

**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 2)

Thursday, November 19, 2015

7:00 P.M.

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page #</u>
1. Call to Order/Roll Call/Salute to Flag	(Breault)	
2. Comments by the Chair	(Breault)	
3. Board Policy Committee Report	(Bronitsky)	
4. Public Comments	(Breault)	
<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>		
5. Consent Calendar	(Breault)	
A. Approve Minutes of the September 17, 2015 Meeting <i>(Attachment)</i>		<i>Pg 3</i>
B. Receive and File Budget Status Report – As of September 30, 2015 <i>(Attachment)</i>		<i>Pg 7</i>
C. Receive and File Annual Audit Report for BAWSCA and Compilation Report for BAWUA for FY 2014-15 <i>(Under Separate Cover)</i>		<i>Pg 9</i>
D. Receive and File Directors' Reimbursement Report – As of Sept. 30, 2015 <i>(Attachment)</i>		<i>Pg 11</i>
E. Receive and File Investment Report – As of Sept. 30, 2015 <i>(Attachment)</i>		<i>Pg 13</i>
F. Receive and File Bond Surcharge Collection, Account Balance and Payment Report – As of Sept. 30, 2015 <i>(Attachment)</i>		<i>Pg 15</i>
6. Action Items		
A. Authorization to Negotiate and Execute a Contract Amendment with PG&E for the Washing Machine Rebate Program <i>(Attachment)</i>	(Johnson)	<i>Pg 17</i>
<i>The Committee did not convene in October, and did not act on a recommendation for this item. This item goes to the Board annually for approval, and is being presented to the Board as usual and with no significant changes.</i>		
7. SFPUC Report	(Kelly)	
A. Water Supply Update	(Ritchie)	
B. Water Rates Report – Impact of Drought	(Sandler)	
8. Reports		
A. Regional Water Conservation Performance	(Hurley)	
B. Implementation of the Long-Term Reliable Water Supply Strategy <i>(Attachment)</i>	(Hurley)	<i>Pg 21</i>

- C. CEO/General Manager's Letter (*Attachment*) (Sandkulla) Pg 29
 - D. Board Policy Calendar (*Attachment*) (Sandkulla) Pg 41
 - E. Correspondence Packet ([Under Separate Cover](#)) (Sandkulla)
9. **Directors' Discussion: Comments, Questions and Agenda Requests** (Breault)
10. **Date, Time and Location of Future Meetings** (Breault) Pg 43
(See attached schedule of meetings)
11. **Adjourn to next meeting scheduled for January 21, 2016 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.

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

**September 17, 2015 – 7 p.m.
Foster City Community Building, Foster City CA**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 7:00 pm

BAWSCA Chair, Randy Breault, called the meeting to order and led the salute to the flag. CEO/General Manager, Nicole Sandkulla called the roll. Twenty-two (22) members of the Board were present, constituting a quorum. A list of Directors present (22) and absent (4) is attached.

2. Comments by the Chair: There were none.**3. Board Policy Committee (BPC) Report:** Committee Chair, Charlie Bronitsky welcomed the new members of the Board and provided a brief explanation of the purpose of the Board Policy Committee. He reported the discussions and actions taken by the Committee at its meeting on August 12, 2015.**4. Public Comments:** There were no public comments.**5. Consent Calendar:**

Director Richardson made a motion, seconded by Director O'Mahony, to approve the Consent Calendar which included:

- **Approval of the July 16, 2015 Meeting Minutes;**
- **Receipt and filing of the Pre-Audit Budget Status Report as of June 30, 2015;**
- **Receipt and filing of the Quarterly Bond Surcharge Collection, Account Balance and Payment Report as of June 30, 2015;**
- **Adoption of Resolution 2015-01 approving the temporary reappointment of Arthur Jensen as a Special Counsel to the CEO/GM; and**
- **Adoption of Resolution 2015-02 re-affirming the current BAWSCA General Reserve Policy.**

The motion carried unanimously by roll call vote.

6. Action Calendar:**A. Annual Review and Consideration of BAWSCA's Statement of Investment Policy.**

Christina Tang, Senior Administrative Analyst reported that BAWSCA's Investment Policy requires the Board of Directors' annual consideration of the Statement of Investment Policy. The current Policy reflects language consistent with State Law and Government Code, and no changes are recommended.

In response to previous Board inquiries, Ms. Tang also provided a status report on BAWSCA's investment strategy for the Revenue Bond 2013A and 2013B Stabilization Fund. A side-by-side comparison of various investment strategies for BAWSCA's bond stabilization fund was presented. Mark Creger, Chief Investment Officer for BLX Group, BAWSCA's Investment Consultant, attended the meeting and answered questions from members of the Board.

Director Quigg made a motion, seconded by Director Bronitsky, that the Board re-affirm BAWSCA's current Statement of Investment Policy.

The motion carried unanimously by roll call vote.

7. **SFPUC Report:** Steve Ritchie provided an update on the Regional Water System's storage conditions, total deliveries, and total system conservation savings. He presented historic hydrologic records showing that recent Hetch Hetchy climate conditions are the hottest and driest four-year period on record; creating a more intense drought. He also presented historical data showing that El Nino does not always correlate to more precipitation for the Hetch Hetchy watershed. SFPUC is preparing for a dry year. It will monitor State Water Board actions regarding potential curtailments for Pre-1914 water rights holders.
8. **Reports:** Staff reports were provided on the member agencies' water-use reductions, and BAWSCA's efforts with the SFPUC's WSIP and 10-year CIP.
9. **Closed Session:** The meeting adjourned to Closed Session at 8:05pm.
10. **Reconvene and Report from Closed Session:** The meeting reconvened from Closed Session at 9:02.

Chair Breault reported that Items 9A of the Closed Session was discussed and accepted. The Board determined that agenda items #11 and #12 were unnecessary.

Legal Counsel, Ms. Schutte, reported that there were no actions taken for Item 9C and 9D during Closed Session.

13. **Action Item Following Closed Session: Consider Compensation Adjustment for CEO/General Manager for FY 2015-16.**

Director Bronitsky made a motion, seconded by Director Keith, that the Board approve the contract amendment to the CEO/General Manager's Employment Agreement.

The motion carried unanimously by roll call vote.

14. **Directors' Discussion:** Director Schmid asked if it might be a function of BAWSCA or the water districts in the Bay Area to raise the issue of long-term resource supply to Plan Bay Area. Plan Bay Area is the long-range integrated transportation and land use/housing strategy through 2040 for the San Francisco Bay Area, jointly approved by the Association of Bay Area Government (ABAG) Executive Board and the Metropolitan Transportation Commission (MTC).

Director Breault asked the CEO/General Manager to look into Director Schmid's question.

Director Weed suggested that future conservation efforts will be year-round as opposed to just during the summer months. He recommended a review of BAWSCA's overall conservation strategy.

