

BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

October 9, 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 3
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> A. Approval of Minutes from the August 14, 2013 meeting (<i>Attachment</i>)	(Guzzetta)	Pg 5
5. <u>Action Items</u> A. Authorization to Negotiate and Execute a Contract Amendment with PG&E For the Washing Machine Rebate Program (<i>Attachment</i>) <u>Issue:</u> What is required to continue BAWSCA's joint Water Utility and Energy Utility Residential WMRP through calendar year 2014? <u>Information to Committee:</u> Memorandum and Oral Report. <u>Committee Action Requested:</u> That the Committee recommend the Board to authorize the Chief Executive Officer to: <ol style="list-style-type: none">1. Negotiate and execute a contract amendment with PG&E, subject to legal counsel's final review, for administrative and rebate processing services through June 30, 2014 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.	(Sandkulla)	Pg 15
B. Proposed FY 2014-15 Bond Surcharges <u>Issue:</u> How much will the surcharges be for FY 2014-15? <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> Recommend approval of the proposed Board action.	(Tang)	Pg 17

C. Annual Review and Consideration of BAWSCA's Investment Policy**(Sandkulla)** Pg 19

Issue: BAWSCA's Investment Policy requires the Board to act on it annually irrespective of any changes. No changes are recommended.

Information to Committee: Staff memo and oral report.

Committee Action Requested: Recommend approval of the proposed Board action.

D. Appointment of Agency Secretary**(Sandkulla)** Pg 25

Issue: Who shall be appointed the Secretary of the BAWSCA Board?

Information to Committee: Staff memo and oral report.

Committee Action Requested: Recommend approval of the proposed Board action.

6. Reports**(Sandkulla)**

- A. Pilot Water Transfer Plan (*Attachment*)
- B. Staff Transition
- C. Mid-Year Budget Review
- D. Economic Impact of Drought Analysis
- E. Proposed legislation to extend AB1823 sunset provision

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7. Comments by Committee Members**(Guzzetta)****8. Adjournment to the next meeting on December 11, 2013 at 1:30pm in the 1st floor conference room of the BAWSCA office building, at 155 Bovet Road, San Mateo.****(Guzzetta)**

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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 24 Hour Fitness 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

August 14, 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. A list of Committee members present (7) and absent (2), and other attendees is attached.

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

- 2. Comments by Chair:** Committee Chair Guzzetta thanked Committee Vice-Chair Mendall for running the August BPC meeting in his absence. Chair Guzzetta attended the AWWA Annual Conference and Expo.

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

- 3. Consent Calendar:** Approval of Minutes from the June 12, 2013 meeting.

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

- 4. Public Comment:** There were none.

5. Action Items:

A. Establishment of the Recommended California Employers' Retiree Benefit Trust (CERBT) through CalPERS to fund Other Post-Employment Benefit (OPEB) Costs:

Sr. Administrative Analyst, Christina Tang, reported that at the May Board meeting, the Board approved to fully fund the Annual Required Contribution (ARC) for the OPEB obligations into an irrevocable trust at an investment yield rate assumption of 7% starting FY 2013-14, and that the trust alternatives are to be fully evaluated before funds are deposited, no later than November 2013. The approved budget for FY 2013-14 already includes the total obligation cost of \$142,912 for FY 2013-14.

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

- Establish an irrevocable IRC section 115 trust through the CERBT administered by the CalPERS to accommodate the Agency's OPEB funding;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Customers are responsible for a portion of that amount, which the SFPUC is not fully funding.

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

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

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

- 1. Establishing an irrevocable IRC Section 115 trust through CERBT trust administered by the CalPERS to accommodate the Agency's OPEB funding; and,**
- 2. Authorizing the CEO/General Manager to execute an agreement with the CalPERS CERBT to establish and administer the Agency's OPEB Trust Fund; and,**
- 3. Delegating authority to the CEO/General Manager to request disbursements from the Agency's OPEB Trust Fund, and take other actions needed to implement the trust.**

The motion carried unanimously.

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

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

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

Because of Mr. Jensen's status as a retiree, there are special requirements to comply with the California law and Public Employees Retirement System (PERS). BAWSCA contracts with PERS to provide retirement benefits to eligible employees. When Mr. Jensen retires, he will be a retired annuitant entitled to receive retirement benefit payments under PERS. California Law requires a retired PERS annuitant to be reinstated to active PERS membership upon employment by a PERS-covered agency, unless the employee is temporarily appointed under specified conditions. The specified conditions for PERS compliance include temporary appointment and a limit of 960 hours per fiscal year.

