

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD POLICY COMMITTEE**

**April 8, 2015 – 1:30 p.m.  
BAWSCA Offices, 155 Bovet Road, San Mateo, 1<sup>st</sup> Floor Conference Room**

<b>MINUTES</b>
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**1. Call to Order: 1:30 p.m.**

Committee Chair Charlie Bronitsky called the meeting to order at 1:32 pm. A list of Committee members who were present (10), absent (1) and other attendees is attached.

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

**2. Public Comments:** There were no comments.

**3. Consent Calendar:** Approval of Minutes from the February 11, 2015 meeting.

**Director O’Connell made a motion, seconded by Director Pierce, that the minutes from the February 11, 2015 Board Policy Committee meeting be approved.**

**The motion passed unanimously.**

**4. Comments by the Chair:**

Committee Chair Bronitsky briefly shared his concerns about the drought.

**5. Action Items:**

**A. Proposed Fiscal Year 2015-16 Work Plan and Operating Budget:** Ms. Sandkulla presented the proposed agency work plan and operating budget for FY 2015-16.

The proposed work plan remains unchanged from what was reported to the committee in February, and to the Board in March. Ms. Sandkulla noted that additional program activities and staff time are included in the work plan to respond to the ongoing drought.

The proposed operating budget is \$3,201,679, which includes the \$4,085 adjustment to the top step salary that the Board approved at its March 19<sup>th</sup> meeting.

BAWSCA has historically used four principles when considering how to fund the budget. Ms. Sandkulla stated the committee’s previous discussion recommended a modification to the third principle. She proposed a change that states, “Apply incremental and prudent increases in assessments as necessary”, instead of, “Do not increase assessments unless absolutely necessary.” This change allows for flexibility in increasing assessments incrementally over a multi-year period if and when a need arises. It also allows for a smoother transition for potential rate increases.

The recommended funding mechanism for the proposed operating budget is to increase assessments by 24% and to use the unspent Water Management Charge (WMC) funds associated with the development of the Long-Term Reliable Water Supply Strategy in the amount of \$355,700. This mechanism funds the operating budget and returns the General Reserve to slightly above the minimum budgetary guideline.

Two additional funding alternatives were presented.

If the Board desires incremental increases to the assessments, Alternative A would provide (1) a 21% increase and (2) the use of the unspent WMC to fully fund the budget and bring the General Reserve to a balance that is \$58,261 less than the minimum budgetary guideline. This alternative does not achieve the minimum budgetary guideline for the General Reserve, but it is close.

Alternative B addresses the committee's previous discussion to split the assessment increase in half and apply it over a period of 2 years. This alternative would (1) increase assessments by 14% each year over 2 years, and (2) use the unspent WMC to return the General Reserve balance to the minimum budgetary guideline by the end of FY 2016-17.

Ms. Sandkulla does not recommend Alternative B because it places the agency in a vulnerable position of having a very low General Reserve next fiscal year. Ms. Sandkulla stated that while the percentage of increase in the recommended funding plan is high, the dollar value is relatively small to justify the risks of a low General Reserve.

Given the plan to update the BAWSCA website, Director O'Connell asked why the modification of BAWSCA's Water Conservation Database (Database) to match CUWCC's reporting format was excluded from the proposed work plan and operating budget.

Ms. Sandkulla explained that the Database is web-based, but is separate from BAWSCA's website. The conservation database uses a software called Sharepoint, which allows agencies to input data online, and provides BAWSCA access to the information. The effort to streamline the Database with CUWCC's format will involve a lot of work, and will be in a state of flux given the Governor's orders to address the drought.

One of the biggest challenges for agencies to re-format the database is the institutional changes individual member agencies would need to make to ensure that data between finance and water management departments are consistent with each other. The Governor's order for all water retailers to provide monthly water sales reports by customer category will push member agencies to make their interdepartmental data consistent with each other and enable them to provide data to outside entities in the next 6 months. This will have a long-term benefit for all agencies, particularly with CUWCC's reporting requirements.

Ms. Sandkulla further explained that one of the things the website update is looking for is the ability to merge the Database into the website. Additionally, improvements to the functionality of the Database are currently being reviewed. Therefore, the effort to merge the Database into the BAWSCA website may be more appropriate in FY 2016-17 when the website is updated, the Database functionality is improved, and the agencies are adjusted to the Governor's orders.

