



BOARD POLICY COMMITTEE

August 12, 2015

1:30 p.m.

BAWSCA Offices, 155 Bovet Road, San Mateo, 1st Floor Conference Room
(Directions on page 2)

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
1. <u>Call To Order, and Roll Call</u> Roster of Committee Members (<i>Attachment</i>)	(Bronitsky)	<i>Pg 3</i>
2. <u>Comments by Chair</u>	(Bronitsky)	
3. <u>Consent Calendar</u> A. Approval of Minutes from the June 10, 2015 meeting (<i>Attachment</i>)	(Bronitsky)	<i>Pg 5</i>
4. <u>Public Comment</u> <i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(Bronitsky)	
5. <u>Action Items</u> A. Resolution Approving Temporary Reappointment of Arthur Jensen as Special Counsel to the CEO/GM, (<i>Attachment</i>) <u>Issue:</u> What outside expertise and resources are needed to achieve critical results during FY 2015-16? <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> Recommend Board approval of the proposed Board action.	(Sandkulla)	<i>Pg 19</i>
B. Annual Review and Consideration of BAWSCA’s Statement of Investment Policy (<i>Attachment</i>) <u>Issue:</u> BAWSCA’s Investment Policy requires the Board to act on it annually irrespective of any changes. No changes are recommended. <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> That the Board Policy Committee recommend Board re-affirmation of the current Statement of Investment Policy.	(Sandkulla)	<i>Pg 23</i>
C. Review and Consideration of BAWSCA’s General Reserve Policy (<i>Attachment</i>) <u>Issue:</u> 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?	(Sandkulla)	<i>Pg 31</i>

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 Conditions - Update
- B. CEO/General Manager's Letter (*Attachment*)
- C. Board Policy Committee Calendar (*Attachment*)
- D. Correspondence Packet (*Under Separate Cover*)

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7. Comments by Committee Members

(Bronitsky)

8. Adjournment to the next meeting on October 14, 2015 at 1:30pm in the 1st floor conference room of the BAWSCA office building, at 155 Bovet Road, San Mateo. (Bronitsky)

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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.



BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Committee Roster:

Charlie Bronitsky, Estero MID (Chair)

Kirsten Keith, City of Menlo Park (Vice-Chair)

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

Rob Guzzetta, California Water Service Company

Gustav Larsson, City of Sunnyvale

Jerry Marsalli, City of Santa Clara

Al Mendall, City of Hayward (BAWSCA Vice-Chair)

Irene O'Connell, City of San Bruno

Barbara Pierce, Redwood City

Louis Vella, Mid-Peninsula Water District

John Weed, Alameda County Water District

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

June 10, 2015 – 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 Charlie Bronitsky called the meeting to order at 1:30 pm. A list of Committee members who were present (10), absent (1) and other attendees is attached.

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

2. **Comments by the Chair:** Director Bronitsky was pleased with the rain.
3. **Public Comments:** There were no comments.
4. **Consent Calendar:** Approval of Minutes from April 8, 2015 meeting.

Director Keith made a motion, seconded by Director Marsalli, that the minutes from the April 8, 2015 Board Policy Committee meeting be approved.

The motion passed unanimously.

The Committee re-considered approval of the Minutes from the April 8, 2015 meeting to expand the seventh paragraph on page 12 of the draft minutes to say:

Director Keith agreed and reported that she participated in an ACWA event that visited the Santa Clara Valley Water District's new plant of indirect potable re-use. San Jose Mayor Sam Liccardo spoke at the event where he indicated that there has to be a big change, and that we have to go to direct potable.

Director Bronitsky made a motion, seconded by Director Keith, that the minutes from the April 8, 2015 Board Policy Committee meeting be re-considered and approved with the proposed changes.

The motion passed unanimously.

5. **Action Items:**

- A. **Memorandum of Agreement for the Bay Area Regional Reliability Plan and Authorization for BAWSCA's Cost Share Contribution:** Ms. Sandkulla reported that the BAWSCA Board adopted the Bay Area Regional Reliability (BARR) Guiding Principles in July 2014. The principles memorialize the willingness of the largest Bay Area water agencies to cooperatively address reliability concerns on a regional basis.

The effort is consistent with the work that has been completed for BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy). However, it is distinct from the Strategy because it is going to the next level of obtaining regional partners.

Ms. Sandkulla reminded the Committee that BAWSCA's focus for the Strategy is to increase water supply reliability during dry years and to seek interested partners in the region. The BARR, therefore, is an effort that BAWSCA should be involved in to make connections with potential partners.

The BARR Plan will evaluate and identify joint projects that contribute to regional water supply reliability. The plan will take the agencies' individual efforts in reliability planning for evaluation, and pull them together to identify joint projects that can contribute most to regional water supply reliability.

The eight agencies that comprise the BARR group have developed a Memorandum of Agreement (MOA) to define their participation in the development of the BARR Plan, including cost sharing provisions to fund the development of the plan. Each agency will contribute \$50,000 as part of the local agency cost share for grant applications. The group is seeking US Bureau of Reclamation grant funds that would fund development of the BARR plan.

EBMUD has taken the lead in executing the contracts with outside agencies.

