

BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

June 11, 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>)	(Mendall)	<i>Pg 3</i>
2. <u>Comments by Chair</u>	(Mendall)	
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>	(Mendall)	
4. <u>Consent Calendar</u> A. Approval of Minutes from the April 9, 2014 meeting (<i>Attachment</i>)	(Mendall)	<i>Pg 5</i>
5. <u>Action Calendar</u> A. Bay Area Regional Reliability Principles (<i>Attachment</i>) <u>Issue:</u> How is BAWSCA participating in a regional effort to bolster water supply reliability in the Bay Area? <u>Information to Committee:</u> Staff memo and oral report <u>Committee Action Requested:</u> That the Committee recommend Board adoption of the Guiding Principles for Bay Area Regional Reliability Partnership	(Sandkulla)	<i>Pg 21</i>
B. Appointment of Nicole Sandkulla as General Manager and Secretary of San Francisco Bay Area Regional Water System Financing Authority (RFA) (<i>Attachment</i>) <u>Issue:</u> As the new CEO and General Manager of BAWSCA, the BAWSCA Board can authorize the RFA Board to appoint Nicole Sandkulla as its General Manager in place of Art Jensen who retired in September 29, 2013. <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> 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.	(Sandkulla)	<i>Pg 27</i>

- C. Process and Schedule for CEO Annual Evaluation (*Attachment*) (O'Connell) Pg 29

Issue: What is the process and schedule for completing the CEO annual evaluation?

Information for Committee: Staff memo and oral report.

Committee Action Requested: That the committee provide input on the procedure and draft evaluation form for the CEO/GM performance evaluation and recommend that the board review the revised form during its July meeting for subsequent use as part of the CEO/GM performance evaluation.

6. Reports (Sandkulla)

- A. Water Supply Update
- B. Pilot Water Transfer Plan – Status Report
- C. Long-Term Reliable Water Supply Strategy – Status Report
- D. Results of FY 11-12 Wholesale Revenue Requirement Review (*Attachment*) Pg 35
- E. SFPUC Water Supply Improvement Program – Update
- F. Legislation – Status Report
- G. Board Policy Committee Calendar (*Attachment*) Pg 37

7. Comments by Committee Members (Mendall)

8. Adjournment to the next meeting on August 13, 2014 at 1:30pm in the 1st floor conference room of the BAWSCA office building, at 155 Bovet Road, San Mateo.

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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 Albertson's to two tall buildings to your left. Turn left into the driveway between the two buildings and left again at the end of the driveway to the "Visitor" parking spaces in front of the parking structure.

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



BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Committee Roster:

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**

**April 9, 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 (9), absent (1) and other attendees is attached.

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

- 2. Comments by Chair:** Director Mendall reported that BAWSCA Chair O’Connell is unable to attend the committee meeting. The proposed work plan and operating budget is on the agenda for the Committee’s consideration to recommend Board action at its meeting in May.

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

- 4. Consent Calendar:** Approval of Minutes from the February 12, 2014 meeting.

Director Pierce made a motion, seconded by Director Breault, to approve the minutes of the Board Policy Committee meeting held on February 12, 2014. The motion passed unanimously.

5. Action Items:

A. Potential Amendment to Hanson Bridgett Professional Services Contract:

Ms. Sandkulla reported that the current contract limit for Hanson Bridgett is \$496,000. In Fall of 2013, \$80k was re-assigned within the adopted budget to fund an increased scope of work needed for the Pilot Water Transfer plan. Ms. Sandkulla stated that the re-allocation was reported to the Board at its November meeting, noting the potential of needing additional funds.

In addition to new issues that have developed with the 2009 Water Supply Agreement (WSA) implementation, and increased expenditures related with new hires, additional funds are in fact needed to perform the necessary work for the balance of the fiscal year. The increased funds needed are estimated to be between \$60K and \$100K, which are available from unspent funds in FY 13-14. The budgeted contingency funds remain untouched, and the underspending on other contracts serve as the source for additional funds needed.

Ms. Sandkulla reported that while work associated with the WSA implementation has been ongoing for the past 6 months, new issues were identified following the March Board meeting. She has worked closely with legal counsel in reviewing the schedules to

determine where there is flexibility to delay work until after the May Board meeting. Legal work is being monitored very closely for the balance of the fiscal year, to ensure that efforts are focused on activities related to critical results.

Ms. Sandkulla does not have a specific dollar amount at this time as she will continue to work towards identifying the amount that is most sufficient and appropriate.

Director Pierce asked if the WSA issues will be resolved or if this can be expected to continue to next fiscal year. Ms. Sandkulla stated that based on what is currently known, she applied a slight increase in the budget of Hanson Bridgett's professional services contract for FY 2014-15.

In response to Director Guzzetta, Ms. Sandkulla explained that the funds would likely be taken from the budgeted contingency that continues to be unspent, and from the unspent funds within the approved budget.

Director Pierce made a motion, seconded by Director Vella, that the Committee recommend the CEO/General Manager monitor the professional services contract with Hanson Bridgett to determine the most efficient and effective deployment of resources through the close of this Fiscal Year, and provide a recommendation for a possible contract amendment to the full Board at its May meeting.

The motion passed unanimously.

B. Proposed FY 2014-15 Work Plan and Operating Budget:

Ms. Sandkulla reported that the proposed FY 2014-15 work plan and operating budget remains consistent with BAWSCA's legislated authority and goals of ensuring reliable supply of high quality water at a fair price. The proposed work plan and budget focuses on critical results that need to be achieved next fiscal year, as well as in preparation for future challenges that faces agencies and their water customers. The work plan includes staff time to respond to drought conditions and anticipated increased conservation activities.

Aside from the additional information requested by the Committee in February, and by the Board in March being incorporated in the staff memo, Ms. Sandkulla stated the proposed work plan and operating budget are no different from what was presented as the preliminary work plan and budget. Ms. Sandkulla reviewed the the critical results to be achieved and presented the budget figures needed to achieve the results.

Ms. Sandkulla restated that the list of critical results serves as the keystone for developing the work plan and budget. A significant portion of the work plan focuses on water supply reliability as well as fair price. The proposed operating budget is 10% less than the current budget because there are no special studies being proposed for next fiscal year. Additionally, the current budget includes a \$300K budget for completing the demand projections study.

The proposed budget does not include the implementation of the potential pilot water transfer. It fully funds the OPEB annual required contribution, and includes a budget for COLA adjustment to top step and merit allowance.

Ms. Sandkulla presented the recommendation to fund the budget, which includes:

- 5% increase in assessments
- Transfer of \$296,436 from BAWSCA's General Reserve

The current assessments total \$2,517,000; or an estimated cost of \$4.61 per household, and \$1.54 per person. The proposed 5% increase in assessments will bring the current total up by \$125,850. It would add \$0.22 per household, and \$0.07 per person.

The 5% increase in assessments will provide \$2,642,653 of the total proposed operating budget of \$2,939,286. The balance would be transferred from the General Reserve.

The proposed work plan and operating budget achieves the agency goals, does not sacrifice critical results, balances the human resources, and matches the foreseeable needs in the next 5 to 10 years.

Director Weed asked about the annual report on the OPEB, and noted that he would have expected a jump on the OPEB costs given that additional names added to the beneficiaries.

Ms. Sandkulla explained that the assumptions used to calculate the OPEB liability for FY 2013-14 included all the personnel changes, therefore the OPEB cost assumptions for FY 2014-15 have no significant change. As for the annual reports, the first deposit into the trust has just been made based on the Board's adoption of Resolution #2014-01 in March. The review to generate the annual report will be done within 6 months of the first deposit. A report is expected in November for the Board's review. Any adjustments that the Board may want to make can be done in the next budget cycle for the next fiscal year.