In response to Director Weed's comments, Ms. Sandkulla explained that the conservation subscription program cost of approximately \$1 million dollars is not included in the Operating Budget. These expenditures and income are reflected in the agency's annual audit report.

BAWSCA's administrative costs for implementing subscription programs are a small portion of the \$1 million. They are also reflected in the annual audit report.

Director Weed suggested inclusion of a chart that shows the gross amount of the operating and administrative costs associated with implementing subscription programs.

Director Mendall stated that if BAWSCA budgets an expense for staff to support the subscription programs, and the programs charge a fee to recover the costs for staff, it should be reflected in the budget.

Ms. Sandkulla explained that the administrative fees per rebate are determined based on the potential number of rebates estimated for the year, and are charged to participating agencies. The money received from the administrative fees is deposited into BAWSCA's general fund each year.

Ms. Sandkulla explained that it would be difficult to include the administrative costs in the budget because the money earned from administrative fees is not guaranteed to be received until the subsequent year. During the budget development, agencies have not yet committed to participate in the programs.

Record keeping of the administrative fees outside of the operating budget, and reflecting it in the audit report is the recommendation of BAWSCA's accountant. This practice ensures BAWSCA's budget stays sound, as opposed to anticipating a cost recovery based on an estimated amount from programs that agencies have not yet committed to.

Ms. Sandkulla stated that a separate report of the administrative earnings each year, as suggested by Director Weed, can be provided to the Board.

Ms. Sandkulla further clarified that the administrative fees for the subscription conservation programs add up to less than a full-time staff, and will continue to decrease as the agency gains efficiency in processing rebate applications.

Director Guzzetta stated that if the administrative fees become a bigger fraction of staff time, it should be reflected in the budget. But for now, having a report on how much is recovered in administrative costs would be helpful.

Ms. Sandkulla will provide historical and planned information on the level of staff effort and the level of total expenses for the subscription programs with a breakdown of the rebate dollars and the staff dollars.

**Director O’Connell made a motion, seconded by Director Pierce, to recommend Board approval of the:**

- **Proposed FY 2015-16 Work Plan and results to be achieved,**
- **Proposed Operating Budget of \$3,201,679, and**
- **Recommended funding plan which includes a) reimbursement to BAWSCA’s General Reserve of previously expended costs associated with the development of the Long-Term Reliable Water Supply Strategy with surplus Water Management Funds, and b) FY 2015-16 assessments of \$3,276,889.**

**The motion carried unanimously.**

**B. Amendment to Hanson Bridgett Professional Services Contract:** Ms. Sandkulla reported that the current contract limit for Hanson Bridgett is \$524,000. There has been higher than anticipated level of effort from Legal Counsel in the Fall of 2014 to finalize the settlement agreement with the SFPUC, associated with the Wholesale Revenue Requirement for FY 2010-11. BAWSCA staff and Legal Counsel has been making steady progress in resolving outstanding issues with San Francisco.

An amendment for an increase of \$60K-\$100K in Hanson Bridgett’s contract is being requested. The funds are available from unspent FY 2014-15 funds including budgeted contingency.

Ms. Sandkulla reported that the need for this budget adjustment was recognized early on this fiscal year. This early identification allowed BAWSCA staff and Legal Counsel to work diligently in managing expenses on all aspects of the budget to minimize the impact of the adjustment to the overall budget. BAWSCA staff will continue this effort; however, the request for a contract amendment is necessary to ensure BAWSCA has the resources it needs for the remainder of the fiscal year. A final number will be available by the May Board meeting.

Director Bronitsky thanked Hanson Bridgett for its outstanding services to BAWSCA, and called for a motion.

**Director O’Connell made a motion, seconded by Director Keith, that the Committee recommend the CEO/General Manager monitor the professional services contract with Hanson Bridgett to determine the most efficient and effective deployment of resources through the close of FY**

**2014-15, and provide a recommendation for a possible contract amendment to the full board at its May meeting.**

**The motion carried unanimously.**

- C. Approval of Professional Services Contracts for FY 2015-16: Ms. Sandkulla reported that there are seventeen professional services contracts that need to be in place by July 1, 2015. Each contract is presented in a staff memo.

