounting analysis to assist in its review of the annual wholesale revenue requirement/compliance audit.

Work to be Performed

Anticipated tasks include the following:

Task 1. If needed, assist BAWSCA in guiding the procedures to be used in future compliance audits, commencing with the compliance audit for FY 2012-13.

Task 2. Attend the FY 2012-13 compliance audit kick-off meeting (Fall 2013) with the SFPUC's compliance auditor and staff. Represent the wholesale customers' interests in the development of the compliance auditor's work plan.

Task 3. Review the independent compliance auditor's report for the FY 2012-13 wholesale revenue requirement, changes to balancing account, and accompanying management letter. Comment on the report and letter for thoroughness, with special attention paid to any notes concerning internal controls, procedures, material weaknesses, or significant deficiencies, as well as management's response to such, including stated corrective measures.

Proposed Budget: \$15,000

Hourly Rates & Charges:

Partner: \$350

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Professional Services Contract with Waterfluence, LLC to Implement the Large Landscape Conservation Services Program for FY 2013-14**

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with Waterfluence to implement the Large Landscape Conservation Services Program (LLCSP) for FY 2013-14. Participation in this water conservation program is voluntary. The opportunity to participate will be extended to all BAWSCA agencies. As a subscription program, participating agencies will pay the entire cost for the program.

Fiscal Impact:

For FY 2013-14, only those agencies that elect to participate in this program will pay the cost of the outside service provider as well as budgeted BAWSCA staff time.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to:

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

Discussion:

Fiscal Year 2013-14 will be the twelfth year that a Large Landscape Conservation Services Program (LLCSP) is offered to BAWSCA member agencies. Nine agencies are currently participating in the program, including one agency in Santa Clara County. These agencies have expressed interest in participating in this program again next year. This program is part of the comprehensive package of conservation programs that the BAWSCA agencies have asked BAWSCA to support next fiscal year as part of the Water Conservation Implementation Plan.

Table 1 provides information for program activity from FY 2002-03 through FY 2011-12. Since its inception, the LLCSP has been a very cost-effective program that generates real and significant water savings.

The LLCSP addresses the "Programmatic-Landscaping BMP", which requires water agencies to implement conservation programs to improve landscape irrigation efficiency. Specific activities for this program include water use budgeting, water use surveys, and supplemental landscape programs. Creating an economy of scale by using a single consultant with the requisite expertise, the LLCSP enables participating agencies to implement large landscape water budgets and water use surveys more cost effectively than if they were to hire consultants individually. The scope of work for FY 2013-14 is expected to be consistent with the scope of work for prior year's programs, a sample of which is included as Exhibit A.

Table 1: Large Landscape Conservation Services Program Summary

Program Description	FY 2002/03	FY 2003/04	FY 2004/05	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10	FY 2010/11	FY 2011/12
Number of Participating BAWSCA Members	4	5	4	5	6	9	11	12	9	9
Estimated Savings (acre-feet per year AFY)*	N/A	299	212	520	543	602	435	1,080	632	786
Total spent by all agencies	\$65K	\$24K	\$30K	\$25K	\$23K	\$84K	\$109K	\$164K	\$104K	\$101K
Cost Per Acre-Foot Saved (\$/AF)	N/A	\$59	\$90	\$37	\$43	\$63-124	\$83-125	\$58	\$82	\$131
Cost of Water from SFPUC (\$/AF)	\$383	\$479	\$492	\$444	\$531	\$566	\$623	\$719	\$828	\$1,146

* Savings are calculated on a calendar year basis.

Alternatives:

Alternatives to the recommended action included herein are to: (1) not offer the LLCSP in FY 2013-14, or (2) offer a potentially different version of the LLCSP based on a contractor and program selected through a competitive bid process.

BAWSCA does not recommend the above alternatives. John B. Whitcomb (Waterfluence) was selected to provide the LLCSP services through a competitive process in 2002. His proposal was the most responsive and his proposed costs were highly competitive. His services during the past eleven years have been critical to the overall program's success. The agencies continue to be pleased with this program and have expressed a desire to continue the LLCSP in FY 2013-14 with Mr. Whitcomb through his new firm, Waterfluence. Given Mr. Whitcomb's qualifications, performance, and value received, it is appropriate to contract for his services this coming fiscal year.

Conclusion:

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

Attachment:

The scope of work for FY 2012-13 is shown in Exhibit A. The scope of work will be updated as necessary during negotiation of a new contract.

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EXHIBIT A

**Scope of Services: Water Conservation Landscape Program (Program) FY 2012-13
(Sample)**

Program Initiation and Site Setup (first 60 days)

1. Site Selection. Agency provides Waterfluence with account billing information for potential landscape sites. Waterfluence consolidates accounts to sites and ranks sites with respect to potential water savings. Agency selects sites to participate in program.
2. Data Collection. For selected sites, Waterfluence adds customer information used in site selection into its database. Waterfluence collects water prices and local weather data from CIMIS, NOAA, or other sources.
3. Site Map. Waterfluence creates a map for each site using aerial imagery. The maps include square footage measurements of irrigated turf, irrigated shrubs/trees, and water features using Google Earth Pro or ArcMap.
4. Water Use Report. Waterfluence creates a one-page report for each site containing customer information, site characteristics, historical water use, a water budget range based on site characteristics and daily local weather matched exactly in time with billing cycle, financial losses from overwatering, and customized messaging. The report also includes a percentile score ranging from 1 (poor) to 100 (excellent) based on how closely actual water use tracks to its budget range over the last 12 months relative to all other sites in the program. If a site's water use stays within the budget range in each month, its score is 100. As water use strays from the budget range, the percentile score falls, especially for water use over the budget range. Agencies can opt out of publishing the ranking on the report.
5. Introduction Packet. Waterfluence produces and distributes a packet to each site that includes an introduction letter, site map, first Water Use Report, and FAQ sheet. Waterfluence provides a generic introduction letter to Agency to customize.
6. Site Contact Follow-up. Waterfluence contacts each site about two weeks after sending the Introduction Packet to check if it got to the right person, get details about the site contacts (email addresses), identify the landscaper and/or others involved with irrigation decisions, and answer any questions about the program.

Report Distribution (ongoing)

1. Data Collection. Agency forwards Waterfluence a water use file at the beginning of each month with the previous month's water use for each account in the program. Waterfluence collects daily weather data from CIMIS, NOAA, or other sources and updates water rates when relevant.
2. Water Use Report Distribution. Each month, Waterfluence distributes reports to all site contacts via email or mail.
3. Agency Review. Waterfluence provides Agency with electronic access to review all Water Use Reports, Site Maps, and Landscape Field Survey Reports (described in next section).
4. Site Contact Maintenance. Waterfluence will continually update site contact information. This includes monitoring changes in account number, investigating returned mail envelopes, and investigating email bounce backs. Site contacts can be added or modified via

Waterfluence web site or toll free telephone. Primary site contact (water bill payer) needs to authorize any changes in site contacts to become effective.

5. Site Map Updating. Waterfluence will correct any map errors identified by site contacts.
6. Customer Service. Waterfluence provides customer service to site contacts via web site and toll free telephone number.
7. Messaging. Water Agencies and BAWSCA can have Waterfluence send specific messages to particular sites or group of sites via the Water Use Report. Messages might include information on other landscape programs (e.g., financial incentive programs), events, useful hyperlinks, or policies.

Landscape Field Surveys (optional)

1. Targeting and Marketing. Using the Water Use Reports, Agency can target sites eligible to receive a Landscape Field Survey. Waterfluence will market this option to eligible sites via the Water Use Report and/or email.
2. Performing Survey. For sites requesting a Landscape Field Survey that is approved by Agency, Waterfluence will schedule the survey with the primary site contact, the relevant landscaper, and/or other parties. Survey steps include: (1) re-measuring irrigated areas and improving the site map, (2) operating portions of the irrigation system to evaluate performance, and (3) document findings and recommendations in a Landscape Field Survey Report.
3. Distributing Report. Waterfluence will distribute completed Landscape Field Survey Reports to all contacts at the site and address any follow up questions.

Summary of Agency Tasks

1. Provide Waterfluence with water use data from customer billing database.
2. Select participating sites from a ranked list of potential sites created by Waterfluence.
3. Customize Introduction Letter sent within Introduction Packet.
4. Review Water Use Reports sent out each month.
5. Add messaging to Water Use Reports for any site or group of sites, as needed.
6. Approve sites eligible for Landscape Field Survey, if relevant.

Deliverables

Waterfluence provides the following project deliverables:

1. Waterfluence Web Portal Access. Water agency staff get access to the Waterfluence web portal via a username/password to:
 - a. View their most current Water Use Reports, site maps and, if relevant, Landscape Field Survey Reports.
 - b. Sort sites by characteristics such as total water use, water over budget, or site rank.
 - c. Target and approve sites to receive a Landscape Field Survey.
 - d. View site contacts and the last date the report was viewed (for sites getting their report electronically).
 - e. View a Fiscal Year history of program activity including:
 - i. Number of sites
 - ii. Total landscape acres
 - iii. Total water use

- iv. Total over budget water use
 - v. Total water savings
 - vi. Number of Landscape Field Surveys
2. BAWSCA Fiscal Year Report. BAWSCA receives a spreadsheet table showing the aggregate program activity fields shown above for all sites participating from their member agencies by fiscal year.
 3. Waterfluence Report and Website Content Changes. Waterfluence is continually expanding and evolving the content shown on the Water Use Report and its website. All participating water agencies and BAWSCA will be notified of significant changes in content.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Professional Services Contract with Brown & Caldwell to Support the Implementation of the BAWSCA Water Conservation Database for FY 2013-14**

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with Brown & Caldwell (B&C) to provide as needed technical support services for the on-going implementation of the BAWSCA Water Conservation Database (WCDB) for FY 2013-14.

Fiscal Impact:

The BAWSCA budget for FY 2013-14 includes \$35,000 for consulting support services for implementation of the WCDB.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to negotiate and execute a contract with B&C for a not-to-exceed amount of \$35,000 to provide as needed technical support services for the implementation of the WCDB in FY 2013-14.