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

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

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

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

Director Bronitsky commented that while he supports the appointment, the salary schedule is vague and offers too much discretion. While he is confident with the agency's responsible actions, he would like to exercise what is required of the Board. He would like to see an actual number for the salary, a clear determination of the appoint-

tee's time in an agreement, and an estimated end date for the services, whether it's a date or a completion of the tasks subject to the Board's re-consideration. Subject to these additions, he supports the recommendation.

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

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

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

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

6. Brief Reports:

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

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

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

- B. Economic Impact of Drought Analysis – Update: Ms. Sandkulla reported that the SFPUC initiated an economic impact analysis of water shortage to support its

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

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

Director Pierce asked if this is the same analysis that was done previously and cited by BAWSCA. Ms. Sandkulla explained that this is the same group and similar analysis. The numbers have since been updated when the SFPUC went through the Administrative Law Judge proceeding. The analysis is being done by the same consultants who have updated the economic tool and have a more sophisticated process of looking at water demands that are impacted by factors such as weather and economy. Ms. Sandkulla reported that the consultants do coordinate with the Bay Area Economic Forum (BAEF), and stated that past efforts have been done in conjunction with BAEF.

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

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

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

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

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

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

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

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

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

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

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

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

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

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 – August 14, 2013

Roster of Attendees:

Committee Members Present

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

Committee Members Absent

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

BAWSCA Staff:

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

Public Attendees:

Peter Drekmeier	Tuolumne River Trust
Michelle Novotny	San Francisco Public Utilities Commission
Nico Procos	San Francisco Public Utilities Commission

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

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

Fiscal Impact:

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

Recommendation:

That the Committee recommend that the Board authorize the Chief Executive Officer to:

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

Discussion:

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

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

BAWSCA agency participation in BAWSCA's conservation programs, including the WMRP, typically operates on a fiscal year basis, as this is consistent with the budget cycles of most of the BAWSCA agencies. In contrast, PG&E operates on a calendar year basis, which is why the current WMRP ends December 31, 2013. BAWSCA's current contract with PG&E expires on June 30, 2014 which

allows for a 6-month close-out period. In the event that PG&E or BAWSCA were to elect not to continue the WMRP beyond December 31, 2013, the six-month close-out period accommodates the three months that customers have to submit a rebate request, plus processing time for the rebates and resolution of all accounting. A contract amendment with PG&E extending the existing contract through June 30, 2015 would allow for the current WMRP to continue through December 31, 2014 with a 6-month close-out period allowance.

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

Alternatives to the Recommended Action:

Two primary alternatives exist to the recommended action.

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

Background:

The Bay Area Water Utility Clothes Washer Rebate Program began on October 1, 2001. In 2002, the regional program expanded with eight other Bay Area water agencies joining to offer a single Bay Area Water Utility Clothes Washer Rebate Program covering a region of 2.7 million residential customers. In addition to BAWSCA, other participants in this regional program include Contra Costa Water District, Zone 7 Water Agency, East Bay Municipal Utility District, Alameda County Water District, Santa Clara Valley Water District, Marin Municipal Utility District, Sonoma County Water Agency, and City of Davis. SFPUC joined in July 1, 2006.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: Proposed Fiscal Year 2014-15 Bond Surcharges

Summary:

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

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

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

Recommendation:

That the Committee recommends Board approval of the proposed bond surcharges presented in this memorandum.

Discussion:

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

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

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

Table 1. Proposed BAWSCA FY2014-15 Bond Surcharges

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

Table 2. Estimated Annual Savings to Each Agency

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

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

Summary:

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

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

Fiscal Impact:

None.

Board Policy Committee Action:

That the Committee recommend Board approval of the current statement of investment policy.

Attachments:

1. Statement of Investment Policy

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BAY AREA WATER SUPPLY & CONSERVATION AGENCY

STATEMENT OF INVESTMENT POLICY

1. Introduction

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

2. Scope

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

3. Prudence

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

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

4. Objectives

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

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

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

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

5. Delegation of Authority

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

6. Investment of Funds

A. Permitted Investments and Depositories

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

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

B. Other Limitations

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

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

7. Investment of Bond Proceeds

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

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

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

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

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

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

8. Reporting Requirements

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

9. Annual Review of Investment Policy

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Agenda Title: Appointment of Agency Secretary

Summary:

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

Fiscal Impact:

None. The appointee would serve without additional compensation.

