

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

**Foster City Community Building – 1000 E. Hillsdale Blvd., Foster City  
Wind Room**

*(Directions on Page 2)*

**Thursday, November 21, 2013  
7:00 P.M.**

**AGENDA**

<b><u>Agenda Item</u></b>	<b><u>Presenter</u></b>	<b><u>Page #</u></b>
<b>1. Call to Order/Roll Call/Salute to Flag</b>	<b>(Breault)</b>	
<b>2. Comments by the Chair</b>	<b>(Breault)</b>	
<b>3. Board Policy Committee Report</b> <i>(Attachment)</i>	<b>(Guzzetta)</b>	<i>Pg 3</i>
<b>4. Public Comments</b> <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>	<b>(Breault)</b>	
<b>5. Consent Calendar</b>	<b>(Breault)</b>	
A. Approve Minutes of the September 19, 2013 Meeting <i>(Attachment)</i>		<i>Pg 15</i>
B. Receive and File Budget Status Report – As of September 30, 2013 <i>(Attachment)</i>		<i>Pg 19</i>
C. Receive and File Annual Audit Reports for BAWSCA and BAWUA for FY 2012-13 <i>(Under Separate Cover)</i>		<i>Pg 21</i>
D. Receive and File Directors’ Reimbursement Report – As of Sept. 30, 2013 <i>(Attachment)</i>		<i>Pg 23</i>
E. Authorization to Negotiate and Execute a Contract Amendment with PG&E for the Washing Machine Rebate Program <i>(Attachment)</i> <i>The Committee voted unanimously to recommend authorization of the proposed Board Action.</i>		<i>Pg 25</i>
<b>6. <u>Action Items</u></b>		
A. <b>Receive and File Financial Reports</b> <i>(Attachments)</i>	<b>(Sandkulla)</b>	
1. Quarterly Investment Report – as of September 30, 2013		<i>Pg 29</i>
2. Quarterly Bond Status Surcharge Report – as of September 30, 2013		<i>Pg 31</i>
<i>These items have been moved from consent calendar to Action Items for this agenda to provide the Board a comprehensive report on the elements of the reports.</i>		
B. <b>Proposed FY 2014-15 Bond Surcharges</b> <i>(Attachment)</i> <i>The Committee voted unanimously to recommend authorization of the proposed Board Action.</i>	<b>(Sandkulla)</b>	<i>Pg 35</i>
C. <b>Annual Review and Consideration of BAWSCA’s Statement of Investment Policy</b> <i>(Attachment)</i> <i>The Committee voted unanimously to recommend authorization of the proposed Board Action.</i>	<b>(Sandkulla)</b>	<i>Pg 37</i>
D. <b>Appointment of Agency Secretary</b> <i>(Attachment)</i> <i>The Committee voted unanimously to recommend authorization of the proposed Board Action.</i>	<b>(Sandkulla)</b>	<i>Pg 43</i>

**7. SFPUC Report**

(Kelly)

**8. Reports**

(Sandkulla)

- A. Informational Report on the BAWSCA-EBMUD Pilot Water Transfer Plan Phase I Recommendation (*Attachment*) *Pg 45*
- B. Mid-Year Budget Review
- C. Board Policy Calendar (*Attachment*) *Pg 51*
- D. CEO/General Manager's Letter (*Attachment*) *Pg 53*
- E. Correspondence Packet (*Under Separate Cover*)

**9. Directors' Discussion: Comments, Questions and Agenda Requests**

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

(Breault) *Pg 55*

**11. Adjourn to next meeting scheduled for January 23, 2014 at 7pm**

(Breault)

*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](mailto: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 Foster City Community Bldg. – 1000 E. Hillsdale Blvd., Foster City**

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

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

# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

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

## **MEMORANDUM**

TO: BAWSCA Board Members  
FROM: Nicole Sandkulla, Chief Executive Officer/General Manager  
DATE: November 15, 2013  
SUBJECT: Summary of Board Policy Committee meeting held October 9, 2013

---

1. **Call to Order:** Committee Chair Rob Guzzetta called the meeting to order at 1:30 pm. A list of Committee members present (7) present and absent (2), and other attendees is attached.

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

2. **Comments by the Chair:** Chair Guzzetta welcomed Committee and staff members to Nicole Sandkulla's first Board Policy Committee meeting as BAWSCA's CEO/General Manager. He recognized the new members of the BAWSCA staff: Michael Hurley, Water Resources Planning Manager, Adrienne Carr, Sr. Water Resources Engineer, and Andree Johnson, Water Resources Engineer.

3. **Public Comments:** Public comments were received from Wynn Grcich.

4. **Consent Calendar:**

**Director Mendall made a motion, seconded by Director Pierce, to approve the minutes of the Board Policy Committee meeting held on August 14, 2013. The motion passed unanimously.**

5. **Action Items:**

- A. **Authorization to Negotiate and Execute a Contract Amendment with PG&E for the Washing Machine Rebate Program (WMRP):** Ms. Sandkulla reported that BAWSCA has a contract with PG&E for the administration of the WMRP.

The WRMP is a regional program offered throughout the Bay Area. Other agencies offering this program include Contra Coast Water District, Zone 7 Water Agency, East Bay MUD, Alameda County Water District, Santa Clara Valley Water District, Marin Municipal Utility District, Sonoma County Water Agency, City of Davis, and SFPUC.

This is a subscription based program in which participating BAWSCA member agencies pay the full cost of the program. Ms. Sandkulla reported that member agencies that are participating have expressed interest in continuing with this program.

A major change anticipated in the contract is that PG&E will only rebate the most efficient machines which fall under Tier 1 beginning January 1, 2014. The participating water agencies, however, have chosen to rebate both machines that fall under Tier 1 and Tier 2. Ms. Sandkulla reported that PG&E will support the rebate processing fee for both tiers.

In response to Director Guzzetta's question, Ms. Sandkulla explained that PG&E has strict guidelines from the State PUC as to what they can and cannot rebate; and therefore, rebate funds are put towards programs that provide PG&E the best value. Water agencies have more flexible guidelines, and from the water agencies' perspective, Tier 1 machines currently include a small group of machines that are highly efficient, but are currently very expensive. While water agencies want to encourage the move towards Tier 1 machines, Tier 2 machines, are a water-efficient and affordable option for customers and continue to have a major market share for water efficient washing machines.

This item is being presented to the Committee for Board action in November because PG&E operates on a calendar year as opposed to a fiscal year. The current contract will end December 31, 2013. The contract anticipates a 6-month close out period and therefore administrative and processing services will continue through June 30, 2015.

A contract amendment needs to be negotiated and executed to continue the WMRP from January 1, 2014 through December 31, 2014 with a 6 month close-out period through June 30, 2015.

**Director Pierce made a motion, seconded by Director Mendall, that the Committee recommend that the Board authorize the CEO/General Manager to:**

- 1. Negotiate and execute a contract amendment with PG&E for administrative and rebate processing services through June 30, 2015 associated with implementation of the Washing Machine Rebate program from January 1, through December 31, 2014, and**
- 2. Offer participation in the program to BAWSCA member agencies through December 31, 2014.**

**The motion carried unanimously.**

- B. Proposed FY 2014-15 Bond Surcharges:** Sr. Administrative Analyst Christina Tang reminded the Committee that in February 2013, as approved by the BAWSCA Board and each member agency, BAWSCA issued revenue bonds to prepay prior capital debt owed to San Francisco in the amount of \$356 million. The bond issuance could generate approximately \$62.3 million in net saving over the term of the bonds.

To make the required debt service payments on the bonds, bond surcharges will be set annually by the BAWSCA Board. The surcharge setting would normally occur in the month of March of each year. Ms. Tang reported that the item is being brought to the

Committee now for Board approval in November so that all bond administrative matters are in place before and during her maternity leave.

Ms. Tang reported that bond surcharges will be collected as a separate item on the wholesale customers' monthly water bills from the SFPUC. FY 2014-15 is the second year that BAWSCA will be collecting the bond surcharges.

Ms. Tang explained that the annual bond surcharges are a fixed amount for each agency, and are calculated by taking the obligated debt service in 2015, multiplied by each agency's actual water purchase as a percent of total wholesale customer water purchase from FY 2012-2013. One-twelfth of the annual surcharge will be included in the first monthly bill from San Francisco.

Ms. Tang further explained that the true up adjustment for the current year surcharge, FY 2013-14, will be included in the calculation of the surcharge setting for FY 2015-16. Due to the timing of the total water purchase information BAWSCA receives from San Francisco, there will always be a two year lag. The true up for FY 2014-15 will be included in the surcharge setting for FY 2016-17.

Ms. Tang presented tables that showed the proposed Bond Surcharges for FY 2014-15. The tables showed the monthly bond surcharge for each agency and the total for the year, which is \$2K less than last year's total. A second table showed the annual savings by each member agency from the bond issuance, the proposed surcharges for FY 2014-15, and the total annual savings of approximately \$3.5 M, which is higher than BAWSCA's annual budget.

Director Guzzetta appreciated the tables that clearly showed the tangible savings. Ms. Sandkulla added that the tables were also provided to each agency's Water Supply Management Representative in October.

**Director Breault made a motion, seconded by Director Bronitsky, that the Committee recommend Board approval of the proposed bond surcharges for FY 2014-15. The motion carried unanimously.**

- C. Annual Review and Consideration of BAWSCA's Investment Policy:** Ms. Sandkulla reported that BAWSCA's current investment policy requires an annual review and consideration by the Board. The Board's last review of the policy was in November 2012 when it approved modifications that provided the necessary guidance associated with the investments of the bond funds.

Legal counsel has reviewed the investment policy to ensure that it reflects language consistent with State Law. Ms. Sandkulla reported that there are no changes recommended to the policy at this time.

Ms. Sandkulla explained that at the time BAWSCA was formed, State law required an annual review of the agency's investment policy. State law has changed since then, to only require review and consideration of policies if they have been modified. BAWSCA's investment policy, however, requires an annual review which she plans to continue.

Director Pierce noted that she would be interested to know more information on how different districts and policy groups inform their board of their investments. She would like staff to talk to Director Kasten, former Hillsborough Council Member, about the town's process which she found interesting when she sat through its committee's discussions on the high speed rail. She stated that it may be worth considering having an advisory committee of experts from the service area that would, with no compensation, provide information to the Board, and assist BAWSCA's CEO/General Manager in the decision process associated with investments.

Ms. Sandkulla stated that a meeting with Director Kasten to discuss BAWSCA's investments has been requested. She added that to create a greater level of understanding by the Board on the investments that are now being made by BAWSCA, she has spoken with the Chair about providing the Board an informational presentation in November on BAWSCA's existing Quarterly Investment Report and BAWSCA's new Quarterly Bond Status and Surcharge Report.

