

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

SPECIAL MEETING

BOARD OF DIRECTORS MEETING

San Mateo Main Library – 55 W. 3rd Ave., San Mateo
Oak Room

(Directions on Page 2)

Thursday, November 17, 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. Comments by the Chair	(Breault)	
3. Board Policy Committee Report	(Quigg)	Pg 3
4. Public Comments	(Breault)	
<i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>		
5. Consent Calendar	(Breault)	
A. Approve Minutes of the September 15, 2016 Meeting (<i>Attachment</i>)		Pg 11
B. Receive and File Budget Status Report – As of September 30, 2016 (<i>Attachment</i>)		Pg 15
C. Receive and File Annual Audit Report for BAWSCA and Compilation Report for BAWUA for FY 2015-16 (<i>Under Separate Cover</i>)		Pg 17
D. Receive and File Directors' Reimbursement Report – As of Sept. 30, 2016 (<i>Attachment</i>)		Pg 19
E. Receive and File Investment Report – As of Sept. 30, 2016 (<i>Attachment</i>)		Pg 21
F. Receive and File Bond Surcharge Collection, Account Balance and Payment Report – As of Sept. 30, 2016 (<i>Attachment</i>)		Pg 23
G. Annual Review and Consideration of Statement of Investment Policy (<i>Attachment</i>) <i>The Committee voted unanimously to recommend the proposed Board action</i>		Pg 25
H. Amendment to Policies and Procedures for the Purchase of Equipment and Supplies/Award of Contracts (<i>Attachment</i>) <i>The Committee voted unanimously to recommend the proposed Board action</i>		Pg 33
6. Action Items		
A. Authorization to Negotiate and Execute a Memorandum of Understanding with Solano County Water Agency for a Regional Washing Machine Rebate Program (<i>Attachment</i>)		Pg 45
7. Closed Session	(Breault)	
A. Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9: <i>Restore Hetch Hetchy v. City and County of San Francisco, et al.</i> Case Number: F074107	(Schutte)	

- B. Conference with Legal Counsel – Anticipated Litigation (Schutte)
Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Government Code 54956.9 (One potential case)
- 8. SFPUC Report (Ritchie)
- 9. Reports (Sandkulla)
 - A. SWRCB Draft Substitute Environmental Document (SED)
 - B. SFPUC WaterMAP - Update
 - C. Los Vaqueros Reservoir Project - Update
 - D. CEO/General Manager's Letter (Attachment) Pg 49
 - E. Board Policy Calendar (Attachment) Pg 75
 - F. Correspondence Packet ([Under Separate Cover](#))
- 10. Directors' Discussion: Comments, Questions and Agenda Requests (Breault)
- 11. Date, Time and Location of Future Meetings (Breault) Pg 77
(See attached schedule of meetings)
- 12. Adjourn to next meeting scheduled for January 19, 2017 at 7pm (Breault)

*Upon request, the Bay Area Water Supply and Conservation Agency will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and the preferred alternative format or auxiliary aid or service at least two (2) days before the meeting. Requests should be sent to: **Bay Area Water Supply & Conservation Agency, 155 Bovet Road, Suite 650, San Mateo, CA 94402** or by e-mail at bawsca@bawsca.org*

*All public records that relate to an open session item of a meeting of the BAWSCA Board that are distributed to a majority of the Board less than 72 hours before the meeting, excluding records that are exempt from disclosure pursuant to the California Public Records Act, will be available for inspection at **BAWSCA, 155 Bovet Road, Suite 650, San Mateo, CA 94402** at the same time that those records are distributed or made available to a majority of the Committee.*

Directions to San Mateo Main Library San Mateo – 55 W. 3rd Avenue

From San Jose via Hwy. 280 Northbound, Exit Hwy-92 East towards San Mateo/Hayward. Exit 12B onto Ca-82 N/S El Camino Real. Turn Left on 3rd Ave. The Library is on your left. Street parking and underground parking are available. The Oak Room is on the main floor to the left of the main Library entrance.

From San Francisco via Hwy 280 Southbound, Exit Hwy-92 East towards San Mateo/Hayward. Exit 12B onto CA-82 N/S El Camino Real. Merge onto CA-82, turn Left on W. 3rd Ave. The Library is on your left. Street parking and underground parking are available. The Oak Room is on the main floor to the left of the main Library entrance.

BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board Members
FROM: Nicole Sandkulla, Chief Executive Officer/General Manager
DATE: November 10, 2016
SUBJECT: Summary of Board Policy Committee meeting held October 12, 2016

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

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

2. **Comments by the Chair:** Committee Chair Quigg welcomed the members of the Committee.
3. **Public Comments:** There were no comments received from members of the public on items not included on the agenda.
4. **Consent Calendar:** Approval of Minutes from the June 8, 2016 meeting.

Director O’Connell made a motion, seconded by Director Larsson, that the minutes of the June 8, 2016 Board Policy Committee meeting be approved.

The motion passed unanimously.

5. **Action Item:**

- A. **Annual Review and Consideration of Statement of Investment Policy:** Ms. Sandkulla reported that BAWSCA reviews its investment policy annually. The last review done in September of 2015 required no changes to the policy. Legal counsel’s review of applicable State law confirms that the current policy reflects language consistent with State regulations.

