

**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, January 21, 2016
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. Special Order of Business – Election of Officers for Calendar Year 2016 (Attachment) <ul style="list-style-type: none">• Election of Chair• Election of Vice Chair <i>(The terms of the new Chair and Vice-Chair commence at the end of the meeting at which they are elected)</i>	(Breault)	<i>Pg 3</i>
3. Break for the San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting	(Breault)	
4. Reconvene following San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting	(Breault)	
5. Comments by the Chair	(Breault)	
6. Board Policy Committee Report (Attachment)	(Keith)	<i>Pg 5</i>
7. SFPUC Report	(Kelly)	
8. Public Comments <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>	(Breault)	
9. Consent Calendar (Attachments)	(Breault)	
A. Approve Minutes of the November 19, 2015 Meeting		<i>Pg 17</i>
B. Receive and File Budget Status Report – As of November 30, 2015		<i>Pg 21</i>
C. Receive and File Investment Report – as of December 31, 2015		<i>Pg 23</i>
D. Receive and File Directors' Reimbursement Report – As of December 31, 2015		<i>Pg 25</i>
E. Proposed Fiscal Year 2016-17 Bond Surcharges (Attachment)		<i>Pg 27</i>
F. Authorization to Extend the Lease (Attachment)		<i>Pg 33</i>

10. Action Calendar

(Sandkulla)

- A. Authorize Agreement to Implement Grant Funding for Regional Water Conservation Program (*Attachment*)

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11. Reports

(Sandkulla)

- A. Mid-Year 2015-16 Work Plan and Budget Review (*Attachment*)
- B. Update on the Licensing Activities for the Don Pedro and La Grange Hydroelectric Projects (*Attachment*)
- C. Update on Drought Conditions and Customer Response
- D. State Water Resources Control Board Water Conservation Regulations
- E. CEO/General Manager's Letter (*Attachment*)
- F. Correspondence Packet (*Under Separate Cover*)

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12. Closed Session

(Schutte)

- A. Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9: *Restore Hetch Hetchy v. City and County of San Francisco* Case Number: CV59426

13. Reports and Discussion Items

(Sandkulla)

- A. Fiscal Year 2016-17 Work Plan and Budget Preparation Planning Session (*Attachment*)

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14. Directors' Discussion: Comments, Questions and Agenda Requests

(Breault)

15. Date, Time and Location of Future Meetings (See attached schedule of meetings)

(Breault)

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16. Adjourn to next meeting scheduled for March 17, 2016 at 7pm

(Breault)

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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

Agenda Title: **Election of Officers for Calendar Year 2016**

Summary:

The State Water Code (Division 31, Section 81401) requires the Board to elect a chair and vice chair each year at the January meeting. The term of officers of the Board commences at the close of the meeting at which they are elected.

Discussion:

The suggested process for electing the chair is as follows:

1. Call for nominations for the position of chairperson.
2. Call for a motion to close nominations once no further names are offered.
3. If there is only one nominee, call for the vote.
4. If there is more than one nominee, then proceeding alphabetically:
 - a. Ask each nominee to give a brief statement on his/her qualifications and interest in the position.
 - b. Ask if other directors would like to comment on behalf of the nominee.
 - c. Call for a vote of those in favor of each nominee, by a show of hands.

Following the election of the chair, proceed to the election of vice chair using the same process.

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BAWSCA

Bay Area Water Supply & Conservation Agency

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MEMORANDUM

TO: BAWSCA Board Members

FROM: Nicole Sandkulla, Chief Executive Officer/General Manager

DATE: January 15, 2016

SUBJECT: Summary of Board Policy Committee meeting held December 9, 2015

1. **Call to Order:** Committee Vice Chair Kirsten Keith called the meeting to order at 1:33 pm. A list of Committee members who were present (8), absent (3) and other attendees is attached.

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

2. **Comments by the Chair:** Vice Chair Keith welcomed the Committee members and announced that Committee Chair Bronitsky is traveling.
3. **Public Comments:** Mr. Suhas Ahuja from Smart Utilities Systems (SUS) provided information on SUS' utility product.
4. **Consent Calendar:** Approval of Minutes from the August 12, 2015 meeting.

Director Pierce made a motion, seconded by Director Vella, that the minutes of the August 12, 2015 Board Policy Committee meeting be approved.

Directors Keith and Marsalli abstained. The motion passed.

5. **Action Items:**

- A. **Proposed Fiscal Year Bond 2016-17 Bond Surcharges:** BAWSCA Sr. Administrative Analyst, Christina Tang, presented the proposed bond surcharges for FY 2016-17. The surcharge setting conforms to BAWSCA's Revenue Bond Indenture (Indenture) for Series 2013A and 2014B revenue bonds.

Ms. Tang reported that the Indenture requires BAWSCA to collect an annual surcharge from member agencies to make debt service payments twice a year, pay for expenses associated with administration of the bonds, and replenish the Stabilization Fund as necessary. Based on current review, replenishment of the Stabilization Fund is not necessary at this time.

The annual surcharge is a fixed amount for each agency. The total surcharge amount for FY 2016-17 is \$24,684,779. Based on SFPUC's projected wholesale water consumption of 120mgd for FY2016-17, the equivalent unit cost of the total surcharge is \$0.42/ccf or \$183/AF.

Ms. Tang explained that a true-up adjustment is included in the FY 2016-17 surcharge setting. The true-up adjustment reflects each agency's actual percentage of total water purchases from San Francisco in FY 2014-15, and it reimburses BAWSCA for the bond administration expenses of \$11,044 in FY 2014-15.

The true-up amount is the difference between the actual expenses or cost allocation based on FY 2014-15 purchases, and the estimated cost allocation based on FY 2012-13 purchases.

A true up adjustment is expected every year moving forward.

A table that lists the proposed bond surcharge for each member agency was presented to the Committee. Ms. Tang reported that the total savings for the member agencies in FY 2014-15 as a result of BAWSCA's bond issuance for the pre-payment of old capital debt owed to San Francisco is approximately \$3.5 million.

Director Guzzetta suggested modifications to the titles of the tables in the memo to better characterize the results being presented.

Director Larsson made a motion, seconded by Director Pierce, that the Committee recommend approval of the proposed FY 2016-17 bond surcharges.

The motion passed unanimously.

- B. Authorization to Extend Office Lease: BAWSCA CEO/General Manager, Nicole Sandkulla, reported that the existing lease for BAWSCA's current office space expires on September 30, 2016. In the process of reviewing the lease renewal, BAWSCA's real estate agent advised that BAWSCA reach out to the property owner well in advance of the lease expiration because of the increasing lease rates that has occurred in the market, and the expectation that the rates will continue to increase significantly in the coming months.

Based on that recommendation, BAWSCA was offered an opportunity to renew the lease early and lock in at the then current market rate of \$3.75/sq. ft. Ms. Sandkulla noted that in the few weeks since the proposed rate was offered to BAWSCA, the market rate has already gone up to \$4/sq. ft. within the local area, and is continuing to climb.

The rate under the current lease is \$2.48/sq. ft. The proposed rate would become effective October 1, 2016 with a resulting net monthly rent increase of \$4,233.

Ms. Sandkulla stated that the proposed rate of \$3.75/sq. ft. falls within the range of rates BAWSCA has paid in the past which is \$1.85/sq. ft. - \$4.25/sq. ft.

Ms. Sandkulla also noted that the early lock-in offer will have no impact to the current fiscal year. BAWSCA will continue to pay the current rate of \$2.48/sq. ft. until September 30, 2016. The proposed rate of \$3.75/sq. ft. will take effect on October 1, 2016, and will be included in the FY 2016-17 budget.

Alternative locations were reviewed and the current location proves to offer the best value to the agency.

Since BAWUA, BAWSCA's predecessor, has had staff, San Mateo has been the most central location for the member agencies and their staff, the SFPUC, and BAWSCA staff members who all travel back and forth to meetings at each other's locations. This premise continues today and proves to be the most effective location given the worsening traffic conditions.

Ms. Sandkulla stated that renewing the current lease now and locking in on the proposed rate that is less than current market value is cost-effective for the agency, as opposed to waiting until Summer, or considering a different office location in the vicinity that would likely have a higher rate in addition to the additional expenses associated with moving.

Staff also looked into different site locations outside of the current vicinity, particularly in the East Bay across San Mateo Bridge into Hayward and Union City area. The office spaces found were not as conducive to BAWSCA's needs because they were generally larger, commercial type spaces that would require significant layout changes. Based on a market survey performed by BAWSCA's real estate agent of available spaces in the East Bay, it was not evident that there would be available office space to fit BAWSCA's needs, or a lower cost lease rate, or overall reduced cost given necessary tenant improvements and relocation expenses.

Ms. Sandkulla stated that the overall cost of relocating would not result in significant savings, and would negatively impact efficiency for member agencies and BAWSCA staff when they travel to attend meetings that are regularly scheduled and also occur on an as-needed basis.

The recommendation is to extend the current lease at the proposed rate of \$3.75/sq. ft., for a period of five years.

In response to Director Breault, Ms. Sandkulla noted that the proposed lease will have an annual 3% increase for common area maintenance expenses, which is consistent with the current lease agreement. Ms. Sandkulla stated that previous lease agreements in past years had up to a 4% annual increase because of market conditions.

Director Breault supports the recommendation and stated that even with the 3% annual increase, it would be 3 years into the 5 year lease before the lease reaches what is currently the market rate.

Director Weed supported the recommendation, and encouraged staff to look into government agencies that sublet spaces as part of any future review of office space.

Director Guzzetta advised to include detail in the memo on the history of the lease rates BAWSCA has had in the past, given that the renewal is a 50% increase from the current rate, but within the rates previously paid.