15. Date, Time and Location of Next Meeting: The next meeting is scheduled on November 19, 2015 in the Wind Room, Foster City Community Center.

16. Adjournment: The meeting adjourned at 9:08 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
September 17, 2015

Attendance Roster

Present:

Ruben Abrica	City of East Palo Alto
Robert Anderson	Purissima Hills Water District
Jay Benton	Town of Hillsborough
Randy Breault	Guadalupe Valley Municipal Improvement District
Charlie Bronitsky	Estero Municipal Improvement District (City of Foster City)
Tom Chambers	Westborough Water District
Jose Esteves	City of Milpitas
Michael Guingona	City of Daly City
Rob Guzzetta	California Water Service Company
Mike Kasperzak	City of Mountain View
Kirsten Keith	City of Menlo Park
Gustav Larsson	City of Sunnyvale
Al Mendall	City of Hayward
Chris Mickelsen	Coastside County Water District
Rosalie O'Mahony	City of Burlingame
Tom Piccolotti	North Coast County Water District
Dan Quigg	City of Millbrae
Sepi Richardson	City of Brisbane
Greg Schmid	City of Palo Alto
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
Tom Zigterman	Stanford University

Absent:

Sam Liccardo	City of San Jose
Jerry Marsalli	City of Santa Clara
Irene O'Connell	City of San Bruno
Barbara Pierce	City of Redwood City

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, Office Manager
DATE: November 9, 2015
SUBJECT: Budget Status Report as of September 30, 2015

This memorandum shows fiscal year budget status for FY 2015-16. 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 three-month period ending September 30, 2015, 25 percent into the fiscal year, total expenditures were \$750,029 or 23 percent of the total budget of \$3,201,679.

Table 1. Operating Budget Summary as of September 30, 2015

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	807,450	143,925	18%
Fair Pricing	415,000	89,269	22%
Administration	85,000	29,719	35%
Subtotal	1,307,450	262,913	20%
Administration and General			
Salary & Benefits	1,518,529	430,892	18%
Other Expenses			
BAWSCA	313,200	56,224	18%
BAWUA	1,100	0	0%
Subtotal	3,140,279	750,029	24%
Capital Expenses	2,500	0	0%
Budgeted Contingency	57,500	0	0%
Regional Financing Authority	1,400	0	0%
Grand Total	3,201,679	750,029	23%

Overview:

Overall expenditures for FY 2015-16 are tracking within budget.

Consultants

The \$125,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 21 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 26 percent expended. The Operating Budget allocation of \$586,500 budget for legal counsel was 23 percent expended. The \$257,450 budget for water management and conservation-related activities was 10 percent expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 28% and 18% percent expended respectively.

Use of CEO's Discretionary Spending Authority:

No use of CEO discretionary spending during this period.

Use of Reserve and Reserve Fund Balance:

Unspent funds at the end of FY 2014-15 were \$198,781. The BAWSCA reserve balance as of September 30, 2015, shown below, does not yet reflect this deposit. Once the audited financial report has been accepted by the Board of Directors, the unspent balance from FY 2014-15 will be transferred to the General Reserve bringing the balance to \$424,242.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 07/31/15)	Account Balance (As of 09/30/15)
General Reserve	\$225,461	\$225,461

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

At the May 21, 2015 meeting, the board authorized the reimbursement to BAWSCA's General Reserve the unspent Water Management Charge funds associated with the development of the Strategy. This reimbursement of \$355,620 will occur by the end of calendar year 2015.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Audit Report for BAWSCA and Compilation Report for BAWUA for FY 2014-15**

Summary:

An independent auditor's report for BAWSCA and a compilation report for Bay Area Water Users Association (BAWUA) has been completed for the year ending June 30, 2015. An audit of BAWSCA accounts is required by Division 31, Section 81426 of the Water Code. The compilation of BAWUA accounts is prepared in accordance with its bylaws, Article 8, Section 8.2. The reports are enclosed, under separate cover, for your review. A financial audit of the Regional Finance Authority is not required at this time.

Fiscal Impact:

None

Board Policy Committee Action:

None. The reports became available on November 2nd for staff review, allowing their inclusion in the BAWSCA board meeting agenda.

Recommendation:

That the Board receive and file the independent auditor's report for BAWSCA and the compilation report for BAWUA for the year ending June 30, 2015.

Discussion:

BAWSCA's and BAWUA's financial statements have been audited and compiled by the independent auditing firm of Chavan & Associates, LLP. The goal of an independent audit is to provide reasonable assurance that the financial statements are free from material misstatement.

Based on their review of the financial statements, the auditors have concluded that the financial statements are in conformance with generally accepted accounting principles, and fairly present, in all material respects, the financial position of both BAWSCA and BAWUA and the changes in financial position and cash flow for FY 2014-15.

As demonstrated by the statements, schedules and notes included in the auditor's reports, BAWSCA and BAWUA are meeting the requirements for sound financial management.

Enclosed under separate cover:

1. BAWSCA FY 2014-15 Audit Report
2. BAWUA FY 2014-15 Compilation Report

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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: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: November 10, 2015

**SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending
September 30, 2015**

In March 2006, the board adopted a directors' expense reimbursement policy consistent with the Government Code that requires a quarterly report on the Agency's reimbursement of directors' expenses. This report shall show the amount of expenses reimbursed to each director during the preceding three months.

There were no director expenses reimbursed for the quarter ending September 30, 2015.

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BAWSCA

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MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: November 10, 2015

SUBJECT: Investment Report – As of September 30, 2015

In February 2004, the Board originally adopted an investment policy consistent with the Government Code that requires a report on the Agency's investments be provided to the Board. This report presents fund management in compliance with the current investment policy. The Board most recently reviewed the investment policy at its September 17, 2015 meeting. No changes were recommended or adopted as part of that review

Funds in excess of \$250,000 are deposited in the BAWSCA Local Agency Investment Fund (LAIF) account throughout the year to ensure compliance with BAWSCA's investment policy.

BAWSCA's prior and current period LAIF account balances are shown below:

<u>06/30/15</u>	<u>09/30/15</u>
\$1,326,722	\$1,328,757

Of the total in the BAWSCA LAIF account as of September 30, 2015, \$225,461 represents BAWSCA's General Reserve Fund, equivalent to approximately 7 percent of FY 2015-16 Operating Budget. The remaining amount consists of Subscription Conservation Program funds, Water Management Charge funds and unrestricted funds.

Recent historical quarterly interest rates for LAIF deposits are shown below:

<u>06/30/15</u>	<u>09/30/15</u>
0.28%	0.32%

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BAWSCA

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MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager
FROM: Christina Tang, Senior Administrative Analyst
DATE: November 13, 2015
SUBJECT: Bond Surcharge Collection, Account Balance and Payment Report as of September 30, 2015

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

BAWSCA collects the bond surcharge from member agencies through the SFPUC as a separate item on their monthly water bills to agencies. The bond surcharge payments are used to make debt service payments on BAWSCA’s revenue bonds.