Director Weed commented that the mid-year budget review may be a good opportunity to look at what benefits there may be in BAWSCA contracting for further investment management services.

Ms. Sandkulla stated that she and Christina have begun a process of reviewing the benefits and costs of further investment management services, and that she will bring to the Board the results of this analysis when complete.

Director Guzzetta noted that BAWSCA is now managing more assets than it has in the past and that the investment management plan we currently have in place is sufficient for the agency and is something staff can execute. The Board should continue to review the plan as part of its ongoing fiduciary responsibility.

**Director O'Connell made a motion, seconded by Director Mendall, that Committee recommend Board approval of the current Statement of Investment Policy. The motion carried unanimously.**

- D. Appointment of Agency Secretary:** This item is part of the transition to a new CEO/General Manager. Ms. Sandkulla reported that BAWSCA's enabling legislation requires the Board Secretary to be appointed by the Board. In June 2004, the Board appointed Art Jensen, then General Manager of the Board, as Secretary of the Board. That appointment was specific to Mr. Jensen, who has now retired from BAWSCA as of September 29, 2013. The Board can appoint the position of CEO/General Manager to provide the services of Secretary of the Board, without compensation and at the pleasure of the Board.

**Director Pierce made a motion, seconded by Director O'Connell, that the Committee recommend Board appointment of the CEO/General Manager as Secretary of the Board, and that these services be provided without compensation and at the pleasure of the Board. The motion carried unanimously.**

**6. Reports:**

- A. Pilot Water Transfer Plan: Ms. Sandkulla provided a report on the progress of the Pilot Water Transfer Plan with East Bay Municipal Utility District (EBMUD). As background information, Ms. Sandkulla reminded the Committee that in September 2012, the BAWSCA Board approved the development of a plan to conduct a short-term pilot water transfer plan with EBMUD as part of the Long-Term Reliable Water Supply Strategy (LTRWSS) Phase IIA recommendation. BAWSCA immediately entered a Memorandum of Understanding (MOU) with EBMUD for a Pilot Water Transfer Plan that would occur during a dry year when EBMUD is utilizing its Freeport facility. The Freeport facility on the Sacramento River is where the water would be diverted and conveyed into the EBMUD's Mokelumne facilities. Ms. Sandkulla added that the pilot water transfer plan would also provide information needed to evaluate a long-term partnership between BAWSCA and EBMUD. So far, in developing the pilot plan, it is clear that information obtained through the course of the work is both helpful and critical in determining the feasibility of such a partnership.

Phase 1 of the project plan was completed in September 2013 with distribution of the report to the Board on October 1<sup>st</sup>. Phase 1 determined the feasibility of partnering with EBMUD to implement a dry-year pilot water transfer. The report presents a series of recommendations, including Phase II, which is the development of necessary agreements to support implementation of a dry-year transfer. Ms. Sandkulla stated that these agreements are necessary work products that do not require the pre-determination of the source of the transfer water, or the execution of a transfer. Phase II will result in executable agreements between and among BAWSCA, EBMUD, SFPUC and Hayward necessary to move forward to Phase III.

Phase III is the implementation of the pilot water transfer, which would be considered, at the very soonest, in late winter or early spring, depending upon the water supply conditions. Implementation of the transfer would require having the executable agreements between the seller and EBMUD, transfer-related permits, and approvals. A report would be provided following execution.

Ms. Sandkulla reported that the Phase I effort provided some key results which include the confirmation of the feasibility for a water transfer partnership between BAWSCA and EBMUD. The plan, as designed, meets the objectives and goals of both agencies, which are critical to a successful partnership. The SFPUC and the City of Hayward who are key stakeholders for the water transfer have been involved through the development process and are very interested and supportive.

The potential sellers are Yuba County Water Agency and Placer County Water Agency. Both agencies have a long history of water transfers and have local support for water transfers, which was something BAWSCA and EBMUD desired out of the sellers.

Key technical parameters were identified to define the plan's design. The transfer would occur during the Fall or Winter of a dry year when EMBUD is using the Freeport facility. This avoids BAWSCA having to pay for 100% of the operation of the facility since it will already be in operation independent of BAWSCA's water transfer. The minimum volume

is 1,000 acre feet with an anticipated flow rate of 15 mgd, which meets Hayward's average water demand.

Ms. Sandkulla explained that there is no dedicated pipeline that moves water from the EBMUD system into the San Francisco Regional Water System. The transferred water, therefore, will go through the City of Hayward's system, and excess transfer water would flow into the San Francisco Regional Water System. The anticipated duration is 22 days.

The City of Hayward has expressed a strong desire to have a similar quality of water throughout their system. Ms. Sandkulla stated that BAWSCA and EBMUD are working to try to match the flow rate and make this happen.

The issue of Hayward receiving water from EBMUD as opposed to the San Francisco Regional Water System raises concerns by Hayward about potential water quality differences due to the differing water source. This situation is unique to Hayward as they would be the primary recipient of the transfer water from EBMUD. Ms. Sandkulla stated that the water transfer plan includes a water sampling protocol that would be initiated at the onset of the water transfer. EBMUD has not done this transfer before and there will be questions about what water quality variations will occur in both EBMUD's and Hayward's systems. The goal is to learn through this pilot and determine the necessary actions based on the information learned. This is what makes this pilot plan critical, because otherwise, decisions will be made in the absence of any information.

The estimated cost of the pilot is \$425 - \$750 per acre foot to purchase transfer water and wheel it to the Hayward intertie. The incremental costs to move the water through Hayward and potentially into the San Francisco Regional Water System is still being evaluated.

Ms. Sandkulla reported that as with every modern water resources project, this transfer would require multiple potentially-applicable regulatory and environmental approvals. These have been identified as part of Phase I. Ms. Sandkulla added that expedited approval processes for many of the required authorizations can be expected because this is a one-year pilot.

The next steps are to proceed to Phase II, which can be completed in 6-12 months, and to Phase III, which can be completed in 9 months. Outstanding items that need to be addressed include securing the necessary policy-level support to move forward, and developing and executing the required agreements and approvals.

EBMUD and BAWSCA are prepared to execute an amended MOU that would address the next scope of work for Phase II and prepare the four agreements required; 1) Hayward Intertie Operations Agreement between EBMUD, Hayward and SFPUC, 2) EBMUD/BAWSCA Cost Allocation and Wheeling Agreement, 3) BAWSCA/SFPUC Cost Allocation Agreement, 4) BAWSCA/Hayward Cost Allocation Agreement.

Additional technical and legal support will be required to complete Phase II.



Ms. Sandkulla reported that work for Phase II and III were consciously not included in the FY 2013-14 work plan because the recommendations depended on the results of Phase I. Funding for Phase II is available through re-allocation of existing and available funds in the adopted FY 2013-14 budget.

Under the CEO's discretionary spending authority, Ms. Sandkulla will move funding between tasks in the current contract with Hanson Bridgett, and enter into a contract with Eler and Kalinowski, Inc. (EKI) for an amount not to exceed \$15,000, to obtain resources needed to complete Phase II. Ms. Sandkulla noted that the contract with EKI will provide specific technical assistance for evaluating water quality issues.

A progress report will be provided to the Board in January when initial information on water supply conditions is available.

Director Mendall commented that he is supportive of the concept and recommend moving forward because of the shared benefits to the agencies involved. However, he wanted to point out the unique impacts to Hayward, including cost and water quality impacts. While he is pleased to see that the cost impacts are getting resolved, Director Mendall points out that during the transfer, the service area, with the exception of Hayward, will be receiving Hetch Hetchy water. This issue remains unresolved, and he believes that this requires some consideration.

In response to Director O'Connell's questions, Ms. Sandkulla stated that the water quality difference is unknown, and the implementation of the pilot will provide the opportunity to measure the difference. There is not a significant variation between San Francisco and EBMUD, but the concern is with the supply from Sacramento River that EBMUD will be bringing in during the water transfer, and what that might do to their blend of water. While it is well above the required minimum standard, the question is how much of a variation is it from the existing water supply that comes from the San Francisco Regional Water System.

Ms. Sandkulla clarified that the transfer water will be fully treated by EBMUD in their existing facilities.

In response to Director Breault's question, Ms. Sandkulla stated that EBMUD's water has slightly higher TDS than water from the San Francisco Regional Water System. However, while the difference in quality is slight, the potential impacts are critical information to know.

Director Guzzetta agreed and stated that the close monitoring of the water quality is an important variable because if there is a drought, there may be water from San Francisco local water supplies that will be delivered to the rest of the member agencies.

Ms. Sandkulla explained that BAWSCA will be the purchaser of the transfer water and the wheeler of that supply. BAWSCA will enter into a Cost Allocation and Wheeling agreement with EBMUD. BAWSCA will also have an agreement with the water seller. This arrangement was at the request of EBMUD. If BAWSCA and EBMUD were to move forward with a long-term dry year water transfer agreement, other contractual

arrangements between BAWSCA and EBMUD to purchase and transfer water are available and being considered.

Director Weed commented on the significant issues that come up with reverse flows. Ms. Sandkulla agreed and explained that those issues occurred when Hayward did their initial full scale tests with San Francisco in 2009. Hayward conducted a pre-flushing program which caused sediment re-suspension. Ms. Sandkulla noted that the large system transmission pipes used in 2009 were put into place in the 1960s, and the impression is that the first large scale test that occurred scoured those pipes. Moving forward with the BAWSCA/EBMUD pilot, Hayward is considering whether or not to have a pre-flushing program due to the impacts it had in their system. The current plan is to ramp up the rate slowly to keep it below the scouring velocity. Ms. Sandkulla emphasized that this is where the operational and water quality criteria, at the onset of the transfer, are critical to make sure there are no significant issues, and that there is the capability to turn the transfer off or ratchet it back. Those are the types of elements Hayward will be looking for in their agreement with BAWSCA.

Director Guzzetta agreed that the potential operational problems should not be minimized because any change in the flow of a system could cause significant problems. It would be unfortunate for the program to fail because operational considerations were underestimated.

Director Mendall added that the Hetchy Hetchy system is gravity fed and the water transfer plan will require pumps for full operation. Equipments will need to be brought in that are not normally required, and this introduces costs impacts and other potential issues that can arise.

In response to Director Weed's question about existing agreements, Ms. Sandkulla explained that the current agreement that governs the use of the intertie is a three-party agreement between Hayward, San Francisco and EBMUD. The agreement covers planned emergencies and true emergencies to the intertie because that facility is permitted as an emergency facility only. The existing agreement has language such that whoever is the requesting entity, San Francisco or EBMUD, fully pays all costs associated with Hayward's operation of the intertie. Because the intertie is permitted for emergency purposes only, the Pilot Water Transfer Plan requires a CEQA process to temporarily change the permitted use of that intertie to a non-emergency condition. The existing agreement anticipated operational cost impacts to Hayward and a method for Hayward being fully paid back.