In response to Director Vella, Ms. Sandkulla stated that the current lease total is \$105,000, or approximately 3% of the agency budget. The renewal lease, taking into account the new rate of \$4.75/sq. ft. that will not go in effect until October 1, 2016, will result in total lease costs of \$137,000 in FY 2015-16, or approximately 4% of the current fiscal budget.

Director Vella supports the recommendation and stated that commercial space lease rates will continue to climb in the next few years. He appreciates BAWSCA's initiative and efforts to negotiate an early agreement and obtain a lower rate than that of the current market value. He encouraged staff to pursue early negotiations of the next lease, and to look at subletting opportunities as mentioned by Director Weed. Lastly, Director Vella suggested including information in the staff memo that would present average commercial vacancy rates in the local vicinity.

Director Guzzetta inquired, and committee discussions followed, about consideration of changing the Board meeting time from an evening meeting to a daytime meeting due to worsening traffic trends.

Ms. Sandkulla stated that the Board meeting time was established during the early development of BAWSCA, and has not been reviewed since.

The committee discussed that while the decision of having the Board meetings in the evening was most likely associated with the common time of council meetings, public access, and Board Member schedules, the committee supports a re-consideration of the Board meeting time, and potentially changing it to a daytime meeting, because of the worsening traffic congestion.

Director Keith noted that BAWSCA looked into the CalTrain office as a meeting location that would be close to public transportation. The venue was unfortunately not available with the current meeting time, but may be available if the meeting was held during the day.

Director Larsson cautioned that the end time of a daytime meeting can fall right into the afternoon commute time, which would not be an improvement to the current circumstances.

Ms. Sandkulla will work with staff, legal counsel, and Chair Breault to re-examine the benefit of moving the Board Meeting time.

Director Vella made a motion, seconded by Director Pierce, that the committee recommend Board authorization of the CEO/General Manager to extend the current lease for a period of five years.

The motion carried unanimously.

6. Reports:

- A. Water Supply Update: Mr. Hurley presented the series of charts that are regularly used to show the regional water system's storage levels, precipitation and snowpack, total deliveries, and cumulative savings.

As of December 6th, Hetch Hetchy is at 71% of capacity and the water bank is at a slight reduction to 31% of capacity. Mr. Hurley reported that SFPUC is trying to increase the storage at its upcountry reservoirs in the next few months.

The 2015-16 Water Year has had a good start with precipitation levels staying above the median level. While the snowpack is a bit below the median, it is expected to bump up with the forecasted weather conditions.

Upcountry 6-station precipitation during the months of October and November were above historic median, and the trend is expected to continue through December with the current weather forecast.

The region continues to be well below the water use reduction target, and above the target cumulative savings.

Director Weed noted that with the current 141 mgd deliveries for the entire system, including San Francisco, the region is running at less than 50% of Hetch Hetchy system's capacity.

Mr. Hurley stated that there has been significant water use reduction, and reported that BAWSCA agencies achieved an overall savings of 29% from June through October 2015. Of the 26 member agencies, nineteen agencies have achieved 100% of the 9-month target within a period of 5 months.

To comply with the emergency regulations, the savings target between June 2015 and February 2016 was approximately 10 billion gallons. Mr. Hurley reported that BAWSCA agencies exceeded the target by 2.5 billion gallons in the June through September 2015 period alone. If there was a regional compliance component to the emergency regulations, BAWSCA agencies would have met that in 5 months.

Mr. Hurley reported that despite the wet weather pattern, BAWSCA continues to work in anticipation of another drought year. BAWSCA recently completed an update of the regional Model Water Efficient Landscape Ordinance (MWELO) as required by the State emergency regulations.

Under the emergency regulations, agencies are required to adopt, by December 1, 2015, an updated local or regional ordinance that is at least as effective as the ordinance developed by the Department of Water Resources (DWR). BAWSCA's updated ordinance has been distributed to the member agencies for their use and consideration. The ordinance has also been shared with Santa Clara Valley Water District, who has been following BAWSCA's work on the update, and will likely adopt an ordinance consistent with BAWSCA's.

Given the successful customer response to the conservation message to date, the regional drought campaign message will be modified to thank customers for their conservation efforts, encourage them to continue despite the wet weather patterns, and emphasize that emergency state regulations have been extended through October 2016.

Lastly, Mr. Hurley reported that BAWSCA, along with SFPUC, is an active participant in the State Water Resources Control Board's (SWRCB) consideration of potential modifications to the conservation regulations. SWRCB held a workshop on December 7th, which BAWSCA provided comments through a letter addressed to the Chair, Felicia Marcus. The letter asserts that any modifications to the regulations should avoid re-directing any additional conservation savings burden on low water using communities that are at or near health and safety standards.

Mr. Hurley reported that Chair Marcus indicated at the recent ACWA conference that the SWRCB Board does not have direct discretion for changing the Governor's orders. However, it recognizes the need for careful review of the various proposals of modification.

Ms. Sandkulla added that Chair Marcus also spoke about adjusting the baseline to accommodate already low water using agencies with the Governor's firm directive. Ms. Sandkulla reported that she and Steve Ritchie conveyed the message when they participated

in a SWRCB meeting attended by Chair Marcus, SWRCB staff members, and other stakeholders.

At the December 7th workshop, Mr. Hurley reported that the proposed changes included climate adjustment, growth adjustment, recycled water adjustment, sustainable supplies credits, groundwater credits, and regional compliance option. The environmentalists were not supportive of the proposals and pointed out that what is currently in place is working.

Chair Marcus indicated at the workshop that she sees the extension as an emergency measure and not indicative of any long-term decision by the State. BAWSCA will keep a close watch on the developments, provide regular updates to BAWSCA's Water Management Representatives, and coordinate with other organizations accordingly.

Director Breault asked if BAWSCA has considered how the SWRCB Board's perspective on the current "water use off-sets" impacts BAWSCA's Long-Term Water Supply Reliability Strategy.

Mr. Hurley stated that the most vocal participants in the process are those with stranded assets. The classic case is the San Diego County Water Authority who has worked decades in developing its desalination plants. Those plants are scheduled to go online but the agency will not be able to take advantage of the supplies given how the SWRCB conservation standards are currently being applied and implemented.

Mr. Hurley explained that the SWRCB Board recognizes that how they clarify the intent of the current process is going to be key to what will be included in future standards. SWRCB has tried to focus the discussions on the extension of the emergency regulations through October 2016, rather than a long-term regulation.

Ms. Sandkulla added that the State Board recognizes that it does not want to put agencies in a position that would discourage individual water agencies' desire to make future investments to improve water supply reliability.

In response to Director Guzzetta, Ms. Sandkulla stated that BAWSCA staff looks at the monthly SFPUC Hydrological Reports as a way to keep track of the SFPUC's Water First Policy, SFPUC's optimization of system operation to benefit water supply as opposed to power.

Legal Counsel, Allison Schutte, added that the Water Supply Agreement memorializes the Water First Policy, which adds a contractual promise to SFPUC's enforcement of its own policy.

In response to Director Keith, Mr. Hurley explained that the SFPUC's water bank will fill provided that this year is an average water year. Ms. Sandkulla added that by April, SFPUC would be able to project whether water bank will fill based on the snow levels and projected runoff.

Mr. Hurley added that with the improvements the SFPUC has made to the Cherry Reservoir in 2014, it can be a source of drinking water supply this year if dry conditions continue.

In response to Director Weed, Ms. Sandkulla reported that the FERC process continues. A staff memo will be included in the January 2016 Board Meeting packet to provide a status

report with a presentation at the Board meeting to provide an opportunity for the Board to discuss current developments.

- B. Pilot Water Transfer Progress Report: Ms. Sandkulla provided an update on the progress of the Pilot Water Transfer Plan (Pilot). A meeting between BAWSCA, EBMUD and Yuba County Water Agency (YCWA) was held on December 2nd to discuss current developments.

Ms. Sandkulla reported that EBMUD is planning for 100% operation of its Freeport Facility this water year to deliver water to its service area using water purchases from their Bureau of Reclamation contract, Placer County Water Agency, and YCWA. As a result, YCWA will not have any water that it can sell to BAWSCA, and Freeport will not have the capacity to move water for the Pilot.

All the parties, however, remain very interested in the Pilot, and are in agreement that it is to everyone's benefit to continue the discussions.

Ms. Sandkulla reported that EBMUD is firming up their ability to use the Freeport Facility with non-Bureau water, which would require them to obtain a Warren Act Agreement from the Bureau. Last year, the Bureau was very cautious about providing a Warren Act Agreement and allowing non-Bureau water to move through the Bureau's Folsom South Canal because of concerns about the drought. Because the Freeport Facility is EBMUD's own facility, it is strongly pursuing the agreement to establish a history of operating the Freeport Facility with non-Bureau water. Ms. Sandkulla stated that BAWSCA and YCWA are supportive of EBMUD, and that securing the required agreements, such as the Warren Act Agreement, is a critical piece of the process.

BAWSCA's current effort with EBMUD is focused on ensuring that the partnership agreement between the agencies provides the level of security that ensures BAWSCA will receive the benefits of being a partner in the operation of Freeport Facility during a transfer.

Ms. Sandkulla was pleased to report that the operational concerns with Hayward have been effectively resolved, and that discussions related to compensation continue to move forward.

Director Weed commented that given the dramatic drop in water consumption, BAWSCA should re-consider the need for a pilot water transfer project in the immediate term, and put it on an indefinite suspension. There are other alternatives that may have far less conflicts and uncertainties than that of the Pilot.

