

BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

October 8, 2014

1:30 p.m.

BAWSCA Offices, 155 Bovet Road, San Mateo, 1st Floor Conference Room
(Directions on page 3)

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)	Pg 5
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 August 13, 2014 meeting (<i>Attachment</i>)	(Mendall)	Pg 7
5. <u>Action Items</u> A. Authorization to Negotiate and Execute a Contract Amendment with PG&E for the Washing Machine Rebate Program (<i>Attachment</i>) <u>Issue:</u> What is required to continue BAWSCA's joint Water Utility and Energy Utility Residential WMRP through calendar year 2015? <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> That the Board Policy Committee recommend the Board authorize the CEO/General Manager to: <ol style="list-style-type: none">1. Negotiate and execute a contract amendment with PG&E, subject to legal counsel's final review, for administrative and rebate processing services through June 30, 2016 associated with implementation of the Washing Machine Rebate Program from January 1 through December 31, 2015; and,2. Offer participation in the program to BAWSCA member agencies through December 31, 2015.	(Hurley)	Pg 15
B. Authorize Agreement to Implement Grant Funding for Regional Water Conservation Programs. (<i>Attachment</i>) <u>Issue:</u> An inter-agency Memorandum of Understanding with Solano County Water Agency (SCWA) is necessary for BAWSCA to access the \$195,000 State grant for regional water conservation programs. <u>Information to Committee:</u> Staff memo and oral presentation.	(Hurley)	Pg 17

Committee Action Requested: That the Board Policy Committee recommend the Board authorize the CEO/General Manager, subject to legal counsel's review of the final documents, to enter into an inter-agency MOU with Solano CWA for the grant-administration of Proposition 84 IRWM grant funds to support BAWSCA's Home Water Use Reports Program.

- C. Review of BAWSCA's Conflict of Interest Code and Proposed Amendment (Attachment) (Sandkulla) Pg 19

Issue: Pursuant to California Government Code Section 87306.5, BAWSCA must review its Conflict of Interest Code every even numbered year or as needed when applicable organizational changes necessitate amendments.

Information to Committee: Staff memo and oral report.

Committee Action Requested: That the Board Policy Committee recommend the Board adopt the proposed Conflict of Interest Code, following the required 45-day public notice period, subject to further amendment and approval by the FPPC.

- D. Annual Review and Consideration of BAWSCA's Statement of Investment Policy (Attachment) (Sandkulla) Pg 25

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

Information to Committee: Staff memo and oral report.

Committee Action Requested: That the Board Policy Committee recommend Board re-affirmation of the current Statement of Investment Policy.

- E. Review and Consideration of BAWSCA's General Reserve Policy (Attachment) (Sandkulla) Pg 33

Issue: Is BAWSCA's current General Reserve Policy sufficient to protect the agency's financial interests given the agency objectives, work plan, and other agency characteristics?

Information to Committee: Staff memo describing review of the existing policy and results of review including recommended action.

Committee Action Requested: That the Board Policy Committee recommend Board re-affirmation of the current General Reserve Policy.

6. Reports (Sandkulla)

- A. Water Supply Update
- B. Long-Term Reliable Water Supply Strategy Update
- C. Mid-Year Budget Review
- D. Board Policy Committee Calendar (Attachment) Pg 43
- E. Correspondence Packet (Under Separate Cover)

7. Comments by Committee Members (Mendall)

8. Adjournment to the next meeting on December 10, 2014 at 1:30pm in the 1st floor conference room of the BAWSCA office building, at 155 Bovet Road, San Mateo. (Mendall)

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aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and the preferred alternative format or auxiliary aid or service at least two (2) days before the meeting. Requests should be sent to: **Bay Area Water Supply & Conservation Agency, 155 Bovet Road, Suite 650, San Mateo, CA 94402** or by e-mail at bawasca@bawasca.org

All public records that relate to an open session item of a meeting of the Board Policy Committee that are distributed to a majority of the Committee less than 72 hours before the meeting, excluding records that are exempt from disclosure pursuant to the California Public Records Act, will be available for inspection at **BAWSCA, 155 Bovet Road, Suite 650, San Mateo, CA 94402** at the same time that those records are distributed or made available to a majority of the Committee.

Directions to BAWSCA

From 101: Take Hwy.92 Westbound towards Half Moon Bay. Exit at El Camino Northbound (move into the far left Lane) Left at the 1st stop light which is Bovet Road (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.

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Committee Roster:

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

August 13, 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 Vice-Chair Charlie Bronitsky called the meeting to order at 1:35 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 Bronitsky welcomed the Committee members, and was pleased to Chair the meeting in absence of Director Mendall.

3. Consent Calendar: Approval of Minutes from the June 11, 2014 meeting.

Director O’Connell made a motion, seconded by Director Pierce, that the minutes from the June 11, 2014 Board Policy Committee meeting be approved.

The motion passed. Director Bronitsky abstained.

4. Public Comment: There were none.

5. Discussion:

Item #7A was moved as the next item on the agenda following Consent.

In response to Director Breault’s request at the July 17th BAWSCA Board meeting, Director O’Connell reported that she and the CEO/General Manager has reviewed the process BAWSCA should 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.

Director O’Connell will be appointing a sub-committee that will examine the appropriate process. The sub-committee will report back to the BPC so it can report back to the full Board.

6. Action Items:

A. **Resolution Approving Temporary Re-appointment of Arthur Jensen as Special Counsel to the CEO/General Manager:** Ms. Sandkulla reported that the temporary one-year appointment of Mr. Jensen as Special Counsel to the CEO/General Manager during FY 13-14 provided assistance on specific critical tasks and the CEO/General Manager transition. A one year re-appointment was anticipated for FY 14-15 specifically for critical tasks including the negotiations with San Francisco related to the classification of assets under the Water Supply Agreement. The adopted budget for FY 2014-15 includes an allocation of \$56,800 in anticipation of Mr. Jensen’s continued support.