In response to Director Vella, Ms. Sandkulla clarified that the recommendation to fund the proposed operating budget has no impact to the General Reserve policy. She further explained that based on the projections, the funding plan will maintain the General Reserve within the policy of 20%-35% of the approved budget. Staff will continue to monitor the General Reserve, and do a more frequent review of the General Reserve Policy. Ms. Sandkulla stated that a review of the policy will be scheduled for Fall 2014. The Board will, by this time, have a basic assessment of the General Reserve balance from FY 13-14, and a clear understanding of what actions it may want to take.

Director Mendall agreed that a review of the General Review in the near future is prudent.

In response to Director Pierce, Ms. Sandkulla estimated the implementation cost of the pilot water transfer to be \$1M. A recommendation for funding the implementation would be the use of the Water Management Charge, which is a financing means arranged with the SFPUC in the WSA. The Water Management Charge can be used to fund a specific project approved by the Board, and would be charged to the agencies through San Francisco's monthly water bill. The requirement is that BAWSCA report the use of the funds to San Francisco. An upcoming discussion for BAWSCA staff and the Board is bridge financing or how to address various financing aspects.

Director Vella made a motion, seconded by Director Pierce, that the Committee recommend the Board to approve:

- 1. The Proposed FY 2014-15 Work Plan and Results to be Achieved;**
- 2. The recommended Operating Budget of \$2,939,286; and**
- 3. Funding the budget with a 5% increase in assessments and a transfer of \$296,436 from the General Reserve.**

The motion passed unanimously.

C. Approval of Professional Services Contracts for FY 2014-15:

Ms. Sandkulla presented the list of professional services contracts that need to be in place by July 1, 2014. There are fourteen contracts that are necessary to complete the work BAWSCA does, and that the Committee is asked to recommend approval by the Board at its meeting in May.

The majority of the contracts are standing contracts for services that BAWSCA and its predecessor agency have used in the past. They are task order contracts with a not-to-exceed dollar amount.

Ms. Sandkulla noted the contract with BLX, and explained that BLX was BAWSCA's investment advisor hired during the bond development process. BLX has been gracious in providing BAWSCA some assistance in Christina Tang's absence during her maternity leave on work associated with the bond surcharge. In talking with individual Board members, there was interest expressed in having BAWSCA's investments managed more aggressively, and to have an annual report for the Board's review. The contract with BLX will include this scope of work in addition to arbitrage.

In response to Director Keith's question, Ms. Sandkulla explained that Waterfluence is geared solely on large landscape accounts, and provides a combination of water audits and reporting of water use to large landscape accounts and provides recommendations on water use and monthly score cards.

Alternatively, WaterSmart is geared towards residential homeowner accounts and includes outdoor and indoor water conservation.

Director Mendall stated that it is helpful when the staff reports speak to the value that the professional services provide the member agencies, as did the staff report on Stetson Engineering.

In response to Director Pierce's question, Ms. Sandkulla explained that the decrease in the number of participants for the Large Landscape Conservation Services program was due to Cal Water's hiring of Waterfluence independent of BAWSCA, and applying the program for all of their districts. Ms. Sandkulla stated that having a majority of the member agencies participate in a conservation program makes for a stronger portfolio. While Cal

Water's independent administration decreased BAWSCA's count for the Large Landscape program, it has given a lot of exposure throughout the State, and that is positive.

Director Breault made a motion, seconded by Director Vella, that the Committee recommend Board approval of the fourteen contracts for legal, engineering, financial, strategic and water conservation services needing to be in place by July 1, 2014.

The motion passed unanimously.

D. Professional Services Contract with Highest Ranked Vendor(s) to Implement Home Water Use Reports:

Ms. Sandkulla reported that BAWSCA is proposing a new conservation program to prepare and deliver home water use reports to residential customers. The reports will provide a customized water use data, a comparison to similar customers, and suggested conservation measures. The objective of the program is to engage the customers to improve water use efficiency through changes in behavior or making them aware so that they adopt more water efficient technology. Water savings reported in other areas are up to 5%.

A question that has come up is how this program differs from free web-based options that are readily available via the internet. Ms. Sandkulla explained that the program being proposed can be connected to the participating agency's billing system, therefore making it user-friendly for the user, agency staff, and the water customer. The majority of the free web-based programs do not easily offer this feature.

The program is designed so that participating agencies can customize communications with their customers, and be able to drive the messaging to their customers. The proposed program design has demonstrated effectiveness in decreasing residential water use and improving customer satisfaction.

In response to Director Keith, Ms. Sandkulla explained that the proposed program is no different than WaterSmart, and stated that WaterSmart is a type of consultant that provides proposals in response to these types of RFP.

Director Bronitsky asked if this is something that agencies should be looking at individually for cost effectiveness.

Ms. Sandkulla explained that the proposed program would follow BAWSCA's subscription model, where all costs of outside service provider will be paid for by participating agencies. Knowing what agencies are interested in participating, BAWSCA would pre-negotiate the cost with the selected vendor to get a program that meets BAWSCA's specific criteria. This provides a turn-key program for the participating agencies as opposed to multiple agencies negotiating individual contracts with the same vendor. This also provides for a more cost effective program and easier program implementation.

Ms. Sandkulla further reported that there are Prop 84 grant funds that will provide partial reimbursement for agency costs. The grant funds will provide \$3/household for 50,000 households until June 2016.

The participation by agencies are voluntary and the opportunity to participate will be given to all member agencies. To date, it appears that there are potential participation from agencies in all three counties.

Director Keith noted that Palo Alto just contracted with WaterSmart, and Menlo Park is meeting with WaterSmart tomorrow.

Ms. Sandkulla stated that vendors like WaterSmart are actively proposing their programs to many agencies. BAWSCA issued an RFP in February, and is in the process of negotiating with the top two firms that would be best for the member agencies. This program is being developed at the request of member agencies, and the Water Management Representatives have been informed of all developments for this program. She expects agencies to look for the program that is most cost effective and most efficient to implement.

A recommended consultant will be presented to the Board for action at its May meeting.

Director Keith asked when the program will be offered. Ms. Sandkulla stated that she will have a better idea in May, after the negotiations have been completed. However, both firms being interviewed have indicated the possibility of implementation in the September/October 2014 timeframe.

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

- 1. Negotiate and execute a contract with the selected consultant, subject to legal counsel's final review to implement the Home Water Use Reports Program;**
- 2. Offer participation in the program to interested BAWSCA agencies on a subscription basis in FY 2014-15.**

The motion passed unanimously.

6. Reports:

- A. Water Supply Update: Ms. Sandkulla presented a series of charts from the SFPUC showing water supply conditions as of April 6th. She reported that Tuolumne storage is at 70% of maximum capacity. Total system storage, without the water bank which is the drinking water, is at 65%. The Calaveras Dam remains low because of the current construction activity.

Precipitation and snowpack are slowly increasing. The numbers are better than last month, however, it remains at a very low level and dry conditions.

Ms. Sandkulla presented a graph of the weekly deliveries from the Regional Water System County Meters, which shows that while the 10% reduction has been achieved since it was requested by San Francisco, the graph also shows that a spike occurs in weekly use when there is a heat spell.

Director Mendall commented that the graph clearly provides him the information on whether or not the 10% water use reduction is being met by the wholesale customers.