Ms. Sandkulla stated that the recent Strategy report provided several potential projects, including the Pilot, for alternative sources of water supply. Her continued recommendation is to move forward with pursuing all recommended projects, including the Pilot, because history has shown that none of these projects happen immediately. All of them require multiple partners, and much more needs to be analyzed for each project before any final recommendation or decision can be made about which project to invest in.

With the level of investment that BAWSCA is currently making on the Pilot, BAWSCA needs to make the most of getting all questions answered so that its recommendations are based on solid information. She added that any recommended project will require significant capital investment or a significant contract with another or multiple agencies, and therefore, it is necessary to analyze viable alternatives to ensure that the correct decision is being made.

One main reason water transfers was identified as a highly desirable alternative water supply project was because it required minimal capital, but multiple partners.

Ms. Sandkulla added that the progress made with Hayward on the intertie discussions has yielded valuable results that benefit everyone, including San Francisco and EBMUD. For example, the discussions of issues related to the Pilot identified physical fixes that would improve the operation of the Hayward Intertie in its current emergency capacity.

- C. Mid-Year 2015-2016 Work Plan and Budget Review: Ms. Sandkulla presented the mid-year work plan review, the FY 2015-16 budget review, and a new approach for the FY 2016-17 work plan and budget preparation.

She reminded the Committee that BAWSCA's work plan for the year is based on the results the agency wants to achieve by the end of the fiscal year. Ms. Sandkulla highlighted a few areas of the work plan and was pleased to report that all tasks are on schedule, and expenditures are within budget.

The tasks associated with drought reliability and support of agencies' efforts to achieve their conservation targets are areas of the work plan with increased costs compared to previous years.

BAWSCA's oversight of the SFPUC's progress on the WSIP, 10-year CIP, and asset management has been a big effort that will continue through the fiscal year and into the next. She was happy to report that BAWSCA's efforts are yielding very good results.

Ms. Sandkulla reported that the SFPUC recently adopted some schedule changes to the WSIP for projects that are in operation and meeting the level of service goals. The extension of time was needed to do closeouts and complete final negotiations of settlements.

She highlighted that a budget adjustment for the WSIP in the range of \$30-50 million is expected in the next couple of months. The SFPUC indicates that the budget adjustment will have to be funded through a deferral of an equivalent amount of dollars that are allocated in the 10-year CIP to result a net zero rate change increase.

Ms. Sandkulla stated that BAWSCA is concerned with SFPUC's deferral of capital improvements to stay within a pre-determined rate increase, and reported that she has clearly expressed this concern with the Commissioners. She reported that Mr. Hurley, along with BAWSCA's consultants, will be meeting with SFPUC to look at the specifics details of the deferral in January. While the deferral might be acceptable, BAWSCA will be closely monitoring what happens to the 10-year CIP budget as a result of these changes.

BAWSCA's efforts with the SFPUC on the 10-year CIP have been focused on the Mountain Tunnel, and have produced positive results in pushing San Francisco to keep the project moving, do what needs to be done to protect the interests of the water customers, and ensure that plans are in place in the event of a failure.

BAWSCA's settlement negotiations with San Francisco on the classifications and cost allocations for certain regional water system assets continues to make progress, and is anticipated to be resolved this fiscal year.

Ms. Sandkulla reported that the fiscal year expenditures are in accordance with the work plan, and no work plan or budget adjustments are recommended. She explained that minor expenditure differences that occurred fell within the CEO/General Manager's discretionary expense authority. She called out the Bay Area Regional Reliability (BARR) Partnership, which the Board authorized at its July 2015 meeting. The total expenditure of \$50,000 will be booked in the current year, as opposed to the anticipated expense being split between FY 2014-15 and FY 2015-16. This is due a delay in BARR's billing. Ms. Sandkulla reported that this additional expense will be accommodated this fiscal year thru decreases in other planned expenditures that will not be occurring this fiscal year.

Legal counsel expenses on the litigation are currently within budget. Expenditures will be reviewed again in March 2016 for any necessary adjustments that may arise.

Ms. Sandkulla reminded the Committee of BAWSCA's unique budgetary process which begins with identifying the critical issues in the near and long-term. BAWSCA looks up to 30 years ahead and works backwards towards the present to identify the results that must be achieved every 5-10 years and in the current fiscal year. This process allows BAWSCA to plan its resources during its work-plan and budget development in a way that ensures critical issues are identified in sufficient time to achieve necessary results.

Ms. Sandkulla stated that a presentation of the long-term critical issues and preliminary fiscal year work plan development is typically presented to the Committee in December. However, in response to interest expressed by the Board, Ms. Sandkulla is proposing an opportunity for Board input on long and near-term issues at its January meeting, to foster 1) Board input during the time when it has the ability to impact the work plan and budget development, as opposed to receiving them throughout the year, and 2) discussion on work plan and budget priorities of the agency.

Ms. Sandkulla will review the Board's input received at the January meeting and present her recommendations to the Committee at its meeting in February, where she will discuss what items are included in the recommended preliminary work plan and budget, and why. She emphasized that BAWSCA's strength has been its ability to achieve results. Her recommendations will be based on what the agency can achieve most effectively for the member agencies' best interests according to the resources it has available. She noted that unlike most cities and water districts, BAWSCA operates with only 8 full time staff and 1 part-time staff and therefore, resource constraints are a critical component of work plan and budget development.

Following committee discussions, the recommended preliminary work plan and budget will be presented to the Board in March for further discussion and development for the Committee's consideration in April, and the Board's adoption in May.

Director Weed noted that contingency in water operations and supply is a critical item for consideration in the work plan. Specifically, he pointed out two elements in the Water Supply Agreement: (1) an individual member agency's ability to sell a portion of its San Francisco Supply Assurance to another member, and (2) San Jose and Santa Clara having temporary and uninterruptible contract status with SFPUC.

Ms. Sandkulla reported that BAWSCA continues to have conversations with the SFPUC about how to make Santa Clara and San Jose permanent wholesale customers. She noted

that this is a decision that only the SFPUC can make and that may or may not be acceptable to San Jose and Santa Clara. The other member agencies may or may not have a role in this decision depending upon how that agreement would relate the the existing WSA.

7. **Comments by Committee Members:** There were no further discussions.

8. **Adjournment:** The meeting was adjourned at 2:48pm. The next meeting is February 10, 2016.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – December 9, 2015

Roster of Attendees:

Committee Members Present

Kirsten Keith, City of Menlo Park (Vice Chair)
Randy Breault, City of Brisbane/GVMID (BAWSCA Chair)
Rob Guzzetta, California Water Service Company
Gustav Larsson, City of Sunnyvale
Jerry Marsalli, City of Santa Clara
Barbara Pierce, City of Redwood City
Louis Vella, Mid-Peninsula Water District
John Weed, Alameda County Water District

Committee Members Absent

Charlie Bronitsky, City of Foster City (Chair)
Al Mendall, City of Hayward (BAWSCA Vice Chair)
Irene O'Connell, City of San Bruno

BAWSCA Staff:

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

Public Attendees:

Suhas Ahusa	Smart Utilities Systems
Michelle Novotny	San Francisco Public Utilities Commission
Paul Sethy	Alameda County Water District

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

**November 19, 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. Acting CEO/General Manager, Michael Hurley, called the roll. Nineteen (19) members of the Board were present, constituting a quorum. A list of Directors present (19) and absent (7) is attached.

2. Comments by the Chair: Director Breault stated that the constituents of BAWSCA member agencies continue to face a major water supply issue with the risk of a catastrophic failure in Mountain Tunnel. A failure could mean the sudden loss of the entire water supply from Hetch Hetchy Reservoir, which amounts to 85% of the water used by customers of the member agencies. BAWSCA's immediate challenge is to work closely with the SFPUC to ensure that there is an Emergency Operations Plan in place in case of a collapse, and that the SFPUC develop a strategy to fix or bypass a substantial part of the tunnel before it collapses.

BAWSCA continues to urge the SFPUC to expedite their efforts on Mountain Tunnel since BAWSCA was informed of the risks of collapse 2 years ago. Several strong statements have been made to the Commission by BAWSCA's CEO, and recently, a letter with detailed questions about how the wholesale customers can be protected was sent by Mr. Hurley. SFPUC's response to these recent questions provides several thoughtful and encouraging answers.

BAWSCA remains concerned with what sources of alternative supplies exists if the tunnel collapses, what short-term fixes are in place should the tunnel fail, what long-term solutions are there to ensure the system's reliability, and what determination does SFPUC have to accelerate decision-making to achieve results. BAWSCA will continue to take the necessary steps to protect the water customers of the BAWSCA service area.

The Board's continuing support for this effort is essential for its success. While some may suggest that the probability for collapse of the Mountain Tunnel is low, the consequences of a collapse are unacceptably high.

3. Board Policy Committee (BPC) Report: In the absence of Committee Chair, Charlie Bronitsky, BAWSCA Chair Breault reported that the Committee did not meet in October.**4. Public Comments:** There were no public comments.**5. Consent Calendar:**

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

- **Approval of the September 17, 2015 Meeting Minutes;**
- **Receipt and filing of the Budget Status Report as of September 30, 2015;**
- **Receipt and filing of the Annual Audit Report for BAWSCA, and Compilation Report for BAWUA for FY 2014-15;**
- **Receipt and filing of Directors' Reimbursement Report as of September 30, 2015;**
- **Receipt and filing of the Investment Report as of September 30, 2015; and**
- **Receipt and filing of the Bond Surcharge Collection, Account Balance and Payment Report as of September 30, 2015.**

The motion carried unanimously.