The scope for the plan is being developed and will be finalized to fit the Bureau grant being pursued. The grant the group is applying for is focused on drought resiliency and drought reliability. Ms. Sandkulla presented the list of tasks for developing the scope, and the potential projects for evaluation.

BAWSCA is seeking the Board's approval to authorize the CEO/General Manager to execute the MOA, including the \$50,000 cost share for subsequent grant proposals. The agencies' funds will serve as a local match to secure an equal or greater amount of grant funding. BAWSCA's participation with the BARR is included in the approved FY 2015-16 work plan and operating budget as part of the Strategy implementation.

In response to Director Pierce, Ms. Sandkulla stated that there are potential links between the individual projects (e.g. for local recycled water expansion) that BAWSCA is evaluating for the Strategy and the BARR plan.

Ms. Sandkulla reported that the State Board currently has some excellent recycled water funding opportunities. Depending on the results of the first grant application, BARR partners on a subset could consider submitting a regional application for recycled water. She added that the State and the Federal agencies prefer to award regional grants. Even though BAWSCA is a collection of 26 agencies, it is more efficient for the State and Federal agencies to award a grant for the Bay Area region and assign the administrative tasks to one public agency.

Director Weed commented that there are potential interties that can be added to the list for consideration, including interties between the South Bay Aqueduct and the San Francisco system in Sunol.

Ms. Sandkulla stated that the group is open to new ideas. The two current regional interties in Hayward and Milpitas are a great example of the type of regional projects that would come out of the BARR and that would be highly qualified for grant funding.

Mr. Hurley added that in BAWSCA's discussions on the Pilot Water Transfer with EBMUD, one of the issues that came up is the capacity of EBMUD's pumps in their treatment plant and its ability to handle varying quantities. The pumps are sufficient to handle EBMUD's internal water supply needs, but they do not have the capacity to handle varying amounts of supply that might be introduced in a transfer.

Mr. Hurley noted that upgrading the pumps is an example of a small project that can have a regional benefit, and emphasizes that there are smaller projects out there that have not been thought of in a regional perspective.

Director Weed added that documenting the discussions and agreements that are currently taking place would be beneficial.

Ms. Sandkulla agreed and stated that the discussions are bigger than they ever have been before. The drought has highlighted the need for water supply reliability and pushed the agencies to engage in those conversations.

Director Mendall made a motion, seconded by Director Pierce, that the Committee recommend Board authorization of the CEO General Manager, subject to legal counsel review, to execute the Memorandum of Agreement to participate in the development of the BARR Plan, including authorization of BAWSCA's cost share contribution of \$50,000.

The motion carried unanimously.

- B. Professional Services Contract with Selected Consultant for Online Rebate Application System and New Subscription Water Conservation Management System:** Water Resources Analyst, Andree Johnson, reported on a proposal to implement a new water conservation management system that would assist both BAWSCA and Member agencies in implementing the conservation programs more efficiently.

The system has two inter-related components. The first is an Online Rebate System that will enable customers to submit rebate applications online. The second is a Data Management System which would allow BAWSCA member agencies to track and report conservation programs that are administered by BAWSCA as well as their independent programs.

This effort was included in the approved FY 2015-16 work plan and operating budget as a specific drought action to assist the member agencies.

The overall goal for the rebate management system is to improve the rebate process for both the BAWSCA agencies and for their customers.

Ms. Johnson presented a comparison report between the existing process and the proposed data management system.

The existing process entails hard copy submissions of applications via snail mail, which then requires data entry of each application received. The new system will allow online application submittal, which provides a streamlined application review and program administration.

Currently, each program has a single application form for all participating agencies. While this is effective for maintaining consistency, it poses some issues when agencies have varying program terms. An example is the Lawn Be Gone! (LBG) program. Some agencies offer a rebate of \$1 per square foot, while others offer up to \$4. Ms. Johnson noted that a single application with various terms can be confusing for the customers in figuring out what terms apply to them. With the new system, agencies will have individual agency portals with their specific program information that applies to their customers.

The existing process has limitations in the ability to share information between BAWSCA and participating member agencies. The new system will provide the ability to log in activities and communication with customers associated with each rebate case.

Ms. Sandkulla added that BAWSCA receives the calls from the program applicants because BAWSCA's number is the most visible. The new system will be more effective in both processing the applications and handling the customer service information for both BAWSCA and the agencies.

Lastly, Ms. Johnson reported that the new system will allow a multi-step application process that will be most beneficial for the LBG program. The current process requires all information to be submitted in the program application at once. While this works well for simpler program such as the High Efficiency Toilet and Washing Machine rebate programs, this process is difficult for the LBG program applicants due to the amount of information they are required to submit, such as site plans and plant lists.

The multi-step process under the new system will be helpful for customers in figuring out if the program is right for them prior to completing a full application. Additionally, it provides agencies a tracking mechanism that shows the customers' progress and a way to identify opportunities to help customers along the way. For example, the system provides BAWSCA and the agency an automated means to communicate with a customer who may be able to benefit from a free landscape education class to complete their landscape project design.

With the new system, hard copy applications will still be accepted for customers who don't have online access.

The second component of the conservation management system is the data system. Its primary goal is to assist the member agencies in efficiently completing their drought response activities.