Director Guzzetta commented that it should be noted that the graph is a measurement of purchases from the SFPUC, and not necessarily of use. Other agencies have multiple supplies, and they may be relying on San Francisco more heavily than in the past, as Cal Water is. He reported that Cal Water has decreased its weekly production by 10-20% since the drought announcement.

Ms. Sandkulla agreed. Agencies like ACWD are relying heavily on San Francisco supplies because their alternative supplies are unavailable. This applies for agencies in the South Bay because the Santa Clara Valley Water District has asked for even more reduction.

Ms. Sandkulla stated that the significance of this information is that it feeds directly into San Francisco's decision on what level of cutback they will maintain. San Francisco will make an official announcement on April 15th or sooner, about the water supply outlook for the balance of the year. It will have some important caveats that will say that if system water use is not reduced by 10%, San Francisco could come back and ask for more water use reductions in the Summer or Fall of 2014.

Ms. Sandkulla explained that while it is true that the graph is a measurement of purchases, the wholesale customers must achieve the 10% reduction so that greater reductions are not required.

Director Weed reiterated that ACWD has implemented a 20% mandatory rationing in its service area, but at the same time, it is doubling historical purchases from SF because of the losses from its alternative supplies. This means that BAWSCA will collectively be making a 15% reduction to make up for the 100% increase ACWD is purchasing from the SF Regional Water System.

Director Mendall commented that situations such as ACWD's, leave the rest of the agencies without a choice. He asked Ms. Sandkulla to explain how that works.

Ms. Sandkulla explained that because agencies are in a voluntary water use reduction scenario, the prescriptive Tier 2 allocation Plan, in which agencies have specific drought allocations based upon a pre-determined formula, is not being implemented. Rather, the 10% reduction is applied across the board. If the scenario changes to a mandatory reduction, the drought plan, which each agency adopted, goes in effect. The drought plan has an allocation formula among the agencies and provides an individual budget for each agency that are very different from each other. In a mandatory scenario, the SFPUC will

have the ability to impose fines for exceeding individual allocations. The agencies can also trade drought allocations with one another in a mandatory scenario.

In response to Director Weed's question, Ms. Sandkulla stated that each agency have an individual supply guarantee, which is a maximum supply guarantee. It is not the maximum supply an agency can purchase, rather the maximum supply that is guaranteed to the agency. Under the mandatory cutback in the WSA, there are rules in place that dictates how San Francisco must allocate the supply available in a drought.

Director Bronitsky stated that it will be difficult for Foster City to make further cutbacks as it has already reduced its water use by 15-20% with the conservation efforts applied during the wet years.

At the request of Director Keith, Ms. Sandkulla explained that if the drought allocation plan is put in effect as a result of a mandatory cutback, agencies have the ability to bank their unused drought allocation. They can either sell that supply to another agency or save it for future use. Agencies can bank their allocation until the drought is over.

In response to Director Mendall, Ms. Sandkulla explained that the drought allocation plan is based on formulas in place that are managed by BAWSCA.

Director Guzzetta asked about San Francisco's previous statement that there was a 60% chance that Hetch Hetchy will fill by July 1st. Director Guzzetta asked for an update on that information after the recent storm.

SFPUC Sr. Water Analyst, Michelle Novotny reported that the recent storm reduced the likelihood of a severe water supply shortage scenario, but it didn't improve the percentage of where supplies should be at this time of the water year.

In concurrence with Director Bronitsky's comments, Director Breault stated that the City of Brisbane is currently using 70% of its individual supply guarantee. Brisbane is one of the lowest residential per capita users in the county with a use of less than 50 gallons per person per day. Yet, Brisbane will be subjected to a 20% reduction across the board in an in-elastic population. Brisbane is currently so tight, that it could not bring in a laundry business that would use 80K gpd, even if it has hundreds of thousands of gallons in excess. The laundry business would double the amount of reduction that would then be imposed upon Brisbane's population of about 4,000. This is a fact Brisbane has to face. He added that the negotiations of the drought formula were not pleasant a few years ago, and it will continue to be difficult.

Director Guzzetta added that Cal Water's gallons per day are significantly down from the time the drought allocation was developed. Demand hardening is making it harder and harder to further cut back use, and is making the demand for reliable supply even more critical.

Director Pierce noted that ACWD's increased purchase from the San Francisco Regional Water System, while challenging for the rest of the agencies given the current situation,

remains within ACWD's supply guarantee. Any agency, given the situation, will probably do the same thing.

Director Guzzetta noted that agencies are faced with an economic decision. San Francisco is the most expensive source, and an agency would use alternative sources, if they existed. Situations such as ACWD's are going to happen more often when alternative sources become less reliable.

Chair Mendall appreciated the committee discussion, and stated that there is no action needed from the Board at this time.

Director Pierce noted that the agencies have been fortunate enough in the past few years, with demands being lower, to not have to push so hard to complete and implement BAWSCA's Long-term Strategy for water resources. The time has come when the push needs to be harder.

Director Weed reported that the ACWD board asked staff to develop a plan that would remove the district from the State Water Project which is 40% of the district's water supply. Reliable water supply options are the SF Bay and the So. Bay Aqueduct. But a question came up of whether there should be a regional approach to desalination of the SF Bay, which could make it cost-competitive with San Francisco and provide a reliable water supply.

Members of the Committee agreed that the idea is promising. Director Mendall stated that this can be part of the Long-Term Reliable Water Supply Strategy discussions.

Ms. Sandkulla emphasized that the urgent action needed is for the BAWSCA member agencies to achieve a 10% water use reduction. BAWSCA staff has looked into the various kinds of materials in response to the agencies' interest for materials to use in a drought campaign. BAWSCA has prepared and distributed electronic versions of drought outreach materials for the member agencies' use. The concepts and graphics are taken from ACWA and Sonoma County Water Agency's campaign.

BAWSCA will be providing a catalog of drought messaging materials that includes options for bulk ordering. Materials will include door hangers, restaurant table cards, and bumper stickers that agencies can customize with their logos, and to promote their conservation programs.

BAWSCA will continue to participate in multi-agency efforts to coordinate regional drought messaging, and will continue to work with San Francisco on the regional coordination of opportunities for media buys and development of a Bay Area conservation resource guide with conservation information and contacts.

BAWSCA is also changing its conservation programs in response to the drought, at the request of member agencies. The Lawn Be Gone Rebate Program will increase the rebate amount from \$0.75 to \$1 per square foot, and the cap on the allowable rebate will be removed.

In addition to the new Home Water Use Report program, BAWSCA is also looking at a new Rain Barrel Rebate program in partnership with San Mateo C/CAG. Ms. Sandkulla reported that C/CAG was considering a rain barrel program for their own purposes, but approached BAWSCA to see if there could be a potential for a regional partnership. BAWSCA is pursuing this effort with C/CAG, not just for storm water, but also to provide a benefit for residential customers in the service area for their own water use. BAWSCA is working with C/CAG in looking at other funding partners. Ms. Sandkulla noted that the common interests created the opportunity naturally, and member agencies have expressed a strong support for such a program.

Director Pierce reported that C/CAG's Resource Management and Climate Protection (RMCP) Committee discussed potentials for graywater at its recent meeting. BAWSCA Water Resources Analyst, Adrienne Carr, reported that BAWSCA member agencies have been looking at graywater as part of the water demand and conservation analysis. In reviewing the dialogue at the RMCP meeting with BAWSCA staff, a potential role for the San Mateo group could be to formulate an ordinance that would be initiated from the Counties and on to the Cities. Santa Clara County already has an ordinance, and the Santa Clara Valley Water District have their own rebate program in place. For San Mateo County, the rules are not amenable for a graywater program and an ordinance would need to be in place.

