

BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

April 10, 2013

1:30 p.m.

BAWSCA Offices, 155 Bovet Road, San Mateo, 1st Floor Conference Room
(Directions on page 2)

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
1. <u>Call To Order, and Roll Call</u> Roster of Committee members (<i>Attachment</i>)	(Guzzetta)	Pg 5
2. <u>Comments by Chair</u>	(Guzzetta)	
3. <u>Public Comment</u> <i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(Guzzetta)	
4. <u>Consent Calendar</u> <i>"All items on the consent calendar are considered routine or implement an earlier Board action and may be enacted by one motion; there will be no separate discussion unless requested by a Board member, member of the public or staff."</i>	(Guzzetta)	
A. Approval of Minutes from the February 13, 2013 meeting (<i>Attachment</i>)		Pg 7
5. <u>Action Items</u>		
A. Recommended Funding Plan for Other Post-Employee Benefits (<i>Attachment</i>) <u>Issue:</u> How should BAWSCA fund Other Post-Employment Benefits? <u>Information to Committee:</u> Memo evaluating OPEB funding alternatives and a recommended approach beginning FY 2013-14. <u>Committee Action Requested:</u> Recommendation for Board approval.	(Jensen)	Pg 27
B. New Employee Pay and Benefits (<i>Attachment</i>) <u>Issue:</u> How, when and why should BAWSCA employee benefits be revised for new employees? <u>Information to Committee:</u> Memo presenting issues and a recommended approach and schedule for addressing them. <u>Committee Action Requested:</u> Recommendation for Board approval.	(Jensen)	Pg 41
C. Proposed FY 2013-14 Work Plan and Budget (<i>Attachment</i>) <u>Issue:</u> What must BAWSCA accomplish in FY 2013-14, what resources are required and how should the budget be funded? <u>Information to Committee:</u> Memo presenting the work plan and proposed budget, incorporating comments from the February 13, 2013 BPC meeting	(Jensen)	Pg 43

and March 21st board meeting. The committee presentation will address:

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

Committee Action Requested: Recommendation that the board approve the proposed Work Plan, the budget and the funding plan.

- D. Approval of Professional Services Contracts for FY 2013-14 (*Attachments*) **(Jensen)** *Pg61*
- Issue: To ensure continuity of services, ten professional services contracts should be effective July 1, 2013.
- Information to Committee: A memo summarizing all recommended contracts and an individual memo for each professional service contract summarizing the purpose, scope and not-to-exceed amount.
1. Legal Counsel (Hanson, Bridgett et al.) *Pg 65*
 2. Strategic Counsel (Management Communications) *Pg 73*
 3. Engineering Consultant – WSIP Cost, Schedule & Construction Management (Terry Roberts) *Pg 79*
 4. Engineering Consultant – Water Supply Agreement (Stetson Engineering) *Pg 83*
 5. Engineering/Financial Consultant – Water Supply Agreement (Hilton, Farnkopf, Hobson) *Pg 87*
 6. Financial Advisor – (KNN Public Finance) *Pg 91*
 7. Water Supply Agreement Auditing/Accounting Support – (Burr, Pilger, Mayer) *Pg 95*
 8. Large Landscape Conservation Services Consultant (Waterfluence, LLC) *Pg 99*
 9. Conservation Database – (Brown & Caldwell) *Pg 105*
 10. School Education Programs (Resources Action Program) *Pg 109*
 11. School Assembly Program (EarthCapades) *Pg 125*
 12. Professional Services Agreement for BAWSCA and BAWUA Financial Auditing Services (Chavan & Associates) *Pg 131*

Committee Action: Recommendation for Board approval.

- E. Compensation Adjustment for Chief Executive Officer and General Manager for FY 2012-13 (*Attachment*) **(O’Connell)** *Pg 137*
- Issue: Should compensation for the CEO/General Manager be adjusted for FY 2012-13?
- Information to Committee: Memo with Board Chair O’Connell’s recommendation; background information on last salary survey and CEO compensation history.

Committee Action Requested: Recommendation for Board approval.

6. Reports

- A. SFPUC Wholesale Water Rate Proposal – Status of agency comments and schedule for consideration by the SFPUC Commission
- B. Amendment to the Water Supply Agreement – Status Report
- C. SFPUC Water Supply Improvement Program – Update
- D. 10-Year Anniversary

- E. Board Policy Calendar
- F. Water Supply Update (*Attachment*)

7. **Comments by Committee Members** (Guzzetta)
8. **Adjournment to the next meeting on June 12, 2013 at 1:30pm in the 1st floor conference room of the BAWSCA office building, at 155 Bovet Road, San Mateo.**

*Upon request, the Board Policy Committee of the Bay Area Water Supply and Conservation Agency (BAWSCA) 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 bawasca@bawasca.org*

*All public records that relate to an open session item of a meeting of the Board Policy Committee 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 BAWSCA

From 101: Take Hwy.92 Westbound towards Half Moon Bay. Exit at El Camino Northbound (move into the far left Lane) Left at the 1st stop light which is Bovet Road (Washington Mutual Building will be at the corner of Bovet and El Camino). Proceed West on Bovet Road past Albertson's to two tall buildings to your left. Turn left into the driveway between the two buildings and left again at the end of the driveway to the "Visitor" parking spaces in front of the parking structure.

From 92: Exit at El Camino Northbound and follow the same directions shown above.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Committee Roster:

Rob Guzzetta, California Water Service Company (Chair)

Al Mendall, City of Hayward (Vice-Chair)

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

Charlie Bronitsky, Estero MID

Irene O'Connell, City of San Bruno (BAWSCA Chair)

Tom Piccolotti, North Coast County Water District

Barbara Pierce, Redwood City

Lou Vella, Mid-Peninsula Water District

John Weed, Alameda County Water District

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

February 13, 2013 – 1:30 p.m.

BAWSCA Offices, 155 Bovet Road, San Mateo, 1st Floor Conference Room

MINUTES

1. Call to Order: 1:30 p.m.

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

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

3. Public Comments: Wynn Grcich provided public comments.

4. Consent Calendar: Approval of Minutes from the December 12, 2012 meeting.

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

5. Action Items:

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

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

Ms. Dutton reported that staff from each of the BAWSCA agencies support the preparation of regional water demand and conservation projections. She reported that the Water Resources Committee provided input to the development of the Request for Proposals and the consultant selection process. All BAWSCA member agencies were

invited to participate in the consultant selection process. Twelve agencies participated in the selection of the consultant and demand-projection methodology. Agency staff members from ten agencies served as an advisory group and staff members from ACWD and Mountain View served on the selection panel.

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

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

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

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

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

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

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

through BAWSCA, for a fixed hourly rate, to buy more consultant time to complete the effort they require.

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

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

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

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

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

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

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

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

quirements. MWM is able to incorporate the State formatting requirements so that the model results can be inserted directly into State reports. .

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

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

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

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

The motion carried unanimously.

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

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

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

It was a great achievement and he acknowledged the work of the Financial Team and San Francisco's role in the process. BAWSCA and the SFPUC worked well together and demonstrated a good model for agency participation. The Commission, at its

meeting on February 12th, congratulated BAWSCA for its leadership in achieving a remarkable result as well as their staff for a job well done.

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

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

The SFPUC's projected FY 2013-14 Wholesale water rate without the prepayment is \$3.18 per Ccf. With the prepayment, the wholesale rate is \$2.78 per Ccf. The surcharge is approximately \$0.35 per Ccf. The total water bill is \$3.13 per Ccf. The net reduction in water cost is \$0.05 per Ccf. Mr. Jensen reported that changes will appear beginning with the billings for July 2013 water purchases.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Discussion Items:

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

The preliminary work plan includes all items reported to the Board at its January meeting, regardless of the funding source. BAWSCA's funding sources are the Operating

Budget, the Water Management Charge, and the Subscription Water Conservation services.

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

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

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

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

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

Ms. Sandkulla said BAWSCA will look into that.

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

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

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

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

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

The value BAWSCA adds to SFPUC implementing the CIP is to ensure the water system continues to meet the needs from the wholesale customers' perspective. Ms. Sandkulla stated that it is critical to have input from the early stages of the development of the 10-year CIP to ensure the wholesale customers' interests are included. The SFPUC's 10-year CIP currently has an estimated cost of \$500 million, of which wholesale customers would pay two-thirds.

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

BAWSCA's technical involvement with the FERC process will become more critical in FY13-14 as it approaches completion in 2016. While BAWSCA has been monitor-

ing the legal documents very closely from the beginning, active participation in the technical aspect of the process will be important as it will involve identification of what water needs exist and how can it be satisfied.

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

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

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

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

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

Director O'Connell asked Ms. Sandkulla to provide further information about the IRWMP grants. Ms. Sandkulla reported that the current grant for water conservation is for \$800,000. This offsets the cost for the High Efficiency Toilet Rebates (HET), Washing Machine Rebate Program (WMRP), and Lawn Be Gone rebates (LBG). The grant funds make the programs effective as well as reduce the costs of the programs for

the agencies. BAWSCA partners with ten other agencies in the region in applying for the grants. The Bay Area Water Agency Coalition (BAWAC) expects to be successful in getting the next two rounds of IRWMP grants, estimated to be another \$1 million. Ms. Sandkulla explained that the grant funds can last the BAWSCA agencies for about five to ten years.