The key elements include a cloud-based system that water conservation staff can access while they are in the field with customers. The new system allows them to efficiently input conservation actions taken for a specific customer, and to view customer data such as historical water use patterns. This can help water conservation staff identify ways to help the customer while they are on site. The system will automatically synchronize with the utility billing system so that the most current water use, as well as historical water use information is available.

The system will also have data export capabilities that agencies can utilize to comply with the various State, BAWSCA and California Urban Water Conservation Council (CUWCC) reporting requirements. Specifically, the recent state requirement for agencies to report water waste complaints and follow up actions is something that agencies have never had to report before. The new system will allow efficient exports for that purpose, as well as templates to help agencies complete their reporting for BAWSCA's Annual Survey and CUWCC's Best Management Practices Report.

Ms. Johnson reported that the management system was initially focused on the rebate programs. In response to member agencies' interests, BAWSCA investigated the addition of the data management system with the rebate system in a single platform. The benefits of having both components in one system include the economies of scale for developing features that are common among the member agencies and the ability for agencies to manage BAWSCA programs, as well as individual agency programs. The single system also has the potential for future expansion to replace BAWSCA's Water Conservation Database.

The implementation schedule for the water conservation management system is set up to align with BAWSCA's website re-design launch. The RFP was issued on the week of June 8th, with the goal to begin the system design by the end of July.

The online rebate management system will be offered to BAWSCA member agencies as a new subscription program. Consistent with new subscription programs, BAWSCA would fund the initial program set up costs that are common among all agencies. Subscription programs including the HET, WMRP, LBG and the Rain Barrel Rebate programs would all be managed through the rebate system. Participating agencies of these rebate programs would fund the set up costs of the rebate system associated for their agency, as well as any annual maintenance fees.

It is anticipated that the costs to the agencies after the first year of the conservation management system will be offset by the administrative cost savings from the current system.

The data system will also be offered to the BAWSCA member agencies as a new subscription program.

In response to Directors' questions, Ms. Johnson provided the following information.

One of the key elements in the vendor selection process and the set-up of the system is to work closely with member agencies to develop security protocols since the system will be connected with the agencies' accounting systems.

Agencies can choose to use the data portion of the system as a stand-alone.

Unlike BAWSCA's WCDB that was developed with a one-time set up costs and with very little ongoing maintenance costs, the new system will have a smaller up-front cost with annual maintenance fees for continual updates to the system.

Ms. Sandkulla added that technology continues to develop very rapidly in the Bay Area and having the maintenance fee for ongoing upgrades will prove cost-effective in the long-term.

Member agency staff members were invited to participate in the scoping for the project and to review the RFPs. Agency staff members are also being invited to review the proposals and the selection process. BAWSCA's standing Water Resources Committee which is comprised of the agencies' conservation staff, has been working with BAWSCA in developing the project scope and in reaching out to different vendors to understand what would best meet the collective needs of the agencies.

The selected vendor will be required to offer three training sessions; one for BAWSCA and two for member agency staff.

Director Mendall made a motion, seconded by Director O'Connell, 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 review, to develop and implement a) an Online Conservation Rebate Application System and b) a Member Agency Conservation Data Tracking System; and**
- 2. Offer participation in the Conservation Data Tracking System Program to interested BAWSCA agencies on a subscription basis in FY 2015-16.**

as amended from the staff memo with the addition of #2.

The motion carried unanimously.

- C. Professional Services Contract with Global Sun Landscape to Provide Landscape Inspection Services for the Lawn Be Gone! (LBG) Program: Ms. Johnson presented a new subscription program to assist the member agencies in completing the pre and post inspection services for the LBG projects. The program is an add-on to the LBG program, and participation by member agencies is optional.

Ms. Johnson stated that participating agencies has historically performed the pre and post inspection for their customers applying for the LBG program. Agencies are seeking consultant support because of the increased interests in the LBG program resulting from the drought messaging and additional program outreach.

BAWSCA solicited the landscape inspection services at the request of member agencies. Ms. Johnson reported that there has been over a 1300 percent increase in LBG applications since FY 2012-13. The year-to date number of applications received is 275 which is in line with BAWSCA and the agencies' efforts for drought response. The significant increase in program participation has the agencies overwhelmed with completing the pre and post inspections required before and after the LBG projects.

Given the rapid increase in program participation and the high number of member agencies interested in using these services, staff is bringing this contract to the Board for action because its total value can potentially be much larger than originally anticipated.

Multiple vendor proposals were reviewed, and legal counsel was consulted to ensure that BAWSCA was in compliance with the procurement guidelines.

The program is offered as a subscription program with all costs paid for by participating member agencies. It is an add-on to the existing LBG program, however, participation is voluntary. Alternatively, agencies who have their independent turf replacement program can choose to participate in BAWSCA's inspection services program.

In response to Directors' questions, Ms. Johnson provided the following information.

The costs for the agencies will be based on a "per" pre and post inspection basis. The cost is approximately \$94 per inspection. For an additional cost, agencies can also choose to expand the vendor services to field customer calls or run a hotline. Agencies also have the flexibility to use the services strictly for their overflow, provided that the agency sign up to participate in the program with a certain budget.

To promote overall sustainability, BAWSCA references the Bay-Friendly Landscaping Guidelines as well as BAWSCA's BayAreaGardening.org on BAWSCA's website as resources.