Discussion:

As presented during the budget development process, additional outside resources are necessary to complete the adopted Work Plan for FY 2013-14 in several areas. One such area is the need for additional technical resources to support implementation of the WCDB.

The development of a regional water conservation database was one of the key recommendations from the 2009 Water Conservation Implementation Plan (WCIP). In September 2009, BAWSCA contracted with B&C to develop the WCDB. The WCDB was developed (with member agency input) as an on-line database system that allows agencies to track their water conservation activities, water usage, and other agency-specific information in a consistent and standard format. Data in the WCDB can be easily exported to other software tools such as Microsoft Excel.

In FY 2010-11 through FY 2012-13, BAWSCA contracted with B&C to assist with the implementation of the WCDB and training of the member agencies on use of the database. As part of these contracts, B&C also provided as needed technical support to integrate the WCDB with existing BAWSCA agency database systems and to provide other WCDB system refinements. In FY 2010-11 it's the budget for this work was \$125,800, and in FY 2011-12 the budget was \$75,000. The proposed budget of \$35,000 for FY 2013-14 represents a continued reduction of the budget allocated to B&C for these work products.

A contract with B&C in FY 2013-14 is proposed to provide additional as needed technical support to BAWSCA and the member agencies for on-going implementation of the WCDB

and integration of the WCDB with the DSS Models that are being developed for each BAWSCA agency as part of the Regional Water Demand and Conservation Projection Project, which was approved by the BAWSCA Board at its March 2013 meeting. Such technical support activities include adding or deleting additional data sheets as agency water conservation programs evolve, addressing technical issues that arise during agency utilization of the WCDB, and augmenting the database to improve key features and user experience.

The need for additional resources to implement the WCDB in FY 2013-14 was identified as part of the BAWSCA Proposed Work Plan for FY 2013-14.

Alternatives:

Alternatives to the recommended action are to: (1) not support the WCDB in FY 2013-14, or (2) train BAWSCA staff to support the WCDB rather than enter into a contract with B&C. BAWSCA does not recommend these alternatives for the reasons stated below.

The value of a regional database system was identified as part of the 2009 Water Conservation Implementation Plan (WCIP). The WCDB serves as a streamlined data collection tool. The data that are collected are needed by BAWSCA to support the Annual Survey, the Annual Water Conservation Report, and other regional reporting that BAWSCA does on water use, conservation activity and service area characteristics. The WCDB also provides a standardized repository for the agencies to store the information that they need to do their own reporting. To abandon the WCDB at this point would waste the time and effort put into the system by BAWSCA and the member agencies to date, and result in the 26 different agencies tracking their data in an inconsistent and potentially incomplete manner which does not lend itself to coordinated regional analysis. For these reasons, Alternative 1 is not recommended.

B&C was selected to provide the WCDB services in 2009 in part because they have a very capable and experienced Information Technology (IT) staff. Because maintaining the WCDB requires significant technical skills, including a close familiarity with Microsoft SharePoint, servers, and computer programming, maintenance of the WCDB is most appropriately done by trained IT professionals. BAWSCA does not have an IT staff and therefore has to contract out for any IT services. Supporting the WCDB was one of the tasks identified as needing additional outside support. Without additional technical resources, BAWSCA staff will not have the capacity to accomplish this task.

Conclusion:

The WCDB has enhanced member agency's water conservation and Annual Survey reporting efforts at reasonable cost. The WCDB will also be integral to supporting the work on the Regional Water Demand and Conservation Projection Project, which was approved by the BAWSCA Board at its March 2013 meeting. The services provided by B&C during the past four years have been critical to the overall WCDB success. For this reason it is recommended that BAWSCA continue to contract with B&C to maintain the WCDB in FY 2013-14.

Brown and Caldwell

PURPOSE

For FY 2013-14, BAWSCA requires specialized services to support the ongoing implementation of its Water Conservation Database (WCDB) including as needed technical support to BAWSCA and the member agencies.

Work to be Performed:

The following tasks will be performed by B&C as directed by BAWSCA:

- Provide WCDB technical support on an “on-call” basis, potentially including:
 - Development of new water conservation measure sheets
 - Integration with the demand and conservation projection process
 - Other on-call work
- Conduct project management

Not to Exceed Budget:

\$35,000

Rates & Charges:

Project Manager (Senior Engineer)	\$151
Project Assistant (Project Analyst III)	\$99
IT Associate (Sr. IT Analyst/Developer)	\$162
IT Manager (Information Resources Manager)	\$252
Accountant (Accountant II)	\$90
Monitoring Manager (Managing Engineer)	\$229
Alternate IT Manager (Managing Geol/Hydrogeologist)	\$234

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Professional Services Contract with Resource Action Programs to Implement the School Education Program for FY 2013-14**

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with Resource Action Programs (RAP) to implement the Water Wise School Education Program for FY 2013-14. Participation in this water conservation program is voluntary. The opportunity to participate will be extended to all BAWSCA agencies. As a subscription program, participating agencies will pay the entire cost for the program.

Fiscal Impact:

For FY 2013-14, only those agencies that elect to participate in this program will pay the cost of the outside service provider as well as budgeted BAWSCA staff time.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to:

- 1. Negotiate and execute a contract with Resource Action Programs, subject to legal counsel's final review, for implementation of the School Education Program in FY 2013-14; and,**
- 2. Offer participation in the program to interested BAWSCA agencies on a subscription basis.**

Discussion:

Fiscal year 2013-14 will be the ninth year that the Water Wise School Education Program has been offered to BAWSCA member agencies. Eight agencies are currently participating in the program. The majority of these agencies have expressed interest in participating in this program again next year. This program is part of the comprehensive package of conservation programs that BAWSCA agencies have asked BAWSCA to support next fiscal year as part of the Water Conservation Implementation Plan.

The contractor, Resource Action Programs (RAP), offers various programs oriented towards water, energy, and other natural resource conservation and education. Water Wise School Education Program targets 5th grade students and includes (1) an 8-unit curriculum that is given to teachers, and (2) a water audit kit. The kit may be an Indoor or Outdoor Water Audit Kit, depending upon which type of kit the agency opts to fund.

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

Table 1: Water Wise School Education Program Summary

Program Information	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10	FY 2010/11	FY 2011/12
Number of Participating BAWSCA Agencies	6	11	14	14	12	8	8
Number of Participants (# of kits disbursed)	1,554	2,871	3,737	3,685	2,903	3,342	3,221
Est. Annual Water Savings (gallons per kit) (a) (b)	17,451	17,451	17,451	9,785	6,475	4,844	3,892
Estimated Lifetime Savings for Kits Installed (acre-feet, AF) (a) (b)	499	922	1,201	975	512	316	262
Total Spent By All Agencies	\$52K	\$93K	\$127K	\$112K	\$104K	\$122K	\$112K
Average Cost of Water Savings (\$/AF)	\$103	\$101	\$106	\$114	\$203	\$370	\$427

Table Notes:

- (a) For years prior to FY 2008/09, water savings estimated based on an assumed 60% installation rate and a 10-year lifetime.
- (b) For FY 2008/09 through FY 2011/12, water savings estimated based on actual kit installation rate and a 10-year lifetime.

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

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

Because of its connection with school children, this program would be initiated in September 2013 and run through June 2014. Additional augmentations to the RAP program include incentives for both the students that complete the in-home water audit and for the teachers that complete the entire curriculum and get the most students to complete the in-home water audit. These incentives will be provided by BAWSCA, on behalf of, and paid for by, the participating agencies.

The scope of work for FY 2013-14 is expected to be largely consistent with the scope of work for prior year's programs, a sample of which is included as Exhibits A and B. The only change is that an additional option will be added to the program in the form of a Living Wise Kit, which provides for energy, as well as water savings indoors.

Alternatives:

Alternatives to the recommended action included herein are to (1) not offer the Water Wise School Education Program in FY 2013-14, or (2) offer a potentially different type of School Education Program.

BAWSCA does not recommend the above alternatives for FY 2013-14 for the following reasons. The agencies have expressed a strong desire to continue to support an in-classroom school education program that focuses on water conservation. The agencies also continue to be pleased with the Water Wise School Education Program and have expressed a desire to continue that program with RAP. Given RAP's qualifications and performance, it is appropriate to contract for their services this coming fiscal year.

Conclusion:

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

Attachment:

The scope of work for FY 2012-13 is shown in Exhibits A and B. These scopes will be updated for FY 2013-14.

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EXHIBIT A
Resource Action Programs®
BAWSCA Indoor WaterWise™ Program Description and Scope of Services

PROGRAM DESCRIPTION

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

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

BAWSCA Indoor WaterWise™ at a glance:

- ◆ Proven to deliver lasting quantifiable results and measurable savings.
 - ◆ Simple and very cost-effective.
 - ◆ All implementation services are included.
 - ◆ Features a fun and interactive curriculum to shape new family habits and usage.
 - ◆ Includes Resource Action Kits to directly install resource-efficient technologies in the home.
- ☑ ***Delivers Measurable Savings Results.*** Students conduct a simple home audit to determine areas where their families are using water and energy inefficiently. Family's work together to improve efficiency by changing usage habits and through the installation of the conservation technologies provided to each student in their Resource Action Kit. Kits include conservation measures and simple test equipment to enable the family to determine the energy and resource conservation opportunities that exist in their home, while providing the installable resource conservation technologies to achieve quantifiable savings. These activities foster family cooperation and help educate parents on the benefits of resource conservation. Students submit reports detailing the results of their conservation activities.
- ☑ ***Water Education.*** The BAWSCA Indoor **WaterWise™** Program combines classroom activities with in-home hands-on retrofit projects that students perform with their families. This combination yields quantifiable conservation results and strong practical learning, effectively shaping new resource usage behavior and attitudes. The BAWSCA Indoor **WaterWise™** Program is turnkey and comprehensive while providing all materials, supplies, teaching tools and support needed by teachers and participants. Learning is measured via pre/post test comparisons.
- ☑ ***Builds New Resource Habits.*** New habits result from effective education and personal action. The program provides a wide range of teaching tools to maximize learning. The feature-rich program website, www.getwise.org, is a great resource for classes, teachers,

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

TEACHER ACCEPTANCE

Program success is directly correlated to proactive teacher support and involvement. The design and content of the program is proven to motivate teachers to sign up and participate enthusiastically. There are several incentives offered by the program to ensure this:

1. The program satisfies numerous State Curriculum Standards and helps teachers meet their teaching requirements.
2. The program is flexible in structure, allowing teachers to schedule activities around existing lessons. The program can be run in a week or a few months.
3. Program content and activities are comprehensive and well described through accompanying materials so that additional in-service training sessions are generally not necessary.
4. Students LOVE the program, and are both stimulated and highly motivated by the Resource Action Kits and the hands-on projects. Happy students mean happy teachers!
5. The program overcomes an often-challenging hurdle of parental involvement by reaching beyond the classroom to involve parents in their children's education and the schools.

