



BOARD POLICY COMMITTEE

August 13, 2014

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>)	(Bronitsky)	<i>Pg 3</i>
2. <u>Comments by Chair</u>	(Bronitsky)	
3. <u>Consent Calendar</u> A. Approval of Minutes from the June 11, 2014 meeting (<i>Attachment</i>)	(Bronitsky)	<i>Pg 5</i>
4. <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>	(Bronitsky)	
5. <u>Action Items</u> A. Resolution Approving Temporary Reappointment of Arthur Jensen as Special Counsel to the CEO/GM, (<i>Attachment</i>) <u>Issue:</u> What outside expertise and resources are needed to achieve critical results during FY 2014-15? <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> Recommend Board approval of the proposed Board action.	(Sandkulla)	<i>Pg 23</i>
6. <u>Reports</u> A. Water Supply Conditions - Update B. Long-Term Reliable Water Supply Strategy – Update C. WSIP – Groundwater Storage and Recovery Project D. Legislation – Update E. Board Policy Committee Calendar (<i>Attachment</i>)	(Sandkulla)	<i>Pg 27</i>
7. <u>Discussion</u> A. What process should BAWSCA follow when it is requested to take a position on a public issue that might affect its constituents and would need to be implemented and communicated successfully by its Chief Executive Officer?	(O’Connell)	

8. Comments by Committee Members (Bronitsky)
9. Adjournment to the next meeting on October 8, 2014 at 1:30pm in the 1st floor conference room of the BAWSCA office building, at 155 Bovet Road, San Mateo. (Bronitsky)

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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 (Chase 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.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Committee Roster:

Al Mendall, City of Hayward (Chair)

Charlie Bronitsky, Estero MID (Vice-Chair)

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

Rob Guzzetta, California Water Service Company

Kirsten Keith, City of Menlo Park

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

June 11, 2014 – 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 Al Mendall called the meeting to order at 1:30 pm. A list of Committee members who were present (8), absent (2) and other attendees is attached.

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

2. Comments by Chair: Director Mendall welcomed the Committee and stated that he was pleased with the effective review process and adoption of the FY 2014-15 work plan and budget.

3. Public Comment: There were none.

4. Consent Calendar: Approval of Minutes from the April 9, 2014 meeting.

Director Mendall noted a correction on the 2nd paragraph from the bottom of page 3 of the minutes. The word “review” should be “reserve” so that the sentence reads: “Director Mendall agreed that a review of the General Reserve in the near future is prudent”.

Director Keith made a motion, seconded by Director O’Connell, to approve the minutes of the Board Policy Committee meeting held on April 9, 2014 with the correction Chair Mendall noted.

The motion passed unanimously.

5. Action Items:

A. Bay Area Regional Reliability Principles:

Ms. Sandkulla was pleased to report an effort by water agencies in the Bay Area to improve water supply reliability through a regional partnership called the Bay Area Regional Reliability (BARR). The partner agencies include CCWD, EBMUD, SCVWD, SFPUC, Zone 7, ACWD, MMWD, and BAWSCA.

The group jointly developed guiding principles to foster cooperation among the agencies without limiting individual agency action.

Ms. Sandkulla reported that the General Managers of the group have met for several years as the Bay Area Water Agency Coalition (BAWAC), and BARR is a product of the group that provides a more formal process for partnering on regional water supply reliability.

The regional benefits of the partnership include the leverage of existing infrastructure investments, enhancement of water supply reliability and emergency preparedness, facilitation of water supply transfers during critical periods, and focus on climate resiliency needs.

The potential elements that have been identified include the use of available capacity in existing facilities and interties between districts. Ms. Sandkulla noted that the intertie in Hayward is a good example of the partnership's focus because the improvements bring benefits that extend beyond the 2 agencies directly involved. Additional project elements included are upgraded water treatment facilities and regional projects such as the Bay Area Regional Desalination Project.

The principles are being presented to governing bodies of each agency for adoption. The next steps are securing funding through Prop 84 State funding and the Water Resources Development Act (WRDA) Federal funding.

Ms. Sandkulla noted that both the State and Federal grant funding authorities are very supportive of collaborative partnerships. She explained that for many years, the Bay Area water agencies had been negatively compared against agencies in Southern California who are perceived as speaking effectively as one voice in Sacramento and Washington D. C. This partnership is a result of the Bay Area agencies' effort to collaborate and act as a region, and is a significant step towards that goal.

Director Keith asked how long the principles have been in the drafting stages, as they would have been useful to have in the partnership meeting between Menlo Park, East Palo Alto, and Palo Alto.

Ms. Sandkulla explained that this was a new effort for BAWSCA to embark in. The principles were developed 2 months ago by the group that has had an informal partnership for several years through their regional desalination project. To date, BAWSCA's participation with this group has been indirect through the SFPUC.

When the guiding principles were brought to Ms. Sandkulla's attention, she negotiated for BAWSCA's direct participation because while BAWSCA does not own or operate facilities to deliver water as do the group of agencies that are directly involved, she argued that BAWSCA member agencies rely on the Regional Water System, and would most likely be the agencies that would need access to other water systems for additional water supply reliability.