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

- 1. Negotiate and execute a contract with Global Sun Landscape, subject to legal counsel review, to implement the Lawn Be Gone! Inspection Services Program; and**
- 2. Offer participation in the program to interested BAWSCA agencies on a subscription basis in FY 2015-16.**

The motion carried unanimously.

- D. Process and Schedule for CEO Annual Evaluation:** BAWSCA Chair Breault presented the schedule for the annual performance review for the CEO/General Manager. As Chair, he recommends the same process previously used. An evaluation packet will be provided to the Board with a completion timeline of 2-weeks. The evaluation form has one minor change which offers the directors the option to remain anonymous when their comments are shared with the CEO. Chair Breault asked for the committee's comments or changes on the evaluation process and form.

Director Pierce brought up Director Kasten's comments from last year's evaluation process to consider having specific benchmarks as opposed to general goals. This would be for the evaluation process in FY 2015-16.

Chair Breault and committee members concurred and agreed to discuss those benchmarks during the September 2015 Closed Session for the CEO Performance Review that is part of the current procedure in the evaluation process.

Director Pierce made a motion, seconded by Director Mendall, 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/General Manager performance evaluation, and discuss specific benchmarks, to include in the evaluation process for FY 2015-16, during Closed Session in the September 17th Board meeting.

The motion carried unanimously.

6. Reports:

- A. Water Supply Update:** Ms. Sandkulla presented SFPUC's most recent water supply conditions report that were given to the Commission and at a Press Conference held on June 9th for the launch of the Drought campaign.

Ms. Sandkulla was pleased to report that almost half of the lowest per capita consumption in Bay Area's 9-County are made up of BAWSCA member agencies.

Chair Breault added that 50% of the list would be comprised of BAWSCA member agencies if the City of Brisbane and Guadalupe Valley Municipal Improvement District (GVMID) were required to report, and were included in the list. Brisbane and GVMID were not required to report their monthly consumption data to the State because they are both small agencies.

Ms. Sandkulla emphasized that SFPUC continues to capture any existing runoff at Hetch Hetchy, putting it at 92% of capacity as of June 7th. The SFPUC Water Bank is doing its job in fulfilling San Francisco's obligations with the irrigation districts. It is currently down to 13.5% of capacity from 24% back in mid-May. The Water Bank was full three years ago, and is doing what it was intended to do during dry years.

While there have been intermittent storms that provide some precipitation, and a little bit of snow in the past few weeks, Ms. Sandkulla pointed out that there was no rain in January, which is typically the biggest single water producing month in the water year.

The year to date upcountry 6-station precipitation index as of June 7th is 18.47 inches, compared to an annual total of 36.6 inches from September through October.

The region is benefitting from the lack of heat during the last few months as evidenced by the total deliveries that remain well below the Governor's required water use reduction. Ms. Sandkulla reported that in a meeting with the Governor on June 5th, she expressed that BAWSCA is not concerned about San Francisco and the member agencies meeting their target reduction goal. Rather, she stated her concern about how long the drought will continue.

Ms. Sandkulla presented SFPUC's Total System Water Savings chart that has been updated to include the governor's required water use reduction for the region.

Mr. Hurley explained that San Francisco assumes that the wholesale customers will meet their specific target set by the State, and approximates the wholesale customers' conservation standards over their historical water use patterns to develop the graph.

In response to Director Guzzetta's question, Ms. Sandkulla stated that the average reduction for BAWSCA member agencies as a whole is 17% for the period of February 2015 – April 2015. Ms. Sandkulla noted that the agencies achieved a 14% savings last year in response to San Francisco's voluntary 10% water use reduction request.

Mr. Hurley added that if the drought continues and there is a need to refine the savings requirements, DWR will consider a regional approach as opposed to a per agency approach. ACWA is investigating this approach.

Ms. Sandkulla presented a chart that shows the regional water service area's water use relative to the population growth in the past 10 years. The Regional Water System is serving 4% more people with 17% less water.

Ms. Sandkulla noted that this is showing up on the region's demand hardening and is reflective of how difficult the next incremental conservation savings will be for some of the BAWSCA member agencies.

San Francisco's projected total water delivery for both wholesale and retail areas in FY 2014-15 is estimated at a 190 mgd, which is the lowest annual demand since the end of the last significant drought in 1977.

For the current water year, the Water Bank is expected to bottom out around 60 TAF, or down to 11% of capacity by the end of the water year in October. Storage at Hetch Hetchy is expected to peak at 350 TAF, or 97% of capacity.

Ms. Sandkulla reported that if the drought continues into water year 2015-16 to the extent it was in 1977, and if demand is in compliance with the State Water Board's reduction requirements, the projection is as follows:

- Hetch Hetchy storage will peak at about 274 TAF, or 76% of capacity, and drop to about 210 TAF, or 58% of capacity by October 2016.
- The water bank will grow and peak at 200 TAF, or 35% of capacity in April from precipitation during the winter months. It will then drop to zero by the end of summer, 2017.

Ms. Sandkulla stated that while the water bank would have done its job, it is critical to determine the next steps if the drought continues into a 5th year and the water bank is completely dry.

If the drought continues into 2015-16, greater water use reductions will be required, as well as rigorous demand management and investigation for alternative water supplies.