In conjunction with this year’s review of the policy, alternative investment options for BAWSCA’s general operating fund of approximately \$1.6M were also examined. Currently, BAWSCA’s investment tools include bank deposits and Local Agency Investment Fund (LAIF). BAWSCA’s Senior Administrative Analyst, Christina Tang, conducted the review of possible investment alternatives in consultation with BAWSCA’s Investment Advisor.

The review was a 2-part analysis that first surveyed the investment tool used by the Sacramento Regional Water Authority, a public Joint Powers Authority that operates like BAWSCA, and four member agencies whose annual operating budgets are lower than \$16

million. The results showed that four of the five agencies are using LAIF as their only investment tool in addition to bank deposits. The other agency uses Government-Sponsored Enterprise (GSE) securities.

BAWSCA then performed a side-by side comparison of investment alternatives including LAIF, U.S. Treasury Securities, and GSE securities.

U.S. Treasury Securities and GSE have a minimum fund requirement of \$10M, which is significantly larger than BAWSCA's current \$1,654,411 general operating fund. Based on BAWSCA's high liquidity needs and relatively small general operating fund that is funded by annual assessments paid on a quarterly basis, the LAIF and bank deposits are the most appropriate and cost effective investment options for BAWSCA. No changes to the current investment policy are recommended.

Director Benton noted that he is part of two other financial committees for the county, and those bodies prefer LAIF over the County pool for stability and flexibility.

Members of the Committee concurred with the results of the analysis and the staff recommendation. But given the rising interest rate environment and the November election, committee members suggested a review of the policy on a regular basis.

Legal Counsel, Allison Schutte noted that while agencies are no longer required to review its investment policy on an annual basis, BAWSCA chooses to continue to do so.

Ms. Sandkulla stated that consideration of other secure vehicles, including the San Mateo County Investment Pool will be included in the next annual review.

Director Mendall made a motion, seconded by Director O'Connell, that the Committee recommend the Board to re-affirm the current Statement of Investment Policy.

The motion passed unanimously.

- B. Amendment to Policies and Procedures for the Purchase of Equipment and Supplies/Award of Contracts: Ms. Schutte reported that BAWSCA adopted a Procurement Policy in 2004 which established rules for procurement of services, equipment, construction and real property. Over the years, the policy is reviewed to ensure it conforms with the wishes of the Board. In 2012, the policy was amended to adjust the limits of the CEO/General Manager's spending authority from \$10,000 to \$25,000 primarily to avoid delays in procurement since the Board only meets six times a year.

The proposed amendments update the CEO/General Manager title, and clarifies that the "best value" evaluation methodology should be used for all services except those covered by the Mini Brooks Act (Gov. Code Sect. 4525), which specifically applies to a set of professional services and provides specific rules to doing a qualifications based analysis before entering into negotiations. Cost is not considered in the selection of a consultant, but can be negotiated and must be fair and reasonable.

Among the list of services, the most relevant to BAWSCA includes engineering and environmental services.

Legal Counsel, Allison Schutte, explained that the proposed amendment expands the policy language associated with services to include the use of “best value” evaluation methodology for all services procurements with the exception of the itemized services that are part of the Mini-Brooks Act. Furthermore, additional language, while it was the pre-existing rule, clearly states that if BAWSCA is procuring the services listed under the Mini-Brooks Act, the selection process must follow specific rules and that Legal Counsel would ensure proper implementation.

Director Guzzetta noted a correction on the language for the second part of the recommendation so it aligns with the amended policy of ranking the proposers based on qualifications first, before costs.

Legal Counsel agreed and stated that the proposed amended procurement policy uses the wording from the actual statutory language, and is correct. The summarized recommendation in the staff report and slide should be corrected as follows:

2. Contracts for services listed under Government code Section 4525 et seq. must be **selected initially ranked** based solely upon qualifications, without using costs as a determining factor.

In response to committee members’ questions, Ms. Sandkulla stated that there are typically fifteen contracts a year, five of which are over \$25,000. Most of them are standing contracts, which must be in place in the beginning of the fiscal year. One to two contracts a year may be new due to a cost-share arrangement or specific services needed for an effort BAWSCA may be participating in with another public agency.

Because many of the professional services contracts are an extension of staff, a list of the contracts is brought to the Committee and the Board during the development of the fiscal year work plan and operating budget. The scope of work and costs for each professional services are provided in a staff report included in the May agenda packet as part of the proposed fiscal year work plan and operating budget that is adopted by the Board.

Additional professional services required during the course of the year are brought to the Committee and Board for approval if they are above \$25K. Service contracts below \$25K are reported to the Committee and Board, but do not require Board approval. Service contracts that come through the course of the year are very few. For example, one that is coming up next month is an agreement supporting a new program administrator for the Washing Machine Rebate Program.

Director Breault stated that while the majority of BAWSCA’s service contracts are typically already known by the Board before the work plan and budget is adopted, the review of existing state law ensures that our policy and practice are in conformance.

