

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD OF DIRECTORS MEETING**

**Foster City Community Building – 1000 E. Hillsdale Blvd., Foster City  
Wind Room  
(Directions on Page 3)**

*(Members of the Board may participate in this meeting by Teleconference. Locale shall be: Portofino Hotel, 5601 Universal Blvd., Orlando Fl. 32819. If any member of the board participates by teleconference, all votes taken at this meeting will be by roll call vote.)*

**Thursday, September 17, 2015**

**7:00 P.M.**

**AGENDA**

<b><u>Agenda Item</u></b>	<b><u>Presenter</u></b>	<b><u>Page</u></b>
<b>1. Call to Order/Roll Call/Salute to Flag</b>	<b>(Breault)</b>	
<b>2. Comments by the Chair</b>	<b>(Breault)</b>	
<b>3. Board Policy Committee Report</b> <i>(Attachment)</i>	<b>(Bronitsky)</b>	<i>Pg 5</i>
<b>4. Public Comments</b> <i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	<b>(Breault)</b>	
<b>5. Consent Calendar</b> <i>(Attachments)</i>	<b>(Breault)</b>	
A. Approve Minutes of the July 16, 2015 Meeting <i>(Attachment)</i>		<i>Pg 15</i>
B. Receive and File Pre-Audit Budget Status Report – As of 6/30/15 <i>(Attachment)</i>		<i>Pg 21</i>
C. Receive and File Quarterly Bond Surcharge Collection, Account Balance and Payment Report – As of 6/30/15 <i>(Attachment)</i>		<i>Pg 25</i>
D. Resolution Approving Temporary Reappointment of Arthur Jensen as a Special Counsel to the CEO/GM <i>(Attachment)</i> <i>The Committee voted unanimously to recommend approval of the proposed Board action.</i>		<i>Pg 29</i>
E. Review and Consideration of BAWSCA’s General Reserve Policy <i>(Attachment)</i> <i>The Committee voted unanimously to recommend approval of the proposed Board action.</i>		<i>Pg 33</i>
<b>6. Action Calendar</b>	<b>(Sandkulla)</b>	
A. <b>Annual Review and Consideration of BAWSCA’s Statement of Investment Policy</b> <i>(Attachment)</i> <i>The Committee voted unanimously to recommend approval of the proposed Board action.</i>		<i>Pg 37</i>
<b>7. SFPUC Report</b>	<b>(Carlin)</b>	

**8. Reports**

(Sandkulla/Hurley)

- A. Water Supply Conditions - Update
- B. SFPUC WSIP and 10-Year CIP
- C. CEO/General Manager’s Letter (*Attachment*)
- D. Board of Directors Policy Calendar (*Attachment*)
- E. Correspondence Packet ([Under Separate Cover](#))

*Pg 45*

*Pg 49*

**9. Closed Session**

- A. Public Employee Performance Evaluation **(Breault)**  
 Title: CEO/General Manager  
 Closed Session Pursuant to Government Code Section 54957  
 (*Under Separate Cover*)
- B. Conference with Labor Negotiator **(Breault)**  
 Agency designated representative: Randy Breault  
 Unrepresented Employee: CEO/General Manager
- C. Conference with Legal Counsel – Existing Litigation pursuant to **(Schutte)**  
 Paragraph (1) of subdivision (d) of Government Code Section 54956.9: *Restore Hetch Hetchy v. City and County of San Francisco* Case Number: CV59426
- D. Conference with Legal Counsel – Anticipated Litigation **(Schutte)**  
 Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Government Code 54956.9 (One potential case)

**10. Report from Closed Session**

**(Breault)**

**11. Break for Negotiation with Agency Labor Negotiator**

**(Breault)**

**12. Reconvene Following Labor Negotiations**

**(Breault)**

**13. Action Item Following Closed Session**

**(Breault)**

- A. Consider Compensation Adjustment for CEO/General Manager for FY 2015-16 (*Under Separate Cover*)

**14. Directors’ Discussion: Comments, Questions and Agenda Requests**

**(Breault)**

**15. Date, Time and Location of Future Meetings**

**(Breault)**

(See attached schedule of meetings)

*Pg 51*

**16. Adjourn to next meeting scheduled for November 19, 2015 at 7pm**

**(Breault)**

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*All public records that relate to an open session item of a meeting of the BAWSCA Board 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 Foster City Community Bldg. – 1000 E. Hillsdale Blvd., Foster City**

**From Hwy. 101**, take the Hillsdale Ave. exit East. Turn Right into the parking lot just after the intersection with Shell Blvd. The Community Bldg. entrance is separate from the Library entrance and is marked by signage. The Wind Room will be at the top of the stairs on the right, across from the reception station (there is also an elevator).

**From the East Bay**, take Hwy. 92 West, exiting at Foster City Blvd., and going South on Foster City Blvd. to Hillsdale. Turn Right (West) onto Hillsdale and proceed to Shell Blvd., making a U-turn to be able to pull into parking lot on SE corner of Hillsdale and Shell. See underlined sentence of first paragraph above for remainder of directions.

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# **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 Members  
FROM: Nicole Sandkulla, Chief Executive Officer/General Manager  
DATE: September 11, 2015  
SUBJECT: Summary of Board Policy Committee meeting held August 12, 2015

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1. **Call to Order:** Committee Chair Charlie Bronitsky called the meeting to order at 1:30 pm. A list of Committee members who were present (9), absent (2) and other attendees is attached.

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

2. **Comments by the Chair:** Director Bronitsky welcomed the Committee members and thanked them for their service.
3. **Consent Calendar:** Approval of Minutes from the June 10, 2015 meeting  
**Director O'Connell made a motion, seconded by Director Vella, that the minutes of the June 10, 2015 Board Policy Committee meeting be approved.**  
**The motion passed unanimously.**
4. **Public Comments:** Director Weed reported and provided a fact sheet on an Executive Order issued by the Federal Flood Risk Management Standard (FFMS) in January 2015. The order changes the current 100-year Base Flood Elevation (BFE), used to determine federal floodplain requirements, to a 500-year BFE.

The order has not been implemented yet, but it could impact each of the districts particularly those that have bayfronts or streams flowing through flat terrain.

Secondly, ACWA is looking for Committee appointments. There are numerous Committees which offers opportunities for constructive dialogue.

In response to Director Guzzetta, Ms. Sandkulla stated that BAWSCA Board members can attend the ACWA conferences on behalf of BAWSCA. BAWSCA allocates a budget for the attendance of up to two Board Members. Board Members who attend on behalf of BAWSCA register through BAWSCA. Board members can also choose to attend independently.

**5. Action Items:**

- A. Resolution Approving Temporary Reappointment of Arthur Jensen as Special Counsel to the CEO/General Manager: Ms. Sandkulla reported that Mr. Jensen was appointed as Special Counsel to the CEO/GM upon initiation of her administration in September of 2013. The Board approved a subsequent one-year temporary re-appointment in 2014 for specific tasks included in the FY 2014-15 work plan that are critical to the agency.

While Ms. Sandkulla anticipates this temporary reappointment as the last, she stated that Mr. Jensen's service has and will continue to provide essential assistance in the negotiations with San Francisco related to the classification of assets under the Water Supply Agreement.