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

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

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

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

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

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

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

The recommended Alternative is #3, which requires one new position. Ms. Sandkulla noted that Alternative #3 is the lowest cost alternative that completes the full work plan, as well as provides the resources needed for the next five to ten years. She stated that the critical work items such as the WSIP, the FERC process, SFPUC's new 10-

year CIP, dry-year supply reliability and evaluating of pending action or inaction by the SFPUC in 2018 require continued investigations and action by BAWSCA.

Ms. Sandkulla stopped her presentation to answer any questions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr. Jensen added that the decisions to be made by the SFPUC prior to 2018 are significant and address whether San Francisco will provide additional water beyond the Supply Assurance, whether San Francisco will continue to serve water to San Jose and Santa Clara, and renegotiation of the drought allocation agreement. Mr. Jensen noted a Level of Service (LOS) goal report that the SFPUC examined on February 12th stated that they do not currently have the ability to meet the LOS goals adopted by the Commission to continue the Cities of San Jose and Santa Clara as permanent customers, or to meet future needs of the wholesale customers. The Water Supply Agreement con-

tains specific claims reserved by BAWSCA members about San Francisco's future obligations. Those claims must be pursued, or alternatives developed, to protect the water customers. Mr. Jensen concluded that there are going to be significant policy issues that will need to be investigated and carefully considered.

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

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

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

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

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

would be for 5 or more years, and rebuilding a program after such a hiatus will be difficult.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Director Mendall expressed his strong preference to hire the additional staff person needed. He would not want to hire a consultant that costs more to fulfill the need and lose the institutional knowledge and experience in the end. He said we have the need, and we either chop off the work that is critical to the agency, or hire a person and grow that person. Secondly, Hayward is going through concession bargaining where employees are being asked to take pay cuts in their overall take home pay. It would be very difficult to support a seven percent pay increase for BAWSCA staff.

Director Bronitsky concurred with Director Mendall's comments.

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

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

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

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

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

7. Update and Reports:

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

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

The SFPUC will submit a notice to the Department of Public Health and the California Seismic Safety Commission that will initiate the State's review. BAWSCA will work closely with the State agencies during their review process, and will continue to work with the SFPUC on addressing any concerns from the State. The SFPUC plans to issue a second Notice of Change in the Spring once cost negotiations with the contractor have been finalized.

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

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

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

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

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

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

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

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

Director O'Connell added that BAWSCA's work leverages work for the agencies. BAWSCA's efforts with studies and conservation efforts would cost individual agencies significantly more or that those programs might not even be provided. She said the benefits of the IRWMP grant of \$800,000 for conservation programs would not be possible for San Bruno without BAWSCA's work. Director O'Connell suggested extending the invitation to the governing bodies of each member agency. She stated she would be extremely pleased for her council members to see what BAWSCA has achieved over the years.

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

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

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

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

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

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

Respectfully submitted,

Arthur R. Jensen, Chief Executive Officer and Secretary

ARJ/le

Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – February 13, 2013

Roster of Attendees:

Committee Members Present

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

BAWSCA Staff:

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

Public Attendees:

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

In response to a suggestion from the Board Policy Committee, BAWSCA had an OPEB actuarial evaluation done by North Bay Pensions in March 2013. The objective of the evaluation was to determine the best estimate of post-employment financial obligations as of July 1, 2012 and how much BAWSCA would need to set aside to fully fund that liability.

The estimated Annual OPEB Cost for FY 2012-13 is \$160,469 and \$165,612 for FY 2013-14 assuming the pay-as-you-go approach, or \$ 99,650 for FY 2013-14 assuming an approach of fully funding the annual liability in FY 2013-14 in an irrevocable trust.

Fiscal Impact:

Fully funding the Annual OPEB Cost by depositing funds in an irrevocable trust, and paying medical premiums for existing retirees from the trust, would result in a net addition of about \$62,541 to the Operating Budget for FY 2013-14. Starting to fully fund OPEB in FY 2013-14 would result in drawing down the General Reserve Balance by an equivalent amount if increasing the annual assessments is to be avoided. If the Board approves this approach in May, available trust options could be examined and presented to the Committee in June.

Recommendation:

That the Committee recommends Board approval of funding all of the Annual OPEB Cost into an irrevocable trust starting FY 2013-14. The net increase to the FY 2013-14 Operating Budget would be \$62,541.

Discussion:

Medical coverage is the only OPEB offered by BAWSCA to its retirees. Currently, BAWSCA uses a pay-as-you-go approach to fund the retiree medical benefits.

Government Accounting Standards Board (GASB) No. 45 requires that public entities measure and report the long-term costs of non-pension retiree benefits, or OPEB. This estimate does not appear in the Financial Report for FY 2012, but will be included in future Financial Reports.

The “Annual OPEB Cost” consists of the medical benefits earned by current employees and the actuarial accrued past liability as of July 1, 2012, amortized over 30 years.

Alternatives:

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

1. Continue a pay-as-you-go approach
2. Fully fund the Actuarial Accrued Liability
3. Fully fund the Annual OPEB Cost in a bank or an irrevocable trust

Each alternative is described and evaluated below.

1. Continue the pay-as-you-go approach with an increasing amount each year.
 - Continuing this approach is not recommended because the obligation is not fully funded and continues to accrue.
 - BAWSCA's current pay-as-you-go amount for two existing retirees' medical benefits is estimated to be \$30,978 for FY 2012-13 and \$37,109 for FY 2013-14.
 - The Net OPEB Obligations, if not set aside, would accumulate. The Net OPEB Obligation at the end of FY 2016-17 is estimated to be \$650,919.

2. Fund the Actuarial Accrued Liability (AAL) due to past years of employment as of July 1, 2012 in a lump sum of \$1,371,709.
 - This approach is not recommended because it would require a large deposit of cash (the comparable amount for ACWD would be about \$44 million).
 - It is also unnecessary; per the GASB NO. 45 guidance, the amortized value of the AAL from previous years is included in the Annual OPEB Cost.

3. Fully fund the Annual OPEB Cost
 - 3a. Deposit the Annual OPEB Cost into a bank starting FY 2013-14, and pay current medical premiums for retirees from that account.
 - This approach is not recommended due to the higher cost.
 - The long-term investment return is expected to be 4.00%.
 - The funds would be more liquid than if they were in an irrevocable trust.
 - Because the funds could be used for other purposes the annual financial reports would continue to show a large unpaid liability.
 - The cost for FY 2013-14 would be \$165,612.
 - The net increase to the FY 2013-14 Operating Budget would be \$129,491.
 - The Net OPEB Obligation at the end of FY 2016-17 is estimated to be \$650,919.

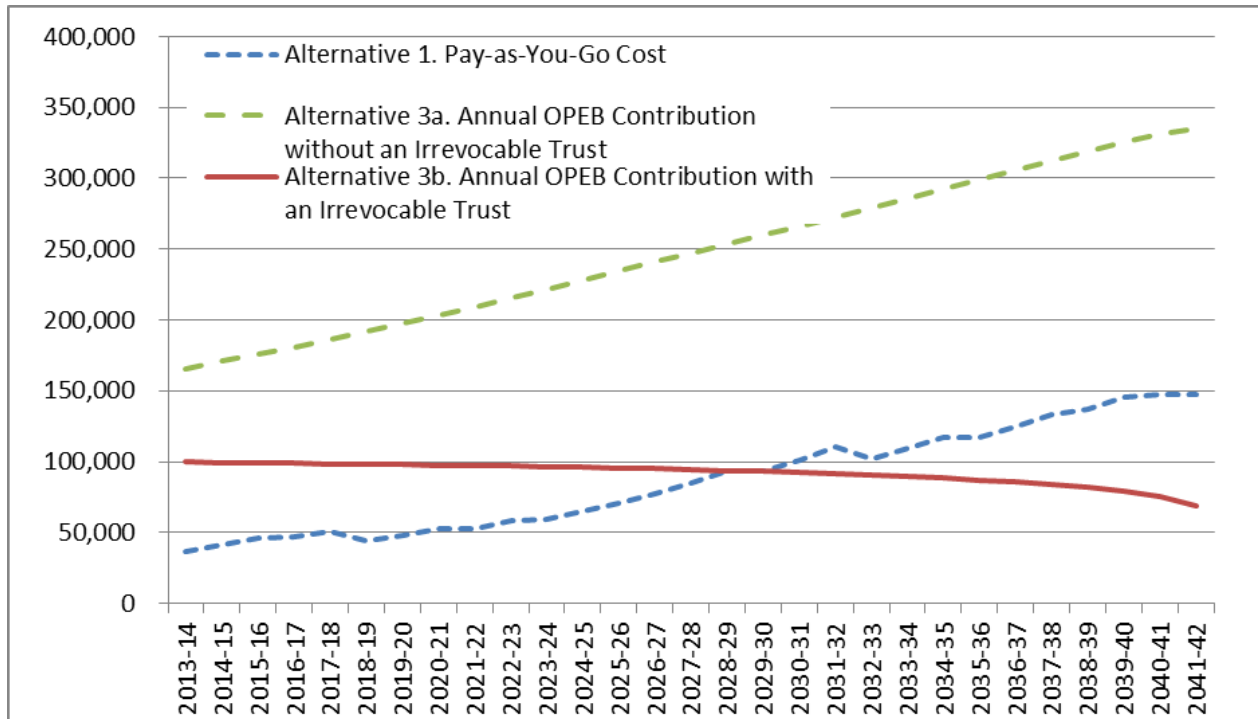
 - 3b. Deposit the Annual OPEB Cost into an irrevocable trust starting FY 2013-14, and pay current medical premiums for retirees from that account. **(Recommended)**
 - This approach is recommended because it fully funds the OPEB obligation at the lowest cost.
 - The long-term investment return is expected to be 7.61%.
 - The cost for FY2013-14 would be \$99,650.
 - The net increase to the FY 2013-14 Operating Budget would be \$62,541.
 - The net increase to the budget is less than half that for alternative 3a.
 - The Net OPEB Obligation at the end of FY 2016-17 is estimated to be \$123,516.