Director Vella made a motion, seconded by Director O’Connell, that the committee recommend Board adoption of the proposed resolution revising the Procurement Policy to update the CEO/General Manager’s position title and clarify the following, with the noted correction:

- 1. The “best value” evaluation methodology should be used for all services procurements, with the exception of contracts for services listed under Government Code Section 4525 et seq.**
- 2. Contracts for services listed under Government Code Section 4525 et seq. must be initially ranked based solely upon qualifications, without using cost as a determining factor.**

The motion passed unanimously.

6. Reports:

- A. SWRCB Draft Substitute Environmental Document: Ms. Sandkulla reported that on September 15th, the State Water Resource Control Board (SWRCB) released a report called the, Recirculated Draft Substitute Environmental Document in Support of Potential Changes to the Water Quality Control Plan for the San Francisco Bay-Sacramento/San Joaquin Delta Estuary: San Joaquin River Flows and Southern Delta Water Quality (SED).

The SWRCB establishes water quality objectives to protect beneficial water uses in the Bay-Delta. They do this through a document titled, Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (Bay-Delta Plan).

Through the SED, the SWRCB is proposing an update to the 2006 Bay Delta Plan on two specific elements, which include the San Joaquin River flow objectives, to protect fish and wildlife, and Southern Delta Salinity objectives.

The first Draft SED was released in 2012 in which SWRCB proposed a 35% unimpaired flow between February through June on the Stanislaus, Tuolumne, and Merced Rivers to protect fish and wildlife. BAWSCA and the SFPUC provided 1) detailed comments stating that the SED was inadequate in analyzing the full effects of water shortages in the San Francisco Bay area, and 2) an analysis of the socio-economic impacts of the water shortages. The San Francisco Regional Water System (SFRWS) relies upon the Tuolumne River Watershed for 85% of its water supply. Based on all the comments received, SWRCB pulled back and released a new SED on September 15th, 2016.

Ms. Sandkulla explained that BAWSCA’s analysis of the 2012 SED forecasted water shortages between 42% - 52% on the SFRWS for an extended period, similar to the 1987 – 1992 drought. SFPUC’s economic analysis indicated that the supply shortages would result in up to an annual impact of 140,000 - 188,000 jobs lost in the Bay Area, and \$37-\$49 billion in decreased sales transactions.

Ms. Sandkulla stated that the San Francisco Bay Area region has not had anything close to the level of cutback that is anticipated to result from implementation of the flow objectives identified in the SED, and a supply shortage of this magnitude will have significant impacts. The region achieved an average of 26% water use reduction for all water supplies, not just SFPUC, with a required 15% reduction for June 2015 to May 2016. This was for a duration of one year at a low demand level.

The new SED proposes a 40% unimpaired flows from February – June, and an adaptive implementation with flows ranging from 30% - 50% of unimpaired flow depending on conditions. New pieces to the proposal include a recommendation of non-flow measures, state of emergency change provisions, and a framework for accepting voluntary agreements that meet or exceed the proposed objectives to protect fish and wildlife.

BAWSCA is working very closely with the SFPUC to evaluate the impacts of the proposal on water supply and the economy.

BAWSCA's job is to address the public policy question and make it clear with the decision-makers at the SWRCB, and the public, that the larger Bay Area region, not just San Francisco, will be significantly affected by the water shortage.

BAWSCA is requesting that the environmental and economic impacts of any shortage on the System, and the associated lost of jobs and delayed development in the region, be fully and adequately analyzed, and that these impacts be given at least equal weight with the other elements of the SWRCB's subsequent deliberations and decision making.

BAWSCA is preparing comments on the adequacy of the CEQA document in conjunction with the SFPUC, and will be working with member agencies and allies to secure comment letters and support for BAWSCA's position.

The deadline for comments was extended from November 15th to January 17, 2017. The hearings remain on November 2, 4 and 10, 2016. The SWRCB is planning to consider approving the proposed Bay Delta Plan amendments in early 2017.

There are 2 ways the plan can be implemented. One way is through the Federal Energy Regulatory Commission relicensing of the Don Pedro Project. A second way is through the Water rights proceedings and action. It is unclear which mechanism will be used, but either way poses a significant and serious impact to the region.

The SFPUC is updating its analysis of the economic impact to include the changes that have occurred in the past four years, including the region's economic changes and information learned from the drought.

In response to Director Benton's question, Ms. Sandkulla stated that the percentage of non-residential water use in the BAWSCA service area is less than 40%. The amount of industrial water use in the Bay Area is in pockets. The SFPUC's socio-economic model is built on each of the member agencies' characteristics, which are very different. It looks at the types of non-residential customers by classification code, parks versus factories, and includes different levels of analysis which makes the model robust, useful and defensible.

Director Benton asked whether the comments provided on the first SED were considered, accepted or ignored. Ms. Sandkulla stated that she just started her review of the document, and can only suspect that the SWRCB has not recognized that the impacts to the Bay Area region is critically important and is something they need to equally consider in their deliberations.

Peter Drekmeier, Policy Director for Tuolumne River Trust (TRT), provided public comments, as did Sprek Rosekrans, Executive Director of Restore Hetch Hetchy.

