

# BAWSCA

Bay Area Water Supply & Conservation Agency

## BOARD POLICY COMMITTEE

December 11, 2013

1:30 p.m.

**BAWSCA Offices, 155 Bovet Road San Mateo, 1<sup>st</sup> Floor Conference Room**

*(Directions on page 2)*

*(One Member of the Board will participate in this meeting by Teleconference. Locale shall be: Marriott Ko Olina Beach Club, 92-161 Waipahe Place, Kapolei, Oahu, Hawaii 96707. When any member of the board participates by teleconference, all votes taken at this meeting will be by roll call vote.)*

### AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page #</u>
<b>1. <u>Call To Order, and Roll Call</u></b> Roster of Committee members ( <i>Attachment</i> )	(Guzzetta)	Pg 3
<b>2. <u>Comments by Chair</u></b>	(Guzzetta)	
<b>3. <u>Public Comment</u></b> <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)	
<b>4. <u>Consent Calendar</u></b> A. Approval of Minutes from the October 9, 2013 meeting ( <i>Attachment</i> )	(Guzzetta)	Pg 5
<b>5. <u>Reports and Discussion Items</u></b> A. Resolution Adopting Policy Governing Distribution of BAWSCA's Assets Upon Dissolution ( <i>Attachment</i> ) <u>Issue:</u> What is required of BAWSCA to address the CalPERS CERBT provisions? <u>Information to Committee:</u> A memo and oral presentation on the resolution required by CalPERS to execute the establishment of the Trust previously authorized by the Board. <u>Committee Action Requested:</u> That the Committee recommend Board adoption of Resolution No. 2014-01 which outlines the policy governing the distribution of the Agency's assets upon its dissolution.	(Sandkulla)	Pg 17
B. Mid-Year 2013-14 Work Plan and Budget Review ( <i>Attachment</i> ) <u>Issue:</u> What adjustments are needed to complete planned and anticipated work during FY 2013-14? <u>Information to Committee:</u> A memo and oral presentation on FY 2013-14 Work Plan and Budget, projected year-end spending, and the estimated year-end General Reserve balance.	(Sandkulla)	Pg 21

Committee Action Requested: That the Committee recommend:

1. Board approval of the following revisions to the FY2013-14 Work Plan:
  - a. Investigate a potential pilot subscription program that would provide customers with water use information designed to promote water conservation, with all costs to be borne by participating member agencies;
  - b. Complete Phase II of the Pilot Water Transfer Plan to develop the agreements necessary to support a potential pilot water transfer;
  - c. Defer further evaluation of alternatives to current Tier 1 Drought Allocation Plan with San Francisco to FY 2014-15; and
  - d. Eliminate coordination effort related to SFPUC examination of alternative wholesale water rate structures.
2. Board review and discussion related to managing the General Reserve balance at the March 2013 and May 2013 Board meetings.

C. Fiscal Year 2014-15 Work Plan and Budget Preparation (Sandkulla) Pg 31

Issue: What critical results need to be achieved next year and what resources will be required?

Information to Committee: An oral report on challenges that must be considered in preparing the FY 2014-15 preliminary Work Plan and Budget.

Committee Action Requested: Discussion of issues that must be addressed during FY 2014-15.

**6. Reports (Sandkulla)**

- A. Pilot Water Transfer Plan – Status Report
- B. Water System Improvement Program - Status Report
- C. Board Policy Calendar (*Attachment*)
- D. System Tours

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**7. Comments by Committee Members (Guzzetta)**

**8. Adjournment to the next meeting on February 12, 2014 at 1:30pm in the 1<sup>st</sup> 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](mailto: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 1<sup>st</sup> 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.



**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

Louis 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**

**October 9, 2013 – 1:30 p.m.  
BAWSCA Offices, 155 Bovet Road, San Mateo, 1<sup>st</sup> Floor Conference Room**

<b>MINUTES</b>
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**1. Call to Order: 1:30 p.m.**

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

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

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

- 3. Public Comment:** Public comments were received from Wynn Greich.

- 4. Consent Calendar:** Approval of Minutes from the August 14, 2013 meeting.