PROGRAM GOALS

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

PROGRAM OBJECTIVES

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

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

ESTIMATED PROGRAM RESULTS

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

Projected 10 year Savings:

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

PROGRAM MATERIALS

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

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

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

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

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

PROGRAM IMPLEMENTATION

Complete implementation services are included with the program. All enrollment, training and communication with teachers, distribution of materials, collection of data, and report preparation are handled by the Program Fulfillment Center. Press releases will be provided to sponsors upon request. Additionally, the resource action team may assist in scheduling teacher award ceremonies and in the development of media exposure. *There is no obligation or additional cost to sponsors for any of these roles.*

Responsibilities of Contractor:

Resource Action Programs® (Contractor) is responsible for each and every task required to implement the BAWSCA Indoor WaterWise Program described in this attachment including but not limited to the following:

A. Providing all school contact and enrollment services. Contractor will work directly with BAWSCA and/or BAWSCA Member Agencies to identify schools eligible to participate in the Program. Contractor will prepare Program marketing material describing the Program that will be sent with the Program enrollment form. The Contractor will fax a WaterWise Program Enrollment form to each school identified by BAWSCA and/or a BAWSCA Member Agency list to notify all 5th grade teachers that the Program is available in their area and to encourage them to enroll. If the fax does not achieve the enrollment level as committed by the sponsor, the Contractor will attempt to contact the individual teachers via telephone, email or US mail to make them aware of the Program's availability and to encourage enrollment. If Contractor is having difficulty enrolling a school or classroom in the Program, or if that school/classroom has not been enrolled by March 2013, Contractor will alert BAWSCA. BAWSCA Member Agencies shall identify the maximum amount of funding committed to the Program and Contractor shall not enroll schools, or schedule Programs that will require expenditures beyond that maximum amount.

B. Providing all BAWSCA Indoor WaterWise Materials. Contractor will provide each participant with a BAWSCA Indoor WaterWise Resource Action Kit and each teacher with a set of Teacher Materials. A complete description of these materials is already included in the Program Materials section of this document. In addition, Contractor will include the additional information and materials provided by BAWSCA into the kit, as long as such additional materials fit in the kit and do not increase the weight of the kit for shipping purposes. All material preparation and shipping is provided by the Contractor.

C. CONTRACTOR will disseminate the BAWSCA-provided program incentives to the classrooms and participants in accordance with the mutually-agreed-upon terms and conditions of the BAWSCA additional incentive program, which are as follows:

- A \$100 cash prize will be given to the classrooms where the teachers enroll in the BAWSCA Indoor WaterWise program and the WaterWise survey response return rate is at least 80%; and
- A gift with an up to \$5 value will be given to those students that complete the BAWSCA Indoor WaterWise surveys that document whether they installed the water conserving-devices from the kits in their homes, complete all the homework, or score a greater than 80% on the final written test that is given as part of the curriculum.

D. Providing follow-up and support services. Contractor will make courtesy calls to ensure the BAWSCA Indoor WaterWise materials were delivered to the schools. Contractor will provide an 800 number (888-GET-WISE) to all participants for help on any program implementation issues or questions, and Contractor will maintain and answer the 800 number in such a manner to provide assistance and resolve issues raised by all participants calling the 800 number. The Contractor will operate the 800 number with staff who can answer questions Monday - Friday from 7:30 a.m. to 4:30 p.m. Pacific Time, excluding national holidays. Contractor will make follow up calls and send reminder faxes to aid in the collection of the audits as well as the teacher evaluation forms and parent reply cards.

Contractor will answer all questions from participants via telephone (the 800#), email, fax or US mail depending on the need. Participants are also provided with the www.getwise.org web site address where there is a Frequently Asked Questions Section and an email link for questions. Additionally, the Contractor will attempt to contact each teacher via phone or email close to the Program implementation date, as indicated by the teacher upon enrollment, to confirm implementation timing and to provide answers to any questions the teacher may have about the Program at that time.

E. Providing a Program Status Report. The Contractor will inform BAWSCA of each school that decides to participate and the name of each school in which the Program will be presented. The format of such notification will be in the form of a monthly report to BAWSCA. The report will include a listing of all of the schools and classrooms that Contractor is attempting to enroll in the Program and a status for each that includes information as to how many participants have enrolled for each school and classroom. If Contractor is having difficulty enrolling a school or classroom in the Program, or if that school/classroom has not been enrolled by March 15, 2013, CONTRACTOR will alert BAWSCA.

F. Providing a Preliminary Program Summary Report. No later than March 15, 2013, Contractor will provide BAWSCA with a summary of the status of the school enrollment through March 10, 2013. In addition, based on the results of the surveys returned to Contractor by March 10, 2013, Contractor will provide BAWSCA with a preliminary report which will include installation rates of each program. BAWSCA understands that these results are preliminary and may not be statistically significant.

G. Providing a Program Summary Report. The Contractor will gather, process, and tabulate all audits, teacher evaluation forms and parent reply cards that are sent back to the Resource Action Programs Center, by the school year end, in a Program Summary Report. The Contractor will provide a prepaid postage envelope to teachers to encourage the return of the documents as stated above. Contractor will provide this report to the BAWSCA and each sponsoring BAWSCA Member Agency upon completion.

H. Assisting with teacher award ceremonies and with the development of media exposure. Contractor will assist with scheduling and preparing for teacher award ceremonies and with developing and coordinating media exposure, if requested.

PROGRAM TIMETABLE

June 2012 – July 2012	Receive sponsor funding commitment
September 2012 – May 2013	Teacher Outreach / Enrollment Process
September 2012 – May 2013	Program and Kit Delivery
September 2012 – June 2013	Program Implementation
March 15, 2013	Preliminary Report to BAWSCA of school enrollment and kit installation rate to the extent that information is available.
June 30, 2013	Program Summary Report delivered to sponsors for initial program

(The time table is approximate and may vary depending on program implementation needs and individual sponsor needs).

BAWSCA INDOOR WATERWISE PROGRAM COST

Per Participant Cost = \$32 ea. (\$17 Materials, \$9.25 Service Fee and \$5.75 Reporting Service Fee) + \$2 for Shipping Cost + Tax. Tax is charged on the materials cost only.

There are no additional charges for implementation, reporting, training or materials. Program sponsors are not required to provide any services or materials in connection with this program. Program sponsors (BAWSCA participating member agencies) will only be billed for participants who receive the WaterWise™ Materials.

BAWSCA Member Agencies shall provide a maximum funding amount they are willing to sponsor. Resource Action Programs will attempt to achieve voluntary enrollment in as many 5th grade classrooms as possible, within the sponsor's service territory, and shall not exceed the funding limits designated by the Program sponsor. Program sponsors will be billed by BAWSCA for the actual number of BAWSCA Indoor WaterWise Program Participants that enroll in the program and receive the WaterWise Materials.

Professional Services Agreement/Contract will be with:

Resource Action Programs®
Program Center
976 United Circle
Sparks, NV 89431
Phone: 1-888-438-9473
Fax: 1-209-529-0266
Contact: Joseph Thrasher
jThrasher@resourceaction.com

EXHIBIT B
Resource Action Programs®
BAWSCA Outdoor WaterWise™ Program Description and Scope of Services

PROGRAM DESCRIPTION

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

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

BAWSCA Outdoor WaterWise™ at a glance:

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

TEACHER ACCEPTANCE

Program success is directly correlated to proactive teacher support and involvement. The design and content of the program is proven to motivate teachers to sign up and participate enthusiastically. There are several incentives offered by the program to ensure this:

- ◆ The program satisfies numerous State Curriculum Standards and helps teachers meet their teaching requirements.
- ◆ The program is flexible in structure, allowing teachers to schedule activities around existing lessons. The program can be run in a week or a few months.
- ◆ Program content and activities are comprehensive and well described through accompanying materials so that additional in-service training sessions are generally not necessary.
- ◆ Students LOVE the program, and are both stimulated and highly motivated by the Resource Action Kits and the hands-on projects. Happy students mean happy teachers!
- ◆ The program overcomes an often-challenging hurdle of parental involvement by reaching beyond the classroom to involve parents in their children's education and the schools.