The Board's adoption of a resolution is required to authorize the CEO/General Manager to re-appoint Mr. Jensen in full accordance with State law and PERS requirements.

Ms. Sandkulla explained that BAWSCA contracts with PERS to provide retirement benefits to eligible employees. Mr. Jensen is a retired annuitant entitled to receive retirement benefit payments under PERS. California law requires a retired PERS annuitant be re-instated to active PERS membership upon employment by a PERS-covered agency, unless the employee is temporarily appointed under specified conditions. The conditions are very specific. The appointment must be temporary and shall not exceed 960 hours for the year. The appointee must have specialized skills, receive a rate of pay that is neither less nor more than employees of comparable capacity, and is not receiving unemployment.

Ms. Sandkulla reported that Mr. Jensen's chargeable services during the 10-months that he served in this capacity in FY 13-14 were less than 260 hours. She anticipates the same level of hours for his re-appointment during FY 14-15.

In response to Director Pierce's question, Legal Counsel, Allison Schutte will investigate whether there is a cap on the number of times a re-appointment can be made.

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

The motion passed unanimously.

6. Reports:

- A. Water Supply Conditions: Ms. Sandkulla reported that overall, system storage is slightly over 60%. Hetch Hetchy reservoir is approximately 88% of maximum capacity, and is on target to hit a 250 acre feet of storage level on October 1st. However, while the storage level and drinking water reservoir are at normal level, Ms. Sandkulla reported that the water bank is significantly lower than where it would normally be because San Francisco is currently using it as the source of supply to meet its obligations with the irrigation districts.

Ms. Sandkulla reported that recent precipitation has put the year 2014 slightly above 2007. She stated that with a little bit more precipitation, it's possible that the last three years will no longer be the worst three years on record. However, while current conditions are not worse than the last drought, it continues to be a bad situation.

Ms. Sandkulla was pleased to report that water demand in the past 11 weeks has stayed down despite the warm weather. The system's total deliveries are below the targeted 10% reduction.

Director Weed asked about San Francisco's rates based on projected income.

Ms. Sandkulla explained that the SFPUC set its FY 2014-15 rates for wholesale customers based on an estimate of total combined retail and wholesale water sales of 211 mgd (68 mgd retail, 143 mgd wholesale). For drought planning purposes, the SFPUC has assumed actual combined retail and wholesale sales of 209 mgd, which reflects a 10% across the board reduction in the combined retail and wholesale water sales of 232 mgd (75 mgd

retail, 157 mgd wholesale). These estimated wholesale sales were based on a 10% reduction in the BAWSCA member agencies total purchase requests of 157 mgd for FY 2014-15. This conservative financial approach helps to avoid a major impact on revenues due to reduced water use. Individual agencies, however, may see an impact on its revenues, depending on how each agency set its water rates.

Director Weed suggested having a slide for the Board explaining San Francisco's rate projections and the impacts of reduced water use.

Cumulative water savings as of the week of August 5th is 90% of the targeted goal to date. She stated that this demonstrates the positive response of water customers to both the local and statewide drought messaging.

Ms. Sandkulla reported that BAWSCA has been working with the SFPUC on a regional drought campaign which launched on August 11th. The focus of the campaign is on San Mateo County and Alameda County as Santa Clara Valley Water District is targeting Santa Clara County. The media buy includes five billboards along I-280, 101 and El Camino Real spanning from Daly City to Belmont. Negotiations are underway for 30 second spots on Google/You Tube and Movie Theaters.

Water Management representatives were made aware that both static and 30 second commercials are available to them for their use at their request. All materials were produced by the SFPUC. The main artwork being emphasized in the BAWSCA service area highlights water use reduction in the landscape. This is consistent with the statewide message from the Governor for reduced outdoor water use.

B. Long-Term Reliable Water Supply Strategy – Update on the Pilot Water Transfer Plan:

Ms. Sandkulla reported that BAWSCA staff continues to work on the necessary agreements required to implement the pilot water transfer plan. BAWSCA meets regularly with EBMUD and Hayward staff to finalize transfer delivery details, and is closely monitoring EBMUD's water supply operations

Ms. Sandkulla reported that EBMUD is not planning to operate the Freeport Facility this Fall, and plans to defer that decision to early 2015, depending on water supply conditions. If dry conditions persist, EBMUD may consider operating the facility as early as December. If so, implementation of the pilot transfer plan will be considered from January into early Spring.

Director Weed noted that the operation of the Freeport facility would institute a rate surcharge to cover the operation cost of the Facility.

Ms. Sandkulla stated that the surcharge is significant, roughly 14-15%. She explained that EBMUD's system as a whole runs by gravity and their normal operating costs are fairly small. Operation of the Freeport facility requires a lot of pumping and treatment of the water supply, and is therefore an expensive operational cost for EBMUD.

Staff has been working closely with Hayward to thoroughly understand and work through the unique impacts the pilot transfer has on the City. Hayward is a critical player and their system is the connector between EBMUD and San Francisco.

Ms. Sandkulla explained that when the transfer is occurring, Hayward's system will be pressurized by running pumps 24/7. This is a 100% change in Hayward's distribution system operations, and a 100% switch to EBMUD for Hayward's source of supply, which has the potential for noticeable water quality differences.

Ms. Sandkulla stated that the reverse system operation and pumped flow can have adverse impacts to Hayward's distribution system. It increases the risk for failure of the distribution system components, and cause changes in the system pressure and flows, including fire flows.