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

**5. Action Items:**

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

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

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

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

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

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

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

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

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

**The motion carried unanimously.**

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

To make the required debt service payments on the bonds, bond surcharges will be set annually by the BAWSCA Board. The surcharge setting would normally occur in the month of March of each year. Ms. Tang reported that the item is being brought to the Committee now for Board approval in November so that all bond administrative matters are in place before and during her maternity leave.

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

Ms. Tang explained that the annual bond surcharges are a fixed amount for each agency, and are calculated by taking the obligated debt service in 2015, multiplied by each

agency's actual water purchase as a percent of total wholesale customer water purchase from FY 2012-2013. One-twelfth of the annual surcharge will be included in the first monthly bill from San Francisco.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**6. Reports:**

- A. Pilot Water Transfer Plan:** Ms. Sandkulla provided a report on the progress of the Pilot Water Transfer Plan with East Bay Municipal Utility District (EBMUD). As background information, Ms. Sandkulla reminded the Committee that in September 2012, the BAWSCA Board approved the development of a plan to conduct a short-term pilot water transfer plan with EBMUD as part of the Long-Term Reliable Water Supply Strategy (LTRWSS) Phase IIA recommendation. BAWSCA immediately entered a Memorandum of Understanding (MOU) with EBMUD for a Pilot Water Transfer Plan that would occur during a dry year when EBMUD is utilizing its Freeport facility. The Freeport facility on



the Sacramento River is where the water would be diverted and conveyed into the EBMUD's Mokelumne facilities. Ms. Sandkulla added that the pilot water transfer plan would also provide information needed to evaluate a long-term partnership between BAWSCA and EBMUD. So far, in developing the pilot plan, it is clear that information obtained through the course of the work is both helpful and critical in determining the feasibility of such a partnership.

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

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

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

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

Key technical parameters were identified to define the plan's design. The transfer would occur during the Fall or Winter of a dry year when EBMUD is using the Freeport facility. This avoids BAWSCA having to pay for 100% of the operation of the facility since it will already be in operation independent of BAWSCA's water transfer. The minimum volume is 1,000 acre feet with an anticipated flow rate of 15 mgd, which meets Hayward's average water demand.

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

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

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

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

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

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

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

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

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

Under the CEO's discretionary spending authority, Ms. Sandkulla will move funding between tasks in the current contract with Hanson Bridgett, and enter into a contract with Erler and Kalinowski, Inc. (EKI) for an amount not to exceed \$15,000, to obtain resources

needed to complete Phase II. Ms. Sandkulla noted that the contract with EKI will provide specific technical assistance for evaluating water quality issues.

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

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

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

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

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

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

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

Director Weed commented on the significant issues that come up with reverse flows. Ms. Sandkulla agreed and explained that those issues occurred when Hayward did their initial full scale tests with San Francisco in 2009. Hayward conducted a pre-flushing program which caused sediment re-suspension. Ms. Sandkulla noted that the large system

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

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

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

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

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

In response to a question from Director Pierce, Ms. Sandkulla explained that in the event that the water transfer is executed, Hayward would get its water supply from EBMUD, and their normal water supply allocation from San Francisco would go to the collective BAWSCA group, therefore increasing the supply for everybody else. The overall idea is to have access to an additional 1,000 acre feet for the regional customers. There is sufficient capacity in the intertie to meet the needs that is being sought for the member agencies during a drought. The 1,000 acre feet transfer is only for the pilot. The limit of the transfer potential is the capacity of the intertie, which is currently 20 mgd because of improvements being done to EBMUD's system. Once the improvements are finished, the capacity will be 30 mgd. The supply could go into the San Francisco Regional Water

System, and blended if BAWSCA and EBMUD were to go into a long-term drought water transfer agreement.

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

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

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

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

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

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

issue an extension. The FERC participants, however, are working under the assumption that the license will be renewed in 2016.