6. Action Calendar:

A. Authorization to Negotiate and Execute a Contract Amendment with PG&E for the Washing Machine Rebate Program.

Mr. Hurley reported that the proposed contract is consistent with the previous years' contract for the program.

Director Pierce made a motion, seconded by Director Quigg, 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.**

The motion carried unanimously.

7. SFPUC Report: SFPUC Assistant General Manager of Water Enterprise, Steve Ritchie, provided a report on current water supply conditions, and reported that the SFPUC is planning for another conservation year. He also provided a progress report on Lower Cherry Aqueduct and Mountain Tunnel.

SFPUC Chief Financial Officer and Assistant General Manager of Business Services, Eric Sandler, reported on the wholesale water rate calendar, calculation and the projected wholesale rate range for FY 2016-17. .

8. Reports: Water Resources Manager, Michael Hurley reported on the Governor's extension of water use regulations, the State Board's consideration of changes to the regulations, and the overall water conservation performance of the region.

A progress report was also provided to the Board on BAWSCA's efforts with seven project areas to implement the recommendations in the Long-Term Reliable Water Supply Strategy.

13. Directors' Discussion: Mr. Ritchie provided a brief update on the Calaveras Dam in response to Director Piccolotti. He also provided information he was aware of regarding San Mateo County's progress on the county road crossing Crystal Springs Dam in response to Director Benton.

Director Breault announced that he and Vice Chair Mendall are hosting a briefing meeting for the newly appointed directors in January.

14. Date, Time and Location of Next Meeting: The next meeting is scheduled on January 21, 2016 in the Wind Room, Foster City Community Center.

15. Adjournment: The meeting adjourned at 8:33 pm.

Respectfully submitted,

Michael Hurley
Acting Chief Executive Officer/General Manager

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Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board of Directors Meeting
November 19, 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
Tom Chambers	Westborough Water District
Jose Esteves	City of Milpitas
Michael Guingona	City of Daly City
Rob Guzzetta	California Water Service Company
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
Barbara Pierce	City of Redwood City
Dan Quigg	City of Millbrae
Sepi Richardson	City of Brisbane
Greg Schmid	City of Palo Alto
John Weed	Alameda County Water District
Tom Zigterman	Stanford University

Absent:

Charlie Bronitsky	Estero Municipal Improvement District (City of Foster City)
Mike Kasperzak	City of Mountain View
Kirsten Keith	City of Menlo Park
Sam Liccardo	City of San Jose
Jerry Marsalli	City of Santa Clara
Irene O'Connell	City of San Bruno
Louis Vella	Mid-Peninsula Water District


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: December 30, 2015

SUBJECT: Budget Status Report as of November 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 five-month period ending November 30, 2015, 42 percent into the fiscal year, total expenditures were \$1,247,220 or 39 percent of the total budget of \$3,201,679.

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

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	807,450	247,675	31%
Fair Pricing	415,000	142,730	34%
Administration	85,000	53,735	63%
Subtotal	1,307,450	444,141	34%
Administration and General			
Salary & Benefits	1,518,529	692,779	46%
Other Expenses			
BAWSCA	313,200	110,301	35%
BAWUA	1,100	0	0%
Subtotal	3,140,279	1,247,220	40%
Capital Expenses	2,500	0	0%
Budgeted Contingency	57,500	0	0%
Regional Financing Authority	1,400	0	0%
Grand Total	3,201,679	1,247,220	39%

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 33 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 43 percent expended. The Operating Budget allocation of \$586,500 budget for legal counsel was 37 percent expended. The \$257,450 budget for water management and conservation-related activities was 24 percent expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 46 percent and 35 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 General Reserve balance as of November 30, 2015, shown below, reflects this deposit.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 09/30/15)	Account Balance (As of 11/30/15)
General Reserve	\$225,461	\$776,620

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 \$352,378 occurred November 30, 2015. The BAWSCA General Reserve balance as of November 30, 2015, shown above reflects this deposit.



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: January 4, 2016

SUBJECT: Investment Report – As of December 31, 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>09/30/15</u>	<u>12/31/15</u>
\$1,328,757	\$1,828,757

Of the total in the BAWSCA LAIF account as of December 31, 2015, \$776,620 represents BAWSCA's General Reserve Fund, equivalent to approximately 24 percent of FY 2015-16 Operating Budget. The remaining amount consists of Subscription Conservation Program funds and unrestricted funds. At the May 21, 2015 meeting, the Board authorized the reimbursement to BAWSCA's General Reserve of the unspent Water Management Charge funds associated with the development of the Strategy. This reimbursement of \$352,378 was transferred on November 30, 2015.

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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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: January 4, 2016

**SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending
December 31, 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 December 31, 2015.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Proposed Fiscal Year 2016-17 Bond Surcharges**

Summary:

This memorandum presents the proposed bond surcharges for each agency for FY 2016-17. The surcharge would take effect on July 1, 2016. This surcharge setting conforms to BAWSCA's Revenue Bond Indenture (Indenture) for the Series 2013A and 2013B revenue bonds.

Board Policy Committee Action:

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

Recommendation:

That the Board approve the proposed FY 2016-17 bond surcharges as presented in this memorandum.

Discussion:

The bond surcharge for each member agency is a fixed amount each fiscal year as adopted by the BAWSCA Board to ensure collection of necessary revenue to pay that year's obligated debt service as defined in the indenture. Bond surcharges were first collected in FY 2013-14.

The annual surcharges for FY 2016-17 are calculated by multiplying the obligated debt service in 2017 by each agency's percentage of total wholesale customer purchases in FY 2014-15, and adding a "true up" adjustment for the FY 2014-15 surcharges. This "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2014-15 and to reimburse BAWSCA for some expenses incurred in FY 2014-15 in connection with the bond administration that were paid through BAWSCA's FY 2014-15 operating budget.

Per the Indenture, the Rate Stabilization Fund at the Trustee has been reviewed and no replenishment amount is determined necessary at this time. One-twelfth of the annual surcharge, or the monthly surcharge, will be included in the first water bill from San Francisco sent to the agencies each month.

The proposed FY 2016-17 bond surcharge for each agency is shown in Table 1. Table 2 shows how the "true up" adjustment for each member agency is determined and included in the proposed FY 2016-17 surcharge amount. Table 3 indicates how much the capital recovery payment cost would be in FY 2014-15 (column A) if BAWSCA didn't issue the bonds to prepay the capital debt that the agencies owed to San Francisco. The actual savings to each agency in FY 2014-15 (column D) are calculated accordingly.

Table 1. Proposed BAWSCA FY2016-17 Bond Surcharges

FY 2016-17			FY 2016-17		
Agency	Annual Bond Surcharge	Monthly Bond Surcharge	Agency	Annual Bond Surcharge	Monthly Bond Surcharge
Alameda County WD	\$1,558,173	\$129,848.00	Mid Pen WD	\$475,458	\$39,621.00
Brisbane Water	\$56,122	\$4,677.00	Millbrae	\$357,620	\$29,802.00
Burlingame	\$721,022	\$60,085.00	Milpitas	\$947,301	\$78,942.00
Coastside County WD	\$312,002	\$26,000.00	Mountain View	\$1,418,842	\$118,237.00
CWS - Bear Gulch	\$2,080,590	\$173,383.00	North Coast WD	\$705,660	\$58,805.00
CWS - Mid Peninsula	\$2,576,594	\$214,716.00	Palo Alto	\$1,800,952	\$150,079.00
CWS - South SF	\$1,038,931	\$86,578.00	Purissima Hills WD	\$302,169	\$25,181.00
Daly City	\$591,866	\$49,322.00	Redwood City	\$1,536,238	\$128,020.00
East Palo Alto WD	\$260,819	\$21,735.00	San Bruno	\$169,848	\$14,154.00
Estero Municipal ID	\$859,152	\$71,596.00	San Jose (North)	\$978,597	\$81,550.00
Guadalupe Valley	\$74,693	\$6,224.00	Santa Clara	\$320,384	\$26,699.00
Hayward	\$2,659,992	\$221,666.00	Stanford University	\$414,614	\$34,551.00
Hillsborough	\$470,574	\$39,214.00	Sunnyvale	\$1,412,930	\$117,744.00
Menlo Park	\$474,746	\$39,562.00	Westborough WD	\$108,890	\$9,074.00
Total				\$24,684,779	\$2,057,065