Director Keith was pleased that the member agencies' best interest is being represented in this effort through BAWSCA's direct participation. She further asked Ms. Sandkulla about the desalination project in Alameda that dealt with brackish water, and the existing interties in the BAWSCA service area.

Ms. Sandkulla explained that the Bay Area Regional Desalination Project (BARDP) is the regional desalination project in the early planning stages. This project is currently planned as a large 40 mgd capacity facility, co-located with a power plant in Crockett.

Ms. Sandkulla reported that the same group of agencies, including BAWSCA through the SFPUC, has secured grant funds to study BARDP for the last several years. The next steps for the project are currently being determined. Ms. Sandkulla noted that BARDP was one of the projects that were analyzed in BAWSCA's Strategy with the participation of the Bay Area Regional Reliability group.

As for the interties, Ms. Sandkulla explained that there are two major interties to the San Francisco Regional Water System. One is with East Bay Municipal Utility District (EBMUD) in Hayward, and the other is with the Santa Clara Valley Water District (SCVWD) in Milpitas. She explained that each BAWSCA member agency has independent interties with their neighbors that serve as the distribution interties for the system.

Director Guzzetta asked if the group has regular public meetings.

Ms. Sandkulla stated that General Managers of the agencies meet every other month as the Bay Area Water Agencies Coalition (BAWAC), which is a staff organization. This effort is an outcome of BAWAC discussions and Ms. Sandkulla expects BARR to become a regular item on the BAWAC agenda because all agencies in BARR are represented in BAWAC.

Director Guzzetta noted that of the seven agencies participating in BARR, Cal Water actually serves water in three of their service areas: Zone 7, SCVWD, and SFPUC. With a population of 350,000 - 400,000 people that are served through these agencies, this is certainly of interest to CalWater because of demand hardening. Director Guzzetta noted that he too, is pleased that BAWSCA is now directly involved to keep the member agencies informed.

Director Mendall echoed Directors Keith and Guzzetta's approval of BAWSCA's direct involvement with the effort, and called for a motion for the recommendation.

Director O'Connell made a motion, seconded by Director Breault, that the Committee recommend Board adoption of the Guiding Principles for Bay Area Regional Reliability Partnership.

The motion passed unanimously.

B. Appointment of Nicole Sandkulla as General Manager and Secretary of San Francisco Bay Area Regional Water System Financing Authority (RFA):

Ms. Sandkulla explained that the State Water Code provides that the RFA Board of Directors shall appoint a General Manager and Secretary for the agency. The employment agreement the BAWSCA Board adopted on July 19, 2013, and that Ms. Sandkulla accepted as of September 30, 2013, states the responsibility to serve in this capacity without cost, if acceptable to the BAWSCA Board and if appointed by the RFA Board.

Director Vella made a motion, seconded by Director Keith, that the Committee recommend consideration of Nicole Sandkulla to be appointed by the RFA Board as the General Manager for the RFA without additional compensation.

The motion passed unanimously

C. Process and Schedule for CEO Annual Evaluation:

Director O'Connell reported that the procedure and draft evaluation form included in the BPC agenda packet is what is being recommended for the Board to use for the CEO/General Manager performance evaluation for FY 2013-14.

The Committee is asked for their input on the proposed procedure and draft evaluation form before it is sent to the full Board for discussion at its meeting in July.

The staff memo presents a schedule that proposes a closed session at the September Board Meeting for the CEO/General Manager's performance evaluation.

Director Keith asked how might the evaluation process be modified so that a greater level of responses from Board members are received.

Director Vella commented that like other agencies, Board member interaction with the CEO/General Manager can vary from a minimal basis to a regular basis.

Director Weed suggested having a CEO/General Manager's self-evaluation report on performance during the fiscal year.

In response to Committee members' questions and comments, Director O'Connell clarified that Board Members will be given a deadline of August 8, 2014 to return completed evaluation forms. The evaluation forms include an option to select "unsure" as part of any response provided, and the CEO/General Manager will provide a report of the results met and unmet during FY 2013-14.

Director Mendall asked that the self-evaluation report from the CEO/General Manager be included in the July 21 packet that goes out to the BAWSCA Board of Directors.

Director O'Connell made a motion, seconded by Director Vella, that the Committee recommend Board review of the revised form during its July meeting for subsequent use as part of the CEO/General Manager performance evaluation.

The motion passed unanimously.

6. Reports:

- A. Water Supply Update: Ms. Sandkulla reported that the total reservoir storage is currently at 65% of maximum. Of the 955,000 AF in storage, 500,000 AF is available for water supply.

Ms. Sandkulla explained that precipitation at Hetch Hetchy this year is at a low 50% of normal. The system continues to require a 10% reduction in demand to get to an average annual 209 mgd delivery. Ms. Sandkulla emphasized that a 10% reduction in demand must be achieved to provide savings in anticipation of a dry year next year. Achieving this level of savings can help avoid having to require a 20% reduction if dry conditions continue next year.

Using a chart on Reservoir Storage Levels as of June 8th, Ms. Sandkulla explained that the current storage level at Hetch Hetchy is almost at the maximum capacity, because San Francisco has been using supply from its water bank to fulfill its obligations to the irrigation districts. This allows them to save the water at Hetch Hetchy Reservoir for drinking water.