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

The chart on the following page shows the relative budget impacts of alternatives 1, 3a and 3b.

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

Fiscal Impact of Three Alternatives
(Dollars)



Glossary:

Terms used in actuarial studies are not necessarily uniform across all studies. The following explanations may be helpful.

Annual OPEB Cost. The actual amount to be accrued each year under GASB 45 as an annual operating expense, is equal to the sum of the Annual Required Contribution (ARC), plus adjustments to reflect ARC's from prior years that have not yet been funded.

In public finance, "fully funding OPEB obligation" generally means "fully funding the Annual OPEB Cost". For FY 2013-14, BAWSCA's Annual OPEB Cost is \$99,650 assuming fully funding the annual liability in an irrevocable trust.

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

Attachment:

- Draft Report of GASB 45 Valuation as of July 1, 2012

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**BAY AREA WATER SUPPLY AND
CONSERVATION AGENCY**

VALUATION OF RETIREE HEALTH BENEFITS

REPORT OF GASB 45 VALUATION AS OF JULY 1, 2012

**Prepared by: North Bay Pensions
March 3, 2013**

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Actuarial Certification

This report presents the determination of benefit obligations under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45) as of July 1, 2012 for the retiree health and welfare benefits provided by the Bay Area Water Supply and Conservation Agency (BAWSCA). I was retained by BAWSCA to perform these calculations.

GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", was issued to provide standards for governmental employers to record expense for Other Postemployment Benefits (OPEB). OPEB includes postretirement health and welfare benefits, hence GASB 45 is the appropriate Standard to follow when recording BAWSCA's OPEB obligations.

The information contained in this report was based on a participant census as of July 1, 2012 provided to me by BAWSCA. The actuarial assumptions and methods used in this valuation were selected by BAWSCA after consultation with me. I believe the assumptions and methods are reasonable and appropriate for purposes of actuarial computations under GASB 45.

Actuarial computations under GASB 45 are for purposes of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with my understanding of GASB 45. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein.

To the best of my knowledge, this report is complete and accurate. This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including Actuarial Standards of Practice. The undersigned is a Fellow of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries, and a Member of the American Academy of Actuaries, and meets their continuing education requirements and qualification standards for public statements of actuarial opinion relating to retirement plans. In my opinion, I am qualified to perform this valuation.

Nick Franceschine, F.S.A.

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Summary of Results

Background

The Bay Area Water Supply and Conservation Agency (BAWSCA) pays monthly medical insurance premiums on behalf of retired former employees.

In June 2004, the Governmental Accounting Standards Board (**GASB**) released Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". This statement, often referred to as **GASB 45**, requires governmental entities to (1) record annual expense for their **OPEB** (Other Post Employment Benefits) and (2) disclose certain information in their year-end financial statements.

BAWSCA has requested this actuarial valuation to determine what its OPEB obligations under the program are, and what the fiscal impact of GASB 45 will be for the 2012-2013 and 2013-2014 fiscal years.

Actuarial Present Value of Total Projected Benefits

The Actuarial Present Value of Total Projected Benefits (**APVTPB**) for all current and former employees, as of July 1, 2012, is **\$2,078,766**. This is the amount that BAWSCA would theoretically need to set aside at this time to fully fund all those future benefits.

The total value of \$2,078,766 is the sum of these amounts:

Employees	\$ 1,484,340
Retirees	594,426
Subtotal	<u>\$ 2,078,766</u>

Actuarial Accrued Liability

Under the accounting rules, a portion of each employee's benefits is attributed to each year of employment. The portion of the APVTPB which is due to past years of employment is called the Actuarial Accrued Liability (**AAL**). The AAL can be thought of as the part of the APVTPB which was "earned" in prior years. The portion of the APVTPB which is being "earned" in the current year is called the **Normal Cost**. Each year, the Annual Required Contribution (**ARC**) is equal to the Normal Cost plus an amortization of the AAL.

As of July 1, 2012, the Actuarial Accrued Liability is \$1,371,709. The Normal Cost in the 2012-2013 year is \$81,143. One way to think of the APVTPB is like this:

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Portion “earned” in prior years (AAL)	\$ 1,371,709
Portion being “earned” this year (Normal Cost)	81,143
Portion to be “earned” in future years	<u>625,914</u>
APVTPB	\$ 2,078,766

Annual OPEB Cost Under GASB 45

The Annual Required Contribution (ARC) is equal to the Normal Cost plus an amortization of the Unfunded Actuarial Accrued Liability (UAAL).

The Annual OPEB Cost, the actual amount to be accrued each year under GASB 45 as an annual operating expense, is calculated as the sum of (1) the ARC, (2) one year’s interest on prior years’ ARC’s that haven’t been funded yet, and (3) an adjustment to prevent double-counting of the amortization of the UAAL.

The Annual OPEB Cost for the 2012-2013 fiscal year is **\$160,469**. For the 2013-2014 fiscal year, the Annual OPEB Cost will be **\$165,612**. Detailed derivations of these amounts are shown in Exhibit 2 of this report. Exhibit 3 provides *estimates* of the Annual OPEB Cost for the next three years after that.

At the end of each fiscal year, BAWSCA will carry a balance sheet liability, called the “**Net OPEB Obligation/Asset**”, which represents the cumulative amount of Annual OPEB Costs for all past years that haven’t yet been funded. It is my understanding that the Net OPEB Obligation as of June 30, 2012 is \$0 because BAWSCA is accruing costs under GASB 45 for the first time in the 2012-13 year.

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Exhibit 1 - Actuarial Values as of July 1, 2012

The actuarial present value as of July 1, 2012 of all future benefits from the program, also known as the **Actuarial Present Value of Total Projected Benefits (APVTPB)**, for all current and former employees, is as follows:

Current employees	\$ 1,484,340
Retirees	594,426
Total (APVTPB)	\$ 2,078,766

The portion of the APVTPB which is attributed to past years of employment is called the **Actuarial Accrued Liability (AAL)**. As of July 1, 2012, that amount is \$1,371,709.

The **Actuarial Value of Assets (AVA)** is the total amount of assets that have been segregated for purposes of paying these benefits, and which cannot be used by BAWSCA for any other purpose. For accounting purposes, this segregation is accomplished by setting assets in an irrevocable trust, rather than merely allocating funds to an account of BAWSCA's balance sheet. As of July 1, 2012, BAWSCA has not yet put any assets into an irrevocable trust for this purpose, so the AVA equals \$0.

The **Unfunded Actuarial Accrued Liability (UAAL)** is the excess, if any, of the AAL over the AVA. As of July 1, 2012, the UAAL equals the AAL, \$1,371,709.

Number of Employees Covered

Number of current employees	7
Average Age	43.7
Average Service	6.4
Number of retired employees	2
Average Age	64.0

Source of Information

A census of all eligible BAWSCA employees and retirees as of July 2012 was provided to me by BAWSCA.

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Exhibit 2 - Annual OPEB Cost

The **Annual Required Contribution (ARC)** is the sum of the Normal Cost and the amortization of the Unfunded Actuarial Accrued Liability (UAAL). For the 2013 and 2014 fiscal years, the ARC is computed like this:

Fiscal Year Ending	<u>June 30, 2013</u>	<u>June 30, 2014</u>
Actuarial Accrued Liability	\$ 1,371,709	\$ 1,476,129
Actuarial Value of Assets	0	0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,371,709	\$ 1,476,129
Years Remaining in Amortization Period	30	29
Amortization of UAAL	\$ 79,326	\$ 86,913
Normal Cost	81,143	81,143
Annual Required Contribution (ARC)	\$ 160,469	\$ 168,056

Annual OPEB Cost, which is the actual amount to be accrued each year under GASB 45 as an annual operating expense, is equal to the sum of (1) the ARC, plus (2) adjustments to reflect ARC's from prior years that have not yet been funded. For the 2012 and 2013 fiscal years, these amounts are:

Fiscal Year Ending	<u>June 30, 2013</u>	<u>June 30, 2014</u>
ARC	\$ 160,469	\$ 168,056
Interest adjustment	0	5,180
Amortization adjustment	<u>0</u>	<u>(7,624)</u>
Annual OPEB Cost	\$ 160,469	\$ 165,612

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Exhibit 3 - Five-Year Projection of Costs

Shown below is an estimate of the way in which the Annual OPEB Cost might be expected to increase over the next five years. In this illustration, it is assumed that BAWSCA will continue to fund these benefits on a pay-as-you-go basis, that the Normal Cost will increase 0% per year, and that all actuarial assumptions will remain unchanged.