Table 2. Proposed BAWSCA FY2016-17 Bond Surcharge Breakdowns

Agency	FY 2014-15			FY 2016-17	
	Surcharge Collected (Based on FY 2012-13 Purchase)	Actual Surcharge Obligation (Based on FY 2014-15 Purchase)	Difference: True-up Amount	Surcharge To Be Collected (Based on FY 2014-15 Purchase)	Proposed Surcharge Including FY 2014-15 True-up Amount
Alameda County WD	\$1,511,691	\$1,535,237	\$23,546	\$1,534,627	\$1,558,173
Brisbane Water	\$53,960	\$55,052	\$1,092	\$55,030	\$56,122
Burlingame	\$694,298	\$707,801	\$13,503	\$707,520	\$721,022
Coastside County WD	\$279,227	\$295,673	\$16,446	\$295,555	\$312,002
CWS - Bear Gulch	\$2,013,862	\$2,047,633	\$33,771	\$2,046,819	\$2,080,590
CWS - Mid Peninsula	\$2,340,996	\$2,459,284	\$118,288	\$2,458,307	\$2,576,594
CWS - South SF	\$1,149,093	\$1,094,229	(\$54,864)	\$1,093,794	\$1,038,931
Daly City	\$689,332	\$640,726	(\$48,606)	\$640,472	\$591,866
East Palo Alto WD	\$346,148	\$303,544	(\$42,604)	\$303,423	\$260,819
Estero Municipal ID	\$675,688	\$767,572	\$91,885	\$767,267	\$859,152
Guadalupe Valley	\$44,830	\$59,773	\$14,944	\$59,749	\$74,693
Hayward	\$2,581,371	\$2,621,203	\$39,831	\$2,620,161	\$2,659,992
Hillsborough	\$541,500	\$506,137	(\$35,362)	\$505,936	\$470,574
Menlo Park	\$540,091	\$507,520	(\$32,572)	\$507,318	\$474,746
Mid Pen WD	\$500,598	\$488,125	(\$12,473)	\$487,931	\$475,458
Millbrae	\$380,440	\$369,103	(\$11,337)	\$368,957	\$357,620
Milpitas	\$1,072,174	\$1,009,938	(\$62,236)	\$1,009,537	\$947,301
Mountain View	\$1,516,412	\$1,467,919	(\$48,494)	\$1,467,335	\$1,418,842
North Coast WD	\$418,187	\$562,035	\$143,848	\$561,812	\$705,660
Palo Alto	\$1,889,492	\$1,845,589	(\$43,903)	\$1,844,855	\$1,800,952
Purissima Hills WD	\$332,451	\$317,373	(\$15,078)	\$317,247	\$302,169
Redwood City	\$1,552,092	\$1,544,472	(\$7,620)	\$1,543,858	\$1,536,238
San Bruno	\$335,951	\$252,950	(\$83,001)	\$252,849	\$169,848
San Jose (North)	\$751,039	\$864,990	\$113,951	\$864,646	\$978,597
Santa Clara	\$363,049	\$341,785	(\$21,265)	\$341,649	\$320,384
Stanford University	\$356,532	\$385,650	\$29,118	\$385,496	\$414,614
Sunnyvale	\$1,590,419	\$1,501,973	(\$88,446)	\$1,501,376	\$1,412,930
Westborough WD	\$151,581	\$130,261	(\$21,320)	\$130,209	\$108,890
Totals	\$24,672,503	\$24,683,547	\$11,044	\$24,673,735	\$24,684,779

Table 3. Actual Savings to Each Agency for FY 2014-15

Agency	SFPUC Capital Recovery Payment	Annual Surcharge Collected in FY 14-15	True-ups To Be Collected or Refunded in FY 16-17	BAWSCA Annual Surcharge Plus True- ups	Actual Savings
	A	B	C	D = B + C	E = A - D
Alameda County WD	\$1,753,949	\$1,511,691	\$23,546	\$1,535,237	\$218,712
Brisbane Water	\$62,895	\$53,960	\$1,092	\$55,052	\$7,843
Burlingame	\$808,635	\$694,298	\$13,503	\$707,801	\$100,834
Coastside County WD	\$337,795	\$279,227	\$16,446	\$295,673	\$42,122
CWS - Bear Gulch	\$2,339,342	\$2,013,862	\$33,771	\$2,047,633	\$291,709
CWS - Mid Peninsula	\$2,809,637	\$2,340,996	\$118,288	\$2,459,284	\$350,353
CWS - South SF	\$1,250,115	\$1,149,093	(\$54,864)	\$1,094,229	\$155,885
Daly City	\$732,005	\$689,332	(\$48,606)	\$640,726	\$91,279
East Palo Alto WD	\$346,787	\$346,148	(\$42,604)	\$303,544	\$43,243
Estero Municipal ID	\$876,922	\$675,688	\$91,885	\$767,572	\$109,349
Guadalupe Valley	\$68,289	\$44,830	\$14,944	\$59,773	\$8,515
Hayward	\$2,994,623	\$2,581,371	\$39,831	\$2,621,203	\$373,420
Hillsborough	\$578,242	\$541,500	(\$35,362)	\$506,137	\$72,105
Menlo Park	\$579,821	\$540,091	(\$32,572)	\$507,520	\$72,302
Mid Pen WD	\$557,664	\$500,598	(\$12,473)	\$488,125	\$69,539
Millbrae	\$421,686	\$380,440	(\$11,337)	\$369,103	\$52,583
Milpitas	\$1,153,815	\$1,072,174	(\$62,236)	\$1,009,938	\$143,877
Mountain View	\$1,677,040	\$1,516,412	(\$48,494)	\$1,467,919	\$209,122
North Coast WD	\$642,104	\$418,187	\$143,848	\$562,035	\$80,068
Palo Alto	\$2,108,514	\$1,889,492	(\$43,903)	\$1,845,589	\$262,925
Purissima Hills WD	\$362,586	\$332,451	(\$15,078)	\$317,373	\$45,213
Redwood City	\$1,764,499	\$1,552,092	(\$7,620)	\$1,544,472	\$220,028
San Bruno	\$288,985	\$335,951	(\$83,001)	\$252,950	\$36,036
San Jose (North)	\$988,218	\$751,039	\$113,951	\$864,990	\$123,228
Santa Clara	\$390,476	\$363,049	(\$21,265)	\$341,785	\$48,691
Stanford University	\$440,590	\$356,532	\$29,118	\$385,650	\$54,940
Sunnyvale	\$1,715,946	\$1,590,419	(\$88,446)	\$1,501,973	\$213,973
Westborough WD	\$148,818	\$151,581	(\$21,320)	\$130,261	\$18,557
Totals	\$28,200,000	\$24,672,503	\$11,044	\$24,683,547	\$3,516,453

Background:

BAWSCA's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued to prepay the capital debt that the agencies owed San Francisco. The bond transaction and the prepayment program will 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.

BAWSCA has been collecting the bond surcharge from member agencies since July 2013 through the SFPUC as a separate item on their monthly water bills to member agencies. FY 2016-17 will be the fourth year for BAWSCA to collect the bond surcharge payments that are used to make debt service payments on BAWSCA's revenue bonds.

Calculating the "True Up" Adjustment

Consistent with the Indenture, the FY 2016-17 bond surcharge setting includes a "true up" adjustment included in the calculation. This "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2014-15 and to reimburse BAWSCA for some expenses incurred in FY 2014-15 in connection with the bond administration that were paid through BAWSCA's FY 2014-15 operating budget. Those expenses include the fees to Bank of New York for its Trustee services and the costs of legal, financial advisor, investment advisor, and arbitrage rebate consultant. A "true up" adjustment is anticipated every year as part of the calculation of the Annual Bond Surcharge.

The annual surcharges collected from the member agencies in FY 2014-15 were calculated by multiplying the obligated debt service in 2015 by each agency's percentage of total wholesale customer purchases in FY 2012-13. FY 2012-13 purchases were used as a surrogate for FY 2014-15 purchases, which were not known when the FY 2014-15 bond surcharges were adopted.

Now that the actual wholesale customer purchases for FY 2014-15 and the actual expenses incurred in FY 2014-15 in connection with the bond administration are available, the actual surcharges for FY 2014-15 are calculated again by multiplying a sum of the obligated debt service in 2015 and the actual expenses incurred in FY 2014-15 by each agency's percentage of total wholesale customer purchases in FY 2014-15. The difference between the surcharges that were actually collected in FY 2014-15, which were based on the surrogate purchase values, and the actual surcharges for FY 2014-15, which are based on actual FY 2014-15 purchases, are one component of the "true up" adjustments to be included in the annual surcharge setting for FY 2016-17.

The second component of the "true up" adjustment is inclusion of \$11,044 of actual expenses incurred in FY 2014-15 in connection with the bond administration, which represents 0.04% of the annual debt service of the bonds in 2017. Pursuant to the Prepayment and Collection Agreement between BAWSCA and San Francisco, BAWSCA shall reimburse San Francisco for specific expenses incurred for compliance with tax-exempt regulations. These charges have not been billed at this time. A "true up" adjustment for FY 2016-17 will be included in the surcharge setting for FY 2018-19.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Authorization to Extend Office Lease**

Summary: The lease for office space at 155 Bovet Road expires September 30, 2016. The terms of the current lease offer an option to extend at market rate. A lease rate of \$3.75 per square foot has been proposed by the property management's agent. This rate is in line with the market and represents the best value in terms of efficiency and moving costs. The current lease rate of \$2.48 per square foot continues for the first three months of FY 2016-17. It is recommended to extend the current lease for a period of five years.

Fiscal Impact:

There will be no fiscal impact in FY 2015-16. The rate change would not occur until FY 2016-17. Based on the existing office square footage, the recommended action would result in a net monthly rent increase of \$4,233 beginning October 1, 2016.

Board Policy Committee Action:

The Committee voted unanimously to recommend the proposed Board action.

Recommendation:

That the Board authorize the CEO/General Manager to extend the current lease for a period of five years.

Discussion:

A review of comparable properties, as well as moving costs, indicates that it is cost-effective for BAWSCA to remain at its current location. The proposed lease rate is below comparable office space in San Mateo. The current lease rate is \$2.48 per square foot, including common area maintenance expenses. Under the recommended lease, the lease rate starting October 1, 2016 would be \$3.75 per square foot with an annual 3% increase.

Examination of comparable properties in the nearby vicinity has confirmed that the current market lease rate per square foot is higher than BAWSCA's current lease rate and the proposed lease rate. The vacancy rate for City of San Mateo is 10% and the average asking rate is \$4.13. The vacancy rate for the County of San Mateo is 10.5% and the average asking rate is \$4.27. Both vacancy rates are low, and both asking rates are well above the proposed lease rate of \$3.75 per square foot. In addition, properties in the correct size range are not widely available.