As a result, the water bank is severely depleted and is currently at 36% of capacity. It started at 570,000 AF and is now down to 360,000 AF. It is normally at 70% capacity at this time of the year. If dry conditions continue through next year, there will be insufficient supply in water bank to provide the required water to the irrigation districts.

Ms. Sandkulla noted that the SFPUC is working aggressively to rebuild existing infrastructure that was damaged during the Rim Fire to reconnect Cherry Reservoir into the drinking water system. Normally, Cherry Reservoir is not used as a source of water supply but rather is used to meet the downstream obligations to the districts. The SFPUC plan is to use 150,000 AF of water from Cherry Reservoir as a supplemental source of drinking water as early as January 2015.

Using charts from the SFPUC, Ms. Sandkulla presented the Cumulative Precipitation at Hetch Hetchy for Water Year 2014 and the Snowpack conditions to demonstrate the level of drought in the region.

Director Mendall asked why only 150,000 AF of supply from the Cherry reservoir is being used for drinking water, when it has a capacity of 300,000 AF.

Ms. Sandkulla explained that the SFPUC will also use water currently stored in Cherry Reservoir to fulfill its obligations to the irrigation districts as well as their flow obligations below the reservoir.

Ms. Sandkulla reported that following the May Board meeting, she received feedback from Board members as well as agency staff members about the Total System Deliveries chart by the SFPUC. There seemed to have been a lack of understanding with the SFPUC's calculation of the 10% water use reduction target, and confusion over the baseline used for the 10% water reduction goal.

While agencies felt they were doing well in reaching the 10% goal, the SFPUC was not seeing sufficient progress, and was leaning towards implementation of mandatory cutbacks.

As a result, BAWSCA staff reached out to the SFPUC to better understand their approach for calculating the 10% target. Individual agencies were also contacted to request updated water use data and agency drought actions to re-analyze the data and clarify the conflicting information and perception of water use reductions between SFPUC and the wholesale customers.

The review and analysis resulted to a better understanding of the savings achieved by the BAWSCA member agencies to date in comparison to the target.

Ms. Sandkulla explained that the SFPUC used the agencies' historical typical weekly use patterns for the past 5 years, and reduced those numbers based upon specific assumptions to determine a cumulative water savings target to reach the 10% goal. These numbers were then compared against the member agencies' weekly meter reads to calculate the achieved savings. When BAWSCA re-analyzed the numbers, it factored in ACWD's increase in its purchases from SFPUC, which is different from past practices. In recent history, ACWD has used their minimum purchases from the SFPUC, but because of the significant deficiency in supplies from their other sources, ACWD have increased its water purchases from SFPUC this year. Volumetrically, ACWD is much larger than the rest of the wholesale customers that they outweighed the rest of the member agencies.

With the re-analyzed numbers and with the exception of ACWD, the water savings achieved by wholesale customers and San Francisco's retail customers, including the golf courses, nurseries, and facilities such as Lawrence Livermore Labs, the BAWSCA agencies are on target to achieve an overall savings of 10% at the end of this water year.

Ms. Sandkulla stated that ACWD is on track to reduce its SFPUC purchases to 10%, but just on a different schedule. ACWD's purchases from SFPUC will reduce in the Fall when supplies from their other sources are available.

While the agencies are doing much better in reducing its demands than previously thought, Ms. Sandkulla emphasized that continued reduction is required for the remainder of the year. The SFPUC will continue its voluntary 10% reduction requirement, and will re-evaluate the need for increased rationing on June 15th.

Ms. Sandkulla stated that BAWSCA is working with SFPUC in developing a graph that accurately represents the water savings achieved by wholesale customers including ACWD.

Director Breault asked if water conservation is assumed to be achieved in a linear fashion or if conservation savings are assumed to increase over the summer? Ms. Sandkulla answered that the assumed savings increase over the summer months to reflect the potential to reduce outdoor water use.

Director Guzzetta commented that, based on Cal Water's data, it is encouraging to see how conservation programs and results of conservation outreach are ramping up at this point in time, given the time it usually takes for messages to get across. It is also encouraging to

see actual usage staying down at almost 10% less even after hot days. He encouraged member agencies to continue their conservation and drought messaging efforts.

Ms. Sandkulla agreed, and stated that 80% - 70% of the total annual target savings are achieved from May through December. This is the biggest window of opportunity to achieve water savings and therefore, it is important to keep conservation and drought messaging ongoing.

The request for voluntary water use reductions will continue at least through December. Ms. Sandkulla is scheduled to meet with Steve Ritchie on June 18th to discuss the water purchases and to assess the need, if any, for mandatory rationing.

In response to Director Keith's question, Ms. Sandkulla explained that water used for fire-fighting typically is included in "unaccounted for water" that goes against the wholesale customers' purchases from SFPUC.

Director Guzzetta added that after the calculations, water used for firefighting is generally a small amount of water.

Director Piccolotti commented that it is important for individual agencies' to ensure their meters are calibrated and provide accurate readings.