PROGRAM GOALS

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

PROGRAM OBJECTIVES

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

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

PROGRAM MATERIALS

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

Services Provided in This Quote:

- Identification of State Education Standards & Benchmarks
- Curriculum Development and Refinement (Completed Annually)
- Curriculum Correlation to State Education Standards & Benchmarks
- Materials Modification to Incorporate BAWSCA's Logo and Color Scheme
- Materials Printing
- Assembly of Materials
- Warehousing of Materials
- Incentive Program Development
- Teacher / School Identification - with BAWSCA Approval
- Teacher Outreach and Program Introduction

- Teachers Enrolled in the Program Individually
- Implementation Dates Scheduled with Teachers
- Materials Shipment Coordination
- Delivery Confirmation
- Periodic Contact to Ensure Implementation and Teacher Satisfaction
- Program Completion Incentive Offered
- Results Collection
- Thank-you Cards Sent to Participating Teachers
- Reporting

Materials Provided in This Quote:

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

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

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

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

PROGRAM IMPLEMENTATION

Complete implementation services are included with the program. All enrollment, training and communication with teachers, distribution of materials, collection of data, and report preparation are handled by the Program Fulfillment Center. Press releases will be provided to sponsors upon request. Additionally, the resource action team may assist in scheduling teacher award ceremonies and in the development of media exposure. *There is no obligation or additional cost to sponsors for any of these roles.*

Responsibilities of Contractor:

Resource Action Programs® (Contractor) is responsible for each and every task required to implement the BAWSCA Outdoor WaterWise Program described in this attachment including but not limited to the following:

A. Providing all school contact and enrollment services. Contractor will work directly with BAWSCA and/or BAWSCA Member Agencies to identify schools eligible to participate in the Program. Contractor will prepare Program marketing material describing the Program that will be sent with the Program enrollment form. The Contractor will fax an Outdoor WaterWise Program Enrollment form to each school identified by BAWSCA and/or a BAWSCA Member Agency list to notify all 5th grade teachers that the Program is available in their area and to encourage them to enroll. If the fax does not achieve the enrollment level as committed by the sponsor, the Contractor will attempt to contact the individual teachers via telephone, email or US mail to make them aware of the Program's availability and to encourage enrollment. If Contractor is having difficulty enrolling a school or classroom in the Program, or if that school/classroom has not been enrolled by March 15, 2013, Contractor will alert BAWSCA. BAWSCA Member Agencies shall identify the maximum amount of funding committed to the Program and Contractor shall not enroll schools, or schedule Programs that will require expenditures beyond that maximum amount.

B. Providing all BAWSCA Outdoor WaterWise Materials. Contractor will provide each participant with a BAWSCA Outdoor WaterWise Resource Action Kit and each teacher with a set of Teacher Materials. A complete description of these materials is already included in the Program Materials section of this document. In addition, Contractor will include the additional information and materials provided by BAWSCA into the kit, as long as such additional materials fit in the kit and do not increase the weight of the kit for shipping purposes. All material preparation and shipping is provided by the Contractor.

C. CONTRACTOR will disseminate the BAWSCA-provided program incentives to the classrooms and participants in accordance with the mutually-agreed-upon terms and conditions of the BAWSCA additional incentive program, which are as follows:

- A \$100 cash prize will be given to the classrooms where the teachers enroll in the BAWSCA Outdoor WaterWise program and the Outdoor WaterWise survey response return rate is at least 80%; and
- A gift with an up to \$5 value will be given to those students that complete the BAWSCA Outdoor WaterWise surveys that document whether they installed the water conserving-devices from the kits in their homes, complete all the homework, or score a greater than 80% on the final written test that is given as part of the curriculum.

D. Providing follow-up and support services. Contractor will make courtesy calls to ensure the BAWSCA Outdoor WaterWise materials were delivered to the schools. Contractor will provide

an 800 number (888-GET-WISE) to all participants for help on any program implementation issues or questions, and Contractor will maintain and answer the 800 number in such a manner to provide assistance and resolve issues raised by all participants calling the 800 number. The Contractor will operate the 800 number with staff who can answer questions Monday - Friday from 7:30 a.m. to 4:30 p.m. Pacific Time, excluding national holidays. Contractor will make follow up calls and send reminder faxes to aid in the collection of the audits as well as the teacher evaluation forms and parent reply cards.

Contractor will answer all questions from participants via telephone (the 800#), email, fax or US mail depending on the need. Participants are also provided with the www.getwise.org web site address where there is a Frequently Asked Questions Section and an email link for questions. Additionally, the Contractor will attempt to contact each teacher via phone or email close to the Program implementation date, as indicated by the teacher upon enrollment, to confirm implementation timing and to provide answers to any questions the teacher may have about the Program at that time.

E. Providing a Program Status Report. The Contractor will inform BAWSCA of each school that decides to participate and the name of each school in which the Program will be presented. The format of such notification will be in the form of a monthly report to BAWSCA. The report will include a listing of all of the schools and classrooms that Contractor is attempting to enroll in the Program and a status for each that includes information as to how many participants have enrolled for each school and classroom. If Contractor is having difficulty enrolling a school or classroom in the Program, or if that school/classroom has not been enrolled by March 15, 2013, CONTRACTOR will alert BAWSCA.

F. Providing a Preliminary Program Summary Report. No later than March 15, 2013, Contractor will provide BAWSCA with a summary of the status of the school enrollment through March 10, 2013. In addition, based on the results of the surveys returned to Contractor by March 10, 2013, Contractor will provide BAWSCA with a preliminary report of how many units of curriculum have been taught in each classroom and school, and what the kit installation rate for each classroom and school is. BAWSCA understands that these results are preliminary and may not be statistically significant.

G. Providing a Program Summary Report. The Contractor will gather, process, and tabulate all audits, teacher evaluation forms and parent reply cards that are sent back to the Resource Action Programs Center, by the school year end, in a Program Summary Report. The Contractor will provide a prepaid postage envelope to teachers to encourage the return of the documents as stated above. Contractor will provide this report to the BAWSCA and each sponsoring BAWSCA Member Agency upon completion.

H. Assisting with teacher award ceremonies and with the development of media exposure. Contractor will assist with scheduling and preparing for teacher award ceremonies and with developing and coordinating media exposure, if requested.

PROGRAM TIMETABLE

June 2012 – July 2012	Receive sponsor funding commitment
September 2012 – Dec-2012	Teacher Outreach / Enrollment Process
September 2012 – Dec-2012	Program and Kit Delivery
September 2012 – June 2013	Program Implementation
March 15, 2013	Preliminary Report to BAWSCA of school enrollment and kit installation rate to the extent that information is available.
June 30, 2013	Program Summary Report delivered to sponsors for initial program

(The time table is approximate and may vary depending on program implementation needs and individual sponsor needs).

BAWSCA OUTDOOR WATERWISE PROGRAM COST

The per participant rate for the Outdoor WaterWise program is \$17, broken down as follows: \$15 Materials, \$2 for Shipping. **This price in all inclusive.**

There are no additional charges for implementation, reporting, training or materials. Program sponsors are not required to provide any services or materials in connection with this program. Program sponsors (BAWSCA participating member agencies) will only be billed for participants who receive the Outdoor WaterWise™ Materials.

BAWSCA Member Agencies shall provide a maximum funding amount they are willing to sponsor. Resource Action Programs will attempt to achieve voluntary enrollment in as many 5th grade classrooms as possible, within the sponsor's service territory, and shall not exceed the funding limits designated by the Program sponsor. Program sponsors will be billed by BAWSCA for the actual number of BAWSCA Outdoor WaterWise Program Participants that enroll in the program and receive the Outdoor WaterWise Materials.

Professional Services Agreement/Contract will be with:

Resource Action Programs®

Program Center

976 United Circle

Sparks, NV 89431

Phone: 1-888-438-9473

Fax: 1-800-544-8051

Contact: Joseph Thrasher

JThrasher@resourceaction.com

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Professional Services Contract with EarthCapades to Conduct School Assembly Program for FY 2013-14**

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract with EarthCapades to implement School Assembly Program for FY 2013-14. Participation in this water conservation program is voluntary. The opportunity to participate will be extended to all BAWSCA agencies. As a subscription program, participating agencies will pay the entire cost for the program.

Fiscal Impact:

For FY 2013-14, only those agencies that elect to participate in this program will pay the cost of the outside service provider as well as budgeted BAWSCA staff time.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to:

- 1. Negotiate and execute a contract with EarthCapades, subject to legal counsel's final review, for implementation of the School Assembly Program in FY 2013-14; and,**
- 2. Offer participation in the program to interested BAWSCA agencies on a subscription basis.**

Discussion:

Fiscal year 2013-14 will be the fourth year that the School Assembly Program would be offered to BAWSCA member agencies. Thirteen agencies, including all three Cal-Water Districts, are currently participating in the program. The majority of these agencies have expressed interest in participating in this program again next year. This program is part of the comprehensive package of conservation programs that BAWSCA agencies have asked BAWSCA to support next fiscal year as part of the Water Conservation Implementation Plan.

The contractor, EarthCapades, provides an informative and entertaining assembly at schools that focuses on water conservation. Typically the assemblies reach 250 students at a time at a rough cost of \$2 per student. EarthCapades performances combine age appropriate, state science standards with circus skills, juggling, music, storytelling, comedy, and audience participation to teach environmental awareness, water science and water conservation. Programs are designed to include local water source and watershed information. Using specifics provided by the agencies, EarthCapades integrates the information into their script or writes new routines to convey the agency message. EarthCapades handles the administrative logistics of scheduling the performances with the schools. EarthCapades also collects paper-free evaluations using Survey Monkey, which provides tangible statistics of the effectiveness of their program.

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

Because of its connection with school children, this program would be initiated in August 2013 and run through June 2014. The scope of work for FY 2013-14 is expected to be largely consistent with the scope of work for the prior year’s program, which is included as Exhibit A.

Alternatives:

Alternatives to the recommended action included herein are to: (1) not offer the School Assembly Program in FY 2013-14, or (2) offer a potentially different type of School Assembly Program.

BAWSCA does not recommend the above alternatives for FY 2013-14 for the following reasons. The agencies have expressed a strong desire to continue to support a School Assembly Program that focuses on water conservation. EarthCapades was selected to provide the School Assembly Program through a competitive process in 2009. The agencies also continue to be pleased with this program and have expressed a desire to continue the School Assembly Program with EarthCapades in FY 2013-14. Given EarthCapades’ qualifications and performance, it is appropriate to contract for their services this coming fiscal year.

Conclusion:

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

Attachment:

The scope of work for FY 2012-13 is shown in Exhibit A. The scope will be updated for FY 2013-14.

EXHIBIT A

Scope of Services: EarthCapades School Assembly Program FY 2012-13 (Sample)

EarthCapades will schedule and perform assembly programs at eligible schools and public events within the Bay Area Water Supply and Conservation Agency (BAWSCA) service area during the Fiscal Year 2012-13 school year, August 2012 through June 2013.