The pilot water transfer does offer benefits to Hayward and BAWSCA member agencies. The pilot will test the viability of water transfers and identify the technical, financial and institutional issues of a potential long-term water transfer.

The pilot will also provide Hayward the opportunity to operate the Hayward Intertie, which was built for emergency use, during a non-emergency condition to assess impacts of north to south operations. Hayward now has the opportunity to develop plans and collect important real-time information needed to evaluate the effects of future water transfers.

BAWSCA and Hayward will continue to work together to identify and address potential issues associated with the operation of the Hayward Intertie, including the development of a public outreach and communications plan that address the water quality differences.

BAWSCA is working with the agencies involved to complete the necessary agreements and regulatory approvals by January 2015 for a possible implementation in the January through April timeframe.

- C. WSIP – Groundwater Storage and Recovery (GSR) Project: Ms. Sandkulla reported that at its August 12th meeting, the SFPUC adopted the CEQA findings on the Groundwater Storage and Recovery project, and authorized the General Manager to implement the agreements necessary for the project.

Ms. Sandkulla explained that the GSR is a dry-year water supply project in the WSIP that is essential to meeting San Francisco's Level of Service (LOS) goal. The agencies involved include the SFPUC, City of San Bruno, Cal Water, City of Daly City, and private well owners.

The agencies involved overly the groundwater basin of interest and are all parties to the agreement. Implementation of the project will necessitate changes to the Water Supply Agreement to protect the interests of both the wholesale customers and San Francisco.

Ms. Sandkulla explained that the project involves proposed groundwater recovery wells within the South Westside Groundwater Basin. The GSR project is proposed to store approximately 60,500 acre feet of water in the basin. This volume is equivalent to Upper and Lower Crystal Springs Reservoirs. There will be 16 new wells with the extraction

capability of 7.2 mgd. On an average annual basis, this amount provides up to 7.5 years of a drought supply.

The project is specifically focused on dry year supply and is designed to be able to provide 7.2 mgd in a dry year like this year. It's a great project to have online in today's conditions.

Currently, Cal Water, Daly City and San Bruno use both San Francisco and groundwater supply to meet their customer needs. Ms. Sandkulla explained that in normal years, they would stop using groundwater and take surplus surface water from San Francisco. The groundwater they would otherwise be using will be stored in the basin. When dry years occur, Cal Water, Daly City, and San Bruno would reduce or discontinue use of San Francisco's surface water supply so that it can be made available to other agencies and would instead pull from the groundwater storage basin to meet their customers' needs.

This is called a conjunctive use operation, which Ms. Sandkulla emphasized, puts the system's surplus surface water to effective use and allows groundwater to be stored for dry years.

Director Weed encouraged BAWSCA to closely monitor the groundwater legislation to ensure that it does not have unintended consequences that inhibits conjunctive use projects.

Ms. Sandkulla reported that San Francisco's review of the legislation, as currently amended, indicates no conflict at this time. San Francisco will follow developments of the legislation.

In response to Director Pierce, Ms. Sandkulla stated that there are price differentials for agencies that will switch between Hetch Hetchy water and groundwater supply. She explained that the agencies will receive surplus surface water, when available, from San Francisco at no charge. When groundwater supply is used, agencies will pay San Francisco the current going rate for the amount of water pumped from the basin.

The limitation on capacity is based on how much water can be pumped, the available sites to pump from, and how the level of the basin is managed.

Ms. Sandkulla explained that other existing overlying users in the basin are the cemeteries which are independent groundwater well users. Their records of water use are incomplete. Through the GSR project and the mitigation that was adopted as part of the project, the cemeteries have pledged to monitor their usage. A long-term vision is to provide recycled water delivered to these users.

Ms. Sandkulla stated that the 2009 WSA anticipated this project, but the project definition and scope continued to be defined since the finalization of the WSA. An amendment to the WSA is needed to define and classify required mitigation costs, and to clarify cost recovery and benefit recovery of the project in the event that the Operating Agreement is terminated.

BAWSCA is taking the lead in drafting the language for the amendment. The process will be similar to the recent Hetch Hetchy WSA amendment. The action to amend the WSA

will be taken by the governing boards of BAWSCA member agencies, and not by the BAWSCA Board.

Ms. Sandkulla will have more details on the amendment language at the September Board meeting, as well as the schedule for agency action.

Director Guzzetta noted that the GSR project has been discussed for over 20 years. Conjunctive use has been in place in the Los Angeles area for over 25 years. Conjunctive use is an effective way of recharging groundwater supply.

Ms. Sandkulla reported that the SFPUC's contract advertisement will begin in September 2014. The target completion of the WSA amendment is Fall/Winter of 2014. Construction is anticipated in the Spring of 2015 through 2017, with operation expected in 2018.

- D. Legislation: Ms. Sandkulla reported that SB 1345 passed the Assembly Appropriations Committee on August 6th under consent, and will now be going to the Assembly floor. Ms. Sandkulla reminded the Committee that the bill is a committee bill containing other language not directly related to BAWSCA. Following the Assembly floor vote, the bill will go back for a Senate floor vote for a late amendment by the author on language not directly related to BAWSCA.

BAWSCA is working closely with local Assembly Members, and will continue to keep the Board and agencies updated on developments.

- E. Board Policy Committee Calendar: Vice-Chair Bronitsky asked the members of the Committee to contact Nicole if they have items for the Board Policy Committee calendar.