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

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

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

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

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

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

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

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

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

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

**DRAFT**

Board Policy Committee Minutes

October 9, 2013

Respectfully submitted,

Nicole Sandkulla, Chief Executive Officer

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Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

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

**Roster of Attendees:**

**Committee Members Present**

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

**Committee Members Absent**

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

**BAWSCA Staff:**

Nicole Sandkulla	CEO/General Manager
Michael Hurley	Water Resources Manager
Adrienne Carr	Sr. Water Resources Specialist
Andree Johnson	Water Resources Specialist
Christina Tang	Sr. Administrative Analyst
Lourdes Enriquez	Assistant to the Chief Executive Officer
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP
Bud Wendell	Strategic Counsel, Management Communications

**Public Attendees:**

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



**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE MEETING**

**Agenda Title:**           **Resolution Adopting Policy Governing Distribution of BAWSCA's Assets Upon Dissolution**

**Summary:**

In September 2013, the Board approved the establishment of an irrevocable Internal Revenue Code (IRC) Section 115 trust through the California Employers' Retiree Benefit Trust (CERBT) as administered by CalPERS to assist in funding the Annual Required Contribution (ARC) for the Other Post-Employment Benefits (OPEB) obligations. The Board delegated authority to the CEO/GM to implement the trust. In order to implement the trust, CERBT requires the Agency to adopt a resolution prohibiting the distribution of Agency assets to private persons to avoid jeopardizing the CERBT's tax-exempt status under IRC Section 115. If adopted, this resolution would address CERBT's concerns and allow the Agency to complete the CERBT application process.

**Fiscal Impact:**

None.

**Recommendation:**

**That the Committee recommend Board adoption of Resolution No. 2014 - 01 which outlines the policy governing the distribution of the Agency's assets upon its dissolution.**

**Background:**

In May 2013, the Board approved funding the ARC for the OPEB obligations into an irrevocable trust every year starting FY 2013-14. Staff and BAWSCA's Financial Advisor, KNN, evaluated several irrevocable IRC tax-qualified trust options and concluded that an IRC Section 115 Trust was the best option for the Agency's OPEB trust due to its flexibility, low cost, and minimal administrative burden. Staff evaluated various providers of Section 115 Trusts and concluded that the CalPERS CERBT was the most appropriate trust provider for the Agency's OPEB funds.

At the September 19, 2013 Board meeting, staff recommended, and the Board approved, the establishment of an irrevocable IRC Section 115 trust through the CERBT trust administered by CalPERS to accommodate the Agency's OPEB funding. The Board also authorized the CEO/GM to execute an agreement with the CalPERS CERBT to establish and administer the Agency's OPEB Trust Fund. Finally, the Board delegated authority to the CEO/GM to request disbursements from the Agency's OPEB Trust Fund and take any other actions needed to implement the trust.

In implementing the trust, CalPERS raised an issue regarding disposition of Agency assets that requires Board action. Neither the Bay Area Water Supply and Conservation Agency Act nor any other applicable law specifically provides how Agency assets will be distributed upon its dissolution. However, Article 10 of the bylaws of the predecessor agency, the San Francisco Bay Area Water Users Association, included a provision regarding asset distribution upon dissolution that prohibited asset distribution to private individuals.

As a condition of the Agency's participation in the CERBT, CERBT requires the Board to adopt a resolution that provides that upon dissolution, BAWSCA's assets will only be distributed to governmental member agencies. CERBT is concerned that the accrual of income from the CERBT to the benefit of any private person through a non-governmental member agency could jeopardize the CERBT's tax-exempt status under IRC Section 115.

Adopting the recommended resolution would address the concern raised by CalPERS by providing that, upon its dissolution, BAWSCA's assets will be distributed only to public agencies, never to private persons. In particular, the resolution provides that any assets remaining after paying, or providing for payment of, all of the Agency's debts and liabilities, will be distributed first to any successor public agency and, second, to its member public agencies.

Attachment:

1. Resolution No. 2014 - 01

**RESOLUTION NO. 2014 - 01  
BY THE BOARD OF DIRECTORS OF THE  
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**WHEREAS**, the Bay Area Water Supply and Conservation Agency (BAWSCA) is organized and established by public water suppliers in Alameda, San Mateo, and Santa Clara Counties in accordance with the Bay Area Water Supply and Conservation Agency Act, Water Code section 81300, et seq. (the Act); and

**WHEREAS**, neither the Act nor any other applicable law provides how BAWSCA's assets will be distributed upon its dissolution; and

**WHEREAS**, the Act authorizes BAWSCA to adopt regulations, hold and dispose of property, and exercise any other express, reasonably implied, or necessary and proper powers to carry out the Act; and

**WHEREAS**, the Board has determined that it is appropriate to establish how BAWSCA's assets will be distributed upon its dissolution.

