

# 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)

(Members of the Board may participate in this meeting by Teleconference. Locales shall be: Sheraton Grand – Clark Conference Room, 1230 J St., Sacramento, CA 95814, and Biltmore Hotel, 1200 Anastasia Ave., Coral Gables, Fl. 33134-6300. (If any member of the board participates by teleconference, all votes taken at this meeting will be by roll call vote.)

Thursday, September 19, 2013

7:00 P.M.

### AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page #</u>
1. Call to Order/Roll Call/Salute to Flag	(O'Connell)	
2. Comments by the Chair	(O'Connell)	
3. Board Policy Committee Report (Attachment)	(Guzzetta)	Pg 3
4. Public Comments <i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(O'Connell)	
5. Consent Calendar	(O'Connell)	
A. Approve Minutes of the July 18, 2013 Meeting (Attachment)		Pg 13
B. Receive and File Pre-Audit Budget Status Report – As of June 30, 2013 (Attachment) <i>All matters listed under the Consent Calendar are considered by the Board to be routine and will be enacted by one motion without discussion. If discussion is desired, the subject item may be removed and considered separately.</i>		Pg 19
6. <u>Action Items</u>		
A. Establishment of the Recommended California Employers' Retiree Benefit Trust (CERBT) through CalPERS to fund Other Post-Employment Benefits Costs (Attachment) <i>The Board Policy Committee unanimously recommends approval of the proposed Board action.</i>	(Tang)	Pg 21
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 (Attachment) <i>The Board Policy Committee unanimously recommends approval of the proposed Board action.</i>	(Sandkulla)	Pg 39
C. CEO/General Manager Transition (Under Separate Cover)	(O'Connell/Sandkulla)	

- 7. SFPUC Report** (Kelly)
- 8. Reports**
- A. Bond Surcharge Collection, Account Balance and Payment Report(Attachment) (Tang) Pg 47
  - B. Informational Report on SFPUC WSIP (Attachment) (Sandkulla) Pg 49
  - C. BAWSCA Pilot Water Transfer Plan (Sandkulla)
  - D. CEO/General Manager’s Letter (Attachment) (Jensen) Pg 67
  - E. Correspondence Packet (Under Separate Cover) (Jensen)
- 9. Directors’ Discussion: Comments, Questions and Agenda Requests** (O’Connell)
- 10. Date, Time and Location of Future Meetings** (O’Connell) Pg 71  
(See attached schedule of meetings)
- 11. Adjourn to next meeting scheduled for November 21, 2013 at 7pm** (O’Connell)

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

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## **MEMORANDUM**

TO: BAWSCA Board Members  
FROM: Arthur R. Jensen, Chief Executive Officer/General Manager  
DATE: September 13, 2013  
SUBJECT: Summary of Board Policy Committee meeting held August 14, 2013

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1. 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:** Committee Chair Guzzetta thanked Committee Vice-Chair Mendall for running the August BPC meeting in his absence. Chair Guzzetta attended the AW-WA Annual Conference and Expo.

The agenda includes two important action items for the Committee relating to BAWSCA's Other Post-Employment Benefits (OPEB) Costs, and the temporary appointment of Arthur Jensen as Special Counsel to the CEO/General Manager.

3. **Consent Calendar:**

**Director Breault made a motion, seconded by Director O'Connell, to approve the minutes of the Board Policy Committee meeting held on June 12, 2013. Director Bronitsky abstained. The motion passed.**

4. **Public Comments:** There were none.

5. **Action Items:**

- A. **Establishment of the Recommended California Employers' Retiree Benefit Trust (CERBT) through CalPERS to fund Other Post-Employment Benefit (OPEB) Costs:** Sr. Administrative Analyst, Christina Tang, reported that at the May Board meeting, the Board approved to fully fund the Annual Required Contribution (ARC) for the OPEB obligations into an irrevocable trust at an investment yield rate assumption of 7% starting FY 2013-14, and that the trust alternatives are to be fully evaluated before funds are deposit-

ed, no later than November 2013. The approved budget for FY 2013-14 already includes the total obligation cost of \$142,912 for FY 2013-14.

Following staff analysis of the trust alternatives, the recommendation is to:

- Establish an irrevocable IRC section 115 trust through the CERBT administered by the CalPERS to accommodate the Agency's OPEB funding;
- Authorize the CEO/General Manager to execute an agreement with the CalPERS CERBT to establish and administer the agency's OPEB Trust Fund;
- Delegate authority to the CEO/General Manager to request disbursements from the Agency's OPEB Trust Fund and take other actions needed to implement the trust.

Ms. Tang noted that the use of an irrevocable trust reduces the Unfunded Actuarial Accrued Liability (UAAL), and takes advantage of potentially higher long-term investment yields.

Director Weed commented that irrevocable trusts also provide flexibility on investments and a larger investment portfolio. BAWSCA can choose to have additional restrictions on investments if it chooses to.

Ms. Tang reported that alternative irrevocable IRC trusts were reviewed and presented a side by side comparison between Section 115 Trust, Voluntary Employee Benefit Association (VEBA) Trust, and Section 401(h) Trust on the key elements important to BAWSCA. For flexibility and minimal administrative burden, the key elements in the establishment and administration of the Trust include 1) Tax exemption without an IRS letter of determination approval, 2) no requirement for an annual tax return, and 3) no limit to the amount of funds that can be contributed to the trust. The comparison demonstrated that the Section 115 Trust is the best option for BAWSCA.

Alternative providers of Section 115 Trusts were evaluated. The list of providers reviewed were CalPERS CERBT, Public Agency Retirement Services (PARS) and US Bank in partnership, and Public Financial Management (PFM) and US Bank in partnership.

Ms. Tang explained that the "partnership" with US Bank for PARS and PRM means that US Bank acts as the Trustee, while PARS and PRM manage the investments. Ms. Tang reported that CalPERS CERBT would take on both the Trust and Investment management roles.

The comparison factors included expenses as a % of plan assets, GASB 43 financial reporting responsibility, and investment rate of return.

CERBT Trust was determined as the most appropriate Trust provider for BAWSCA's OPEB costs. It has a long history of administering employer-sponsored plans, it's a non-profit organization and is a leading OPEB service provider managing OPEB trusts for approximately 372 public agencies with a \$2.6 billion in total assets. It has the lowest estimated total cost of 0.15% for FY 2013-14, it provides minimal administrative burden to BAWSCA, and has an actuarial assumed rate of return between 6.39% and 7.61%.

The primary objective of BAWSCA's investment policy is safety, liquidity, and investment return. Ms. Tang stated that similar to PARS and PFM, CERBT's actual rate of return will be different from their estimate and will vary from period to period. But the existence of

uncertainty of future rate of return for all Trust providers would not affect BAWSCA's recommendation for the establishment of CERBT.

Director Weed commented that the CERBT has several different programs of investments, and each has an assumed rate of return based on their risk. The rate of return ranges from 6.39% (least risk) to 7.61% (highest risk). BAWSCA would want to ask CERBT to select one as close to 7% as possible.

Ms. Sandkulla explained that the proposed Board action includes delegating administration of the trust to the CEO/General Manager, which include selection of the asset allocation strategy.

Director Weed noted that a 7% rate of return means that the fund is going to double every 10-years in assets. In 30 years it will have multiplied by 6 fold. The Dow Jones industrial average is currently at about 15K, and under this scenario, it would have to grow to 120,000 at the end of this period. This is the assumption of how BAWSCA's investments under this program will develop. He noted that since it's a fixed end date, as our requirements increase, it becomes more of a challenge toward the end. The end date is not a rolling 30 years, it's now fixed at 30 years from now.

Ms. Sandkulla stated that the Board's direction to have a yearly review of how the plan is performing is an important part of managing the funding for the OPEB. As directed by the Board, staff will report the progress at mid-year and at the end of each year.

Ms. Tang reported that the options of CERBT's asset allocations strategies vary in degree of investment risk and assumed rate of return. The proposed recommendation authorizes the CEO/General Manager to implement the CERBT trust which includes the task of selecting an asset allocation strategy in accordance with BAWSCA's investment policy. The Board will receive reports on the actual portfolio performance, and the actual rate of return will be considered at the next annual OPEB actuary evaluation.

Ms. Tang further reported that 10 BAWSCA member agencies utilize irrevocable trusts to deposit their OPEB funds. Of the 10, eight agencies participate in CalPERS CERBT, and none of the 8 agencies expressed concern on the use of the CERBT.

Director Weed stated the ACWD uses the recommended process, and offered a few comments. He suggests that the contribution amount be adjusted periodically, and that as an organization, BAWSCA can add more funding, if that's a better alternative. BAWSCA should have the ability to modify retirement benefits particularly for new employees. He noted that the majority of the members for the JPIA for ACWA do not have medical retirement benefits for retirees. ACWA has almost 300 members. Director Weed stated that BAWSCA inherited the older ACWD criteria, which ironically was changed at the same month that BAWSCA was formed. There is a range of things that the BAWSCA Board can do if it were to step it back for new employees. BAWSCA's unfunded OPEB liability, since it is relatively short term and relatively manageable, will see a quantum leap in the next actuarial report because it will have more people. Lastly, the biggest concern for BAWSCA is SFPUC's OPEB liability. Wholesale Customers are responsible for a portion of that amount, which the SFPUC is not fully funding.

Director Pierce stated that she is pleased that the CEO/General Manager will be determining the asset allocation. She advised caution and suggested that the return level is not overly optimistic, so that BAWSCA won't have to make up a loss.

Chair Guzzetta stated that BAWSCA's current unfunded liability is not huge but it will become larger as time goes by. And while having a higher target rate is good, it is a more volatile fund. He noted that in the past two years, it earned almost nothing. As the actuaries look at BAWSCA's needs, BAWSCA's contribution would have to increase if the fund does not yield what we expect it to. That makes the budget more volatile, which the Board needs to be aware of. The Board should be careful with its investments because the investments it chooses will affect the budget moving forward.

**Director O'Connell made a motion, seconded by Director Bronitsky, that the Committee recommends Board approval of:**

- 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/General Manager to execute an agreement with the CalPERS CERBT to establish and administer the Agency's OPEB Trust Fund; and,**
- 3. Delegating authority to the CEO/General Manager to request disbursements from the Agency's OPEB Trust Fund, and take other actions needed to implement the trust.**

**The motion carried unanimously.**

- B. Resolution approving Temporary Appointment of Arthur Jensen as Special Counsel to the CEO/General Manager, with Compensation Consistent with the Salary Schedule for the CEO/General Manager Position:** Ms. Sandkulla reported that at her request as the incoming CEO/General Manager for BAWSCA following Mr. Jensen's retirement, it is being recommended that the Board appoint Art Jensen as Special Counsel to the BAWSCA CEO/General Manager. The transition to the CEO/General Manager has begun, and having access to Mr. Jensen following his retirement will enable a smooth transition, as well as provide essential assistance on two critical tasks included in the FY 2013-14 Work Plan. The critical activities include the negotiations with San Francisco related to classification of assets under the Water Supply Agreement, and legislative action to extend the sunset date of AB 1823.

Ms. Sandkulla stated that she will work with both Bud Wendell and Art Jensen, using their individual expertise in carrying out the objectives of the two efforts, with the intention of being the lead in the meetings with San Francisco and legislative officials and staff.

While the FY 2013-14 budget did not include the costs associated with the appointment of Mr. Jensen, Ms. Sandkulla stated that the adopted budget for FY 2013-14 includes sufficient funding based on estimates of salary savings and costs of new employees. Actual costs will be evaluated at the mid-year work plan and budget review, and the Board will be presented with recommended budget adjustments, if necessary.

Because of Mr. Jensen's status as a retiree, there are special requirements to comply with the California law and Public Employees Retirement System (PERS). BAWSCA contracts with PERS to provide retirement benefits to eligible employees. When Mr. Jensen retires, he will be a retired annuitant entitled to receive retirement benefit payments under

PERS. California Law requires a retired PERS annuitant to be reinstated to active PERS membership upon employment by a PERS-covered agency, unless the employee is temporarily appointed under specified conditions. The specified conditions for PERS compliance include temporary appointment and a limit of 960 hours per fiscal year.

Ms. Sandkulla estimates that for her purposes as incoming CEO/General Manager and for anticipating budget impacts, Mr. Jensen's required time will be half time. Legal Counsel, Allison Schutte, also clarified that the limitation is for each fiscal year, and noted that the first year will be from October through June 30<sup>th</sup> 2014.

PERS also requires that the appointee has specialized skills needed in performing the necessary work of limited duration, their rate of pay is neither less than nor more than that paid to other employees who perform comparable duties, and that the appointee has not received unemployment compensation arising out of any prior employment with the same employer during the 12-months prior to the appointment.

A resolution adopted by the BAWSCA Board is required for this appointment. The resolution states BAWSCA's compliance to the requirements, and authorizes the incoming CEO/General Manager to appoint Mr. Jensen in full accordance with the stated requirements. The resolution includes a salary schedule for the CEO/General Manager position to demonstrate compliance with California law and PERS regulations. The State requires that the retired annuitant's compensation be consistent with the salary range for the position that is most closely related to the duties he will be performing, and PERS requires that the salary schedule be duly adopted by the Board and publicly available.

Director Weed asked if there will be reimbursements such as car allowance and travel expenses in addition to the salary. Ms. Sandkulla stated that there will be no allowances, but incurred expenses related to the normal course of business, just as it is for BAWSCA employees, would be submitted in an expense report subject to the CEO/General Manager's review. Expense reports from the CEO/General Manager are submitted and reviewed by the Chair of the Board for authorization.

Director Bronitsky commented that while he supports the appointment, the salary schedule is vague and offers too much discretion. While he is confident with the agency's responsible actions, he would like to exercise what is required of the Board. He would like to see an actual number for the salary, a clear determination of the appointee's time in an agreement, and an estimated end date for the services, whether it's a date or a completion of the tasks subject to the Board's re-consideration. Subject to these additions, he supports the recommendation.

Ms. Sandkulla agrees and explained that BAWSCA typically includes a scope of work with its contracts. The Scope of Work will specifically define the boundaries, expected hourly rate, and details of the agreement. With the Committee's direction, a draft scope will be included in the staff report to the Board for its September Board meeting to satisfy Director Bronitsky's request. The Committee was comfortable with that direction for Ms. Sandkulla.

Director Pierce asked if Ms. Sandkulla anticipates the need for Mr. Jensen's support in the next fiscal year. Ms. Sandkulla stated that Mr. Jensen's support is specifically related to the two efforts in the FY 13-14 work plan. Further need for his support can be evaluated during the mid-year review.