Director Mendall suggested that Ms. Sandkulla meet with TRT to get the same set of facts.

Director Schmid noted that ABAG's Draft Plan Bay Area 2040 Preferred Scenario, which forecasts significant amount of growth, should be shared with the SWRCB.

Ms. Sandkulla agreed and reported that the ABAG report was distributed to BAWSCA member agencies emphasizing the importance to provide comments on the document. While BAWSCA will submit comments from the water perspective, responses received from agencies will be critical as they are more directly related to land use.

- B. Water Supply Conditions: Ms. Sandkulla reported that the total system storage is currently at 80% of capacity, and water banks are nearly full at 99%.

The current total deliveries have a slight summer increase but continue to be below the 5-year average, and more importantly, below the voluntary 10% water use reduction. There was a week in September of warm indian summer weather that increased the water use, but immediately decreased as soon as temperatures cooled down. This indicates the ongoing conservation efforts demonstrated by the water customers.

Ms. Sandkulla reported that as part of the water conservation regulations in 2015, twenty-two BAWSCA agencies fell under a group of water providers that are required to report its water use directly to the State on a monthly basis. According to those data, the mandatory savings target for that group of twenty-two agencies for the time period of June 2015 – May 2016 was 15%. Ms. Sandkulla reported that the twenty-two BAWSCA agencies achieved an overall savings of 24% over that same period, and a savings of 26% for the period of June 2015-August 2016, the latest data available.

A part of the new conservation requirement that became effective June 1, 2016 is a self-certification process where agencies have to go through a specific formula to self-certify whether they have enough water for a multiple-year drought. If not, they are required to adopt a new water conservation standard to ensure sufficient supplies. Of the twenty-two BAWSCA member agencies, only three have a required conservation standard. Averaged out among the twenty-two agencies, this calculates to less than 1% conservation standard. In other words, the agencies are achieving a 24% savings against a requirement of less than 1%.

Ms. Sandkulla noted that the region's low water use data are indicative of how the service area continues to strive for conservation. However, BAWSCA's water saving achievements conflict with the message from the State that conservation efforts are rapidly decreasing. There are discussions at the state level intended to help clarify the perception, and BAWSCA will follow the developments carefully.

Ms. Sandkulla added that in FY 2015-16, 9 out of the 26 member agencies had residential customers who used less than 55 gpcd. The overall average residential water use was 60 gpcd across the region. Before the drought, the standard public health and safety guideline was 50 gpcd. The state average during the drought was 82 gpcd. BAWSCA agencies used 27% less than the state average.

Ms. Sandkulla stated that the San Francisco Bay Area is the largest region with the lowest per capita use in the State, and this is something that will become critically important to San Francisco and BAWSCA agencies as the region looks at the future risks, and investments.

- C. CEO's Letter: There were no discussion on the item.
- D. Board Policy Committee Calendar: There were no discussion on the item.
- 7. **Comments by Committee Members**: In response to Director Mendall, Ms. Sandkulla stated that the budget discussion process will be executed the same way as last year's process, starting with a Board study session in January.
- 8. **Adjournment**: The meeting was adjourned at 2.35 pm. The next meeting is December 14, 2016.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – October 12, 2016

Roster of Attendees:

Committee Members Present

Dan Quigg, City of Millbrae (Chair)
Gustav Larsson, City of Sunnyvale (Vice Chair)
Jay Benton, Town of Hillsborough
Randy Breault, City of Brisbane/GVMID (BAWSCA Chair)
Rob Guzzetta, California Water Service Company
Al Mendall, City of Hayward (BAWSCA Vice Chair)
Irene O’Connell, City of San Bruno
Gregg Schmid, City of Palo Alto
Louis Vella, Mid-Peninsula Water District

BAWSCA Staff:

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

Public Attendees:

Karla Dailey	City of Palo Alto
Peter Drekmeier	Tuolumne River Trust
Michelle Novotny	San Francisco Public Utilities Commission
Spreck Rosekrans	Restore Hetch Hetchy
Paul Sethy	Alameda County Water District

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

September 15, 2016 – 7 p.m.
Foster City Community Building, Foster City CA

MINUTES

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

BAWSCA Chair, Randy Breault, called the meeting to order and led the salute to the flag. CEO, Nicole Sandkulla, called the roll. Twenty-three (23) members of the Board were present, constituting a quorum. A list of Directors present (23) and absent (3) is attached.

2. Comments by Chair: Chair Breault welcomed Pat Kolstad as a member of the BAWSCA Board from the City of Santa Clara. He previously served on the Board from 2005-2009.