BAWSCA and/or Local Water Agency Roles and Responsibilities:

- BAWSCA will provide EarthCapades with initial information regarding which schools are eligible within each BAWSCA member agency (Local Water Agency) and what the maximum not to exceed budget is for each Local Water Agency by July 2, 2012. If, during the course of FY 2012/-13, the Local Water Agency wishes to increase or decrease the number of shows and/or budget, the Local Water Agency will coordinate those changes with EarthCapades, who will in turn notify BAWSCA of any changes. A decrease in the total number of shows or budget can be accommodated as long as it does not impact any schools that have already been scheduled.
- BAWSCA and/or the Local Water Agencies will provide EarthCapades with show content requirements by August 1, 2012.
- BAWSCA and/or the Local Water Agencies are responsible for coordinating with EarthCapades if they would like select materials and information distributed as part of a show. Such coordination must occur no later than one week prior to the scheduled show. BAWSCA understands that EarthCapades may not be able to distribute items that are too large or that conflict with the message that EarthCapades is presenting and that BAWSCA or the Local Water Agencies may have to be responsible for the delivery and distribution of item(s) if they exceed EarthCapades' capacity to deliver the materials.
- Local Water Agencies will email a draft Letter of Invitation to eligible schools with a Fax Request Form (Template Letter with Agency-specific information, in a Word Document) to EarthCapades for review by July 25, 2012. EarthCapades will provide comments on drafts to Local Water Agencies by August 6, 2012.
- Local Water Agencies will mail a Letter of Invitation with a Fax Request Form to all eligible schools by August 13, 2012. Eligible schools interested in participating will respond directly to EarthCapades, which shall be responsible for all scheduling.

EarthCapades Roles and Responsibilities:

- EarthCapades will incorporate the content requested by BAWSCA and/or Local Water Agencies into the shows that are conducted within the Local Water Agency Service Area.

- EarthCapades will perform assembly performances that include, but are not limited to, the following information:
 - Everything is connected through water and water is vital to sustain life on Earth.
 - All water is connected through the Water Cycle: Evaporation, Condensation Precipitation;
 - Water is a finite resource;
 - Every living being on Earth depends on water to survive and everything that is manufactured uses water to be created;
 - Approximately 70% of our bodies and 90% of our brains are water; and
 - Approximately 70% of the Earth's surface is water, 97% of that is salt water and only 1% is fresh liquid water.
 - How water gets from the source to City/Agency homes and schools.
 - PowerPoint and/or visual description of the path the water takes from the Sierra Nevada Mountains to the Hetch Hetchy Reservoir, through the pipeline to local reservoirs to the treatment plant, and then through underground pipes to our homes and schools. This will change according to the local specific information for each agency.
 - How to conserve, protect, and respect water. Conservation tips covered but not limited to:
 - Turn off the water when you're not using it (brushing teeth, washing hands, doing dishes, etc);
 - "Get off the bottle" and use reusable water bottles;
 - Fix leaky faucets and toilets;
 - Install low flow faucets aerators, shower heads and toilets;
 - Use a broom not a hose to clean the sidewalk;
 - Take shorter showers;
 - Run full laundry and dishwashing loads; and
 - Plant native drought resistant plants and water in the mornings and evenings.
 - How to prevent water pollution:

- Don't litter;
 - Use organic fertilizers, not pesticides on lawns and gardens;
 - Prevent storm water pollution through not pouring anything down the storm drains,
 - Recycle motor oil;
 - Create awareness that everything that goes into the storm drains ends up in nature; and
 - Inspire students to pick up litter ("safe" litter ~ wear gloves and don't pick up anything sharp or containing bodily fluids).
- EarthCapades will schedule performances directly with schools based upon a first come, first served basis.
 - EarthCapades will submit a progress report to BAWSCA on October 15, 2012 regarding how many and which of the eligible schools EarthCapades has been able to successfully enroll. EarthCapades will provide additional school scheduling updates upon request.
 - If EarthCapades is having difficulty enrolling a school in the program, or if that school/classroom has not been enrolled by January 2013, EarthCapades will alert BAWSCA and the Local Water Agency.
 - EarthCapades will fax or email each scheduled school a Performance Agreement stating the date and time of performance and EarthCapades' technical needs. The Performance Agreement will be signed and returned by the school's administrator.
 - One week prior to performances EarthCapades will send a Performance Reminder fax or email to each scheduled school to re-confirm and remind them to be prepared for the program.
 - On the day of the program, EarthCapades will distribute materials provided by BAWSCA and/or the Local Water Agency to the show attendees, if BAWSCA and/or the Local Water Agency have established a mutually agreeable arrangement with EarthCapades as to how to orchestrate the materials delivery and distribution.
 - On the day of the program, EarthCapades will e-mail an online evaluation link for teachers and administrators to complete. BAWSCA and the Local Water Agency staff will be provided a link to review survey results at any time. The link will remain open and available to BAWSCA and the Local Water Agency staff until October 17, 2013.
 - EarthCapades performer(s) will present a preapproved 35 to 45 minute assembly with different age appropriate versions for grades K-2, 3-5 and 6-8 that teach water conservation and appreciation.

- Agencies have the option to use program funds for performances at alternate locations and/or events as long as it coordinates with EarthCapades availability.
- EarthCapades will invoice BAWSCA monthly for shows performed in the previous month.
- If a scheduled school cancels before confirmation fax is sent, EarthCapades will reschedule the performance. If the school cancels after the Performance Reminder has been sent, the Local Water Agency will be charged for full amount.
- EarthCapades will manage scheduling and performances to stay within the specified Local Water Agency maximum not to exceed budgets.
- EarthCapades rates for this contract are listed below.

School Shows (45 minutes, maximum of 350 students and staff per show)

Single Performer Programs

\$510 / 1 show

\$850 / 2 shows (back to back)

\$1105 / 3 shows (same school same day)

\$1360 / 4 shows (same school same day)

Duo Performer Programs

\$680 / 1 show

\$1020 / 2 shows (back to back)

\$1275 / 3 shows (same school same day)

\$1445 / 4 shows (same school same day)

- EarthCapades will provide BAWSCA with a Final Report by July 1, 2013 that includes the following:
 - a. Brief Introduction
 - b. Brief Summary of Show content
 - c. Documentation, by Agency, of the schools/locations/events where EarthCapades performed
 - d. Documentation, by Agency, of the number of people/kids that attended each EarthCapades performance
 - e. Select quotes from survey results
 - f. A few photos to give a feel of a performance
 - g. Link to the survey results

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Item Title: **Approval of a three-year Professional Services Contract for Audit Services with Chavan & Associates, LLP.**

Summary:

Water Code Section 81426 requires that the agency's accounts be audited annually by an independent CPA "with experience in auditing accounts of local public entities". This item requests authorization for the CEO/General Manager to negotiate and execute a second three-year contract with Chavan & Associates, LLP (C&A) to provide auditing services for FY 2012-13. The three-year term would begin on July 1, 2013.

Fiscal Impact:

The proposed FY 2013-14 budget contains \$7,500 for these services.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to negotiate and execute a three (3) year contract for auditing services with C&A, to provide auditing services for FY 2012-13 and the succeeding two years.

Discussion:

C&A is completing its third year of service for BAWSCA. Two three-year contracts are often awarded to get the benefit of experience and assess performance. The recommendation is to award a second three-year contract to C&A.

Based in San Jose, C&A has been BAWSCA's auditors since FY 2010-11. The firm specializes in accounting, auditing and consulting, particularly for government entities. Sheldon Chavan has practiced public accounting since 1998.

The auditor is charged with auditing the financial statements of BAWSCA, compiling the financial statements of BAWUA, providing a management letter, preparing a report for the State Controller, completing certain federal and state tax filings and other auditing services. A copy of the scope of work is contained in Attachment A.

The recommendation to continue C&A's services is based on their good record of performance as well as cost-effectiveness.

Attachment A

Chavan & Associates, LLP

Audit Services

PURPOSE

The purpose of an independent audit is to provide an opinion as to whether the financial statements of an entity are fairly presented, in all material respects, and in conformity with generally accepted accounting principles. An audit provides reasonable assurance that an agency's financial statements are free from material misstatement, that adequate records are maintained and procedures are in place to effectively safeguard its assets, and finally, may inform management of any fraudulent reporting or misappropriation of assets and/or violation of laws or governmental regulations that are attributable to acts by management or employees acting on behalf of management.

SCOPE OF WORK

The services to be provided consist of preparing a consolidated audit of the financial statements, transactions, contracts, and records of the Bay Area Water Supply and Conservation Agency and the Bay Area Water Users Association and preparing an annual audit report, with a Management letter, in accordance with applicable State laws and regulations. Specifically, the Auditor shall:

1. Express an opinion on the fair presentation of BAWSCA's and BAWUA's financial statements, their conformity with generally accepted accounting principles and generally accepted auditing standards, and for BAWSCA, compliance with standards and requirements set forth by the California State Department of Finance.
2. Prepare the "Annual Report of Financial Transactions of Special Districts" for submission to the State Controller.
3. Prepare Federal 990 and State 199 Tax filings for BAWUA.
4. Prepare a written report (letter to management) with respect to the adequacy and effectiveness of the Agency's current accounting procedures and controls. This report will include comments of significant changes in the funds' balance sheets, operations, inadequacies, internal control, and other matters deemed appropriate. Interviews with appropriate staff may be required.
5. Prepare the note disclosures required by GASB 45/27 and provide consultation to BAWSCA related to the accounting and reporting requirements of GASB 45/27.
6. Meet with management to keep the Agency informed about the progress of the audit if requested to do so.

7. Attend Agency meetings to discuss the audit or management recommendations as requested.

Records to be Audited

BAWSCA's accounting records consist of a General Fund (operating budget) and one LAIF general reserve account. BAWUA's accounting records consist of one checking account and one savings account which will be compiled but not audited.

Both organizations use the accrual basis of accounting, and both have computerized accounting systems (Quickbooks).

The audit examination shall include all existing funds and any funds that may be created from time to time during the 3-year contract period.

Time Consideration and Reporting Requirements

The Auditor shall initiate performance of financial audit services as early as feasible following the closing of the financial records of both BAWSCA and BAWUA on or shortly after July 30. The Auditor is welcome to schedule earlier review of records that are not dependent upon the closing of the fiscal year records.