Director Mendall expressed his concern that the pilot water transfer plan is different in how it impacts the City of Hayward than the prior operation of the intertie for emergency purposes.

In response to a question from Director Pierce, Ms. Sandkulla explained that in the event that the water transfer is executed, Hayward would get its water supply from EBMUD, and their normal water supply allocation from San Francisco would go to the collective BAWSCA group, therefore increasing the supply for everybody else. The overall idea is to have access to an additional 1,000 acre feet for the regional customers. There is

sufficient capacity in the intertie to meet the needs that is being sought for the member agencies during a drought. The 1,000 acre feet transfer is only for the pilot. The limit of the transfer potential is the capacity of the intertie, which is currently 20 mgd because of improvements being done to EBMUD's system. Once the improvements are finished, the capacity will be 30 mgd. The supply could go into the San Francisco Regional Water System, and blended if BAWSCA and EBMUD were to go into a long-term drought water transfer agreement.

Director Guzzetta asked how the water goes into the San Francisco Regional System. Ms. Sandkulla explained that the intertie will utilize Hayward's transmission system on which Hayward would otherwise take delivery of water from the San Francisco system.

Director Mendall appreciated the attention the Committee put on the discussion of the plan.

- B. Staff Transition: Ms. Sandkulla presented BAWSCA's new organizational chart that shows the full staff including the water resources team of Michael Hurley, Adrienne Carr and Andree Johnson. It also includes Art Jensen in his new position of Special Counsel to the CEO/General Manager. Ms. Sandkulla is pleased to have a full team in place.
- C. Mid-Year Budget Review: Ms. Sandkulla reported that the mid-year budget review has been initiated, and noted that a thorough review of the work plan, results to be achieved, and budget is appropriate and critical given the magnitude of transitions that have occurred in FY 2013-14 thus far. While she does not anticipate significant changes, she will examine potential deferral of some work plan items and results where it is appropriate. Ms. Sandkulla explained that because BAWSCA looks 5-years out in developing the annual work plan, there may be work plan items that are not yet ready for staff to engage in. The results of the mid-year work plan and budget review will be presented to the BPC in December and to the Board in January 2014.
- D. SFPUC's Economic Impact of Drought Analysis: Ms. Sandkulla reported on the status of the SFPUC's Economic Impact of Drought Analysis. As stated in previous reports to the Committee and the Board, the purpose of the study is to identify the economic impacts of water shortages in the service area. Ms. Sandkulla stated that prior similar analyses by the SFPUC have served to be an effective tool in protecting SFPUC water supply, and in getting the FERC to understand the impacts of significant water shortages and cutbacks to the region. BAWSCA has supported SFPUC's efforts in a limited fashion.

The results of the SFPUC analysis have been delayed until December 2013 at the request of the irrigation districts who have received an approval from FERC to delay their results. The irrigation districts preferred a synchronized release of results with the SFPUC.

BAWSCA intended to use the results of SFPUC's analysis to support its strategy discussions about investments for dry years and drought reliability. Staff will be discussing the potential impacts of the delay on BAWSCA's work, and the potential options to mitigate those impacts.

Director Guzzetta asked when FERC is expected to make a final decision. Legal Counsel, Allison Schutte explained that the license needs to be renewed in 2016. The official proceedings begin in 2014 and continue over a period of 18 months. The current activities have been focused on completing the studies and materials needed once the official proceedings begin in 2014. FERC can renew the license before 2016 or it can decide to issue an extension. The FERC participants, however, are working under the assumption that the license will be renewed in 2016.

- E. **Proposed Legislation to Extend AB1823 Sunset Provisions:** Ms. Sandkulla reminded the Committee that the FY 2013-14 work plan included consideration of legislation to extend the State oversight on SFPUC's implementation of the WSIP. It is important to remember that the oversight has been critical in monitoring the implementation of the WSIP, and in making SFPUC's progress public with the State.

The oversight requires the SFPUC to provide annual WSIP progress reports to the California Seismic Committee (CSSC), California Department of Public Health (CDPH), and Joint Legislative Audit Committee (JLAC). The oversight also requires the SFPUC to report changes to the adopted WSIP scope and schedule such as project deletions or postponements. Ms. Sandkulla explained that the oversight has made it possible for these types of information on program implementation to be known to BAWSCA, members of the Board as policy makers of the member agencies, and the State Legislature.

Ms. Sandkulla noted that San Francisco has initiated the required reporting to the State seven times as it has modified the WSIP scope and schedule. Additionally, the reports enable CSSC, CDPH, and JLAC to make an opinion about whether or not the changes to the program have potentially increased risks to public health and safety.

The current oversight is set to end on January 1, 2015. WSIP completion has been extended to 2019. The proposed legislation would extend the State oversight to 2024.

BAWSCA's statement on the proposed legislation was distributed to the BAWSCA Board on October 1<sup>st</sup>. Ms. Sandkulla reported that Senator Jerry Hill has agreed to introduce and author the legislation. SFPUC General Manager Harlan Kelly has provided his verbal support for the legislation.

Ms. Sandkulla anticipates the legislation to be introduced in January. She will keep the Board updated on current developments.

7. **Comments by Committee Members:** Director Bronitsky congratulated Nicole Sandkulla for successfully conducting her first BPC meeting as the new CEO/GM of BAWSCA, and welcomed the new members of the BAWSCA staff.

Director Weed noted that at the September BAWSCA board meeting, Harlan Kelly reported that SFPUC is conducting additional studies on the western embankment of the Calaveras Dam, and anticipated the results of the study by the end of September.

Ms. Sandkulla stated that she will follow up with Julie Labonte and will report her findings to the Board at its meeting in November. She further reported that the SFPUC finished the excavation of the New Irvington Tunnel project, which had significant risks.

8. **Adjournment:** The meeting was adjourned at 2:30pm. The next meeting is December 11, 2013.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE – October 9, 2013**

**Roster of Attendees:**

**Committee Members Present**

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

**Committee Members Absent**

Tom Piccolotti, North Coast County Water District  
Louis Vella, Mid-Peninsula Water District

**BAWSCA Staff:**

Nicole Sandkulla	Acting CEO/General Manager
Michael Hurley	Water Resources Manager
Adrienne Carr	Sr. Water Resources Specialist
Andree Johnson	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:**

Wynn Grcich	Flouride Action Network
Marilyn Mosher	City of Hayward
Michelle Novotny	San Francisco Public Utilities Commission

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD OF DIRECTORS MEETING  
September 19, 2013 – 7 p.m.  
Foster City Community Building, Foster City CA**

<b>MINUTES</b>
----------------

**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. Nineteen (19) members of the Board participated in the meeting with 2 members by conference call, constituting a quorum. A list of Directors present (19) and absent (7) is attached.

**2. Comments by the Chair:**

Chair O’Connell reported that the agenda includes an action item for a smooth transition to the new Chief Executive Officer of BAWSCA. The agenda also includes two reports, one on the progress of the Water System Improvement Program after 10 years of implementation, and the second is on the Pilot Water Transfer Plan.

**3. Board Policy Committee Report:** Committee Chair Rob Guzzetta reported the discussions and actions that took place at the BPC meeting held on August 14, 2013. The Committee voted unanimously to recommend approval of the proposed Board action to establish the California Employers’ Retiree Benefit Trust (CERBT) through CalPERS to fund Other Post-Employment Benefits Costs, and to approve the resolution appointing Art Jensen as Special Counsel to the CEO/GM.

**4. Public Comments:** Public comments were received from Wynn Grcich, Flouride Action Network, and Peter Drekmeier, Tuolumne River Trust,.

**5. Consent Calendar:**

**Director Richardson made a motion, seconded by Director Bronitsky, to approve the Consent Calendar. The items included approval of the Minutes of the July 18, 2013 Board Meeting, and that the Board receive and file the Pre-Audit Budget Status Report as of June 30, 2013.**

**The motion carried by roll call vote.**

**6. Action Calendar:**

**A. Establishment of the Recommended California Employers’ Retiree Benefit Trust (CERBT) through CalPERS to fund Other Post-Employment Benefits Costs.**

**Director Bronitsky made a motion, seconded by Director Richardson, that the Board approve:**

- 1. Establishing an irrevocable IRC Section 115 trust through CERBT trust administered by the CalPERS to accommodate the agency’s OPEB funding; and**

2. **Authorizing the CEO/GM to execute an agreement with the CalPERS CERBT to establish and administer the agency's OPEB Trust Fund (A copy of the agreement is attached to this report as Attachment A); and**
3. **Delegating authority to the CEO/GM to request disbursements from the agency's OPEB Trust Fund, and take other actions needed to implement the trust.**

**The motion carried by roll call vote.**

- B. Resolution Approving Temporary Appointment of Arthur Jensen as Special Counsel to the CEO/GM, with Compensation Consistent with the Salary Schedule for the CEO/GM Position and Adopting the Salary Schedule for the CEO/GM Position

**Director Richardson made a motion, seconded by Director Griffith, that the Board adopt a Resolution approving the temporary appointment of Arthur Jensen to the position of Special Counsel to the CEO/GM, adopting the salary schedule for the CEO/GM position, and making associated findings in support of such an appointment.**

**The motion carried by roll call vote.**

- C. **CEO/General Manager Transition:** Chair O'Connell presented a resolution honoring Art Jensen's retirement after 36 years of serving the water customers of the Bay Area, and as CEO/General Manager of BAWSCA for 18 years.

**Director Breault made a motion that the Board of Directors of the Bay Area Water Supply and Conservation Agency, hereby honor Arthur Jensen's exceptional service as CEO and General Manager of BAWSCA, and its predecessor agency, BAWUA, for the last 18 years, and authorize the Chair of the Board of Directors to execute Resolution 2013-04 on the Agency's behalf. A roll call vote was taken. The motion carried unanimously.**

Mr. Jensen thanked the BAWSCA Board, and stated that he was proud of what BAWSCA, its Board, staff and team of consultants have achieved. BAWSCA is a unique agency and is a fine example of what government should be; driven to get results for the member agencies and the customers who pay the bill. BAWSCA is the agency authorized to represent the customers' interests and the only regional agency that is ultimately accountable to the water customers in Alameda, San Mateo, and Santa Clara Counties. Significant work remains to be done that will lead to a number of policy decisions by and beyond 2018. BAWSCA has, is and should continue to be focused on achieving results.