Director Guzzetta expressed his concerns with graywater and water quality, and noted the water quality responsibility that remains with the water supplier.

Director Mendall noted the City of Hayward's Pay As You Save (PAYS) pilot program, an on-bill financing mechanism for implementing energy and water efficiency measures that allows residents to make upgrades such as install low-flow toilets, or convert spray irrigation to drip at no up-front cost. The program allows for payments to be made over a period of time. It's a fairly new program, and Hayward is piloting it in FY 14-15. If it is successful, Director Mendall would like to see it considered as part of BAWSCA's suite of options for its conservation efforts.

Ms. Sandkulla stated that BAWSCA is working with Hayward staff to keep apprised of the progress of the program. It is the success stories of the agencies' pilot programs that help BAWSCA develop an effective program for the region.

- B. Pilot Water Transfer Plan – Update: Ms. Sandkulla reported that the work continues to progress with ongoing negotiations with the identified seller, Yuba County Water Agency (YCWA). BAWSCA meets regularly with the staff of EBMUD, SFPUC, and Hayward to finalize the delivery details both from the cost and operational side. There are 5 agreements needed to move the transfer forward. BAWSCA is monitoring the water supply outlook for both San Francisco and particularly EBMUD as decisions on key triggers are considered.

The transfer will be up to 1,000 AF of supply that will be delivered through the Hayward Intertie and into the Regional Water System at the Newark turnout. From the source, the water will go through EBMUD's Freeport diversion facility, the US Bureau of

Reclamation Folsom South Canal, EBMUD's Mokelumne Aqueduct, and to EBMUD local storage and distribution facilities. The water will go through the Hayward Intertie via Hayward's system at the Newark Turnout, flowing into the San Francisco Regional Water System.

Ms. Sandkulla reported that the changing drought conditions have impacted key elements of the transfer including BAWSCA's partners.

Ms. Sandkulla reported that EBMUD has turned on the Freeport Facility beginning April 1st in compliance with its permit condition to test the fish screens every 3 years. Since EBMUD needed to operate the facility, it purchased as much water as it could without impacting water rates, to meet their water supply needs. The anticipation is that EBMUD will continue to operate the facility through May.

EBMUD could restart the facility in October, depending upon water supply demands. This is consistent with BAWSCA's original timeline for the water transfer. Ms. Sandkulla stated that like San Francisco, EBMUD is going to monitor how its water customers are responding to the call for voluntary water use reduction.

BAWSCA will continue to pursue and assume implementation of the transfer in October. Since the Freeport Facility has already been turned on and is relatively ready, EBMUD's decision to restart the facility can be made as late as September. BAWSCA needs to be prepared.

Progress continues with finalizing the necessary agreements. Some are taking longer than others. BAWSCA is focusing on expediting regulatory approvals that are needed in anticipation of implementation.

One of the regulatory approvals is a petition by YCWA for a temporary change in the Place of Use for the water supply to include the BAWSCA service area. Ms. Sandkulla reported that YCWA is prepared to take this action. BAWSCA is working with Legal Counsel in reviewing the risks involved in pursuing the petition at this time.

BAWSCA is also working with EBMUD on the Warren Act Contract for use of the US Bureau of Reclamation facilities. Ms. Sandkulla's review with Legal Counsel on this action shows very low downside risks and minimal costs to get this necessary permitting requirement in place sooner rather than later.

Ms. Sandkulla reported that both actions do not commit BAWSCA to the transfer. However, both are public processes that will highlight BAWSCA's interests in implementing a transfer. Once YCWA puts in the petition, it will be noticed statewide.

Director Guzzetta asked if BAWSCA has concerns about the public process.

Ms. Sandkulla stated that the biggest risk is that the petition could be contested for some specific reason. BAWSCA is working with Legal Counsel to determine what an objection, if any, would mean to BAWSCA.

Director Mendall commented that the point of the pilot water transfer is to find out how feasible it is. If there are obstacles that will stop it, it is beneficial to find out what those are as quickly as possible and resolve them. If it is determined that the pilot water transfer cannot move forward because of legal reasons, while it is not the preferred answer, at least an answer is known.

Ms. Sandkulla agreed, and stated that BAWSCA has been very public about the pilot water transfer plan. YCWA has a lot of experience with processes like this and is very confident with the BAWSCA Pilot Water Transfer Plan with EBMUD. Given the number of agreements and documents that need to be completed, anything that can be done to expedite the process will be beneficial.

BAWSCA is proceeding with necessary Federal and State environmental and regulatory approvals that apply to a short term pilot water transfer, and is initiating financial planning for funding BAWSCA's payments to its project partners.

While waiting for the decisions by the SFPUC about the need for water rationing, and by EBMUD about its drought declaration and proposed operation of the Freeport Facilities, BAWSCA will continue to work on completing the required agreements through May, for finalization between June and August. The Board's consideration for action to execute the pilot water transfer will be in July or September.

- C. SFPUC Water Supply Improvement Program – Update: Ms. Sandkulla reported that the SFPUC released a proposed notice of change with a cost increase to the WSIP regional projects. The wholesale customers' portion of that increase is \$126.3M, which is representative of a 3.5% increase from the current \$2,548M budget.

The delay is not as much as previously reported due to some re-shuffling of a few projects. There is a 1.5 month delay in the overall WSIP completion. But there is a 6 month delay for the CS/SA Transmission Upgrade, 9 month delay for the Calaveras Dam Replacement project, and a 24 month delay for the Regional Groundwater Storage and Recovery Project.

Ms. Sandkulla noted that the delays in the Calaveras Dam and Regional Groundwater Storage and Recovery Projects are delays in the water supply projects which extend the risks of a significant water supply shortage. She questions how much better would San Francisco's water supply situation be if the Regional Groundwater Storage and Recovery Project were to be completed at its original completion date, which was by the end of 2014.

BAWSCA is currently reviewing all technical and supporting data associated with the proposed change, and has requested additional data and analyses from the SFPUC. BAWSCA will meet with SFPUC staff and management to focus on key questions regarding the appropriateness of the proposed schedule changes, the increase risks to public health and safety, sufficiency of cost increases, analysis of all possible cost savings, and implementation of appropriate measures to minimize the risk of future cost increases.

BAWSCA is preparing a letter with comments and recommendations for submittal to the Commission for inclusion in the agenda for the April 22nd Commission meeting. The letter

will present BAWSCA's recommendations and findings to the questions of whether the WSIP will continue to meet Level of Service goals, what impact the proposed budget changes have, and whether there are increased risks to public health and safety from the schedule extension.

Ms. Sandkulla reported that Michael Hurley will address the Commission on the WSIP at its hearing on April 22nd, as she will be in Sacramento for the Senate Natural Resources and Water Committee hearing on SB 1345, the legislation that extends the state oversight on the WSIP.

- D. Legislation – Status Report: SB 1345 is scheduled for action under consent in the Senate Natural Resources and Water Committee hearing on April 22nd. The legislation would extend the current state oversight on San Francisco's implementation of the WSIP to January 1, 2022. Ms. Sandkulla thanked the agencies for the letters of support they prepared. The letters are extremely valuable in the Committee's understanding of the significance of the bill. The Committee is putting together a staff report that will support the bill at the hearing on April 22nd.