BAWSCA's real estate broker has advised that lease rates are increasing rapidly due to the improving economic conditions and the attractiveness of this part of the Bay Area. The current site for the BAWSCA offices was chosen many years ago due to its central location in the BAWSCA service area and ease of access to San Francisco. The building continues to offer the best value in the market, and the competitive set of comparable properties is substantially more expensive. Table 1 provides historical lease rates paid by BAWSCA.

Table 1. BAWSCA Historical Lease Rates

Time Period	Rate per Sq. Ft.
May 2000 – April 2005	\$3.45 - \$4.25
May 2005 – Oct. 2008	\$1.85 - \$2.08
Nov. 2008 – July 2011	\$3.20 - \$3.46
Aug. 2011 – Sept. 2016	\$2.20 - \$2.48

Since BAWSCA's initial conversation with its real estate broker, rates in our current location have increased to \$4.00 per square foot. This upward trend is expected to continue in the coming months due to market conditions. It would be in the best interest of BAWSCA to enter into a multi-year lease at this time in order to lock in the lease rate of \$3.75.

In November, the CEO signed a letter to pursue the option of extending the existing lease agreement. The property manager's agent responded with a lease extension proposal that contains the proposed new lease rate of \$3.75 per square foot and makes no other changes to the existing lease agreement. The agreement has been reviewed by legal counsel.

Alternatives Examined:

Alternatives examined include: 1) relocate to a different site in nearby vicinity, 2) relocate to a different site within the Bay Area, and 3) extend lease at current location for five years.

Alternative #1 - Relocate to a different site in the nearby vicinity: Alternative office space in the nearby vicinity has been explored with results showing few available local properties having comparable rates. Most comparable properties had lease rates higher than the proposed rate and would require tenant improvements to match BAWSCA's office needs to what is available. Relocating to a different site would also incur additional one-time moving costs: expenses for moving furniture, equipment, and data lines; costs associated with the address change (e.g., letter head, business cards, notifications); and staff time for moving. This alternative is not recommended as the overall cost of relocating would not result in significant savings.

Alternative #2 – Relocate to a different site within the Bay Area: Currently available office space in different locations in the Bay Area, including across the Bay, was also researched. While there were less expensive properties available, results were limited. Available properties were less centrally located and would require tenant improvements. With Bay Area traffic ranking the third worst in the nation, moving the BAWSCA office to a less central location would result in significantly increased travel times for member agency staff, Board members, and BAWSCA staff, resulting in decreased efficiency.

As with Alternative #1, relocating to a different site would incur additional one-time costs for moving furniture, equipment, data lines, address change (e.g., letter head, business cards, notifications), as well as staff time for moving. Overall the cost of relocating would not result in significant savings, would result in significant decreased staff efficiency, and therefore, this alternative is not recommended.

Alternative #3 - Extending the lease in current location for a period of five years: This alternative is recommended as the most cost-effective and efficient alternative.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

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

Summary

In September 2014, the California Department of Water Resources (DWR) notified the Association of Bay Area Governments (ABAG) that its \$32,178,423 grant request on behalf of multiple public agencies in the Bay Area, including BAWSCA, had been selected for funding. The grant request was part of the Proposition 84 Integrated Regional Water Management (IRWM) Grant Program Drought Relief Round and included \$5,993,971 for regional water conservation programs. The grant funds will be used to offset a portion of the cost paid by BAWSCA member agencies to implement these programs.

ABAG was the grant applicant for the overall grant and has entered into an agreement with DWR for grant implementation. Alameda County Waste Management Authority (StopWaste) will be the lead agency for the water conservation portion of the grant and has entered into an agreement with ABAG for the administration of this grant portion. In order to receive its portion of the grant award, BAWSCA will need to enter into a Memorandum of Understanding (MOU) with StopWaste. The MOU describes the roles and responsibilities of StopWaste, as the lead agency, as well as the roles and responsibilities of BAWSCA and the other regional water agencies. The MOU also describes the schedule and process for all reporting and other requirements that are part of the grant implementation process.

The recommended action would authorize the CEO/General Manager to enter into an interagency MOU with StopWaste for the grant-administration of Proposition 84 IRWM grant funds to support BAWSCA's HECW, HET, and LBG Rebate Programs.

Fiscal Impact

There is no financial cost to BAWSCA to receive the grant funds from DWR. These grant funds will be used to implement three subscription conservation programs. All costs to administer the grant disbursement, including budgeted BAWSCA staff time, will continue to be billed to participating member agencies. There is a **financial benefit** to the participating BAWSCA member agencies, as the grant will reimburse up to \$75 per high-efficiency clothes washer and toilet rebates issued and up to \$0.75 per square foot for LBG rebates issued.

Board Policy Committee Action:

As this item is considered routine and does not represent new policy action for board consideration, it was not presented to the Committee for discussion or action.

Recommendation

That the Board authorize the CEO/General Manager, subject to Legal Counsel's review of the final documents, to enter into an interagency MOU with StopWaste for the grant-administration of Proposition 84 IRWM grant funds to support BAWSCA's Regional Water Conservation Programs.

Discussion

In September 2014, the California Department of Water Resources (DWR) notified the Association of Bay Area Governments (ABAG) that its \$32,178,423 grant request on behalf of multiple public agencies in the nine-county Bay Area, including BAWSCA, had been selected for funding. Within that total grant was a specific allocation of \$5,993,971 for the regional water conservation programs. BAWSCA's share of the grant is \$535,000 to be allocated as shown in Table 1.

Table 1: Details of Grant Award to BAWSCA

<u>BAWSCA Program</u>	<u>Grant Amount</u>	<u>Unit Reimbursement</u>	<u>Potential # of Customers Benefitting</u>
High Efficiency Clothes Washer Rebate Program	\$225,000	\$75/washer	3,000
High Efficiency Toilet Rebate Program	\$160,000	\$75/toilet	2,133
Lawn Be Gone! Rebate Program	\$150,000	\$0.75/sq. ft.	200,000 sq. ft. of turf replacement
Total	\$535,000	-	-

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

The current schedule calls for the necessary agreements to be finalized and signed by April 2016. To date, the agreements between DWR and ABAG and between ABAG and StopWaste have been executed. The MOU between StopWaste and BAWSCA is still in draft form and will be reviewed by BAWSCA's Legal Counsel in the coming months prior to execution. Upon finalization of the agreements, it is anticipated that grant funds will be available to reimburse HECW, HET, and LBG program activities back to March 2015. Program activities prior to March 2015 were reimbursed by DWR through the Prop 84 Round 1 grant and therefore are not eligible for reimbursement under the current grant. BAWSCA will make these grant funds available to its member agencies on a first come-first served basis through participation in the eligible BAWSCA Subscription Water Conservation Programs.

Alternatives to Recommended Action

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

Background

This is the sixth DWR grant for regional water conservation in which BAWSCA has been a participant. Prior grants included a Proposition 13 grant, two Proposition 50 grants, and Proposition 84 Round 1 and Round 2 grants. In each of these prior grants, similar MOUs were necessary to enable a single water agency to be the signatory with DWR for receipt of the grant awards. Including the current Drought Relief Round, BAWSCA's grant awards from the Proposition 84 grant program total \$1,716,030.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING

Agenda Title: **Mid-Year 2015-16 Work Plan and Budget Review**

Summary:

In December, the CEO performed a mid-year 2015-16 Work Plan and budget review.

The attached table presents the results of the Work Plan review and indicates that progress on all critical work plan items is ongoing and on schedule. Review of expenditures to date indicates on-track performance. In projecting activity and associated expenditures through the remainder of the fiscal year, it is anticipated that all activity can be completed within the authorized budget with the one possible exception of legal expenses to support BAWSCA's efforts in the Restore Hetch Hetchy litigation in which BAWSCA is a named party.

This information will be reviewed with the Board at its January meeting. Updates related to the litigation will continue to be provided to the Board in coming months.

Recommendation:

This is an information item only and no Board action is required.

Attachment: Table 1: Work Plan Progress Towards Selected FY 2015-16 Projected Results

Table 1: Work Plan Progress Toward Selected FY 2015-16 Projected Results
(Progress updated as of Jan. 5, 2016)

Task	Status
1. Implement Strategy Phase II Final Report recommended actions.	★
2. Implement projects to improve drought reliability, including monitoring & documenting service area water use.	★
3. Support members' efforts to develop required 2015 Urban Water Management Plans.	★
4. Implement and measure regional water conservation programs.	★
5. Monitor progress and make recommendations for the WSIP, 10-Year CIP, and Asset Mgmt. Program.	★
6. Protect member agencies' interests in legal actions taken by proponents of draining Hetch Hetchy Reservoir.	★
7. Monitor legal and technical issues of FERC re-licensing of New Don Pedro and intervene as necessary.	★
8. Protect constituents' water supply and financial interests in administration of the 2009 WSA.	★
9. Pursue new grant funding and use awarded California grants for conservation programs.	★
10. Administer BAWSCA's bonds to prepay capital debt to San Francisco.	★
11. Facilitate tours of SFPUC and other water system facilities to explain potential supply projects.	★
12. Support member agencies in receiving reliable communication of water quality issues.	★
13. Manage BAWSCA professionally.	★

✓ Complete	★ Ongoing & On Schedule	● Experiencing Delay	! Needs attention
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1/7/2016

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Update on the Licensing Activities for the Don Pedro and La Grange Hydroelectric Projects**

Summary:

The Modesto and Turlock Irrigation Districts (Districts) are in the process of (1) renewing their operating license with the Federal Energy Regulatory Commission (FERC) for the Don Pedro Hydroelectric Project and (2) obtaining a new license for the operation of the La Grange Hydroelectric Project on the Tuolumne River. The Don Pedro Hydroelectric Project currently operates under a 50-year FERC license that extends through April 30, 2016. The FERC licensing processes are currently scheduled to be completed in 2016, but these schedules may change to incorporate the results of outstanding studies for the La Grange Hydroelectric Project.