In response to Director Guzzetta's question about the Cherry Reservoir, Ms. Sandkulla explained that the SFPUC is moving forward with plans to activate a canal that will bring water from Cherry Reservoir to Early Intake, an upcountry Regional Water System facility near Hetch Hetchy. The Cherry supply will not be granted filtration avoidance and the water will be treated at Sunol Treatment Plant. The SFPUC is looking at operational practices so the delivery of water supplies between Cherry Reservoir and Hetch Hetchy Reservoir can be staggered to allow for different levels of treatment. The SFPUC is in active discussions with the State Department of Public Health and to date, no major issues have been put forward.

Director Mendall requested that the cumulative savings among the BAWSCA member agencies, with the exception of ACWD, be emphasized at the July Board meeting.

Ms. Sandkulla agreed, and stated that BAWSCA is working with SFPUC to develop a standard reporting format that both agencies are comfortable with. She stated that Steve Ritchie agrees with BAWSCA's analysis and understands BAWSCA's sensitivity to how BAWSCA member agencies' achievement of water use reduction is represented.

- B. Pilot Water Transfer Plan – Status Report: Michael Hurley reported that BAWSCA is moving forward with working with its partners to finalize the necessary agreements for the pilot water transfer.

Negotiations with EBMUD and Yuba County Water Agency (YCWA) continue. BAWSCA is reviewing the draft purchase agreement received from YCWA, focusing on

understanding the risks and commitments associated with the agreement, particularly with wheeling.

BAWSCA committed to weekly meetings with Hayward staff so transfer details and unique impacts to Hayward in connection with the use of the facilities for the transfer are thoroughly understood and diligently worked through.

In addition to the purchase agreement, BAWSCA is also working with YCWA on regulatory approvals which include a Petition for Temporary Change in Place of Use through the State Water Resources Control Board. The petition would incorporate the BAWSCA service area in YCWA's map of water recipients in its existing agreements. The petition will be submitted to the State Water Resources Control Board for approval in the coming months. The petition for temporary change in place of use will be effective for one year.

A second regulatory approval is securing the Warren Act Contract with the Bureau of Reclamation for use of Folsom South Canal. BAWSCA and EBMUD are collaborating to begin the process of necessary actions.

The timeline for implementation of the pilot water transfer involves several key elements including the need for rationing and EBMUD's use and operation of the Freeport Facility.

Mr. Hurley reported that on June 15th, the SFPUC will revisit its decision for a water shortage emergency and the need for mandatory rationing. BAWSCA believes that the member agencies have made significant progress in reducing its water use and can maintain the voluntary water use reduction. BAWSCA will continue to meet with the SFPUC, as well as with Hayward staff on a regular basis through the coming months.

Processing and finalizing the necessary agreements, regulatory approvals and permits are scheduled between July and October. BAWSCA anticipates Board consideration for action to execute the pilot water transfer in September.

A critical element for the implementation of the water transfer is EBMUD's need to use and operate the Freeport Facility in the Fall. BAWSCA will closely monitor the developments and EBMUD's decision, which will most likely be made in September/October.

Mr. Hurley reported that with the elements in place, potential execution can be expected in November/December.

In response to Director Keith, Mr. Hurley stated that it is possible that EBMUD will not have the need to use the Freeport Facility. While their projected storage target levels remain low, their need for the facility in the Fall will depend on their demands during the summer, and the need for a 14% temporary rate increase to fund the operation of Freeport, if initiated.

- C. Long-Term Reliable Water Supply Strategy – Status Report: Mr. Hurley reported on the progress of the Strategy and presented elements that provide background on the key policy issues that will be brought to the Board for consideration as the final Long-Term Reliable Water Supply Strategy is completed in the Winter of 2014.

Two key areas that the Board will be discussing in the coming months are the results of the demand and conservation study, and the water supply reliability and Level of Service (LOS) goals.

BAWSCA Water Resource Analyst, Andree Johnson, is finalizing the results of the demand and conservation study which provides a demand outlook through 2040.

Water supply reliability and LOS goals are key elements of the Strategy. Mr. Hurley explained that “reliability” as it is emphasized in BAWSCA’s goal, is defined as the availability of supply.

Currently, member agencies’ supply planning is based on SFPUC’s LOS goals. The LOS goals stated in the Water Supply Agreement (WSA) provide “*no system-wide reduction in supplies greater than 20%*”.

Mr. Hurley explained that the strategy will focus on the cost and benefits of supplementing the existing LOS goals, while avoiding negative impacts from the development of additional supply.

As part of San Francisco’s FERC relicensing process for New Don Pedro Dam, San Francisco conducted a study of the economic impacts of water shortages. The study provides data on the economic impacts associated with differing levels of shortages experienced today and in 2035.

The analysis estimates economic impacts in the billions of dollars today if there were a 20% shortage, and even more in 2035. The data is compelling and can be used in analyzing the cost and benefits of investments that an individual agency, and BAWSCA as a whole, can consider from the Strategy.

Mr. Hurley discussed the major factors and external threats that impact LOS goals and reduce the region’s existing supplies.

He explained that in the 70’s and 80’s, the focus was on investments to accommodate increases in population and job growth. That changed in the last 10-20 years. Today, we are looking at investments to address reductions in supplies and supply reliability.