7. **SFPUC Report:** SFPUC General Manager, Harlan Kelly, addressed the BAWSCA Board. He congratulated Art Jensen for his retirement, and congratulated the Board on its selection of Nicole Sandkulla as its new CEO and General Manager. He reported that the SFPUC will also be going through a change with Julie Labonte's transition to her new position as Vice President with Montgomery, Watson, Harza (MWH). Mr. Kelly will be working with his staff and looking to Art and Nicole for recommendations on the selection of Ms. Labonte's successor.



Mr. Kelly provided a status report on the Calaveras Dam Project, New Irvington Tunnel Project, and the Sunol Valley Water Treatment Plant.

Deputy General Manager, Michael Carlin provided a report on the Rim Fire. The fire burned only 1% of the Hetch Hetchy watershed, and no issues are expected. While there were no structures affected at Camp Mather O'Shaughnessy, there was one housing structure lost during the fire. Mr. Carlin reported that the SFPUC is now in the assessment, restoration and recovery phase.

- 8. Reports:** Ms. Sandkulla provided an informational report on the SFPUC's 10-year implementation of the WSIP, and BAWSCA's progress with the Pilot Water Transfer Plan during dry years with EBMUD. Director Mendall commented that the Pilot Water Transfer is beneficial for the BAWSCA member agencies; however, there are unique negative impacts to the City of Hayward. He noted that while all member agencies are receiving water supply from Hetch Hetchy when the transfer is occurring, the City of Hayward will be getting water from a different source. This is an inequity that he would like to see addressed.

Christina Tang provided a report on the bond surcharge collection, account balance and payment report.

- 9. Directors' Discussion:** Director Weed reported that Glenn Reynolds was elected to the Board of Directors of the Coastside County Water District.

Director Pierce stated that she would be interested to hear about the SFPUC's reaction to BAWSCA's recommendations on the WSIP. She also thanked Director Kasten for raising questions on the finances, and would appreciate bringing forward his insights.

- 10. Date, Time and Location of Next Meeting:** The next meeting is scheduled on November 21, 2013, in the Wind Room, Foster City Community Center.

- 11. Adjournment:** The meeting adjourned at 8:52pm.

Respectfully submitted,

Nicole M. Sandkulla  
Chief Executive Officer/General Manager

ARJ/le

Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**  
**Board of Directors Meeting**  
**September 19, 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
Jim Griffith	City of Sunnyvale
Michael Guingona	City of Daly City
Rob Guzzetta	California Water Service Company
Tom Kasten	Town of Hillsborough
Larry Klein	City of Palo Alto
Al Mendall	City of Hayward
Chris Mickelsen	Coastside County Water District
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:

Armando Gomez	City of Milpitas
Mike Kasperzak	City of Mountain View
Kirsten Keith	City of Menlo Park
Marty Laporte	Stanford
Jerry Marsalli	City of Santa Clara
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:** Nicole Sandkulla, CEO/General Manager

**FROM:** Deborah Grimes

**DATE:** November 12, 2013

**SUBJECT:** Budget Status Report as of September 30, 2013

This memorandum shows fiscal year budget status for FY 2013-14. 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 three month period ending September 30, 2013, 25 percent into the fiscal year, total expenditures were \$676,759 or 21 percent of the total budget of \$3,280,188.

**Table 1. Operating Budget Summary as of September 30, 2013**

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
<b>Consultants /Direct Expenditures</b>			
Reliability	1,217,662	230,303	19%
Fair Pricing	227,500	36,833	16%
Administration	74,000	123,122	166%
<b>Subtotal</b>	<b>1,519,162</b>	<b>390,258</b>	<b>26%</b>
<b>Administration and General</b>			
Salary & Benefits	1,406,526	230,683	16%
<b>Other Expenses</b>			
BAWSCA	290,500	55,818	19%
BAWUA	1,100	0	0%
<b>Subtotal</b>	<b>3,217,288</b>	<b>676,759</b>	<b>21%</b>
<b>Capital Expenses</b>	4,000	0	0%
<b>Budgeted Contingency</b>	57,500	0	0%
<b>Regional Financing Authority</b>	1,400	0	0%
<b>Grand Total</b>	<b>3,280,188</b>	<b>676,759</b>	<b>21%</b>

**Overview:**

Overall expenditures for FY 2013-14 are tracking within budget. In the consultant cost categories, Administration was over budget due to the CEO transition and related expenses.

**Consultants**

The \$125,000 budget for technical review and tracking of the SFPUC’s Water System Improvement Program was 28 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 26 percent expended. The Operating Budget allocation of \$416,000 budget for legal counsel was 39 percent expended. The \$577,662 budget for water management and conservation-related activities was 24 percent expended.

**Administration and Other Expenses**

Budgets for salaries and other expenses were 16 and 19 percent expended, respectively.

**Use of CEO’s Discretionary Spending Authority:**

In November, after the end of this reporting period, the CEO entered into an agreement with North Bay Pensions for \$2,000 to conduct an additional OPEB (Other Post- Employment Benefits) study for GASB 45 actuarial services FY 2013-14 as necessary to meet the requirements of California Employees Retirement Benefits Trust (CERBT).

**Use of Reserve and Reserve Fund Balance:**

Though expenditures in FY 2012-13 were within the approved budget, revenue realized by June 30, 2013 was less than actual expenses. The net result is such that no funds are available to deposit into the General Reserve with the close of FY 2012-13. This information became available upon completion of BAWSCA’s audited financials for FY 2012-13.

**Table 2. General Reserve Fund Balance**

<b>Fund</b>	<b>Account Balance (As of 07/31/13)</b>	<b>Account Balance (As of 09/30/13)</b>
General Reserve	\$985,897	\$985,897

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

Phase 2 of the Long-Term Reliable Supply Strategy (Strategy) began FY 2010-11. Funding is provided through the Water Management Charge, approved by the Board in July 2010. All Water Management Charge revenue, totaling \$2,321,998 has been collected by the SFPUC and received by BAWSCA. Expenditures for strategic and legal support of the Long-Term Reliable Water Supply Strategy are within their respective budgets. Consultant invoices received and paid through September 30, 2013 total \$1,558,659.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Item Title: Audit Report for BAWSCA and Compilation report for BAWUA for FY 2012-13**

**Summary:**

An independent auditor's report has been completed for BAWSCA and a compilation report for BAWUA for the year ending June 30, 2013. The audit of BAWSCA accounts is required by Division 31, Section 81426 of the Water Code. The compilation of BAWUA accounts is prepared in accordance with its bylaws, Article 8, Section 8.2. The reports are enclosed, under separate cover, for your review. A financial audit of the Regional Finance Authority is not required at this time.

**Fiscal Impact:**

None

**Board Policy Committee Action:**

None. The reports became available on November 4th for staff review, allowing their inclusion in the BAWSCA board meeting agenda.

**Recommendation:**

**That the Board receive and file the independent auditor's report for BAWSCA and the compilation report for BAWUA for the year ending June 30, 2013.**

**Discussion:**

BAWSCA's and BAWUA's financial statements have been audited and compiled by the independent auditing firm of Chavan & Associates, LLP. The goal of an independent audit is to provide reasonable assurance that the financial statements are free from material misstatement.

Based on their review of the financial statements, the auditors have concluded that the financial statements are in conformance with generally accepted accounting principles, and fairly present, in all material respects, the financial position of both BAWSCA and BAWUA and the changes in financial position and cash flows for FY 2012-13.

As demonstrated by the statements, schedules and notes included in the auditor's reports, BAWSCA and BAWUA are meeting the requirements for sound financial management.

Enclosed under separate cover:

1. BAWSCA FY 2012-13 Audit Report
2. BAWUA FY 2012-13 Compilation Report

(This page intentionally left blank.)

# **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:** Nicole Sandkulla, CEO/General Manager

**FROM:** Deborah Grimes

**DATE:** November 8, 2013

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

---

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

There were no director expenses reimbursed for the quarter ending September 30, 2013.

(This page intentionally left blank.)



**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**           **Authorization to Negotiate and Execute a Contract Amendment with PG&E for the Washing Machine Rebate Program**

**Summary:**

Since January 2008, PG&E has administered a joint Water Utility and Energy Utility Residential Washing Machine Rebate Program (WMRP) in partnership with BAWSCA and the other major water utilities in the Bay Area. The current WMRP will end December 31, 2013. BAWSCA's current administrative contract with PG&E expires June 30, 2014 as it anticipates a 6 month close out period for the current program. In order to continue the WMRP through calendar year 2014 (CY 2014), a contract amendment with PG&E needs to be executed.

Participating BAWSCA member agencies have expressed an interest to continue the joint WMRP with PG&E and support the two program changes proposed by PG&E for CY 2014. A contract amendment between BAWSCA and PG&E would allow continuation of the joint WMRP to at least June 30, 2014 at which time BAWSCA would have the opportunity to modify its participation in the WMRP through December 31, 2014 consistent with the desires of the participating member agencies.

**Fiscal Impact:**

None. As a subscription program, all costs are paid by participating BAWSCA agencies with all expenses, payments, and bank transactions associated with subscription programs accounted for separately from BAWSCA's operating budget.

**Board Policy Committee Action:**

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

**Recommendation:**

**That the Board authorize the Chief Executive Officer to:**

- 1) Negotiate and execute a contract amendment with PG&E, subject to legal counsel's final review, for administrative and rebate processing services through June 30, 2015 associated with implementation of the Washing Machine Rebate Program from January 1 through December 31, 2014, and**
- 2) Offer participation in the program to BAWSCA member agencies through December 31, 2014.**

**Discussion:**

Since 2001, BAWSCA has partnered with other major Bay Area water utilities to offer the Bay Area Water Utility Clothes Washer Rebate Program (WMRP). In January 2008, PG&E began administration of the WMRP on behalf of the Bay Area water utilities to offer a new combined Water Utility and Energy Utility rebate program to Bay Area residents.

The change to PG&E as the administrator of the program has increased visibility of the program, increasing rebate activity up to 30% in some areas. Customers have indicated a high rate of satisfaction with the current format of the WMRP because they are able to complete a single rebate application form and get rebates from both PG&E and the Bay Area water utilities.

BAWSCA agency participation in BAWSCA's conservation programs, including the WMRP, typically operates on a fiscal year basis, as this is consistent with the budget cycles of most of the BAWSCA agencies. In contrast, PG&E operates on a calendar year basis, which is why the current WMRP ends December 31, 2013. BAWSCA's current contract with PG&E expires on June 30, 2014 which allows for a 6-month close-out period. In the event that PG&E or BAWSCA were to elect not to continue the WMRP beyond December 31, 2013, the six-month close-out period accommodates the three months that customers have to submit a rebate request, plus processing time for the rebates and resolution of all accounting. A contract amendment with PG&E extending the existing contract through June 30, 2015 would allow for the current WMRP to continue through December 31, 2014 with a 6-month close-out period allowance.