BAWSCA negotiated a Settlement Agreement with San Francisco which will expire in September 30, 2015. The negotiating team benefited from Mr. Jensen's expertise on the subject. His leadership on the technical side complimented General Counsel's leadership on the legal side, and allowed Ms. Sandkulla to manage the executive discussions with SFPUC General Manager, Harlan Kelly. The team created a very effective dynamic in moving the negotiations forward.

Ms. Sandkulla further explained that BAWSCA contracts with PERS and the appointment of Mr. Jensen as Special Counsel must include specific requirements for compliance including specified conditions of temporary appointment with limited hours of under 960 for the year. All the requirements are reflected in a resolution that the Board will be asked to adopt. Adoption of a resolution is also required by PERS.

Ms. Sandkulla reported that the adopted FY 2015-16 workplan allocates 520 hours and a budget of \$53,000 for Mr. Jensen's services. In actuality, his hour have been much less to date than planned. Typically, his hours have been 5-6 hours a week, which will continue until the negotiations are completed.

In the interest of the agency's return on investment, Director Vella asked how Mr. Jensen's services are evaluated.

Ms. Sandkulla stated that she evaluates the team's progress through their successful movement of the negotiations in the direction that is in the best interest of the agencies. A major part of the negotiations has been to review all the assets, identify their classification, agree on that classification, and agree that those classifications will be maintained for the life of the contract. The resolution of the settlement discussions will address the assets that were in question, as well as all the assets in the system that were not included in the 2009 Water Supply Agreement as this issue has not been previously significant. Achievement of those results in the negotiations is the agency's return on investment.

**Director Vella made a motion, seconded by Director O'Connell, that the 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 finding in support of such an appointment.**

**The motion carried unanimously.**

- B. Annual Review and Consideration of BAWSCA's Statement of Investment Policy: Ms. Sandkulla introduced BAWSCA's Investment Advisor, Mark Creger from BLX Group.

Sr. Administrative Analyst, Christina Tang reported that BAWSCA's Investment Policy requires the Board's annual review and consideration. The Policy was last reviewed in November 2014 with no changes made.

The current Policy reflects language consistent with State law, and no changes are recommended.

Ms. Tang reported that all BAWSCA funds are invested in accordance with the Policy. The permitted investment instruments for bond proceeds associated with BAWSCA's revenue bond Series 2013 A and B include Money Market Mutual Funds, Certificates of Deposit, and Federal Securities.

The surcharge payments collected from member agencies and the balance held in the stabilization fund are currently invested in Bank of New York Money Market Funds, which is currently earning interest rates at 0.01%, and the US treasury securities with the current average yield of 0.26%.

In response to the Board inquiry about why the investment funds are earning low interests rates, Ms. Tang reported that the rates are reflective of the current low interest rate market, as well as the conservative assumptions made in the investment strategy. Ms. Tang added that for the first 2 years, BAWSCA decided to move forward with the most conservative investment strategy for the bond proceeds, in accordance with the agency's investment policy objectives of safety, liquidity and yield.

The current investment strategy is based on the following factors and assumptions.

Bond surcharges collected from the member agencies are used to make debt service payments twice a year, April 1<sup>st</sup> and October 1<sup>st</sup>, until October 1, 2034.

It is assumed that 70% of the annual surcharges will be collected on time, and 30% of the debt service payment will be supplemented by funds from the stabilization fund.

The maturity of the stabilization funds invested in the US Treasury Securities are timed to coincide with the debt service payment dates so that they can be used to pay up to a 30% shortfall from surcharge payments. The upcoming maturity dates are September 30, 2015, March 31, 2016, and September 30, 2016.

The level of investment yield is directly related to the investment horizons. To make the \$12 M stabilization funds available to use as debt service payments in case there are shortfalls from the surcharge payments, majority of the securities mature in less than 1 year. The securities generate an average yield of 0.26%.

Following September 30, 2015, the next maturity date of funds invested in the US Treasury Securities, the CEO will re-evaluate the investment strategy and re-consider the assumptions being used. The evaluation will be based on a full 2-year collection history, the current circumstances of BAWSCA member agencies, and current market conditions.

The last evaluation of the strategy occurred 5 months ago when BAWSCA re-invested the funds that matured on March 30<sup>th</sup> 2015. With a collection history of less than 2 years, BAWSCA did not make any changes to the investment strategy at that time.

BAWSCA will re-invest the matured funds based on the results of the evaluation and the objectives of the Investment Policy which include security, liquidity, and yield.

Director Weed asked how much money is being invested and whether a benchmark was established to measure against the current performance.

Ms. Tang stated that the \$12M stabilization fund balance is currently invested and targeted to supplement any potential shortfalls in the debt service payments. The money received in the principle and interest funds are invested in the money market fund until used for next scheduled debt service payment. This is the most cost-effective strategy found due to the low market interest rates.

Mr. Creger added that because the current investment strategy is targeting specific dates, there were no benchmarks established for comparison because the strategy is driven by fixed investment horizons as opposed to an open ended strategy.

In response to Director Guzzetta, Ms. Sandkulla stated the 30% shortfall is an initial assumption that has proven to be very conservative. There is concern with member agency revenues being impacted by the drought and any potential impact on BAWSCA. With the ongoing drought, there will be significant financial pressure on the agencies and it is important that those factors pose no negative effect on BAWSCA's financial situation. Additionally, BAWSCA does not have an alternative source of funds to use to make its debt service payments in the event of a revenue shortfall, therefore the 30% assumption is appropriate.

Ms. Sandkulla stated that she has discussed with BLX other investment options and the financial risks to BAWSCA if the agency has to liquidate a security early. Having a full 2-year history will be helpful in re-evaluating the investment strategy.

Director Guzzetta asked if BAWSCA looked at laddering and getting longer term securities that will mature on the targeted payment dates in order to get the benefit of better interest rates.

Mr. Creger responded that those options were the genesis of BAWSCA's current investment strategy given the concerns with revenue collection uncertainties and the drought. The laddering was structured based on the \$12 M stabilization fund, a 70% revenue assumption for each of those debt service payment amounts, and the plan to use the \$12 M stabilization fund balance to invest out in periods of 6 months while filling in any potential void in debt service payments. The amount of capital that was able to be invested to get those higher yields was a function of the starting balance, plus the 70% assumption.

One mechanism for laddering out further, and still have targeted debt service dates, would be if the revenue assumptions were 80% or 90%.

Mr. Creger explained that once there is sufficient comfort in the expectations of surcharge revenue, other public agencies with stabilization funds move away from specifically targeting debt service dates, and take on a laddering strategy that mature between 1-3years, or 1-5years.



This type of strategy is when the concept of using a market based benchmark such as Bank of America 1-3 year treasury index or a 1-5 year index, because the agency is not targeting specific future dates. This strategy is then managed towards a market based index.

BAWSCA's current investment strategy to target specific debt service dates protects BAWSCA from any potential interest rate risks. If interest rates rise, the market value of fixed income securities, the treasury securities and the portfolio is going to decline. Because BAWSCA has no need to access the stabilization funds except for those specific debt service dates, it doesn't have to realize a potential loss if interest rates decline.