He stated that there are two forms of external threats that impact existing supplies and reduce LOS goals.

One factor is environmental requirements. An example is the Bay-Delta restrictions as a result of the Wanger Decision that impacts the State Water Project. Another example that is closer to home is the FERC relicensing of Don Pedro Reservoir, which can potentially have reduction in deliveries to meet needs for increased downstream fish flows.

A second factor is water rights restrictions. There are discussions in the State Water Rights Control Board (SWRCB) to review and consider reductions in pre-14 rights with its drought curtailment notices. SWRCB is also looking at the Bay Delta Instream Flow Requirements for longer-term reduction.

Mr. Hurley stated that there are also internal threats. For the San Francisco Regional Water System, it is the self-imposed institutional constraints as discussed in the WSIP LOS established by the SFPUC.

There are different ways agencies address levels of service goals. The way LOS goals have been defined for the BAWSCA member agencies is to the extent of the shortage, where the planning is based on avoiding a greater than 20% reduction.

Another way to define LOS goals is to the extent of frequency. Mr. Hurley explained that in theory, agencies can incur more shortages of a lesser degree as an alternative to the current standard.

Alternatively, a combination of both frequency of shortage and extent of shortage can provide a scenario of being 100% reliable 95% of the time. Some agencies can have LOS goals for different types of customers. For example, an agency can prioritize residential customers to have uninterrupted services, and provide a different LOS goal for other customer classes.

SCVWD LOS goals are defined so that shortage actions are designed to limit and to avoid having to call for more than a 20% reduction. EBMUD limits customer rationing to a maximum of 15%. Metropolitan Water District of Southern California provides full service demands at the retail level under all foreseeable hydrologic conditions.

Mr. Hurley stated that the traditional approach to defining LOS goals for the regional system have been based on historical usage, and known facts based on system capabilities and hydrology. He stated that conditions evolve and presented a rumsfeldian philosophy to highlight additional risk factors that impact LOS goals. There are the “Knowns” which are factors that can be anticipated. They can include hydrology, regulations and system constraints. There are the “Known Unknowns” which include climate change, court cases and regulations. While we know they are upon us, we don’t know to what extent. Finally, the “Unknown Unknowns” which can include economic disruptions, political climate, natural disasters, and climate change. How should BAWSCA address the conditions they bring, what options are available to the region for consideration, what can BAWSCA and its member agencies do to prepare should conditions occur, and what options become necessary, are the questions that will need to be considered moving forward.

The results of the demand and conservation study will determine the exact water supply need, and allow for an understanding of the “service gap”. BAWSCA will examine the information to recognize the service area’s vulnerability during normal years versus dry years, the amount of supply needed, and the variations of need and restrictions between the agencies.

A staff report and presentation to the Board will be provided at the July meeting. It will present an overview of LOS concept, results of the SFPUC's Economic Impact of Drought analysis, information on service gap, and an introduction of the process for evaluating the different projects for consideration.

Director Guzzetta asked why the economic impact is so much greater for the same level of reduction in future years.

Ms. Sandkulla explained that it is demand hardening that factors in. Easy conservation actions by residential customer classes can achieve water use reductions. However, when those actions in the residential customer base are exhausted over time, significant actions are required which primarily goes to industrial customers, and the economic impact become significant.

Director Guzzetta further asked what type of residential usage is being projected in 2035?

Ms. Sandkulla explained that the graph presented utilizes David Sunding's demand model which does not analyze the projected indoor/outdoor use. BAWSCA will examine the results of its demand and conservation study to determine where BAWSCA's residential water customers are in their conservation efforts. For example, have we reached a point to where we are asking water use reduction that goes beyond the health and safety for the majority of the service area? Those are unknown.

Mr. Hurley explained that another factor that the graph relies on are the subsequent water rates associated with the different customers. An underlying assumption is that if one can't buy water because there's a shortage, you can measure the economic impact by looking at the rate and the amount of water they can't buy. This is consistent with the same modeling Sunding did for the Bay Delta process. It assumes into the future that water rates will be higher, and when multiplied by the unavailable supply, the economic impact becomes significant.

Director Guzzetta sees the economic impact on the water agency because of the revenue shortfall it will experience from the reduction in sales due to water shortage. Ultimately, agencies will have to adjust their rates based on lower demands and the marginal cost.

Ms. Sandkulla stated that BAWSCA staff will look into a reporting format that provides clarity and a better definition of "economic impact".

Director O'Connell noted that the graph uses data from 2010-11 and asked if more current data is available. She also suggested that the presentation emphasize the actions required by the Board, and the level of impact that will occur if the actions are not taken.

Director Weed commented that he sees a fallacy in using economic impacts for analysis of water consumption. There is a discredited concept of price-based conservation or tiered rates. It does not work. He commented that there are no significant impacts from water shortage because people find a way to manage.

Director Weed also stated that there is a fallacy with the use of simple slogans that imply a universal water use reduction across the board. For example, San Francisco has very little landscape, and conservation is not at issue for them as it is for the suburban customers. A 20% reduction for the suburban customers in the month of July could peak to approximately 40%. He stated that the use of the universal approach can possibly run into some false guidelines and poor policy principles.