Director Guzzetta asked Legal Counsel about the State and PERS requirements after one year of service. Ms. Schutte explained that the resolution authorizes Mr. Jensen's temporary appointment for one year. The CEO/General Manager will have to go back to the Board for approval of another appointment. The annual limit of 960 hours will still apply, provided PERS does not change that requirement.

**Director O'Connell made a motion, seconded by Director Bronitsky, that the Committee recommends Board adoption of the attached resolution approving the temporary appointment of Arthur Jensen to the position of Special Counsel to the CEO/General Manager, and making associated findings in support of such an appointment. The motion carried unanimously.**

**6. Brief Reports:**

- A. Bond Surcharge Collection – Update: Ms. Tang reported that BAWSCA's first monthly surcharge was included in the SFPUC's July water bills distributed to wholesale customers. The SFPUC sent BAWSCA the first monthly surcharge collection report for July 2013 on August 8<sup>th</sup>. Most of the wholesale customers' bills were not due by the time the July report was generated because of the varying billing cycles of the agencies. The status of the collection will be reported to the Board upon receipt of the information.

In response to Director Pierce's question, Ms. Sandkulla explained that BAWSCA has a stabilization fund available to use, if needed, for bond payments.

Ms. Tang added that BAWSCA will continue to closely monitor the payment status to determine if there is ever a need to administer a 30-day penalty charge.

- B. Economic Impact of Drought Analysis – Update: Ms. Sandkulla reported that the SFPUC initiated an economic impact analysis of water shortage to support its FERC proceedings. The purpose of the study is to identify the economic impacts that result from water shortages in the service area, and use the information as part of the impact analysis in the Environmental Impact Statement (EIS) needed for these FERC proceedings. BAWSCA supported the SFPUC with similar studies in the past. They have been very effective in better understanding the impacts to water users when there are changes to the flows. BAWSCA has supported the SFPUC in a limited fashion by reviewing and commenting on scopes of work, tasks, and deliverables. BAWSCA has been a source of readily available data, and an assessor of data input. Ms. Sandkulla reported that BAWSCA will be analyzing the initial results, not from an economic standpoint, but from a water supply perspective, on behalf of the 26 member agencies, to identify possible errors and inconsistencies.

The draft report is anticipated to be available in September. BAWSCA will work closely with member agencies to review the results and provide the SFPUC with comments as appropriate. Assuming that the study results will be available before the September Board meeting, the Board will be briefed on the information.

Director Pierce asked if this is the same analysis that was done previously and cited by BAWSCA. Ms. Sandkulla explained that this is the same group and similar analysis. The numbers have since been updated when the SFPUC went through the Administrative Law Judge proceeding. The analysis is being done by the same consultants who have updat-



ed the economic tool and have a more sophisticated process of looking at water demands that are impacted by factors such as weather and economy. Ms. Sandkulla reported that the consultants do coordinate with the Bay Area Economic Forum (BAEF), and stated that past efforts have been done in conjunction with BAEF.

- C. BAWSCA Pilot Water Transfer Plan – Update: Ms. Sandkulla reported that the BAWSCA/EBMUD Pilot Water Transfer Plan will be completed in September. It is currently being reviewed by the SFPUC and Hayward. The final documents will be distributed to the Board and member agencies, and Ms. Sandkulla intends to provide a full presentation to the Board in September with the results and recommended actions.

Ms. Sandkulla reported that the process has been very effective in going through the technical and feasibility issues of moving water through the EBMUD system. The study has concrete recommended actions related to the documents and agreements that need to be completed to move forward. EBMUD is very interested in initiating the plan if next year is dry, and BAWSCA is excited about the partnership.

Director Guzzetta asked if the agreement would require action by the 26 member agencies or by the Board. Ms. Sandkulla stated that it is expected to be a Board action.

In response to Director Weed's question, Ms. Sandkulla explained that Hayward will be an essential partner to this agreement. Hayward is the linchpin of making this plan work as the water will move through their city. Hayward has been involved in the work to date, and knows that the system works. The question is what happens when the plan is used, and what concerns does Hayward have, including the difference between a planned use of alternative supply as opposed to emergency use of supply. They do want to look at more water quality monitoring for when they use the intertie and receive EBMUD water on a regular basis. Hayward has been cooperative and they are addressing the critical things they would want to evaluate for their community.

Ms. Sandkulla stated that while Hayward is critical to the plan, it is important to BAWSCA that Hayward is satisfied with the Pilot plan so that critical issues are identified for future developments.

Director Breault asked if it is during the pilot or in the further development of an agreement that Hayward will be looking at what the operational cost of their system would be when the intertie is being used. Ms. Sandkulla stated that there will be an agreement as part of the Pilot. She confirmed that there will be costs associated with running that facility. While Hayward already has a plan with the SFPUC and EBMUD to fully recover the costs to operate that facility as an emergency facility, that plan would have to be amended to consider a fourth party.

Director Weed stated that the existence of the Dumbarton Quarry as a potential reservoir is an idea that he will continue to introduce to the process for consideration by the Board. It has a potential storage capacity for 4,000 acre feet of water, and it is in close proximity to the junction of Hayward and, what would be the extension of, the EBMUD facilities. It could tie into the idea of having a transfer agreement through EBMUD.

7. **Comments by Committee Members:** For BAWSCA and the member agencies' awareness, Director Weed reported that ACWD had its first report of a radium-226 detection in their source water. He provided the Committee copies of the report presented to the ACWD Board which shows detection level, known causes, impacts, and costs of treatments. Ms. Sandkulla reported that the SFPUC is aware of this issue, and that she has spoken with the Chair of the BAWSCA and SFPUC Joint Water Quality Committee (WQC). The SFPUC is looking at alternative responses, which will likely include more testing to determine if this is a one-time occurrence or if there's a pattern. Ms. Sandkulla has asked the Chair of the Joint WQC and the SFPUC to provide BAWSCA with their findings and their approach to addressing this issue. Ms. Sandkulla stated that this element has not been previously detected, and that in the past, the SFPUC has had other constituents show up for only one instance. There's a potential that this incident falls into that category, or that it falls into a systemic issue. Ms. Sandkulla will provide the information she receives from the SFPUC to the Board and member agencies.

Director Piccolotti asked how many samples were taken and how many other agencies had similar results. Ms. Sandkulla stated that it appears that there's only been one positive sample and that a few other agencies might have noticed it. Ms. Sandkulla noted that many of the sole source agencies rely upon the SFPUC for their water quality monitoring, and this came up as part of the SFPUC's water quality report to the wholesale customers for the prior calendar year. ACWD's report stems from the SFPUC's supply. Ms. Sandkulla noted that this testing happens once a year, or twice a year for some systems.

Director Weed encouraged the Board to keep a close eye on the Calaveras Dam Project. He also suggested that the Board ask the SFPUC to include the BAWSCA story as part of the interpretive center that the SFPUC is building at the Sunol Temple.

Director Pierce suggested the consideration of future opportunities to influence the SFPUC on how finances are spent on behalf of the wholesale customers. Ms. Sandkulla agreed and reported that she will be meeting with David Briggs and Steve Ritchie about its 10 year CIP. Ms. Sandkulla will address the scope, objective and benefits of projects, and how they serve the wholesale customers.

Ms. Schutte announced that there will be a conference room at the League of Cities Conference in Sacramento where Board members can conference call into the September Board meeting. The Board will be provided with further information. A Hanson Bridgett staff will be at the conference to assist in the coordination of the teleconference.

8. **Adjournment:** The meeting was adjourned at 2:30pm. The next meeting is October 9, 2013.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE – August 14, 2013**

**Roster of Attendees:**

**Committee Members Present**

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

**Committee Members Absent**

Al Mendall, City of Hayward (Vice Chair)  
Louis Vella, Mid-Peninsula Water District

**BAWSCA Staff:**

Nicole Sandkulla	Acting CEO/General Manager
Christina Tang	Sr. Administrative Analyst
Lourdes Enriquez	Assistant to the Chief Executive Officer
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP

**Public Attendees:**

Peter Drekmeier	Tuolumne River Trust
Nico Procos	City of Palo Alto
Michelle Novotny	San Francisco Public Utilities Commission

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD OF DIRECTORS MEETING  
July 18, 2013 – 7 p.m.  
Foster City Community Building, Foster City CA**

<b>MINUTES</b>
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**1. Call to Order/Pledge of Allegiance/Roll Call – 7:00 pm**

BAWSCA Chair, Irene O’Connell, called the meeting to order. Art Jensen called the roll. Twenty-one (21) members of the Board were present, constituting a quorum. A list of Directors present (21) and absent (5) is attached.

**2. Comments by the Chair:**

Chair O’Connell reported that the agenda includes a break to convene the meeting of the Regional Financing Authority, and a closed session to consider an appointment of a new CEO/General Manager. She noted that Senator Jerry Hill would like to make a few comments and requested the board to allow him to speak when he arrives.

**3. Break for San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting:**

Director Richardson made a motion, seconded by Director Kasperzak, to adjourn to the RFA meeting. The motion carried unanimously. The Board adjourned at 7:05

**4. Reconvene following San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting:**

The Board reconvened the BAWSCA meeting at 7:06

**5. Board Policy Committee Report:** Committee Vice Chair Al Mendall reported the discussions and actions that took place at the BPC meeting held on June 12, 2013.

**6. Public Comments:** Public comments were received from Linda Corwin, Wynn Grich, and Senator Jerry Hill. Senator Hill addressed the BAWSCA Board and thanked them for the work BAWSCA has achieved in the past 10 years. He also thanked Art Jensen for his service and commitment to achieving the successes of BAWSCA. Senator Hill stated, “...his passion has been something that I admired, and really the results that we have seen over the last couple of years are the direct result of the great work and passion and commitment and dedication that he has given to BAWSCA and to the water users in the Bay Area”.

**7. Consent Calendar:**

**Director Kasperzak made a motion, seconded by Director O’Mahony, to approve the Consent Calendar. The items included: approval of the Minutes, with corrections, for the May 16, 2013 Board Meeting; and that the Board receive and file the Budget Status Report as of May 31, 2013, the Investment Report, and Directors’ Reimbursement Report as of June 30, 2013.**

**The motion carried with one abstention by Director Keith.**

**8. Action Calendar:**

A. Approval of Professional Services Contract with EKI:

**Director O'Mahony made a motion, seconded by Director Vella, to authorize the CEO/General Manager to negotiate and execute a contract amendment with EKI that would increase the total not-to-exceed amount to \$91,000 for as-needed specialized water resources services for FY 2013-14, and authorize the transfer of \$66,000 from the General Reserve. The motion carried unanimously.**

**9. SFPUC Report:** SFPUC Asst. General Manager of Water Enterprise, Steve Ritchie addressed the Board and provided a report on Hetch Hetchy water supply conditions, and the progress of the WSIP including the publishing of draft Environmental Impact Reports for the Peninsula Pipeline Seismic Upgrade Project, and the Regional Groundwater Storage and Recovery Project.

Director Richardson reported that she participated in a tour of the Calaveras Dam Project in June and wanted to recognize the great work the SFPUC is doing with the entire program. Mr. Ritchie stated that the SFPUC provides regular tours of the system, and encouraged Board members to participate in them.

**10. Reports:** A report on Long-Term Water Supply Planning was presented by Mr. Jensen and discussed by the Board. Mr. Jensen noted upcoming matters listed in the Board Policy Calendar including board actions and discussions on the Economic Impact Analysis, a Pilot Water Transfer Plan, OPEB matters, drought reliability, and bond surcharges for 2014 and 2015.

**11. Closed Session:** The Board adjourned to closed session at 8:12pm for a Public Employee Appointment, Government Code Section 54957.

**12. Report from Closed Session:** The meeting reconvened to open session at 8:59pm.

**13. Action Item Following Closed Session:** Board Chair Irene O'Connell reported that the BAWSCA Board unanimously concurred with a recommendation to appoint Nicole Sandkulla as the next CEO/General Manager. After conducting an exhaustive nation-wide search, it was consensus of the Ad hoc Recruitment Committee that out of the 27 highly-qualified applications received, Ms. Sandkulla demonstrated the unique mixture of leadership ability, education, experience and enthusiasm that was being sought. Ms. Sandkulla said she is eager to take on the challenges that BAWSCA faces. The Board considered Resolution 2013-02, Appointing the new CEO/General Manager of BAWSCA, and authorizing the Chair of the Board to Execute an Employment Agreement.

**Director Quigg made a motion, seconded by Director Kasperzak, to adopt Resolution 2013-02 Appointing the new CEO/General Manager of BAWSCA, and authorizing the Chair of the Board to Execute an Employment Agreement. By roll call vote, the motion carried unanimously**

**14. Directors' Discussion:** Following some discussions, Chair O'Connell stated that BAWSCA will make arrangements with the League of Cities to have conference capabilities for BAWSCA Board members to call into the September BAWSCA Board meeting from the Expo in Sacramento.

**15. Date, Time and Location of Next Meeting:** The next meeting is scheduled on September 19, 2013, in the Wind Room, Foster City Community Center.

**16. Adjournment:** The meeting adjourned at 9:10pm.

Respectfully submitted,

Arthur R. Jensen,  
Chief Executive Officer/General Manager

ARJ/le

Attachments: 1) Attendance Roster

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**  
**Board of Directors Meeting**  
**July 18, 2013**

**Attendance Roster**

Present:

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

Absent:

Robert Anderson	Purissima Hills Water District
Charlie Bronitsky	City of Foster City
Armando Gomez	City of Milpitas
Chris Mickelsen	Coastside County Water District
Chuck Reed	City of San Jose

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# BAWSCA

## Bay Area Water Supply & Conservation Agency

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

**TO:** Arthur R. Jensen, CEO/General Manager  
**FROM:** Deborah Grimes  
**DATE:** September 10, 2013  
**SUBJECT:** Pre-Audit Budget Status Report as of June 30, 2013

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

### Operating Budget Summary:

For the period ending June 30, 2013, total expenditures were \$2,600,475 or 94 percent of the total budget of \$2,780,504. At this time, approximately \$180,000, or 6 percent of the budget, will be unspent at the end of this fiscal year.