The contracts fall into 2 categories. Ten are funded by the operating budget, and have a not-to-exceed contract amount. Seven are funded by the subscription programs. The seven consultant contracts that help BAWSCA run its subscription conservation programs are paid fully by agencies that participate in the program.

Ms. Sandkulla explained that financial consultants do very specific tasks under the direction of the CEO and the Sr. Administrative Analyst. The services include compliance with the Water Supply Agreement (WSA), administration of the bonds, and management of investments funds from the Bonds and OPEB.

Director Guzzetta asked about the services BAWSCA will need as it moves its focus from the WSIP to San Francisco's asset management program.

Ms. Sandkulla stated that BAWSCA is aware of the need to find additional professional services with expertise on asset management. BAWSCA is also looking for a consultant that is familiar with San Francisco's operations because future oversight efforts will move towards the SFPUC's CIP process. There is a budget allocation for that portion of the workplan.

Ms. Sandkulla reported that BAWSCA continues to get the engineering expertise it needs from Terry Roberts Consulting for the WSIP cost, schedule and construction management, as well as on the transition of focus to asset management. Mr. Roberts is aware of the changing focus, and has been accommodating of BAWSCA's needs.

In response to Director Weed's questions, Ms. Sandkulla stated that the contract with Waterfluence includes the rating system that encourages landscapers to develop products that achieve the highest rating for conservation in large landscapes.

Ms. Sandkulla added that BAWSCA was John Whitcomb's first regional client and has been a strong and steady advocate of his program. He continues to do an exceptional job in improving his product to meet the needs of the BAWSCA service area.

On the contract with Orrick, Herrington & Sutcliffe for legal support on the bond documents, Ms. Sandkulla reported that BAWSCA works with Steve Spitz whose time is used judiciously for very specific and key issues regarding the Bonds.

Director Mendall asked about the process for issuing RFP's particularly with the ones that have been around for many years. He stated that the next year or two would seem

like the appropriate time to issue an RFP given the changing focus from the WSIP oversight to SFPUC's Asset Management.

Ms. Sandkulla stated that for the contracts funded by the operating budget, the process has been an annual evaluation of whether the professional services are providing what the agency needs, and whether they are the highest ranking service providers in terms of expertise and rates.

The professional services contract for the WSIP oversight calls for certain requirements. Ms. Sandkulla stated that there's a balance between having the historical knowledge on a lot of the work involved, and the benefits of a new service contract that comes with a learning curve during the transition. She will keep a close watch on opportunities to ensure that BAWSCA is getting the best professional services for its dollars.

The contracts for the subscription programs are regularly discussed with the member agencies on whether the consultants are performing as expected, and if there are different programs than the current ones. Those contracts fluctuate because they are based on what agencies are interested in.

Director Breault requested, if it's not already being done, that the contracts are reviewed by legal counsel.

Ms. Sandkulla confirmed that legal counsel reviews all contracts, and reported that last year's legal review process required an update of each contract's insurance compliance.

**Director O'Connell made a motion, seconded by Director Breault, that the committee recommend Board approval of the seventeen contracts for legal, engineering financial, strategic and water conservation services needing to be in place by July 1, 2015.**

**The motion carried unanimously.**

- D. Professional Services Contract with Selected Consultant to Update the BAWSCA Website:** Ms. Sandkulla reported that proposed FY 2015-16 work plan includes the task to update the content and function of the BAWSCA website. The operating budget includes \$30,000 for this effort.

The objectives for the update are to obtain a user-friendly navigation format for the user, as well as a user-friendly operating system for effective and efficient content management. Because BAWSCA's member agencies form a large group of agencies with a large amount of information, the update will seek for an innovative design structure that will support infographics, have the ability to collect and access data online, as well as accommodate future static and interactive online needs to effectively provide information to the website audience.

Ms. Sandkulla explained that the website has evolved to serve two purposes. It provides information about who BAWSCA is, what it does, its mission, authority, and governance. The conservation component of the website has grown significantly and is now a critical part of the website that provides information on conservation opportunities for water customers. The goal is to make it easier for the customer to obtain this information.

In the interest of time, Ms. Sandkulla seeks the committee's recommendation for Board action at its meeting in May to authorize negotiation and execution of an agreement with a selected consultant.

Request for Proposals (RFP) will be released following Board authorization. The schedule targets a selection of a consultant in July, completion of the design by December, and a launch by February 2016. A faster schedule will be considered if possible, to complete the website update with the anticipation of another dry year in 2016.