7. Comments by Committee Members:

Director Pierce stated that it has been fascinating to follow the media coverage on the region's conservation efforts and how the 10% water use reduction is being met. She appreciates the work that BAWSCA did on clarifying the water use data and the thoughtful delivery of the message. She noted that Redwood City has received negative reactions to neighborhood developments when people are being asked to conserve water due to the drought. Redwood City will be developing a messaging strategy for its community to better understand the overall picture of the City's water use. She welcomed insights from other agencies that have the same experiences and welcomed collaboration to provide water customers a clear overall picture of the region's water use.

Secondly, she noted that the Chair has extended the deadline for completion of the performance evaluation for the CEO/General Manager. She encourages all members of the Committee and Board to complete their form.

Director Weed noted that there are water bonds that can potentially be available to local water purveyors. He encourages BAWSCA and member agencies to monitor its development and the opportunities it offers for agencies individually or collectively.

Director Weed attended the Hetch Hetchy tour in June and encourages members of the Board to participate in upcoming tour.

Director Breault asked about a follow up on the difference between the State Water Board and the SFPUC's results on the estimated economic impacts of drought.

Michael Hurley reported that BAWSCA is scheduled to meet with the SFPUC to discuss San Francisco's study of the economic impacts of drought.

Director Pierce asked about the SFPUC's response to comments from Tuolumne River Trust on San Francisco's study.

In response to Director Pierce, Ms. Sandkulla reported that the SFPUC is preparing a response to Tuolumne River Trust's (TRT) comments on SFPUC's report. She added that SFPUC's report is a baseline analysis of the economic impacts and does not talk about the alternatives. That piece of information is currently being prepared by the SFPUC. BAWSCA is working closely with the SFPUC on this effort as BAWSCA's data for its Long-Term Reliable Water Supply will be used in the analysis.

Director Bronitsky reported that Foster City is looking at a pilot program to offer low interest loans to multi-family residents to convert their water meters to individual automated and wireless meters. He hopes to provide a progress report at the next meeting.

8. **Adjournment:** The meeting was adjourned at 2:17pm. The next meeting is October 8, 2014.

Respectfully submitted,

Nicole Sandkulla, Chief Executive Officer

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Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – August 13, 2014

Roster of Attendees:

Committee Members Present

Charlie Bronitsky, City of Foster City (Vice Chair)
Barbara Pierce, City of Redwood City
Randy Breault, City of Brisbane/GVMID (BAWSCA Vice Chair)
Rob Guzzetta, California Water Service Company
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

Al Mendall, City of Hayward (Chair)
Kirsten Keith, City of Menlo Park

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

Public Attendees:

Michele Novotny San Francisco Public Utilities Commission

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary

Since January 2008, PG&E has administered a joint Water Utility and Energy Utility Residential Washing Machine Rebate Program (WMRP) in partnership with BAWSCA and the other major water utilities in the Bay Area. The current WMRP will end December 31, 2014. BAWSCA's current contract with PG&E expires June 30, 2015 as it anticipates a 6 month close out period for the current program. To continue the WMRP through calendar year 2015 (CY 2015), a contract amendment with PG&E needs to be executed. Participating BAWSCA member agencies have expressed interest in continuing the program for an additional year through calendar year 2015 (CY 2015).

For CY 2015, two program modifications will be implemented: water agencies will offer rebates for only the most energy efficient tier of washing machines, and the water agency portion of the rebate amount will be \$100 per qualifying washing machine.

The recommended action would authorize the Chief Executive Officer to negotiate and execute a contract amendment with PG&E, subject to legal counsel's final review, for administrative and rebate processing services through June 30, 2016. This would extend the availability of the rebates through December 31, 2015 and provide a 6-month close out period to process all rebates and complete necessary administrative tasks. The amendment would also provide BAWSCA the opportunity to modify its participation in June 2015 consistent with the desires of the participating member agencies.

Fiscal Impact

None. As a subscription program, all costs are accounted for separately and paid by participating BAWSCA agencies.

Recommendation

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

- 1) Negotiate and execute a contract amendment with PG&E, subject to legal counsel's final review, for administrative and rebate processing services through June 30, 2016 associated with implementation of the Washing Machine Rebate Program from January 1 through December 31, 2015, and**
- 2) Offer participation in the program to BAWSCA member agencies through Dec. 31, 2015.**

Discussion

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

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

BAWSCA agency participation in BAWSCA's conservation programs, including the WMRP, typically operates on a fiscal year basis, as this is consistent with the budget cycles of most of the BAWSCA member agencies. In contrast, PG&E operates on a calendar year basis, which is why the current WMRP ends December 31, 2014. BAWSCA's current contract with PG&E expires on June 30, 2015, which allows for a 6-month close-out period. In the event that PG&E or BAWSCA were to elect not to continue the WMRP beyond December 31, 2014, the six-month close-out period accommodates the three months that customers have to submit a rebate request, plus processing time for the rebates and resolution of all accounting. A contract amendment with PG&E extending the existing contract through June 30, 2016 would allow for the current WMRP to continue through December 31, 2015 with a 6-month close-out period allowance.

For CY 2015, two program modifications will be implemented:

1. Water agencies will offer rebates for only the most energy efficient tier of washing machines. Currently, water agencies offer rebates for the top two most water efficient tiers. However, the 2015 proposed federal code changes (to be adopted in November 2014) for washing machines will align the water efficiency factors for these tiers, making a two-tier rebate structure unnecessary going forward.
2. The water agency portion of the rebate will be \$100 per qualifying washing machine (a change from the two tier agency rebate amounts of \$50 or \$125, depending upon actual machine purchased). The PG&E portion will be \$50 per qualifying machine, for a total rebate of \$150.

In addition to BAWSCA, participants in this regional program include Contra Costa Water District, Zone 7 Water Agency, EBMUD, ACWD, Santa Clara Valley Water District, Marin Municipal Utility District, SFPUC, Solano County Water Agency, Sonoma County Water Agency, and City of Davis.