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

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
<b>Consultants /Direct Expenditures</b>			
Reliability	974,662	707,300	73%
Fair Pricing	210,000	265,922	127%
Administration	209,000	257,102	123%
<b>Subtotal</b>	<b>1,393,662</b>	<b>1,230,324</b>	<b>88%</b>
<b>Administration and General</b>			
Salary & Benefits	1,099,742	1,136,752	103%
<b>Other Expenses</b>			
BAWSCA	280,600	233,399	83%
BAWUA	1,100	0	0%
<b>Subtotal</b>	<b>2,775,104</b>	<b>2,600,475</b>	<b>94%</b>
<b>Capital Expenses</b>	4,000	0	0%
<b>Budgeted Contingency</b>	0	0	0%
<b>Regional Financing Authority</b>	1,400	0	0%
<b>Grand Total</b>	<b>2,780,504</b>	<b>2,600,475</b>	<b>94%</b>

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

There were no new uses of the CEO’s discretionary spending authority since the last report..

**Overview:**

Overall expenditures for FY 2012-13 were within the budget. In the consultant cost categories, Fair Pricing was over budget due to bond-related expenses and Administration was over budget mostly due to CEO recruitment expenses.

**Consultants**

The total budget for consultant support was 88% expended at the end of the year. The revised budget of \$115,000 budget for technical review and tracking of the SFPUC’s Water System Improvement Program was 97 percent expended as of June 30, 2013. The revised budget of \$175,000 for strategic counsel was 100 percent expended. The revised budget of \$569,000 budget for legal counsel was 98 percent expended. The revised budget of \$284,662 for water management and conservation-related activities was 66 percent expended. The technical budget of \$72,000 for the Pilot Water Transfer with EBMUD was 83% expended.

**Administration and Other Expenses**

Budgets for salaries & benefits and other expenses were 103 and 83 percent expended, respectively. Total salaries & benefits were 3% over budget due to slightly higher benefits costs and and compensation adjustments approved by the Board.

**Use of Reserve Fund Balance:**

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

Unspent funds at the end of FY 2011-12 were \$264,000. The BAWSCA reserve balance as of June 30, 2013, shown below, reflects this deposit.

**Table 2. General Reserve Fund Balance**

<b>Fund</b>	<b>Account balance (As of 05/31/13)</b>	<b>Account balance (As of 06/31/13)</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 June 30, 2013 total \$1,519,274. This project is scheduled for completion in December 2014.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title: Establishment of the Recommended California Employers' Retiree Benefit Trust (CERBT) through CalPERS to fund Other Post-Employment Benefits Costs**

**Summary:**

This report presents several irrevocable trust options and alternative trust providers to fund the agency's Other Post-Employment Benefits (OPEB) costs.

On May 16, the Board approved funding the Annual Required Contribution (ARC) for the OPEB obligations into an irrevocable trust every year starting FY 2013-14, at an investment yield rate assumption of 7%. The next step was to evaluate trust alternatives before funds are deposited.

The evaluation presented in this report includes several irrevocable Internal Revenue Code (IRC) tax-qualified trust options. Based on the evaluation results, an IRC Section 115 Trust appears to be the best option for the agency's OPEB trust, due to its flexibility, low cost, and minimal administrative burden. BAWSCA's Financial Advisor, KNN, was consulted during the evaluation.

This report also presents a side-by-side evaluation of various providers of Section 115 Trusts. Based on this evaluation, the California Employers' Retiree Benefit Trust (CERBT) through CalPERS, which has a long history of experience in administering employer-sponsored plans, was determined to be the most appropriate trust provider for the agency's OPEB funds.

**Fiscal Impact:**

The establishment of a Section 115 trust through CalPERS CERBT will have no impact on the current year's operating budget. The previously approved budget for OPEB funding of the ARC is \$142,912 for FY 2013-14. The CERBT administrative costs will be deducted from the asset balance of the trust, which includes the investment earnings, with no additional cost to the agency.

**Board Policy Committee Action:**

The Committee unanimously recommends approval of the proposed Board action.

**Recommendation:**

**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 (A copy of the delegation of authority is attached to this memo as Attachment B), and take other actions needed to implement the trust.**

**Discussion:**

Several irrevocable IRC tax-qualified trust options are available for funding OPEB costs. The options include:

- Section 115 Trust
- Voluntary Employee Benefit Association (VEBA) Trust
- Section 401(h) Trust

A side-by-side comparison of the key elements in establishing and administering an OPEB trust was performed (Attachment C). Based on the evaluation results, a Section 115 Trust appears to be the best option for the agency's OPEB trust, due to its flexibility and minimal administrative burden.

A side-by-side comparison of various providers of available Section 115 Trusts was also performed (Attachment D). The various providers included:

- CalPERS CERBT
- Public Agency Retirement Services (PARS) and U.S. Bank in partnership
- Public Financial Management (PFM) and U.S. Bank in partnership

Based on the evaluation results, the CERBT trust through CalPERS, which has a long history of experience in administering employer-sponsored plans, is determined to be the most appropriate trust provider for the agency's OPEB funds.

The CERBT is a public sector, not-for-profit OPEB service provider. Due to the long term nature of the portfolio, the CERBT's expected long term rate of return, net of expenses, is between 6.39% and 7.61%, depending on the asset allocation strategy selected by the employer. CERBT is the leading provider of OPEB trusts, currently managing trusts for approximately 372 public agencies with \$2.6 billion in total assets.

The CERBT will provide trust administration and investment management at a total cost estimated to be 0.15% for FY2013-14. Trust administration includes performing tasks necessary to comply with GASB 43 reporting requirements including financial statements, footnote disclosure, and supplemental information.

CERBT offers three asset allocation strategies, which vary in degree of investment risk, as well as assumed rate of return. If the Board authorizes the CEO/GM to implement the CERBT trust, the CEO/GM will select the most appropriate strategy in accordance to BAWSCA's investment policy approved by the Board. Like the other two providers, the actual rate of return will vary from period to period, and the investments include a risk that employers will earn negative rather than positive returns during a given investment period.

Approximately ten of BAWSCA's member agencies utilize irrevocable trusts to deposit their OPEB funds. Among them, eight agencies joined the CalPERS CERBT. BAWSCA surveyed the eight agencies that fund their OPEB costs through the CERBT and none expressed concerns over the use of the CERBT trust.

**The Inherent Uncertainty in Rates of Return Does Not Affect the Recommendation:**

As discussed above, the actual rate of return of all three trust providers considered in the evaluation will vary from period to period and will differ from their estimates of return. However, the existence of uncertainty in the future investment return of all trust providers does not affect the recommendation to use the CalPERS CERBT.

The selected trust provider's actual investment performance will be documented and reported to the Board each year. The actual investment performance will be considered during the actuarial valuation in determining the OPEB costs and during the annual budget process in determining how much to place in the trust each year.

Attachment A: CERBT Prefund Agreement

Attachment B: CERBT Delegation of Authority to Request Disbursements

Attachment C: Irrevocable IRC Trusts Comparison

Attachment D: Section 115 Trust Providers Comparison

**CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST PROGRAM ("CERBT")**

**AGREEMENT AND ELECTION  
OF**

---

(NAME OF EMPLOYER)

**TO PREFUND OTHER POST EMPLOYMENT  
BENEFITS THROUGH CalPERS**

WHEREAS (1) Government Code Section 22940 establishes in the State Treasury the Annuitants' Health Care Coverage Fund for the prefunding of health care coverage for annuitants (Prefunding Plan); and

WHEREAS (2) The California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control and power over the administration and investment of the Prefunding Plan (sometimes also referred to as CERBT), the purposes of which include, but are not limited to (i) receiving contributions from participating employers and establishing separate Employer Prefunding Accounts in the Prefunding Plan for the performance of an essential governmental function (ii) investing contributed amounts and income thereon, if any, in order to receive yield on the funds and (iii) disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the Prefunding Plan and to pay for health care costs or other post employment benefits in accordance with the terms of participating employers' plans; and

WHEREAS (3) \_\_\_\_\_  
(NAME OF EMPLOYER)

(Employer) desires to participate in the Prefunding Plan upon the terms and conditions set by the Board and as set forth herein; and

WHEREAS (4) Employer may participate in the Prefunding Plan upon (i) approval by the Board and (ii) filing a duly adopted and executed Agreement and Election to Prefund Other Post Employment Benefits (Agreement) as provided in the terms and conditions of the Agreement; and

WHEREAS (5) The Prefunding Plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 43 consisting of an aggregation of single-employer plans, with pooled administrative and investment functions;

NOW, THEREFORE, BE IT RESOLVED THAT EMPLOYER HEREBY MAKES THE FOLLOWING REPRESENTATION AND WARRANTY AND THAT THE BOARD AND EMPLOYER AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

A. Representation and Warranty

Employer represents and warrants that it is a political subdivision of the State of California or an entity whose income is excluded from gross income under Section 115 (1) of the Internal Revenue Code.

B. Adoption and Approval of the Agreement; Effective Date; Amendment

(1) Employer's governing body shall elect to participate in the Prefunding Plan by adopting this Agreement and filing with the CalPERS Board a true and correct original or certified copy of this Agreement as follows:

Filing by mail, send to:        CalPERS  
                                         Affiliate Program Services Division  
                                         CERBT (OPEB)  
                                         P.O. Box 1494  
                                         Sacramento, CA 95812-1494

Filing in person, deliver to:        CalPERS Mailroom  
                                         Affiliate Program Services Division  
                                         CERBT (OPEB)  
                                         400 Q Street  
                                         Sacramento, CA 95811

(2) Upon receipt of the executed Agreement, and after approval by the Board, the Board shall fix an effective date and shall promptly notify Employer of the effective date of the Agreement.

(3) The terms of this Agreement may be amended only in writing upon the agreement of both CalPERS and Employer, except as otherwise provided herein. Any such amendment or modification to this Agreement shall be adopted and executed in the same manner as required for the Agreement. Upon receipt of the executed amendment or modification, the Board shall fix the effective date of the amendment or modification.

(4) The Board shall institute such procedures and processes as it deems necessary to administer the Prefunding Plan, to carry out the purposes of this Agreement, and to maintain the tax exempt status of the Prefunding Plan. Employer agrees to follow such procedures and processes.



### C. Other Post Employment Benefits (OPEB) Cost Reports and Employer Contributions

(1) Employer shall provide to the Board an OPEB cost report on the basis of the actuarial assumptions and methods prescribed by the Board. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by GASB 43. This OPEB cost report may be prepared as an actuarial valuation report or, if the employer is qualified under GASB 45 and 57, may be prepared as an Alternative Measurement Method (AMM) report.

- (a) Unless qualified under GASB 45 and 57 to provide an AMM report, Employer shall provide to the Board an actuarial valuation report. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by GASB 43 and 57, and shall be:
  - 1) prepared and signed by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board;
  - 2) prepared in accordance with generally accepted actuarial practice and GASB 43, 45 and 57; and,
  - 3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.
- (b) If qualified under GASB 45 and 57, Employer may provide to the Board an AMM report. Such report shall be for the Board's use in financial reporting, shall be prepared at least as often as the minimum frequency required by GASB 43 and 57, and shall be:
  - 1) affirmed by Employer's external auditor, or by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board, to be consistent with the AMM process described in GASB 45;
  - 2) prepared in accordance with GASB 43, 45, and 57; and,
  - 3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(2) The Board may reject any OPEB cost report submitted to it, but shall not unreasonably do so. In the event that the Board determines, in its sole discretion, that the OPEB cost report is not suitable for use in the Board's financial statements or if Employer fails to provide a required OPEB cost report, the Board may obtain, at

Employer's expense, an OPEB cost report that meets the Board's financial reporting needs. The Board may recover from Employer the cost of obtaining such OPEB cost report by billing and collecting from Employer or by deducting the amount from Employer's account in the Prefunding Plan.

(3) Employer shall notify the Board of the amount and time of contributions which contributions shall be made in the manner established by the Board.

(4) Employer contributions to the Prefunding Plan may be limited to the amount necessary to fully fund Employer's actuarial present value of total projected benefits, as supported by the OPEB cost report acceptable to the Board. As used throughout this document, the meaning of the term "actuarial present value of total projected benefits" is as defined in GASB Statement No. 45. If Employer's contribution causes its assets in the Prefunding Plan to exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board may refuse to accept the contribution.

(5) No contributions are required. If an employer elects to contribute then the contribution amount should not be less than \$5000 or the employer's annual required contribution (ARC), whichever amount is lower. Contributions can be made at any time following the seventh day after the effective date of the Agreement provided that Employer has first complied with the requirements of Paragraph C.

#### D. Administration of Accounts, Investments, Allocation of Income

(1) The Board has established the Prefunding Plan as an agent plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions, under the terms of which separate accounts will be maintained for each employer so that Employer's assets will provide benefits only under employer's plan.

(2) All Employer contributions and assets attributable to Employer contributions shall be separately accounted for in the Prefunding Plan (Employer's Prefunding Account).

(3) Employer's Prefunding Account assets may be aggregated with prefunding account assets of other employers and may be co-invested by the Board in any asset classes appropriate for a Section 115 Trust.

(4) The Board may deduct the costs of administration of the Prefunding Plan from the investment income or Employer's Prefunding Account in a manner determined by the Board.

(5) Investment income shall be allocated among employers and posted to Employer's Prefunding Account as determined by the Board but no less frequently than annually.

(6) If Employer's assets in the Prefunding Plan exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board, in compliance with applicable accounting and legal requirements, may return such excess to Employer.

## E. Reports and Statements

- (1) Employer shall submit with each contribution a contribution report in the form and containing the information prescribed by the Board.
- (2) The Board shall prepare and provide a statement of Employer's Prefunding Account at least annually reflecting the balance in Employer's Prefunding Account, contributions made during the period and income allocated during the period, and such other information as the Board determines.

## F. Disbursements

- (1) Employer may receive disbursements not to exceed the annual premium and other costs of post employment healthcare benefits and other post employment benefits as defined in GASB 43.
- (2) Employer shall notify CalPERS in writing in the manner specified by CalPERS of the persons authorized to request disbursements from the Prefunding Plan on behalf of Employer.
- (3) Employer's request for disbursement shall be in writing signed by Employer's authorized representative, in accordance with procedures established by the Board. The Board may require that Employer certify or otherwise establish that the monies will be used for the purposes of the Prefunding Plan.
- (4) Requests for disbursements that satisfy the requirements of paragraphs (2) and (3) will be processed monthly.
- (5) CalPERS shall not be liable for amounts disbursed in error if it has acted upon the written instruction of an individual authorized by Employer to request disbursements. In the event of any other erroneous disbursement, the extent of CalPERS' liability shall be the actual dollar amount of the disbursement, plus interest at the actual earnings rate but not less than zero.
- (6) No disbursement shall be made from the Prefunding Plan which exceeds the balance in Employer's Prefunding Account.

## G. Costs of Administration

Employer shall pay its share of the costs of administration of the Prefunding Plan, as determined by the Board.