The State Controller's Report for BAWSCA must be submitted to the State by October 31st each year. However, the State Controller's Office often extends this date and announces the revised due dates in a letter to the Agency and in their web site each year.

Thirty (30) copies of the Management Letter together with the final Financial Statements and Auditor's opinion thereon will be submitted to the Agency approximately one to two weeks prior to the due date. Prior to the submission of the final report, the Auditor is required to review a draft of the proposed final report and management letter with BAWSCA's general manager. The Management Letter should include a summary statement of audit findings and recommendations affecting the financial statements, internal control, accounting systems, compliance determination, and any other material matter.

Attachment B

Chavan and Associates, LLP Client List

Client	Type of Entity	Level of Service	Level of Fin. Statements
Woodside Elementary School District	Local Education Agency	Single Audit/GAGAS/SCO	GASB Financial
Portola Valley School District	Local Education Agency	Single Audit/GAGAS/SCO	GASB Financial
Orchard School District & Prop 39	Local Education Agency	Single Audit/GAGAS/SCO	GASB Financial
Las Lomas School District & Prop 39	Local Education Agency	Single Audit/GAGAS/SCO	GASB Financial
Millbrae School District & Prop 39	Local Education Agency	Single Audit/GAGAS/SCO	GASB Financial
Scotts Valley Unified School District	Local Education Agency	Single Audit/GAGAS/SCO	GASB Financial
San Bruno Park School District	Local Education Agency	Single Audit/GAGAS/SCO	GASB Financial
Pacifica School District	Local Education Agency	Single Audit/GAGAS/SCO	GASB Financial
Cabrillo Unified School District	Local Education Agency	Single Audit/GAGAS/SCO	GASB Financial
Sonoma Valley Unified School District & Prop 39	Local Education Agency	Single Audit/GAGAS/SCO	GASB Financial
Los Altos School District	Local Education Agency	Single Audit/GAGAS/SCO	CAFR (GFOA, CASBO)
Mountain View Whisman School District	Local Education Agency	Single Audit/GAGAS/SCO	GASB Financial
Union School District	Local Education Agency	Single Audit/GAGAS/SCO	GASB Financial
Windsor Unified School District & Prop 39	Local Education Agency	Single Audit/GAGAS/SCO	GASB Financial
Cotati-Rohnert Park Unified School District	Local Education Agency	Single Audit/GAGAS/SCO	GASB Financial
Sequoia Union High School District & Prop 39	Local Education Agency	Single Audit/GAGAS/SCO	GASB Financial
West County Transportation Agency	Local Education Agency	GAGAS/SCO	GASB Financial
Credo High School	Charter School/Nonprofit	GAGAS/SCO/Tax	FASB Financial
Mission Preparatory School	Charter School/Nonprofit	GAGAS/SCO/Tax	FASB Financial
San Jose Conserv Corps Charter School	Charter School/Nonprofit	GAGAS/SCO	GASB Financial
Morgan Hill Charter School	Charter School/Nonprofit	GAGAS/SCO/Tax	FASB Financial
Town of Los Gatos	City/Town	Single Audit/GAGAS	CAFR (GFOA)
Central Marin Sanitation Agency	Special District	GAGAS	CAFR (GFOA)
South Bayside Systems Authority	Special District	GAGAS	GASB Financial
Westborough Water District	Special District	Monthly Compilation	GASB Financial
West Bay Sanitary District	Special District	GAGAS/SCO Report	GASB Financial
Bay Area Water Supply Conservation Agency	Special District	GAGAS/SCO Report	GASB Financial
The Cities' Group	Special District	GAGAS	GASB Financial
East Bay Dischargers Authority	Special District	GAGAS	GASB Financial
Tahoe Transportation District	Special District	Consulting/SCO Report	SCO Reports
Halcyon Molecular	Private Corporation	OMB A-133/Single Audit	FASB Financial
Pathway to Choices	Private Corporation	OMB A-133/Single Audit	FASB Financial
Sociometrics	Private Corporation	OMB A-133/Single Audit	FASB Financial
Mashery	Private Corporation	GAAS Audit	FASB Financial
Tahoe Regional Planning Agency	Planning Agency	Consulting/SCO Report	SCO Reports
Boys and Girls Clubs of Central Sonoma County	Nonprofit	Single Audit/Tax	FASB Financial
Boys and Girls Clubs of Cloverdale	Nonprofit	Single Audit/Tax	FASB Financial
Boys and Girls Clubs of Cloverdale Foundation	Nonprofit	Single Audit/Tax	FASB Financial
Boys and Girls Clubs of Windsor	Nonprofit	Single Audit/Tax	FASB Financial
Children of Grace	Nonprofit	Review/Tax	FASB Financial
Collective Roots	Nonprofit	GAS Audit	FASB Financial
Redwood City Education Foundation	Nonprofit	GAGAS Audit /Tax	FASB Financial
San Jose Conservation Corps	Nonprofit	Single Audit/Tax	FASB Financial
Singularity University	Nonprofit	GAS Audit/Tax	FASB Financial

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **San Francisco’s Report on the SFPUC’s Other Post-Employment Benefits**

Summary:

This information is in response to the request of the Board Policy Committee for information on how the SFPUC is financing its Other Post-Employment Benefits (OPEB).

The following information was requested from the SFPUC:

- A. For the fiscal year ending June 30, 2012:
 - 1. Annual OPEB Cost
 - 2. Annual Required Contribution
 - 3. Pay-as-you-go amount
 - 4. Net OPEB Obligation at the end of the year

- B. What measures are being taken, or plan to be taken that would lessen the future unfunded liability.

- C. Because the SFPUC provides retail water, wastewater and power services, approximately how much of that liability would be allocated to Wholesale Customers.

Attached is a copy of the presentation SFPUC staff will present to the BAWSCA Board on May 16th.

(This page intentionally left blank.)

BAWSCA Board Meeting

May 16, 2013

Todd L. Rydstrom
Assistant General Manager & CFO

Questions Answered

A. For the fiscal year ending June 30, 2012:

1. Annual OPEB Cost
2. Annual Required Contribution
3. Pay-as-you-go amount
4. Net OPEB Obligation at the end of the year

B. Measures to lessen the future unfunded liability

C. Liability allocated to Wholesale Customers



A. Other Post-Employment Benefits (OPEB)

In thousands of Dollars

CAFR, June 30, 2012 page 158, shows portion of liability on books as of June 30, 2012

		Fiscal Year Ending June 30, 2012				
		Water	Wastewater	Hetch Hetchy Water	Hetch Hetchy Power	SFPUC Total
A2	Annual required contribution → \$	19,856	7,817	2,007	2,454	32,134
	Interest on net OPEB obligation	2,331	918	235	288	3,772
	Adjustment to ARC	(1,933)	(761)	(195)	(239)	(3,128)
A1	Annual OPEB cost →	20,254	7,974	2,047	2,503	32,778
A3	Contribution made →	(7,559)	(2,334)	(661)	(808)	(11,362)
	Increase in net OPEB obligation	12,695	5,640	1,386	1,695	21,416
	Net OPEB obligation – beginning of year	60,314	20,873	3,669	7,552	92,408
A4	Net OPEB obligation – end of year →	73,009	26,513	5,055	9,247	113,824

Notes: GASB requires 30-year amortization, so this reflects only the portion recognized to date. May 16, 2013 BAWSCA Board Agenda Packet Page 129



B. Measures Taken to Address... Pension and Health Care Cost Reforms

City voters already implemented two measures to help address unfunded post-employment benefit liabilities and mitigate future cost increases

- Proposition B in June 2008 - required new employees hired after January 10, 2009 to contribute toward their retiree health care, up to 2% of pretax pay and the City to contribute 1%.
- Proposition C in November 2011 - required all employees hired on or before January 9, 2009 to pay increased amounts for pension benefits during periods of weak stock and bond market performance, and requiring employee contributions of up to 1% toward their retiree health care with a City matching like amount.



C. Liability Allocated to Wholesale Customers

- Water Enterprise – $54.34\% \times \$220.4\text{M} = \119.8M
- Hetch Hetchy Water - $29.57\% \times \$22.3\text{M} = \6.6M

**Notes: Assumes proportionate allocation based on N-2 Schedules 1 and 4.
Final amounts may vary based on usage, etc.**

Q&A

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Notes to Basic Financial Statements

June 30, 2012 and 2011

(Dollars in thousands, unless otherwise stated)

(12) Employee Benefits

(a) Retirement Plan

Plan Description – The SFPUC participates in the City’s single-employer defined benefit retirement plan (the Plan) which is administered by the San Francisco City and County Employees’ Retirement System (the Retirement System). The Plan covers substantially all full-time employees of the SFPUC along with other employees of the City. The Plan provides basic service retirement, disability, and death benefits based on specified percentages of final average salary, and provides cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and Administrative Code are the authority which establishes and amends the benefit provisions and employer obligations of the Plan.

Funding Policy – Contributions to the basic plan are made by both the SFPUC and its employees. Employee contributions are mandatory. Employee contribution rates for fiscal years 2011-12, 2010-11, and 2009-10 varied from 7.5% to 8.0% as a percentage of covered payrolls. In addition, the Commission is required to contribute for 2012, 2011, and 2010 at an actuarially determined rate as a percentage of covered payroll of 18.1%, 13.6%, and 9.5%, respectively. The Water Enterprise’s required and actual contributions were approximately \$21,090 in 2012, \$16,453 in 2011, and \$12,283 in 2010. The Wastewater Enterprise’s required and actual contributions were approximately \$8,393 in 2012, \$5,884 in 2011, and \$4,233 in 2010. Hetch Hetchy Water’s share (45%) of the contributions were approximately \$2,043 in 2012, \$1,463 in 2011 and \$1,088 in 2010. Hetch Hetchy Power’s share (55%) of the contribution were \$2,497 in 2012, \$1,789 in 2011 and \$1,329 in 2010.