**NOW THEREFORE BE IT RESOLVED**, that the Board hereby adopts the following policy governing the distribution of BAWSCA's assets upon its dissolution:

As a public agency, the assets of the Bay Area Water Supply and Conservation Agency (BAWSCA) are irrevocably dedicated to public purposes such as those expressly set forth in Section 81300, et seq. of the Water Code for which BAWSCA was established by public water suppliers in Alameda, San Mateo and Santa Clara Counties, including but not limited to, planning for and acquiring supplemental water supplies and encouraging water conservation and use of recycled water on a regional basis. As such, no part of BAWSCA's assets shall ever inure to the benefit of any director, officer, or private member of BAWSCA, or to the benefit of any other private person. Upon the dissolution or winding up of BAWSCA, its assets shall first be dedicated to the payment, or provision for the payment, of all its debts and liabilities, including but not limited to any debt service on bonds. Any assets remaining after payment, or provision for the payment, of all such debts and liabilities shall be distributed first to any successor agency or instrumentality of the State of California or any political subdivision thereof that has been organized and established exclusively for public purposes such as those for which BAWSCA was established; and, second, to the member agencies that are eligible public entities as stated in the Act, or agencies or instrumentalities thereof, in such manner as may be provided in agreements between BAWSCA and such member agencies.

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

**PASSED AND ADOPTED** this 16th day of January, 2014, by the following vote:

AYES:

NOES:

ABSENT:

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

ATTEST:

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Secretary

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE MEETING**

**Agenda Title:**           **Mid-Year 2013-14 Work Plan and Budget Review**

**Summary:**

To ensure continued access to reliable supplies of high quality water at a fair price, four revisions to the adopted FY 2013-14 Work Plan are recommended in response to the level of activities to date this fiscal year, and the BAWSCA staffing resources now available. The resources to address these issues and produce necessary results can be provided within the currently approved Operating Budget for FY 2013-14 of \$3,214,189.

This memorandum presents: 1) the proposed changes to the FY2013-14 Work Plan and reallocation of funds within the existing Operating Budget, and 2) the projected balance of the General Reserve.

**Fiscal Impact:**

At this time, expenditures including Salaries and Benefits are projected to be on target with the approved budget. No changes to the Operating Budget are necessary or recommended at this time.

**Recommendation:**

**That the Committee recommend:**

1. **Board approval of the following revisions to the FY2013-14 Work Plan:**
  - a. **Investigate a potential pilot subscription program that would provide customers with water use information designed to promote water conservation, with all costs to be borne by participating member agencies.**
  - b. **Complete Phase II of the Pilot Water Transfer Plan to develop the agreements necessary to support a potential pilot water transfer.**
  - c. **Defer further evaluation of alternatives to current Tier 1 Drought Allocation Plan with San Francisco to FY 2014-15.**
  - d. **Eliminate coordination of effort related to SFPUC examination of alternative wholesale water rate structures.**
2. **Board review and discussion related to managing the General Reserve balance at the March 2013 and May 2013 Board meetings.**

**Prior Board Approved Budget Actions for FY 2013-14**

Board authorized budget actions to date are as follows:

1. On May 16, 2013, the Board approved the FY 2013-14 Operating Budget of \$3,214,189.
2. On July 18, 2013, the Board approved an increase of \$66,000 to the EKI contract, the funding for which was taken from the General Reserve, resulting in a revised Operating Budget of \$3,280,189.
3. On September 19, 2013, the Board approved the temporary appointment of Arthur Jensen as Special Counsel to the CEO/GM. No changes to the approved Operating Budget were

included at the time. The possible need for an increase in the Operating Budget and use of the General Reserve following a review of the actual expenditures and savings in FY 2013-14 was identified as part of the Board action.