For CY 2014, PG&E has proposed two modifications to the WMRP. The first modification is that PG&E will offer rebates for only the most energy efficient tier of washing machines. PG&E will continue to process the rebates offered by BAWSCA and other Bay Area water utilities for the second most efficient tier of washing machines. The second modification is the re-allocation of the WMRP direct marketing costs paid by the water utilities based upon the number of applications processed for each water utility between January 1, 2012 and June 30, 2013. BAWSCA agencies' share of the marketing costs would increase slightly from 5.05% to 7.7%. These costs are recoverable by BAWSCA and consistent with the participation agreements signed by participating BAWSCA member agencies.

**Alternatives to the Recommended Action:**

Two primary alternatives exist to the recommended action.

1. Offer Program Using Different/New Rebate Administrator: Prior to using PG&E as the rebate administrator for this program, the Bay Area water utilities contracted with Electric Gas Industry Associates (EGIA) to administer the program. Other entities also exist that would potentially be willing to administer a regional WMRP. The EGIA administrative fees for the WMRP were greater than PG&E's current administrative fees. Furthermore, customers have indicated a high rate of satisfaction with the current format of the WMRP because they are able to complete a single rebate application form and get rebates from both PG&E and the Bay Area water utilities. At this time no other Bay Area water utilities have indicated a desire to change WMRP administrators. In addition, customer satisfaction rates might decrease if BAWSCA did not continue to utilize PG&E as the program administrator because they would no longer be able to fill out a single rebate application. Lastly, if BAWSCA decided to go with a different WMRP administrator, a full request for proposal process would be required, which would delay the continuation of the WMRP until a new contract was in place.
2. Not Offer Program: The WMRP has been the most successful conservation program offered within the BAWSCA service area to date. Since 2001, the number of agencies, total budgets, and total number of rebates issued has increased each year. BAWSCA has also secured grant funding through the Prop 84 Integrated Regional Water Management program which offsets the WMRP costs to the participating agencies. Continued implementation of the WMRP with expanded customer participation is one of the five key conservation measures included in BAWSCA's 2009 Water Conservation Implementation Plan. Full implementation of these five measures will be critical to achieving sufficient conservation savings to continue to provide reliable supplies to all BAWSCA member agencies through 2018.

**Background:**

The Bay Area Water Utility Clothes Washer Rebate Program began on October 1, 2001. In 2002, the regional program expanded with eight other Bay Area water agencies joining to offer a single Bay Area Water Utility Clothes Washer Rebate Program covering a region of 2.7 million residential

customers. In addition to BAWSCA, other participants in this regional program include Contra Costa Water District, Zone 7 Water Agency, East Bay Municipal Utility District, Alameda County Water District, Santa Clara Valley Water District, Marin Municipal Utility District, Sonoma County Water Agency, and City of Davis. SFPUC joined in July 1, 2006.

(This page intentionally left blank.)

# **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: Nicole Sandkulla, CEO/General Manager**

**FROM: Deborah Grimes**

**DATE: November 12, 2013**

**SUBJECT: Quarterly Investment Report – As of September 30, 2013**

---

In February 2004, the Board originally adopted an investment policy consistent with the Government Code that requires a report on the Agency's investments be provided to the Board. The Board is scheduled to review and consider modifications to the investment policy at the November 21<sup>st</sup> board meeting. This report presents fund management in compliance with the current investment policy.

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

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

<u>06/30/13</u>	<u>09/30/13</u>
\$2,716,268	\$2,540,975

Of the total in the BAWSCA LAIF account as of June 30, 2013, \$985,897 represents BAWSCA's General Reserve Fund, equivalent to approximately 30 percent of FY 2013-14 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>06/30/13</u>	<u>09/30/13</u>
0.24%	0.26%

(This page intentionally left blank.)

# 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: Nicole Sandkulla, CEO/General Manager**

**FROM: Christina Tang, Senior Administrative Analyst**

**DATE: November 7, 2013**

**SUBJECT: Quarterly Bond Status Report as of September 30, 2013**

BAWSCA's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued to prepay the remaining capital cost recovery payments that the BAWSCA agencies owed San Francisco. The bond transaction and the prepayment program was anticipated to generate approximately \$62.3 million in net present value savings over the term of the bonds, or about 17% of the \$356.1 million in principal prepaid from bond proceeds to San Francisco at the end of February 2013.

### **Bond Surcharge Collections**

The capital payments to the San Francisco Public Utilities Commission (SFPUC) by agencies through wholesale water rates stopped at the end of June 2013. In July 2013, BAWSCA began collecting the bond surcharge from member agencies through the SFPUC as a separate item on their monthly water bills to agencies. The bond surcharge payments are used to make debt service payments on BAWSCA's revenue bonds.

All surcharges billed for the months of July and August have now been collected. Payments of surcharges billed for September are still being received. Table 1 below presents a summary of financial transactions related to BAWSCA's Bond Series 2013A and 2013B for the quarter ending September 30, 2013. Due to the various billing cycles for the agencies, some agencies' August water bills and all agencies' September water bills were not due by the time the September report was generated.

Table 1: Summary of Financial Transactions – BAWSCA Bond Series 2013A and 2013B

<u>Month</u>	<u>Amount Billed thru Agency Surcharges</u>	<u>Amount Collected and Remitted to Trustee as of 9/30/13</u>
July 2013	\$2,056,235	\$2,056,235
August 2013	\$2,056,235	\$1,055,937
September 2013	\$2,056,235	\$0
<i>Total</i>	<i>\$6,168,705</i>	<i>\$3,112,172</i>

**Bond Trustee Account Balance**

All surcharge payments are deposited with the Bank of New York, which manages BAWSCA’s accounts and administers debt service payments.

BAWSCA’s account balance in the Bank of New York account reflects the value of the Revenue Fund, the Interest Fund, the Stabilization Fund, and the Costs of Issuance Fund. BAWSCA’s account activities in the past three months, and current period account balance at the Bank of New York are shown in Table 2 below.

Table 2: Bank of New York Bond Trustee Account Activity for Quarter Ending 9/30/14

	\$19,101,155	Account balance as of 6/30/2013
<i>plus:</i>	3,112,172	<i>Surcharge collections</i>
<i>plus:</i>	136,157	<i>Interest earnings</i>
<i>minus:</i>	<u>76,457</u>	<u><i>Accrued interest for Treasury coupon bonds purchased in July</i></u>
	\$22,273,027	Account balance as of 9/30/2013

*Interest Earnings on Collected Surcharge Payments and Stabilization Fund*

BAWSCA’s investment advisor is BLX Group. BAWSCA works closely with BLX each month to develop the most appropriate investment strategy for the funds deposited at the Bank of New York in accordance to BAWSCA’s Investment Policy. The primary objectives of BAWSCA’s investment activities are safety, liquidity and investment return.

BAWSCA earned a total of \$136,157 interest earnings in the past three months. Among the total interest earnings, \$316 were earned on the collected surcharge payments automatically invested in the money market account at a rate of 0.01%. The remainder of the interest earnings of \$135,841 were earned on the Stabilization Fund invested in the U.S. Treasury Securities.

On July 10, 2013, BAWSCA worked with BLX to conduct a competitive bidding process for the purchase of two U.S. Treasury securities for BAWSCA’s Stabilization Fund. With BLX’s assistance, BAWSCA requested offers from six broker-dealer firms for the purchase of the following two U.S. Treasury securities: (1) \$2,017,000 par amount of the U.S. Treasury 1.75% coupon maturing 03/31/2014 and (2) \$9,953,000 par amount of the U.S. Treasury 2.375% coupon maturing 09/30/2014. The maturity dates on these securities were selected to coincide with future debt service payment dates on the underlying BAWSCA bonds. In connection with this request, BAWSCA received offers from five broker-dealer firms and purchased the above-referenced U.S. Treasury securities from the broker-dealer offering the most cost-effective purchase price. The purchase price includes a total accrued interest of \$76,457 because the U.S. Treasury Bonds were purchased in the secondary market in between scheduled coupon payment dates. Going forward, BAWSCA expects to receive semi-annual coupon payments on the purchased U.S. Treasury securities and total net interest earnings of \$25,403.09 (\$1,727.33 on the U.S. Treasury security maturing 03/31/2014 and \$23,675.76 on the U.S. Treasury security maturing 09/30/2014).

All investment interest earnings are deposited directly in the Trustee accounts. Ultimately, all interest earnings are returned to the member agencies through annual savings and through



distribution of the Stabilization Fund, once the bonds are fully paid.

**Revenue Bond Series 2013A and Series 2013B Payment Status**

The recent debt service payment of \$6,727,407 was made on October 1, 2013. It will be included in the next quarterly account balance report. It was paid using a set-aside portion of the proceeds from bond issuance, consistent with the initial bond structure. The next debt service payment of \$6,727,407 will be made on April 1, 2014. Debt service payments are made on April 1<sup>st</sup> and October 1<sup>st</sup> of each year until 2034.

(This page intentionally left blank.)

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OR DIRECTORS MEETING**

**Agenda Title:**           **Proposed Fiscal Year 2014-15 Bond Surcharges**

**Summary:**

This memorandum presents the proposed bond surcharges for each agency for FY 2014-15. The surcharge would go into effect at the beginning July 2014. This surcharge setting conforms to BAWSCA's Revenue Bond Indenture.

BAWSCA's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued to prepay the capital debt that the agencies owed San Francisco. The bond transaction and the prepayment program will generate approximately \$62.3 million in net present value savings over the term of the bonds, or about 17% of the \$356.1 million in principal prepaid from bond proceeds to San Francisco at the end of February 2013.

In July 2013, BAWSCA began collecting the bond surcharge from member agencies through the SFPUC as a separate item on their monthly water bills to agencies. FY 2014-15 will be the second year for BAWSCA to collect the bond surcharge payments that are used to make debt service payments on BAWSCA's revenue bonds.

**Board Policy Committee Action:**

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

**Recommendation:**

**That the Board approve the proposed bond surcharges presented in this memorandum.**

**Discussion:**

The surcharge for each member agency is a fixed amount each year. The annual surcharges for FY 2014-15 are calculated by multiplying the obligated debt service in 2015 by each agency's percentage of total wholesale customer purchases in FY 2012-13. One-twelfth of the annual surcharge, or the monthly surcharge, will be included in the first water bill from San Francisco sent to the agencies each month. During the FY 2015-16 bond surcharge setting, there will be a "true up" adjustment included in the calculation to reflect each agency's actual percentage of water purchases in FY 2013-14, the first year of BAWSCA collecting the bond surcharge payments.