## H. Termination of Employer Participation in Prefunding Plan

- (1) The Board may terminate Employer's participation in the Prefunding Plan if:

- (a) Employer gives written notice to the Board of its election to terminate;
- (b) The Board finds that Employer fails to satisfy the terms and conditions of this Agreement or of the Board's rules or regulations.

(2) If Employer's participation in the Prefunding Plan terminates for any of the foregoing reasons, all assets in Employer's Prefunding Account shall remain in the Prefunding Plan, except as otherwise provided below, and shall continue to be invested and accrue income as provided in Paragraph D.

(3) After Employer's participation in the Prefunding Plan terminates, Employer may not make contributions to the Prefunding Plan.

(4) After Employer's participation in the Prefunding Plan terminates, disbursements from Employer's Prefunding Account may continue upon Employer's instruction or otherwise in accordance with the terms of this Agreement.

(5) After thirty-six (36) months have elapsed from the effective date of this Agreement or at such earlier date as may be approved by the Board in its sole discretion:

- (a) Employer may request a trustee to trustee transfer of the assets in Employer's Prefunding Account. Upon satisfactory showing to the Board that the transfer will satisfy applicable requirements of the Internal Revenue Code and the Board's fiduciary duties, then the Board shall effect the transfer within one hundred twenty (120) days. The amount to be transferred shall be the amount in the Employer's Prefunding Account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the transfer by more than 120 days.
- (b) Employer may request a disbursement of the assets in Employer's Prefunding Account. Upon satisfactory showing to the Board that all of Employer's obligations for payment of post employment health care benefits and other post employment benefits and reasonable administrative costs of the Board have been satisfied, then the Board shall effect the disbursement within one hundred twenty (120) days. The amount to be disbursed shall be the amount in the Employer's Prefunding Account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the disbursement by more than 120 days.

(6) After Employer's participation in the Prefunding Plan terminates and at such time that no assets remain in Employer's Prefunding Account, this Agreement shall terminate.

(7) If, for any reason, the Board terminates the Prefunding Plan, the assets in Employer's Prefunding Account shall be paid to Employer after retention of (i) amounts sufficient to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants described by the employer's current substantive plan (as defined in GASB 43), and (ii) amounts sufficient to pay reasonable administrative costs of the Board.

(8) If Employer ceases to exist but Employer's Prefunding Plan continues to exist and if no provision has been made by Employer for ongoing payments to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants, the Board is authorized to and shall appoint a third party administrator to carry out Employer's Prefunding Plan. Any and all costs associated with such appointment shall be paid from the assets attributable to contributions by Employer.

(9) If Employer should breach the representation and warranty set forth in Paragraph A., the Board shall take whatever action it deems necessary to preserve the tax-exempt status of the Prefunding Plan.

#### I. General Provisions

##### (1) Books and Records.

Employer shall keep accurate books and records connected with the performance of this Agreement. Employer shall ensure that books and records of subcontractors, suppliers, and other providers shall also be accurately maintained. Such books and records shall be kept in a secure location at the Employer's office(s) and shall be available for inspection and copying by CalPERS and its representatives.

##### (2) Audit.

- (a) During and for three years after the term of this Agreement, Employer shall permit the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, at all reasonable times during normal business hours to inspect and copy, at the expense of CalPERS, books and records of Employer relating to its performance of this Agreement.
- (b) Employer shall be subject to examination and audit by the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, during the term of this Agreement and for three years after final payment under this Agreement. Any examination or audit shall be confined to those matters connected with the performance of this Agreement, including, but not limited to, the costs of administering this Agreement. Employer shall cooperate fully with the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, in connection with any

examination or audit. All adjustments, payments, and/or reimbursements determined to be necessary by any examination or audit shall be made promptly by the appropriate party.

(3) Notice.

(a) Any notice, approval, or other communication required or permitted under this Agreement will be given in the English language and will be deemed received as follows:

1. Personal delivery. When personally delivered to the recipient. Notice is effective on delivery.
2. First Class Mail. When mailed first class to the last address of the recipient known to the party giving notice. Notice is effective three delivery days after deposit in a United States Postal Service office or mailbox.
3. Certified mail. When mailed certified mail, return receipt requested. Notice is effective on receipt, if delivery is confirmed by a return receipt.
4. Overnight Delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account, Notice is effective on delivery, if delivery is confirmed by the delivery service.
5. Telex or Facsimile Transmission. When sent by telex or fax to the last telex or fax number of the recipient known to the party giving notice. Notice is effective on receipt, provided that (i) a duplicate copy of the notice is promptly given by first-class or certified mail or by overnight delivery, or (ii) the receiving party delivers a written confirmation of receipt. Any notice given by telex or fax shall be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a nonbusiness day.
6. E-mail transmission. When sent by e-mail using software that provides unmodifiable proof (i) that the message was sent, (ii) that the message was delivered to the recipient's information processing system, and (iii) of the time and date the message was delivered to the recipient along with a verifiable electronic record of the exact content of the message sent.

Addresses for the purpose of giving notice are as shown in Paragraph B.(1) of this Agreement.

- (b) Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger or overnight delivery service.
- (c) Any party may change its address, telex, fax number, or e-mail address by giving the other party notice of the change in any manner permitted by this Agreement.
- (d) All notices, requests, demands, amendments, modifications or other communications under this Agreement shall be in writing. Notice shall be sufficient for all such purposes if personally delivered, sent by first class, registered or certified mail, return receipt requested, delivery by courier with receipt of delivery, facsimile transmission with written confirmation of receipt by recipient, or e-mail delivery with verifiable and unmodifiable proof of content and time and date of sending by sender and delivery to recipient. Notice is effective on confirmed receipt by recipient or 3 business days after sending, whichever is sooner.

#### (4) Modification

This Agreement may be supplemented, amended, or modified only by the mutual agreement of the parties. No supplement, amendment, or modification of this Agreement shall be binding unless it is in writing and signed by the party to be charged.

#### (5) Survival

All representations, warranties, and covenants contained in this Agreement, or in any instrument, certificate, exhibit, or other writing intended by the parties to be a part of their Agreement shall survive the termination of this Agreement until such time as all amounts in Employer's Prefunding Account have been disbursed.

#### (6) Waiver

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

(7) Necessary Acts, Further Assurances

The parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement.

A majority vote of Employer's Governing Body at a public meeting held on the \_\_\_\_\_ day of the month of \_\_\_\_\_ in the year \_\_\_\_\_, authorized entering into this Agreement.

Signature of the Presiding Officer: \_\_\_\_\_

Printed Name of the Presiding Officer: \_\_\_\_\_

Name of Governing Body: \_\_\_\_\_

Name of Employer: \_\_\_\_\_

Date: \_\_\_\_\_

BOARD OF ADMINISTRATION  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY \_\_\_\_\_  
RAND ANDERSON  
AFFILIATE PROGRAM SERVICES DIVISION  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

<p>To be completed by CalPERS</p> <p>The effective date of this Agreement is: _____</p>
-----------------------------------------------------------------------------------------





# DELEGATION OF AUTHORITY TO REQUEST DISBURSEMENTS

## RESOLUTION OF THE

\_\_\_\_\_ (GOVERNING BODY)

## OF THE

\_\_\_\_\_ (NAME OF EMPLOYER)

The \_\_\_\_\_ delegates to the incumbents  
(GOVERNING BODY)

in the positions of \_\_\_\_\_ and  
(TITLE)

\_\_\_\_\_ and/or  
(TITLE)

\_\_\_\_\_ authority to request on  
(TITLE)

behalf of the Employer disbursements from the Other Post Employment Prefunding Plan and to certify as to the purpose for which the disbursed funds will be used.

By \_\_\_\_\_

Title \_\_\_\_\_

Witness \_\_\_\_\_

Date \_\_\_\_\_

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**Side-by-Side Comparison of  
OPEB Eligible Tax Qualified Irrevocable Trusts**

<b>Issues of Importance to BAWSCA. Note: Affirmative responses are desired, for ease of administration and benefits to participants</b>	<b>Section 115 Trust</b>	<b>VEBA Trust</b>	<b>Section 401(h) Trust</b>
Is trust tax exempt without an IRS letter of determination approval?	Y <sup>(1)</sup>	N <sup>(2)</sup>	Y
No requirement for an annual tax return?	Y	N	Y
Are assets held by Trustee solely for the benefit of participants?	Y	Y	Y
No limit to the amount of funds that can be contributed to the trust?	Y	Y	N <sup>(3)</sup>
Can excess assets revert to employer upon trust termination?	Y	N <sup>(4)</sup>	Y
Non-discrimination rules do not apply?	Y <sup>(5)</sup>	N <sup>(6)</sup>	Y <sup>(5)</sup>
Are employee pre-tax voluntary contributions disallowed?	Y	Y	N <sup>(7)</sup>

## Notes:

- (1) IRS approval is not required. However, an IRS private letter ruling is recommended.
- (2) The plan sponsor must prepare and submit IRS Form 1024 along with a pro forma budget and trust documents to the IRS. With the IRS letter of determination approval, the plan qualifies as a VEBA.
- (3) Annual contributions to the Section 401(h) trust are limited to 1/3 of pension contributions. A Section 401(h) trust is established within an existing qualified pension fund.
- (4) After employers terminate the VEBA trust, the employers are permitted solely to use Fund Balance to continue to provide their employees with the benefits until the Fund Balance is exhausted. The employers have no legal right to a reversion of assets.
- (5) Violation of the non-discrimination rules by any participating employer has no effect on the tax exemption of the trust.
- (6) Violation of the non-discrimination rules by any participating employer in a multiple-employer trust will disqualify the tax exemption for all participating employers.
- (7) Contributions are made pre-tax if the employee irrevocably elects to participate.

## Side-by-Side Comparison of Various Providers of Internal Revenue Code Section 115 Trusts

	<b>CalPERS CERBT</b>	<b>PARS &amp; U.S. Bank in Partnership<sup>(1)</sup></b>	<b>PFM &amp; U.S. Bank in Partnership<sup>(1)</sup></b>
<b>Expenses<sup>(1)</sup> as % of plan assets</b>	FY2011-12: 12 bps - actual FY2012-13: 15 bps - actual FY2013-14: 15 bps - estimate <sup>(1)</sup> Minimum fees: None	25 bps administration fees + 35 bps investment fees - Minimum fees: \$3,600/yr	45 bps management fees + \$1,000 annual trustee fees + 2.5 bps trustee fees + \$7.50 transaction cost per trade Minimum fees: \$6,000/yr
<b>Portfolio/Investment management responsibility</b>	CalPERS <sup>(2)</sup>	U.S. Bank's Investment Subadvisor <sup>(2)</sup>	PFM <sup>(2)</sup>
<b>Investment fiduciary responsibility</b>	CalPERS	U.S. Bank	PFM & U.S. Bank
<b>Indemnification from liability for Trustee's errors</b>	Yes <sup>(3)</sup>	Yes <sup>(3)</sup>	Yes <sup>(3)</sup>
<b>GASB 43 financial reporting<sup>(2)</sup>-</b> Trust financial statements Footnote disclosure Supplemental Information	CalPERS	BAWSCA	BAWSCA
<b>Requirement of agency -</b> Investment policy Treasury function Oversight board	No	No	No
<b>Anticipated long-term investment rate of return<sup>(3)</sup></b>	Strategy 1: 7.61% Strategy 2: 7.06% Strategy 3: 6.39%	Strategy 1: 7.19%, Strategy 2: 6.41% Strategy 3: 5.91%, Strategy 4: 4.89% Strategy 5: 4.04%	6% to 8%, depending on the selected investment options
<b>Actual investment rate of return in FY2012-13<sup>(3)</sup></b>	Strategy 1: 11.63% Strategy 2: 8.72% Strategy 3: 5.06%	Strategy 1: 13.61%, Strategy 2: 12.72% Strategy 3: 10.62%, Strategy 4: 7.87% Strategy 5: 5.17%	3.31% to 13.35%, prior to \$1,000 annual trustee fees & \$7.50 transaction cost per trade
<b>Actual investment rate of return in FY2011-12<sup>(3)</sup></b>	Strategy 1: 0.03% Strategy 2: 5.51% Strategy 3: 4.84%	Strategy 1: 0.08%, Strategy 2: 1.19% Strategy 3: 2.38%, Strategy 4: 2.85% Strategy 5: 3.13%	-0.21% to 4.17%, prior to \$1,000 annual trustee fees & \$7.50 transaction cost per trade
<b>Minimum deposit</b>	No minimum	No minimum	No minimum
<b>Maximum deposit</b>	Actuarial present value of BAWSCA's OPEB plan benefits	No restriction	No restriction
<b>Obstacles of participation termination</b>	No time restriction on trustee-to-trustee transfer <sup>(4)</sup>	90 days notice is required on trustee-to-trustee transfer	30 days notice is required on trustee-to-trustee transfer
<b>Currently managing how many agencies' OPEB Trust plans<sup>(4)</sup></b>	372	112	40
<b>Total assets in OPEB Trust discretionary plans<sup>(4)</sup></b>	\$2.6 billion	\$590 million	\$1.3 billion

- |                                                                                                                          |                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                           |
|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(1) The total costs include administration, trust management, investment management, legal, and accounting costs.</p> | <p>(1) A single cost rate to all participants. It varies from year to year and is determined based on the average daily balance of assets at the end of the operating year.</p>                                           | <p>(1) Both PARS (Public Agency Retirement Services) and PFM (Public Financial Management) select U.S. Bank as the trustee. The Bank is responsible for investing the fund and recordkeeping on the trust level. PARS/PFM is responsible for breaking down the pool and recordkeeping on the agency level and coordinating the disbursements of the reimbursement.</p> |                                                                                                                                                                           |
| <p>(2) Responsibility for financial statement reporting of OPEB plan and trust in compliance with GASB 43.</p>           | <p>(2) CalPERS provides three asset allocation strategies (BAWSCA selects one) and investment management.</p>                                                                                                             | <p>(2) Under the discretionary investment pool approach, U.S. Bank delegates investment authority to its investment subadvisor, HighMark, who will make investment decisions in accordance with BAWSCA's funding strategy.</p>                                                                                                                                         | <p>(2) PFM will be responsible for the portfolio/investment management, and will take full discretion when making decisions for BAWSCA's portfolio.</p>                   |
| <p>(3) Net of all costs.</p>                                                                                             | <p>(3) CalPERS has established a custodial agreement with the CERBT Custodian, which includes a process to cover employer loss of interest, dividend, or principle in the event of an error or omission by the CERBT.</p> | <p>(3) Per the Trust Agreement, the employer shall not be liable for, and Trustee shall indemnify, defend, and hold the employer and other employers harmless from and against any liability as a result of Trustee's errors.</p>                                                                                                                                      | <p>(3) An agreement by the Trustee will indemnify BAWSCA for the Trustee's willful misconduct or willful breach of its standard of conduct under the Trust Agreement.</p> |
| <p>(4) Data as of June 30, 2013.</p>                                                                                     | <p>(4) Within the first 3 years, the CalPERS Board approval is required for a trustee-to-trustee transfer.</p>                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                           |

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**           **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**

**Summary:**

As required by PERS, Board findings are required before Arthur Jensen, soon to retire from BAWSCA, can be appointed to the position of Special Counsel to the Chief Executive Officer and General Manager (CEO/GM) in order to provide BAWSCA with essential services. The responsibilities for this position are described in Exhibit A.