Alternatives to the Recommended Action

Two primary alternatives exist to the recommended action.

1. Offer Program Using Different/New Rebate Administrator: Prior to using PG&E as the rebate administrator for this program, the Bay Area water utilities contracted with Electric Gas Industry Associates (EGIA) to administer the program. Other entities also exist that would potentially be willing to administer a regional WMRP. The EGIA administrative fees for the WMRP were greater than PG&E's current administrative fees. Furthermore, customers have indicated a high rate of satisfaction with the current format of the WMRP because they are able to complete a single rebate application form and get rebates from both PG&E and the Bay Area water utilities. At this time no other Bay Area water utilities have indicated a desire to change WMRP administrators. In addition, customer satisfaction rates might decrease if BAWSCA did not continue to utilize PG&E as the program administrator because they would no longer be able to fill out a single rebate application. Lastly, if BAWSCA decided to go with a different WMRP administrator, a full request for proposal process would be required, which would delay the continuation of the WMRP until a new contract was in place.
2. Not Offer Program: The WMRP has been the most successful conservation program offered within the BAWSCA service area to date. Since 2001, the number of agencies, total budgets, and total number of rebates issued has increased each year. BAWSCA has also secured grant funding through the Prop 84 Integrated Regional Water Management program which offsets the WMRP costs to the participating agencies. Continued implementation of the WMRP with expanded customer participation is one of key conservation measures incorporated in the BAWSCA member agencies' conservation program plans as part of the Regional Water Demand and Conservation Projections Project. Continued implementation of this program is critical to achieving the conservation savings goals of the BAWSCA member agencies through 2040.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Agenda Title: **Authorize Agreement to Implement Grant Funding for Regional Water Conservation Programs**

Summary

In September 2014, the California Department of Water Resources (DWR) notified the Association of Bay Area Governments (ABAG) that its \$20M grant request on behalf of multiple public agencies in the Bay Area, including BAWSCA, had been selected for funding. The grant request was part of the Proposition 84 Integrated Regional Water Management (IRWM) Grant Program and included \$2,558,168 for regional water conservation programs including \$195,000 to be applied to BAWSCA's Home Water Use Reports Program. The grant funds will be used to offset a portion of the cost paid by BAWSCA member agencies to implement this program.

Although ABAG was the grant applicant and will enter into the agreement with DWR for grant implementation, Solano County Water Agency (Solano CWA) will be the lead agency for the water conservation portion of the grant. In order to receive its portion of the grant award, BAWSCA will need to enter into a Memorandum of Understanding (MOU) with Solano CWA. The MOU describes the roles and responsibilities of Solano CWA as the lead agency, as well as the roles and responsibilities of BAWSCA and the other regional water agencies. The MOU also describes the schedule and process for all reporting and other requirements that are part of the grant implementation process.

The recommended action would authorize the CEO/General Manager, subject to legal counsel's review of the final documents, to enter into an interagency MOU with Solano CWA for the grant-administration of Proposition 84 IRWM grant funds to support BAWSCA's Home Water Use Reports Program.

Fiscal Impact

There is no financial cost to BAWSCA to receive the grant funds from DWR. These grant funds will be used to implement a subscription conservation program (Home Water Use Reports Program) and all costs to administer the grant disbursement, including budgeted BAWSCA staff time, will continue to be billed to the member agencies that participate through BAWSCA. There is a **financial benefit** to the participating BAWSCA member agencies of \$3 per household annually for households enrolled in the Home Water Use Reports Program.

Recommendation

That the Board Policy Committee recommend the Board authorize the CEO/General Manager, subject to legal counsel's review of the final documents, to enter into an interagency MOU with Solano CWA for the grant-administration of Proposition 84 IRWM grant funds to support BAWSCA's Home Water Use Reports Program.

Discussion

In September 2013, the California Department of Water Resources (DWR) notified the Association of Bay Area Governments (ABAG) that its \$20M grant request on behalf of multiple public agencies in the nine-county Bay Area, including BAWSCA, had been selected for funding. Within that total grant

was a specific allocation of \$2.6M for the regional water conservation programs. BAWSCA’s share of the grant is \$195,000 to be allocated as shown in Table 1.

Table 1: Details of Grant Award to BAWSCA

<u>BAWSCA Program</u>	<u>Home Water Use Reports</u>
Total Grant Award	\$195,000
Unit Reimbursement	\$3 per household annually
Potential # of Customer Accounts Benefitting	Up to 65,000

Several actions need to be taken in order for BAWSCA to receive its portion of the grant funds received from DWR. First, as the grant applicant, ABAG must enter into a grant agreement with DWR for access to the entire grant. Second, for each of the major funding areas of the grant, a local lead agency was included in the grant request to be responsible for all financial and other accounting associated with the grant implementation. Each of these lead agencies must enter into a Memorandum of Understanding (MOU) with ABAG clarifying roles and responsibilities. For the water conservation portion of the grant, Solano CWA agreed to be the lead agency. Third, in order to have access to this Proposition 84 IRWM grant funding, BAWSCA must enter into a different (but similar) MOU with Solano CWA as the lead agency for the water conservation portion of the grant.

The current schedule calls for the necessary agreements to be finalized and signed by March 2015. To date, the agreements between DWR and ABAG and between ABAG and Solano CWA have been executed. The MOU between Solano CWA and BAWSCA is still in draft form and will be reviewed by BAWSCA’s Legal Counsel in the coming months prior to execution. Upon finalization of the agreements, it is anticipated that grant funds will be available to reimburse Home Water Use Reports program activities back to the program launch date of September 2014. BAWSCA will make these grant funds available to its member agencies on a first come-first served basis through participation in the Home Water Use Reports program.