In response to Director Mendall, Ms. Sandkulla stated that BAWSCA will negotiate a contract to include an as-needed technical support agreement to address the types of changes that might be needed to adjust the website format as it relates to the drought, in case conditions improve. The current agreement with the existing website consultant has an annual service contract that provides staff the necessary technical support it needs to make content changes. The as-need portion of the agreement is a small amount, but is helpful with content management, and therefore will be negotiated in the new contract.

**Director Pierce made a motion, seconded by Director Breault, that the Board Policy Committee recommend the Board authorize the CEO to negotiate and execute an agreement for a not to exceed amount of \$30,000, with the selected consultant, subject to legal counsel's final review, to update the BAWSCA website.**

**The motion carried unanimously.**

## **6. Reports:**

### Water Supply Update:

1. San Francisco Regional Water System: Ms. Sandkulla stated that, as reported in previous meetings, the Regional Water System's water bank in Don Pedro Reservoir is low as anticipated, and is where the impacts of the drought is evident. Hetch Hetchy is at 70%, which is a higher level than is normal for this time of the year. This reflects the low likelihood of a large runoff that would need to be captured in the reservoir at this time, and San Francisco's efforts to keep as much water as possible in the reservoir for drinking water purposes moving forward.

Ms. Sandkulla reported that the precipitation on April 7th did not produce runoff that benefits the supply that becomes available to San Francisco. However there

was snow, and the resulting water supply benefit will depend upon when that snow run-off occur.

The current snowpack is dismal and is a major premise for the Governor's Executive Order.

Ms. Sandkulla presented the graph that shows the water that becomes available to San Francisco from the Tuolumne River.

As previously reported, achieving full storage at Hetch Hetchy is when the cumulative water available to San Francisco reaches the level of 700 thousand acre feet (TAF) in July. For San Francisco to maintain a 10% call for voluntary water use reduction, 230 TAF is needed by July 2015. If San Francisco gets below 230 TAF, actions may need to be taken to decrease total water use.

Last year, only 22 TAF of Tuolumne River water was available to San Francisco by July 2014. February 2015's precipitation increased the level to 42 TAF. To date, the current level is 50 TAF, which may increase slightly as snowmelt occurs. However, Ms. Sandkulla emphasized that the Regional Water System is experiencing another drought year.

Water use has slowly increased as the days are getting warmer and longer, and cumulative savings are below target. This calls for some concern, and a critical push to keep the drought message out and the need to reduce water use.

In response to Director Mendall, Ms. Sandkulla stated that the SFPUC will send a letter to wholesale water customers by April 15<sup>th</sup> stating the status of water available. She anticipates that San Francisco will continue its request for a voluntary 10% water use reduction, as that is all that the system can justify at this time.

Ms. Sandkulla reported that she and Steve Ritchie are looking at how the Governor's Executive Order relates to the level of savings necessary for the Regional Water System, and what implications the order has on the provisions in the WSA. The Governor's Executive Order includes a requirement on water retailers to reduce water use by 25% Statewide. Since the SFPUC is a wholesale water provider to the member agencies, the contract provisions on the WSA regarding drought should not be engaged in this case. BAWSCA and the SFPUC will continue its discussions on this matter.

Director Weed commented that the San Francisco Regional Water System suffers from what has been described as "Sesame Street" legislative guidelines, such as the 20% by 2020. While it is simple, it is not comprehensive. The Regional Water System has a larger watershed in comparison to the rest of the State's, and compliance with State guidelines is often challenging.



Secondly, Director Weed stated his belief that this is not a traditional drought, it's a climate change. He hopes that agencies can move towards a position that communicates the new normal that communities have to prepare for. It's not an interim experience that the State has to deal with. Agencies need to, in whatever extent within the agreements with San Francisco and others, recognize that we are in a different water regime.

2. Governor's Executive Order: BAWSCA Water Resources Manager, Michael Hurley, reported on the Governor's Executive Order, which consists of 24 ordering provisions, 15 of which are applicable to BAWSCA agencies.

The State Water Resources Control Board released a draft framework on April 7<sup>th</sup> to implement the Governor's Executive Order. BAWSCA will work towards understanding the framework, which includes 4 elements: 1) Apportioning water supply reduction targets to individual water suppliers throughout the State, 2) increased requirements for small water suppliers and Commercial Industrial Institutional (CII) water use, 3) Increased reporting requirements on all water agencies, and 4) enforcement tools.