Proposition B, a City Charter Amendment Changing Qualifications for Retiree Health and Pension Benefits and Establishing a Retiree Health Care Trust Fund, was passed by voters on June 3, 2008, and increased the years of service required to qualify for employer-funded retiree health benefits for City employees who retire under the San Francisco Employees Retirement System and were hired on or after January 10, 2009. Employees hired before January 10, 2009, became eligible to participate in the retirement health care system after 5 years of service and the employer paid 100% of the contribution. Proposition B also stated that a separate Retiree Health Care Trust Fund would be created to pay for the City’s future costs related to retiree health care. This trust fund will be funded by employer and employee contributions for employees hired on or after January 10, 2009. These new employees would contribute up to 2% of their pre-tax pay and employers would contribute 1%.

Proposition C, Charter amendment that will change the way the City and current and future employees share in funding SFERS pension and health benefits.

Pension benefits: The base employee contribution rate will stay the same at 7.5% for most employees when the City contribution rate is between 11% and 12% of City payroll. Employees making at least \$50 thousand will pay an additional amount up to 6% of compensation when the City contribution rate is over 12% of City payroll. When the City contribution rate falls below 11%, employee contributions will be decreased proportionately. Proposition C requires elected officials to pay the same contribution rates as City employees, and also requires the City and unions representing CalPERS members to negotiate terms of employment for employees to share costs or received benefits comparable in value to adjustments required for SFERS employee contributions.

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(Dollars in thousands, unless otherwise stated)

Proposition C creates new retirement plans for employees hired on or after January 7, 2012 that will: 1) For miscellaneous employees, increase the minimum retirement age to 53 with 20 years of service or 65 with 10 years; 2) For safety employees, the minimum retirement age will remain at 50 with five years of service, but the age for maximum benefits will increase to 58; 3) for all employees, limit covered compensation, calculate final compensation from three-year average, and change the multipliers used to calculate pension benefits, and 4) For miscellaneous employees, raise the age of eligibility to receive vesting allowance to 53 and reduce by half the City's contribution to vesting allowances. Proposition C limits cost-of-living adjustments for SFERS retirees.

The Retirement System issues a publicly available financial report for Citywide level that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, CA 94102, or by calling (415) 487-7020.

(b) Health Care Benefits

Health care benefits of the SFPUC employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the City and County of San Francisco Health Service System (the Health Service System). Contributions are determined by a San Francisco Charter provision based on similar contributions made by the 10 most populous counties in California. There was no City allocation to the Enterprise's contribution for payments made from the Health Services System for post-retirement health benefits in 2012 and 2011.

Water Enterprise

Water Enterprise's annual contribution, which amounted to approximately \$24,356 and \$20,952 in fiscal years 2011-12, and 2010-11, respectively. Included in these amounts are \$7,559 and \$5,214 for 2012 and 2011, respectively, to provide post-retirement benefits for Water's retired employees, on a pay-as-you-go basis.

Wastewater Enterprise

Wastewater Enterprise's annual contribution, which amounted to approximately \$9,426 and \$8,488 in fiscal years 2011-12 and 2010-11, respectively. Included in these amounts are \$2,334 and \$2,420 for 2012 and 2011, respectively, to provide post-retirement benefits for Wastewater's retired employees, on a pay-as-you-go basis.

Hetch Hetchy Water

Hetch Hetchy Water annual contribution, which amounted to approximately \$1,167 and \$1,631 in fiscal years 2011-12 and 2010-11, respectively. Included in these amounts are \$661 and \$646 for 2012 and 2011, respectively, to provide post-retirement benefits for Hetch Hetchy Water retired employees, on a pay-as-you-go basis.

Hetch Hetchy Power

Hetch Hetchy Power annual contribution, which amounted to approximately \$4,382 and \$3,448 in fiscal years 2011-12 and 2010-11, respectively. Included in these amounts are \$808 and \$789 for 2012 and 2011,

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Notes to Basic Financial Statements

June 30, 2012 and 2011

(Dollars in thousands, unless otherwise stated)

respectively, to provide post-retirement benefits for Hetch Hetchy Water retired employees, on a pay-as-you-go basis.

The City has determined a Citywide Annual Required Contribution (ARC), interest on net other post-employment benefits other than pensions (OPEB) obligation, ARC adjustment, and OPEB cost based upon an actuarial valuation performed in accordance with GASB 45, by the City’s actuaries. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over thirty years. The City’s allocation of the OPEB related costs to the Enterprise for the year ended June 30, 2012 is based upon its percentage of Citywide payroll costs is presented below. The most recent actuarial valuation report was prepared on October 8, 2012.

The City issues a publicly available financial report for Citywide level that includes the complete note disclosures and required supplementary information related to the City’s post-retirement health care obligations. The report may be obtained by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102, or by calling (415) 554-7500.

The following tables show the components of the Commission’s annual OPEB allocations for the years ended June 30, 2012 and 2011, for the amount contributed to the plan, and changes in the Commission’s net OPEB obligation:

	<u>2012</u>				
	<u>Water</u>	<u>Wastewater</u>	<u>Hetch Hetchy Water</u>	<u>Hetch Hetchy Power</u>	<u>SFPUC Total</u>
Annual required contribution	\$ 19,856	7,817	2,007	2,454	32,134
Interest on net OPEB obligation	2,331	918	235	288	3,772
Adjustment to ARC	(1,933)	(761)	(195)	(239)	(3,128)
Annual OPEB cost	20,254	7,974	2,047	2,503	32,778
Contribution made	(7,559)	(2,334)	(661)	(808)	(11,362)
Increase in net OPEB obligation	12,695	5,640	1,386	1,695	21,416
Net OPEB obligation – beginning of year	60,314	20,873	3,669	7,552	92,408
Net OPEB obligation – end of year	\$ 73,009	26,513	5,055	9,247	113,824

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Notes to Basic Financial Statements

June 30, 2012 and 2011

(Dollars in thousands, unless otherwise stated)

	2011				
			Hetch Hetchy Water	Hetch Hetchy Power	SFPUC Total
	Water	Wastewater			
Annual required contribution	\$ 19,533	7,071	1,846	2,254	30,704
Interest on net OPEB obligation	1,842	667	174	213	2,896
Adjustment to ARC	<u>(1,445)</u>	<u>(523)</u>	<u>(136)</u>	<u>(167)</u>	<u>(2,271)</u>
Annual OPEB cost	19,930	7,215	1,884	2,300	31,329
Contribution made	<u>(5,214)</u>	<u>(2,420)</u>	<u>(646)</u>	<u>(789)</u>	<u>(9,069)</u>
Increase in net OPEB obligation	14,716	4,795	1,238	1,511	22,260
Net OPEB obligation – beginning of year	<u>45,598</u>	<u>16,078</u>	<u>2,431</u>	<u>6,041</u>	<u>70,148</u>
Net OPEB obligation – end of year	<u>\$ 60,314</u>	<u>20,873</u>	<u>3,669</u>	<u>7,552</u>	<u>92,408</u>

The following table shows the percentage of Commission’s annual OPEB cost contributed for the years ended June 30, 2012 and 2011:

	2012				
			Hetch Hetchy Water	Hetch Hetchy Power	SFPUC Total
	Water	Wastewater			
Annual OPEB cost	\$ 20,254	7,974	2,047	2,503	32,778
Increase in net OPEB obligation	<u>(12,695)</u>	<u>(5,640)</u>	<u>(1,386)</u>	<u>(1,695)</u>	<u>(21,416)</u>
Contribution made	7,559	2,334	661	808	11,362
Percentage of annual OPEB cost contributed	37%	29%	32%	32%	35%
Net OPEB obligation – end of year	73,009	26,513	5,055	9,247	113,824

	2011				
			Hetch Hetchy Water	Hetch Hetchy Power	SFPUC Total
	Water	Wastewater			
Annual OPEB cost	\$ 19,930	7,215	1,884	2,300	31,329
Increase in net OPEB obligation	<u>(14,716)</u>	<u>(4,795)</u>	<u>(1,238)</u>	<u>(1,511)</u>	<u>(22,260)</u>
Contribution made	5,214	2,420	646	789	9,069
Percentage of annual OPEB cost contributed	26%	34%	34%	34%	29%
Net OPEB obligation – end of year	60,314	20,873	3,669	7,552	92,408

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Item: BAWSCA’s Long-Term Reliable Water Supply Strategy Update

What is the Strategy?

BAWSCA’s Long-Term Reliable Water Supply Strategy (Strategy) is a comprehensive, regional assessment of the normal and drought year supply needs of the BAWSCA region, and an evaluation of the water supply management projects that could be developed to meet those needs. No such study has ever been undertaken for the BAWSCA region. Strategy implementation will ensure that the BAWSCA member agencies have access to cost-effective and reliable water supplies to meet the needs of their customers through at least 2035.

Why is BAWSCA Developing the Strategy?

BAWSCA is developing the Strategy to offer its member agencies cost-effective water supply alternatives to augment their supplies from the San Francisco Public Utilities Commission (SFPUC). Through its actions and inaction, the SFPUC has created water supply uncertainty for the BAWSCA agencies. For example, in 2008, the SFPUC acted to limit water deliveries to the BAWSCA member agencies to 184 million gallons per day (mgd) through at least 2018. This decision creates significant uncertainty for the BAWSCA member agencies in terms of their future water supply reliability and increases the economic and other impacts of drought to the region.

What is the Strategy Timeline?

The Strategy will be completed by December 2014, with implementation thereafter.

What Types of Projects Is BAWSCA Evaluating as Part of the Strategy?

In addition to increased water conservation, BAWSCA is investigating recycled water projects, desalination projects, and water transfers. These projects may be developed by individual agencies, by BAWSCA, or through partnerships between BAWSCA and one or more member agencies.

What Actions Might the Board Consider in FY 2013-14 Related to the Strategy?