The SFPUC is continuing to monitor State Water Board actions on curtailments for pre-1914 water rights holders. If curtailment is issued, the oldest of water rights holders would no longer be able to divert water to storage or for use. DWR has not issued a curtailment that impacts the SFPUC's water rights yet, but the potential is there at any given moment.

Ms. Sandkulla explained that with the current dry conditions, curtailment do not present a significant impact to San Francisco water supplies, future impacts of a curtailment, if issued, can be significant once conditions change and the curtailment is not lifted.

Ms. Sandkulla noted that San Francisco's plan is to get 2 ½ years out of the current water supply by lowering demands, and aggressively looking at alternative supplies including indirect potable use of recycled water. Both San Francisco and BAWSCA are pushing for Santa Clara Valley Water District's water treatment plant project.

Director Guzzetta asked how much water is SCVWD planning to use for direct re-charge. Ms. Sandkulla stated that she will confirm that number and report back to the Board.

Committee discussions on alternative water supply options ensued.

Ms. Sandkulla stated that all of the options for alternative supplies to be developed immediately for use during this drought are in the early planning stages, and the potential yields are still unknown. BAWSCA will push for all the alternatives until the best option available for BAWSCA become evident.

- B. Mountain Tunnel - Update: Mr. Hurley reviewed the 3 key components of the near and long-term actions the SFPUC identified to address Mountain Tunnel. The components, which Mr. Ritchie presented to the BAWSCA Board at the May 21st Board meeting, include the addition of the adit and access road improvement project to the 10-year CIP, the development of an emergency response plan, and the continuing evaluation of the "fixes", which include repairs to the current tunnel or a new by-pass tunnel. The board was also presented a schedule that identified the completion of adit and access road improvements by July 2017, and an evaluation and selection of a preferred "fix" by mid-2017.

Mr. Hurley reported that similar information were presented to the SFPUC Commission at their meeting on May 26th, where Nicole spoke and urged the Commission to direct SFPUC staff to develop a plan and schedule that can be adopted by the Commission.

BAWSCA believes that a firm schedule adopted by the Commission has proven to be effective for the SFPUC in completing the critical tasks of major projects such as the

Mountain Tunnel. BAWSCA is reviewing a schedule that the SFPUC is expected to finalize by the end of June, for adoption by the Commission.

BAWSCA is also pushing the SFPUC to (1) develop an emergency response plan that address multiple-length tunnel outage scenarios, (2) determines the adequacy of local supplies to meet the water needs, and (3) identify sources of additional supplies, if those supplies are needed. BAWSCA has asked the SFPUC for a number of scenarios to be developed, and to identify where replacement supplies will come from under the various scenarios.

Ms. Sandkulla explained that BAWSCA's push for a plan is to get a better understanding of what the realities will be if a tunnel outage occurred. For example, what are the series of actions, what are the decision points, will there be severe reductions, and if so, what can be expected under a 6 month versus a 9 month outage? A written plan provides the opportunity for discussions, and therefore, a better understanding of the potential scenarios and action plan.

Mr. Ritchie is in agreement with this approach and is working with his staff to write the plan in a form that effectively communicates information, and is appropriate for public distribution. Ms. Sandkulla reported that the written plan can be expected by the July Board meeting.

Director Weed cautioned the use of the word "Plan" as it implies an existing document, as opposed to the operational capabilities to respond.

He also noted that BAWSCA's mission should include contingency issues as one of its major concerns given the San Antonio Raw Water incident in March that affected East Palo Alto, and SFPUC's recent report that if the Mountain Tunnel fails, it would be for a period of 9-months with available supply for only a period of 3 months. Ms. Sandkulla replied that BAWSCA has not looked at investments to improve reliability beyond San Francisco's adopted level of service goals including capabilities to supply water within 24-hours of an outage.

Ms. Sandkulla noted that the Board can choose to consider this effort for the next fiscal year's work plan and operating budget.

She added that the water quality incident and its effects on East Palo Alto are under the purview of East Palo Alto and being addressed at this time. San Francisco, however, is addressing their communications protocol, that is required of them as a supplier for the region, to avoid such occurrence from happening again.

Director Weed added that because the member agencies' system capabilities are very different, there is an opportunity for BAWSCA to play a role in the coordination of a disaster response among the 26 member agencies.

Director Mendall stated that San Francisco, as the water supplier, should confirm with BAWSCA and its wholesale customers their ability or inability to meet their level of service goals. Thereafter, should BAWSCA and the member agencies discuss what

actions should be taken regionally to address what San Francisco does not meet to the agencies' satisfaction.

Director Guzzetta commented that San Francisco would be equally affected by the failure of Mountain Tunnel as BAWSCA member agencies are and should be taking the issue seriously.

Ms. Sandkulla stated that San Francisco is taking Mountain Tunnel seriously; however, BAWSCA's push is keeping it front and foremost. BAWSCA is concerned that the issue may get lost in the shuffle, which is what has happened in the past.

In response to Director Keith's question about demand projections, Ms. Sandkulla explained that fire flows are included in the as non-revenue water customer classification used by water suppliers. Fire flows, as part of non-revenue water, are accounted for in the annual estimated purchases, particularly for agencies that have the SFPUC as their sole source of supply.