Alternatively, if BAWSCA moves away from targeted specific future debt service dates, there is the potential for losses in the future if bonds have to be sold under adverse market conditions.

Director Mendall commented that while the current strategy protects BAWSCA from the risks of fluctuating interest rates, it also guarantees a much lower return than the agency can otherwise get. For example, if BAWSCA did a 30 year security, the worst case scenario would be to sell early and deal with the interest rate fluctuations.

He commented that BAWSCA is being more conservative than it needs to be, not only with the 30% shortfall assumption, but with the laddering as well. A fixed amount of money that is equivalent to 30%, and rotates every 6 months should protect the agency. The rest of the funds can be put in longer term securities.

Director Mendall stated that BAWSCA's extremely conservative mechanism is costing at least an estimate of 0.50% in earnings a year on the stabilization fund balance. He suggested that the agency can do better than earning an average of 0.26% with its investments, and perhaps earn up to 0.4%, which can bring in approximately \$60-\$70K a year or 2% of the operating budget.

Mr. Creger noted two important considerations, which are 1) BAWSCA's debt service payment amounts are different with the October payment including principle and interest, which makes it much larger than the April payments that includes interests only. 2) If BAWSCA assumes the maximum of any annual year's debt service, whether it is 30% or 20%, and the balance is moved out of the yield curve in pursuit of higher yields, the important question becomes, what amount of interest rate risk is within BAWSCA's risk tolerance.

BLX can work with BAWSCA to facilitate an analysis of how much risk the agency is comfortable taking with its investment strategy.

While acknowledging the benefits of gaining higher interest earnings associated with taking additional interest rate risks, Mr. Creger emphasized the potential risks that BAWSCA should be aware of if it moves away from the specific targeted dates. It is very important that BAWSCA identifies the risks the agency is comfortable with as it moves towards slightly more aggressive strategies.

Mr. Creger explained that the stabilization fund balance, which is approximately \$12.3 M, must be maintained as the reserve requirement. The total amount will change slightly overtime as the bonds amortize. The amount that needs to be held in that stabilization fund will decline later in its life as specified in the bond documents.

Ms. Sandkulla clarified that the committee action is to recommend Board re-affirmation of the current investment policy.

The investment strategy operates and is implemented by the CEO within the framework of the current Policy which sets forth the permitted securities and the objectives of security, liquidity, and yield.

Ms. Sandkulla stated that for the early stages of the bonds, it is critical to operate under the investment policy's objectives of security and liquidity. Unlike BAWSCA member agencies, BAWSCA does not have a long history of investments nor does BAWSCA have alternative funds or assets available to make debt service payments. BAWSCA staff will continue to work with the BLX team to evaluate the alternative investment strategies and for the CEO to make a decision, if any, in the investment strategy used by BAWSCA.

Following discussions, the Committee supported the CEO's objective for security in the investment policy, and suggested to have a clear distinction between the Investment Policy, which the Board acts on, and the investment strategy being used to which the Board may provide input on as part of a decision by the CEO. The Committee agreed that Board input on the investment strategy can serve as a process for 1) recognizing the changes in the financial market, and 2) documenting what the CEO/General Manager has discussed with the Board in determining the level of risks the agency is willing to take.

Ms. Sandkulla will continue to implement an investment strategy within the realm of the investment policy. For the Board's information and discussion purposes, she will provide a layout of the investment strategy, as well as the risks associated with potential alternatives at the September Board meeting.

Legal Counsel, Allison Schutte, advised the CEO/General Manager to ensure that the Investment Policy continues to create a clear distinction between the Reserve Funds that BAWSCA operates on and the bond proceeds. The subsection of the policy for the Reserve Funds are more restrictive.

Ms. Sandkulla agreed and stated that the Investment Policy is reviewed by the Board on an annual basis. Given the questions that came up regarding investment returns, the review of the Investment Policy provided an opportunity to report on the current investment strategy for the bond stabilization fund and have a discussion with the Board. The annual review of the Investment Policy and the Quarterly Investment Reports can serve as the means for the Board to provide input.

**Director O'Connell made a motion, seconded by Director Breault, that the Committee recommend Board re-affirmation of the current Statement of Investment Policy.**

**The motion carried unanimously.**

- C. Review and Consideration of BAWSCA's General Reserve Policy: Christina Tang reported that an annual review of the agency's General Reserve Policy is not required by existing policy or government regulations. This review was requested during the development of the FY 2015-16 Budget, due to concerns with the projected level of the General Reserve at the end of FY 2014-15.

Prior review of the General Reserve Policy was done in November 2014. No changes were recommended to the Policy at that time.

Ms. Tang explained that the General Reserve Policy is designed to protect the agency against unanticipated deviations in revenue and expenditure, and to stabilize variations in assessments to member agencies. The guideline for the General Reserve balance is 20% to 35% of the annual operating expenses. There are no recommended changes to the current Policy.

The General Reserve serves several key purposes. It funds urgent and unanticipated needs to avoid the imposition of special assessments or additional costs to the operating budget, and one-time, non-recurring expenses to moderate variations in the annual assessments. Examples include legal services needed for the settlement with San Francisco regarding asset classification, and the work associated with regional water demand and conservation projections.

The current Policy is consistent with the Government Financial Officers Association (GFOA) recommendations and publications. Because there are no standardized general reserve guideline for various types of local government or water agencies, BAWSCA contacted the same agencies it contacted from its prior review. The agencies surveyed follow a guideline of 25% - 50% of their operating budget.

Director Pierce stated that the design of the policy to protect the agency speaks to the way she understands the purpose of a General Reserve. She commented that the previous use of the General Reserve for legal services and the one-time study for regional water demand and conservation projections should be emphasized as the function of the policy's design, rather than its purpose.

**Director Mendall made a motion, seconded by Director O'Connell, that the Committee recommend Board adoption of Resolution 2015-02 to re-affirm the current General Reserve Policy.**

**The motion carried unanimously.**

**6. Reports:**

- A. Water Supply Conditions: Ms. Sandkulla reported that the system's water bank storage level is at the lowest point of 18.1% as of August 9, 2015. While precipitation remains low, there is a slight increase in comparison to last year's as a result of recent thunderstorms.

Ms. Sandkulla was pleased to report that the 9-County Bay Area Lowest Per Capita Consumption for June 2015 is comprised of mostly BAWSCA member agencies and San Francisco. Ms. Sandkulla stated that the numbers are reflective of the investment in water conservation, water use-efficiency, and the response of customers.

Director Weed commented that there is a dramatic spread in the amount of per capital consumption among the member agencies due to many contributing factors. The universal push for water conservation may have mitigated the variables. He questions how much farther can water use reduction go for one district and not the other.

In response, Ms. Sandkulla stated that demographics play a large role in the per capita difference between two neighboring communities, as do the number of people in a household,

the types of home, the lot size, and the weather. The combination of these factors help explain a major portion of the residential per capita differences.

While the region has not hit bottom, Ms. Sandkulla stated that there are some communities that cannot reduce further, particularly those who are in the range of 37 – 48 gpcpd.

In response to Director Guzzetta, Ms. Sandkulla stated that the numbers represent residential usage only and are the numbers reported to the State by the member agencies.