The proposed FY 2014-15 bond surcharge for each agency is shown in the Table 1. Table 2 indicates how much the capital recovery payment cost would be (column A) if BAWSCA didn't issue the bonds to prepay the capital debt that the agencies owed to San Francisco, assuming the percentage of water purchases in FY 2012-13. The estimated annual savings to each agency (column C) is calculated accordingly.

Some expenses incurred to date in connection with the bond administration, which includes the fees to Bank of New York for its Trustee services and the costs of legal, financial advisor and investment advisor support, have been paid through BAWSCA's operating budget. Pursuant to the Prepayment and Collection Agreement between BAWSCA and San Francisco, BAWSCA will reimburse San Francisco of specific expenses incurred for compliance with tax-exempt regulations starting FY 2013-14, which have not been billed. In future years, those costs may be included in the surcharges and are estimated to be no more than \$40,000 a year, which represents 0.16% of the average annual debt service of the bonds.

**Table 1. Proposed BAWSCA FY2014-15 Bond Surcharges**

Agency	Annual Bond Surcharge	Monthly Bond Surcharge	Agency	Annual Bond Surcharge	Monthly Bond Surcharge
Alameda County WD	\$1,511,691	\$125,974	Mid Pen WD	\$500,598	\$41,716
Brisbane Water	\$53,960	\$4,497	Millbrae	\$380,440	\$31,703
Burlingame	\$694,298	\$57,858	Milpitas	\$1,072,174	\$89,348
Coastside County WD	\$279,227	\$23,269	Mountain View	\$1,516,412	\$126,368
CWS - Bear Gulch	\$2,013,862	\$167,822	North Coast WD	\$418,187	\$34,849
CWS - Mid Peninsula	\$2,340,996	\$195,083	Palo Alto	\$1,889,492	\$157,458
CWS - South SF	\$1,149,093	\$95,758	Purissima Hills WD	\$332,451	\$27,704
Daly City	\$689,332	\$57,444	Redwood City	\$1,552,092	\$129,341
East Palo Alto WD	\$346,148	\$28,846	San Bruno	\$335,951	\$27,996
Estero Municipal ID	\$675,688	\$56,307	San Jose (North)	\$751,039	\$62,587
Guadalupe Valley	\$44,829	\$3,736	Santa Clara	\$363,049	\$30,254
Hayward	\$2,581,371	\$215,114	Stanford University	\$356,532	\$29,711
Hillsborough	\$541,500	\$45,125	Sunnyvale	\$1,590,419	\$132,535
Menlo Park	\$540,091	\$45,007	Westborough WD	\$151,581	\$12,632
<b>Total</b>				<b>\$24,672,503</b>	<b>\$2,056,042</b>

**Table 2. Estimated Annual Savings to Each Agency**

Agency	SFPUC Capital Recovery Payment	BAWSCA Annual Bond Surcharge	Annual Savings	Agency	SFPUC Capital Recovery Payment	BAWSCA Annual Bond Surcharge	Annual Savings
	A	B	C = A - B		A	B	C = A - B
Alameda County WD	\$1,727,822	\$1,511,691	\$216,131	Mid Pen WD	\$572,170	\$500,598	\$71,572
Brisbane Water	\$61,674	\$53,960	\$7,714	Millbrae	\$434,832	\$380,440	\$54,392
Burlingame	\$793,564	\$694,298	\$99,266	Milpitas	\$1,225,466	\$1,072,174	\$153,292
Coastside County WD	\$319,148	\$279,227	\$39,921	Mountain View	\$1,733,218	\$1,516,412	\$216,806
CWS - Bear Gulch	\$2,301,789	\$2,013,862	\$287,927	North Coast WD	\$477,977	\$418,187	\$59,790
CWS - Mid Peninsula	\$2,675,695	\$2,340,996	\$334,699	Palo Alto	\$2,159,638	\$1,889,492	\$270,146
CWS - South SF	\$1,313,382	\$1,149,093	\$164,289	Purissima Hills WD	\$379,982	\$332,451	\$47,531
Daly City	\$787,888	\$689,332	\$98,556	Redwood City	\$1,773,999	\$1,552,092	\$221,907
East Palo Alto WD	\$395,637	\$346,148	\$49,489	San Bruno	\$383,983	\$335,951	\$48,032
Estero Municipal ID	\$772,293	\$675,688	\$96,605	San Jose (North)	\$858,417	\$751,039	\$107,378
Guadalupe Valley	\$51,239	\$44,829	\$6,410	Santa Clara	\$414,955	\$363,049	\$51,906
Hayward	\$2,950,437	\$2,581,371	\$369,066	Stanford University	\$407,506	\$356,532	\$50,974
Hillsborough	\$618,919	\$541,500	\$77,419	Sunnyvale	\$1,817,805	\$1,590,419	\$227,386
Menlo Park	\$617,309	\$540,091	\$77,218	Westborough WD	\$173,253	\$151,581	\$21,672
<b>Total</b>					<b>\$28,200,000</b>	<b>\$24,672,503</b>	<b>\$3,527,497</b>

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**           **Annual Review and Consideration of BAWSCA’s Statement of Investment Policy**

**Summary:**

The Board’s Investment Policy states the CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting. The previous review occurred on November 15, 2012 to include necessary provisions to provide guidance associated with the investment of bond funds. Quarterly investment reports are provided to the Board as required by the Policy.

Legal counsel advises that there are no recommended changes to the Investment Policy at this time. The current Investment Policy reflects language consistent with current State law.

**Fiscal Impact:**

None.

**Board Policy Committee Action:**

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

**Recommendation:**

**That the Board approve the current Statement of Investment Policy.**

Attachments:

1. Statement of Investment Policy

(This page intentionally left blank.)

# **BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

## **STATEMENT OF INVESTMENT POLICY**

### **1. Introduction**

The investment policies and practices of the Bay Area Water Supply & Conservation Agency (BAWSCA) are based on state law and prudent money management. All funds will be invested in accordance with the Agency's Investment Policy and the California Government Code.

### **2. Scope**

This policy applies to all funds and investment activities under the direction of the Agency, including funds held in the name of the Bay Area Water Users Association (BAWUA), a California nonprofit corporation of which the Agency is the sole member.

### **3. Prudence**

The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency.

Investments shall be made with the judgment and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived, and in accordance with the provisions of Government Code Section 53600 et seq.

### **4. Objectives**

The primary objectives, in priority order, of the Agency's investment activities shall be:

A. Safety. Safety of principal is the foremost objective of the investment program. The Agency's funds shall be invested in a manner that seeks to ensure preservation of capital.

B. Liquidity. The Agency's investments will remain sufficiently liquid to enable the Agency to meet its cash flow requirements.

C. Return on Investment. The Agency's investments shall be designed with the objective of attaining a market rate of return consistent with the constraints imposed by its safety and liquidity objectives.

**5. Delegation of Authority**

The management and oversight responsibility for investments is hereby delegated to the CEO/General Manager who shall monitor and review all investments for consistency with this Investment Policy.

**6. Investment of Funds**

**A. Permitted Investments and Depositories**

(i) Agency funds may be deposited only in state or national banks and state or federal savings associations with offices in California that meet the requirements and conditions of the Government Code, as it may be amended from time to time.

(ii) Funds not deposited in banks or savings associations shall be invested in the Local Agency Investment Fund administered by the Treasurer of the State of California, in accordance with Government Code Section 16429.1.

**B. Other Limitations**

(i) The maximum amount of funds deposited with any bank or savings association shall be \$250,000; provided that if funds are each separately insured by the Federal Deposit Insurance Corporation ("FDIC"), the General Manager may maintain separate accounts for the Agency and for BAWUA (to a maximum of \$250,000 for each entity) at one bank or savings association. The temporary increase from \$100,000 to \$250,000 in the standard maximum deposit insurance amount has been permanently extended by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

(ii) Investment maturities shall be based on a review of cash flow forecasts and shall be scheduled so as to allow the Agency to meet all projected obligations. The maturity of any certificate of deposit shall not exceed 12 months.

**7. Investment of Bond Proceeds**

Permitted Investments and Depositories. Pursuant to Government Code section 53601(m), a local agency may invest bond proceeds "in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance of those bonds." Typically, a local agency will specify in its investment policy that the investment of bond proceeds is out of the scope of the investment policy because permitted investments are specified in the bond indenture.

Instead, BAWSCA has determined that it would like to at least temporarily use its Investment Policy to restrict the vehicles permitted for the investment of bond proceeds to more conservative investments than are permitted by the Revenue Bond Indenture, dated January 1, 2013, by and between BAWSCA and the Trustee (the "Indenture"). This gives BAWSCA the flexibility to, through amendments to future Investment Policies, gradually expand permitted investments for bond proceeds to include some or all of the investment vehicles permitted in the Indenture. As



such, notwithstanding language allowing a broader range of investment vehicles in the Indenture, bond proceeds may be invested only in the following instruments:

(i) “Federal Securities” meaning direct and general obligations of the United States of America, or those which are fully and unconditionally guaranteed as to timely payment of principal and interest by the same;

(ii) “Money Market Mutual Funds” meaning funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor’s of “AAAm-G” or “AAAm” and, if rated by Moody’s, having a rating by Moody’s of “Aaa,” including money market funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund or for which the Trustee or any of its affiliates serve as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee; and

(iii) “Certificates of Deposit” (including those placed by third parties pursuant to an agreement between the Agency and the Trustee), trust funds, trust accounts, overnight bank deposits, interest bearing money market accounts, time deposits, savings accounts, deposit accounts, bankers’ acceptances or money market deposits which are fully insured by the Federal Deposit Insurance Corporation, including those of the Trustee or its affiliates.

## **8. Reporting Requirements**

The CEO/General Manager shall provide the Board a quarterly investment report, which shall include the information specified in Government Code Section 53646.

## **9. Annual Review of Investment Policy**

The CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting.

(This page intentionally left blank.)

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:            Appointment of Agency Secretary**

**Summary:**

In June 2004, the Board appointed Art Jensen, then General Manager of BAWSCA, as Secretary of the Board. Mr. Jensen has retired as BAWSCA's CEO/General Manager as of September 29, 2013. A new Board Secretary needs to be appointed by the Board as required by BAWSCA's enabling legislation.

**Fiscal Impact:**

None. The appointee would serve without additional compensation.