Alternatives to Recommended Action

Not Enter into an MOU with Solano CWA: An alternative to the recommended action would be for BAWSCA to not enter into an MOU with Solano CWA for the management of the awarded DWR grant funds. This alternative is not recommended as such an MOU is necessary to secure access to the grants funds and would result in BAWSCA and its member agencies being unable to access the awarded grant funds.

Background

This is the fifth DWR grant for regional water conservation in which BAWSCA has been a participant. Prior grants included a Proposition 13 grant, two Proposition 50 grants, and a Proposition 84 Round 1 grant. In each of these prior grants, similar MOUs were necessary to enable a single water agency to be the signatory with DWR for receipt of the grant awards.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Agenda Title: Review of BAWSCA's Conflict of Interest Code and Proposed Amendment

Summary:

Pursuant to California Government Code Section 87306.5, BAWSCA must review the Conflict of Interest Code (Code) every even numbered year or as needed when applicable organizational changes necessitate amendments. The previous review by the BAWSCA staff, legal counsel and Board occurred in 2010. Review by BAWSCA staff and legal counsel, in concert with the Fair Political Practices Commission (FPPC), occurred in 2012, resulting in approval of an updated Code by the FPPC in December 2012. Modification of the Code is recommended at this time to include the new position created since the last review.

Fiscal Impact:

No impact on BAWSCA's annual operating budget.

Recommendation:

That the Board Policy Committee recommend the Board adopt the proposed Conflict of Interest Code, following the required 45-day public notice period, subject to further amendment and approval by the FPPC.

Discussion:

The Board adopted an updated Code in 2010. In Fiscal Year 2012-13, the FPPC worked with BAWSCA's staff and legal counsel to update the Code to reflect BAWSCA's then-current staffing structure. The Code adopted by the FPPC in December 2012 does not reflect the current organizational chart, specifically the new staff position approved in May 2013.

Staff and legal counsel have worked with FPPC staff in preparing the recommended Conflict of Interest Code, which incorporates revisions approved by the FPPC in December 2012 as well as additional revisions to reflect BAWSCA's current staffing. Upon FPPC staff approval, BAWSCA and the FPPC will initiate a coordinated 45-day public notice period on the Code update, after which the Code will be presented to both the BAWSCA Board and the Fair Political Practices Commission for approval.

Attachment:

- 1) Proposed Conflict of Interest Code, incorporating revisions approved by the FPPC in December 2012 and additional revisions proposed by BAWSCA.

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**CONFLICT-OF-INTEREST CODE FOR
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

The Political Reform Act (Government Code Section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict-of-interest codes. The Fair Political Practices Commission has adopted a regulation (2 California Code of Regulations Section 18730) that contains the terms of a standard conflict-of-interest code, which can be incorporated by reference in an agency's code. After public notice and hearing, the standard code may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This regulation and the attached Appendices, designating positions and establishing disclosure categories, shall constitute the conflict-of-interest code of the **Bay Area Water Supply and Conservation Agency (BAWSCA)**.

Individuals holding designated positions shall file their statements of economic interests with **BAWSCA**, which will make the statements available for public inspection and reproduction. (Gov. Code Sec. 81008.) All original statements will be retained by **BAWSCA**.

**CONFLICT-OF-INTEREST CODE FOR
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**APPENDIX A
DESIGNATED POSITIONS**

<u>Designated Positions</u>	<u>Disclosure Categories</u>
Attorney	1, 2, 3
Office Manager	1
Senior Administrative Analyst	1
<u>Senior Water Resources Engineer/Specialist</u>	<u>1, 3</u>
Water Resources Specialist Planner	1, 3
Water Resources Planning -Manager	1, 3
Consultants/New Positions	*

*Consultants/New Positions shall be included in the list of designated positions and shall disclose pursuant to the broadest disclosure category in the code subject to the following limitations:

The CEO/~~General Manager~~ may determine in writing that a particular consultant/new position, although a “designated position,” is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements described in this section. Such written determination shall include a description of the consultant’s/new position’s duties and, based on that description, a statement of the extent of the disclosure requirements. The CEO’s determination is a public record and shall be retained for public inspection in the same manner and location as this conflict-of-interest code. (Gov. Code Sec. 81008).

Public Officials Who Manage Public Investments

The following positions are NOT designated in BAWSCA’s Conflict-of-Interest Code because they must file under Government Code Section 87200, and therefore, are listed for informational purposes only:

- Members, Board of Directors
- ~~CEO~~/General Manager/~~CEO~~

An individual holding one of the above listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination whether a position is covered by section 87200.

**CONFLICT-OF-INTEREST CODE FOR
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
APPENDIX B
DISCLOSURE CATEGORIES**

Disclosure Category 1

Designated positions in this category must disclose all investments and business positions in business entities, and all sources of income (including receipt of gifts, loans, and travel payments), from businesses of the type to contract with BAWSCA to provide services, supplies, materials, commodities, books, machinery, vehicles or equipment utilized by BAWSCA.

Disclosure Category 2

Designated positions in this category must disclose interests in real property, located in whole or in part within the boundaries of BAWSCA, or within two miles of the boundaries of BAWSCA, including any leasehold, beneficial or ownership interest or option to acquire such interest in real property.

Disclosure Category 3

Designated positions in this category must disclose all investments and business positions in business entities, and all sources of income (including receipt of gifts, loans, and travel payments), entities of the type to receive grants from or through BAWSCA.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

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

Summary:

The Board’s Investment Policy states the CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting. The previous review occurred on November 21, 2013 and resulted in no changes to the Policy. Quarterly investment reports are provided to the Board as required by the Policy.