Director Guzzetta commented that the source of the data has to be looked at carefully because agencies account for water usage in various ways. Additionally, when a household goes down to 50 gpcpd or below, there is not much left for water use outdoors or for further reduction.

Ms. Sandkulla agreed and referred to the Total Deliveries graph which demonstrates the region's significant reduction in outdoor water use during the summer months. She noted that the pattern is "unbelievable" but BAWSCA will continue to push for water use cut backs because sufficient supply of water is not available.

Director Weed commented that San Francisco has a lot of water to sell if they had customers for it. Ms. Sandkulla emphasized that the supply the Regional Water System currently has is what is available for its current customers. The system is in a water shortage condition today. The system has no access to the State Water Project, Federal Project, or significant amounts of groundwater supply. The conservation the region is doing today is critically important to make the supply last. As much as the rate impacts will be unpleasant, it is a factor that BAWSCA would rather deal with over having no water available.

Director Guzzetta commented that the current demand is so low that making supply projections 1-5 years from now will be difficult. The rebound will not be the same as in past droughts because permanent switches to water-efficient landscaping have been made. The 1977 drought had a slow rebound, and it will be even slower this time because of the permanent changes to outdoor water use.

Director Pierce asked about building re-development and growth projections.

Ms Sandkulla stated that re-development and new constructions are coming with much more efficient designs that use less water in the long-term. There is a level of investment in long-term changes in building codes, recycled water and gray water use as a result of improved technology that are now available as well.

A question is how long will it take to recover from the drought. Ms. Sandkulla stated that history has shown that there is never a full rebound to the pre-drought level, despite population growth. She stated that discussion on this topic is occurring in many venues including emergency planning.

Director Guzzetta commented that as water managers, the numbers should not be seen as a "free board" because there will be population growth to consider for the next time when there is a drought cutback. Cutting back from 150 gpcpd to 100 gpcpd is different than reducing use from 75gpcpd to 40 gpcpd. As water managers, we have to have supply that is extremely reliable so that future needs for cutbacks will not be extreme.

Director Weed commented that there is water for purchase from the agricultural sector that would take care of the 10% urban water use statewide.

Ms. Sandkulla presented additional data on the region's water reduction performance. With the State Water Resources Control Board (SWRCB) regulations, the overall target reduction for the BAWSCA agencies is 15%, and the Statewide target is 25%.

Ms. Sandkulla was pleased to report that BAWSCA agencies and their customers achieved a 33% reduction for the month of June. The state achieved 27% reduction, slightly over its 25% target.

Sixty-one percent of the agencies statewide did not achieve their target, while 96% of BAWSCA agencies did. The one exception was Westborough Water District who had a shopping center that was demolished in June 2013. The center is now fully occupied and using water which increased Westborough's use compared to June 2013.

Ms. Sandkulla added that for the BAWSCA agencies where there is already low water use, the only place for significant savings is reducing outdoor irrigation during the summer months. In fact, 80% of the savings in 2014 were achieved between June and October. The 33% reduction achieved in June is exactly where the region needs to be in order to achieve the overall annual savings.

Moving forward, BAWSCA member agencies should continue their efforts to stay on track in achieving the overall annual target and State mandated targets.

BAWSCA is monitoring ongoing SWRCB activities related to drought and water supply. Staff is working with ACWA and the State Board to keep engaged in the discussions on local supply and reliability investments, and how those investments reconcile with the Governor's call for demand reduction as opposed to supply reduction.

BAWSCA is continuing to support the member agencies' conservation efforts with the implementation of new regional programs such as the Free Sprinkler Nozzles Program and the Water Conservation 101 Education Program.

Lastly, BAWSCA strives to accept speaking invitations from regional groups to promote both local and regional programs administered by BAWSCA and its member agencies.

**7. Comments by Committee Members:** There were none.

**8. Adjournment:** The meeting was adjourned at 2:47pm. The next meeting is October 14, 2015.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE – August 12, 2015**

**Roster of Attendees:**

**Committee Members Present**

Charlie Bronitsky, City of Foster City (Chair)  
Randy Breault, City of Brisbane/GVMID (BAWSCA Vice Chair)  
Rob Guzzetta, California Water Service Company  
Gustav Larsson, City of Sunnyvale  
Al Mendall, City of Hayward (Chair)  
Irene O’Connell, City of San Bruno (BAWSCA Chair)  
Barbara Pierce, City of Redwood City  
Louis Vella, Mid-Peninsula Water District  
John Weed, Alameda County Water District

**Committee Members Absent**

Kirsten Keith, City of Menlo Park (Vice Chair)  
Jerry Marsalli, City of Santa Clara

**BAWSCA Staff:**

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

**Public Attendees:**

Mark Creger	BLX Group
Fan Lau	San Francisco Public Utilities Commission

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD OF DIRECTORS MEETING**

**July 16, 2015 – 7 p.m.**  
**Foster City Community Building, Foster City CA**

<b>MINUTES</b>
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**1. Call to Order/Pledge of Allegiance/Roll Call – 7:08 pm**

BAWSCA Vice-Chair, Al Mendall, called the meeting to order and led the salute to the flag. CEO/General Manager, Nicole Sandkulla called the roll. Eighteen (18) members of the Board were present, constituting a quorum. A list of Directors present (18), absent (7), and vacant (1) is attached.

**2. Comments by the Chair:** Vice-Chair Mendall stated that the current drought has proven that the BAWSCA service area is subject to water supply shortages, and that the region needs to invest in greater supply reliability. One reliability investment is water transfers. BAWSCA staff will report the results to date of the Pilot Water Transfer. BAWSCA continues to make progress despite the challenges of developing the necessary agreements and regulatory compliance with the State and Federal government.

BAWSCA member agencies' conservation efforts are achieving the region's water use reduction goals. BAWSCA's leadership and partnership with its member agencies has been an important contributor to achieving the region's conservation goals and BAWSCA's positive stature, which was evident when Ms. Sandkulla was included in a water conservation meeting called by the Governor.

**3. Board Policy Committee (BPC) Report:** Committee Chair, Charlie Bronitsky reported the discussions and actions taken by the Board Policy Committee at its meeting on June 10, 2015.

Director Bronitsky thanked Steve Ritchie and his staff for their hospitality and informative tour of the Hetch Hetchy Regional Water System. He encouraged Board Members, who have not participated on a tour, to attend the next time it is offered.

**4. Public Comments:** There were no public comments.**5. Consent Calendar:**

**Director Bronitsky made a motion, seconded by Director Pierce, to approve the Consent Calendar which includes:**

- **Adoption of the May 21, 2015 Meeting Minutes;**

- **Receipt and filing of the Budget Status Report as of May 31, 2015, Investment Report and Directors' Reimbursement Report as of June 30, 2015;**
- **Authorization of the CEO/General Manager to negotiate and execute an agreement with the selected consultant, subject to legal counsel review, to 1) to develop and implement an Online Rebate System and a Data Management System, and 2) offer participation in the Data Management system to interested BAWSCA agencies on a subscription basis in FY 2015-16;**
- **Authorization of the CEO/General Manager to negotiate and execute a contract with the selected consultant, subject to legal counsel review, to implement the Lawn Be Gone! Inspection Services Program, and offer participation in the Program to interested BAWSCA agencies on a subscription basis in FY 2015-16.**

**The motion carried unanimously.**

**6. The meeting adjourned at 7:13pm to convene the San Francisco Bay Area Regional Water System Financing Authority Board of Directors meeting.**

**7. The meeting reconvened at 7:15pm**

**8. Action Calendar:**

A. Memorandum of Agreement for the Bay Area Regional Reliability Plan and Authorization for BAWSCA's Cost Share Contribution.