In response to Director Bronitsky's question, Ms. Sandkulla reported that BAWSCA recently met with San Francisco to assess the Mountain Tunnel issue. San Francisco is moving forward with actions that can be done immediately, in the event of a failure. The actions include an emergency plan, and construction contracts to increase accessibility to the tunnel for repair. Longer term actions include ongoing review of the best alternatives. San Francisco is pursuing the recommendation of a bypass, which will be reviewed by an expert panel. BAWSCA has asked to be part of that process, and will continue to monitor the developments.

Director Bronitsky asked if the \$126M cost is a part of contingency, or will that cost increase the rate for wholesale customers. Ms. Sandkulla explained that the \$126M budget increase for the WSIP is already included in the projected rate increases that agencies are scheduled to adopt in May, as well as in San Francisco's 10-year rate projection. San Francisco deferred some work from the 10-year CIP, and moved it out past the 10-year window. The deferred work includes upgrades to Millbrae facilities, and the implementation of the Regional Desal Projects.

In response to the Committee's concerns regarding the deferral of work, Ms. Sandkulla noted that BAWSCA's work with Terry Roberts Consulting is shifting focus from the WSIP to the 10-year CIP so that BAWSCA can have a greater ability to impact San Francisco's discussions on the 10-year CIP as they develop. Wholesale Customers will continue to pay for the regional system. The 10-year CIP is San Francisco's vehicle to implement its major capital projects.

What BAWSCA has learned with the WSIP is that the sooner BAWSCA can provide input, the better chance BAWSCA and its member agencies will have confidence that the projects are scoped, scheduled and budgeted appropriately for the interest of all water users.

Ms. Sandkulla stated that while she believes that the Regional Desal Project is critical, it is an appropriate project to defer from the 10-year CIP so that the more critical need of the Mountain Tunnel can be addressed.

Director Guzzetta expressed his agreement with how San Francisco re-prioritized its 10-year CIP to address the issue with the Mountain Tunnel while accommodating the wholesale customers' concerns with its impacts to wholesale rates.

Director Mendall noted that based on how San Francisco handled the Mountain Tunnel issue, it leaves a question in his mind about what else has been deferred in the past.

Ms. Sandkulla re-iterated that BAWSCA's scope of work with Terry Roberts Consulting is to closely monitor the WSIP and CIP activities to ensure that it is scoped, scheduled and budgeted appropriately.

Director Bronitsky asked about the SFPUC's unfunded liability amounts for their OPEB and whether BAWSCA will further look into obtaining additional information. Ms. Sandkulla acknowledged the request and will bring information back to the Committee.

- E. Board Policy Calendar: The Policy Calendar that will be provided to the Board in May will include actions scheduled for July.

7. Comments by Committee Members:

There were no further comments.

- 8. Adjournment:** The meeting was adjourned at 3:40pm. The next meeting is June 11, 2014.

Respectfully submitted,

Nicole Sandkulla, Chief Executive Officer

NS/le

Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – April 9, 2014

Roster of Attendees:

Committee Members Present

Al Mendall, City of Hayward (Chair)
Charlie Bronitsky, City of Foster City (Vice Chair)
Randy Breault, City of Brisbane/GVMID (BAWSCA Vice Chair)
Rob Guzzetta, California Water Service Company
Kirsten Kieth, City of Menlo Park
Tom Piccolotti, North Coast County Water District
Barbara Pierce, City of Redwood City
Louis Vella, Mid-Peninsula Water District
John Weed, Alameda County Water District

Committee Members Absent

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

BAWSCA Staff:

Nicole Sandkulla	CEO/General Manager
Michael Hurley	Water Resources Manager
Adrianne 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

Public Attendees:

Michelle Novotny San Francisco Public Utilities Commission

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Bay Area Regional Reliability Principles**

Summary:

The Bay Area's largest water suppliers have jointly developed principles for Bay Area Regional Reliability (BARR). The purpose of these principles is to coordinate regional efforts to improve water supply reliability through development of projects with regional benefit. The principles are intended to foster cooperation without limiting the ability of individual agencies or partnerships to pursue their own projects.

BAWSCA is intending to participate in this effort in cooperation with the SFPUC given its role as the major facility owner of the Hetch Hetchy Regional Water System. Other participating agencies include Contra Costa Water District (CCWD), East Bay Municipal Utility District (EBMUD), Santa Clara Valley Water District (SCVWD), Zone 7 Water Agency (Zone 7), Alameda County Water District (ACWD), and Marin Municipal Water District (MMWD)

The governing boards of each of these agencies are considering the attached BARR Guiding Principles for adoption.

Fiscal Impact:

None.

Recommendation:

That the Committee recommend Board adoption of the Bay Area Regional Reliability Principles.

Discussion:

In January 2014, the Bay Area Regional Desalination Project (RDP) partner agencies, which include CCWD, EBMUD, SCVWD, SFPUC and Zone 7, met to review the results of the recently completed RDP studies and discuss next steps. At that meeting, it was agreed that before determining next steps for the RDP, the group should consider a broader spectrum of water supply reliability efforts. The result is the requested inclusion of ACWD, MMWD, and BAWSCA in the BARR discussions

BAWSCA's participation in this effort is consistent with its efforts to increase water supply reliability for its member agencies and the development of the Long-Term Reliable Water Supply Strategy.

A copy of the complete BARR Guiding Principles is attached, Key elements of the principles include:

- Improve Bay Area's regional water supply and water quality reliability through a regional partnership;
- Maximize the use of existing assets of partner agencies, and if needed, construct new ones to benefit near- and long-term reliability projects;
- Employ equitable cost, risk, and benefit sharing approach; and
- Conduct all work in a transparent, inclusive, mutually beneficial manner.

Typical projects to be considered as part of the BARR effort include water system interties, treatment improvements, and the regional desalination. The attached BARR Fact Sheet provides further detail as to the potential projects being investigated.

Attachments:

1. BARR Guiding Principles
2. BARR Fact Sheet

**Guiding Principles for
Bay Area Regional Reliability Partnership Development**

**Alameda County Water District
Contra Costa Water District
East Bay Municipal Utility District
Marin Municipal Water District
San Francisco Public Utilities Commission
(with the Bay Area Water Supply and Conservation Agency)
Santa Clara Valley Water District
Zone 7 Water Agency**

The purpose of these principles is to memorialize the mutual willingness of the Bay Area's largest public water agencies to develop regional solutions to improve the water supply reliability for over 6 million area residents and the thousands of businesses and industries located in the area. The Bay Area Regional Water Supply Reliability Partnership ("Regional Partnership") would enable Bay Area agencies to work cooperatively to address water supply reliability concerns on a mutually beneficial and regionally focused basis.

Whereas, the Alameda County Water District, Contra Costa Water District, East Bay Municipal Utility District, Marin Municipal Water District, San Francisco Public Utilities Commission (with the Bay Area Water Supply and Conservation Agency), Santa Clara Valley Water District, and Zone 7 Water Agency (referred collectively herein as the "Parties") own and operate independent water systems that collectively serve the needs of over 6 million residents and businesses in the San Francisco Bay Region, and

Whereas, the Parties recognize that integrated utilization of capacity in existing infrastructure and new interconnections or facilities may provide water supply reliability and/or water quality benefits to multiple agencies or other regional partners and the public we all serve, and

Whereas, recognizing the potential for mutual and regional benefits, the Parties agree to these principles for cooperative pursuit of short and long-term projects for water supply and/or water quality benefits which look first to maximize the use of existing infrastructure of each agency and may eventually include additional joint facilities to assist in providing region-wide water supply reliability and/or water quality benefits.