Mr. Hurley concluded his report by stating that BAWSCA has clearly indicated to the SFPUC and the Commissioners its intent to continue to be directly involved with this effort. Nicole's comments at the May 26th meeting was well-received by the Commissioners and BAWSCA's continued presence on the issue is getting the Commissioners' attention.

- C. Pilot Water Transfer Plan - Update: Mr. Hurley reported that BAWSCA continues its efforts with the Pilot Water Transfer, and has started discussions with Alameda County Water District Contra Costa Water District to investigate additional transfer opportunities. At the July Board meeting, BAWSCA staff will be providing the Board a technical report on results of the work to date and a status report on the elements of each of the agreements required.
- D. Water Conservation and Drought Response: Ms. Johnson reported that the regional drought campaign was launched with a press conference hosted by the SFPUC. The June messaging in the BAWSCA service area will begin on June 15th with billboards and BART station ads. The campaign will continue through August with video messaging to be incorporated in mid-July.

Ms. Johnson was pleased to report that prime billboard locations along 101 were secured in the service area. A map of the billboard locations between Hayward and Daly City was presented to the Committee. BART station ads are at the Millbrae and Hayward stations.

All artwork has been made available to member agencies for their individual messaging purposes.

BAWSCA's campaign for the service area will focus on outdoor water savings. The key messages encourage the two-day per week irrigation schedule, and to give up lawns in exchange for a drought-tolerant landscaping.

In response to Director Pierce, Ms. Johnson stated that multi-language artworks are available if member agencies want them.

7. **Comments by Committee Members:** Director O’Connell reported that she has not seen the High Efficiency Toilet Rebate signs during her recent visits at the San Bruno and South City Lowe’s, and San Bruno and Colma Home Depot.

Ms. Johnson reported that BAWSCA will be working with Kyle Ramey, BAWSCA’s Fellow, to do another round of outreach in July to coordinate with the launch of the FY 2015-16 programs. As part of that effort, BAWSCA can look into providing signs.

Director Pierce and Director Keith thanked Mr. Hurley for his well-received report at SAMCEDA.

Director Guzzetta reported that San Francisco recently arranged a speaker at O’Shaughnessy Dam to talk about the system with its customers. He noted that the questions that came up from the attendees emphasized the importance of educating water customers of how the system works. Because the reservoir is full, many of the attendees questioned the need for rationing.

8. **Adjournment:** The meeting was adjourned at 3:05pm. The next meeting is August 12, 2015.

Respectfully submitted,

Nicole Sandkulla, CEO/General Manager

NS/le

Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE –June 10, 2015

Roster of Attendees:

Committee Members Present

Charlie Bronitsky, City of Foster City (Chair)
Kirsten Keith, City of Menlo Park (Vice-Chair)
Randy Breault, City of Brisbane/GVMID (BAWSCA Chair)
Rob Guzzetta, California Water Service Company
Gustav Larsson, City of Sunnyvale
Jerry Marsalli, City of Santa Clara
Al Mendall, City of Hayward (BAWSCA Vice-Chair)
Irene O’Connell, City of San Bruno
Barbara Pierce, City of Redwood City
John Weed, Alameda County Water District

Committee Members Absent

Louis Vella, Mid-Peninsula Water District

BAWSCA Staff:

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

Public Attendees:

Peter Drekmeier	Tuolumne River Trust
Marilyn Mosher	City of Hayward
Michele Novotny	San Francisco Public Utilities Commission

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

Fiscal Impact:

Funds to reappoint Arthur Jensen as Special Counsel to the CEO/GM are included in the adopted budget for salaries and benefits for FY 2015-16.

Recommendation:

That the Board Policy Committee recommend Board adoption of Resolution 2015-01 approving the reappointment of Arthur Jensen to the temporary position of Special Counsel to the CEO/GM, and making associated findings in support of such an appointment.

Discussion:

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

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

Attachments:

1. Resolution 2015-01 for the temporary reappointment of Arthur Jensen as Special Counsel to the CEO/GM.

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**RESOLUTION NO. 2015-01
BY THE BOARD OF DIRECTORS OF THE
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PASSED AND ADOPTED this 17th day of September, 2015, by the following vote:

AYES:

NOES:

ABSENT:

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

ATTEST:

Assistant to the CEO/GM

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

The Board’s Investment Policy states that 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 20, 2014 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.

Discussion

All BAWSCA funds are invested in accordance with the Investment Policy and the California Government Code.

The Investment Policy also specifies permitted investment instruments for the bond proceeds associated with BAWSCA’s Revenue Bonds Series 2013A and 2013B. The permitted instruments are Federal Securities, Money Market Mutual Funds, and Certificates of Deposit. BAWSCA’s collected bond surcharge payments and balances held in the stabilization funds are currently invested in the Bank of New York Bond Trustee’s money market account at a current interest rate of approximately 0.01%, and the U.S. Treasury securities at an average yield of 0.26% as of June 30, 2015.

A question has been asked as to why the yield of BAWSCA’s stabilization funds invested in the U.S. Treasury securities is low. In response to the question, the yield is a result of the conservative assumptions made in BAWSCA’s investment strategy and consistent with the primary objectives of BAWSCA’s investment policy of safety, liquidity, and return on investment.