Public comment was received from Restore Hetch Hetchy Executive Director, Spreck Rosekrans, in support of the agreement.

**Director Peirce made a motion, seconded by Director Keith, that the Board authorize the CEO/General Manager 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. Memorandum of Understanding between BAWSCA and the Western Municipal Water District for Participation in the Free Sprinkler Nozzles Program.

**Director Richardson made a motion, seconded by Director Pierce, that the Board authorize the CEO/General Manager to execute the MOU with Western Municipal Water District, subject to legal counsel review, for 1) participation in the Program, and 2) offer participation in the Program to interested BAWSCA agencies on a subscription basis in FY 2015-16.**

**The motion carried unanimously.**

C. Process and Schedule for CEO Annual Evaluation.



The Board discussed the process and schedule for the CEO's performance evaluation.

**Director Bronitsky made a motion, seconded by Director Chambers, that the Board approve the evaluation form and procedure for the Board's use as part of the CEO/General Manager performance evaluation for FY 2014-15, which shall include a discussion of specific benchmarks to include in the evaluation process for FY 2015-16 during Closed Session at the September 17<sup>th</sup> Board Meeting.**

**The motion carried unanimously.**

- 9. SFPUC Report:** On behalf of SFPUC General Manager Harlan Kelly, Deputy General Manager and Chief Operating Officer, Michael Carlin addressed the BAWSCA Board and introduced newly appointed Chief Financial Officer and Assistant General Manager of Business Services, Eric Sandler, who said a few words.

Assistant General Manager of Water Enterprise, Steve Ritchie, reported on the current water supply conditions, curtailment notices from the State Water Board, and Mountain Tunnel.

Dan Wade, Water System Improvement Program Director, provided a progress report on the WSIP.

- 10. Reports:** Staff reports were provided on the member agencies' water-use reductions, BAWSCA's water conservation programs and drought response campaign, and a technical report on the progress and status of the Pilot Water Transfer Plan.

**In the interest of time, Director Quigg made a motion, seconded by Director Keith, to extend the meeting to 9:45pm to accommodate the Board's questions on the staff reports and the remainder of the agenda items including the Closed Session.**

**The motion passed unanimously**

Prior to Closed Session, public comments were provided by Restore Hetch Hetchy Executive Director, Sprek Rosekrans.

- 11. Closed Session:** The meeting adjourned to Closed Session at 9:23pm.

- 12. Reconvene and Report from Closed Session:** The meeting reconvened from Closed Session at 9:45. No action was taken during Closed Session.

- 13. Directors' Discussion:** There were no discussions from the Board.

- 14. Date, Time and Location of Next Meeting:** The next meeting is scheduled on September 17, 2015 in the Wind Room, Foster City Community Center.

**15. Adjournment:** The meeting adjourned at 9:46 pm.

Respectfully submitted,

Nicole M. Sandkulla  
Chief Executive Officer/General Manager

NMS/le

Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**  
**Board of Directors Meeting**  
**July 16, 2015**

**Attendance Roster**

Present:

Ruben Abrica	City of East Palo Alto
Robert Anderson	Purissima Hills Water District
Jay Benton	Town of Hillsborough
Charlie Bronitsky	City of Foster City
Tom Chambers	Westborough Water District
Rob Guzzetta	California Water Service Company
Kirsten Keith	City of Menlo Park
Gustav Larsson	City of Sunnyvale
Jerry Marsalli	City of Santa Clara
Al Mendall	City of Hayward
Irene O'Connell	City of San Bruno
Rosalie O'Mahony	City of Burlingame
Barbara Pierce	City of Redwood City
Dan Quigg	City of Millbrae
Sepi Richardson	City of Brisbane
Greg Schmid	City of Palo Alto
John Weed	Alameda County Water District
Tom Zigterman	Stanford

Absent:

Randy Breault	Guadalupe Valley Water District
Michael Guingona	City of Daly City
Mike Kasperzak	City of Mountain View
Sam Liccardo	City of San Jose
Chris Mickelsen	Coastside County Water District
Tom Piccolotti	North Coast County Water District
Louis Vella	Mid-Peninsula Water District
<b>Vacant</b>	City of Milpitas

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# BAWSCA

## Bay Area Water Supply & Conservation Agency

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

**TO:** Nicole Sandkulla, CEO/General Manager

**FROM:** Deborah Grimes

**DATE:** September 8, 2015

**SUBJECT:** Pre-Audit Budget Status Report as of June 30, 2015

This memorandum shows fiscal year budget status for FY 2014-15. It includes major areas of spending, provides an assessment of the overall budget, and summarizes reserve fund balances. This report covers the budget and expenses for BAWSCA. The BAWSCA budget includes necessary resources for the RFA and BAWUA.

**Operating Budget Summary:**

For the twelve month period ending June 30, 2015, total expenditures were \$2,772,504 or 94 percent of the total budget of \$2,939,286.

**Table 1. Operating Budget Summary as of June 30, 2015**

Cost Category Consultants /Direct Expenditures	Budget	Year-To- Date Expenses	Percent
<b>Reliability</b>	591,162	505,788	85.56%
<b>Fair Pricing</b>	502,000	486,686	96.95%
<b>Administration</b>	109,300	110,085	100.72%
<b>Reliability, F.P. &amp; Admin - Total</b>	<b>1,202,462</b>	<b>1,102,558</b>	<b>91.69%</b>
<b>Administration</b>			
Salary & Benefits	<b>1,439,324</b>	<b>1,421,718</b>	<b>98.78%</b>
<b>Other Expenses</b>			
BAWSCA	295,000	247,578	83.92%
BAWUA	1,100	0	0.00%
<b>Subtotal</b>	<b>2,937,886</b>	<b>2,771,854</b>	<b>94.35%</b>
Capital Expenses	0	0	0.00%
Budgeted Contingency	0	0	0.00%
RFA	1,400	650	46.43%
<b>Total</b>	<b>1,400</b>	<b>650</b>	<b>46.43%</b>
<b>Total</b>	<b>2,939,286</b>	<b>2,772,504</b>	<b>94.33%</b>

**Overview:**

Overall expenditures for FY 2014-15 tracked within budget.

**Consultants**

The \$107,000 budget for technical review and tracking of the SFPUC’s Water System Improvement Program was 100 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 98 percent expended. Legal counsel’s original budget of \$524,000 was 98 percent expended as of April 30<sup>th</sup>. At the May board meeting, the board approved a budget amendment of \$100,000. With a revised budget of \$624,000, legal counsel’s expenses were 94% expended. As identified previously, this level of expenditure reflects the significant efforts at the beginning of this fiscal year and the successful settlement negotiation of the FY 2010-11 Wholesale Revenue Requirement. The \$138,662 budget for water management and conservation-related activities was 80 percent expended.