Fiscal Year:	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Years of Amortization Remaining	30	29	28	27	26
ARC					
Normal cost	\$ 81,143	\$ 81,143	\$ 81,143	\$ 81,143	\$ 81,143
Amortization	<u>79,326</u>	<u>86,913</u>	<u>94,729</u>	<u>102,896</u>	<u>111,478</u>
Total ARC	\$ 160,469	\$ 168,056	\$ 175,872	\$ 184,039	\$ 192,621
Plus interest	0	5,180	10,320	15,483	20,676
Less ARC adjustment	<u>0</u>	<u>(7,624)</u>	<u>(15,483)</u>	<u>(23,703)</u>	<u>(32,340)</u>
Annual OPEB Cost	\$ 160,469	\$ 165,612	\$ 170,709	\$ 175,819	\$ 180,957
Funding by BAWSCA					
Pay-as-you-go amount	\$ 30,978	\$ 37,109	\$ 41,631	\$ 45,996	\$ 46,933
Additional funding	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total paid each year	\$ 30,978	\$ 37,109	\$ 41,631	\$ 45,996	\$ 46,933
Increase in Net OPEB Obligation	129,491	128,503	129,078	129,823	134,024
Net OPEB Obligation at beginning of year	\$ 0	\$ 129,491	\$ 257,994	\$ 387,072	\$ 516,895
Net OPEB Obligation at end of year	\$ 129,491	\$ 257,994	\$ 387,072	\$ 516,895	\$ 650,919

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Exhibit 4 - Summary of Plan Provisions

BAWSCA contributes toward post-retirement benefits for employees who retire after age 50 with at least 5 years of service. For employees new to CalPERS on or after January 1, 2013, the minimum retirement age is 52.

Retired employees may select any of the medical plans offered by CalPERS. BAWSCA pays the full amount of the monthly medical premium, subject to a phase-in under the “unequal contribution” method, which phases in to the full premium amount over a period of years. The retiree may cover dependents, and may add dependents after retirement if a qualifying event occurs. Payments are made for the lifetime of the retired employee and dependent spouse.

No dental, vision or other post-retirement benefits are provided to retired employees.

Exhibit 5 - Summary of Actuarial Assumptions

Actuarial Assumptions: The following assumptions as of July 1, 2012 were selected by BAWSCA in accordance with the requirements of GASB 45. In my opinion, these assumptions are reasonable and appropriate for purposes of determining OPEB costs under GASB 45.

Discount rate: 4.00% per year. This represents what BAWSCA expects to earn on its investments over the long term (20 to 60 years).

Funding Method: The Entry Age Normal funding method, with the Normal Cost computed as a level dollar amount. The Unfunded Actuarial Accrued Liability is amortized as a level dollar amount over the closed 30-year period beginning July 1, 2012.

Turnover (withdrawal): Likelihood of termination within the next year is taken from the 2010 CalPERS OPEB Assumptions Model. Sample rates are:

	<u>5 Years Service</u>	<u>10 Years Service</u>	<u>15 Years Service</u>
Age 20	9.46 %		
Age 30	7.90 %	6.68 %	5.81 %
Age 40	6.32 %	5.07 %	4.24 %
Age 50	1.16 %	0.71 %	0.32 %

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Baseline Medical Costs: The CalPERS medical plans are considered to be “community rated”, so there is no implicit subsidy in the rates to be valued.

Mortality: Mortality rates are taken from the 2010 CalPERS OPEB Assumptions Model, projected to future years on a generational basis using Scale BB, to approximate the effect of future improvements in life expectancy.

Retirement: Retirement rates are taken from the 2010 CalPERS OPEB Assumptions Model, for miscellaneous public employees with 2% at 55 retirement. Sample rates are:

	<u>10 Years Service</u>	<u>20 Years Service</u>	<u>30 Years Service</u>
Age 55	6.4 %	9.4 %	12.7 %
Age 58	6.6 %	9.7 %	13.1 %
Age 61	11.3 %	16.5 %	22.4 %
Age 64	14.8 %	21.6 %	29.4 %

Medical Cost Increases (Trend): CalPERS medical premiums are assumed to increase as follows:

2014	7.0 %
2015	6.7 %
2016	6.4 %
2017	6.1 %
2018	5.8 %
2019 and later	5.5 %

Coverage Elections: 100% of future eligible retired employees who have current medical coverage are assumed to participate in this program. Employees are assumed to keep the same medical plan and marital status after retirement that they have while employed. Male spouses are assumed to be 3 years older than females.

Assets: The actuarial value of assets is the fair market value of assets.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **New Employee Pay and Benefits**

Summary:

Discussion at the March 21, 2013 Board meeting included suggestions that BAWSCA consider modifying benefits for new employees, particularly, but not exclusively those related to retirement benefits. One suggestion was that such changes be identified and implemented prior to the hiring of any new employees.

To avoid delaying critical results related to BAWSCA's Work Plan for the current year, and to allow benefits decisions to be made based on complete information, staff requests that the Committee recommend that BAWSCA:

1. proceed with upcoming recruitments based on current benefits,
2. undertake a comprehensive review of BAWSCA's employee and retiree benefits relative to current practices of comparable agencies,
3. analyze whether any Board actions are required for BAWSCA's compliance with the California Public Employee Pension Reform Act (PEPRA).

Fiscal Impact:

Even if required and otherwise appropriate revisions to employee benefits could be identified and implemented immediately, the impact on the FY 2013-14 Operating Budget would be small. However, benefits changes could significantly affect future expenditures, and should be examined based on complete information. The proposed Operating Budget already contains funding for a compensation survey for staff positions. The first step, a compensation survey for the CEO position, is about to begin.

Recommendation:

That the Committee recommends the Board postpone consideration of revisions to BAWSCA employee and post-retirement benefits until after completion of a comprehensive staff position compensation survey to be completed this coming fall and further analysis of the applicability of PEPRA to BAWSCA's compensation and benefits structure. Staff further recommends the Board consider any actions needed to comply with the California Public Employee Pension Reform Act for prompt implementation.

Discussion:

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

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

In addition, delaying the filling of the proposed new position until complete analysis can be performed will also delay progress toward key results under the Work Plan by one-third to one-half of a year.

Board discussion to date did not include an inquiry or discussion of BAWSCA's current mix of benefits. The normal bi-annual compensation survey was intentionally postponed since 2010

because salaries and benefits at comparator agencies have been in a state of flux, and the data would have had little meaning. At this time, many agencies have completed, or are working to complete, adjustments to their benefits programs following passage of PEPRA.

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

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

With respect to the market place as reflected in past compensation studies, BAWSCA has a good benefit program, but does not have many of the retirement benefits that have imposed a financial burden on many other public agencies.

All of these factors suggest that a prudent approach would be to begin with a review of BAWSCA's current benefits, obtain information about benefits provided to like positions in the Bay Area market, and make an informed determination of whether the benefit package is appropriate, and where changes might be needed to fit in the agency's desired place relative to other local governments.

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

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

While a comprehensive review of employee and retiree benefits is not included in the proposed Work Plan, it might be possible to accommodate a benefits review. Resources needed would include: a) Hanson Bridgett counsel on employee benefits; b) possibly more survey work than originally anticipated, but that cost is fairly low; and c) the time of the CEO, office manager and perhaps the Senior Administrative Analyst to evaluate and summarize data for the Board.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

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

This memorandum presents four alternatives evaluated, including a recommended alternative. The advantages and disadvantages of each alternative are presented. The recommended alternative (Alternative 3) requires hiring a junior-level staff person and is the lowest-cost alternative that completes the full Work Plan. Challenges that must be addressed over the next five to ten years demonstrate continued need for the position.

The proposed FY 2013-14 Operating Budget associated with the recommended alternative is \$3,116,189. Of this amount, \$300,000 is for a one-time cost. The budget could be funded without increasing assessments for the fifth year in a row. However, budget adjustments, historical levels of spending, and the level of assessments need to be considered in managing the General Reserve balance over the next several years.

At the March board meeting, the preliminary work plan and budget were presented including the recommended alternative. Board members expressed support for the proposed Work Plan, the results to be achieved, and the recommended alternative involving the hiring of a new staff person. The Work Plan has been modified to include the successful recruitment, hiring, and transition of a new Chief Executive Officer/General Manager. The primary outstanding issue from that meeting was the proposed budget allowance for staff merit increases. The proposed Operating Budget includes allowance presented in the preliminary budget. The memo presents alternatives for consideration.

If a separate recommendation is made to fund Other Post-Employment Benefits, that amount would need to be added to the proposed budget.

Recommendation:

That the Committee recommend the Board adopt:

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

Proposed Work Plan:

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

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

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

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

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

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

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

- Coordinated support for current and future Integrated Regional Water Management Plan (IRWMP) grant funds enable member agencies to fund conservation and recycling projects that might otherwise be infeasible.

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

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

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

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

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

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

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

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

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

RELIABLE SUPPLY - WATER SUPPLY MANAGEMENT PROGRAM

1. Long-Term Supply Solutions: Ensure a Reliable, High Quality Supply of Water is Available Where and When Needed.

- a. Reliable Water Supply Strategy – Continue work to complete Strategy by December 2014. Work will include groundwater supply evaluation, evaluation of project portfolios to meet updated supply needs, and the presentation of policy decisions for board consideration including drought level of service.
- b. Drought Reliability – Pursue planning for projects that would enhance near-term drought reliability for all agencies. Implementation of a pilot water transfer is not included but would be reviewed in December 2013 as part of mid-year budget review.
- c. Consistent and Defendable Regional Planning – Develop updated water demand projections, estimates of current conservation savings, and identification of conservation savings potentials for each BAWSCA member agency through 2040 using a uniform method.

2. Near-term Supply Solutions: Water Conservation

- a. Implement Core Water Conservation Programs - Programs that benefit all customers.
- b. Implement Subscription Water Conservation Programs - Rebate and other programs that benefit, and are paid for by, agencies that subscribe for these services.