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

Fiscal Impact:

No impact on BAWSCA's annual operating budget.

Recommendation:

That the Board Policy Committee recommend Board re-affirmation of the current Statement of Investment Policy.

Attachment:

1. Statement of Investment Policy

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BAY AREA WATER SUPPLY & CONSERVATION AGENCY
STATEMENT OF INVESTMENT POLICY

Adopted February 19, 2004

Amended by the Board, July 15, 2010

Amended by the Board, July 21, 2011

Amended by the Board, November 15, 2012

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BAY AREA WATER SUPPLY & CONSERVATION AGENCY

STATEMENT OF INVESTMENT POLICY

1. Introduction

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

2. Scope

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

3. Prudence

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

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

4. Objectives

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

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

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

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

5. Delegation of Authority

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

6. Investment of Funds

A. Permitted Investments and Depositories

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

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

B. Other Limitations

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

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

7. Investment of Bond Proceeds

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

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

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

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

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

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

8. Reporting Requirements

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

9. Annual Review of Investment Policy

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Agenda Title: Review and Consideration of BAWSCA's General Reserve Policy

Summary

This item presents a review of BAWSCA's General Reserve Policy. No changes to the policy are recommended at this time. The BAWSCA Board originally adopted a General Reserve Policy in 2004. The Board adopted a resolution on July 21, 2011 to amend the policy to change the guideline for the range in the general reserve from 20%-25% to 20%-35% of the operating budget. The current General Reserve Policy is designed to protect the agency against unanticipated deviations in revenue and expenditures, and stabilize or attenuate variations in assessments to member agencies.

Fiscal Impact

No impact on BAWSCA's annual operating budget.

Recommendation

That the Board Policy Committee recommend Board re-affirmation of the current General Reserve Policy.

Discussion

A general reserve serves two primary purposes:

1. Enables the agency to apply resources to urgent needs that were not foreseen at the time the annual budget was adopted. Using the reserve allows the needs to be met without imposing special assessments and avoid imposing additional burdens on the agency's budget during a fiscal year.
2. Fund one-time, non-recurring expenses to moderate variations in annual assessments.

To perform the review of the General Reserve Policy, the following steps were taken:

1. Review of the current General Reserve Policy adopted by the Board in 2011,
2. Review publications and recommendations from the following sources: a) the Government Financial Officers Association (GFOA), b) the California Society of Municipal Finance Officers, and c) the California Special Districts Association.

As a result of reviewing the publications listed above, a benchmarking study was performed and a risk assessment analysis recommended by GFOA was performed to determine an appropriate reserve target for BAWSCA. The results of the benchmarking survey and the risk analysis are described below.

Benchmarking Survey: There is no standardized percentage of General Reserve to annual operating budget that can be applied to various types of local governments or water agencies, especially for an entity like BAWSCA. Unlike BAWSCA, most water agencies' reserves are

sized to cover emergency operating needs and short-term loss of revenue as well as being sufficient to cover legal actions or special studies that might arise mid-year.

For comparison purposes, BAWSCA conducted a benchmarking survey of all member agencies whose annual operating budgets are lower than \$15,000,000. The Sacramento Regional Water Authority, a public Joint Powers Authority that operates a business similar to BAWSCA, was also included in the survey. Attachment 2 presents the results of the survey for those agencies who responded as of October 3, 2014.

Use of GFOA's Risk Assessment Analysis to Determine Reserve Target. Strong reserves reflect an agency's ability to manage risk. To determine an overall reserve target, BAWSCA analyzed the risk factors in the following eight categories.

1. Vulnerability to extreme events: BAWSCA could encounter unanticipated expenses in an event of arbitration of issues associated with administration of the 2009 Water Supply Agreement. For example, currently BAWSCA is disputing the SFPUC's change of classification on the Kirkwood and Moccasin Penstocks. Without a sufficient reserve to fund the cost, BAWSCA would have to impose special assessments to fund the needs.
2. Revenue source stability: BAWSCA's main revenue source, the annual agency assessments, are currently collected as fixed amounts independent of water sales. This provides BAWSCA a stable revenue base which is unlike most water suppliers as BAWSCA's revenues during the fiscal year would not be interrupted by an inability to deliver water.
3. Expenditure volatility: BAWSCA could experience significant expenditure increases as a result of legal actions or special studies. While typically planned for as part of the budget development process, these have a potential to impact BAWSCA's operating budget.
4. Leverage: BAWSCA is not subject to any major sources of leverage or debt that are not already managed with its reserves. For example, BAWSCA is currently fully funding the annual pension liabilities and annual required contribution to OPEB.
5. Liquidity: BAWSCA's only current revenue source, annual assessments, is exposed to intra-period cash imbalances with no risk management alternatives readily available and no existing enforcement remedy. BAWSCA bills the member agencies on a quarterly basis with the exception of CalWater, which is billed monthly by San Francisco. There is always an agency(ies) making its assessment payment to BAWSCA later than the required 30 days.
6. Other funds dependency: BAWSCA has no other funds that rely on the general fund for backstopping.
7. Growth: Not applicable to BAWSCA. This category reflects growth in things like property taxes that are generated from new development.
8. Capital projects: BAWSCA does not currently manage any capital projects.

GFOA's Analytical Guidance: Based on the result of the risk assessment analysis above, GFOA advises that BAWSCA "faces a moderate to high level of risk to retain through reserves. Consider adopting a target amount of reserves significantly higher than the GFOA recommended minimum reserve of 16.6% of general fund operating revenues or general fund operating expenditures (e.g., 26 - 35%)."