The existing budget for the Long-Term Reliable Water Supply Strategy remains sufficient to complete that study. The subscription water conservation programs are funded with revenues from participating member agencies.

**Discussion:**

The mid-year review included examining progress toward completing the Work Plan as adopted, and considering anticipated work that should be performed during the balance of this fiscal year. The relatively minor Work Plan modifications are presented in Table 1 (attached), which shows the progress on selected items and new results to be achieved this year.

Following Work Plan review, the Budget review included estimating spending on ongoing programs through the end of this fiscal year, savings that are expected to result from completed or delayed activities, and the resources needed to achieve any results not already reflected in the approved budget. Possible budget adjustments were then considered, as well as potential sources of funds: the Operating Budget, the Long-Term Reliable Water Supply Strategy, Subscription Conservation Programs, and the General Reserve.

This review provided an informed assessment of resources needed to complete the work envisioned for the balance of the year.

**Overall Status of Results to be Achieved During FY 2013-14**

The most critical time sensitive items in the approved Work Plan are on schedule as of December 2, 2013. In addition, the status or pace of work by outside entities, such as FERC, results in some activities needing fewer resources than originally estimated.

**Proposed Work Plan Modifications and Budget Revisions**

As part of the new CEO transition and in light of the new staff recently hired by BAWSCA, a thorough review of the adopted FY 2013-14 Work Plan was performed this Fall. Table 1 presents the Board-approved Work Plan of results to be achieved during FY 2013-14, and highlights recommended revisions to the Work Plan. Explanations for the changes and budget reallocations appear below.

1. Potential additional subscription-based water conservation program. BAWSCA is investigating a pilot program for interested member agencies that would provide web-based information to water customers, including their water use, how it compares to their neighbors' use, and options for reducing their use. Such systems have demonstrated water savings of up to 5%. A Request for Proposals (RFP) issued in February 2014 would permit selection of a vendor in March and initiation of a pilot program in July. Several member agencies have already indicated interest in this type of program. Development and implementation of this conservation program was considered for last fiscal year, however activity was deferred pending the anticipated staffing changes. Staff resources are now available to support the development and implementation of this program. In addition, BAWSCA is the recipient of grant funding to support a portion of this program's costs beginning as early as next fiscal year. As such, member agencies have expressed support for this program to be developed by BAWSCA and implemented regionally as early as July 1, 2014. See item 2.b and 6.b in Table 1.

2. Complete Phase II of the Pilot Water Transfer Plan to develop the agreements necessary to support a potential pilot water transfer. Phase I of the Pilot Water Transfer Plan was completed in September 2013 and included recommended action for Phase II. Phase II, initiated in October 2013, will address the development of the necessary agreements that are required for the transfer but that can be completed prior to the determination to execute the pilot water transfer. These agreements include those with and between BAWSCA, EBMUD, City of Hayward, and SFPUC. Work to support Phase II of the Pilot Plan was not included in the adopted FY 2013-14 Work Plan or Budget. Under the CEO's discretionary authority, the following budgetary changes can be made to accommodate the necessary tasks for Phase II: move available funding between tasks within the current contract limit with Hanson Bridgett; and enter into a contract with EKI for \$15,000 to provide specific technical assistance with funds available from budget savings and deferral of work discussed in this memo. See item 1.b. in Table 1.
3. Defer further evaluation of alternatives to current Tier 1 Drought Allocation Plan with San Francisco to FY 2014-15. The original Work Plan included the investigation of alternatives to the existing Tier 1 Drought Allocation Plan with San Francisco which determines how much available water supplies during a drought are shared between San Francisco and the collective BAWSCA member agencies. While an important part of long-term planning, this investigation can be deferred to next fiscal year without significant long-term impacts. This work is anticipated to be proposed for inclusion in the FY 2014-15 Work Plan. See item 5.a. in Table 1.
4. Eliminate coordination of effort related to SFPUC examination of alternative wholesale water rate structures. This item was included in the FY 2013-14 Work Plan in anticipation of SFPUC investigation of alternative wholesale water rate structures. As this time, SFPUC has indicated that it will not be considering alternative rate structures for the upcoming fiscal year, thereby eliminating the need for BAWSCA activity in this area. See item 8.c. in Table 1.
5. Ongoing administration of the 2009 Water Supply Agreement. Work continues to resolve outstanding issues related to San Francisco's allocation of costs to Wholesale Customers. As usual, efforts are directed toward resolving issues within contractual deadlines. In the event that issues cannot be resolved, the Agreement provides for arbitration of disputes. If arbitration is pursued, resources beyond those available in the budget may need to be allocated to this effort. The Board will be informed if and when this need arises. See item 8 in Table 1 and 6 in Table 2.