**Fiscal Impact:**

Sufficient funds to appoint Arthur Jensen as Special Counsel to the CEO/GM are estimated to be available in the adopted budget for salaries and benefits for FY 2013-14. No budget adjustment is needed at this time due to the following factors:

1. Salary and benefit savings will accrue while three positions are vacant. These positions are (a) the new water resources position, (b) the position vacated by Anona Dutton, and (c) Nicole Sandkulla's position that will be vacant beginning September 30. Active recruitment for all three positions is currently underway.
2. Additional salary savings will accrue throughout the year due to the difference between the salaries of the retiring and newly appointed CEO/GM.

Estimates made at this time, which include assumptions for the cost of salaries and benefits for the three new employees, indicate that the existing salary and benefit budget may be sufficient to cover the compensation related to Arthur Jensen's temporary appointment as well as the salaries and benefits for all regular employees.

These estimates should be updated and reviewed during the mid-year work plan and budget review. At that time, all three new employees will have been hired and the costs of their salaries and benefits will be known with certainty.

If the estimate at mid-year indicates that the budget for salaries and savings will be insufficient through the end of the year, the additional increment of funding will be relatively small and may be available from savings in other areas of the budget or, if necessary, from the General Reserve.

**Board Policy Committee Action:**

The Committee unanimously recommends approval of the proposed Board action.

**Recommendation:**

**That the Board adopt the attached 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.**

**Discussion:**

Although Arthur Jensen will soon retire from BAWSCA, his services will continue to be essential in order to (1) effect a smooth transition to his successor, Nicole Sandkulla; (2) ensure BAWSCA can complete critical negotiations with the City and County of San Francisco pertaining to the classification of assets under the Water Supply Agreement between San Francisco and its wholesale water customers; and (3) ensure successful legislative action in the next legislative session to extend the sunset date of AB 1823, the Wholesale Regional Water System Security and Reliability Act, among other matters.

The California Government Code allows the temporary employment of a PERS-covered retiree only under specified conditions, and only if the person works no more than 960 hours per fiscal year. The attached resolution includes findings that the Board must adopt in order for the incoming CEO/GM to retain Arthur Jensen in this position for no longer than one year in compliance with all legal requirements. The resolution also includes an attachment setting forth the salary schedule of the CEO/GM position, which demonstrates that Arthur Jensen's compensation will be consistent with the salary range for the position that is most closely related to the duties that Arthur Jensen will be performing.

**Attachments:**

1. Exhibit A, Responsibilities of Special Counsel to the CEO/GM
2. Resolution for the temporary appointment of Arthur Jensen as Special Counsel to the CEO/GM, which includes an attachment describing the salary schedule for the CEO/GM position.



**EXHIBIT A**

**BAWSCA**

**Special Counsel to the Chief Executive Officer and General Manager**

**RESPONSIBILITIES**

The part-time position of Special Counsel to the CEO/GM will report to Nicole Sandkulla.

The Special Counsel to the CEO/GM will assist the CEO/GM in the following areas:

1. Transition to BAWSCA's incoming CEO/GM, Nicole Sandkulla;
2. Critical negotiations with the City and County of San Francisco pertaining to the classification of assets under the Water Supply Agreement between San Francisco and its wholesale water customers;
3. Legislative action in the next legislative session to extend the sunset date of AB 1823, the Wholesale Regional Water System Security and Reliability Act, among other matters; and
4. Other matters requiring this position's specialized skills and experience.

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**RESOLUTION NO. 2013-03  
BY THE BOARD OF DIRECTORS OF THE  
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**APPROVING TEMPORARY APPOINTMENT OF ARTHUR JENSEN  
AS SPECIAL COUNSEL TO THE CEO/GM AND ADOPTING THE  
SALARY SCHEDULE FOR THE CEO/GM POSITION**

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

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

**WHEREAS**, the incoming CEO/GM, Nicole Sandkulla, recommends the temporary appointment of Arthur Jensen (the "Appointee") to the position of Special Counsel to the CEO/GM; and

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

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

**WHEREAS**, the Appointee will be performing similar duties to those duties performed by individuals who have held or are currently holding the position of CEO/GM; and

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

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

**NOW THEREFORE BE IT RESOLVED**, that subject to BAWSCA's customary employment practices and the specific terms and conditions of any offer of employment by BAWSCA to the Appointee in connection therewith, the Board hereby approves the appointment of the Appointee to the position of Special Counsel to the CEO/GM for up to a one-year term, effective upon appropriate action by the incoming CEO/GM; and

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

1. The Board finds and declares that the Appointee possesses extensive, highly specialized skills and experience needed to (1) effect a smooth transition to his successor, (2) complete critical negotiations with the City and County of San Francisco pertaining to the classification of assets under the Water Supply Agreement between San Francisco and its wholesale water customers, and (3) ensure successful legislative action in the next legislative session to extend the sunset date of AB 1823, the Wholesale Regional Water System Security and Reliability Act, among other matters;
2. The Appointee's appointment to the position of Special Counsel to the CEO/GM will not exceed 960 hours in any fiscal year for all PERS-covered agencies;
3. The Appointee's rate of pay as Special Counsel to the CEO/GM will be neither less than nor more than that of any of BAWSCA's other employees who perform comparable duties, as reflected in the attached salary schedule for the CEO/GM position, which is hereby adopted by the Board;
4. The Appointee has not received any unemployment compensation arising out of his prior employment with BAWSCA during the 12-month period preceding his appointment; and
5. Subject to BAWSCA's customary employment practices, including "at-will" employment, the appointment of Appointee as Special Counsel to the CEO/GM will continue only until the earlier of: (i) the end of the appointment's one-year term, or (ii) termination of the Appointee's employment by either BAWSCA or the Appointee for any other reason; and

**FURTHER RESOLVED**, that the incoming CEO/GM is hereby authorized and directed to execute all documents and take all other actions necessary or advisable to effect the purposes of this resolution.

**PASSED AND ADOPTED** this 19th day of September, 2013, by the following vote:

AYES:

NOES:

ABSENT:

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

ATTEST:

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Assistant to the CEO

**Attachment A**

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**Salary Schedule for the Chief Executive Officer and General Manager Position**

<b>Position</b>	<b>Salary Range</b>
Chief Executive Office and General Manager	\$154,415 per year - \$211,000 per year

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# **BAWSCA**

## **Bay Area Water Supply & Conservation Agency**

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

### MEMORANDUM

**TO: Arthur R. Jensen, CEO/General Manager**

**FROM: Christina Tang**

**DATE: September 10, 2013**

**SUBJECT: Bond Surcharge Collection, Account Balance and Payment Report**

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BAWSCA's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued to prepay the remaining capital cost recovery payments that the agencies owe 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.

#### **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 month of July have now been collected. Payments of surcharges billed of August are still being received.

The bond surcharge collection status will be reported on a quarterly basis. The varying billing cycles for the agencies and the SFPUC's reporting schedule to BAWSCA, introduce a delay in reporting payment information. The schedule of bond surcharge collection status reports for FY 2013-14 is shown below.

<u>Board Meeting</u>	<u>Months of Surcharge Collection to Be Reported</u>
November 2013	July - September 2013
March 2014	October - December 2013
May 2014	January - March 2014
September 2014	April - June 2014

**Bond Surcharge Account Balances**

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

BAWSCA’s prior and current period account balances at the Bank of New York are shown below.

<u>06/30/13</u>	<u>08/31/13</u>
\$19,101,155	\$20,015,344

In the past two months, the accounts received \$252 as investment interest earnings and \$990,394 received as July surcharge payments from agencies and remitted to the Trustee by August 8. With BLX’s assistance, BAWSCA selected brokers for the Stability Fund through a competitive bidding process. On July 12, BAWSCA purchased US Treasury Securities with a total principal value of \$12,258,013 having two maturity dates of 03/31/2014 and 09/30/2014. These dates coincide with future debt service payments dates. Because the securities were purchased from the secondary market, BAWSCA paid the accrued interests in \$76,457. BAWSCA expects to receive total net earnings from the purchase of US Treasury Securities in approximately \$1,904 by 03/31/2014 and \$23,490 by 09/30/2014.

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

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

The next debt service payment of \$6,727,407 is due October 1, 2013. It will be paid using a portion of the proceeds from bond issuance. Debt service payments will be made on April 1<sup>st</sup> and October 1<sup>st</sup> of each year until 2034.



**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title: Informational Report on SFPUC Water System Improvement Program**

**Summary:**

This report has been prepared to inform the BAWSCA Board of progress to date by the San Francisco Public Utilities Commission (SFPUC) in implementing the Water System Improvement Program (WSIP). The report presents an assessment of the SFPUC's recent changes to the WSIP, including budget increases to cover significant cost overruns and schedule extensions due to project delays. No action is required of the Board at this time.

This report provides a brief WSIP program history, reviews what has and has not gone well in the program, and discusses key program issues, challenges, and forecasts. It also describes BAWSCA's role to ensure that the WSIP is implemented on time, within budget, and consistent with the goals San Francisco adopted for the program. In its role as the regional representative for the Wholesale Customers of the SFPUC, BAWSCA monitors and supports the implementation of the WSIP to protect the health, safety and economic well-being of the wholesale customers and their constituents.

This report will be restructured as a stand-alone report and presented to the SFPUC along with the associated recommendations in October.

**Recommendation:**

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

**Conclusion:**

At this time, the WSIP is forecasted to be completed within budget and on schedule. This is expected following the program wide rebaselining effort completed in April 2013. BAWSCA has closely examined individual project budgets and believes that an appropriate level of contingency is allocated and available for the individual WSIP projects.

The WSIP has very little budget or schedule flexibility to accommodate large unknown or unanticipated project risks. With total program performance at 73% complete, continued strong management of costs and schedule is critically necessary until the program is complete to ensure the best possible opportunity of completing the program within the currently adopted budget and schedule.

**Recommendations for the SFPUC:**

1. Develop and implement new management strategies to ensure that the WSIP is completed on the new schedule and within the new budget including:
  - a. Incentivize staff and contractors to identify and implement schedule recovery and/or acceleration plans for all active projects.
  - b. Establish a process to reduce project trend and known risk cost exposures.
  - c. Establish a procedure to review, at least quarterly, actual and forecasted WSIP soft costs for cost savings opportunities.

- d. Modify the change order procedure to require owner requested change orders to identify the associated Level of Service (LOS) goal being addressed by the proposed change.
  - e. Modify the change order reports submitted to the Commission to include an affirmative statement that the changes are essential to meet the LOS goals and, for each proposed change, identify the associated LOS goal being addressed.
2. Ensure that schedule and budget forecasts are, and continue to be, conservative and soundly based so that they can be relied upon with confidence, and that rebaselining every year or two can possibly be avoided.
  3. Develop a written staff transition plan to cost effectively reduce staff as work nears completion and present the plan to the Commission by December 2013.
  4. Modify WSIP Quarterly and Annual Reports to include reporting on progress towards incremental attainment of LOS goals.

**Discussion:**

In its role on behalf of the member agencies and the customers they serve, BAWSCA has actively reviewed in detail all adopted scope, schedule, and budget changes to the WSIP that have been adopted by the Commission to date. In general, BAWSCA has supported the adopted changes as appropriate and necessary for overall completion of the program to meet the adopted LOS goals, and provided specific recommendations to the Commission to address BAWSCA's outstanding concerns with SFPUC's implementation of the WSIP. The SFPUC has generally implemented the recommendations made by BAWSCA.

The following detailed information will be presented as a stand-alone document that will be submitted to the SFPUC in support of BAWSCA's recommendations.

**SFPUC REGIONAL WSIP PROGRAM HISTORY**

The WSIP consists of 35 local projects located within San Francisco and 47 regional projects spread over seven counties from the Sierra foothills to San Francisco. Local projects only benefit San Francisco customers (retail customers) whereas regional projects benefit both the retail customers and the 26 wholesale customers that receive water from the San Francisco Regional Water System (Regional Water System) operated by the San Francisco Public Utilities Commission (SFPUC).

Four significant events spurred the formal initiation of the program. In response to the 1989 Loma Prieta Earthquake, the SFPUC initiated studies to assess the reliability and vulnerability of the Regional Water System. In 1995, bond rating agencies stated they would stop rating San Francisco water bonds because six years had passed since the earthquake and San Francisco had not adopted a capital improvement program to secure the system. After six more years of reports, no program had been adopted, and State legislation was introduced to address the situation. Assembly Bill AB 1823 "The Wholesale Regional Water System Security and Reliability Act", signed by the Governor in September 2002, requires San Francisco to adopt a capital improvement program to ensure delivery of water following a major seismic event in the region, report to the State changes to the program, and provide annual progress towards implementation to the State. San Francisco Measures A and E, approved by San Francisco voters in November 2002, allowed for the financing of improvements to the City's water system, including the WSIP, using revenue bonds and/or other forms of revenue financing. The program budget and schedule were originally adopted by the San Francisco Public Utilities Commission on March 1, 2003.

There have been 5 program-wide revisions of schedules and budgets adopted since the original 2003 Capital Improvement Program<sup>1</sup>. Relative to the overall completion date envisioned in 2003, the current WSIP completes 37 months later at an additional \$1,012M in cost. Details about the history of scope, schedule and budget revisions are contained in Attachment A.

**What Has Gone Well**

The SFPUC has been working aggressively to implement the WSIP with certain key components having gone well to date. The SFPUC has strengthened its leadership and management capabilities by bringing in more expertise, staffing the program with experienced professionals in key roles, and fostering a full commitment to the WSIP implementation throughout the SFPUC. The construction management start-up and follow through has gone well, mixing city staff with knowledgeable consultants and implementing a state-of-the-art project tracking system. The SFPUC negotiated and adopted a Project Labor Agreement and implemented changes in overall SFPUC contracting policies that have increased the SFPUC's overall ability to attract competitive bids and secure successful contracts. The complicated, phased water system shutdown plan, which is critical to the program's success, has also been well managed. The program's construction safety record has been very successful. For example, the WSIP achieved more than 2.5 million craft hours without a recordable incident between April 2009 and November 2011. The excellent bidding climate observed since the initiation of WSIP has provided opportunities for the SFPUC to keep costs down. To date, the SFPUC has realized over \$446.6M in bid savings that have been used to offset cost increases elsewhere in the program. The quarterly reports and risk register rigorously track program information that can be used to detect and address project issues.