Director Weed added that the real impact is on the revenues. There will be rate increases because of the dramatic drop in income to the various water agencies. This impact is more of a concern.

Director Keith asked if the information BAWSCA has are shared with the Association of Bay Area Governments (ABAG).

Ms. Sandkulla stated that BAWSCA does not currently share its information with ABAG. She noted that when ABAG first started the process towards the urban corridor concept, she participated in a Bay Area group's conversations with ABAG to let them know that ABAG's assumptions are not consistent with existing Bay Area planning at that time, and that the infrastructure to support ABAG's concept does not exist.

To her knowledge, the collective Bay Area group has not come back to ABAG since that time because of the differing level of jurisdiction. However, other entities like SCVWD and San Francisco have ongoing communications with ABAG.

Director O'Connell commented that around the same time, she was involved with San Mateo County Regional Housing Needs Assessment (ReHNA) in their discussions with ABAG. Both ReHNA and the City of San Bruno, were very clear in reporting their water use requirements and limitations from San Francisco, but were unable to achieve support from ABAG.

Director Mendall commented that presenting the economic impact with a vision of what the numbers represent will help the board come to an informed conclusion as to what weight to give that impact. The economic impact of having a brown lawn is very different from the economic impact of having businesses close.

Ms. Sandkulla explained that one of the metrics examined in San Francisco's study is the number of lost jobs. In the initial analysis 2 years ago, the estimated number of lost jobs as a result of water shortage was greater than the unemployment rate in 2012 (2 years ago). BAWSCA will work on the presentation of the analysis for the Board meeting. Ms. Sandkulla noted that the analysis has been effective on the member agencies' collective behalf in working with the Federal Energy Regulatory Commission (FERC) in having them understand the impacts of their decisions on the region's water supply.

San Francisco's study is being utilized for BAWSCA's analysis for the Strategy.

Director Mendall commented that for San Francisco's study, it is not critical for the agencies to come to a complete agreement on each individual item. What's important with

the analysis is for the agencies to be able to determine the significance of the information and make an informed decision.

Ms. Sandkulla agreed, and would encourage Board members to look at it with that perspective.

Director Guzzetta noted we need to understand the underlying basic assumptions to make sense of the output from San Francisco's study.

Ms. Sandkulla stated that the individual agencies reviewed San Francisco's draft report and agreed with the demand projections at the time, as well as the projections on price and cost increases, for the purpose of San Francisco's study of the economic impacts of water shortages. While the agencies were not involved in the mechanics of the analysis, they were closely involved with the input process to confirm that the projected demands are relatively in line with demand projections in 2035, and the assumptions in customer base, price, and alternative supply availabilities. The technical staff of the agencies were aware that it was the best data for input that was available at the time, recognizing that there was going to be a demand projection analysis that will have some level of differences in results, but not of significant magnitude.

Results of FY 11-12 Wholesale Revenue Requirement Review: Ms. Sandkulla reported that pursuant to Section 7.06A of the 2009 WSA, BAWSCA staff, specifically Christina Tang, reviews SFPUC's calculation of the annual Wholesale Revenue Requirement, or costs charged to the Wholesale Customers. BAWSCA also reviews the changes in SFPUC's balancing account.

On May 23d, BAWSCA and the SFPUC reached an agreement on the outstanding issues related to SFPUC costs allocated to the wholesale customers for FY 2011-12.

The agreement resulted in a net credit to the Wholesale Customers of over \$5 M. This is a higher number than normal, which has typically ranged from \$700 K - \$1 M in previous years. The credit will be applied to the balancing account for FY 2013-14.

Ms. Sandkulla presented the breakdown of the areas where adjustments were made. For example, there were accounting errors that charged wholesale customers for in-city conservation costs that solely benefit the SF retailer customers.

The biggest cost allocation adjustment was for the cost allocation on the total square footage of the new SFPUC building which included a child care center and a cafe, which the wholesale customers receive no benefit from.

BAWSCA staff and legal counsel were diligent in their negotiations with the SFPUC.

- D. SFPUC Water Supply Improvement Program – Update: Ms. Sandkulla reported that the Commission adopted the changes to the WSIP at its meeting on April 22nd. They will be submitting the required reports to the California Seismic Safety Commission (CSSC),

Department of Health (DPH), and Joint Legislative Audit Commission (JLAC) by June 30th.

While the notification to the State agencies have not been formally made by San Francisco, Ms. Sandkulla has made the State agencies aware of SFPUC's actions and provided them copies of BAWSCA's correspondence with the SFPUC.

BAWSCA provided the SFPUC five recommendations as part of its comments on the SFPUC's hearing process for the proposed changes. SFPUC's written response to BAWSCA's recommendations was generally positive.

Ms. Sandkulla explained that the State Agencies are notified of the changes to the WSIP so that they can determine whether the changes have increased risks to public health and safety. BAWSCA recommended that SFPUC speak on the public health and safety impacts of the proposed changes, as well as the impacts of the proposed changes to the SFPUC's 10-year CIP, instead of relying on the State agencies identify them.