This order impacts all agencies that provide retail water supplies in the State. It does not apply to San Francisco as a wholesale supplier to the BAWSCA member agencies, but will be applicable as the supplier to its retail customers.

Mr. Hurley reported that small water suppliers, such as those with less than 3,000 service connections, will have increased requirements.

The draft framework imposes tiered reduction targets on all retail water providers to achieve a 25% reduction in water use statewide. BAWSCA will submit a comment letter to the SWRCB that will reference the implications of this requirement to smaller agencies that are already near or at the health and safety standards.

Mr. Hurley noted the City of Brisbane as an example of a small agency that uses an average of 47 gallons per person per day. While there are no firm health and safety standard, the rule of thumb has been 55 gallons per person per day. Mr. Hurley added that historically, smaller agencies have not been subject to urban water management plans and thus have not been subject to the current reporting requirements.

With the first set of emergency drought regulations enforced in 2014, the SWRCB required smaller agencies to report on water use and to develop population figures to establish calculations that serve as a monitoring mechanism.

With the draft framework, smaller agencies are now required to report water use and conservation once a year, or within 180 days of the day the regulation is implemented. Larger agencies will be required to report on all of their customer

classes on a monthly basis. Brisbane, GVMID, Stanford and Purissima Hills are the BAWSCA agencies that fall into the category of “smaller agencies”.

The Office of Administrative Law would likely take action to implement the regulation at the end of May.

The reporting period will be from June 2015 through February 2016. The intent is to develop an approximately 1.3 million acre feet (AF) of savings over this timeframe. As BAWSCA reviews the requirements, it will keep in mind the overall goal SWRCB is trying to save.

The comparison year is 2013, which is the year SWRCB has been using in their analysis for tracking the State’s conservation savings. This is a different year than SFPUC’s base period for their voluntary 10% reduction. Moving forward, the analysis will be adjusted to use SWRCB’s comparison year of 2013.

The committee discussed the translation of AF to gallons. Mr. Hurley stated that 1.3 million AF is close to 450 trillion gallons of water. A population of 150,000 can use 8-10 billion gallons of water per year. In 2014, San Francisco Regional Water System saved 10 billion gallons of water.

Mr. Hurley reported that the 25% cutback will be allocated differently based on an agency’s current residential per capita use. The SWRCB has developed 4 ranges, based on the residential gallons per capita per day (GPCPD), to determine an individual agency’s conservation standard.

Director Breault noted that of the 17 agencies that are in the range of under 55 GPCPD, 6 are BAWSCA members. If Brisbane, GVMID and San Francisco were not included, the Bay area region accounts for 50% of the agencies that are in the lower range.

Director Breault also noted that the reduction standard that is being applied to agencies is based on the agencies’ residential consumption, but the conservation standard that must be achieved by the agency is based on its overall potable water use.

Agencies will have the challenge of balancing the cutbacks among its residential, large landscapes and CII customers.

Director Bronitsky commented on how (1) a tiered rate structure, under Prop 218, discourages the concept of conserving, and (2) financial incentives from the State can help agencies achieve the cutback requirements. He hopes BAWSCA’s letter can address those issues.

Ms. Sandkulla stated that the SWRCB plans to implement fines. How those fines play into rate structures may go a long way for the agencies. This issue is something the agencies will have to consider.

With regards to financial incentives from the State, Ms. Sandkulla explained that BAWSCA's conservation programs currently receive grant funds through Prop 84. Those funds benefit the High Efficiency Toilet, Washing Machine, and Lawn Be Gone rebate programs. Additionally, BAWSCA is preparing to submit a joint grant application with Cal Water, which Adrienne Carr will report on under a subsequent agenda item.

Mr. Hurley added that the Executive Order includes provisions on water rates. The State is looking to develop some assistance for agencies to incentivize reductions in water use through changing rate structures.

Director Pierce asked whether the goal of SWRCB is to get everyone in the range of under 55.

Mr. Hurley reported that the answer to that question is a topic for debate because there are agencies with residential use of up to 250-300 GPCPD that can reduce by 35% and still have water use that may be triple of what agencies on the lower end are using.