Therefore, in consideration of the recitals and mutual obligations, the Parties wish to establish a set of foundational principles that will guide any future partnership development as follows:

- Parties will participate in the evaluation of near- and long-term joint water supply reliability projects including, but not limited to, use of capacity of existing facilities, changes to infrastructure including new interconnections, recycled water, water conservation, expanded treatment, regional desalination, water transfers and exchanges, and other projects or institutional arrangements that encourage a regional approach to achieving water supply reliability in the Bay Area.

**Guiding Principles for
Bay Area Regional Reliability Partnership Development**

- Parties will conduct Regional Partnership activities in an inclusive manner that encourages voluntary participation by the Parties as well as other interested persons or organizations.
- A specific project or activity does not have to involve all signatories of this Regional Partnership document but it is expected that each Party would endeavor to communicate planning efforts initiated by two or more Parties to improve water supply reliability including water transfers, wheeling agreements, interties and additional water supply infrastructure improvements.
- Partnerships are expected to result in betterment for of the public served by the agencies involved and be conducted in a manner that does not adversely affect any of the Parties. Parties will not undertake Bay Area regional projects or activities that may impact the conditions within the service area of another Party without first obtaining that Party's approval.
- Parties will ensure equitable cost- and risk-sharing for future projects or concepts commensurate with the benefits to be received.
- Parties agree to transparency with regard to costs and the expectation is that actual costs will be used in determining reimbursements unless another acceptable arrangement is determined by the participants.
- To the extent a partnership relies on regional, state or federal grant money to evaluate regional reliability, the grant recipients will work with the Parties to determine how priorities for regional reliability are balanced against other individual agency priorities.
- Characterization and evaluation of facilities, water rights, or water contracts owned by any Party will not be conducted without the express consent of the owner.
- Parties undertaking specific projects identified through the Regional Partnership will cooperate in and, to the extent applicable, facilitate efforts to obtain regulatory approvals necessary to conduct demonstration and full scale projects.

Improving Bay Area Water Supply Reliability — A Regional Approach

PURPOSE

The Bay Area's largest water agencies are working together to develop a regional solution to improve the water supply reliability for over 6 million area residents and the thousands of businesses and industries located therein. The Contra Costa Water District, the East Bay Municipal Utility District, Marin Municipal Water District, the San Francisco Public Utilities Commission (with the Bay Area Water Supply and Conservation Agency), the Santa Clara Valley Water District, Zone 7 Water Agency, and the Alameda County Water District have joined forces to leverage existing facilities and, if needed, build new ones to bolster regional water supply reliability.

REGIONAL BENEFITS

The benefits of a regional approach include:

- Enhancing water supply reliability
- Bolstering emergency preparedness
- Addressing climate resiliency needs
- Leveraging existing infrastructure investments
- Facilitating the transfer of water supplies during critical periods of drought or following natural disasters

DESCRIPTION

Each of the Bay Area water agencies have recently completed several multi-million infrastructure projects that, when pooled together as shared resources in times of need, may significantly enhance the regional water supply reliability. These projects include, but are not limited to:

- \$920M 185 MGD Freeport Intake by EBMUD to deliver water from the Sacramento River to the Bay Area
- \$110M Los Vaqueros expansion project by CCWD providing local storage of 160 TAF
- \$100M Middle River Intake project by CCWD to deliver water from the Victoria Canal in the Central Delta
- \$20M 30 MGD Hayward Intertie that connects the service area of EBMUD and SFPUC
- \$120M investment in Semitropic Groundwater Bank in Kern County providing 565 TAF of storage for SCVWD, Zone 7 and ACWD
- \$3M Intertie in Brentwood that connects CCWD to EBMUD
- \$11M investment in Cawelo Groundwater Bank in Kern County providing 120 TAF of additional storage for Zone 7
- \$23M in Chain of Lakes area to enhance recharge and use of local groundwater storage for Zone 7
- \$35M investment in groundwater demineralization to help manage salt in the Livermore Valley Groundwater Basin and facilitate use of recycled water in the Zone 7 service area
- \$70M Silicon Valley Advanced Water Purification Center to provide 8 MGD of SCVWD drought-proof supply
- \$11M 35 MGD intertie that connects SFPUC to SCVWD

Potential New Investments:

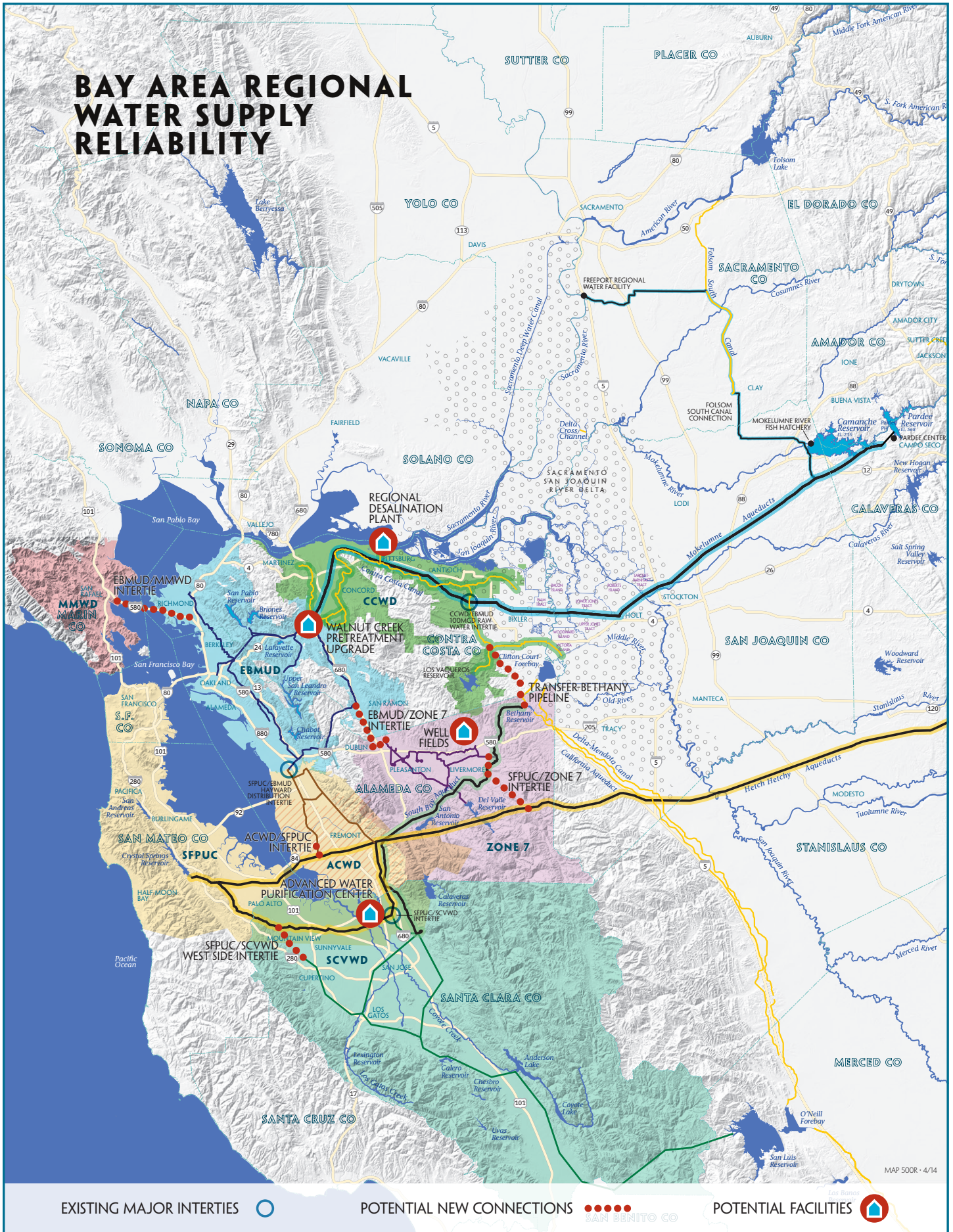
- ACWD-SFPUC Intertie connecting ACWD's Newark Desalination Facility with SFPUC's Bay Division Pipeline to provide emergency supplies and water transfer opportunities
- EBMUD-Zone 7 intertie (\$25M, EBMUD & Zone 7) that would connect EBMUD's water delivery system to Zone 7's, providing potential water sharing and transfer opportunities
- Pre-treatment facility at the Walnut Creek Water Treatment Plant (\$100M, EBMUD) that would allow EBMUD to treat water from the Sacramento River, Los Vaqueros Reservoir, and other sources, enabling EBMUD to deliver supplies to neighboring water agencies
- West Side SFPUC/SCVWD Intertie that would provide a second connection between SFPUC and SCVWD water delivery systems and enable use of additional local/imported sources for water exchanges and transfers
- SFPUC-Zone 7 Intertie enabling the exchange of surface water, groundwater, or recycled water supplies
- Transfer-Bethany pipeline (\$200M, CCWD and regional partners) that would connect the Los Vaqueros Reservoir and CCWD's and EBMUD's intakes to the Bethany Reservoir enabling the conveyance of water to the southbay aqueduct
- Regional Desalination Plant (\$175M) to supply water to CCWD, EBMUD, SCVWD, SFPUC and Zone 7
- Expansion of the Silicon Valley Advanced Water Purification Center and additional development of SCVWD potable reuse system for regional drought-proof supply
- Construction of several new well fields in the Livermore Valley Groundwater Basin to increase total production capacity to 34 TAF in one year or 108 TAF over a six year period for Zone 7, while also increase exchange opportunities with other agencies
- EBMUD-MMWD intertie (\$45M, EBMUD & MMWD) that would connect EBMUD's water delivery system to MMWD's providing potential water sharing and transfer opportunities