Recommendation:

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

Discussion:

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

The duties of Secretary include such actions as:

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

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

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

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

Fiscal Impact:

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

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

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

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

Recommendation:

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

Discussion:

Background

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

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

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

Key Findings

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

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

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

Table 1
BAWSCA – EBMUD Pilot Water Transfer Parameters

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

Proposed Next Steps

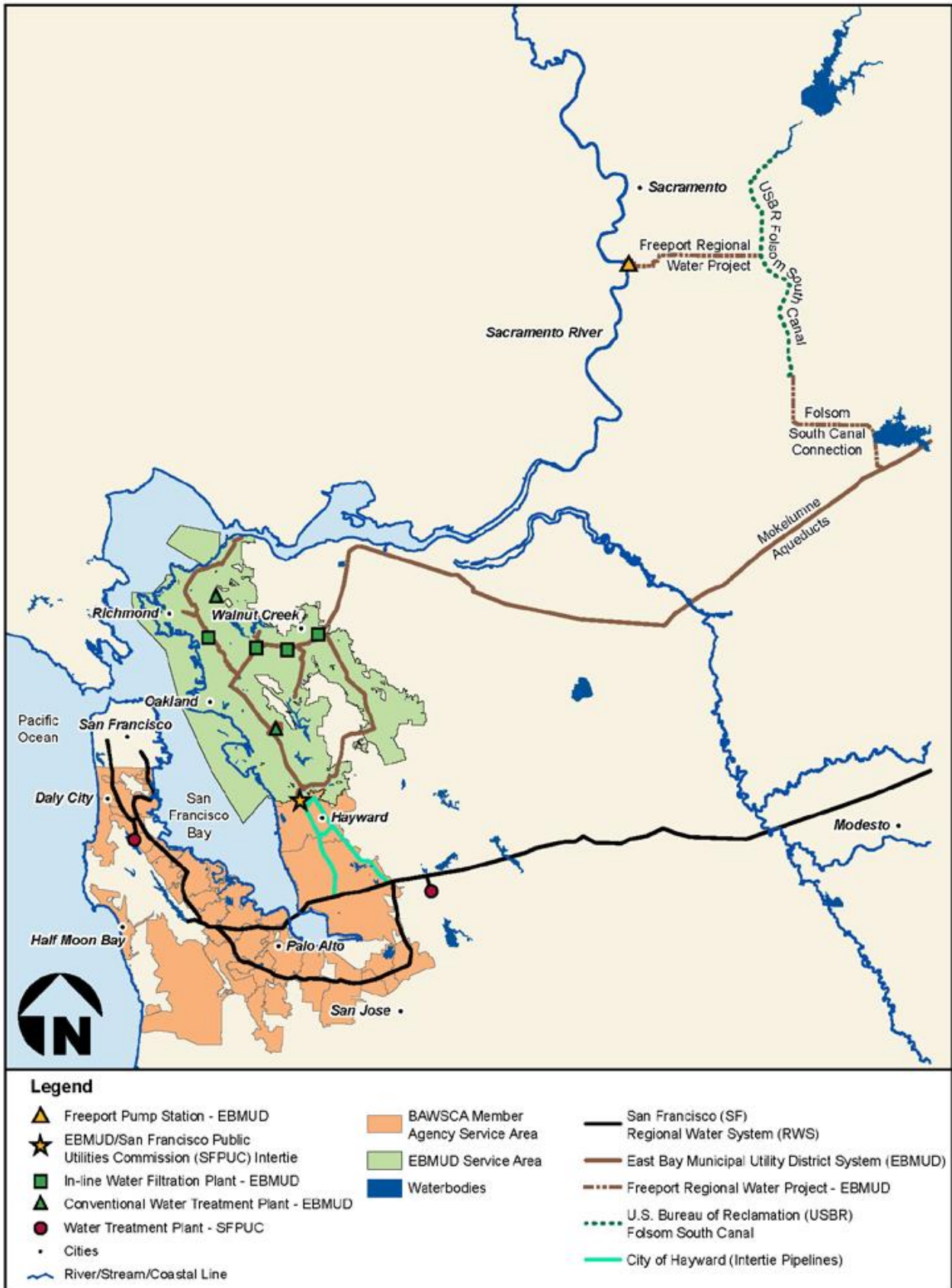
As identified in Pilot Plan Phase I, multiple parties other than BAWSCA and EBMUD, will be involved and play critical decision-making roles in any pilot water transfer.