**What Has Not Gone Well**

Other elements of the program have not performed as well. Prior to the economic downturn, early program budget performance was strained by increasing soft costs, environmental compliance cost increases and delays, and scope changes resulting in increasingly higher project cost forecasts. Until recently, forecast program costs remained within budget due to the overall benefit of the bid savings achieved. However, ongoing construction costs on several projects have significantly increased in the last twelve months as a result of unknown geologic or other features, differing site conditions, and other construction related issues. In April 2013, the overall WSIP budget (regional and local) was increased, adding \$54.9M over the 2011 budget to reflect newly forecast cost overruns and contingencies. For the regional program costs alone, the adopted budget increased \$76.4M. The new budget allocates all the bid savings from the economic downturn (over \$400M) to be spent to pay for project cost overruns, change orders, and related costs.

The WSIP schedule performance has not met projections and has repeatedly been extended with some projects being delayed for one year or more. The current overall program completion date has been delayed by 52 months from its 2007 approved schedule, and 33.5 months from its 2011 approved schedule. Nineteen of the 47 projects have had 3 or more schedule revisions since the 2005 Baseline program.

The SFPUC has implemented a number of program delivery improvements, many at BAWSCA's request. At this time, additional strategies are needed to more effectively address program delivery challenges. This is especially critical at this advanced stage in the program because less contingency and schedule flexibility are available to address future challenges.

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<sup>1</sup> Additionally, there have been two SFPUC Commission actions on individual project schedule changes that were subject to public hearings and notifications to the State per the provisions of AB 1823. On June 12, 2012 schedule extensions were adopted for the New Irvington Tunnel, BDPL Reliability – Pipeline, and Pulgas Balancing Reservoir Dechlorination projects. On January 22, 2013 a 25 month schedule extension was adopted for the Calaveras Dam Replacement project, which also had the net effect of extending the overall WSIP completion date to August 2018.

## **REGIONAL WSIP STATUS AND FORECAST**

### Regional WSIP Status

Actual performance on the Regional WSIP is approximately 73% complete, which includes planning, design, environmental work, right of way acquisition, and construction. The WSIP regional program has gone through many changes since its adoption in 2003. Projects have been re-scoped, added or deleted. The latest approved WSIP program budget is \$4.64B, including \$3.548B for regional projects, with a program completion date of April 2019. Currently, there are 23 active projects with 5 of those in closeout and 18 projects remaining to be completed. Twenty-four (24) projects have been completed as of June 30, 2013.

The WSIP has been through five comprehensive rebaselining processes (reassessing schedule and budget progress, and adjusting each to match actual progress and projected needs) over the past ten years, the combination of which has resulted in the program delivery schedule being extended from March 2016 to April 2019. The April 2013 rebaselining extended the schedule for 19 of the 28 then-active project schedules.

Between 2003 and 2013, the total approved Regional WSIP budget increased 22%, with 18% of that increase occurring in the first major change in the WSIP that was approved in 2005. Between 2005 and 2011, the Regional WSIP budget decreased by 3%. In April 2013, the Regional WSIP budget was increased by 7%, \$237M, to address Calaveras Dam Replacement Project revisions and other significant program scope changes and cost increases. Had the program not been the beneficiary of the recent economic downturn which reduced construction costs by 20%-30% (over \$400M in total), program costs would likely be much greater than now forecasted. -

### Regional WSIP Forecast

The most recent "Water System Improvement Program Regional Projects Quarterly Report for the 4<sup>th</sup> Quarter (Q4) of Fiscal Year 2012-2013" (Q4 Report) forecasts active project costs to remain essentially within the April 2013 adopted budget, with a net cost variance of \$0.5M under budget. The Q4 Report forecast completion for active projects shows the beginnings of schedule slippage on the New Irvington Tunnel Project (81.8% complete), with a forecast delay of up to 2.1 months. Three other projects at or near construction completion forecast slippage between one and 3.6 months. Other projects note that there are critical path items (such as delivery of key equipment, right-of-way clearances, and environmental compliance activities) that must be completed as planned in order to achieve the adopted schedule. The Q4 Report forecast project-level budget and schedules for active projects are shown in Attachment B.

Recent conversations between SFPUC and BAWSCA indicate increasing potential risks for additional schedule and/or cost overruns beyond the Q4 Report forecasts including Calaveras Dam Replacement Project, New Irvington Tunnel, Seismic Upgrade Bay Division Pipeline 3&4, Crystal Springs/San Andreas Transmission Upgrade, Harry Tracy Water Treatment Plant, and Regional Groundwater Storage and Recovery. It will be important to closely monitor these trends and request the SFPUC to develop viable recovery plans.

## **BAWSCA'S ROLE IN THE WSIP**

BAWSCA has actively supported, closely monitored, and provided input and recommendation on the development and delivery of the WSIP for over 10 years. BAWSCA supported passage of AB 1823 and continues to play a key role in implementing the WSIP. Attachment C presents a summary of BAWSCA's role and gives twelve examples of key results. BAWSCA has been active since the

WSIP's inception with its support for the Wholesale Regional Water System Security and Reliability Act (AB 1823) which required SFPUC to adopt a capital program. BAWSCA provides input on pre-engineering and engineering documents as well as reviews and comments on all project environmental documentation. In all of these activities, BAWSCA's role has been to review implementation of the WSIP to ensure that it will meet the needs of the customers that rely on the system for a reliable supply of high quality water, and who are paying two-thirds of the cost of the regional program.

**Program Management Reserve Fund**

One major result of BAWSCA's input on the WSIP is the development of the Program Management Reserve Fund. As requested by BAWSCA, the SFPUC implemented the Program Management Reserve Fund during the peak period of construction activity to provide more expenditure transparency and improve program cost management. This fund was established with \$161M in unallocated contingency funds available as a result of achieved bid savings.

The new program budget adopted in April 2013 has eliminated this contingency fund because these funds were reallocated to offset forecast project cost overruns. The program will now use the new Program Director's Reserve Fund, also requested by BAWSCA. The Director's fund is designed to help better manage the newly approved project trend and contingency costs in the April 2013 adopted WSIP budget, and provide increased expenditure transparency. The Director's fund comprises the available uncommitted contingency funds for the WSIP. It is critical that this fund be effectively managed over the remaining years of the program to avoid expending the available uncommitted contingency funds before the program is complete.

**KEY REMAINING ISSUES**

Following are key remaining issues that the SFPUC will need to address in order to successfully complete the WSIP within the newly-approved schedule and budget.

**Schedule Management**

The April 2013 schedule extended individual project schedules for 19 of the 28 then-active projects between 1 and 33 months, with 6 of the 19 extended by more than 12 months. Additionally, the schedule for the Calaveras Dam Replacement Project had been extended 25 months in a single project rebaselining in January 2013. The rebaselining, since the 2005 Baseline WSIP was adopted, have extended the project schedules on all but 3 of the 47 regional projects, with 19 of those projects having 3 or more schedule adjustments.

The SFPUC has employed some new program delivery strategies including establishing a state-of-the-art project tracking and controls system for schedule and budget, co-locating and teaming consultants and City staff to take advantage of different levels of experience and expertise, using a leading risk assessment and management system, developing clear organizational alignments and procedural protocols to facilitate decision making and project change approvals, and providing data and process transparency for independent review and recommendations to improve program delivery. Despite these actions in the last several years, project schedules have continued to be delayed. For example, of the 6 projects that are currently less than 40% complete (Alameda Creek Recapture at 22.1%, Calaveras Dam Replacement at 38.6%, San Antonio Backup Pipeline at 31.5%, Peninsula Pipelines Seismic Upgrade at 19.0%, Regional Groundwater Storage & Recovery at 22.2%, and the Watershed Environmental Improvement Program at 17.5%), all have had aggregate schedule extensions ranging from 19 to 83 months since the 2005 Baseline WSIP. The details of repeated project schedule delays for the currently active projects are shown in Attachment D.

New strategies are needed at this time to ensure that the latest schedules will be met. Possible strategies include:

1. Continued rigorous review of all schedules to assess where vulnerabilities exist and where possible schedule reductions can be attained;
2. The use of contractor incentives to manage schedules;
3. Reduce or eliminate the number of contractor change orders allowing schedule extensions; and
4. New strategies to reduce trends and risks related to schedule delays.

Cost Management and Control

The key to successfully managing WSIP costs moving forward will be to keep the number and cost of construction change orders and schedule changes to an absolute minimum. This will increase the probability that the current contingencies will be adequate until the end of the program. Effectively managing the items below is critical in this effort.

1. **Project Trends and Change Orders.** Project trends are costs that appear likely to become change orders but that can be mitigated through reassessing their absolute need and negotiating alternative, less costly, solutions with the contractor. The Q4 Report indicates that the WSIP has \$97.7M in trends and potential change orders that are included within individual approved project budgets. As of June 2013 over 2000 construction change orders totaling \$230M (including pending change orders), or about 11.8% over the 2013 construction budget have already been approved by the SFPUC for expenditure on the regional program. Redoubling efforts to reduce change orders and making all efforts to ensure that all change orders are absolutely necessary to achieve LOS goals and are essential to implementing only the scope of work authorized in the contract prior to approving any change orders are critical to keeping within the new budget. Holding the line on schedule extensions is also critical because schedule increases usually mean higher costs.
2. **Soft Costs.** The Q4 Report cost forecast for regional program project delivery and project management is \$1.01B, which is 43% of the \$2.35B Regional WSIP construction cost including contingencies. The SFPUC's independent review panel indicated that WSIP soft costs were on the higher end of industry norms. While soft costs can vary widely depending on the scope and complexity of projects, soft costs of about 40% would generally be within the industry norms for this type of program.

The WSIP soft costs have continued to increase during program implementation. For example, program delivery costs, a subset of soft costs, are projected to increase by \$41.9M over the levels forecast in December 2012. One key to avoiding even higher soft costs for the balance of the program is to ensure that the SFPUC's project management teams are reassigned elsewhere expeditiously as projects transition to completion, thereby avoiding the potential for staff charges and other soft costs to continue to be charged to projects at or near completion. In its comments on the April 2013 Notice of Proposed WSIP changes, BAWSCA has requested a transition plan from the SFPUC.

The Q4 Report forecasts about \$219M to be spent on soft costs between now and program completion. As these soft costs have not yet been spent, this provides an opportunity to reduce costs and achieve savings in this area. A reduction of 10% of this amount would save over \$20M which could be used to increase program contingencies as a cushion against future unexpected project costs.

3. **Director's Reserve Fund.** This fund consists of all project construction phase funds that are currently uncommitted through formal contract changes and are identified by the SFPUC as potential change orders, trends, and contingencies. The uncommitted funds to date total about \$169.5M. BAWSCA has verbally requested that the SFPUC develop specific strategies to reduce the forecast expenditure of these funds.
4. **Risk Management.** Based on what is currently known, the top 10 project risks have an estimated "most likely" cost of about \$33.2M. The new budget has contingency funds programmed to cover a large portion of these risks. However, risk costs are very difficult to estimate since they are based on the likelihood of a theoretical event occurring. These costs could vary widely as program implementation continues, making it very important for the SFPUC to secure costs savings throughout the program that could then be available to fund unanticipated or under anticipated risks that may materialize.

The SFPUC recently indicated that the bid savings for all regional projects bid in or after 2009 is \$446.6M, about 22% of the approved construction budget at the time of project award. That savings are now forecasted to be spent on project cost overruns, change orders, and related costs. Therefore, when the forecast to spend all of the bid savings is taken into account and added to the recently approved budget increase, the potential cost overrun for regional projects totals \$523M, or about 22% of the 2011 approved regional construction budget, and 15% of the overall regional 2011 WSIP approved budget.

Although about 75% of WSIP construction work is complete, cost vigilance and new, effective SFPUC project delivery strategies to address future risks are needed for the program to stay within the April 2013 budget. Spending program contingency funds early may leave insufficient contingency funds to cover future possible risks that may not be identified until near the end of program construction. Additionally, some projects are not yet under construction and therefore may have risks that have not yet been fully evaluated.

#### Achieving LOS Goals

The scopes of the WSIP projects are based on achieving the adopted LOS goals for Seismic Reliability, Delivery Reliability, Water Quality and Water Supply. Based on current needs, the WSIP will meet the goals for the system, but there are two areas that will require further monitoring and potential follow up work.

The most recent "Wholesale Regional Water System Security and Reliability Act: Notice of Changes to the Water System Improvement Program" report to the state (dated June 28, 2013) reviews the impact the adopted revisions have on attaining the LOS goals. The results show that the customers will have several years of delay in attaining desired drought reliability and seismic resistance.

Two aspects of the WSIP have been altered which bear on the fundamental basis for this analysis:

1. **The Peninsula Pipelines Seismic Upgrade (Seismic Reliability LOS) project has now determined that meeting the LOS goal of delivering water to SFPUC customers within 24 hours of a seismic event requires work currently scheduled to be completed outside the WSIP.** Specifically, critical work on San Andreas Pipelines 2 and 3 is recommended to be done under the Water Supply and Treatment Division regular planned maintenance program. Since these necessary upgrades are outside the WSIP, there needs to be confirmation from the SFPUC that the work is scheduled and will be complete no later than completion of the final WSIP project.

2. **The water supply yield of several projects is uncertain and may fall short of the analysis assumptions when they are complete.** It is unclear what increase or decrease in system yield the Alameda Creek Recapture Project will have following its environmental review and project completion. The remaining regional project that contributes to the water supply LOS goal – the Regional Groundwater Storage and Recovery Project – also has uncertainty as to yield.

These projects and the associated issues need further study, ongoing reporting and confirmation by the SFPUC.

## **CONCLUSIONS AND RECOMMENDATIONS FOR THE SFPUC**

Tightly managing the final phases of the WSIP over the remaining 6 years of the current schedule is critical because at this advanced stage of program implementation, there is less budget and schedule contingency and therefore reduced flexibility to address additional project challenges. Since the WSIP's initial adoption in 2002, the SFPUC has managed numerous challenges to keep the program moving forward. While BAWSCA staff has been encouraged by the progress of some of the construction projects, many projects have experienced significant, continuous schedule delays and cost increases. Of the 23 remaining active regional projects, ten (or 43%) have had a net schedule extension of 24 months or greater relative to the 2005 Baseline WSIP. Based on past performance and recent quarterly reports and meetings with SFPUC staff, concerns and questions remain as to whether the program will be completed within the newly approved (April 2013) schedule and budget without a very high level of continued vigilance and strong management oversight.