COSTS

A Feasibility Study could be performed using a portion of the \$4M authorized for regional desalination.



BAY AREA REGIONAL WATER SUPPLY RELIABILITY



EXISTING MAJOR INTERTIES



POTENTIAL NEW CONNECTIONS



POTENTIAL FACILITIES



BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Appointment of Nicole Sandkulla as General Manager and Secretary of San Francisco Bay Area Regional Water System Financing Authority**

Summary:

The Board can authorize the San Francisco Regional Financing Authority (RFA) to appoint Nicole Sandkulla to be its General Manager and Secretary without cost to the RFA or to BAWSCA.

The State Water Code provides that the RFA Board of Directors shall appoint a General Manager and Secretary. On July 19, 2013, the Bay Area Water Supply and Conservation Agency (BAWSCA) Board of Directors adopted an employment agreement with Nicole Sandkulla and appointed her as Chief Executive Officer (CEO)/General Manager of BAWSCA effective September 30, 2013.

Exhibit A – “Responsibilities” of Ms. Sandkulla’s employment agreement states:

“If appointed by the Board of Directors of the San Francisco Bay Area Regional Water System Financing Authority (RFA), and if acceptable to the Board of Directors of BAWSCA, serve in the capacity of General Manager, Acting Secretary, and/or Secretary of the RFA.”

Fiscal Impact: None.

Recommendation:

That the Committee recommend the Board approve consideration of Nicole Sandkulla to be appointed by the RFA Board of Directors as General Manager and Secretary of the RFA.

Discussion:

On July 21, 2005, the Board of the Directors of the San Francisco Regional Water System Financing Authority (RFA) appointed Art Jensen as General Manager and Secretary of the RFA. Art Jensen retired on September 29, 2013. At its meeting on July 18, 2013, the BAWSCA Board of Directors appointed Nicole Sandkulla as CEO/General Manager of BAWSCA effective September 30, 2013. If this action is approved by the BAWSCA Board, the RFA can consider whether to make this appointment at its next meeting.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Process and Schedule for CEO Evaluation**

Summary:

The Chair and Vice-Chair have met with the CEO to review and update the procedure for the CEO's Annual Performance Evaluation.

The design of the evaluation procedure is based on the participation by the full Board and a written set of performance objectives. Prior to the evaluation, the CEO will prepare a report to the Board on her performance during the prior year.

At the July 17th Board meeting, Chair O'Connell will present the procedure and evaluation form to the Board of Directors for input. The CEO's performance report and the evaluation form will be mailed to each Director by the end of July. The closed session performance evaluation will take place at the September 18th Board meeting.

Recommendation:

That the committee provide input on the procedure and draft evaluation form for the CEO/GM performance evaluation and recommend that the board review the revised form during its July meeting for subsequent use as part of the CEO/GM performance evaluation.

Attachments

1. CEO Evaluation Procedure
2. Draft CEO Annual Performance Evaluation Form

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CEO Evaluation Procedure June 2014

Evaluation procedure design

- a. Based on prescribed objectives.
- b. Conducted by the Board Chair.
- c. Includes the full Board's participation and review.
- d. Summarized in the CEO's personnel file.
- e. At any time the Board Chair may access legal counsel guidance on legal questions and procedures.

Evaluation steps

1. CEO Activities

CEO provides a copy of the evaluation criteria for the current year.

CEO produces a summary of annual activities and a copy of the CEO's job description.

2. Board Chair activities

Board Chair sends evaluation criteria and form to all Board members.

Board members have a specified time by which they are to submit completed forms and written comments.

3. Directors submit forms and written comments

A reasonable period of time is allotted and a deadline specified.

4. Board Chair activities

Board Chair compiles scores and compiles all written comments (anonymous listing).

Board Chair may edit if director comments are inappropriate under law.

Board Chair may ask CEO to clarify or fact-check information referenced in directors comments.

Board Chair should exercise caution to avoid the fact or appearance of serial communications with directors.

Board Chair produces a written draft consisting of:

1. Tabulated scores and totals.
2. Compilation of directors' comments.
3. Summary CEO evaluation.

Board Chair distributes these products to directors in advance of closed session discussion.

Legal counsel should be asked to provide a cover letter that sets the context for, and prudent reminders related to closed session discussions and personnel performance reviews.

5. The Board meets in closed session:

Board Chair presents the written materials for discussion:

1. Board Chair notes any comments deleted or revised, and the reasons for doing so.
2. Board Chair may ask that any significant new information be put in writing, perhaps as an amendment to the director's original input, so as to ensure the input is accurately reproduced.
3. The Chair may ask the CEO to join the closed session for clarification or discussion of matters.
4. The Chair may ask legal counsel to join the closed session for legal guidance.

6. Board Chair activities

Following the closed session, the Board Chair finalizes the written materials, including the summary evaluation.

Board Chair meets with the CEO to go over and discuss the materials.

1. The packet is signed by both the Board Chair and CEO to signify that the meeting and discussion took place.
2. The CEO should acknowledge whether he/she accepts the report or wishes to provide written responses to specific statements.

All of the written material will be retained in the CEO's personnel file.

Board Chair shares the finalized evaluation with the Board, or makes it available to them.