All surcharges billed for the months of July and August in 2015 have been collected. Payments of surcharges billed for September 2015 are still being received. Table 1 below presents a summary of financial transactions related to BAWSCA’s Bond Series 2013A and 2013B for the three months.

Table 1: Summary of Surcharges Remitted to Trustee for Quarter Ending 9/30/2015

<u>Month</u>	<u>Amount Billed</u>	<u>Amount Remitted to Trustee</u>
July 2014	\$2,057,009	\$2,057,009
August 2014	\$2,057,009	\$2,057,009
September 2014	<u>\$2,057,009</u>	<u>\$ 951,570</u>
Total	\$6,171,027	\$5,065,588

Bond Surcharge Account Balances

All surcharge payments are deposited with the Bank of New York, which manages BAWSCA’s accounts and administers debt service payments.

BAWSCA's account balances at the Bank of New York and the account activities in the past quarter are shown in Table 2 below.

Table 2: Bank of New York Bond Trustee Account Activity for Quarter Ending 9/30/2015

	27,472,839	Account Market Value as of 06/30/2015
<i>plus:</i>	5,966,832	<i>Surcharge collected in July 2015 through September 2015</i>
<i>plus:</i>	30,364	<i>Coupons and money market fund interest received</i>
<i>plus:</i>	<u>(6,819)</u>	<i>Net Change in held securities market value from 06/30/15 to 09/30/2015</i>
	33,463,216	Account Market Value as of 09/30/2015

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%. Last quarter, interest earnings received were \$405. Second, BAWSCA has the ability to invest the collected surcharge payments by purchasing U. S. 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. Over the quarter ending September 30, 2015, the U.S. Treasury securities represented 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 \$30,364 mentioned in the summary table above includes interest earnings of \$405 received from the money market fund and coupons of \$29,958 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

The recent debt service payment of \$17,991,251 was made on October 1, 2015. It was paid using the bond surcharges collected from the agencies, consistent with the bond indenture. The next debt service payment of \$6,593,497 will be made on April 1, 2016. There are sufficient fund in the Trustee account to make the payment. Debt service payments are made on April 1st and October 1st of each year until 2034.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

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

Summary

Since January 2008, PG&E has administered a joint Water Utility and Energy Utility Residential Washing Machine Rebate Program (WMRP) in partnership with BAWSCA and the other major water utilities in the Bay Area. The current WMRP will end December 31, 2015. BAWSCA's current contract with PG&E expires June 30, 2016 as it anticipates a 6 month close out period for the current program. To continue the WMRP through calendar year 2016 (CY 2016), a contract amendment with PG&E needs to be executed. Participating BAWSCA member agencies have expressed interest in continuing the program for an additional year through CY 2016.

For CY 2016, no program modifications will be implemented: Water agencies will continue to offer rebates of \$100 for the most energy efficient tier of washing machines. PG&E will continue to provide an additional customer rebate of \$50 per qualifying machine, for a total rebate of \$150.

The recommended action would authorize the Chief Executive Officer to negotiate and execute a contract amendment with PG&E, subject to legal counsel's final review, for administrative and rebate processing services through June 30, 2017. This would extend the availability of the rebates through December 31, 2016 and provide a 6-month close out period to process all rebates and complete necessary administrative tasks. The amendment would also provide BAWSCA the opportunity to modify its participation in June 2016 consistent with the desires of the participating member agencies.

Fiscal Impact

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

Recommendation

That the Board authorize the CEO/General Manager to:

- 1) Negotiate and execute a contract amendment with PG&E, subject to legal counsel's final review, for administrative and rebate processing services through June 30, 2017 associated with implementation of the Washing Machine Rebate Program from January 1 through December 31, 2016, and**
- 2) Offer participation in the program to BAWSCA member agencies through December 31, 2016.**

Discussion

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

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

BAWSCA agency participation in BAWSCA’s conservation programs, including the WMRP, typically operates on a fiscal year basis, as this is consistent with the budget cycles of most of the BAWSCA member agencies. In contrast, PG&E operates on a calendar year basis, which is why the current WMRP ends December 31, 2015. BAWSCA’s current contract with PG&E expires on June 30, 2016, which allows for a 6-month close-out period. In the event that PG&E or BAWSCA were to elect not to continue the WMRP beyond December 31, 2015, the six-month close-out period accommodates the three months that customers have to submit a rebate request, plus processing time for the rebates and resolution of all accounting. A contract amendment with PG&E extending the existing contract through June 30, 2017 would allow for the current WMRP to continue through December 31, 2016 with a 6-month close-out period allowance.

Table 1 below presents the number of rebates issued each year since the Washing Machine Rebate Program was initiated and the estimated annual water savings achieved.

Table 1: Washing Machine Rebate Program Results

Program Information	Rebates Issued	Total Rebates Issued (Cumulative)	Estimated Annual Water Savings (acre-feet)
FY 2001-02	1,244	1,244	23
FY 2002-03	3,091	4,335	81
FY 2003-04	1,805	6,140	115
FY 2004-05	2,914	9,054	170
FY 2005-06	2,332	11,386	214
FY 2006-07	3,254	14,640	275
FY 2007-08	4,162	18,802	348
FY 2008-09	5,339	24,141	441
FY 2009-10	6,941	31,082	563
FY 2010-11	7,030	38,112	686
FY 2011-12	6,003	44,115	791
FY 2012-13	5,706	49,821	891
FY 2013-14	4,273	54,094	966
Totals	54,094	306,966	5,564

For CY 2016, no program modifications will be implemented: Water agencies will continue to offer rebates of \$100 for the most energy efficient tier of washing machines. PG&E will continue to provide an additional customer rebate of \$50 per qualifying machine, for a total rebate of \$150.

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

Alternatives to the Recommended Action

Two primary alternatives exist to the recommended action.

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: Implementation of the Long-Term Reliable Water Supply Strategy

Summary:

The objective of this report is to update the Board about staff progress on seven project areas in the Long-Term Reliable Water Supply Strategy (Strategy), which were reviewed with the Board in February 2015. BAWSCA has made significant and measurable progress with these projects, but there is much more work to be done to complete projects that can meet the projected water reliability needs of BAWSCA's member agencies through 2040.

The Strategy identified these important issues that impact decisions about possible projects:

- There is no longer a normal-year supply shortfall.
- There is a drought-year supply shortfall of up to 43 million gallons per day (mgd).
- Water transfers consistently score high and should represent a high priority for BAWSCA;
- Desalination provides sizable yield, but its high costs and extensive permitting requirements make it a poor option to meet only dry year needs and would require a partner to make it cost effective; and
- Other projects provide tangible, though limited regional benefits in reducing dry year shortfalls.

With these issues in mind, BAWSCA is pursuing multiple actions and projects in order to provide increased water supply reliability for its member agencies.