The following recommendations to the SFPUC will be pursued by BAWSCA staff:

1. Develop and implement new management strategies to ensure that the WSIP is completed on the new schedule and within the new budget including:
  - a. Incentivize staff and contractors to identify and implement schedule recovery and/or acceleration plans for all active projects.
  - b. Establish a process to reduce project trend and known risk cost exposures.
  - c. Establish a procedure to review, at least quarterly, actual and forecasted WSIP soft costs for cost savings opportunities.
  - d. Modify the change order procedure to require owner requested change orders to identify the associated LOS goal being addressed by the proposed change.
  - e. Modify the change order reports submitted to the Commission to include an affirmative statement that the changes are essential to meet the LOS goals and for each proposed change, identify the associated LOS goal being addressed.
2. Ensure that schedule and budget forecasts are, and continue to be, conservative and soundly based so that they can be relied upon with confidence, and that rebaselining every year or two can possibly be avoided.
3. Develop a written staff transition plan to cost effectively reduce staff as work nears completion and present the plan to the Commission by December 2013.
4. Modify WSIP Quarterly and Annual Reports to include reporting on progress towards incremental attainment of LOS goals.



**ATTACHMENT A**

**Regional WSIP Program Revisions**

**WSIP Budget and Schedule History**

The program budget and schedule were originally adopted by the San Francisco Public Utilities Commission (SFPUC) on March 1, 2003. The program at the time was referred to as the Capital Improvement Program (CIP). The scope of the CIP was changed significantly following the adoption of Levels of Service (LOS) goals in early 2005. The program changes were so substantial that the program was renamed the WSIP and a new program budget and schedule were adopted on November 29, 2005. Since the scope of the 2005 Revised WSIP is in general representative of the program being implemented today, the 2005 budget and schedule are considered the “Baseline Budget and Schedule.” Subsequently, the program-wide WSIP Baseline Budget and Schedule were revised in 2007, 2009, 2011 and 2013, and approved by the San Francisco Public Utilities Commission as shown below in Table A-1.

**Table A-1: Program-Wide WSIP Budget and Schedule Revisions 2003-2011<sup>1</sup>**

<b>WSIP Program Revision</b>	<b>Commission Approval</b>	<b>Total Budget (\$Millions)</b>	<b>Regional Budget (\$Millions)</b>	<b>Schedule*</b>
2003 (Original)	March 1, 2003	\$3,628	\$2,900	3/15/16
2005 (Baseline)	November 29, 2005	\$4,343	\$3,407	6/30/14
2007 (Revised)	February 26, 2008	\$4,392	\$3,547	12/18/14
2009 (Revised)	July 28, 2009	\$4,586	\$3,514	12/4/15
2011 (Revised)	July 12, 2011	\$4,586	\$3,311	7/29/16
2013 (Latest Approved)	April 23, 2013	\$4,640	\$3,548	4/11/19

\* Final Program Completion Date

**WSIP Scope Revision History**

The number and scope of projects defined as the Regional Program portion of the WSIP has changed multiple times since the establishment of the 2003 Original WSIP. Table A-2 categorizes the nature of the scope changes in the subsequent revisions to the WSIP beginning with the 2005 baseline. Note that this tally is limited to scope changes considered as a major change under the requirements of AB 1823, and reported to the State. Additional project details added to the project descriptions as design and construction phases’ progress, are not defined as a scope change.

The basic intent of scope changes in the 2005 Regional Program was to bring the project descriptions into alignment with the newly adopted LOS. As projects developed during 2006 and 2007, more information became available about project design details, environmental compliance, and permitting

<sup>1</sup> Additionally, there have been two SFPUC Commission actions on individual project schedule changes that were subject to public hearings and notifications to the State per the provisions of AB 1823. On June 12, 2012, schedule extensions were adopted for the New Irvington Tunnel, BDPL Reliability – Pipeline, and Pulgas Balancing Reservoir Dechlorination projects. On January 22, 2013, a 25 month schedule extension was adopted for the Calaveras Dam Replacement project, which also had the net effect of extending the overall WSIP completion date to August 2018.

needs, right-of-way challenges, and facility shutdown and construction sequencing requirements. The 2007 realignment was made to incorporate this improved information into the scope, schedule, and budget for the program. Scope changes in 2009 reflected further project refinements and added the Peninsula Pipelines Seismic Upgrade project to provide seismic reliability required for key transmission pipelines that transport water from the Harry Tracy Water Treatment Plant. Also, all of the water supply projects except for the Regional Groundwater Storage and Recovery project were moved to the Local WSIP program. The scope changes in 2011 were limited to a few projects that needed to accommodate significant new information about project conditions. The most recent scope changes were limited to three projects. Now that the program is nearing 75% complete, project work scopes should be known and there should be no reason to further rebaseline the schedule and budget based on scope changes.

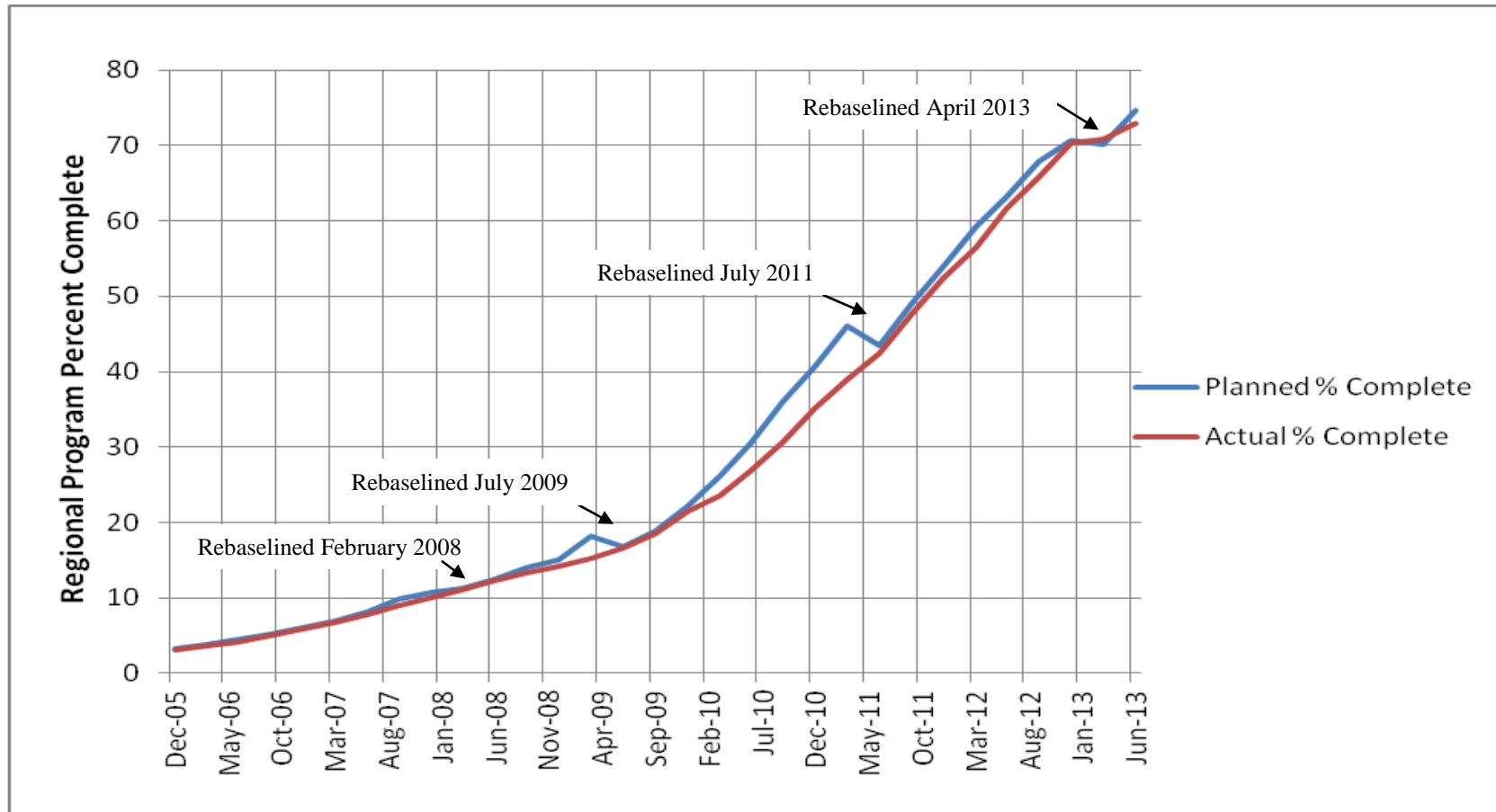
**Table A-2: Regional Program Scope History**

<b>Regional Program Revision</b>	<b>New Projects</b>	<b>Deleted Projects</b>	<b>Moved to Local WSIP</b>	<b>Moved from Local WSIP</b>	<b>Continuing Project – Scope Added</b>	<b>Continuing Project – Scope Deleted</b>
2005 (Baseline)	6	7	0	2	12	17
2007 (Revised)	0	0	0	0	1	5
2009 (Revised)	1	0	3	0	3	1
2011 (Revised)	0	0	0	0	3	1
2013 (Latest Approved)	1	0	0	0	1	1

**WSIP Progress**

To get a better perspective on the rate of progress towards completion, Figure A-1 was developed. The graph shows planned percent complete versus actual percent complete for each quarter since the 2005 Baseline WSIP. The actual percent complete has progressively fallen behind the planned program percent complete. When the deviation was confirmed to be unrecoverable, the planned schedule was then merged to coincide with the actual schedule in 2009, 2011, and 2013 after the SFPUC approved new delayed project schedules through the rebaselining process. Most of the time consuming environmental and planning work has been done and projects are moving through construction. There should be a high degree of confidence in the newly adopted schedule, but schedule forecasts for several current construction projects are beginning to slip and there are many other ongoing challenges that can delay schedules further. The concern is that the cycle of delays and rebaselining will continue over the next several years, further extending the WSIP delivery schedule for key projects.

Figure A-1: Regional Program Progress



**NOTE 1:** The rebaselining process essentially resets the planned % complete to equal the actual % complete. The trend after each rebaseline has been for the actual progress to fall behind planned progress over successive quarters with an increasing gap between the two. Since the April 2013 rebaseline the actual % complete is already showing signs of lagging the planned % complete.

**NOTE 2:** The effect of rebaselining the final WSIP completion date on overall progress is to flatten or reverse percent complete in the quarter immediately following each rebaseline. The magnitude of deviation is driven by the number of relatively expensive projects with large extensions in time.

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ATTACHMENT B

Regional Project Performance Summary

WSIP Quarterly Report

Q4-FY2012-2013 (04/01/13 - 06/30/13)

5. PROJECT PERFORMANCE SUMMARY\*

All costs are shown in \$1,000s as of 07/01/13

Project Name	Active Phase (**)	2005 Baseline Budget (a)	2013 Approved Budget (b)	Current Approved Budget (c)	Q4/FY12-13 Forecasted Cost (d)	Expenditures To Date (e)	Cost Variance (f= c - d)	Cost Status (+)	2005 Baseline Completion (g)	2013 Approved Completion (h)	Current Approved Completion (i)	Q4/FY12-13 Forecasted Completion (j)	Schedule Variance (k = i - j)	Schedule Status (+)	Project Data Sheet
San Joaquin Region															
CUW37301 - San Joaquin Pipeline System	CN	\$ 352,732	\$ 207,416	\$ 207,416	\$ 207,416	\$ 194,906	-	★	03/25/14	03/31/15	03/31/15	03/31/15	-	★	See Appendix D
CUW38401 - Tesla Treatment Facility	CN	\$ 101,643	\$ 113,670	\$ 113,670	\$ 113,704	\$ 111,648	(\$34)	★	07/01/11	09/30/13	09/30/13	12/30/13	3.0 mo. Late	⚠	See Section 6
Sunol Valley Region															
CUW35201 - Alameda Creek Recapture Project	PL	\$ 18,809	\$ 24,403	\$ 24,403	\$ 24,403	\$ 4,483	-	★	05/25/12	04/11/19	04/11/19	04/11/19	-	★	See Appendix D
CUW35901 - New Irvington Tunnel	CN	\$ 214,650	\$ 323,734	\$ 323,734	\$ 323,734	\$ 257,109	-	★	09/17/13	03/11/16	03/11/16	05/12/16	2.1 mo. Late	⚠	See Section 6
CUW37401 - Calaveras Dam Replacement	CN	\$ 256,511	\$ 620,813	\$ 620,813	\$ 620,813	\$ 215,568	-	★	05/25/12	08/31/18	08/31/18	08/31/18	-	★	See Appendix D
CUW37403 - San Antonio Backup Pipeline	CN	\$ 7,677	\$ 55,490	\$ 55,490	\$ 55,249	\$ 15,530	\$ 241	★	06/29/12	11/30/15	11/30/15	11/30/15	-	★	See Appendix D
CUW38101 - SWWTP Expansion & Treated Water Reservoir	CN	\$ 133,108	\$ 135,170	\$ 135,170	\$ 135,624	\$ 125,920	(\$454)	★	07/09/13	02/03/14	02/03/14	03/05/14	1.0 mo. Early	★	See Appendix D
Bay Division Region															
CUW35302 - Seismic Upgrade of BDPL Nos. 3 & 4	CN	\$ 66,793	\$ 78,211	\$ 78,211	\$ 78,211	\$ 27,127	-	★	10/15/12	09/23/15	09/23/15	09/23/15	-	★	See Appendix D
CUW36801 - BDPL Reliability Upgrade - Tunnel	CN	\$ 572,023	\$ 286,373	\$ 286,373	\$ 286,595	\$ 221,082	(\$223)	★	01/31/14	11/13/15	11/13/15	11/13/15	-	★	See Appendix D
CUW36802 - BDPL Reliability Upgrade - Pipeline	CN		\$ 217,885	\$ 217,885	\$ 217,927	\$ 212,827	(\$42)	★		12/31/13	12/31/13	04/18/14	3.6 mo. Late	⚠	See Section 6

Late

\* Exclude projects with completed construction and projects that are no longer active (i.e., deleted projects, closed projects, and projects combined with other projects)

\*\* Phase Status Legend

PL	Planning	DS	Design	BA	Bid & Award
CN	Construction				

For projects active in multiple phase, the table shows the phase in which a majority of the work is taking place.