#### Capacity to Accommodate Potential or Unanticipated Issues

As always, if potential or unanticipated issues arise during the Spring (e.g. arbitration to address unresolved cost allocation issues), they will be brought to the attention of the Committee and the Board with recommendations to further reallocate and/or augment existing resources, if necessary. In addition, the Board will have the opportunity to consider implementation of a pilot water transfer plan as early as Spring 2014. If it were necessary to undertake any of these issues, work during FY 2013-14 would represent only the beginning of the effort. Each of these examples would involve continued work in FY 2014-15.

#### **Budget Modifications Needed to Complete Work Expected During FY 2013-14:**

The budget review resulted in projected expenditures being on target with the approved budget. This review included a thorough evaluation of Salaries and Benefits in light of the multiple changes and adjustments that occurred in this area this fiscal year.

**Projected Year-End Spending and General Reserve Balance as of July 1, 2014:**

The current estimate of year-end spending at this time is on target with the approved Operating Budget. This estimate is subject to inherent uncertainties. The "mid-year" assessment necessarily relies on accounting information from July through September plus partial information for October. In addition, there are inherent uncertainties in much of the work being undertaken or proposed, particularly in the areas of protecting water supply reliability and fair price.

As no changes to the General Reserve are requested at this time, the projected General Reserve balance at the end of FY 2013-14 is equivalent to the General Reserve balance on June 30, 2013:

\$985,897 General Reserve balance as of June 30, 2013

\$985,897 Estimated General Reserve balance as of June 30, 2014

This level of General Reserve represents 30% of the approved Operating Budget. This is within the 35% guideline adopted by the Board in September 2011.

BAWSCA assessments have been at the same level since FY 2009-10, or the past 5 years. As discussed by the Committee and Board during last year's budget development and approval process, FY 2014-15 will likely require an increase in BAWSCA's assessment, which at that time was estimated at 4%.

Attachments:

1. Table 1. Results to be Achieved in FY 2013-14: Changes and Progress
2. Table 2. Activities Not Included in Proposed Operating Budget for FY 2013-14



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

Changes are **highlighted**, progress [underlined and in brackets]

**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. [Strategy on schedule to be completed December 2014.]
  - 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. [Phase 1 completed September 2013; Phase II initiated.]
  - 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. [Project on schedule for completion in June 2014.]
2. **Near-term Supply Solutions: Water Conservation**
  - a. Implement Core Water Conservation Programs - Programs that benefit all customers. [Implementing all core conservation program.]
  - b. Implement Subscription Water Conservation Programs - Rebate and other programs that benefit, and are paid for by, agencies that subscribe for these services. [Implementing all planned subscription programs. Investigating potential pilot subscription program that would provide customers with water use information designed to promote water conservation.]
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. [Ongoing. "BAWSCA's perspective on WSIP implementation at 10-year point" provided to BAWSCA Board and Commission in October 2013.]
  - b. Pursue legislation to modify current sunset clause and extend State oversight on WSIP implementation. [Initial discussion with Senator Hill has indicated his desire to author necessary legislation for January 2014 submittal.]
  - 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. [DEFER. To be considered in FY 2014-15.]

**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. [BAWSCA has been awarded a grant totaling \$187K to be used to support home water reports and water efficient landscape rebates.]
- 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. [DELETED. SFPUC is not pursuing this in FY 2013-14.]