**Administration and Other Expenses**

Budgets for salaries and other expenses were 99 and 84 percent expended, respectively.

**Use of CEO’s Discretionary Spending Authority:**

In June, the CEO entered into the following agreement under her discretionary spending authority:

- Hanley Communications, in the amount of \$5,500 for services related to the development of a social media plan, use policy, and content guide.

Expenses related to this June action are reflected in this report. The total Operating Budget for FY 2014-15 remained the same.

**Use of Reserve and Reserve Fund Balance:**

In accordance with the adoption of the FY 2014-15 annual budget in May 2014, the Board approved transferring \$296,436 from the General Reserve to fund the FY 2014-15 budget. The BAWSCA General Reserve balance shown below reflects this transfer.

**Table 2. General Reserve Fund Balance**

<b>Fund</b>	<b>Account Balance (As of 05/31/15)</b>	<b>Account Balance (As 06/30/15)</b>
General Reserve	\$521,897	\$225,461

**Long-Term Reliable Water Supply Strategy and Use of Water Management Charge:**

Phase 2 of the Long-Term Reliable Supply Strategy (Strategy) began FY 2010-11. Funding is provided through the Water Management Charge, approved by the board in July 2010. All Water Management Charge revenue, totaling \$2,321,998 has been collected by the SFPUC and received by BAWSCA. Expenditures for strategic and legal support of the Long-Term Reliable Water Supply Strategy are within their respective budgets. Consultant invoices and related expenses received and paid through March 31, 2015 total \$1,966,378. These costs represent

**September 17, 2015 – Agenda Item #5B**

the final expenditures for development of the Strategy, leaving an unspent balance of \$355,620 in the Water Management Charge account. At its May 21, 2015 meeting, the board authorized the reimbursement to BAWSCA's General Reserve for other previously expended costs associated with the development of the Strategy with surplus Water Management Charge Funds. This reimbursement will occur in the first quarter of FY 2015-16.

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# **BAWSCA**

## **Bay Area Water Supply & Conservation Agency**

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

### MEMORANDUM

**TO: Nicole Sandkulla, CEO/General Manager**

**FROM: Christina Tang, Senior Administrative Analyst**

**DATE: September 11, 2015**

**SUBJECT: Bond Surcharge Collection, Account Balance and Payment Report  
as of June 30, 2015**

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BAWSCA's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued to prepay the remaining capital cost recovery payments that the BAWSCA agencies owed San Francisco as of June 30, 2013 when the payments were paid off. The bond transaction and the prepayment program was anticipated to generate approximately \$62.3 million in net present value savings over the term of the bonds, or about 17% of the \$356.1 million in principal prepaid from bond proceeds to San Francisco at the end of February 2013.

### **Bond Surcharge Collections**

In July 2013, BAWSCA began collecting the bond surcharge from member agencies through the SFPUC as a separate item on SFPUC's monthly water bills to agencies. The bond surcharge payments are used to make debt service payments on BAWSCA's revenue bonds.

As of August 2015, BAWSCA received the surcharge payments of \$24,642,949, which is \$29,555 less than the total surcharge payments billed in FY 2014-15. The shortfall in surcharge collection is due to City of San Bruno's unpaid surcharge amount of \$27,996 for June 2015 and Purissima Hills Water District (PHWD)'s unpaid late payment charge of \$1,559 deducted from BAWSCA's surcharge remittance in June 2015 by the SFPUC. The delay in the City of San Bruno's June bill payment was a result of a dispute in the billing amount, which has been corrected by the SFPUC. The delay in the PHWD's payment was a result of PHWD waiting for the SFPUC to revise the meter reading schedule, which has now been resolved. BAWSCA expects both bills to be paid by the agencies and remitted to BAWSCA's Trustee account in September 2015 in time for the upcoming October 1 debt service payment. Table 1 presents a summary of surcharges remitted to trustee related to BAWSCA's Bond Series 2013A and 2013B for FY 2014-15.

Table 1: Summary of Surcharges Remitted to Trustee for Fiscal Year 2014-15

<u>Month</u>	<u>Amount Billed</u>	<u>Amount Remitted to Trustee</u>	<u>Difference</u>
July 2014	\$2,056,042	\$2,056,042	\$0
August 2014	\$2,056,042	\$2,056,042	\$0
September 2014	\$2,056,042	\$2,056,042	\$0
October 2014	\$2,056,042	\$2,056,042	\$0
November 2014	\$2,056,042	\$2,056,042	\$0
December 2014	\$2,056,042	\$2,056,042	\$0
January 2015	\$2,056,042	\$2,056,042	\$0
February 2015	\$2,056,042	\$2,056,042	\$0
March 2015	\$2,056,042	\$2,056,042	\$0
April 2015	\$2,056,042	\$2,056,042	\$0
May 2015	\$2,056,042	\$2,056,042	\$0
June 2015	<u>\$2,056,042</u>	<u>\$2,026,487</u>	<u>\$29,555</u>
Total	\$24,672,504	\$24,642,949	\$29,555

**Bond Surcharge Account Balances**

All surcharge payments are deposited with the Bank of New York (Trustee), which manages BAWSCA’s accounts and administers debt service payments. BAWSCA’s account balances at the Trustee and the account activities in FY 2014-15 are shown in Table 2.

Table 2: Bank of New York Bond Trustee Account Activity for FY 2014-15

	<b>27,148,389</b>	<b>Account Market Value as of 06/30/2014</b>
<i>plus:</i>	24,857,251	<i>Surcharge collected in July 2014 through June 2015</i>
<i>plus:</i>	199,360	<i>Coupons and money market fund interest earnings</i>
<i>plus:</i>	1,922,977	<i>Net Change in securities market value from 06/30/14 to 06/30/15</i>
<i>minus:</i>	24,628,658	<i>Debt service payment to bondholders</i>
<i>minus:</i>	14,364,060	<i>Principal for Treasury bonds purchased</i>
<i>minus:</i>	2,580	<i>Accrued interest for Treasury bonds purchased</i>
<i>plus:</i>	<u>12,340,162</u>	<u>Market Value of Purchased Bonds</u>
	<b>27,472,839</b>	<b>Account Market Value as of 06/30/2015</b>

There are two ways interest is earned by BAWSCA on the collected surcharge payments and balances held in the stabilization funds. First, interest is automatically earned on the account balance in the Bank of New York Bond Trustee money market account at a current rate of approximately 0.01%. In FY 2014-15, interest earnings received were \$1,189. Second, BAWSCA has the ability to invest the collected surcharge payments by purchasing US Treasury securities, possibly earning a higher rate of return than the money market account.

Based upon an evaluation of the available yields, it was determined that BAWSCA would realize a moderate earnings benefit by purchasing the U.S. Treasury securities instead of staying invested in the money market account. As of June 30, 2015, the currently held U.S. Treasury securities represent an increase of 25 basis points (0.25%) over what BAWSCA

would have earned had the balances remained invested in the money market funds. The \$199,360 mentioned in Table 2 includes interest earnings of \$1,189 received from the money market fund and coupons of \$198,171 received from the securities.