- Adopt a Regional Drought Level of Service Goal. The SFPUC has committed to a drought level of service goal of no more than 20% system-wide rationing. However, supply shortfalls of this magnitude have multi-billion dollar economic and other impacts to the BAWSCA agencies. The Board could adopt a higher regional drought level of service goal (i.e., backfill the SFPUC supply to the wholesale customers) in order to lessen the projected dry-year impacts.
 - *Information presented to the Board to support this decision would include the economic impacts of drought to the BAWSCA region and the cost to develop additional dry-year supplies.*

SFPUC’s Actions and Inaction Create Water Supply Uncertainty for the BAWSCA Agencies:

- *SFPUC has not committed to meet the future water supply needs of its Wholesale Customers.*
- *SFPUC has declared its contract obligation is limited to 184 mgd, when available.*
- *SFPUC has accepted rationing at levels of up to 20% system-wide during droughts.*
- *SFPUC may or may not continue to serve San Jose and Santa Clara beyond 2018.*
- *SFPUC unilaterally limited the amount of water it will supply to the Wholesale Customers, including San Jose and Santa Clara, to 184 mgd until at least 2018.*

- Execute a Pilot Water Transfer. At Board direction in September 2012, BAWSCA is developing a Pilot Water Transfer Plan that will be completed in Summer 2013. If FY 2013-14 and FY 2014-15 are dry and the SFPUC imposes rationing on the BAWSCA agencies, BAWSCA may recommend that the Board execute a short-term water transfer in FY 2014-15 with one of the potential partners that BAWSCA is currently evaluating.
 - *Information presented to the Board to support this decision would include the cost and feasibility of implementing such a pilot transfer.*

- Execute a Memorandum of Understanding with a Potential Water Project Partner. BAWSCA is currently investigating potential water project partners and options. These investigations include discussions with BAWSCA member agencies, local Wastewater Agencies, and potential water transfer partners. BAWSCA may recommend that the Board execute an MOU or other such Agreement (e.g., Term Sheet) with a partner agency to support further investigation or development of a potential water supply project.
 - *Information presented to the Board to support this decision would include the purpose and specifics of any such agreement, including the implications for BAWSCA and Strategy implementation.*

- Implement New Measures as Part of the BAWSCA Regional Conservation Program. As part of the Regional Water Demand and Conservation Projection Project that BAWSCA is doing, the BAWSCA agencies will likely identify new conservation measures that can be run more efficiently and cost-effectively as part of the BAWSCA Regional Conservation Program. Because increased water conservation reduces current and future water supply need, BAWSCA may recommend that the Board act to modify the Regional Water Conservation Program offerings.
 - *Information presented to the Board to support this decision would include agency interest in specific new conservation measures, and the cost, feasibility, and potential water savings as a result of implementing the new conservation measure(s).*

Board of Directors Policy Calendar for FY 2013-14

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

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

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors
DATE: May 10, 2013
FROM: Arthur R. Jensen, CEO/General Manager
SUBJECT: Chief Executive Office/General Manager's Letter

Results of FY 2010-11 Compliance Audit – More Savings for Customers

BAWSCA conducted its review of SFPUC's calculation of the annual Wholesale Revenue Requirement, and a review of changes in the balancing account for the fiscal year ended June 30, 2011. On March 29, 2013, the parties reached an agreement pertaining to outstanding issues related to SFPUC costs allocated to Wholesale Customers for FY2010-11. That agreement resulted in a credit owed the Wholesale Customers of \$893,914.

Amendment to Water Supply Agreement Effective – A Vote for BAWSCA Agencies

The recent amendment to the Water Supply Agreement has now been approved by all agencies. The signature pages have been delivered to San Francisco and Harlan Kelly is expected to sign the forms on Friday, May 10, making the amendment effective and enforceable.

Revenue Bond Series 2013A and Series 2013B

The sale of BAWSCA's Revenue Bond Series 2013A and Series 2013B was closed on February 27. BAWSCA received a total of \$377,163,319.79 as bond proceeds less Underwriters' Discount. The funds were deposited in the Trustee's account at the Bank of New York (BNY). On the same day, February 27, a total of \$356,138,829.00 was withdrawn to prepay the capital recovery payments that the member agencies owe San Francisco.

That same day, a total of \$467,510.70 was withdrawn to pay various vendors (i.e. financial advisor, bond/disclosure counsel, Standard & Poor, Trustee, etc.) for costs of issuance. The balance of the proceeds, \$20,556,980.09, was deposited in money market funds by the Bank of New York.

In the month of March, an amount of \$600.00 was paid to the BNY for establishing the accounts, and the funds received a total of \$11.26 as investment interest earnings. The total balance as of March 31, 2013 was \$20,556,391.35.

In the month of April, the funds received a total of \$174.53 as investment interest earnings. The semi-annual bond payment of \$1,270,732.46 was made to bondholders on April 1. The total balance as of April 30, 2013 is \$19,285,833.42. The total balance consists of \$6,727,479.34 in the Capitalized Interest Fund, \$12,337,646.27 in the Stabilization Fund, and \$220,707.81 in the Costs of Issuance Fund.

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

FY 2013-14 Wholesale Water Rate & Bill Changes

At its meeting of May 14, 2013, the SFPUC will consider the adoption of FY 2013-14 Wholesale Water Rates of \$2.45 per Ccf, representing a \$0.48 per Ccf or 16.4% reduction from the current rate of \$2.93 per Ccf. Upon approval, the new rate will become effective July 1, 2013.

The 16.4% rate decrease is mainly due to BAWSCA's prepayment of capital debt that the agencies owed San Francisco. This payment reduced the FY 2013-14 Wholesale Revenue Requirement (WRR) by \$28.2 million. In addition, the Wholesale Customers received a credit of \$13.9 million due to a negative projected balance in the Balancing Account as of the end of FY2012-13.

The BAWSCA Board approved the FY 2013-14 BAWSCA annual and monthly Bond Surcharge for each member agency on March 21, 2013. The monthly surcharge will be included in the first wholesale water bill from SFPUC each month and identified separately, effective July 1, 2013.

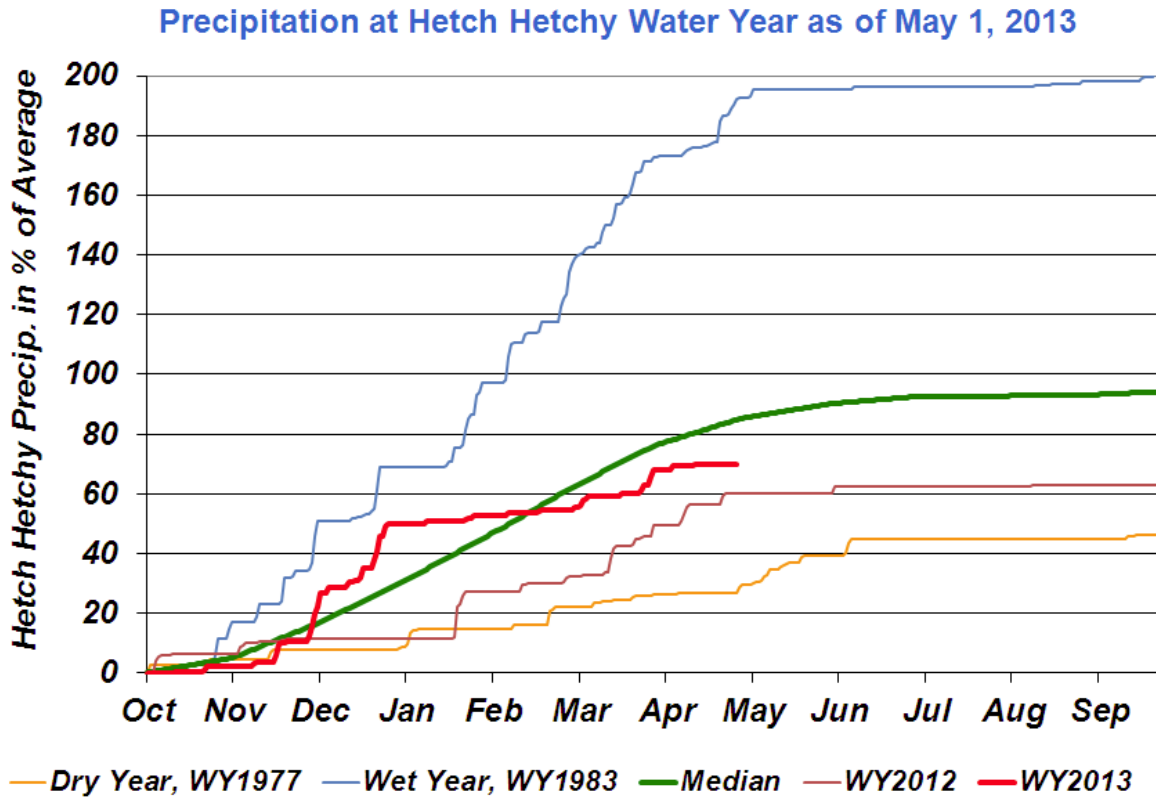
The SFPUC's \$4.6 billion Water System Improvement Program will continue to affect wholesale water rates for the next four years. The SFPUC's projected wholesale water rates are shown below:

Year	Increase	Cost (Per Ccf)
FY13-14	(16.4%)	\$2.45
FY14-15	31.8%	\$3.23
FY15-16	5.9%	\$3.42
FY16-17	0.9%	\$3.45
FY17-18	13.0%	\$3.90

Another change that will be considered by the SFPUC, and if approved would become effective July 1, 2013, is the imposition of late fees if wholesale water bills are not paid within 30 days. Per SFPUC's proposed Schedule W-44, "Any charge or fee not paid within 30 days shall be subject to a late payment penalty equal to one-half of one percent (1/2%) for each 30 days or fraction thereof on the amount owed plus a \$3.00 handling charge." SFPUC has been asked to make electronic billing and payments available to Wholesale Customers so that payments may be expedited and late fees avoided.

Water Supply Conditions - Update

San Francisco continues to have sufficient water supplies to avoid calling for water use reductions this summer. Due to an extraordinarily dry spring, the cumulative precipitation at Hetch Hetchy Reservoir through April 30st, 2013 is below average for this time of year, as shown in the figure below. For comparison, the figure also shows median precipitation at Hetch Hetchy, as well as precipitation in a wet year, a dry year, and last year (WY 2012).



CEO Recruitment

The finalized [recruitment brochure](#) is posted on Ralph Andersen & Associate's web site.

Ralph Andersen is responsible for primary distribution of printed copies, but hard copies will also be provided to BAWSCA. The first review for resumes will be June 7, 2013.

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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 – 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, 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.