**Board Policy Committee Action:**

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

**Recommendation:**

**That the Board appoint the BAWSCA CEO/General Manager as Secretary of the Board and that these services be provided without compensation and at the pleasure of the Board.**

**Discussion:**

The Board's appointment of BAWSCA's Secretary in June 2004 was specific to Art Jensen, then BAWSCA's CEO/General Manager. Art Jensen has retired as BAWSCA's CEO/General Manager as of September 20, 2013. The Board can appoint the CEO/General Manager, and should be designated as such.

The Board's appointment of the CEO/General Manager is with the understanding that the Secretary is ultimately responsible for the successful management of meetings and Board administrative matters, but that some tasks may be delegated to BAWSCA staff.

The duties of Secretary include such actions as:

- ◆ Ensuring that proper notice of board meetings is provided to directors and the public.
- ◆ Notifying member agencies in advance of the expiration of a director's term and requesting an appointment for the succeeding term.
- ◆ Providing safe custody for the directors' oaths of office.
- ◆ Ensuring weighted and other voting methods can be efficiently conducted and recorded.
- ◆ Taking minutes of board meetings for subsequent board approval.
- ◆ Distributing Statements of Economic Interests (FPPC Form 700) to directors, forwarding copies to the FPPC and safekeeping originals.
- ◆ Updating the Roster of Public Agencies with the California Secretary of State.

(This page intentionally left blank.)

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title: Informational Report on the BAWSCA-EBMUD Pilot Water Transfer Plan Phase I Recommendations**

**Summary:**

At the direction of the BAWSCA Board, BAWSCA is pursuing a short-term pilot water transfer in partnership with the East Bay Municipal Utilities District (EBMUD). The BAWSCA-EBMUD Pilot Water Transfer Plan (Pilot Plan) is being completed in three phases. Phase I of the Pilot Plan (Pilot Plan Phase I) was completed in September 2013. The Pilot Plan Phase I Report was distributed to the Board in October 2013 and is available on BAWSCA's website.

The work completed as part of Pilot Plan Phase I confirmed that it is mutually beneficial and technically feasible for BAWSCA and EBMUD to partner in the implementation of a short-term pilot transfer. Pilot Plan Phase I also defined the pilot transfer parameters and identified the key cost-allocation, wheeling, and operational agreements that must be developed and/or amended in the near-term to support implementation of the Pilot Plan as early as Fall 2014.

Phase II of the Pilot Plan (Pilot Plan Phase II) will address the development of these necessary agreements, including those with and between BAWSCA, EBMUD, the City of Hayward (COH), and the San Francisco Public Utilities Commission (SFPUC). Work on Pilot Plan Phase II will begin immediately and is anticipated to take up to six months.

Phase III of the Pilot Plan (Pilot Plan Phase III) will commence once a drought has been declared and the BAWSCA Board has made the determination that it wants to initiate a transfer.

**Fiscal Impact:**

Work to support Phase II and Phase III of the Pilot Plan was not included in the adopted FY 2013-14 work plan or budget. This conscious decision was made in order to allow the next steps to be fully informed by the recommendations from the Pilot Plan Phase I.

Under the CEO's discretionary authority, Ms. Sandkulla will do the following to support completion of the necessary tasks for Phase II:

- Move available funding between tasks within the current contract limit with Hanson Bridget; and
- Enter into a contract with Erlen and Kalinowski, Inc. to provide specific technical assistance (e.g. evaluating potential water quality issues) for not to exceed amount of \$15,000.

Funding for the development of Pilot Plan Phase II is available through re-allocation of available funds included in BAWSCA's adopted FY 2013-14 budget. At this time, some work anticipated as necessary to perform in FY 2013-14 will be delayed to FY 2014-15. A full assessment of work plan and budget will be prepared for the December Committee and January Board meetings as part of the normal mid-year budget evaluation.

**Recommendation:**

This item is for information only and does not require action.

**Discussion:**

***Background***

In September 2012, the BAWSCA Board acted to support the key recommendations from the Phase IIA Report for the Long Term Reliable Water Supply Strategy, one of which was to investigate the feasibility of conducting a short-term pilot water transfer in partnership with EBMUD. In September 2012, EBMUD and BAWSCA entered into a Memorandum of Understanding (MOU) to prepare Pilot Plan Phase 1. The purpose of Pilot Plan Phase I was to evaluate the feasibility of BAWSCA and EBMUD partnering as buyers on long-term water transfer projects to improve future water supply reliability for the respective agencies. Pilot Plan Phase I evaluated the potential to conduct a short-term pilot water transfer in a future dry-year when EBMUD is planning to operate the Freeport Regional Water Project (Freeport).

As an outcome of Pilot Plan Phase I, EBMUD and BAWSCA have agreed that jointly conducting a short-term pilot water transfer with a willing seller would provide important information needed to evaluate the costs and benefits of a long-term water transfer partnership.

A water transfer involving EBMUD and BAWSCA includes purchasing water from a willing seller, diverting the water using the Freeport intake, conveying the water through the Freeport facilities and EBMUD's raw water and treated water distribution systems, and delivering the transfer water to the BAWSCA service area via the EBMUD / SFPUC / COH Intertie (Hayward Intertie) and potentially the San Francisco Regional Water System (SF RWS) (See Figure 1). Transfer water delivered from EBMUD through the Hayward Intertie would be directly used by the COH in lieu of taking delivery of water from the SF RWS. Deliveries through the Hayward Intertie in excess of COH's demand could then be conveyed into the SF RWS.

***Key Findings***

The key findings of Pilot Plan Phase I are summarized below:

- A pilot water transfer partnership between BAWSCA and EBMUD appears to be mutually beneficial and technically feasible.
- The pilot water transfer, as designed, meets BAWSCA's and EBMUD's goals and objectives as identified in the 2012 MOU and the Pilot Plan Phase I Report.
- Key project stakeholders, including COH and SFPUC, have been involved in the Pilot Plan development and are supportive, although COH has expressed concerns that it will be uniquely impacted from a water quality variation and operations perspective. The pilot transfer design reflects an effort to minimize those potential impacts to the COH and measure water quality changes during the course of the transfer.
- Two potential sellers for the transfer water have been identified, the Yuba County Water Agency and the Placer County Water Agency.
- Key pilot transfer parameters have been defined (see Table 1).
- Multiple potentially-applicable regulatory and environmental approvals have been identified. As is typical for short-term transfer projects, it is anticipated that there will be an expedited approval process in support of this short-term pilot transfer.
- Multiple institutional arrangements and agreements have been identified, which are the focus of Pilot Plan Phase II, including:
  - Hayward Intertie Operations Agreement (EBMUD, COH, SFPUC)

- EBMUD / BAWSCA Cost Allocation and Wheeling Agreement
- BAWSCA / SFPUC Cost Allocation Agreement
- BAWSCA / Hayward Cost Allocation Agreement
- A schedule for completing the pre-transfer work has been developed (see Figure 2).

**Table 1**  
**BAWSCA – EBMUD Pilot Water Transfer Parameters**

Parameters	Pilot Water Transfer Design
Timing	<ul style="list-style-type: none"> <li>● Fall/Winter of dry year when EBMUD uses Freeport</li> </ul>
Minimum Volume	<ul style="list-style-type: none"> <li>● 1,000 acre-feet</li> </ul>
Anticipated Flow rate	<ul style="list-style-type: none"> <li>● 15 MGD</li> <li>● Meet COH’s average demand</li> <li>● “Bleed” excess transfer water into the SF RWS</li> </ul>
Minimum Duration	<ul style="list-style-type: none"> <li>● 22 days</li> </ul>
Water Quality	<ul style="list-style-type: none"> <li>● COH recipient of different water from EBMUD</li> <li>● Variations closely monitored and controlled</li> </ul>
Estimated Cost	<ul style="list-style-type: none"> <li>● \$425 - \$750 per acre-foot to purchase transfer water and wheel it to the Hayward Intertie</li> <li>● Incremental costs to move the water through Hayward and potentially into the SF RWS being evaluated</li> </ul>

***Proposed Next Steps***

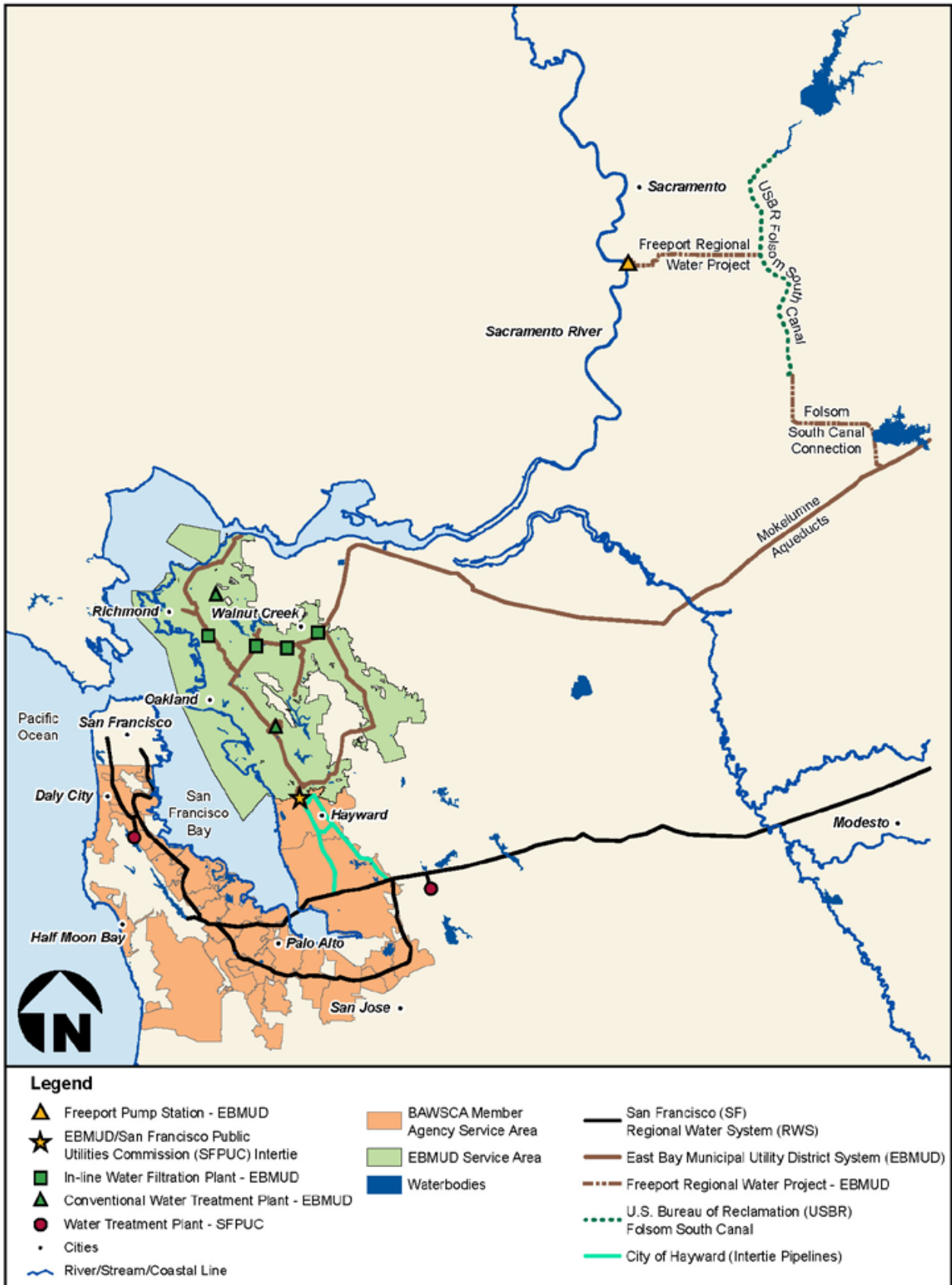
As identified in Pilot Plan Phase I, multiple parties other than BAWSCA and EBMUD, will be involved and play critical decision-making roles in any pilot water transfer.