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

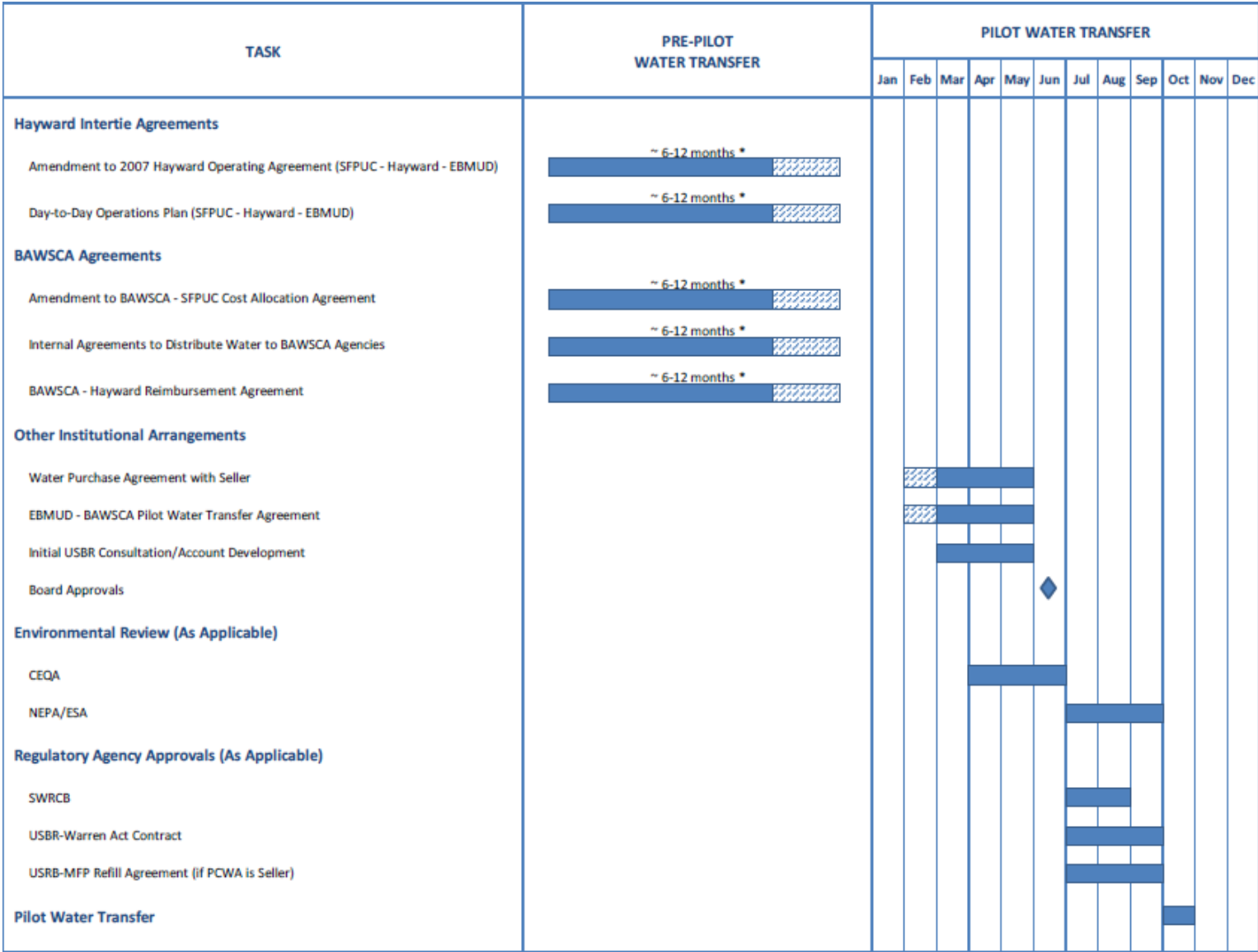
- Hayward Intertie Operations Agreement (EBMUD, COH, SFPUC)
- EBMUD / BAWSCA Cost Allocation and Wheeling Agreement
- BAWSCA / SFPUC Cost Allocation Agreement
- BAWSCA / Hayward Cost Allocation Agreement

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

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



**Figure 2
Estimated Pilot Transfer Schedule**



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