Recommendation:

This item is for information and discussion purposes only. No action is requested at this time.

Background:

In 2009, BAWSCA launched the Strategy to provide a comprehensive, regional assessment of the BAWSCA member agencies' water supply reliability needs, complete an evaluation of potential water management actions that could be implemented to meet these needs, and identify potential actions for consideration by BAWSCA to achieve an increased level of regional reliability. Five types of water supply projects were evaluated as a part of the Strategy analysis: non-potable recycled water, groundwater, local capture and reuse, desalination, and water transfer projects.

The Strategy Phase II Report (February 2015) recommended the following actions for BAWSCA:

- Lead water transfer development and implementation including identifying and evaluating water storage options;
- Facilitate desalination partnerships and pursue outside funding for related studies;
- Support agency-identified projects (i.e., recycled water and groundwater) and local capture and reuse;

- Participate in regional planning studies in cooperation with others; and
- Continue monitoring regional water supply investments and policies.

Discussion:

BAWSCA is pursuing multiple actions and projects in order to implement the Strategy recommendations and provide increased water supply reliability for its member agencies. Work on different projects is varied during this implementation phase, as different projects require diverse types of actions.

1. Water Transfers and Storage

BAWSCA continues to work on the Pilot Water Transfer in partnership with East Bay Municipal Water District (EBMUD). In addition, BAWSCA has been investigating other potential water transfer scenarios, including water storage options that would create flexibility in the implementation of water transfers.

In July, BAWSCA published the *BAWSCA-EBMUD Pilot Water Transfer Phase II Pilot Plan Technical Memorandum* that provides a detailed summary of the work that has been performed in the last two years. The conclusions presented in the July Technical Memorandum are:

- Timing for the use of EBMUD's Freeport Regional Water Project (FRWP) operations is not as predictable as originally thought during Phase I of the Pilot Plan.
- Access to capacity is a serious issue in drought years, as EBMUD may need to use the entire capacity of the FRWP to deliver its own supplies.
- During extreme drought conditions, sellers may have less supply to sell, increasing the competition for purchase of transfer water and increasing its cost.
- Transfer water is only available at certain times of the year, and the availability of transfer water changes with type of water year (i.e., wet or dry), adding complexity to scheduling a water transfer to BAWSCA.
- Access to storage would greatly improve the viability of water transfers to BAWSCA.
- The historic drought conditions created difficulty for agencies to get Warren Act contracts for use of the Folsom South Canal and have increased the requirements for both state and federal environmental compliance analysis.
- Improving the regular maintenance of Hayward Intertie and upgrading the intertie infrastructure for emergency use would provide benefits for a water transfer program.
- BAWSCA and Hayward agree that both parties would benefit from the information gained during implementation of a pilot water transfer.
- Negotiations between BAWSCA and Hayward about the pilot water transfer have proceeded slower than anticipated at the outset of Phase II.
- Hayward has significant concerns about a pilot water transfer that are currently being investigated by Hayward and BAWSCA.
- BAWSCA and San Francisco Public Utilities Commission (SFPUC) have developed a framework to account for water supply within the San Francisco Regional Water System that BAWSCA obtains independently of the SFPUC.

BAWSCA is continuing to pursue a pilot water transfer with EBMUD for implementation in Spring 2016, at the earliest. BAWSCA staff plans to meet with EBMUD and Yuba County Water Agency staff at the December 2015 Association of California Water Agencies meeting to discuss the potential for a pilot in 2016.

Discussions continue with the Santa Clara Valley Water District (SCVWD) on pursuing a pilot water transfer. In July 2014, BAWSCA and SCVWD finalized the Memorandum of Understanding Agreement between the Santa Clara Valley Water District and the Bay Area Water Supply and Conservation Agency, which lays out the tasks, roles, and responsibilities for the development of a short-term pilot water transfer plan. This plan would provide vital information about partnering for future long-term and/or dry-year transfers. BAWSCA has been discussing options for storing transfer water in the SCVWD groundwater aquifers for use at a later time.

BAWSCA has also been meeting with Contra Costa Water District (CCWD) about the potential for partnering with them on water transfers and storage in CCWD's Los Vaqueros Reservoir. In September 2015, BAWSCA staff toured Los Vaqueros Reservoir and had further discussions with CCWD staff about the potential for a transfer partnership in 2016.

Lastly, BAWSCA has been meeting with Alameda County Water District (ACWD) to discuss potential water transfer, water storage, and water exchange concepts that would take advantage of ACWD's existing facilities and its access to Delta supplies through the South Bay Aqueduct.

2. Brackish Groundwater Desalination

The Strategy Report identified desalination of brackish groundwater underneath the San Francisco Bay as a potential new supply, and the need to identify a partner in order to pursue the brackish groundwater desalination project. BAWSCA met with Cal Water in March and confirmed that there was interest in pursuing a partnership on the brackish groundwater desalination project.

The first step towards implementing a brackish groundwater desalination project is to perform an aquifer test to determine the potential yield available from the brackish groundwater aquifer. To support the partnership and project, Cal Water included the aquifer test in their latest "rate case" to the California Public Utilities Commission.

Additionally, BAWSCA partnered with Cal Water to submit a grant application to the California Department of Water Resources (DWR) as a part of the Regional Integrated Water Resources Management Plan (IRWMP) Prop 84 final round grant application process. While the project did not receive priority for funding, BAWSCA is tracking other grant funding opportunities for the aquifer test.

Cal Water has taken an additional step in identifying a potential location for the test well and aquifer test. The joint City of San Mateo/ Estero Municipal Improvement District Wastewater Treatment Plant has indicated that it may have available space and would be willing to allow Cal Water to drill a test well at their site. Cal Water has indicated that the aquifer test is on track to proceed in the spring of 2016.

3. Recycled Water

Four non-potable recycled water projects were included as a part of the Strategy. In addition, the Report introduced the idea of using advanced water treatment processes to create a new

potable recycled water supply. Indirect potable reuse (IPR) and direct potable reuse (DPR) projects have recently received greater attention as a potential new supply for Bay Area water suppliers during this historic drought. If public perception and regulatory considerations can be addressed, potable reuse could provide a large quantity of reliable supply that could have a lower cost and fewer environmental impacts compared to other supply alternatives. Updates on both types of recycled water are provided below.

- a. Non-potable Reuse Strategy Projects. Two of the non-potable recycled water projects that were described in the Report have progressed. The City of Daly City is moving forward with their project to provide recycled water to the cemeteries in Colma. This work is being done in partnership with the SFPUC given the relationship with the Regional Groundwater Storage and Recovery Project. In August, the SFPUC approved \$2.4 million to support the initial stages of this project, including preliminary design and CEQA review for expansion of the tertiary treated recycled water capacity at the North San Mateo County Sanitation District. This project is anticipated to last two years and will result in a 30% design scenario for the project.