The SFPUC agreed to include its perspective on the public health and safety impacts of the proposed changes to the WSIP in their formal notification to the State. However, it preferred to write a separate letter to the State providing its perspective on the public health and safety impacts of the changes to the 10-year CIP. A separate letter avoids making the impression that it is a State requirement for the SFPUC to report on 10-year CIP.

Ms. Sandkulla explained that the separate letter will be important because it will serve as a push for the SFPUC to report to the State in case changes to the 10-year CIP occur again as a result of additional issues with the WSIP, specifically with Calaveras Dam Project.

A second recommendation BAWSCA made was that the SFPUC develop a staff transition plan and present it to the Commission in June. BAWSCA has been asking the SFPUC for a staff transition plan that shows how they move staff and program management off of WSIP projects that are already closed so that the high levels of overhead are avoided. The SFPUC staff has committed to presenting it to the Commission on June 24th, and will provide updates to the Commission on a quarterly basis.

BAWSCA also recommended the development of interim water supplies as necessary until proposed water supply projects are on line to ensure that the LOS goal can be met, and provide a status report to the Commission by September 2014. The SFPUC acknowledged the importance of WSIP projects that contribute to the LOS goals, and stated that they will continue to evaluate its water supply portfolio and take the necessary action as required.

Ms. Sandkulla stated that she had hoped for more specific actions, but is pleased that discussions of the water supply LOS goals continue because the projects that impact the water supply LOS goals are currently behind schedule. Those projects are the Westside Basin Conjunctive Use Project and the Calaveras Dam Replacement Project, which are critical facilities during a drought.

The Alameda Creek Recovery Project (ACRP) is another water supply project that has been struggling to get some traction. It is still in the early planning stages and is critical to achieving the water supply LOS. BAWSCA recommended that the SFPUC provide an update on the progress of the ACRP, and present an analysis on the impact, if any, to the SFPUC's ability to meet the water supply LOS goal as part of its regular reports. The SFPUC agreed.

Finally, BAWSCA recommended that the SFPUC include in their report to the State a quantification of the status of achieving the LOS goals shown as "In Progress" in Attachment 4 of the Notice of change, and report the progress in future WSIP Quarterly Reports. The SFPUC agreed

- E. Legislation – Status Report: Ms. Sandkulla reported that SB 1345 would extend the current State oversight of the WSIP to January 1, 2022. The legislation passed through the Senate on May 7th.

At the request of the CSSC, the bill was amended to extend the review period from 90 days to 120 days. Ms. Sandkulla explained that the CSSC Board only meets every two months which made the 90 day period a very tight schedule to meet.

The bill has been referred to three Assembly Committees. The Committee on Natural Resources will consider the bill at its hearing on June 16th. The Committee on Local Government has not set its hearing for the bill yet, but is anticipated to occur in late June. The consideration of the bill by the Appropriations Committee is expected in August.

BAWSCA is working closely with local Assembly Members in keeping them apprised with the bill's developments.

Ms. Sandkulla noted that SB 1345 is a committee bill from the Senate Natural Resources Committee, and is not solely focused on BAWSCA. The Committee has been approached to make some non-controversial amendments to address issues that are not associated with BAWSCA. Ms. Sandkulla stated that she and the BAWSCA team of consultants anticipated this potential scenario. While the amendments appear to have no significant issues, she and the BAWSCA team of consultants will closely monitor the developments and keep the Board informed.

- F. Board Policy Calendar: Ms. Sandkulla reported that the Board's policy issues in the coming months will be focused on the topic of water supply. The review of the General Reserve Policy will come to the Board in October.

7. Comments by Committee Members:

Director Mendall reported that he will be on vacation at the time of the August 13th BPC meeting, and will hand over the Committee meeting to Vice-Chair Bronitsky.

Board Policy Committee Minutes

June 11, 2014

8. **Adjournment:** The meeting was adjourned at 3:15pm. The next meeting is August 13, 2014.

Respectfully submitted,

Nicole Sandkulla, Chief Executive Officer

NS/le

Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – June 11, 2014

Roster of Attendees:

Committee Members Present

Al Mendall, City of Hayward (Chair)
Randy Breault, City of Brisbane/GVMID (BAWSCA Vice Chair)
Rob Guzzetta, California Water Service Company
Kirsten Keith, City of Menlo Park
Irene O’Connell, City of San Bruno (BAWSCA Chair)
Tom Piccolotti, North Coast County Water District
Louis Vella, Mid-Peninsula Water District
John Weed, Alameda County Water District

Committee Members Absent

Charlie Bronitsky, City of Foster City (Vice Chair)
Barbara Pierce, City of Redwood City

BAWSCA Staff:

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Item Title: **Resolution Approving Temporary Reappointment of Arthur Jensen as Special Counsel to the CEO/GM**

Summary:

As required by PERS, Board findings are required before Arthur Jensen, retired from BAWSCA, can be reappointed to the temporary position of Special Counsel to the Chief Executive Officer and General Manager (CEO/GM) in order to provide BAWSCA with essential services.

Fiscal Impact:

Funds to reappoint Arthur Jensen as Special Counsel to the CEO/GM are included in the adopted budget for salaries and benefits for FY 2014-15.