All investment interest earnings are deposited directly in the Trustee account, and will be used to pay for future expenses and debt service of the bonds. Ultimately, all interest earnings are returned to the member agencies through annual savings and through distribution of the Stabilization Fund, including interest, once the bonds are fully paid.

**Revenue Bond Series 2013A and Series 2013B Debt Service Payment Status**

During FY 2014-15, BAWSCA made debt service payments twice, using the bond surcharges collected from the agencies, consistent with the initial bond structure. The first payment of \$17,947,407 was made on October 1, 2014. The second payment of \$6,681,251 was made on April 1, 2015. The next debt service payment of \$17,991,251 will be made on October 1, 2015. There are sufficient funds in the Trustee account to make the payment. Debt service payments are made on April 1<sup>st</sup> and October 1<sup>st</sup> of each year until 2034.

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS 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.

**Board Policy Committee Action:**

The Committee voted unanimously to recommend approval of the proposed Board action.

**Recommendation:**

**That the Board adopt 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. To support this effort in FY 2015-16, Mr. Jensen's level of activity is anticipated to be less than 10 hours a week.

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:

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

ATTEST:

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Assistant to the CEO/GM



**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS 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.

**Board Policy Committee Action:**

The Committee voted unanimously to recommend the proposed Board action.

**Recommendation**

**That the Board adopt 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 functions to achieve its goal to protect the agency:

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	\$656,291*	\$3,201,679	20.5%

*\*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:

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Chair, Board of Directors

ATTEST:

---

Secretary

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS 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 Investment Policy reflects language is consistent with current State law.

The CEO has had an evaluation performed of alternative investment strategies for BAWSCA's bond stabilization fund with the results presented in Table 1. Based on these results, the CEO/General Manager anticipates implementing changes to BAWSCA's investment strategy. The Investment Policy delegates the management and oversight for investments to the CEO. Comments from the Board on these results are welcome at this time.

**Fiscal Impact:**

No impact on BAWSCA's annual operating budget.

**Board Policy Committee Action:**

The Committee voted unanimously to recommend the proposed Board action.

**Recommendation:**

**That the Board re-affirm the current Statement of Investment Policy.**

**Discussion**

**Statement of Investment Policy**

All BAWSCA funds are invested in accordance with BAWSCA's Investment Policy and California Government Code. Legal counsel reviewed the applicable State law and believes that BAWSCA's current Investment Policy reflects language consistent with current State law. Therefore, no changes to BAWSCA's Investment Policy are recommended.

**Review of Bond Funds Investment Strategy**

The Investment Policy delegates the management and oversight of investments to the CEO/General Manager. Given the two years of surcharge collection experience that now exists, the BAWSCA CEO/General Manager has undertaken a review of the investment strategy for BAWSCA's 2013 Series A&B Bonds stabilization fund. The purpose of this review was to determine whether a change in the Agency's circumstances, surcharge revenue experience, or market conditions may justify a change in the investment strategy to better align the Agency's

objectives and risk tolerance. With the assistance of its investment advisor, BAWSCA evaluated the risk and return characteristics of certain investment strategy alternatives which are summarized in the side-by-side comparison provided in Table 1.

*Investment Policy Requirements*

The Investment Policy 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 fund 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. 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, all collected bond surcharge payments are invested in money market funds in the current market conditions.

*BAWSCA's Current Bond Fund Investment Strategy*

BAWSCA's current bond fund investment strategy is consistent with the primary objective of BAWSCA's investment policy of safety, liquidity, and return on investment. 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 \$12.3 million stabilization fund 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. As the level of investment yield is directly related to the investment horizon with shorter investment time horizons providing lower yields, these conservative assumptions have resulted in BAWSCA's invested securities generating a yield from 0.10% to 0.46% as of June 30, 2015.

*Evaluation Results*

Based on this evaluation, BAWSCA has determined that Strategy #2 is the most appropriate investment strategy option for the agency's bond stabilization fund due to its significant upfront liquidity, the diversified exposure to the yield curve provided by the laddered portion, and its attractive current yield. In summary, Strategy #2 involves the rolling of \$3.6 million in six-month securities to provide liquidity in the event of a potential shortfall in surcharge revenue to cover BAWSCA's semi-annual debt service payment obligations. This short-term portion of the portfolio will participate in any upward or downward movements in short-term interest rates. The remaining stabilization fund balance will be invested in a laddered portfolio of securities maturing in six-month intervals such that the initial weighted average maturity of the total portfolio is two years. This laddered portion of the portfolio will provide BAWSCA with exposure to longer-term and higher yielding securities to enhance current earnings. Board comments on the review of the bond funds investment strategy are welcome.

**Table 1. Side-by-Side Comparison of Various Investment Strategies for BAWSCA's Bond Stabilization Fund of \$12,348,547**

Strategy Characteristics	Current Strategy	Strategy #1	Strategy #2	Strategy #3	Strategy #4
Assumed Surcharge Realization %	70%	80%	80%	80%	80%
Structure Description	Laddered <sup>1</sup> to mature in 6 month intervals	Laddered to mature in 6 month intervals	Combined 6 month rolling <sup>2</sup> and laddered	Combined 6 month rolling and barbell <sup>3</sup>	Combined 6 month rolling and laddered
Average Maturity <sup>4</sup>	1.33 Years	1.7 Years	2 Years	2 Years	2.5 Years
Average Yield <sup>5</sup>	0.46%	0.61%	0.69%	0.71%	0.83%
Credit Risk	Low	Low	Low	Low	Low
Liquidity <sup>6</sup>	Moderate 1	Moderate 2	Moderate 3	Moderate 4	Moderate 5
Market Price Risk <sup>6</sup>	Low 1	Low 2	Low 3	Low 4	Low 5
Reinvestment Rate Risk <sup>6</sup>	Moderate 4	Moderate 3	Moderate 2	Moderate 2	Moderate 1

Footnotes:

1. A laddered bond maturity strategy involves the purchase of a portfolio of bonds that mature at regular intervals (e.g., every six months or once a year).
2. A rolling bond maturity strategy involves the purchase of a short-term bond (e.g., six months to maturity) that is successively reinvested for the same term upon each maturity.
3. A barbell bond maturity strategy involves the purchase of bonds concentrated on the shorter and longer-end of the relevant maturity spectrum with no intermediate maturities.
4. Average maturity represents the beginning weighted average maturity of the portfolio at inception. The weighted average maturity of the portfolio will fluctuate over time as time securities approach maturity and are reinvested.
5. Average yield represents the beginning weighted average yield of the portfolio at inception. The actual realized yield of the portfolio will fluctuate over time as securities mature and proceeds are reinvested into the then-prevailing interest rate environment.
6. For ordinal rankings of 1-5 relating to liquidity, market price risk, and reinvestment rate risks; lower rankings represent a more favorable relative ranking.

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*

# **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.

# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

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

## MEMORANDUM

**TO:** BAWSCA Board of Directors  
**DATE:** September 11, 2015  
**FROM:** Nicole Sandkulla, CEO/General Manager  
**SUBJECT:** Chief Executive Officer/General Manager's Letter

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### FERC 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. Both the SFPUC and BAWSCA are participants in the Relicensing Process.