On September 28th, the City of Palo Alto certified the environmental impact report (EIR) for their recycled water project to deliver water to the Stanford Research Park and other locations. At the time of the certification of the EIR, the Palo Alto City Council directed staff to continue looking into additional and or alternative recycled water projects. In addition, a committee has been formed to discuss partnering with the SCVWD on potential recycled water expansion and IPR projects. The committee consists of members of the Palo Alto City Council and the SCVWD Board of Directors. Additional committee members may be added from the Cities of Mountain View and East Palo Alto. The committee has met twice since July and is planning to meet again before the end of 2015.

- b. IPR and DPR Projects. BAWSCA has been participating in multiple conversations about the potential implementation of IPR and DPR projects in the BAWSCA service area. For each of these potential projects, discussions have revolved around the potential for partnership with BAWSCA to secure additional normal or dry year water supply reliability for BAWSCA as a whole or for one or more of its member agencies.
 - The City of San Mateo/ Estero Municipal Improvement District Wastewater Treatment Plant is working on a study of alternatives for future upgrades of their facility, one of which includes consideration of creating up to 3 mgd of advanced treated water that could be used for potable supply.
 - Silicon Valley Clean Water (SVCW) is considering upgrades at their facility in Redwood City to include advance treatment and production of up to 10 mgd of potable water supply. BAWSCA has been meeting regularly with SVCW staff and consultants to discuss the potential for BAWSCA, a member agency, or the SFPUC to be potential customers for the new recycled potable supply that SVCW could create. In early November, BAWSCA organized a meeting between SVCW, Cal Water, SFPUC and BAWSCA staff. The group agreed to start work on a Memorandum of Understanding to pursue funding for a feasibility study to explore the next phase of a potential IPR project.
 - BAWSCA has been meeting with SCVWD to discuss their existing Silicon Valley Advanced Water Purification Facility and plans to produce up to a total of 40 mgd of additional advanced treated water for IPR and, potentially, for DPR.

- ACWD is assessing a potential partnership with the Union Sanitary District to produce up to 4 mgd of potable supply to be used to recharge the Niles Cone Groundwater Basin. ACWD is currently evaluating the feasibility of this project, and a project concept evaluation is anticipated before the Spring of 2016.

4. Groundwater

As part of the Strategy, BAWSCA studied groundwater conditions in the region in cooperation with member agencies. BAWSCA's investigations and ongoing coordination with the member agencies have identified that the San Mateo Plain Sub-basin (Basin) that underlies the cities of East Palo Alto, Menlo Park, Redwood City, San Carlos, Belmont, San Mateo, Foster City, Burlingame, and the Town of Hillsborough is not currently threatened by overdraft from excessive groundwater withdrawals or sea water intrusion. In addition, BAWSCA has investigated the potential impacts of planned future groundwater pumping in the basin through 2035. The analyses have shown that the estimated future pumping from the basin will also be significantly lower than the average recharge from precipitation.

San Mateo County recently allocated funding to study groundwater conditions in the Basin. Staff from the San Mateo County Department of Environmental Health and the Office of Sustainability are leading the effort for the County. San Mateo County allowed BAWSCA staff and the member agencies to provide comments on the study prior to releasing the request for proposals.

BAWSCA supports San Mateo County's study of the Basin to address uncertainties in the amount of recharge to the basin and the connectivity of the basin with surrounding areas. BAWSCA looks forward to working cooperatively with the County in expanding the knowledge of the San Mateo Plain basin, including providing the County with the regional groundwater model that BAWSCA developed for the Strategy. Combined with new data that the County plans to gather, BAWSCA's Strategy Groundwater Model could be a useful tool for the County to investigate conditions in the San Mateo Plain basin.

Some have expressed concerns regarding increased groundwater use by individual property owners in response to the current drought. BAWSCA is leading the formation of a Groundwater Reliability Partnership for the San Mateo Plain Sub-basin (Partnership) to provide a forum for groundwater users and other stakeholders to share information and work toward an agreed set of goals. 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. BAWSCA also has an interest in the Basin given its potential Brackish Desalination Project. BAWSCA hosted the first meeting of the Partnership on October 19th in Redwood City. The second meeting is scheduled for January 11th.

BAWSCA participated in a series of workshops in support of the development of the City of East Palo Alto's Groundwater Management Plan. The Groundwater Management Plan summarizes local groundwater conditions, identifies groundwater issues, defines Basin Management Objectives, and presents management actions including an implementation plan. The process took place from late 2014 through the fall of 2015 and consisted of three public workshops that included stakeholder and agency participation.

5. Local Reuse

Throughout 2015, BAWSCA has been an active participant in an effort by Sustainable Silicon Valley (SSV) to explore on-site water reuse in buildings in San Mateo and Santa Clara counties. Specifically, on March 25, 2015, BAWSCA staff served on a panel for SSV's Net Positive

Leadership Council meeting on the topic of water recycling systems and implementation. On May 8th, BAWSCA staff participated in SSV's On-site Water Treatment and Non-potable Reuse Kick-off Meeting where it provided an overview of BAWSCA's efforts on the Strategy to staff of public health agencies, water agencies, tech companies, and state-level regulatory agencies, in addition to elected officials. On July 31st BAWSCA staff participated in an all-day Net Positive Water Planning meeting discussing implementation approaches of on-site water reuse with a small group of technical leaders, agency staff, and stakeholders. Finally, on September 16th, BAWSCA's CEO gave the closing remarks for SSV's Water Technology Symposium and Expo for On-Site Water Reuse. BAWSCA continues to follow SSV's efforts to bring corporate leaders, technologists, and water agencies together to implement on-site water reuse.

BAWSCA continues to partner with the City/County Association of Governments of San Mateo County in support of the San Mateo Countywide Water Pollution Prevention Program by administering a county-wide rain barrel rebate program. Under this effort, San Mateo County and participating BAWSCA member agencies offer rebates of up to \$100 for the purchase and installation of qualifying rain barrels, which capture runoff for residential landscaping use thus reducing urban runoff into the San Francisco Bay. Through September 2015, more than 800 rain barrels had been installed in the BAWSCA service area through this program.

6. Conservation

BAWSCA has launched four new water conservation programs since February 2015:

- *High-Efficiency Sprinkler Nozzle Program* - voucher program to provide additional reductions in outdoor water use;
- *Lawn Be Gone! Inspection Services Program* - assists member agencies in processing the Lawn Be Gone! applications that have been received;
- *Conservation Management System* - program to enable online processing of rebate applications and centralized management of member agency's conservation program information; and
- *Water Conservation 101* – a public information program which provides free classes on how to reduce water use in the home.

BAWSCA has been assisting member agencies interpret and implement the Governor's April 1 2015 Emergency Order, and the subsequent State Water Resources Control Board Emergency Regulations. In April and May, BAWSCA actively commented on the proposed State Board emergency regulations, resulting in changes in the final regulations.