3. Facility Reliability: Monitor the SFPUC's Water System Improvement Program/10-Year Capital Improvement Program

- a. Monitor WSIP scope, cost, and schedule as San Francisco continues an aggressive construction schedule through 2015 - Press the SFPUC and the city's political leadership to meet the city's adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests. Focus resources on monitoring project and program performance during construction.
- b. Pursue legislation to modify current sunset clause and extend State oversight on WSIP implementation
- c. Review and monitor SFPUC's Regional 10-Year Capital Improvement Program to ensure that identified projects and programs meet the needs of the BAWSCA member agencies in a cost-effective and appropriate manner. Some of the consultant resources currently being utilized as part of BAWSCA's WSIP review will aid in this effort.

4. Protect Members' Interests in a Reliable Water Supply

- a. Proponents of draining Hetch Hetchy Reservoir – Continue to assess potential significance and risks associated with “legal and congressional” actions that might be taken by proponents.
- b. FERC – Ensure resources for legal and technical monitoring and intervention in the FERC Re-licensing of New Don Pedro Reservoir are sufficient to protect the customers' long-term interests in Tuolumne River water supplies.
- c. SFPUC water transfer – Protect members' water supply and financial interests as SFPUC continues to pursue securing a water transfer to meet WSIP LOS goals.

5. Take Actions to Protect Members' Water Supply Interests in the Administration of the 2009 Water Supply Agreement

- a. Pursue amendment of the Tier 1 drought allocation formula with SFPUC.

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

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

7. Reporting and Tracking of Water Supply and Conservation Activities

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

FAIR PRICE

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

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

HIGH QUALITY WATER

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

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

AGENCY EFFECTIVENESS

10. Maintain Community Allies and Contacts with Environmental Interests

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

11. Manage the Activities of the Agency Professionally and Efficiently

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

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

Reliable Supply

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

Fair Price

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

High Water Quality

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

Agency Efficiency

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

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

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

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

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

Work Plan and Budget Alternatives Examined

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

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

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

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

The following four alternatives were evaluated:

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

Alternative 2: Reduced Work Plan (Balanced staff loading)

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

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

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

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

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

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

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

<u>Alternative 1</u>	
Consultants/Direct Expenses	\$1,475,162
Administration Expenses/Other	\$1,463,527
<u>Contingency</u>	<u>\$ 57,500</u>
Total Operating Expenses	\$2,996,189

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

Alternative 2: Reduced Work Plan (Balanced Staff Loading)

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

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

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

Advantages of Alternative 2:

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

Disadvantages of Alternative 2:

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

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

<u>Alternative 2</u>	
Consultants/Direct Expenses	\$1,327,162
Administration Expenses/Other	\$1,463,527
<u>Contingency</u>	<u>\$ 57,500</u>
Total Operating Expenses	\$2,848,189

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

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

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

Advantages of Alternative 3:

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

Disadvantages of Alternative 3:

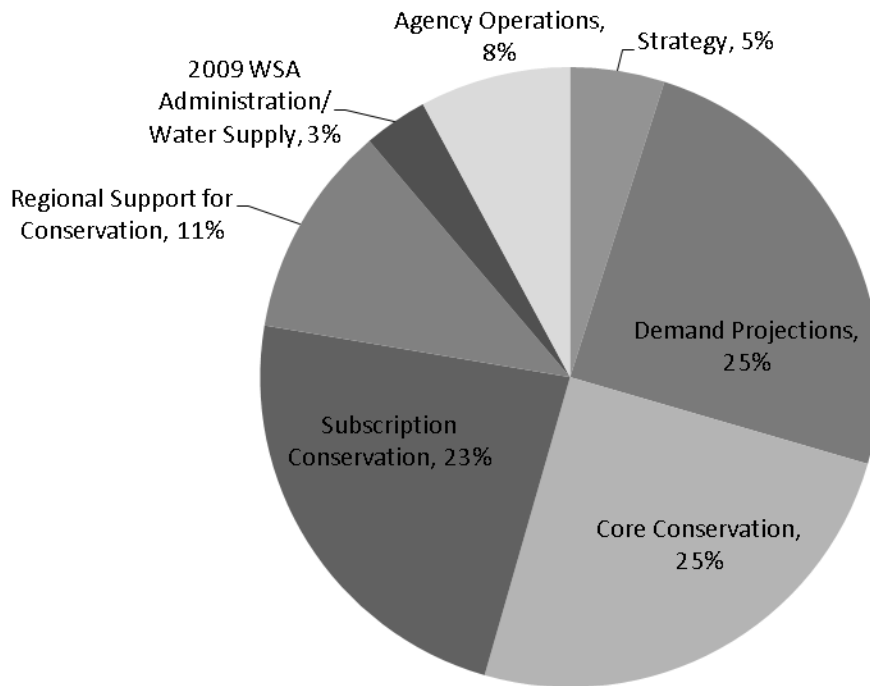
- Increases the proposed Operating Budget by an estimated \$140,000 (for salary and benefits)

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

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

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

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



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

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

Advantages of Alternative 4:

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

Disadvantages of Alternative 4:

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

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

<u>Alternative 4</u>	
Consultants/Direct Expenses	\$1,727,362
Administration Expenses/Other	\$1,463,527
<u>Contingency</u>	<u>\$ 57,500</u>
Total Operating Expenses	\$3,250,389

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

A detailed budget for this alternative is presented below.

Recommended Proposed FY 2013-14 Operating Budget:

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

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

Cost Category	Approved FY 2012-13 Budget, dollars*	Proposed FY 2013-14 Budget, dollars	Difference, dollars
Consultants/ Direct Expenditures			
Reliability	965,162	1,151,662	186,500
Fair Pricing	210,000	227,500	17,500
Administration	91,000	74,000	(17,000)
<i>Subtotal</i>	1,266,162	1,453,162	187,000
Administration			
Employee Salaries & Benefits	1,099,742	1,308,527	208,785
Operational Expenses	280,600	290,500	9,900
BAWUA	1,100	1,100	0
<i>Subtotal</i>	1,381,442	1,600,127	218,685
Total Operating Expenses	2,647,604	3,053,289	405,685
Capital Expenses	4,000	4,000	0
Budgeted Contingency	62,500	57,500	(5,000)
Regional Financing Authority	1,400	1,400	0
Grand Total	2,715,504	3,116,189	400,685

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

Explanation and Alternatives for Salaries and Benefits:

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

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

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

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

Removing the COLA adjustment for top step salaries would reduce the budget but retain a \$22,000 allowance for positions not already at top step. The possible merit adjustments for the Water Resource Planning Manager, the Office Manager and the Assistant to the CEO would be affected.

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

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

Discussion at the Match Board meeting raised questions about whether benefits should be modified for new employees. This matter is agenzized for separate discussion and would not have a material impact on the Operating Budget.

Funding the Proposed Operating Budget:

The proposed budget can be funded at the current assessments plus a transfer from the General Reserve. The General Reserve balance has increased over the last several years, and will need to be drawn down to remain within the Board's guidelines. A multi-year assessment indicates that an ongoing budget of comparable size can be funded without raising assessments, but would the routine review to ensure the reserve is not depleted.

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

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

Of this use of the General Reserve, \$300,000 represents one-time consultant expenses for the updated water demand projections. Without that one-time expense, the approximate size of the ongoing Operating Budget would be about \$2,800,000. Current assessments are \$2,517,000 per year.

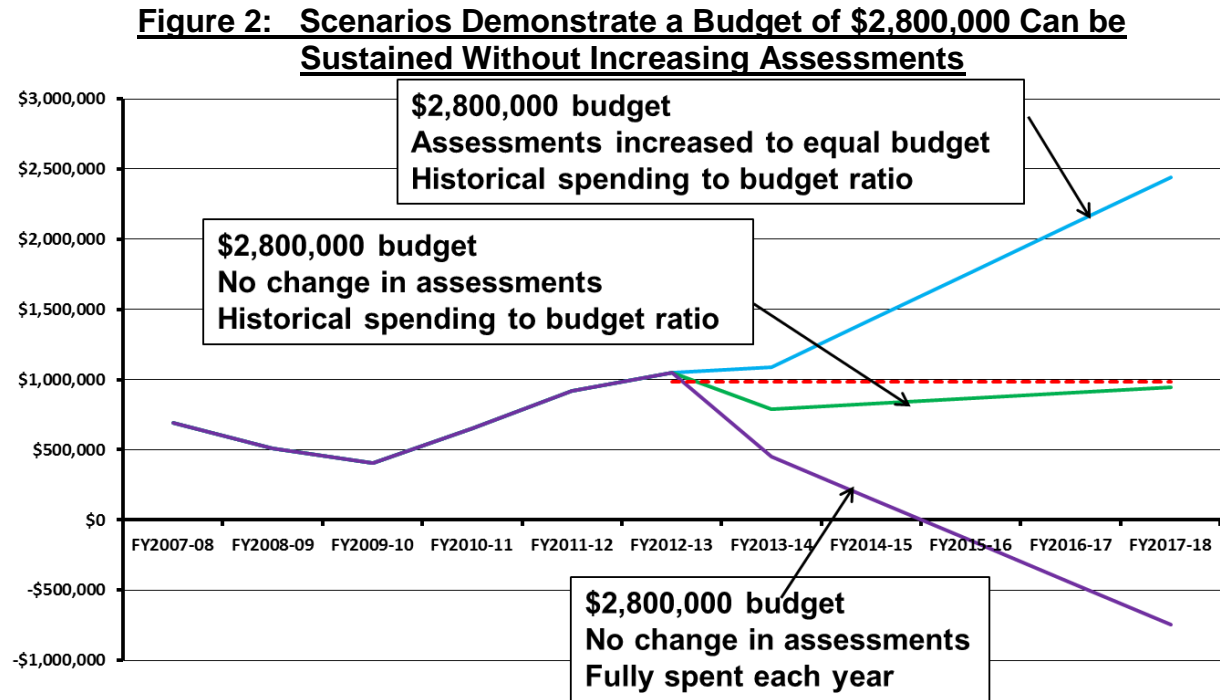
For the purpose of looking at the General Reserve balance in future years, three scenarios were examined and are depicted in Figure 2:

1. An ongoing budget level of \$2,800,000, increasing assessments to equal the budget, and the historical spending to budget ratio of 0.88.
2. An ongoing budget level of \$2,800,000, no change to assessments, and the historical spending to budget ratio of 0.88.
3. An ongoing budget level of \$2,800,000, no change to assessments, and fully spending the budget.