The bond surcharge payments are used to make debt service payments. Debt service payments are made on April 1st and October 1st of each year. Because of the short investment horizon and the current low short-term investment yields, it’s more cost effective

to invest all collected bond surcharge payments in money market funds in the current market conditions.

In addition, due to a limited history of bond surcharge payment collection from the member agencies, the current investment strategy assumes that BAWSCA would only collect 70% of the annual surcharges on time and the remaining 30% of the necessary debt service payment would need to be supplemented by funds from the stabilization fund. As such, the majority of the U.S. Treasury securities that BAWSCA has purchased for investing the \$12 million of stabilization funds will mature in less than a year and are timed to coincide with the debt service payments.

For example, the three series of U. S. Treasury securities that BAWSCA funds are currently invested in will mature on 9/30/2015, 3/31/2016 and 9/30/2016 respectively. This would allow the matured funds to be used to cover 30% of the debt service payments on 10/1/2015, 4/1/2016 and 10/1/2016 in case the bond surcharge payments collected by those dates are not sufficient to make debt service payments. The level of investment yield is directly related to the investment horizon with shorter investment time horizons providing lower yields. BAWSCA's invested securities generate a yield from 0.10% to 0.46% as of June 30, 2015.

When the series of securities mature on 9/30/2015, BAWSCA will evaluate the investment strategy, including the assumptions based on the agency's circumstances and the market conditions, with the investment advisor's assistance. BAWSCA will re-invest the matured funds based on the result of the evaluation and in accordance with the Investment Policy.

Attachment:

1. Statement of Investment Policy

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 MEETING

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

Summary

This item presents a review of BAWSCA's General Reserve Policy. The previous review occurred on November 20, 2014 and resulted in no changes to the Policy. 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. The current guideline for the general reserve balance is a range of 20% to 35% of the annual operating expense. No changes to the policy are recommended at this time.

Fiscal Impact

No impact on BAWSCA's annual operating budget.

Recommendation

That the Board Policy Committee recommend Board adoption of Resolution 2015-02 to re-affirm the current General Reserve Policy.

Discussion

Annual review of BAWSCA's General Reserve is not required by existing agency policies or government regulations. This year's review was requested during the development process for the FY 2015-16 Operating Budget given the concerns with the projected level of the General Reserve at the end of FY 2014-15.

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.

BAWSCA reviewed the current General Reserve Policy and believes that the current policy is consistent with the recommended guidance by the Government Financial Officers Association (GFOA). BAWSCA also surveyed the agencies who were contacted for benchmarking purposes last year. Those agencies include Sacramento Regional Water Authority, a public Joint Powers Authority that operates a business similar to BAWSCA, and member agencies whose annual operating budgets are lower than \$15 million. Their current general reserve guidelines are the same as last years' and range from 15% to 50% of annual operating expenses.

Upon BAWSCA's review of the existing general reserve policy, GFOA guidance and the result of last year's benchmarking survey, no changes to the policy are recommended at this time.

Background

The BAWSCA Board originally adopted a General Reserve Policy in 2004. The Board adopted a resolution in 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 previous review occurred on November 20, 2014 and resulted in no changes to the policy. Table 1 presents BAWSCA's historical annual assessments, year-end reserves, operating budget, and year-end reserves as a percentage of operating budget.

Table. 1 Historical Annual Assessments and Year-End Reserves

Fiscal Year	Assessments	Year-End Reserves	Operating Budget	As a % of Operating Budget
2003-04	\$1,668,550	\$276,480	\$1,821,350	15.2%
2004-05	\$1,641,995	\$246,882	\$1,838,490	13.4%
2005-06	\$1,953,998	\$240,000	\$2,099,975	11.4%
2006-07	\$2,117,904	\$654,000	\$2,291,904	28.5%
2007-08	\$2,117,904	\$691,474	\$2,508,967	27.6%
2008-09	\$2,309,000	\$507,474	\$2,763,196	18.4%
2009-10	\$2,517,000	\$407,192	\$2,766,945	14.7%
2010-11	\$2,517,000	\$653,763	\$2,680,394	24.4%
2011-12	\$2,517,000	\$916,897	\$2,619,705	35.0%
2012-13	\$2,517,000	\$985,897	\$2,780,504	35.5%
2013-14	\$2,517,000	\$521,897	\$3,280,189	15.9%
2014-15	\$2,642,653	\$225,461*	\$ 2,939,286	7.7%
2015-16	\$3,276,889	\$653,049*	\$3,201,679	20.4%

**Projections*

Attachment:

1. 2015-02, Resolution Re-Affirming the General Reserve Policy

ATTACHMENT 1

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

RESOLUTION NO. 2015-02

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 17th day of September 2015 by the following vote:

AYES:

NOES:

ABSENT:

Chair, Board of Directors

ATTEST:

Secretary

BAWSCA

Bay Area Water Supply & Conservation Agency

155 Bovet Road, Suite 650
San Mateo, California 94402
(650) 349-3000 tel. (650) 349-8395 fax

MEMORANDUM

TO: BAWSCA Board of Directors
DATE: August 7, 2015
FROM: Nicole Sandkulla, CEO/General Manager
SUBJECT: Chief Executive Officer/General Manager's Letter

Don Pedro Hydroelectric Project FERC Relicensing - Update:

In 2011, the Modesto and Turlock Irrigation Districts (Districts) formally initiated the process for obtaining a new license from the Federal Energy Regulatory Commission (FERC) for the operation of the Don Pedro Hydroelectric Project on the Tuolumne River. The project currently operates under a 50-year license that extends through April 30, 2016. The multi-year relicensing process (Relicensing Process) includes multiple operational, environmental and economic studies and involves multiple parties including the Districts, FERC, other federal and state resource agencies, local governments, nongovernmental organizations, and members of the public. Because of the potential for impacts to Tuolumne River supplies, such as in-stream flow requirements imposed for the Tuolumne River as conditions of a new license, the SFPUC and BAWSCA are participants in the Relicensing Process.