7. Board Chair activities

Following the evaluation process, the Board Chair considers suggestions from directors and establishes the evaluation criteria for the coming evaluation period.

Board Chair and the CEO meet to discuss and agree on the revised criteria.

The Board Chair reviews the revised criteria with the Board of Directors.

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

CHIEF EXECUTIVE OFFICER ANNUAL PERFORMANCE EVALUATION FORM

Employee: _____ Date of Evaluation: _____ Evaluator: _____

Instructions:

Please return to the Chair of the Board by August 8, 2014

Check the appropriate box for each factor. Provide specific comments or examples in the comment section on page 2.

<u>LEADERSHIP OBJECTIVES</u>	Exceeds Objectives	Meets Objectives	Meets Minimal Objectives	Does Not Meet Objectives	Don't Know
A. Leads BAWSCA, its agencies, Board, staff, SF policy makers, legislators, media and others to understand and support BAWSCA's goals.					
B. Identifies major issues, assigns appropriate priorities and determines appropriate annual results for meeting agency goals.					
C. Applies resources effectively to achieve results.					
D. Defines, and proposes how to address, policy issues and provides clear information for Board to make timely, informed decisions.					
E. Anticipates and recognizes when external actions impact our ability to achieve our goals, and helps the agency respond accordingly.					
F. Relates effectively with diverse audiences to achieve results.					
G. Listens to and objectively considers comments by the Board, staff and agencies and responds appropriately to achieve the agency's goals.					

<u>MANAGEMENT OBJECTIVES</u>	Exceeds Objectives	Meets Objectives	Meets Minimal Objectives	Does Not Meet Objectives	Don't Know
H. Prepares and presents annual work plan.					
I. Prepares and presents annual budget and funding plan.					
J. Maintains expenses within budget and manages reserve.					
K. Recruit, screen, hire and train four new staff members and maintains an effective work force.					

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

**CHIEF EXECUTIVE OFFICER
ANNUAL PERFORMANCE EVALUATION FORM**

COMMENTS ABOUT THE CEO'S PERFORMANCE DURING THE EVALUATION PERIOD*

What does the CEO do very well?

What could the CEO do better?

Other comments?

On what performance issues do you suggest the CEO focus during the coming year?

*Comments related to annual work plans, the conduct of Board meetings or other matters regarding the effectiveness of the agency and Board will be solicited separately from the CEO's performance evaluation.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: Results of FY 2011-12 Wholesale Revenue Requirement Review

Summary:

Pursuant to Section 7.06A of the 2009 Water Supply Agreement (WSA), BAWSCA conducted its review of SFPUC's calculation of the annual Wholesale Revenue Requirement and the changes in the balancing account for FY 2011-12.

On May 23, 2014, the parties reached an agreement pertaining to outstanding issues related to SFPUC costs allocated to Wholesale Customers for FY 2011-12. That agreement resulted in a credit owed the Wholesale Customers of \$5,352,720.

Fiscal Impact:

There is no fiscal impact to BAWSCA. The credit owed to the Wholesale Customers will be applied to the opening balance of the Balancing Account as of June 30, 2014.

Recommendation:

This item is for informational purposes only. No Committee action is requested.

Discussion:

Pursuant to Section 7.06A of the 2009 WSA, in February 2013, BAWSCA initiated its review of SFPUC's calculation of the annual WRR and a review of changes in the balancing account for FY 2011-12. BAWSCA's review was assisted by its consultants: Hanson Bridgett, KNN Public Finance and Burr, Pilger and Mayer. Upon completion of the review, BAWSCA raised some questions to the SFPUC as to the proper amount of the WRR for FY 2011-12. Investigations and discussions occurred between the staff of the SFPUC and BAWSCA.

As a result, the parties reached an agreement pertaining to outstanding issues related to SFPUC costs allocated to Wholesale Customers for FY2011-12 on May 23, 2014. That agreement resulted in 11 adjustments to the balancing account and a total credit of \$5,352,720 owed to the Wholesale Customers.

The adjustments and financial impact are summarized in Table 1. The credit will be applied to the opening balance of the Balancing Account as of June 30, 2014.

Attachment:

1. Table 1. Summary of Financial Impact to FY 2011-12 Balancing Account

Table 1. Summary of Financial Impact to FY 2011-12 Balancing Account

	Type of Adjustment	Descriptions	Due from (to) Wholesale Customers
1	Accounting error	Customer Services Bureau expenses included \$200,000 for payment to Oracle Inc. for water conservation programs. This expense benefits retail customers only.	(\$7,796)
2	Accounting error	Customer Services Bureau expenses were erroneously adjusted for water conservation programs by \$183,106.	\$84,458
3	Accounting error	Bureau expenses included \$965,706 for Standby Letter of Credit Fees for the Habitat Remediation Program. This fee was already paid out of the WSIP debt service costs.	(\$220,818)
4	Cost allocation error	Fleet Management Bureau expenses included \$238,500 for its share of the Civic Center Garage Cost based on a budgetary basis, which should be allocated based on a straight-line amortization of prepayment.	(\$54,535)
5	Accounting error	Water sales revenue from the San Francisco Zoological Society of \$29,876, which is retail revenue, was erroneously offset against the expenses of Water Administration Regional.	\$83,917
6	Accounting error	The adjustment to salary accrual of the Power Administration Joint included an erroneous amount of \$125,290. This amount should be negative \$44,505 instead.	(\$37,048)
7	Accounting error	Interest of \$76,370 on the Wholesale Revenue Coverage pertaining to FY 2010-11 failed to be customarily credited to the Wholesale Customers in FY 2011-12.	(\$76,370)
8	Accounting error	A negative amount of \$727,325 based on the County Wide Cost Allocation Plan (COWCAP) for the SFPUC Bureaus was not allocated to the WRR.	(\$166,310)
9	Interpretation of WRR error	SFPUC did not credit the Wholesale Customers for an amount of \$1,065,765 that the SFPUC received from the cities of Sunnyvale and Mountain View as a result of them not purchasing their respective minimum annual purchase amounts.	(\$768,222)
10	Cost allocation adjustment	Two changes were made to the allocation of operating and maintenance (O&M) costs related to 525 Golden Gate Ave (525 GG): (1) Exclusion of Infrastructure from occupancy share which is already included in the overhead cost allocation for capital projects; (2) Exclusion of C5 Child Care Center and Acre Café expenses from the total O&M costs.	(\$154,046)
11	Cost allocation adjustment	Two changes were made to the allocation of revenue-funded capital portion of 525GG: (1) Allocate Infrastructure by proportionate share of the cash contribution by division; (2) Exclusion of C5 Child Care Center and Acre Café expenses from revenue-funded capital.	(\$3,977,187)
		Adjustments from 1 through 11	(\$5,293,957)
		Interest, computed at 1.11%	(\$58,763)
		Grand total	(\$5,352,720)

Board Policy Committee Calendar Through February 2015

BPC Meeting	Purpose	Issue or Topic
June 2014	R&D	Review Water Supply Forecast & Decide if a Transfer Should be Pursued
Aug. 2014	D&A D&A	Review Water Supply Forecast & Decide if a Transfer Should be Pursued Discussion and Possible Action of a Regional Drought Reliability Goal
Oct. 2014	R&D R&D	BAWSCA Mid-Year Review for FY 2014-15 Work Plan and Budget Review of General Reserve Policy
Dec. 2014	D D&A R	Work Plan and Budget Planning for FY 2015-16 BAWSCA Mid-Year Review for FY 2014-15 Work Plan and Budget 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

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

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