Mr. Hurley noted that 8 of the 20 agencies with the lowest per capita use in the State, are BAWSCA member agencies.

Residential consumption will be used to identify an agency's conservation standard. However, the total water consumption will be used to assess an agency's performance and compliance with the regulation. This includes all customer classes, and will focus on potable supply.

The current reporting requirements from urban water suppliers are on residential use only. The new regulations will require reporting on production on a monthly basis, on all customer categories.

In response to Director Weed, Ms. Sandkulla explained that untreated groundwater use is not incorporated in SWRCB calculations. Some BAWSCA agencies, such as Stanford, use non-potable groundwater to irrigate their landscapes.

Mr. Hurley stated that it is not clear yet how agencies will be tracked on their reporting and if penalties will be assessed on a monthly basis.

Implementation will start in June to include the summer months, when most of the conservation potential is. BAWSCA will look into how the agencies' conservation efforts throughout the year will be accounted for in their overall conservation performance.

Enforcement will be both informal and formal. Informal enforcement will include letters that serve as a reminder of agencies' requirements and an alert for lack of

compliance. There will be informational orders that will provide a prescription on what agencies need to do to meet requirements.

Formal enforcement will include a cease and desist order, and fines of up to \$10,000 per day for those who refuse to comply.

Mr. Hurley noted that these are new state board actions with no precedence anywhere else, therefore the administration will be a developing process.

All aspects of the Executive Order and regulations will be subject to compliance and enforcement. Agencies that do not report their usage, implement the required provisions, or fail to meet their target will be deemed non-compliant and subject to fines.

In response to Director Bronitsky, Mr. Hurley stated that if Foster City is unable to achieve its conservation standard of a 15% reduction, they will be subject to fines, even though neighboring communities are achieving their target.

Director Guzzetta stated that demands are hardened and drought conditions will have serious impositions. Fixing leaks and reducing irrigation use made a difference during the drought of 1977-78. But these methods are no longer effective. California has a system that hasn't been improved in many years. The water managers that member agencies report to need to look at ways to make the system more reliable. 50 GPCPD is not a lot of water. Any less than that is below health and safety standards.

Director Keith agreed and reported that at an ACWA event, San Jose Mayor Sam Liccardo stated that as a society, Californians have to make changes to become more drought proof.

Director Bronitsky stated that the choice of not building a desal plant because it will be redundant should be reconsidered, and instead, be looked at with the perspective of building it for the redundancy.

Director Weed added that desalination and water transfers are options to recycled and direct potable water that are cost competitive.

Mr. Hurley reported that the specific provisions of the Governor's Executive Order include the collective replacement of 50 million square feet of lawns, prohibitions on irrigation of public street medians with potable water, requirement of all new homes and buildings to use drip irrigation or microspray systems to water landscape, update of the State Model Water Efficient Landscape Ordinance by DWR, and update of efficiency standards for water appliances via emergency regulations by the California Energy Commission.

Comments on SWRCB's draft framework are due on April 13<sup>th</sup>. BAWSCA is putting together a comment letter that will incorporate input received from the

member agencies. SWRCB is expected to release draft regulations on April 17<sup>th</sup>. Public hearings will be held on either May 5<sup>th</sup> or 6<sup>th</sup>, where approval of the regulations are expected to take place.

BAWSCA will coordinate with the SFPUC on the applicability of the WSA drought plan, the SFPUC's request for voluntary 10% reduction, and implications to the wholesale water rates.

Ms. Sandkulla stated that the wholesale rate package for FY 2015-16 included an assumption of a 10% reduction. She and Christina Tang will confirm with San Francisco that it is financially capable of accommodating the anticipated water use reductions, and resulting reduction in revenue received from the Wholesale Customers, without an impact on the operation of the Regional Water System.

Mr. Hurley reported that BAWSCA facilitated, and will continue to facilitate discussions between the State Board staff and member agency staff on implementation. As a result of the first call held on this topic with the member agencies, it was agreed upon by the member agencies that the BAWSCA website will serve as the host for information on the various water use prohibitions and conservation program information that the different agencies have.

Also resulting from the call was agreement on the development of a lawn watering schedule that would apply throughout the region. The goal is to assist residential customers in understanding efficient outdoor water use as opposed to wasteful practices. The agencies in Santa Clara and Alameda counties support the effort because it is a broad message that is easy to understand and keeps the message of water conservation out in the communities.