An action item before the Board is the extension of Art Jensen's appointment as Special Counsel to the CEO. Mr. Jensen is assisting the CEO in addressing a highly important cost-allocation issue with the SFPUC. His hands-on experience as a senior executive with the San Francisco Regional Water System and his extensive knowledge of the water business and BAWSCA member agencies' best interests are invaluable. Chair Breault recommends the Board's extension of Mr. Jensen's appointment

Staff will provide an update on the SFPUC Water Management Action Plan (WaterMAP), which lays out future water supply issues and alternatives that the SFPUC must consider and address by 2018. BAWSCA's efforts on the WaterMAP are to ensure SFPUC meets its water supply reliability commitments and address the additional needs of the Cities of San Jose, Santa Clara and East Palo Alto, which BAWSCA is strongly supporting. BAWSCA and the SFPUC are putting high priority attention on the additional water supply needs of East Palo Alto, and the City of Mountain View's initiative to work out a water transfer from its excess allocation for East Palo Alto.

On behalf of the CEO and the Board, Chair Breault thanked Michael Hurley for his leadership and services as BAWSCA's Water Resources Manager, and wished him all the best at California Water Service Company and his future endeavors.

3. Board Policy Committee (BPC) Report: Committee Chair, Dan Quigg, reported the Committee did not meet in August.**4. Public Comments:** There were none.**5. Consent Calendar:** Director Zigterman pulled the Minutes from July 21, 2016.

Director Richardson made a motion, seconded by Director Bronitsky, to receive and file the Pre-Audit Budget Status Report as of June 30, 2016, and the Quarterly Bond surcharge Collection, Account Balance and Payment Report as of June 30, 2016.

The motion passed unanimously.

Director Zigterman noted that he was not present at the July 21, 2016 Board meeting, and that his name should be moved to the “Directors Absent” section.

Director Zigterman made a motion, seconded by Director O’Connell, to approve the Minutes of the July 21, 2016 Board meeting with the correction.

The motion passed. Director Bronitsky abstained.

6. Action Item:

A. Resolution Approving Temporary Reappointment of Arthur Jensen as Special Counsel to the CEO/General Manager.

Director Richardson made a motion, seconded by Director Bronitsky, that the Board adopt Resolution 2016-01 approving the reappointment of Arthur Jensen to the temporary position of Special Counsel to the CEO/GM, and making associated findings in support of such an appointment.

The motion passed unanimously.

7. SFPUC Report: On behalf of SFPUC General Manager, Harlan Kelly, Michael Carlin, SFPUC Deputy General Manager and Chief Operating Officer, reported that SFPUC is highly focused on several matters including the State Water Resources Control Board’s Substitute Environmental Document for the San Joaquin River flows and Southern Delta Water Quality, San Francisco Board of Supervisor’s resolution urging SFPUC to allow recreational activities in the Peninsula Watershed, East Palo Alto’s need for additional supply, and the service area’s continuing water conservation efforts.

Director of Water System Improvement Program, Dan Wade, provided a report on the progress of the WSIP, including the Calaveras Dam project.

8. Reports: Ms. Sandkulla reported on the SFPUC WaterMAP.

9. Closed Session: The Board adjourned to Closed Session at 8:00 pm.

10. Reconvene and Report from Closed Session: The meeting reconvened from Closed Session at 8:15pm. Chair Breault reported that the Board members discussed the CEO’s performance and provided guidance to the designated labor negotiator. The Board invited Ms. Sandkulla in for discussion of her performance.

There was no need for item 9B.

11. Action Following Closed Session: Consider Compensation Adjustment for CEO/General Manager for FY 2016-17.

Director Richardson made a motion, seconded by Director Vella, that the Board approve the contract amendment to the CEO/General Manager's Employment Agreement to reflect the compensation adjustment.

The motion carried unanimously.

12. Directors' Discussion: Comments, Questions and Agenda Requests: Chair Breault announced that the next meeting of the Board would be held in a special location, the Oak Room of the San Mateo Main Library. There were no further discussions.

13. Date, Time and Location of Next Meeting: The next meeting is scheduled on November 17, 2016. As part of the Board's review of alternative venues, the meeting will be held as a Special Meeting in the Oak Room of the San Mateo Main Library.

14. Adjournment: The meeting adjourned at 8:20 pm.

Respectfully submitted,

Nicole Sandkulla
Chief Executive Officer/General Manager

NMS/le

Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board of Directors Meeting
September 15, 2016

Attendance Roster

Present:

Robert Anderson	Purissima Hills Water District
Jay Benton	Town of Hillsborough
Randy Breault	Guadalupe Valley Water District
Charlie Bronitsky	City of Foster City
Tom Chambers	Westborough Water District
Jose Esteves	City of Milpitas
Rob Guzzetta	California Water Service Company
Michael Guingona	City of Daly City
Mike Kasperzak	City of Mountain View
Kirsten Keith	City of Menlo Park
Patrick Kolstad	City of Santa Clara
Gustav Larsson	City of Sunnyvale
Al Mendall	City of Hayward
Larry Moody	City of East Palo Alto
Irene O'Connell	City of San Bruno
Rosalie O'Mahony	City of Burlingame
Barbara Pierce	City of Redwood City
Dan Quigg	City of Millbrae
Sepi Richardson	City of Brisbane
Gregg Schmid	City of Palo Alto
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
Tom Zigterman	Stanford

Absent:

Sam Liccardo	City of San Jose
Chris Mickelsen	Coastside County Water District
Tom Piccolotti	North Coast County Water District

BAWSCA

Bay Area Water Supply & Conservation Agency

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

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: November 1, 2016

SUBJECT: Budget Status Report as of September 30, 2016

This memorandum shows fiscal year budget status for FY 2016-17. It includes major areas of spending, provides an assessment of the overall budget, and summarizes reserve fund balances. This report covers the budget and expenses for BAWSCA. The BAWSCA budget includes necessary resources for the RFA and BAWUA.