Recommended Action & Alternatives for Consideration: Upon BAWSCA's review of the existing general reserve policy, an analysis of BAWSCA's risk assessment, and the consultations with BAWSCA's auditor and legal counsel, no changes to the policy are recommended at this time. Since BAWSCA's current General Reserve Policy is consistent with GFOA's analytical guidance and is not inconsistent with the result of the benchmarking survey, identifying and analyzing alternatives are considered unnecessary. Therefore, no alternatives are presented for consideration at this time.

Background

BAWSCA established its General Reserve Policy in FY 2003-04. Attachment 3 presents a table showing BAWSCA's historical annual assessments and year-end reserves.

Either as part of the annual Work Plan, Budget and Funding plan adoption, or during the year as a separate independent action, the BAWSCA board has authorized use of the General Reserve consistent with the purposes identified above. Examples of past use of the General Reserve are provided in Attachment 3.

Attachments:

1. 2014-04, Resolution Re-Affirming the General Reserve Policy
2. Result of Benchmarking Survey
3. Table 1: BAWSCA Historical Annual Assessments and Year-End Reserves
Table 2: Examples of Historical Use of BAWSCA's General Reserve

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ATTACHMENT 1

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

RESOLUTION NO. 2014-04

RE-AFFIRM GENERAL RESERVE POLICY

WHEREAS, maintenance of a reserve to provide funds for urgent but unanticipated expenses is a prudent financial measure; and

WHEREAS, the Agency originally adopted a Reserve Policy in 2004, Resolution 2004-07, and revised such Policy by Resolution 2011-01 in 2011; and

WHEREAS, the CEO/General Manager and Board Policy Committee have reviewed the Reserve Policy and recommend re-affirmation.

BE IT RESOLVED by the Board of Directors of the Bay Area Water Supply & Conservation Agency as follows:

1. Revenue received by the Agency during a fiscal year that is not expended or obligated by June 30 of that year shall be transferred to the General Reserve, subject to the limitation on that reserve in Section 2.
2. For budgetary purposes, the guideline for the maximum balance in the General Reserve is thirty five percent (35%) of the budget year's operating expense.
3. For budgetary purposes, the guideline for the minimum balance in the General Reserve is twenty percent (20%) of the budget year's operating expense. Once that level is achieved, it is the policy of the Board to maintain the General Reserve at the minimum 20% level.
4. Each year the proposed budget submitted to the Board by the CEO/General Manager shall estimate the amount of the reserve at the end of the fiscal year covered by the budget. If the ending reserve balance is estimated to fall outside the guidelines established by this resolution, the budget shall include a prudent and practical schedule for restoring the reserve balance to within those guidelines.
5. Funds in the General Reserve may be used only for purposes approved by the Board of Directors.
6. Funds in the General Reserve are to be deposited in accordance with the Board's approved Investment Policy, but need not be deposited in a separate account.

PASSED AND ADOPTED, this 20th day of November 2014 by the following vote:

AYES:

NOES:

ABSENT:

Chair, Board of Directors

ATTEST:

Secretary

Attachment 2. Result of Benchmarking Survey*

Agency (Contact Name)	General Fund Operating Budget	Reserve Percentage	General Reserve Policy
City of Brisbane Stuart Schillinger	\$ 13,000,000	50%	of Annual operating expenditures
North Coast County Water District Connie Hsu	\$ 9,125,020	50%	of Annual operating expenditures
Purrisima Hills Water District Patrick Walter	\$ 4,770,899	Set Amount	of \$750,000* *Current reserves: \$1,000,000
Sacramento Regional Water Authority Nancy Marrier	\$ 1,365,000	33%-50%	of Annual operating expenditures

** BAWSCA surveyed all member agencies whose annual operating budgets are lower than \$15,000,000. The table above includes the agencies who responded as of October 3, 2014.*

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Attachment 3

Table. 1 Historical Annual Assessments and Year-End Reserves

Fiscal Year	Assessments	Year-End Reserves
2003-04	\$1,668,550	\$276,480
2004-05	\$1,641,995	\$246,882
2005-06	\$1,953,998	\$240,000
2006-07	\$2,117,904	\$654,000
2007-08	\$2,117,904	\$691,474
2008-09	\$2,309,000	\$507,474
2009-10	\$2,517,000	\$407,192
2010-11	\$2,517,000	\$653,763
2011-12	\$2,517,000	\$916,897
2012-13	\$2,517,000	\$985,897
2013-14	\$2,517,000	\$521,897

Table 2: Examples of Historical Use of BAWSCA’s General Reserve

Fiscal Year	Authorized Use of General Reserve
FY 2013-14	<ul style="list-style-type: none"> • \$300,000 for work associated with the Regional Water Demand and Conservation Projections Project • \$98,000 to fund the annual required contribution to Other Post-Employment Benefits (OPEB) • \$66,000 for water resources services
FY 2012-13	<ul style="list-style-type: none"> • \$65,000 for work associated with the Regional Water Demand and Conservation Projections Project • \$130,000 for EBMUD Pilot Transfer Program
FY 2011-12	<ul style="list-style-type: none"> • \$172,190 refund to the member agencies

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Board Policy Committee Calendar Through February 2015

BPC Meeting	Purpose	Issue or Topic
Oct. 2014	D&A D&A D&A D&A R&D	Annual Review and Consideration of BAWSCA Investment Policy Review of General Reserve Policy Contract Amendment with PG&E for Washing Machine Rebate Program Agreement to Implement Grant Funding for Regional Water Conservation Programs Mid-Year Review of FY 2014-15 Work Plan and Budget
Dec. 2014	D&A D&A D&A D R	Review Water Supply Forecast & Decide if a Transfer Should be Pursued Mid-Year Review of FY 2014-15 Work Plan and Budget Consideration of BAWSCA Bond Surcharges for FY 2015-16 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