+ Cost and Schedule Status

- ★ Meet Requirements: Forecasted Cost/Schedule is within Current Approved Budget/Schedule.
- ⚠ Need Attention: Forecasted Cost is over Current Approved Budget by greater than 1% and less than 10%. Or Forecasted Schedule is over Current Approved Schedule by greater than 2 months and less than 6 months and less than 10%.
- Exceed Limits: Forecasted Cost is over Current Approved Budget by 10% or more. Or Forecasted Schedule is over Current Approved Schedule by greater than 6 months or 10% or more.

WSIP Quarterly Report

Q4-FY2012-2013 (04/01/13 - 06/30/13)

All costs are shown in \$1,000s as of 07/01/13

Project Name	Active Phase (**)	2005 Baseline Budget (a)	2013 Approved Budget (b)	Current Approved Budget (c)	Q4/FY12-13 Forecasted Cost (d)	Expenditures To Date (e)	Cost Variance (f= c - d)	Cost Status (+)	2005 Baseline Completion (g)	2013 Approved Completion (h)	Current Approved Completion (i)	Q4/FY12-13 Forecasted Completion (j)	Schedule Variance (k= i - j)	Schedule Status (+)	Project Data Sheet
Peninsula Region															
CUW36701 - HTWTP Long-Term Improvements	CN	\$ 167,570	\$ 283,238	\$ 283,238	\$ 283,238	\$ 135,792	-	★	04/08/14	01/04/16	01/04/16	01/04/16	-	★	See Appendix D
CUW36702 - Peninsula Pipelines Seismic Upgrade	DS		\$ 42,094	\$ 42,094	\$ 42,094	\$ 6,522	-	★		07/06/16	07/06/16	07/06/16	-	★	See Appendix D
CUW37101 - Crystal Springs/San Andreas Transmission Upgrade	CN	\$ 148,583	\$ 193,623	\$ 193,623	\$ 193,623	\$ 123,229	-	★	04/01/14	01/02/15	01/02/15	01/02/15	-	★	See Appendix D
San Francisco Regional Region															
CUW30103 - Regional Groundwater Storage and Recovery	DS	\$ 39,233	\$ 100,491	\$ 100,491	\$ 100,491	\$ 20,193	-	★	02/27/14	07/29/16	07/29/16	07/29/16	-	★	See Appendix D
Support Projects															
CUW36302 - System Security Upgrades	CN		\$ 18,855	\$ 18,855	\$ 18,855	\$ 7,969	-	★		04/29/16	04/29/16	04/29/16	-	★	See Appendix D
CUW38802 - Bioregional Habitat Restoration	BA		\$ 95,949	\$ 95,949	\$ 95,949	\$ 51,847	-	★		07/28/16	07/28/16	07/28/16	-	★	See Appendix D
CUW38803 - Vegetation Restoration of WSIP Construction Sites	CN		\$ 2,200	\$ 2,200	\$ 2,200	\$ 142	-	★		10/31/13	10/31/13	10/31/13	-	★	See Appendix D
CUW39401 - Watershed Environmental Improvement Program	CN	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 3,404	-	★	06/28/13	05/01/15	05/01/15	05/01/15	-	★	See Appendix D

\* Exclude projects with completed construction and projects that are no longer active (i.e., deleted projects, closed projects, and projects combined with other projects)

\*\* Phase Status Legend

PL Planning   
  DS Design   
  BA Bid & Award  
 CN Construction

For projects active in multiple phase, the table shows the phase in which a majority of the work is taking place.

+ Cost and Schedule Status

- ★ Meet Requirements: Forecasted Cost/Schedule is within Current Approved Budget/Schedule.
- ⚠ Need Attention: Forecasted Cost is over Current Approved Budget by greater than 1% and less than 10%. Or Forecasted Schedule is over Current Approved Schedule by greater than 2 months and less than 6 months and less than 10%.
- Exceed Limits: Forecasted Cost is over Current Approved Budget by 10% or more. Or Forecasted Schedule is over Current Approved Schedule by greater than 6 months or 10% or more.

**ATTACHMENT C**

**Table C-1: BAWSCA’s Contribution to WSIP on behalf of Wholesale Customers and their Constituents**

<b>BAWSCA Role &amp; Activity</b>	<b>Examples of Key Outcomes</b>
Stakeholder in Regional Water System long-term capital improvements program	<ul style="list-style-type: none"> <li>• Actively supported the Wholesale Regional Water System Security &amp; Reliability Act (AB 1823)</li> </ul>
Participant in public review of all WSIP CEQA documents	<ul style="list-style-type: none"> <li>• Program EIR: provided significant comment related to the WSIP goals, the Phased Variant project features, and alternative projects designed to mitigate potential impacts to the Lower Tuolumne River</li> <li>• Harry Tracy Water Treatment Plant (Long-Term) EIR: BAWSCA comments and evaluation resulted in the SFPUC reassessing and reprogramming the project to better address construction phase schedule and local community impacts</li> </ul>
Input to State reviews of proposed and adopted changes to the WSIP	<ul style="list-style-type: none"> <li>• Called attention to key issues regarding public health and safety, such as the need for reporting on the incremental contributions of projects in drought supply and seismic strengthening</li> </ul>
Technical review of individual WSIP project to ensure that program meets LOS goals as adopted and address wholesale customer interests	<ul style="list-style-type: none"> <li>• Served on alternatives evaluation panels for major projects (San Joaquin Pipeline, Irvington Tunnel, Bay Division Reliability Upgrade)</li> <li>• Review of project pre—design engineering documents</li> <li>• Design document reviews (Sunol Valley WTP, BDPL Crossovers)</li> </ul>
Revenue Bond Oversight Committee (RBOC) member	<ul style="list-style-type: none"> <li>• BAWSCA CEO appointed a committee member as provided in the SF ordinance that created the RBOC to ensure that wholesale customers are represented and that key cost and financial issues are reviewed</li> </ul>
Water Supply Agreement provision	<ul style="list-style-type: none"> <li>• Ensured San Francisco’s commitment to complete the WSIP projects and the ability to meet the SFPUC’s LOS Goals was included in the adopted 2009 Water Supply Agreement</li> </ul>
Regularly meet with key SFPUC staff for progress updates, raise questions, and push for project delivery improvement and accountability	<ul style="list-style-type: none"> <li>• Encouraged early development of comprehensive shutdown schedule</li> <li>• Promoted the “early win” concept to accelerate those projects in the schedule which were independent of the Program EIR</li> <li>• Advised on progress reporting format and content (e.g., Annual Report to the State, Quarterly Reports)</li> </ul>

<p>Advocate for establishment of the management reserve fund</p>	<ul style="list-style-type: none"> <li>• Reserve fund established during peak construction activity to make change orders more transparent and improve construction contingency fund cost control with the goal of saving money</li> </ul>
<p>Ongoing review of construction management policies and performance</p>	<ul style="list-style-type: none"> <li>• SFPUC modified construction contingency (CC) policy to allocate any CC in excess of 10% outside of the initial contract award for better oversight of CC expenditures</li> <li>• Quarterly discussion on the number, type and reasons for change orders (COs), future CO trend costs, and related recovery plans</li> </ul>
<p>Ongoing review of WSIP budget</p>	<ul style="list-style-type: none"> <li>• Quarterly discussion on quality of cost estimating, level of soft costs, forecast cost to complete, and setting realistic budget expectations</li> </ul>
<p>Ongoing review of WSIP schedule</p>	<ul style="list-style-type: none"> <li>• Quarterly discussion on forecast completion schedule, reasons for anticipated schedule extensions, and setting realistic schedule expectations</li> </ul>
<p>BAWSCA review of WSIP in Dec 2011</p>	<ul style="list-style-type: none"> <li>• Raised significant issues about the WSIP process and performance in a letter to the SFPUC General Manager (dated 12/07/2011) regarding the use of trends relating to cost and schedule, realistic delivery schedule, change orders, and the Independent Panel (IP) process. Created an ongoing discussion with the SFPUC General Manager to address the issues. Resulted in changes in the quarterly reporting to cover change orders, trends and risks.</li> </ul>
<p>Review of WSIP Independent Panel Review</p>	<ul style="list-style-type: none"> <li>• Commented on the accuracy and quality of elements of the Independent Panel reports related to schedule, budget performance, and soft costs</li> </ul>



ATTACHMENT D

Table D-1: Open Project Schedule Revision History: 2005 – 2013

Project Name	Net Schedule Extension (months)	Current Percent Complete (as of 6/30/2013)
<b>4 Schedule Changes</b>		
Alameda Creek Recapture	83	22.1
New Irvington Tunnel	30	81.8
Regional Groundwater	29	22.2
<b>3 Schedule Changes</b>		
SFPUC/EBMUD Intertie	80	95.3
Calaveras Dam Replacement	75	38.6
San Antonio Backup pipeline	41	31.5
Seismic Upgrade BDPL 3 & 4	35	40.6
Tesla Treatment Facility	27	98.3
Harry Tracy WTP Long-Term	21	53.4
Lawrence Livermore WQ	17	99.9
BDPL 3 & 4 Crossovers	3	99.0
BDPL Reliability - Pipeline	-	97.1
<b>2 Schedule Changes</b>		
Bioregional Habitat Restoration	59	54.8
Watershed Environmental Imp.	22	17.5
BDPL Reliability – Tunnel	21	79.0
Crystal Springs Pipeline No. 2	17	99.9
Sunol Valley WTP Expansion	7	96.1
Rehab of Existing SJ Pipelines	-	99.6
<b>1 Schedule Change</b>		
System Security Upgrades	50	43.7
Peninsula Pipelines Seismic Upgrade	19	19.0
San Joaquin Pipeline System	12	95.6
Crystal Springs/San Andreas Transmission	8	78.9
<b>No Schedule Changes</b>		
Vegetation Restoration - Construction Sites	-	40.9

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# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

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

## MEMORANDUM

**TO:** BAWSCA Board of Directors  
**DATE:** September 13, 2013  
**FROM:** Arthur R. Jensen, CEO/General Manager  
**SUBJECT:** Chief Executive Office/General Manager's Letter

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### Economic Impact of Drought Analysis:

BAWSCA continues to work closely with SFPUC in its efforts to update the prior analysis of economic impacts to the service area resulting from a water shortage. In August, the SFPUC informed BAWSCA of a delay in the overall schedule. As a result, the initial results and corresponding report are not available at this time. BAWSCA has requested an updated timeline from the SFPUC including an anticipated date for the report completion.

As discussed with the BAWSCA Board at its last meeting, these results are critical to its discussion related to a possible regional drought level of service goal that might be considered by the BAWSCA Board. This discussion will be rescheduled to occur with the BAWSCA Board at its November 2013 meeting.

### Radium 226 – Update:

In early summer, SFPUC indicated that a trace constituent, Radium 226, had been detected at a very low level as part of source water supply monitoring normally performed by the SFPUC. Prior to this time, this constituent had not been detected in the SFPUC supply. In an effort to determine the source of the constituent, the SFPUC performed additional monitoring earlier this summer. No further evidence of Radium 226 in the source water supply was found as part of the subsequent monitoring performed by the SFPUC. As such, the source of the Radium 226 is unknown and the SFPUC has stated that it believes the detection was either a one-time event or a lab error. The SFPUC does not intend to address this issue further.

### Rim Fire – Status Report

Attached is an update memorandum on the Rim Fire from SFPUC General Manager Kelly. Mr. Kelly has been asked to provide a verbal update on the Rim Fire to the Board at its September meeting.

During the incident, the SFPUC was in close communications with Nicole Sandkulla, Acting CEO/GM. The communication included twice-daily check in call following SFPUC meetings with Incident Command as well as advance notice of critical press releases and other notifications to the Wholesale Customers. This level of communication allows Ms. Sandkulla to keep the BAWSCA Board informed as the incident progressed and the fire grew to its current size of over 240,000 acres.

Attachment  
September 9, 2013 Memorandum from Harlan L. Kelley, Jr., SFPUC General Manager

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**MEMORANDUM**

**TO:** All Staff **DATE:** September 9, 2013  
**FROM:** Harlan L. Kelly, Jr. **SUBJECT:** Status of Rim Fire  
 General Manager Incident & Effects on  
 SFPUC Operations

Please note that effective Friday, 9/6/13, we continued to scale down operations at our Department Operations Center at 525 Golden Gate Avenue to support recovery efforts for the foreseeable future.

As we now shift from emergency response into recovery and restoration, we can take a deep breath and be proud of our expertly coordinated response to one of the worst wildfires in California’s recorded history. I continue to applaud the outstanding work by our Hetch Hetchy Water and Power staff in Moccasin throughout this ordeal. Clearly, the desire to help is shared by all of our staff, as many have pitched in to support this effort.

The U.S. Forest Service has reported that the Rim Fire originated from a hunter’s “escaped” illegal fire on 8/17/13 in the Stanislaus National Forest. It has since spread to over 240,000 acres. The fire is now 80% contained, and it’s estimated that it will be fully contained by 9/20/13.

While there is still a long way to go until this incident is over, our collective hard work has kept people safe. Our Hetch Hetchy water supply remains pristine as ever. Our Kirkwood Hydroelectric Powerhouse is now generating enough clean, hydroelectric power to meet most of our municipal power load.

In other positive news, Standard & Poor’s reported that our SFPUC water revenue bond ratings are unaffected by the Rim Fire. Also, thanks to the great work of our Risk Management team, we also retain insurance policies that provide coverage to most of the mission critical assets upcountry affected by the Rim Fire. Our other cost recovery alternatives include Federal Emergency Management Agency (FEMA) and California Emergency Management Agency (Cal OES). Over the next month, collaboration for cost recovery efforts and claims preparation will continue between the SFPUC and the Offices of the City Administrator, Controller, and City Attorney.

You can continue to find updated information on our SFPUC Rim Fire information web page: [www.sfwater.org/RimFire](http://www.sfwater.org/RimFire) or on Twitter and Facebook (Twitter: @sfwater and Facebook: SF Water Power Sewer). As we move forward, we are indebted to our local, state and federal partners, including the more than 5,000 firefighters on the frontline. And I wish to personally thank all of you for your outstanding work, commitment and support.

- Edwin M. Lee**  
Mayor
- Art Torres**  
President
- Vince Courtney**  
Vice President
- Ann Moller Caen**  
Commissioner
- Francesca Vietor**  
Commissioner
- Anson Moran**  
Commissioner
- Harlan L. Kelly, Jr.**  
General Manager



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**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, October 9, 2013	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
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.