Currently, many of the participants in the Relicensing Process meet regularly as a part of a separate negotiated settlement process (Settlement Process) that is intended to allow the parties to reach agreement on any conservation measures that might be included in the FERC license. The results of these negotiations would eventually be contained in a settlement agreement for FERC's review and consideration. FERC generally favors such settlements in licensing cases because it can save time and money, avoid the need for protracted litigation, promote positive relationships among the participating entities, and gives FERC a clear sense as to the parties' views on the issues presented as it acts on license applications.

To date, the Settlement Progress has been conducted through the Tuolumne Settlement Group. In June 2015, the Tuolumne Settlement Group ended and the Don Pedro Relicensing Settlement Group (Settlement Group) was formed, with Lee Lamb and Susan Driver of Negotiation Guidance Associates again serving as facilitators for the Settlement Process. BAWSCA has signed a confidentially agreement that the Settlement Group has developed as a condition for participating in the negotiations.

Drought Update:

June 2015 was the first month of tracking agency's compliance towards the State Water Resources Control Board (SWRCB) Conservation Standards. Compared to June 2013, BAWSCA member agencies reduced water use by 33%. This compares to the overall weighted Conservation Standard of a 15% reduction for the BAWSCA agencies. Among BAWSCA member agencies, 96% achieved their individual water use reduction targets, which ranged

from 8 to 36 percent. By comparison, the overall statewide water reduction in water use was 27% compared to June 2013, with 61% of agencies meeting their individual water use reduction targets.

Landscape Ordinance:

Governor Brown's Drought Executive Order of April 1, 2015 (EO B-29-15) directed DWR to update the State's Model Water Efficient Landscape Ordinance (Ordinance) through expedited regulation. The California Water Commission approved the revised Ordinance on July 15, 2015.

New development projects that include landscape areas of 500 sq. ft. or more, as well as existing landscapes being rehabilitated that are 2,500 sq. ft. or more, are subject to the new ordinance. Local agencies (cities and counties) have until December 1, 2015 to adopt the ordinance or to adopt their own ordinance, which must be at least as effective in conserving water as the State's Ordinance. Local agencies working together to develop a regional ordinance have until February 1, 2016 to adopt their new ordinance.

Key revisions to the Ordinance include:

- Requirements for dedicated landscape water meters or submeters for residential landscapes over 5,000 sq. ft. or commercial landscapes over 1,000 sq. ft.
- Stricter standards for irrigation system efficiency.
- Incentives for the use of graywater systems.
- A reduction in the portion of landscapes that can be planted with turf or other high water use plants to 25% for residential landscapes.
- Reporting requirements for local agencies on implementation and enforcement.

BAWSCA is coordinating with member agencies on revisions to the BAWSCA Model Ordinance (originally developed in 2009) to bring it into compliance with the new State Ordinance.

Water Conservation Management System:

BAWSCA completed a competitive selection process for the development and implementation of a new Water Conservation Management System and is currently in contract negotiations with the top-ranked proposer. The Conservation Management System objectives are to enhance the efficiency of BAWSCA and member agency staff in the administration of conservation programs and to improve the rebate process for customers. The system will include two distinct but related components: 1) an online rebate application system (Online Rebate System) and (2) Data Management System to enable BAWSCA member agencies to track and manage each individual agency's conservation programs.

The Online Rebate System will be used by all BAWSCA member agencies participating in BAWSCA subscription rebate programs, and the Data Management System will be offered to all BAWSCA member agencies as a new subscription program. The Conservation Management System is anticipated to launch in February, coordinated with the launch of BAWSCA's redesigned website.

Board Policy Committee Policy Calendar through April 2016

BPC Meeting	Purpose	Issue or Topic
August 2015	D&A D&A D&A	Resolution Approving Temporary Appointment of A. Jensen as Special Counsel to the CEO/GM Review of Investment Policy Review of General Reserve Policy
October 2015	D&A D&A	Extend contract with PG&E for Regional Washing Machine Rebate Program Review Water Supply Forecast & Decide if a Transfer Should be Pursued
December 2015	D&A D&A R&D	Review Water Supply Forecast & Decide if a Transfer Should be Pursued BAWSCA Mid-Year Review for FY 2015-16 Work Plan and Budget Work Plan and Budget Planning for FY 2016-17
February 2016	D&A R&D	Consideration of BAWSCA Bond Surcharges for FY 2016-17 Presentation of Preliminary FY 2016-17 Work Plan and Budget
April 2016	D&A	Presentation of proposed FY 2016-17 Work Plan and Budget

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