Scenario #1 would result in an increasing General Reserve balance. To fully fund a budget of \$2,800,000 would require an increase in assessments of 11%. Increasing assessments to equal the budget is not necessary.

Scenario #2 would result in a nearly stable General reserve balance.

Scenario #3 would deplete the General Reserve balance in about two years, but is not realistic at the level of budgeting assumed.



Important note: If a decision were made to fully fund Other Post-Employment Benefits, that amount would need to be added to the proposed budget and would require a modest increase in assessments next fiscal year.

Appendices

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

Appendix A: Funding for Subscription Conservation Programs

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

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

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

Appendix C: Value for the Cost

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

Appendix D: Historical Assessments

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

Table 5. Historical Annual Assessments and Year-End Reserves

Fiscal year	Assessments	Year-End Reserves
2003-04	\$1,668,550	\$276,480
2004-05	\$1,641,995	\$246,882
2005-06	\$1,953,998	\$240,000
2006-07	\$2,117,904	\$654,000
2007-08	\$2,117,904	\$691,474
2008-09	\$2,309,000	\$507,474
2009-10	\$2,517,000	\$407,192
2010-11	\$2,517,000	\$653,763
2011-12	\$2,517,000	\$916,897
2012-13	\$2,517,000	\$1,251,000 (est.)

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

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

Appendix F: Proposed Budget for the Regional Financing Authority Budget

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

Appendix G: History of Salary and Benefits Adjustments

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

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

Appendix H: Uses of Professional Services

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

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

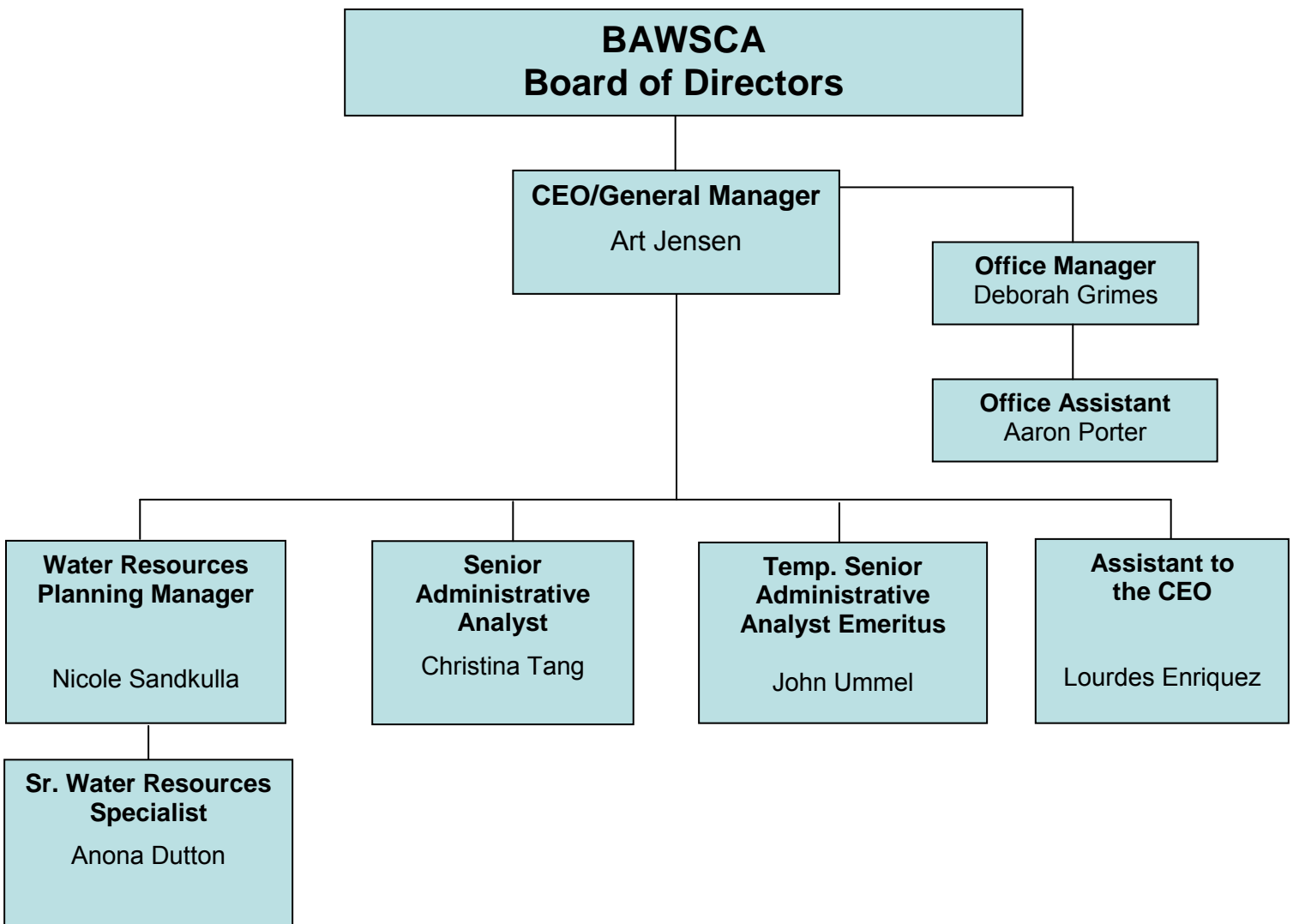
Reliable Water Supply Strategy, providing legislative and political support, and providing advice to the CEO and the Board on other issues significant to the water customers and the effectiveness of the agency.

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

Appendix I: Current Organization and Staffing

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

Figure 2. Current Organization Chart



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

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

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

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

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

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

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

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

Fiscal Impact:

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

Recommendation:

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

Discussion:

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

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

Table 1 summarizes the costs for 12 professional services contracts needed in place by July 1, 2013: The combined budget for these professional services is \$966,000.

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

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

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

3) Subscription Programs paid by participating agencies.

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

Legal counsel services funded by the Operating Budget

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

Strategic counsel services funded by the Operating Budget

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

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

Technical services funded by the Operating Budget

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

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

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

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

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

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

- What is SFPUC doing to ensure sufficient resources in time for the steep construction period?
- Will changes in policy and management leadership before the end of construction delay the program?

Financial services funded by the Operating Budget

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

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

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

Fiscal Impact:

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

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

Recommendation:

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

Discussion:

Hanson Bridgett's scope includes routine general legal services related to contract reviews, personnel and other administrative functions. The scope also supports work related to achieving specific results such as water contract administration for the new Water Supply Agreement, implementing solutions for meeting near-term and long-term water needs, assisting in efforts to get the system rebuilt in a way that satisfies water customer needs,

protecting the water supply on which member agencies depend, and assistance with legislation.

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

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

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

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

Attachment A

Hanson Bridgett LLP

Legal Services

PURPOSE

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

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

SCOPE OF WORK

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

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

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

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

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

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

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

The above-mentioned activities may require legal counsel to:

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

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

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

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

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

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Attachment B

**Hanson Bridgett LLP
Rate and Charges**

FY 2013-14

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

FY 2013-14 RATES

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

OUT OF POCKET EXPENSES

At Cost

OTHER CHARGES

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

COST SAVING ADJUSTMENTS

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

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

Fiscal Impact:

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

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

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

Recommendation:

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

Discussion:

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

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

- a) Strategic counsel to protect water users from possible negative impacts of draining Hetch Hetchy Reservoir. That assistance included advising the CEO/General Manager prior to and following interactions with legislators, legislative staff, the mayor of San Francisco and the leadership of the Board. This effort ultimately resulted in an amendment to the Water Supply Agreement that gives each member

agency a vote before San Francisco could implement a plan to drain the reservoir or remove the dam.

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

Examples of the historical value provided by Strategic Counsel:

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

Qualifications:

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

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

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

Scope of Services:

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

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

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

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

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

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

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

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

Attachment A includes a proposed scope of work.

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Attachment A

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

PURPOSE

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

SCOPE OF WORK

Work to be Performed:

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

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

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

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

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

Rates and Charges:

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

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

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

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

Fiscal Impact:

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

Recommendation:

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

Discussion:

In November 2007, Mr. Roberts was retained to assist in reviewing the progress of the WSIP. In FY 2013-14, the SFPUC's efforts in implementing the WSIP will be nearly 100% engaged in construction activities. Several key projects will be in the construction phase next fiscal year, including the Calaveras Reservoir Replacement, New Irvington Tunnel, Bay Division Reliability Upgrade Tunnel and Pipeline, and the Harry Tracy Water Treatment Plan Long-Term Improvements.