The Don Pedro Hydroelectric Project began commercial operation in 1971, and is operated to provide irrigation storage, hydroelectric power, flood control storage, recreational benefits, fish and wildlife conservation, and municipal water supply. The Hetch Hetchy system regulates the inflows to the Don Pedro Hydroelectric Project. San Francisco agreed to help finance construction of the Don Pedro Hydroelectric Project in return for storage rights in the new Don Pedro Reservoir. San Francisco exercises these rights in the form of a water banking agreement with the Districts, whereby San Francisco at times allows some of the water it could have diverted from the Tuolumne River to flow downstream for storage in Don Pedro Reservoir to satisfy the demands of the Districts' senior water rights. This arrangement allows San Francisco to use a greater portion of its upstream storage reservoirs for municipal water supply.

BAWSCA has monitored the Relicensing Process, paying particular attention to issues that have the greatest potential to shape release flow requirements under the terms of the new FERC license. Changes to the license requirements for release flows from the Don Pedro Hydroelectric Project could increase the amount of water required to be released from Don Pedro Reservoir for environmental purposes. San Francisco has rights to store exchange water in Don Pedro Reservoir and may potentially have responsibility for a portion of any increased flows required by FERC, thereby potentially affecting water supplies available to BAWSCA agencies.

The schedule for completing the Relicensing Process was published in the Final License Application, which was filed by the Districts in April 2014. At that time, the Districts stated that they would complete all studies and amendments to the Final License Application by November 2016. No updates to the schedule have been provided since that time.

## **Bay Area Regional Reliability Partnership Update**

In August, the Bay Area Regional Reliability (BARR) Partnership was awarded a \$200,000 grant from the United States Bureau of Reclamation (USBR) for the development of a Bay Area Regional Reliability Drought Contingency Plan (BARR DCP) under the USBR's WaterSmart Grant Program. The BARR DCP will focus on the evaluation and integration of new mitigation measures and the reoperation of existing facilities to determine how to best meet the water supply needs of the region. As required under the WaterSmart Grant Program, the BARR DCP will contain the following elements:

- **Drought Monitoring** - appraise drought monitoring capabilities and potential improvements
- **Vulnerability Assessment** - assess supply vulnerabilities under various water shortage scenarios
- **Mitigation Actions** - evaluate measures to build long term drought resiliency for the region
- **Response Actions** - summarize drought response actions and evaluate effectiveness
- **Operational/Administrative Framework** - evaluate known operational, institutional and regulatory limitations associated with planning, implementing and operating mitigation measures

The \$200,000 grant award will be matched by a \$100,000 contribution from the BARR Partnership funds, committed as part of the BARR Memorandum of Agreement, and \$200,000 in in-kind services from the eight water agencies that comprise the BARR, for a total budget of \$500,000 for the BARR DCP.

## **Groundwater Reliability Partnership**

BAWSCA is leading the formation of a Groundwater Reliability Partnership for the San Mateo Plain Subbasin (Partnership) to provide a forum for groundwater users and other stakeholders to share information and work toward an agreed upon set of goals. The San Mateo Plain Subbasin (Basin) underlies the cities of East Palo Alto, Menlo Park, Redwood City, San Carlos, Belmont, San Mateo, Foster City, Burlingame, and the Town of Hillsborough. As the Basin is overlain primarily by BAWSCA member agencies that utilize the Basin supplies to varying degrees, BAWSCA has a direct interest in ensuring the reliability of the Basin.

San Mateo County recently allocated funding to study groundwater conditions in the Basin, and staff from the San Mateo County Department of Environmental Health and the Office of Sustainability attended a portion of the BAWSCA Water Management Representatives meeting on August 6<sup>th</sup> to ask for comments on their *Revised Groundwater Assessment Plan for San Mateo Plain* (Plan). BAWSCA recently provided comments on the Plan to San Mateo County, and those comments are provided in the Board meeting Correspondence Packet.

BAWSCA is supportive of efforts to gather more data and inputs and outputs to the Basin, including data on private wells throughout the County. BAWSCA looks forward to working cooperatively with the County in expanding the knowledge of the Basin, including providing the County with the regional groundwater model that BAWSCA developed for the Strategy. BAWSCA has secured the Community Room at the Redwood City Public Library on October 19<sup>th</sup> from 9:30-11:30 am to host the first public meeting for the Partnership.

### **Conservation Management System – Update**

BAWSCA has contracted with ConserveTrack, LLC to develop and implement a new Water Conservation Management System for BAWSCA and the BAWSCA member agencies. The Conservation Management System will improve the rebate process for customers and enhance the efficiency of BAWSCA and member agency staffs in the administration of conservation programs. The system will include two distinct but related components: 1) an online rebate application system (Online Rebate System) and 2) Data Management System, which enables 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's subscription rebate programs, and the Data Management System will be offered to all BAWSCA member agencies as a new subscription program.

A Project kick-off meeting was held on September 8<sup>th</sup> with the BAWSCA member agencies, and the system design has been initiated. BAWSCA is currently coordinating with member agencies on the utility billing system integration and on finalizing the system architecture and workflow processes in support of both components of this effort. The Conservation Management System is anticipated to launch in February 2016, coordinated with the launch of BAWSCA's redesigned website.

### **Website Update**

BAWSCA's website design project is on track for completion by February 2016, in accordance with the original project schedule. Design of the BAWSCA homepage and conservation portal are nearly complete, and design of the member agency portal has been initiated. A key objective of the website design is to provide easy access to the information most commonly of interest to BAWSCA website visitors, in particular the conservation program information, water supply data, and meeting information.

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# Board of Directors Policy Calendar through May 2016

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

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

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**Bay Area Water Supply and Conservation Agency  
and Regional Financing Authority**

**Meeting Schedule through December 2016**

<b>Schedule for BAWSCA Board Meetings (Meetings are held from approx. 7:00 – 9:00 p.m.)</b>	
<b><u>Date</u></b>	<b><u>Location</u></b>
Thursday – September 17, 2015	Wind Room, Foster City Community Center
Thursday – November 19, 2015	Wind Room, Foster City Community Center
Thursday – January 21, 2016	Wind Room, Foster City Community Center
Thursday – March 17, 2016	Wind Room, Foster City Community Center
Thursday – May 19, 2016	Wind Room, Foster City Community Center
Thursday – July 21, 2016	Wind Room, Foster City Community Center
Thursday – September 15, 2016	Wind Room, Foster City Community Center
Thursday – November 17, 2016	Wind Room, Foster City Community Center

<b>Schedule for RFA Board Meetings (Meeting time will be announced)</b>	
<b><u>Date</u></b>	<b><u>Location</u></b>
Thursday – January 21, 2016	Wind Room, Foster City Community Center
Thursday – July 21, 2016	Wind Room, Foster City Community Center

<b>Schedule for BAWSCA Board Policy Committee Meetings (Meetings held from 1:30-4:00 p.m.)</b>	
<b><u>Date</u></b>	<b><u>Location</u></b>
Wednesday – October 14, 2015	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday – December 9, 2015	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday – February 10, 2016	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday – April 13, 2016	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday – June 8, 2016	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday – August 10, 2016	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday – October 12, 2016	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday – December 14, 2016	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.

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