BAWSCA is leading the development of a Regional Model Water Efficient Landscape Ordinance (MWELo) to assist member agencies in complying with the 2015 DWR MWELo requirements. A Water-Efficient Landscape Ordinance that is at least as effective as the DWR MWELo must be adopted by each city or water agency by February 2016. The BAWSCA MWELo, which will be adopted by those member agencies that opt to implement it, incentivizes the installation of graywater systems in new construction.

BAWSCA is actively seeking opportunities to assist agencies in reducing water loss in compliance with new state legislation. Specifically, BAWSCA is currently evaluating opportunities for regional programs to support agency water loss detection and management. Opportunities may include training sessions, consultant support for water audit and leak detection, and pursuit of grant funding to support these activities.

7. Participation in the Bay Area Regional Reliability (BARR) Partnership

The eight agencies that comprise the BARR Partnership are participating in the development of the Bay Area Regional Reliability Plan (BARR Plan). The BARR Plan will evaluate and identify mutually beneficial and regionally focused projects that improve regional water supply reliability and drought preparedness. The scope of work for the development of the BARR Plan is being finalized, and specific tasks to be completed as part of the BARR Plan will include:

- Assessment of regional water supply reliability needs, identifying water shortage scenarios;
- Calculation of available capacity in existing facilities to support regional needs;
- Evaluation of agency-specific water supply projects (and/or programs);
- Identification of a mutually preferred BARR program alternative;
- Development of an implementation plan for the preferred alternatives; and
- Identification of opportunities for community and regional stakeholder input.

The BARR Plan will seek to maximize the use of existing assets of the partner agencies, and if needed, construct new ones to benefit near and long-term regional reliability projects. Projects to be evaluated include: reoperation of existing facilities, new interconnections, recycled water, water conservation, expanded treatment, regional desalination, water transfers and exchanges, and other projects or institutional arrangements.

In August, the 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.

Next Steps:

BAWSCA will continue to make progress on all fronts towards implementation of the Strategy. Regular updates will be provided to the Board when there is information to share, at least annually. Policy action in support of implementing the Strategy actions occurs as part of the annual work plan development and operating budget adoption, approval of expenditures associated with planning agreements with other agencies, and approval of contracts with other agencies and consultants to implement specific projects as necessary.

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Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: November 13, 2015
SUBJECT: Chief Executive Officer/General Manager's Letter

Change in Investment Strategy for Revenue Bond Series 2013 A and B Stabilization Fund Evaluated and Implemented:

As discussed with the Board at its September 2015 meeting, with 2 years of surcharge collection experience behind it, BAWSCA has undertaken a review of the investment strategy for amounts held in the Revenue Bond Series 2013 A and B Stabilization Fund (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.

Based on this evaluation, BAWSCA determined that an investment strategy that involves both a rolling and a laddered security structure provides the Agency with the most appropriate balance of safety, liquidity, and yield. In summary, this strategy involves the rolling of \$3.6 million in a six-month treasury security 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 would be invested in a laddered portfolio of treasury securities maturing in six-month intervals such that the initial weighted average maturity of the total portfolio is roughly two years. This laddered portion of the portfolio will provide BAWSCA with exposure to longer-term and higher yielding securities to enhance current earnings.

As compared to the alternatives, this investment strategy was deemed superior by BAWSCA due to its significant upfront liquidity, the diversified exposure to the yield curve provided by the laddered portion, and its attractive current yield. Consequently, this strategy was implemented in the portfolio on October 9, 2015. This required a sale of two of the currently held treasury securities (at a gain to adjusted book value) and a purchase of six treasury securities.

WSIP – Update:

As required by AB 1823 (Papan), on Friday, November 6th the SFPUC issued a 30-Day Notice of Public Hearing associated with a Proposed 2015 Revised WSIP. The hearing to consider the proposed changes is scheduled for December 8, 2015. The Notice of Public Hearing and

associated documents is posted on the SFPUC's web site at the main WSIP landing page: <http://sfwater.org/index.aspx?page=114>.

The proposed changes would extend the approved completed date for five WSIP projects. In all cases, these projects are currently in service and meeting the required level of service goal. BAWSCA has initiated its review of the proposed changes and will meet with SFPUC staff as necessary to discuss our comments and provide feedback. BAWSCA will submit a comment letter to the Commission addressing the issues necessary to protect the interests of the water customers.

In addition, in its most recent WSIP Quarterly Report, the SFPUC identified an anticipated need for increased contingency funds and budgets for four WSIP projects: Calaveras Dam Replacement, New Irvington Tunnel, Harry Tracy Water Treatment Plant, and Seismic Upgrade of Bay Division Pipelines 3 & 4. These project increases will likely increase the overall WSIP budget as there does not appear to be sufficient unused contingency available elsewhere in the program. At the November 10th Commission meeting, BAWSCA expressed concern with how the SFPUC would fund the WSIP budget increases. BAWSCA noted that the last WSIP budget increase in March 2014 of \$126.3M was funded by deferring an equivalent dollar value of previously planned projects in the SFPUC 10-Year Capital Improvement Program (CIP). BAWSCA expressed concerns at that time about the impacts to public health and safety resulting from changes to the SFPUC's adopted capital programs – be it the WSIP or the 10-Year CIP. BAWSCA reiterated those concerns and urged SFPUC staff to bring forward a budget and funding plan to address the identified trends and risks for the WSIP soon as possible. BAWSCA urged the Commission to closely examine all options for funding WSIP budget increases and not repeat the practice of deferring necessary capital improvements.

SFPUC's Mountain Tunnel – Update:

Since January 2014, BAWSCA has worked cooperatively with the SFPUC staff to develop a comprehensive plan to address a potential failure of the Mountain Tunnel, which is a critical element of the San Francisco Regional Water System (RWS). BAWSCA has requested that the SFPUC develop a five-part work plan to: 1) immediately improve access to the Tunnel and acquire assets to fix it in the event of a failure; 2) inspect and repair the Tunnel before it collapses; 3) develop a bypass concept as a possible long-term preferred alternative; 4) create an emergency restoration plan to cope with a sudden collapse of the Tunnel before it can be fixed; and 5) identify and implement plans for how to meet water-supply needs in this region in the event of an unplanned outage of the Hetch Hetchy supply.

As part of part final part of this effort, the SFPUC recently completed an analysis that examines the SFPUC's ability to meet its wholesale and retail customers' water needs during a potential failure of the Mountain Tunnel. Specifically, the analysis provided a numerical analysis of how long available local water supplies might last during a range of hypothetical planned and unplanned outages of up to nine months. On October 22nd, BAWSCA sent a letter to the SFPUC that (1) posed nine questions seeking clarification on the potential Mountain Tunnel failure and the availability of alternative supplies, and (2) requested that the SFPUC expedite the preparation of a near-term Operating Response Plan for how it would operate the Regional Water System during such an unplanned outage. A copy of this letter is attached.