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

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

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

Scope of Services – Results to Be Achieved:

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

Billing Rates:

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

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

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

EXHIBIT A

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

DRAFT

FY 2013-14 SCOPE OF SERVICES

Purpose:

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

Work to be performed:

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

Not to Exceed Contract Limit: \$125,000

Rates and Charges:

The hourly billing rate is shown below.

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: Professional Services Contract with Stetson Engineering

Summary:

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

Fiscal Impact:

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

Recommendation:

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

Discussion:

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

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

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

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Attachment A

Stetson Engineering, Inc.

**Water Supply Agreement and
Engineering Support Services**

PURPOSE

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

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

SCOPE OF WORK

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

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

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

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

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

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

Budgeted Activities:

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

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

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

Rates and Charges:

Hourly billing rates are shown below.

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

Fiscal Impact:

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

Recommendation:

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

Discussion:

HFH has been providing BAWUA/BAWSCA key financial and rate setting advice for over two decades (though not under contract every year). One of the firm's principals, John Farnkopf, was instrumental in developing the 1984 Master Contract and assisted in negotiating the 2009 Water Supply Agreement. HFH has assisted BAWSCA staff with analyzing the water shortage allocation plan alternatives. HFH has extensive knowledge of water rate setting, having developed over 120 rate studies for retail and wholesale water, wastewater, and storm water agencies.

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

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**Hilton, Farnkopf and Hobson
Financial Advisors**

PURPOSE

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

SCOPE OF WORK

Work to be Performed:

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

Proposed Budget: \$30,000

Rates & Charges:

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

Fiscal Impact:

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

Recommendation:

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

Discussion:

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

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

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

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**KNN Public Finance
Financial Advisors**

PURPOSE

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

SCOPE OF WORK

Work to be Performed:

Anticipated tasks may include the following:

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

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

Proposed Budget: \$60,000

Rates & Charges:

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

Fiscal Impact:

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

Recommendation:

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

Discussion:

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

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

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Burr, Pilger and Mayer
Auditing and Accounting Advisors

SCOPE OF WORK

PURPOSE

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

Work to be Performed

Anticipated tasks include the following:

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

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

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

Proposed Budget: \$15,000

Hourly Rates & Charges:

Partner: \$350

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

Fiscal Impact:

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

Recommendation:

That the Committee recommends the Board authorize the CEO/General Manager to:

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

Discussion:

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

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

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

Table 1: Large Landscape Conservation Services Program Summary

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

* Savings are calculated on a calendar year basis.

Alternatives:

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

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

Conclusion:

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

Attachment:

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

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EXHIBIT A

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

Program Initiation and Site Setup (first 60 days)

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

Report Distribution (ongoing)

1. Data Collection. Agency forwards Waterfluence a water use file at the beginning of each month with the previous month's water use for each account in the program. Waterfluence collects daily weather data from CIMIS, NOAA, or other sources and updates water rates when relevant.
2. Water Use Report Distribution. Each month, Waterfluence distributes reports to all site contacts via email or mail.
3. Agency Review. Waterfluence provides Agency with electronic access to review all Water Use Reports, Site Maps, and Landscape Field Survey Reports (described in next section).
4. Site Contact Maintenance. Waterfluence will continually update site contact information. This includes monitoring changes in account number, investigating returned mail envelopes, and investigating email bounce backs. Site contacts can be added or modified via Waterfluence web site or toll free telephone. Primary site contact (water bill payer) needs to authorize any changes in site contacts to become effective.
5. Site Map Updating. Waterfluence will correct any map errors identified by site contacts.
6. Customer Service. Waterfluence provides customer service to site contacts via web site and toll free telephone number.

7. Messaging. Water Agencies and BAWSCA can have Waterfluence send specific messages to particular sites or group of sites via the Water Use Report. Messages might include information on other landscape programs (e.g., financial incentive programs), events, useful hyperlinks, or policies.

Landscape Field Surveys (optional)

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

Summary of Agency Tasks

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

Deliverables

Waterfluence provides the following project deliverables:

1. Waterfluence Web Portal Access. Water agency staff get access to the Waterfluence web portal via a username/password to:
 - a. View their most current Water Use Reports, site maps and, if relevant, Landscape Field Survey Reports.
 - b. Sort sites by characteristics such as total water use, water over budget, or site rank.
 - c. Target and approve sites to receive a Landscape Field Survey.
 - d. View site contacts and the last date the report was viewed (for sites getting their report electronically).
 - e. View a Fiscal Year history of program activity including:
 - i. Number of sites
 - ii. Total landscape acres
 - iii. Total water use
 - iv. Total over budget water use
 - v. Total water savings
 - vi. Number of Landscape Field Surveys
2. BAWSCA Fiscal Year Report. BAWSCA receives a spreadsheet table showing the aggregate program activity fields shown above for all sites participating from their member agencies by fiscal year.
3. Waterfluence Report and Website Content Changes. Waterfluence is continually expanding and evolving the content shown on the Water Use Report and its website. All participating water agencies and BAWSCA will be notified of significant changes in content.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

Fiscal Impact:

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

Recommendation:

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

Discussion:

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

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

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

A contract with B&C in FY 2013-14 is proposed to provide additional as needed technical support to BAWSCA and the member agencies for on-going implementation of the WCDB and integration of the WCDB with the DSS Models that are being developed for each BAWCA agency as part of the Regional Water Demand and Conservation Projection Project,

which was approved by the BAWSCA Board at its March 2013 meeting. Such technical support activities include adding or deleting additional data sheets as agency water conservation programs evolve, addressing technical issues that arise during agency utilization of the WCDB, and augmenting the database to improve key features and user experience.

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

Alternatives:

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

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

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

Conclusion:

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

Brown and Caldwell

PURPOSE

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

Work to be Performed:

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

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

Not to Exceed Budget:

\$35,000

Rates & Charges:

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

Fiscal Impact:

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

Recommendation:

That the Committee recommend the Board authorize the CEO/General Manager to:

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

Discussion:

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

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

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

Table 1: Water Wise School Education Program Summary

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

Table Notes:

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

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

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

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

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

Alternatives:

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

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

Conclusion:

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

Attachment:

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

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

PROGRAM DESCRIPTION

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

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

BAWSCA Indoor WaterWise™ at a glance:

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

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

TEACHER ACCEPTANCE

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

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

PROGRAM GOALS

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

PROGRAM OBJECTIVES

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

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

ESTIMATED PROGRAM RESULTS

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

Projected 10 year Savings:

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

PROGRAM MATERIALS

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

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

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

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

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

PROGRAM IMPLEMENTATION

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

Responsibilities of Contractor:

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

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

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

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

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

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

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

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

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

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

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

PROGRAM TIMETABLE

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

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

BAWSCA INDOOR WATERWISE PROGRAM COST

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

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

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

Professional Services Agreement/Contract will be with:

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

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

PROGRAM DESCRIPTION

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

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

BAWSCA Outdoor WaterWise™ at a glance:

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

TEACHER ACCEPTANCE

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

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

PROGRAM GOALS

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

PROGRAM OBJECTIVES

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

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

PROGRAM MATERIALS

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

Services Provided in This Quote:

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

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

Materials Provided in This Quote:

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

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

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

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

PROGRAM IMPLEMENTATION

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

Responsibilities of Contractor:

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

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

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

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

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

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

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

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

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

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

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

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

PROGRAM TIMETABLE

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

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

BAWSCA OUTDOOR WATERWISE PROGRAM COST

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

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

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

Professional Services Agreement/Contract will be with:

Resource Action Programs®

Program Center

976 United Circle

Sparks, NV 89431

Phone: 1-888-438-9473

Fax: 1-800-544-8051

Contact: Joseph Thrasher

JThrasher@resourceaction.com

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

Fiscal Impact:

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

Recommendation:

That the Committee recommends the Board authorize the CEO/General Manager to:

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

Discussion:

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

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

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

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

Alternatives:

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

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

Conclusion:

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

Attachment:

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

EXHIBIT A

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

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

BAWSCA and/or Local Water Agency Roles and Responsibilities:

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

EarthCapades Roles and Responsibilities:

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

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

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

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

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

Single Performer Programs

\$510 / 1 show

\$850 / 2 shows (back to back)

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

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

Duo Performer Programs

\$680 / 1 show

\$1020 / 2 shows (back to back)

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

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

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

Fiscal Impact:

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

Recommendation:

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

Discussion:

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

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

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

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

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Attachment A

Chavan & Associates, LLP

Audit Services

PURPOSE

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

SCOPE OF WORK

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

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

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

Records to be Audited

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

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

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

Time Consideration and Reporting Requirements

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

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

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

Attachment B

Chavan and Associates, LLP Client List

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Compensation Adjustment for Chief Executive Officer and General Manager for FY 2012-13**

Summary:

Whether or not to adjust the compensation of the CEO/General Manager for FY 2012-13 has not yet been considered by the Board. The chair of the Board has prepared a recommendation which is presented in the attached memorandum.

Fiscal Impact:

The attached memo from the chair of the Board recommends an adjustment of 10 percent to the CEO/General Manager salary. A ten percent adjustment would be equivalent to \$21,100 per year, bringing the CEO's total annual salary to \$232,100. Funds are available from the budgeted contingency.

Recommendation:

That the Board Policy Committee recommend Board approval of increasing the salary of the Chief Executive Officer and General Manager for FY 2012-13, retroactive to July 1, 2012.