Ms. Sandkulla explained that when the Governor's order came out in March, the message that many remembered is that they can only water their lawns twice a week. BAWSCA's message has been to turn off sprinklers during the cooler months when there is no need for irrigation. But, as the summer months approach, people will begin to think about turning their irrigations on. A message about how often people should irrigate and stay in compliance with the Governor's Executive order is essential. It is part of the educational component that is critical to getting the message across.

3. Regional Conservation Programs – BAWSCA Water Resources Analyst, Andree Johnson, reported that BAWSCA's conservation efforts will be expanded to assist member agencies in responding to the drought.

Pending Board approval, BAWSCA will continue to offer all existing conservation programs in FY 2015-16. Three new programs will be offered to member agencies - a Weather-Based Irrigation Controller Incentive Program for large landscapes, a water-efficient fixture "Give-Away", and the incorporation of a design assistance component in the Lawn Be Gone program (LBG).

The goal of the design assistance component to the LBG program is to encourage applicants to get their lawn removal process started. Ms. Johnson reported that Menlo Park launched a conserve-a-scape program in 2014, which provided a landscape contractor to assist LBG applicants with their landscape design. The agencies have expressed a lot of interests on all additional programs.

In response to Director Mendall, Ms. Sandkulla reported that the cap on the rebate amount for the LBG was removed, and the rebate amount per square footage was increased last year. She added that the current terms and conditions for the LBG are very strict because when the program was developed in FY 2010-11, it was developed without the anticipation of a drought. Given the current conditions, Ms. Sandkulla stated that BAWSCA will propose a component on the program that will encourage water customers to allow their lawn to brown, apply for the program, and plant when the drought is over and water is available. Andree will be talking with the Water Resources Committee on April 14<sup>th</sup> about how to best make that change on the program.

BAWSCA's fellow, in partnership with CivicSpark, has finished distributing BAWSCA's conservation rebate program materials to retailers throughout the service area, and is now providing training to staff of selected retail stores on how to help their customers take advantage of the conservation programs.

BAWSCA has also hired a summer intern who will assist with the outreach efforts by having a presence in member agencies' local events where information can be provided.

Lastly, BAWSCA is continuing to use existing grant funds on conservation programs, and is pursuing additional funding where available through the latest Prop 84 and Prop 1 round, which Adrienne will report on under a later item.

Currently, BAWSCA is working with the SFPUC on planning for a summer drought messaging campaign which is targeted to begin in June. The theme will be consistent with the campaign in 2014. New messages and advertising platforms that are more effective are being considered.

Ms. Johnson reported that under this contract with the SFPUC and the selected service provider, BAWSCA member agencies will have access to the full range of services available to the SFPUC. In addition to having a joint message with the SFPUC, BAWSCA will have the ability to work with the consultant to develop materials that are more specific to the needs of the service area. Some of the services available include development of video and print materials, grassroots outreach, and direct mailing. A Water Resources Committee meeting is scheduled on April 14<sup>th</sup> to discuss with agency staff members what kinds of materials and messages would be most helpful and effective for the service area.

In response to Director Keith, Ms. Johnson explained that the costs for the direct mail and advertising campaign services will be rolled into the SFPUC wholesale

revenue requirement. Ms. Sandkulla explained that this mechanism is the most cost-effective way to cover the costs for addressing the drought, and is a chance to look at opportunities for working with SFPUC on these kinds of efforts. BAWSCA will continue to report on the progress.

Director Weed asked if BAWSCA has done a cost-effectiveness study on how much water is saved with each of its conservation programs. Ms. Sandkulla reported that the Annual Conservation Report provides the cost for implementing each program, the estimated savings achieved, and the cost effectiveness compared to the cost of water. The FY 2012-13 report is available on the website, and the FY 2013-14 is being finalized.

4. Proposition 84 Final Round – Update: Senior Water Resources Analyst, Adrienne Carr, reported that this round of the Prop 84 grant is accelerated to specifically fund implementation of drought projects that are ready for execution.

A total of \$40 million is available for the Bay Area region. The grant is targeting large projects of over \$1 million, and is considering all project types. Ms. Carr noted that this is the last time the State will offer matching fund requirement of 25%. She emphasized that the Prop 1 grant rounds will require a matching fund of 50%, and therefore, member agencies are being encouraged to apply for the grant if they have any projects in the queue.