Operating Budget Summary:

For the three-month period ending September 30, 2016, 25 percent into the fiscal year, total expenditures were \$739,939 or 21 percent of the total budget of \$3,468,008.

Table 1. Operating Budget Summary as of September 30, 2016

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	964,600	140,375	15%
Fair Pricing	409,000	37,623	9%
Administration	95,000	17,517	18%
Subtotal	<i>1,468,600</i>	<i>195,515</i>	<i>13%</i>
Administration and General			
Salary & Benefits	1,580,658	486,333	31%
Other Expenses			
BAWSCA	356,450	58,091	16%
BAWUA	1,050	0	0%
Subtotal	<i>3,406,758</i>	<i>739,939</i>	<i>22%</i>
Capital Expenses	2,500	0	0%
Budgeted Contingency	57,500	0	0%
Regional Financing Authority	1,250	0	0%
Grand Total	<i>3,468,008</i>	<i>739,939</i>	<i>21%</i>

Overview:

Overall expenditures for FY 2016-17 are tracking within budget.

Consultants

The \$125,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 23 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 20 percent expended. The Operating Budget allocation of \$651,000 budget for legal counsel was 15 percent expended. The \$381,600 budget for water management and conservation-related activities was 5 percent expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 31% and 16% 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 2015-16 were \$453,246. The BAWSCA reserve balance as of September 30, 2016, shown below, does not yet reflect this deposit. Once the audited financial report has been accepted by the Board of Directors, the unspent balance from FY 2015-16 will be transferred to the General Reserve bringing the balance to \$1,229,866.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 06/30/16)	Account Balance (As of 09/30/16)
General Reserve	\$776,620	\$776,620

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Audit Report for BAWSCA and Compilation Report for BAWUA for FY 2015-16**

Summary:

An independent auditor report for BAWSCA and a compilation report for Bay Area Water Users Association (BAWUA) have been completed for the year ending June 30, 2016. An audit of BAWSCA accounts is required by Division 31, Section 81426 of the Water Code. The compilation of BAWUA accounts is prepared in accordance with its bylaws, Article 8, Section 8.2. The reports are enclosed, under separate cover, for your review. A financial audit of the Regional Finance Authority is not required at this time.

Fiscal Impact:

None

Board Policy Committee Action:

None. The reports became available on September 26th for staff review, allowing their inclusion in the BAWSCA board meeting agenda.

Recommendation:

That the Board receive and file the independent auditor's report for BAWSCA and the compilation report for BAWUA for the year ending June 30, 2016.

Discussion:

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

Based on their review of the financial statements, the auditors have concluded that the financial statements are in conformance with generally accepted accounting principles, and fairly present, in all material respects, the financial position of both BAWSCA and BAWUA and the changes in financial position and cash flow for FY 2015-16.

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

Enclosed under separate cover:

1. BAWSCA FY 2015-16 Audit Report
2. BAWUA FY 2015-16 Compilation Report

(This page intentionally left blank)

BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: October 31, 2016

SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending
September 30, 2016

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

There were no director expenses reimbursed for the quarter ending September 30, 2016.

(This page intentionally left blank)

BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: November 4, 2016

SUBJECT: Investment Report – As of September 30, 2016

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. The Board is scheduled to review and consider modifications to the investment policy at the November 17th board meeting. This report presents fund management in compliance with the current investment policy.

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

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

<u>06/30/16</u>	<u>09/30/16</u>
\$1,857,300	\$1,819,747

Of the total in the BAWSCA LAIF account as of September 30, 2016, \$776,620 represents BAWSCA's General Reserve Fund, equivalent to approximately 22 percent of FY 2016-17 Operating Budget. The remaining amount consists of Subscription Conservation Program funds and unrestricted funds.

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

<u>06/30/16</u>	<u>09/30/16</u>
0.55%	0.60%

(This page intentionally left blank)

BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Christina Tang, Senior Administrative Analyst

DATE: November 8, 2016

**SUBJECT: Bond Surcharge Collection, Account Balance and Payment Report
as of September 30, 2016**

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

Bond Surcharge Collections

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

All surcharges billed for the months of July and August in 2016 have been collected. Payments of surcharges billed for September 2015 are still being received. Table 1 below presents a summary of financial transactions related to BAWSCA's Bond Series 2013A and 2013B for the three months.

Table 1: Summary of Surcharges Remitted to Trustee for Quarter Ending 9/30/2016

<u>Month</u>	<u>Amount Billed</u>	<u>Amount Remitted to Trustee</u>
July 2016	\$2,057,065	\$2,057,065
August 2016	\$2,057,065	\$2,057,065
September 2016	<u>\$2,057,065</u>	<u>\$1,182,200</u>
Total	\$6,171,195	\$5,296,330

Bond Surcharge Account Balances

All surcharge payments are deposited with the Bank of New York, the Trustee who

manages BAWSCA’s accounts and administers debt service payments. BAWSCA’s account balances at the Bank of New York and the account activities in the past quarter are shown in Table 2 below.