Additionally, BAWSCA and SFPUC have held a series of meetings with the ten BAWSCA member agencies that have the potential to access other sources of supply (or "source shift") in the event of an emergency that disrupts RWS supplies. These discussions focused on the

amount of water potentially available, the length of time the supplies might be available, and operational and institutional limitations that would need to be addressed. These discussions were fruitful and the results will be incorporated in the analysis described above regarding the SFPUC's ability to meet its wholesale and retail customers' water needs during a potential failure.

Groundwater Reliability Partnership – Update:

On October 19th, BAWSCA hosted the first meeting of the Groundwater Reliability Partnership (Partnership) for San Mateo Plain Sub-basin. The meeting was attended by approximately 70 people and included elected officials, agency staff, and stakeholders. The agenda consisted of an introduction to groundwater; an overview of California's new groundwater legislation, termed as the Sustainable Groundwater Management Act; information about BAWSCA's brackish groundwater desalination project; an overview of San Mateo County's groundwater assessment plan; an overview of the City of East Palo Alto's Groundwater Management Plan; and a wide ranging discussion on potential goals and next steps for the Partnership. A follow up meeting is scheduled for January.

Bay Area Regional Reliability Partnership – Request for Proposals Released:

On November 4th, the Bay Area Regional Reliability Partnership (BARR Partnership) released a Request for Proposals (RFP) from consultants to assist in the development of a Bay Area Regional Reliability Drought Contingency Plan (BARR DC Plan). The BARR DC Plan is a joint effort by the eight Partner Agencies, which includes the Alameda County Water District (ACWD), Bay Area Water Supply and Conservation Agency (BAWSCA), Contra Costa Water District (CCWD), East Bay Municipal Utility District (EBMUD), Marin Municipal Water District (MMWD), San Francisco Public Utilities Commission (SFPUC), Santa Clara Valley Water District (SCVWD), and Zone 7 Water Agency (Zone 7).

The selected consultant's primary focus will be to prepare a drought contingency plan for the Partner Agencies through the evaluation and integration of new mitigation measures developed by each individual partner agency, and evaluating the reoperation of existing facilities to determine how the various combinations could best meet the water supply needs of the region. The BARR DC Plan will also be consistent with the U.S. Bureau of Reclamation (USBR) WaterSmart Drought Response Program requirements given the grant funding provided by USBR.

Proposals are due December 4, 2015, and a kickoff meeting is scheduled for February 2016. The Draft Final Report must be completed by the consultant and submitted to the Partner Agencies for review and comments by March 2017. The Final Report is due, following revisions and incorporation of all comments, by April 2017.

ABAG Plan Bay Area:

BAWSCA has sent a letter to the Association of Bay Area Governments (ABAG), which is in the process of updating its Plan Bay Area (Plan). The Plan is intended to help Bay Area cities and counties plan for transportation needs and adapt to the challenges of future population growth. BAWSCA's letter urges ABAG to coordinate its efforts with the region's water retailers to ensure that water and land use planning are coordinated. A copy of the letter is attached.

Innovative Technology Forum Held on November 5, 2015:

On November 5th, BAWSCA hosted an Innovative Technology Forum. The purpose of the Technology Forum was to facilitate communication about effective innovative technologies currently in use, and to promote networking with water agencies and technology representatives. Specifically, the forum focused on rapidly evolving technologies associated with Advanced Metering Infrastructure (AMI), data analytics, water loss, and weather-based irrigation technologies for long-term effective water management.

The Forum included 67 attendees from water agencies and technology representatives. Attendees included staff from 17 BAWSCA member agencies, as well as representatives from SFPUC, Santa Clara Valley Water District, East Bay Municipal Utility District, Zone 7 Water Agency, Dublin San Ramon Services District, and San Jose Water Company. A post-event survey was distributed to all event participants, and, among those responding, 100% indicated that the goals of the Forum were achieved and that the Forum provided useful information for their water agency's needs. The Forum presentations are posted on the BAWSCA website for reference.

Recent Legislation Addressing Water Agency Water Loss Calculations

On October 9, 2015, Governor Brown signed into law SB-555, which addresses water loss management and reporting by urban retail water suppliers. The bill requires that each urban retail water supplier submit a completed and validated water loss audit report. The first report is to be submitted to the Department of Water Resources (DWR) by October 1, 2017 for the previous year. DWR will be adopting regulations for the completion and validation of these reports, which will be consistent with the American Water Works Association Water Audits and Loss Control Programs, Manual 36 methodology. DWR will post all validated water audit reports to its website for public viewing. In addition, the bill requires that the SWRCB adopt rules requiring urban retail water suppliers to meet performance standards for water loss volumes. These performance standards are to be adopted by the SWRCB no earlier than January 1, 2019 and no later than July 1, 2020. Discussions with the member agencies regarding these new regulations have begun, including what potential, if any, exists for BAWSCA to assist the member agencies in meeting these new regulations.

BAWSCA Staff Participation in 2015 Watersmart Conference:

In early October, BAWSCA staff presented "Harnessing New Media Platforms for Targeted Conservation Messaging" at the WaterSmart Innovations Conference and Exposition in Las Vegas. This annual conference serves as a platform to achieve greater water efficiency and included more than 1,000 water industry professionals from around the world. The BAWSCA presentation shared the approach and lessons learned from the BAWSCA 2014 and 2015 regional drought messaging campaign, which effectively used Google and YouTube advertising platforms for water conservation messaging to residents of the BAWSCA service area.

BAWSCA Website - Update:

The BAWSCA website redesign project is progressing on schedule, with an anticipated launch date of January 2016. The pre-production phase of the project, which included the development of the graphical user interface and technical specifications, was completed in September 2015. A beta site has been prepared and is currently being tested and refined. Among the features to be included in the new site are: a dedicated water conservation web portal; a member agency access site for document sharing; and interactive infographics for accessing water use and demographic data.

Attachments:

1. October 22, 2015 letter to Steve Ritchie regarding Mountain Tunnel
2. November 12, 2015 letter to Julie Pierce regarding Plan Bay Area

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October 22, 2015

Steve Ritchie, Assistant General Manager, Water Enterprise
San Francisco Public Utilities Commission
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102

Subject: Questions Regarding Mountain Tunnel Improvements and Request for an Operating Response Plan in Case of an Unplanned Outage of the Tunnel's Vital Water Supply

Dear Mr. Ritchie,

The SFPUC's recently completed analysis, Effects of Planned and Unplanned Outage of Mountain Tunnel and Hetch Hetchy Supply on the Local System Reservoirs (Outage Analysis), provides an excellent start towards understanding the SFPUC's ability to meet its wholesale and retail customers' water needs during a potential failure of the Mountain Tunnel. To fully understand the analysis' applicability to an actual Mountain Tunnel outage requires a thorough understanding of the assumptions underlying a potential outage scenario. With that goal, BAWSCA has the following nine questions regarding a potential Mountain Tunnel failure, and the availability of alternative supplies.