Concept proposals are due on April 20<sup>th</sup>, and selected regional projects will be announced in late May. There is a Bay Area region wide committee that selects the projects and moves them to a state application that will be finalized in August. Funding awards will be announced in December 2015.

Ms. Carr reported that BAWSCA is working with Cal Water to pursue a brackish Groundwater desal project identified as part of the Long-Term Reliable Water Supply Strategy (Strategy). In 2012, BAWSCA submitted a Brackish Groundwater Field Investigation project to the Bay Area Interim Regional Water Management Plan. A significant amount of work for this project was achieved through the development of the Strategy, including a groundwater model. The project is much closer to implementation because of the modeling and the next steps include the drilling of a test well that would be used as a supply well for a potential groundwater desal project. The potential site is located along the coast between San Mateo and Burlingame.

Ms. Sandkulla added that Cal Water has an independent interest in increased dry year reliability, and expressed interest in this specific project as BAWSCA completed the Strategy.

Ms. Carr reported that Cal Water is seeking local matching funds from State PUC in their next rate case in May. If the project moves forward, BAWSCA's cost

will be staff time, and the costs for proposal preparation. BAWSCA will be looking at grant funding to cover BAWSCA's share.

Ms. Sandkulla noted that the question to be answered by this particular project is the yield of the Bay mud at the potential project locations. As realized from the completion of the Strategy, there is a wide range in yield that determines the viability and cost effectiveness of desal projects.

5. Pilot Water Transfer Plan – Update: BAWSCA continues to work with its partners to implement the pilot water transfer plan with EBMUD through the Freeport Facility in the Fall of 2015. In the past few months, BAWSCA has begun new conversations with ACWD and Contra Costa Water District to investigate additional options for transfers to the BAWSCA member agencies.

The current drought is presenting challenges for water transfers, including implications on obtaining environmental approvals. There is increased review of the impacts of water transfers on fish and wildlife, and the Bureau of Reclamation is creating challenges to obtaining potential Warren Act contracts for the use of Folsom South Canal. The Folsom South Canal is one of the facilities EBMUD would need to use to move water from the Sacramento River to the Freeport Facility for delivery to the Bay Area.

Additionally, the regulatory agencies are prioritizing water transfers that fulfill public health and safety needs. There is also increased competition for the water that Yuba County Water Agency (YCWA) is selling. The State has indicated priority for the water by increasing their purchase window. The State and Federal projects are looking to potentially keep that water supply. In addition, other agencies with prior State and Federal contracts may want to purchase the water as well.

Despite the challenges, water transfers continue to remain a priority. BAWSCA will prepare a technical report in June that will present results of work completed to date.

Ms. Sandkulla added that BAWSCA continues to learn a lot from this effort, and is looking at what additional efforts and opportunities can be reviewed to make water transfers possible.

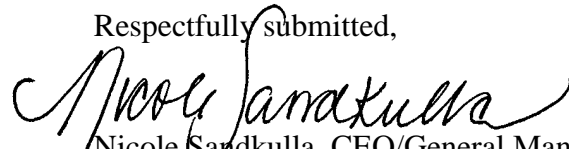
Ms. Carr reported that BAWSCA's draft hydraulic study with the City of Hayward will be a key piece of information for the water transfer. BAWSCA and Hayward will be discussing the preliminary results of the study on how Hayward's system will be impacted during the transfer.

7. Comments by Committee Members: Director Bronitsky thanked the BAWSCA staff for the reports. Director Weed thanked Mr. Hurley for his presentation at the ACWA region 5 meeting on March 23<sup>rd</sup>. There were no additional comments.



8. Adjournment: The meeting was adjourned at 3:20pm. The next meeting is June 10, 2015.

Respectfully submitted,



Nicole Sandkulla, CEO/General Manager

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Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE – April 8, 2015**

**Roster of Attendees:**

**Committee Members Present**

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

**Committee Members Absent**

Louis Vella, Mid-Peninsula Water District

**BAWSCA Staff:**

Nicole Sandkulla	CEO/General Manager
Michael Hurley	Water Resources Manager
Adrienne Carr	Sr. Water Resources Specialist
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
Bud Wendell	Management Communications

**Public Attendees:**

Michele Novotny San Francisco Public Utilities Commission