Table 2: Bank of New York Bond Trustee Account Activity for Quarter Ending 9/30/2016

	27,784,835	Account Market Value as of 06/30/2016
plus:	6,342,331	Surcharge Collected in July 2016 through September 2016
plus:	92,108	Money Market Fund Interest, Security Coupons/Accrued Interest Received
plus:	(42,203)	Change in Market Value of Held Treasury Bonds
plus:	(5,917)	Change in Market Value of Matured Treasury Bonds
plus:	<u>(12,115)</u>	<u>Reimbursement to BAWSCA for Expenses Incurred in FY 2013-14</u>
	34,159,039	Account Market Value as of 09/30/2016

There are two ways interest is earned by BAWSCA on the collected surcharge payments and balances held in the stabilization funds. First, interest is automatically earned on the account balance in the Bank of New York Bond Trustee money market account at a current rate of approximately 0.26%. Last quarter, interest earnings received were \$10,556. Second, BAWSCA has the ability to invest the collected surcharge payments by purchasing US Treasury securities, possibly earning a higher rate of return than the money market account.

Based upon an evaluation of the available yields, it was determined that BAWSCA would realize a moderate earning benefit by purchasing U.S. Treasury securities instead of staying invested in the money market account. Following further evaluation, BAWSCA determined that a strategy that involved both a rolling and a laddered security structure provided the Agency with the most appropriate balance of safety, liquidity, and yield. This investment strategy was implemented in October 2015 by the CEO/General Manager.

Just prior to security maturities on September 30, 2016, the held U.S. Treasury securities represented an increase of 45 basis points (0.45%) over what BAWSCA would have earned had the balances remained invested in the money market funds. The \$92,108 mentioned in the summary table above includes interest earnings of \$10,556 received from the money market fund and coupons of \$81,552 received from the securities.

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

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

The recent debt service payment of \$18,078,497 was made on October 1, 2016. It was paid using the bond surcharges collected from the agencies, consistent with the bond indenture. The next debt service payment of \$6,459,367 will be made on April 1, 2017. There are sufficient funds in the Trustee account to make the payment. Debt service payments are made on April 1st and October 1st of each year until 2034.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OR DIRECTORS MEETING

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

Summary:

The Board's Investment Policy states that the CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting. The previous review occurred on September 17, 2015 and resulted in no changes to the Policy. Quarterly investment reports are provided to the Board as required by the Policy.

Legal counsel confirmed that the current Investment Policy reflects language consistent with current State law. BAWSCA staff and investment advisor's review and analysis of alternative investment options for BAWSCA's general operating fund support the continuation of the current limitations contained in the Investment Policy. No changes to the policy are recommended at this time.

Fiscal Impact:

No impact on BAWSCA's annual operating budget.

Board Policy Committee Action:

The Committee voted unanimously to recommend approval of the proposed Board action. The Committee also suggested that BAWSCA may want to investigate participation in the San Mateo County Investment Pool when this issue is reviewed again. At this time, this investment pool does not meet BAWSCA's liquidity needs.

Recommendation:

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

Discussion

All BAWSCA funds are invested in accordance with the Investment Policy and the California Government Code. The primary objectives of BAWSCA's Investment Policy are safety, liquidity, and return on investment. Legal counsel has reviewed the applicable State law and believes that BAWSCA's current Investment Policy reflects language consistent with current State law.

A question has been asked as to whether it would be beneficial for BAWSCA's general operating fund to be invested elsewhere. Currently, BAWSCA's investment policy limits investment options for BAWSCA's general operating fund to bank deposits and Local Agency Investment Fund (LAIF). Public entities pool their small funds in the LAIF so they can participate in a major portfolio managed by the State Treasurer's Office. The balance of BAWSCA's general operating fund is \$1,654,411 as of September 30, 2016, which includes \$1,578,173 invested in LAIF.

To evaluate alternative investment options, BAWSCA conducted an investment tool survey of Sacramento Regional Water Authority, a public Joint Powers Authority that operates a business similar to BAWSCA, and four member agencies whose annual operating budgets are lower than \$16 million. The results of this survey are provided in Attachment 2. Based on the survey results, four of the five public agencies are using LAIF program as their only investment tool in addition to bank deposits. The other agency purchased over \$15 million Government-Sponsored Enterprise (GSE) securities that mature in 1 to 5 years as of April 30, 2016.

BAWSCA also performed a side-by-side comparison of investment alternatives as shown in Attachment 3. These options include LAIF, U.S. Treasury securities, and GSE securities. Based on the evaluation results, BAWSCA would need to invest in U.S. Treasury Securities or GSE Securities with a maturity of at least 2 years in order to receive more interest earnings than investing in LAIF. However, BAWSCA has high liquidity needs that must be served by the general operating fund. Annual assessments paid on a quarterly basis from member agencies are BAWSCA's sole revenue source and are used to fund BAWSCA's daily operations.