Severity of Hypothetical Mountain Tunnel Failure - The SFPUC's Mountain Tunnel Access and Adit Improvement Project Emergency Restoration Plan (ERP) includes a hypothesized tunnel collapse, which BAWSCA understands as a failure of "up to 100-feet of tunnel and approximately one tunnel diameter height above the existing tunnel crown". Given that the ERP states "For hard rock tunnels like the Mountain Tunnel, in-service tunnel failures are historically rare, but have involved about one to two diameters of tunnel length - 10 to 20 feet in this instance - and one tunnel diameter (10 feet) in height," this failure assumption is 5 – 10 times longer in length than observed in-service tunnel failures for similar hard rock structures.

1. Is BAWSCA's understanding correct?

Impact of Multiple Failures - The Mountain Tunnel Condition Assessment, 2008 report by Jacobs Associates documents 169 Type 4 Structural Integrity Defects, "the most significant defects," through long stretches of the tunnel.

2. How can this finding be reconciled with the 100 foot hypothesized tunnel collapse in the ERP?
3. How would failures in multiple locations affect repair times?

Access and Adit Improvements - The ERP assumes that the planned access and adit improvements will be completed prior to an outage, thus enabling the SFPUC to make necessary repairs with greater efficiency. Unfortunately, the access and adit improvements will not be complete until mid-2017.

4. What are the anticipated impacts to the repair schedule if a Mountain Tunnel failure were to occur prior to the completion of the access and adit improvements?
5. What other factors would likely extend the length of time necessary to make repairs, and for what duration?

Implementation of the Emergency Restoration Plan – Section 5.4 of the ERP identified a number of action items (e.g., incident management training, prequalification of contractors) to prepare for a potential Mountain Tunnel failure.

6. What is the schedule for implementing these actions?
7. Has the SFPUC implemented the recommended actions in Table 2 of the ERP, "Action Items for the ERP Implementation," in Section 5.4 of the ERP? If not, please provide a schedule for completion of each item.

Alternative Water Supplies –The Outage Analysis presents the results of a numerical analysis of how long available water supplies could last during an unplanned emergency that cuts off Hetch Hetchy supply from the Regional Water System. Table 5 shows that in an unplanned outage of 180 days or greater, the SFPUC's local storage would be brought to near dead storage and additional management actions (e.g. demand reductions, alternative supplies) would be necessary to provide critical water supply to customers.

8. What steps has the SFPUC taken to ensure that these alternative supplies would be available in the event of an outage (e.g., option contracts for water transfers, emergency source shifting agreements, facility preparation)?
9. How would the SFPUC operate the Regional Water System during a possible unplanned outage emergency as presented in the Outage Analysis to ensure that critical water supplies would be available for all the users that rely on the Regional Water System?

BAWSCA recognizes that the SFPUC has taken significant tangible steps towards the development of a long-term fix of the Mountain Tunnel. However, without a comprehensive and integrated response, BAWSCA continues to have concerns regarding the impacts of a failure of this critical facility and the SFPUC's preparedness to address such an event, particularly in the near term.

The SFPUC's technical studies have shown that the potential water supply impacts of an unplanned outage of the Mountain Tunnel and loss of the vital water supply it delivers, are greatest for the next five years until the implementation of the ERP and completion of the Adit and Access Improvements Project and the Inspection and Repair Project. **BAWSCA requests that the SFPUC expedite preparation of a near-term Operating Response Plan for how it would operate the Regional Water System during such an unplanned outage, including providing and delivering an alternate supply of water to the SFPUC's retail and wholesale customers.** A near-term plan addressing conditions over the next five years will also provide critical information until the Mountain Tunnel is permanently fixed or a new bypass is constructed.

Mr. Steve Ritchie
October 22, 2015
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Until further planning is done to prepare for the possibility of ensuring water reliability in the event of an unplanned outage, both the retail and wholesale customers of the Regional Water System remain at serious risk.

Please contact me if you have any questions. I would be pleased to meet with you to discuss these questions and the SFPUC's responses and BAWSCA's request for a near-term Operating Response Plan to protect the water customers.

Sincerely,



Michael Hurley
Water Resources Manager

cc: H. Kelly, SFPUC
K. How, SFPUC
M. Hannaford, SFPUC
J. Wong, SFPUC
BAWSCA Water Management Representatives
A. Schutte, Hanson Bridgett

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November 12, 2015

Ms. Julie Pierce, President
Association of Bay Area Governments
Joseph P. Bort Metro Center
101 Eighth Street
Oakland, CA 94607

Subject: Coordination with Region's Water Suppliers as Part of Plan Bay Area

Dear Ms. Pierce,

I am writing to you on behalf of Bay Area Water Supply and Conservation Agency (BAWSCA), which conducts regional water resource planning for the benefit of its 26 member agencies that deliver water to over 1.7 million residents and nearly 33,000 commercial, industrial and institutional accounts in Alameda, San Mateo and Santa Clara Counties.

As ABAG undertakes its update of Plan Bay Area (Plan) to help Bay Area cities and counties plan for transportation needs and adapt to the challenges of future population growth, BAWSCA encourages you to reach out to the region's water providers to coordinate your efforts with their efforts to ensure reliable water supplies to the region. The vast majority of the region's water retailers are currently updating their required Urban Water Management Plans, which will be submitted to the California Department of Water Resources by June 30, 2016. These documents are used extensively by water suppliers and their associated land use entity to meet the requirements of Senate Bills 610 and 221 (2001), which were passed to ensure that water suppliers, cities, and counties integrate water and land use planning.

BAWSCA appreciates the Plan's intent to provide a roadmap for the region's housing, transportation and jobs needs. But as the State and the region suffer through the worst drought on record, coordination with water providers on this undertaking is essential. If you have any questions or if BAWSCA can provide further assistance, please contact me or Michael Hurley, BAWSCA's Water Resources Manager, at 650-349-3000.

Sincerely,

A handwritten signature in blue ink that reads "Nicole M. Sandkulla".

Nicole M. Sandkulla
CEO/General Manager

cc: Board of Directors
Water Management Representatives
Allison Schutte, Hanson Bridgett

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Board Policy Committee Policy Calendar through May 2016

BPC Meeting	Purpose	Issue or Topic
November 2015	D&A	Extend contract with PG&E for Regional Washing Machine Rebate Program
January 2016	D&A D&A D&A R&D	Review Water Supply Forecast & Decide if a Transfer Should be Pursued BAWSCA Mid-Year Review for FY 2015-16 Work Plan and Budget Consideration of BAWSCA Bond Surcharges for FY 2016-17 Work Plan and Budget Planning for FY 2016-17
March 2016	D&A R&D	Review Water Supply Forecast & Decide if a Transfer Should be Pursued 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

Schedule for BAWSCA Board Meetings (Meetings are held from approx. 7:00 – 9:00 p.m.)	
<u>Date</u>	<u>Location</u>
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

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

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