Discussion:

See the attached memorandum from the Chair of the Board and historical information.

Attachments:

1. Memo from the Chair dated April 5, 2013
2. Background on adjustments to the CEO/General Manager's compensation, the results of a 2010 salary survey and the CEO compensation history.

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Date: April 5, 2012

Memo

To: Board Policy Committee

From: Irene O'Connell, Chair, BAWSCA Board

Subject: CEO/GM Salary Increase; Fiscal Year 2012-2013

Background: It has been the Board's practice to consider compensation for the CEO/GM at the time of his yearly evaluation. Unfortunately, due to various time sensitive issues and circumstances, while the evaluation was completed, salary compensation was not addressed this last fiscal year.

Discussion: Under the guidance and leadership of our CEO/GM, BAWSCA experienced unparalleled accomplishments, the highlights being the \$62 million saved through bond issuance and the vote for BAWSCA member agencies about any future plan approved by San Francisco voters to drain the Hetch Hetchy Reservoir or remove the O'Shaughnessy Dam.

Given these and all the other accomplishments of the CEO/GM, I would like the Board Policy Committee to consider a 10% salary increase, retroactive to July 1 to correspond with the past fiscal year, for recommendation to the full Board.

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CEO/GM Compensation – Background Information

CEO/GM Compensation History and Adjustment Process

Contractual provisions

Base salary set by the Board and can be adjusted by the Board. Merit pay and changes to compensation can be awarded by the Board. Board has considered changes to base salary, one-time bonus payments, and adjustment of the automobile allowance.

Forms of compensation and benefits

Salary, automobile allowance (CEO/GM only), travel expense reimbursement. Same medical and other benefits as provided to other employees. Deferred comp as for other employees with voluntary participation funded by the employee.

Historical compensation process for the CEO/GM position

Professional surveys performed of specified positions at specified agencies to enable the agency to compete for and maintain individuals who can perform the duties of the position effectively. Data collected include salary, other compensation, leave (vacation, admin, other). The data provide a context for setting CEO/GM's salary/compensation. The use of data is not formulaic.

Results from November 2010 Salary Survey

CEO AND GENERAL MANAGER					
Rank	Comparator Agency	Class Title	Monthly Salary	Annual Equivalent	Effective Date
1	San Francisco PUC	General Manager	\$24,548	\$294,580	7/1/2010
2	East Bay Municipal Utility District	General Manager	\$24,257	\$291,084	4/26/2010
3	Alameda County Water District	General Manager	\$21,783	\$261,396	6/28/2010
4	Contra Costa Water District	General Manager	\$19,167	\$230,006	9/16/2010
5	City of Palo Alto	City Manager	\$19,148	\$229,780	7/1/2008
6	Santa Clara Valley Water District ^a	Chief Executive Officer	\$17,556	\$210,673	6/28/2010
7	City of Hayward	City Manager	\$17,377	\$208,520	10/1/2010
	BAWSCA	CEO/General Manager	\$17,583	\$211,006	7/1/2010

a. Publicized salary is \$19,295.46 which includes a 9.9074% PERS retirement contribution payroll deduction. Figure shown does not include the 9.9074% contribution.

BAWSCA CEO/GM Salary History

Fiscal Year	Salary	Effective date	Adjustment	Notes
1995-96	107,000	9/25/1995	-	Starting salary ¹
1996-97	114,276	9/25/1996	6.8%	1.8% COLA + 5.0% merit
1997-98	125,704	9/05/1997	10.0%	2.3% COLA + 7.5% merit
1998-99	133,475	7/01/1998	4.1%	4.1% COLA
1999-00	142,562	7/01/1999	6.8%	2.7% COLA + 4.0% merit
2000-01	148,835	7/01/2000	4.4%	4.4% COLA
2001-02	154,788	7/01/2001	4.0%	4.0% COLA
2002-03	160,206	7/01/2002	3.50%	3.5% COLA + 5% cash bonus
2003-04	160,206	7/01/2003	0.0%	No adjustment. 5% cash bonus
2004-05	160,206	7/01/2004	0.0%	No adjustment
2005-06	168,216	7/01/2005	5.0%	5% increase
2006-07	173,262	7/01/2006	3.0%	3% increase + 2% bonus \$3364
2007-08	196,613	7/1/2007	13.161%	3.161% COLA + 10% merit ²
2008-09	204,840	7/1/2008	4.185%	4.185% COLA + \$10k bonus
2009-10	204,840	7/1/2009	0.0%	No adjustment
2010-11	211,006	7/1/2010	3.01%	3.01% COLA
2011-12	211,006	7/1/2011	0.0%	No adjustment
2012-13	211,006	7/1/2012	0.0%	No decision

¹ Auto allowance set at \$400 per month 1995-96.

² Auto allowance increased to \$650 per month in 2007-08.

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California water outlook: Sierra snowpack dry and getting drier, 52 percent of historic norm

By Paul Rogers

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Posted: 03/28/2013 02:28:53 PM PDT

Updated: 03/28/2013 07:50:24 PM PDT

It's been so dry this spring in California that, as they say in Texas, the trees are whistling for the dogs.

State water officials on Thursday announced that the Sierra Nevada snowpack -- a key source of drinking water for millions of people -- is at an anemic 52 percent of its historic average.

That's the lowest reading for the beginning of April of any time since 2007, which was the start of a three-year drought. Only two years during the past 20 have had less Sierra snow at this time of year, 1994 and 2007.

"We're seeing a lot of melted-out spots, a lot of grass and rock where we normally see snow," said Dave Rizzardo, chief of snow surveys for the California Department of Water Resources in Sacramento.

The amount of snow and rain that fell in the northern Sierra between January and the end of March is the least since records were first kept in 1920. In San Francisco, the rainfall over the same three months (1.72 inches) is the lowest since records were first kept in 1850, and the second lowest in San Jose, whose records go back to 1874. It's a similar story in Oakland, with the driest spring so far since the 1930s, when consistent records there were first kept.

A forecast for mild weekend showers across the Bay Area, with a 70 percent chance of rain Sunday, won't be enough to change the overall picture, water experts said.

Nevertheless, in an odd mix of events, so much rain and snow fell in Northern California in November and December that reservoirs and ground water banks remain healthy, and no large Bay Area water agencies say they expect water restrictions or mandatory rationing this summer.

"We have planned for the possibility that the winter would be as dry as it is. We are prepared with other water supplies," said Marty Grimes, a spokesman for the Santa Clara Valley Water District, in San Jose. "We are fine through this year. But obviously we'll be hoping for a wetter winter next year."

In the East Bay, water officials held back more of the runoff from heavy storms late last year in their reservoirs than normal, leaving plenty of water "in the bank" when the spring rains failed to materialize.

The on-again-off-again rainfall this year has made for a wild hydrologic ride.

"We got more rain in a few hours during one storm on Dec. 23 than we've had in the whole three-month period from January until now. It's been a strange year," said Charles Hardy, a spokesman for the East Bay Municipal Utility District, which serves 1.3 million people in Alameda and Contra Costa counties.

The district's main storage area, Pardee Reservoir in Calaveras County, was 88 percent full Thursday. At worst, the district's customers Frank Gehrke, Department of Water Resources chief of California Cooperative Snow Surveys, and Keith Swanson, Department of Water Resources chief of Division of Flood Management, take snow samples at Phillips Station in El Dorado county on Thursday, March 28, 2013. (AP Photo/The Sacramento Bee, Randall Benton) (Randall Benton) will get a voluntary conservation request this summer, Hardy said.

Same thing in Silicon Valley, where the Santa Clara Valley Water District is comfortably sitting on a year's supply of water in its vast underground aquifers, roughly 326,000 acre feet, and has another year's supply, about 308,000 acre feet, stored underground at the Semitropic Water Storage District near Bakersfield.

The bone dry last three months haven't even particularly affected the state's ski resorts. At Heavenly at Lake Tahoe, there is a 4-foot base, some of which is left over from the November and December storms, and the U.S. National Freestyle Skiing Championships are set for this weekend.

"The snowpack was generated early. We are just riding it out through the season," said Heavenly spokesman Russ Pecoraro. "People have been coming up and raving about the conditions."

Some Californians, particularly some San Joaquin Valley farmers, however, will face a more parched summer than their Bay Area neighbors. That's because the low snowpack means state and federal officials won't be able to pump as much from the Sacramento-San Joaquin River Delta, a key source of water for the farms that use 80 percent of the state's developed water supply.

Officials from Gov. Jerry Brown's administration on Thursday used the snowpack news to try to boost the difficult political fortunes of their \$23 billion plan to build two massive tunnels under the Delta to make it easier to move water from the north to the south.

"With today's snow survey, the table has been set for yet another very dry year," said state Natural Resources Secretary John Laird. "Add to that pumping restrictions imposed this winter because of vulnerable smelt and salmon populations, and it is clear that the security of California's water supply is threatened."

State hydrologists and private meteorologists, however, aren't ready to say the state is in a drought.

That's because it typically takes two dry years in a row for a drought to materialize in California, and although last year was drier than normal, the wet November and December have left plenty of water in reservoirs.

California would have received lots of rain and snow this winter, but a persistent zone of high pressure off the coast has forced storms into Canada and down into the Midwest, which has resulted in large amounts of snow there. In other words, the Rust Belt and Bible Belt are shoveling up what should have been California's rain.

Jan Null, a metrologist with Golden Gate Weather Services in Saratoga, offered one explanation:

"It just falls into the category of 'stuff happens.'"

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