Developing the following agreements with and between these parties is the focus of Pilot Plan Phase II as these agreements can be done in advance of a final decision to implement a transfer:

- Hayward Intertie Operations Agreement (EBMUD, COH, SFPUC)
- EBMUD / BAWSCA Cost Allocation and Wheeling Agreement
- BAWSCA / SFPUC Cost Allocation Agreement
- BAWSCA / Hayward Cost Allocation Agreement

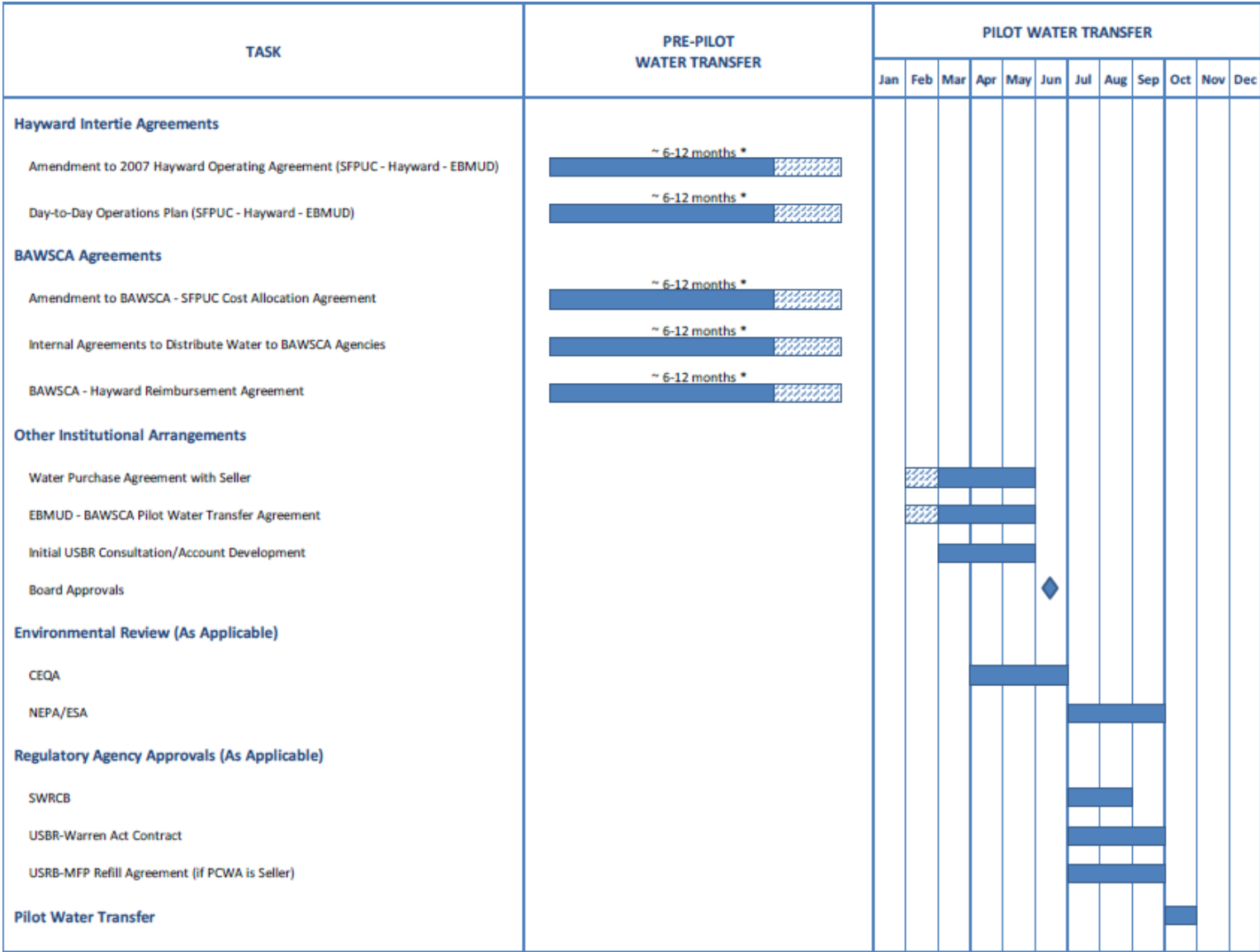
To support this effort, and to formalize the continued partnership between BAWSCA and EBMUD, the two agencies intend to execute an amendment to the existing MOU to address work associated with the *Pilot Plan Phase II: Develop the Pre-Transfer Agreements*.

**Figure 1**  
**Facilities Used to Wheel Transfer Water to the BAWSCA Service Area**





**Figure 2  
Estimated Pilot Transfer Schedule**



(This page intentionally left blank.)

# Board of Directors Policy Calendar for FY 2013-14

Board Meeting	Purpose	Issue or Topic
Nov. 2013	D&A D&A D&A R	Appointment of Secretary of the Board Review and Consideration of Investment Policy FY 2014-15 Bond Surcharge Setting Results of Phase I Pilot Water Transfer Plan with EBMUD
Jan. 2014	D&A D&A D&A D D	Election of Officers BAWSCA Mid Year Review of Work Plan and Budget Work Plan and Budget Planning for FY 2014-15 Updated Results of Economic Impact of Droughts Review Water Supply Forecast and Potential Water Transfer
March 2014	D&A D D	Consideration of a Regional Drought Level of Service Goal Discussion of Preliminary FY 2013-14 Work Plan and Budget Review Water Supply Forecast and Potential Water Transfer
May 2014	D&A D&A D&A D	Adoption of FY 2014-15 Work Plan and Budget Approval of Annual Contracts Review Water Supply Forecast and Decide if a Water Transfer should be Pursued Updated Water Demand Projections: Results & Recommended Actions

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

(This page intentionally left blank.)

# **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: November 15, 2013**  
**FROM: Nicole Sandkulla, CEO/General Manager**  
**SUBJECT: Chief Executive Office/General Manager's Letter**

---

### Water System Improvement Program (WSIP) – Update:

- Program Director Appointment: Ms. Julie Labonte, WSIP Director, will be leaving the SFPUC as of January to join Montgomery Watson Harza as Vice President and Director of Programs at the end of 2013. Mr. Dan Wade has been appointed as the new WSIP Director. Mr. Wade is the current WSIP Regional Project Manager for all projects in the Sunol Valley. The attached announcement from the SFPUC provides further detail of Mr. Wade's experience and expertise. BAWSCA has worked closely with Mr. Wade in his current role and believe he is well qualified to take over the management of this critically important program.
- Calaveras Dam Project: Further excavation at the Calaveras Dam site have identified additional fractured soil and identification of ancient landslides. These new findings are being analyzed by the SFPUC, their consultants and the construction contractor to determine the overall schedule and cost impact. The SFPUC has been asked to provide an update on this situation and the overall impact to the WSIP as part of their report to the BAWSCA Board at its November meeting.
- BAWSCA's Perspective on the Regional Water System Improvement Program Implementation at the Ten-Year Point (October 2013) Report: BAWSCA's report on the WSIP implementation at the ten-year point was transmitted to the SFPUC and presented to the Commission on October 22<sup>nd</sup>. The Commission expressed general support for the four recommendations made in the report. The Commission directed staff to review the specifics of the recommendations and bring them back to the Commission for further action as appropriate and recommended by SFPUC staff. BAWSCA will continue to pursue implementation of these critical recommendations and report progress to the Board.

### Staff Transition – New Organizational Chart:

All vacant staff positions have been successfully filled with the addition of Michael Hurley, Adrienne Carr, and Andree Johnson. Attached is an updated organizational chart for BAWSCA reflecting both the newly hired staff as well as Mr. Jensen's new temporary position as Special Counsel to the CEO/GM.

### Legislation:

BAWSCA's Fiscal Year 2013-14 Work Plan and Budget includes pursuit of legislation to extend State oversight of San Francisco's Water System Improvement Program (WSIP). The sunset provision in the original law, enacted in 2002, terminated on December 31, 2010 and was

extended in 2008 to January 1, 2015, because it became clear that San Francisco could not complete a list of nine critical projects on time.

Recently, San Francisco reported that several projects in the WSIP, including the big and vital Calaveras Dam Replacement Project, would not be completed until 2019. An amendment must be introduced and passed in the Legislature in 2014 to extend, for the second time, the vital sunset provision that was designed to protect the health, safety, and economic well-being of water users dependent on the San Francisco Regional Water System.

Senator Jerry Hill has agreed to introduce, in early 2014, an amendment to the current law extending the sunset provision for the second time. BAWSCA is discussing language for this amendment with Senator Hill and San Francisco.

### **Status of California Employers' Retiree Benefit Trust (CERBT) Fund**

At its September 19<sup>th</sup> meeting, the Board authorized the investment of BAWSCA's Other Post Employment Benefits (OPEB) Fund with the California Employers' Retiree Benefit Trust (CERBT) Fund. Following additional discussions with representatives from CERBT, the need for an additional resolution from the Board to meet CERBT requirements was identified given that BAWSCA's membership includes two private utilities.

Specially, a resolution establishing policy related to the distribution of BAWSCA's assets in the event of BAWSCA's dissolutions is necessary. In addition, the policy will clarify that no part of BAWSCA's assets shall ever ensure to the benefit of any director, officer, or private member of BAWSCA, or to the benefit of any other private person.

This item will be presented to the Board Policy Committee in December and to the Board at its January meeting.

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

**Meeting Schedule through December 2014**

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

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

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

(This page intentionally left blank.)