Changes to the FERC license requirements could impact the amount of water required to be released from Don Pedro Reservoir for environmental purposes. The SFPUC has rights to store water in Don Pedro Reservoir and may potentially be responsible for a portion of any increased flows required by FERC, thereby potentially affecting water supplies available to BAWSCA's member agencies.

The licensing processes have multiple participants including the Districts, FERC, other federal and state resource agencies, local governments, non-governmental organizations, and members of the public. BAWSCA is engaged in both the public process as well as a separate negotiated settlement process, which consists of confidential discussions among many of the relicensing participants that is intended to allow the parties to reach agreement on conservation and recreation measures that might be included in the new FERC license.

Recommendation:

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

Discussion:

BAWSCA is actively engaged in the public relicensing activities associated with the Don Pedro Project, the public licensing activities associated with the La Grange Project, and a confidential negotiated settlement process.

BAWSCA has been a participant in the Don Pedro Project relicensing activities since the scoping began in 2011. BAWSCA also engaged in the La Grange Project licensing activities when they commenced in 2013. These efforts have been public processes, and BAWSCA has attended meetings and provided comment letters at key points in the processes to reiterate that water from the Tuolumne River is essential to supply BAWSCA's member agencies with water for domestic, municipal, commercial and industrial needs.

Don Pedro Project

The schedule for completing the Don Pedro Project relicensing process was published in the Don Pedro Project Final License Application (FLA), which was filed by the Districts in April 2014. At that time, the Districts stated that they would complete all studies and amendments to the FLA by November 2016. No updates to the schedule have been provided since that time.

In late 2014, BAWSCA began informal discussions with many of the relicensing participants regarding a separate negotiated settlement process that is intended to allow the parties to reach agreement on any protection, mitigation and enhancement measures that might be included in the new FERC license. BAWSCA signed a confidentiality agreement as a condition for participating in the settlement negotiations, and has been participating in the settlement process since February 2015. The negotiations are ongoing, with BAWSCA staff participating fully at meetings that take place on a monthly basis.

If these negotiations are successful, the expectation is that the terms would eventually be contained in a settlement agreement for FERC's review and consideration. FERC generally favors such settlements in licensing cases because they can save time and money, avoid the need for protracted litigation, promote positive relationships among the participating entities, and gives FERC a clear sense as to the parties' views on the issues presented as it reviews license applications.

La Grange Project

In July 2013, FERC ordered the Districts to commence an Integrated Licensing Process (ILP) for the La Grange Project, a small diversion dam on the Tuolumne River located 2.3 miles downstream from the New Don Pedro Dam. For the La Grange Project, the Districts are scheduled to file a Draft License Application (DLA) on January 18, 2016 and an FLA to FERC on June 16, 2016. However, there are studies currently being conducted that will inform the La Grange Project ILP that will not be completed until February 2017 at the earliest.

Schedule and Next Steps

FERC has agreed to combine the environmental impacts analysis for both projects into a single EIS, so there may need to be a change in the FERC schedule in order to incorporate the full analyses into the EIS. On December 7, 2015, the Districts sent a letter to FERC requesting an official schedule change for both the New Don Pedro Project and the La Grange Project, in light of these facts. In that letter, the Districts stated that they do not intend to file the DLA or the FLA by FERC's due dates. No response to this letter has been received to date.

BAWSCA will continue to monitor the FERC process, including the official schedule, and will update the BAWSCA Board with any significant progress or findings that occur.

Background:

Don Pedro Project and Relationship to San Francisco Regional Water System

In 1964, FERC issued a 50-year license (effective May 1, 1966) to the Districts for the operation of the 161-megawatt Don Pedro Hydroelectric Project on the Tuolumne River downstream from the Hetch Hetchy system. The hydroelectric facility is one element of the Don Pedro Project, which also includes the New Don Pedro Dam and Reservoir, which

replaced the original Don Pedro Dam, built in 1924. The Don Pedro Project is operated to provide irrigation storage, hydroelectric power, flood control storage, recreational benefits, fish and wildlife conservation, and municipal water supply.

The City and County of San Francisco (San Francisco) agreed to help finance construction of the Don Pedro Project in return for storage rights in Don Pedro Reservoir. San Francisco exercises these rights through a water banking agreement with the Districts, whereby San Francisco periodically allows some of the surplus Tuolumne River flows it is entitled to divert to flow downstream for storage in Don Pedro Reservoir. These deliveries of surplus water into the “water bank” act as a “predelivery” of Tuolumne River supplies to meet the District’s future demands. At San Francisco’s discretion, the banked supplies are withdrawn in subsequent years to meet the Districts’ demands in lieu of diversions from the Tuolumne River. The water bank is a key element of the San Francisco Regional Water System operations and allows San Francisco to store more water upcountry in the Hetch Hetchy system for later delivery to the Bay Area.

Article 37 of the Don Pedro Project license established minimum flow releases for the first 20 years of operation (1971-1991) and reserved FERC’s authority to revise the minimum flow requirements after 20 years. A settlement agreement reached in 1995 among many of the parties involved in the current relicensing process resulted in new and greater flows being released from Don Pedro Dam to benefit fall-run Chinook salmon.

The Process for Filing and Securing a New FERC License

The current 50-year license held by the Districts for the Don Pedro Project expires in 2016, and the new license will be issued for a term of between 30 and 50 years, at FERC’s discretion. The typical process for filing a FERC license includes the following steps:

1. The license applicant files a Notice of Intent with a Pre-application Document;
2. FERC staff conducts public scoping, which includes creating a scoping document and holding scoping meetings;
3. The applicant works with stakeholders to determine studies needed, files a study plan, and then FERC makes a Study Plan Determination;
4. The applicant conduct studies, files study reports, and solicits comments from stakeholders;
5. The applicant files the draft and then final license applications;
6. FERC staff reviews the application for compliance with regulations and reviews outcomes of any outstanding studies;
7. FERC provides notice when the application is ready for environmental analysis and solicits interventions, comments, and terms and conditions;
8. FERC staff issues the environmental analysis (either an environmental assessment or an environmental impact statement) pursuant to National Environmental Policy Act; and
9. FERC issues a license and associated terms.

Currently, the Districts are between steps 5 and 6 listed above. The District’s filed the FLA for the Don Pedro Project with FERC on April 28, 2014.

Prior to filing the FLA, the Districts held 17 workshops for all stakeholders. In addition to the Districts, the interested parties that have actively engaged in the relicensing activities include:

- State and Federal resource agencies (e.g., California Department of Fish and Game, United States Fish and Wildlife Service, National Oceanic and Atmospheric Administration);
- Local public agencies (e.g., City and County of San Francisco, BAWSCA);
- Environmental interest groups (e.g., Tuolumne River Trust, Restore Hetch Hetchy); and
- Local citizens and regional interest groups (e.g., Lower Tuolumne Farmers, Mapes Ranch).

The multi-year relicensing process has included multiple operational, environmental and economic studies. More than 35 studies of the potential direct, indirect and cumulative effects of the Don Pedro Project operations were taken on by the Districts. Most of the studies have been completed, and all studies are scheduled to be completed by early 2016. The relicensing process has also been informed by over 150 additional studies dating back to 1971, when the Don Pedro Project began operations. The studies cover the environmental resources of concern such as vegetation, terrestrial wildlife, recreation, cultural resources and visual resources. Many of the studies have been focused on aquatic resources, such as salmon and their associated habitat in the lower Tuolumne River.

Completion of many of the studies has led the Districts to propose several protection, mitigation and enhancement measures to be considered in relicensing, many of which are described in the FLA. These protection, mitigation and enhancement measures would become terms of the new license to mitigate for any direct, indirect and cumulative effects of the Don Pedro Project.

La Grange Project

The La Grange Project was built in 1883, with hydroelectric facilities added in 1924. The purpose of La Grange Dam is to raise the water level in the Tuolumne River enough to enable the flow of water into the Districts' irrigation system canals. The pool storage behind the dam is less than 100 acre-feet of water.

The Districts are in the process of completing six studies for the La Grange Project licensing process that will assess project effects on fish and aquatic resources, recreation, and cultural resources. Study reports are scheduled to be completed by the Districts by February 2017. Depending on the results of one of the studies due in February 2017, an additional study may also need to be undertaken, which would be completed by December 2017.

BAWSCA's Participation in the FERC Process

BAWSCA and its predecessor, Bay Area Water Users Association, has a strong history of being a direct participant in the FERC processes associated with the Don Pedro Project to protect the interests on BAWSCA's member agencies and the customers they serve.

For the relicensing effort, BAWSCA has monitored all FERC activities related to the Don Pedro and La Grange Projects, paying particular attention to issues that have the greatest potential to shape release flow requirements under the terms of the new FERC licenses. Changes to the license requirements for release flows from the Don Pedro Project could increase the amount of water required to be released from Don Pedro Reservoir for environmental purposes. San Francisco has rights to store exchange water in Don Pedro Reservoir and may potentially have responsibility for a portion of any increased flows required by FERC, thereby reducing water supplies available to BAWSCA agencies. In addition, San Francisco is responsible for sharing the costs of protection, mitigation and enhancement measures with the Districts that will be required by the new licenses. As a portion of these would be classified as Regional Water System costs by San Francisco, BAWSCA would pay two-thirds of San Francisco's costs.

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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: January 15, 2016
SUBJECT: Chief Executive Officer/General Manager's Letter

SFPUC Water System Improvement Program

BAWSCA is meeting SFPUC staff to review program status, including the potential need to increase overall program budget. An update based on the results of this meeting will be presented to the board at its January 2016 meeting.