Recommendation:

That the Board Policy Committee recommend Board adoption of the attached resolution approving the reappointment of Arthur Jensen to the temporary position of Special Counsel to the CEO/GM, and making associated findings in support of such an appointment.

Discussion:

Although Arthur Jensen retired from BAWSCA in September 2013, his services continue to be essential to ensure that BAWSCA complete critical negotiations with the City and County of San Francisco pertaining to the classification of assets under the Water Supply Agreement between San Francisco and its wholesale water customers and other matters as needed.

The California Government Code allows the temporary employment of a PERS-covered retiree only under specified conditions, and only if the person works no more than 960 hours per fiscal year. The attached resolution includes findings that the Board must adopt in order for the incoming CEO/GM to appoint Arthur Jensen to a temporary position for no longer than one year in compliance with all legal requirements.

Attachments:

1. Resolution for the temporary reappointment of Arthur Jensen as Special Counsel to the CEO/GM.

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**RESOLUTION NO. 2014-03
BY THE BOARD OF DIRECTORS OF THE
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**APPROVING TEMPORARY APPOINTMENT OF ARTHUR JENSEN
AS SPECIAL COUNSEL TO THE CEO/GM**

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

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

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

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

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

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

WHEREAS, the California Government Code ("Code") generally requires that a retired PERS annuitant be reinstated to active PERS membership upon employment by a PERS-covered agency, unless he is temporarily appointed by the agency's appointing authority under sections 7522.56 and 21224 of the Code, which exempt a retired PERS annuitant from the reinstatement requirement if (i) he is temporarily appointed because he ". . . has specialized skills needed in performing work of limited duration," (ii) he works no more than 960 hours per fiscal year for all PERS-covered employers, (iii) his hourly rate of pay is neither less than nor more than the monthly base salary paid by the agency to any of its other employees who perform comparable duties, divided by 173.333, (iv) he will not receive any other benefit, incentive, compensation in lieu of benefits, or other form of compensation in excess of such hourly rate, (v) he is not reemployed within 180 days of his retirement, and (vi) he has not received unemployment compensation arising out of any prior employment subject to these requirements with the same employer during the 12-month period preceding his appointment; and

WHEREAS, the Board has determined that the Appointee has the skills needed in performing work as Special Counsel to the CEO/GM for a limited term of no more than one year and intends that his appointment to that position for such term meet this and all other applicable requirements of sections 7522.56 and 21224 of the Code.

NOW THEREFORE BE IT RESOLVED, that subject to BAWSCA's customary employment practices and the specific terms and conditions of any offer of employment by BAWSCA to the Appointee in connection therewith, the Board hereby approves the appointment of the

Appointee to the position of Special Counsel to the CEO/GM for up to a one-year term, effective upon appropriate action by the CEO/GM; and

RESOLVED FURTHER, that in accordance with sections 7522.56 and 21224 of the Code:

1. the Board finds and declares that the Appointee possesses extensive, highly specialized skills and experience needed to complete critical negotiations with the City and County of San Francisco pertaining to the classification of assets under the Water Supply Agreement between San Francisco and its wholesale water customers and other matters as needed;
2. the Appointee's appointment to the position of Special Counsel to the CEO/GM will not exceed 960 hours in any fiscal year for all PERS-covered agencies;
3. the Appointee's rate of pay as Special Counsel to the CEO/GM will be neither less than nor more than the monthly base salary paid by the agency to any of its other employees who perform comparable duties, divided by 173.333, and he will not receive any other benefit, incentive, compensation in lieu of benefits, or other form of compensation in excess of such hourly rate;
4. the Appointee is being reappointed more than 180 days after his retirement;
5. the Appointee has not received any unemployment compensation arising out of his prior employment with BAWSCA during the 12-month period preceding his appointment; and
6. subject to BAWSCA's customary employment practices, including "at-will" employment, the appointment of Appointee as Special Counsel to the CEO/GM will continue only until the earlier of: (i) the end of the appointment's one-year term, or (ii) termination of the Appointee's employment by either BAWSCA or the Appointee for any other reason; and

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

PASSED AND ADOPTED this 18th day of September, 2014, by the following vote:

AYES:

NOES:

ABSENT:

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

ATTEST:

Assistant to the CEO/GM

Board Policy Committee Calendar Through February 2015

BPC Meeting	Purpose	Issue or Topic
Oct. 2014	D&A D&A R&D R&D	Updated Water Demand Projections: Results & Recommended Action Discussion and Possible Action of a Regional Drought Reliability Goal BAWSCA Mid-Year Review for FY 2014-15 Work Plan and Budget Review of General Reserve Policy
Dec. 2014	D&A D&A D R	Review Water Supply Forecast & Decide if a Transfer Should be Pursued BAWSCA Mid-Year Review for FY 2014-15 Work Plan and Budget Work Plan and Budget Planning for FY 2015-16 Presentation of Final Strategy Report and Recommendations
Feb. 2015	D&A D	Final Strategy Report and Recommended Action Discussion of Preliminary FY 15-16 Work Plan and Budget
Apr. 2015	D&A	Proposed FY 15-16 Work Plan and Budget

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