**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**

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**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.*

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE MEETING**

**Agenda Title:**           **Fiscal Year 2014-15 Work Plan and Budget Preparation**

**Summary:**

The development of the preliminary work plan for fiscal year 2014-15 begins by compiling a list of major challenges that BAWSCA, its member agencies, and their water customers will face next fiscal year, and between now and the years 2015, 2020 and 2035. This long-term perspective helps anticipate and identify the results that must be achieved during FY 2014-15.

As in prior years, the preliminary budget will be developed to provide the resources needed to achieve necessary results. Emphasis is placed on the most vital results that need to be achieved in order to provide reliability and high quality water at a fair price. Activities that are secondary to those goals may be noted but are not incorporated into the budget.

A similar presentation will be provided to the Board of Directors at the January meeting, in preparation for budget discussions later this Spring.

A preliminary list of challenges appears in Table 1. Some of the challenges may affect BAWSCA or its members directly. Other challenges will have indirect, but nonetheless important consequences, and require action by BAWSCA to protect the interests of BAWSCA, its member agencies and their customers.

Some of the items listed are not locked to a specific year. While the schedules for those items may be shifted forward or backward, the changes should not be made arbitrarily.

**Recommendation:**

The CEO/General Manager will discuss the list of challenges with the Board Policy Committee to clarify issues and receive their advice prior to Work Plan and budget development.

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**Table 1. Future Challenges Facing BAWSCA, Member Agencies and Their Customers**

Year or Period	Major Challenges or Issues
2014 to 2015	<ul style="list-style-type: none"> <li>• 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).</li> <li>• Monitor WSIP implementation to protect interests of member agencies and take steps necessary to ensure all adopted Level of Service goals are achieved.</li> <li>• Administer repayment and reporting of BAWSCA's 2013 bonds</li> <li>• Complete development of BAWSCA's Long-Term Reliable Water Supply Strategy (December 2014).</li> <li>• Represent member agencies in Federal relicensing of New Don Pedro and to protect SFPUC supplies (2015-16).</li> <li>• Amend Tier 1 drought allocation formula with San Francisco.</li> <li>• Provide additional drought protection to protect BAWSCA member agencies from excessive economic impacts.</li> <li>• Ensure new water supplies or transfers are brought on line to meet the needs of agencies that require additional water.</li> <li>• Protect customers from legal and legislative efforts to draining Hetch Hetchy that disregard their interests in reliability, quality and cost.</li> <li>• SF elects Mayor in 2015.</li> </ul>
2016 to 2020	<ul style="list-style-type: none"> <li>• Continue representing members' interests in reliable supplies through FERC issuance of a new license for New Don Pedro in 2016.</li> <li>• 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.</li> <li>• 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.</li> <li>• Ensure San Francisco maintains its Tuolumne River water rights.</li> <li>• Enforce the Water Supply Agreement to ensure San Francisco meets its water supply, quality, maintenance and reporting commitments.</li> <li>• 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.</li> <li>• SF elects Mayor in 2019.</li> </ul>
2021 to 2035	<ul style="list-style-type: none"> <li>• Ensure new water supplies are on line to meet future needs that are not met by San Francisco.</li> <li>• Extend or renegotiate the Water Supply Agreement before it expires in 2034.</li> <li>• SF elects Mayor in 2023, 2027, 2031, and 2035.</li> </ul>

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## Board of Directors Policy Calendar for FY 2013-14

Board Meeting	Purpose	Issue or Topic
Jan. 2014	D&A	Election of Officers
	D&A	BAWSCA Mid Year Review of Work Plan and Budget
	D&A	Work Plan and Budget Planning for FY 2014-15
	D	Updated Results of Economic Impact of Droughts
	D	Review Water Supply Forecast and Potential Water Transfer
March 2014	D	Consideration of a Regional Drought Level of Service Goal
	D	Discussion of Preliminary FY 2013-14 Work Plan and Budget
	D	Review Water Supply Forecast and Potential Water Transfer
May 2014	D&A	Adoption of FY 2014-15 Work Plan and Budget
	D&A	Approval of Annual Contracts
	D&A	Review Water Supply Forecast and Decide if a Water Transfer Should be Pursued
	D&A	Consideration of a Regional Drought Level of Service Goal
	D	Updated Water Demand Projections: Results & Recommended Actions

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

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