SFPUC 10-Year CIP

BAWSCA is meeting with SFPUC staff to review the SFPUC's proposed 10-Year Capital Improvement Program (CIP). BAWSCA's review will include a review of proposed projects, project budgets, and changes to overall 10-year CIP as compared to last year. An update based on the results of this meeting will be presented to the board at its January 2016 meeting.

Mountain Tunnel Emergency Response Plan

On January 7th, BAWSCA received a report from SFPUC entitled "Mountain Tunnel Emergency Response Plan – Bay Area Water Delivery" (Plan). The Plan outlines a series of actions to ensure that the Bay Area water needs are met in the event of an outage on Mountain Tunnel or other similar Facilities. BAWSCA is reviewing the plan and is scheduled to meet with SFPUC staff on January 26th in the first of what is intended to be monthly meetings to discuss the SFPUC's progress on Mountain Tunnel.

Groundwater Reliability Partnership

On January 11th, BAWSCA hosted the second meeting of the Groundwater Reliability Partnership (Partnership) for the San Mateo Plain Sub-basin. The meeting was attended by approximately 40 people and included elected officials, agency staff, and stakeholders.

Representatives from agencies involved in the management of groundwater basins adjacent to the San Mateo Plain Sub-basin gave presentations on the use and management of those basins. The Santa Clara Valley Water District presented about the Santa Clara Sub-basin, which is to the south of the San Mateo Plain Sub-basin; and representatives from the City of Daly City and the SFPUC presented about the Westside Basin, which is to the north of the San Mateo Plain Sub-basin. The program also included an update on California's 2014 groundwater legislation, the Sustainable Groundwater Management Act;

an update on the County of San Mateo's Groundwater Assessment Plan for the San Mateo Plain Sub-basin; and a discussion of next steps for the Partnership. One idea that was discussed was the potential for the stakeholder groups and communities to adopt a resolution in support of the Partnership. Such a resolution would memorialize the stakeholders' support for the goals of the Partnership. A third meeting will be scheduled for March or April.

Urban Water Management Plans

BAWSCA staff coordinated with SFPUC to provide support for member agencies in preparation of their Urban Water Management Plans. To date, BAWSCA has provided agencies with: 1) a memo documenting new legal requirements associated with the preparation of Urban Water Management Plans, 2) common language to be incorporated in individual agencies plans, 3) water supply reliability information for the Regional Water System, and 4) contact information for BAWSCA agencies to assist with public noticing. BAWSCA is coordinating a meeting with the agencies and SFPUC to review this information and identify any additional areas where support is needed.

Conservation Management System

The Water Conservation Management System development is progressing on schedule, with an anticipated completion date of February 2016. The Conservation Management System will improve the rebate process for customers and enhance the efficiency of BAWSCA and member agency staff in the administration of conservation programs.

The system will include two distinct but related components: 1) an online rebate application system (Online Rebate System) and 2) a Data Management System, which enables BAWSCA member agencies to track and manage each individual agency's conservation programs. The Online Rebate System will be used by all BAWSCA member agencies participating in BAWSCA's subscription rebate programs. The Data Management System is offered to all BAWSCA member agencies as a new subscription program. For FY 2015-16, two BAWSCA member agencies have elected to participate.

The initial system design and configuration has been completed, and BAWSCA staff is currently working with the consultant, ConserveTrack, on beta testing and refining the system. BAWSCA is also coordinating with member agencies on the utility billing system integration and on finalizing the system architecture and workflow processes in support of both components of this effort.

BAWSCA Website Redesign

The BAWSCA website redesign project is progressing on schedule and will be launching this month. BAWSCA staff completed training on the new content management system in December and is currently testing the beta site and finalizing the website content. 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.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Fiscal Year 2016-17 Work Plan and Budget Preparation Planning Session**

Summary:

Each year, the BAWSCA budget is prepared to meet a specific work plan and identified results to be achieved. The development of the preliminary work plan begins by compiling a list of major challenges that BAWSCA, its member agencies, and their water customers will face next fiscal year, and between now and 2040. This long-term perspective helps anticipate and identify the results that must be achieved during FY 2016-17. A preliminary list of challenges as updated for the FY 2016-17 budget process appears in Table 1.

This year, the work plan and budget preparation will be initiated with a planning session with the Board, providing an early opportunity for input on near and long-term issues for consideration as part of the work plan development.

Recommendation:

This item is for Board discussion only. There is no action requested at this time. Board input on near and long-term issues for consideration as part of the work plan development are encouraged.

Discussion:

The FY 2016-17 Work Plan and Budget development process is being initiated with a Board planning session. The goal of the planning session is to receive Board input on near and long-term issues for BAWSCA to consider in developing its FY 2016-17 work plan.

As in prior years, the preliminary budget will be developed to provide the resources needed to achieve necessary results. Emphasis is placed on the most vital results that need to be achieved in order to provide reliability and high quality water at a fair price. Activities that are secondary to those goals may be noted but are not incorporated into the budget.

A preliminary list of challenges appears in Table 1. Some of the challenges may affect BAWSCA or its members directly. Other challenges will have indirect, but nonetheless important consequences, and require action by BAWSCA to protect the interests of its member agencies and their customers.

Input received from the Board will be reviewed and addressed by the CEO in developing the Preliminary FY 2016-17 Work Plan and Budget, which will be presented to the BPC in February and the Board in March. Following further Board input, a recommended Work Plan and Budget will be presented to the BPC in April for its review and presented to the Board for recommended adoption in May.

Attachment: Table 1. Future Challenges Facing BAWSCA, Member Agencies and Their Customers (Preliminary)

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**Table 1. Future Challenges Facing BAWSCA, Member Agencies
and Their Customers (Preliminary)**

Year or Period	Major Challenges or Issues
FY 2016 - 2017	<ul style="list-style-type: none"> • Assist agencies during drought to achieve necessary reductions and meet regulatory and other obligations. • Protect BAWSCA member agencies from severe supply shortages and resulting excessive economic impacts. • Assist member agency negotiation of a new Tier 2 drought allocation formula by preparing and analyzing alternatives, facilitating agreement and producing legal documents before the existing one expires at the end of 2018. • Conduct investigations and advocate appropriate positions prior to San Francisco deciding whether or not to make San Jose and Santa Clara permanent Wholesale Customers by 2018. • Conduct investigations and advocate appropriate positions prior to San Francisco deciding whether to provide more than 184 mgd to Wholesale Customers and whether or not to increase the perpetual Supply Assurance by 2018. • Represent member agencies in Federal relicensing of New Don Pedro and to protect SFPUC supplies. • Monitor WSIP implementation to protect interests of member agencies and take steps necessary to ensure all adopted Level of Service goals are achieved. • Monitor SFPUC's development and implementation of its 10-Year CIP to ensure protection of water supply and financial interests of the water customers. • Monitor SFPUC's decision on final Mountain Tunnel Solution to ensure protection of water customers' interests (Summer 2017) • Monitor SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets. • Enforce the Water Supply Agreement to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting commitments. • Protect customers from legal and legislative efforts to draining Hetch Hetchy that disregard their interests in reliability, quality and cost.
2017 to 2020	<ul style="list-style-type: none"> • Protect BAWSCA member agencies from severe supply shortages and resulting excessive economic impacts. • Assist member agency negotiation of a new Tier 2 drought allocation formula by preparing and analyzing alternatives, facilitating agreement and producing legal documents before the existing one expires at the end of 2018. • Conduct investigations and advocate appropriate positions prior to San Francisco deciding whether or not to make San Jose and Santa Clara permanent Wholesale Customers by 2018. • Conduct investigations and advocate appropriate positions prior to San Francisco deciding whether to provide more than 184 mgd to Wholesale

	<p>Customers and whether or not to increase the perpetual Supply Assurance by 2018.</p> <ul style="list-style-type: none"> • Represent member agencies in Federal relicensing of New Don Pedro and to protect SFPUC supplies. • Monitor WSIP implementation to protect interests of member agencies and take steps necessary to ensure all adopted Level of Service goals are achieved. (Scheduled completion March 2019). • Monitor SFPUC's development and implementation of its 10-Year CIP to ensure protection of water supply and financial interests of the water customers. • Monitor SFPUC's decision on final Mountain Tunnel Solution to ensure protection of water customers' interests (Summer 2017) • Monitor SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets. • Ensure San Francisco maintains its Tuolumne River water rights. • Protect customers from legal and legislative efforts to draining Hetch Hetchy that disregard their interests in reliability, quality and cost. • Enforce the Water Supply Agreement to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting commitments. • SF elects Mayor in 2019.
2021 to 2025	<ul style="list-style-type: none"> • Protect BAWSCA member agencies from severe supply shortages and resulting excessive economic impacts. • Ensure new water supplies are on line to meet future needs that are not met by San Francisco. • Monitor SFPUC's development and implementation of its 10-Year CIP to ensure protection of water supply and financial interests of the water customers. • Monitor SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets. • Ensure San Francisco maintains its Tuolumne River water rights. • Protect customers from legal and legislative efforts to draining Hetch Hetchy that disregard their interests in reliability, quality and cost. • Enforce the Water Supply Agreement to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting commitments. • SF elects Mayor in 2023.
2026 to 2040	<ul style="list-style-type: none"> • Ensure new water supplies are on line to meet future needs that are not met by San Francisco. • Extend or renegotiate the Water Supply Agreement before it expires in 2034. • Enforce the Water Supply Agreement to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting commitments. • SF elects Mayor in 2027, 2031, 2035, and 2039.

**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 – 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 – 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.