Due to BAWSCA's high liquidity needs and its relatively small general operating fund in size compared to the standard minimum fund requirement of \$10 million for investing in U.S. Treasury and GSE securities, the LAIF and bank deposits are the most appropriate and cost effective investment options for BAWSCA's general operating fund.

Based on BAWSCA's review of other similar public agencies' investment practices, an evaluation of investment alternatives, and consultations with BAWSCA's investment advisor and legal counsel, no changes to the current investment policy regarding approved investment options for BAWSCA's general operating fund are recommended at this time.

San Mateo County Investment Pool

Attachments:

1. Statement of Investment Policy
2. Result of Investment Tool Survey
3. Result of Investment Alternatives Comparison

BAY AREA WATER SUPPLY & CONSERVATION AGENCY
STATEMENT OF INVESTMENT POLICY

Adopted February 19, 2004

Amended by the Board, July 15, 2010

Amended by the Board, July 21, 2011

Amended by the Board, November 15, 2012

(This page intentionally left blank)

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

STATEMENT OF INVESTMENT POLICY

1. Introduction

The investment policies and practices of the Bay Area Water Supply & Conservation Agency (BAWSCA) are based on state law and prudent money management. All funds will be invested in accordance with the Agency's Investment Policy and the California Government Code.

2. Scope

This policy applies to all funds and investment activities under the direction of the Agency, including funds held in the name of the Bay Area Water Users Association (BAWUA), a California nonprofit corporation of which the Agency is the sole member.

3. Prudence

The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency.

Investments shall be made with the judgment and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived, and in accordance with the provisions of Government Code Section 53600 et seq.

4. Objectives

The primary objectives, in priority order, of the Agency's investment activities shall be:

A. Safety. Safety of principal is the foremost objective of the investment program. The Agency's funds shall be invested in a manner that seeks to ensure preservation of capital.

B. Liquidity. The Agency's investments will remain sufficiently liquid to enable the Agency to meet its cash flow requirements.

C. Return on Investment. The Agency's investments shall be designed with the objective of attaining a market rate of return consistent with the constraints imposed by its safety and liquidity objectives.

5. Delegation of Authority

The management and oversight responsibility for investments is hereby delegated to the CEO/General Manager who shall monitor and review all investments for consistency with this Investment Policy.

6. Investment of Funds

A. Permitted Investments and Depositories

(i) Agency funds may be deposited only in state or national banks and state or federal savings associations with offices in California that meet the requirements and conditions of the Government Code, as it may be amended from time to time.

(ii) Funds not deposited in banks or savings associations shall be invested in the Local Agency Investment Fund administered by the Treasurer of the State of California, in accordance with Government Code Section 16429.1.

B. Other Limitations

(i) The maximum amount of funds deposited with any bank or savings association shall be \$250,000; provided that if funds are each separately insured by the Federal Deposit Insurance Corporation ("FDIC"), the General Manager may maintain separate accounts for the Agency and for BAWUA (to a maximum of \$250,000 for each entity) at one bank or savings association. The temporary increase from \$100,000 to \$250,000 in the standard maximum deposit insurance amount has been permanently extended by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

(ii) Investment maturities shall be based on a review of cash flow forecasts and shall be scheduled so as to allow the Agency to meet all projected obligations. The maturity of any certificate of deposit shall not exceed 12 months.

7. Investment of Bond Proceeds

Permitted Investments and Depositories. Pursuant to Government Code section 53601(m), a local agency may invest bond proceeds "in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance of those bonds." Typically, a local agency will specify in its investment policy that the investment of bond proceeds is out of the scope of the investment policy because permitted investments are specified in the bond indenture.

Instead, BAWSCA has determined that it would like to at least temporarily use its Investment Policy to restrict the vehicles permitted for the investment of bond proceeds to more conservative investments than are permitted by the Revenue Bond Indenture, dated January 1, 2013, by and between BAWSCA and the Trustee (the "Indenture"). This gives BAWSCA the flexibility to, through amendments to future Investment Policies, gradually expand permitted investments for bond proceeds to include some or all of the investment vehicles permitted in the Indenture. As

such, notwithstanding language allowing a broader range of investment vehicles in the Indenture, bond proceeds may be invested only in the following instruments:

(i) “Federal Securities” meaning direct and general obligations of the United States of America, or those which are fully and unconditionally guaranteed as to timely payment of principal and interest by the same;

(ii) “Money Market Mutual Funds” meaning funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor’s of “AAAm-G” or “AAAm” and, if rated by Moody’s, having a rating by Moody’s of “Aaa,” including money market funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund or for which the Trustee or any of its affiliates serve as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee; and

(iii) “Certificates of Deposit” (including those placed by third parties pursuant to an agreement between the Agency and the Trustee), trust funds, trust accounts, overnight bank deposits, interest bearing money market accounts, time deposits, savings accounts, deposit accounts, bankers’ acceptances or money market deposits which are fully insured by the Federal Deposit Insurance Corporation, including those of the Trustee or its affiliates.

8. Reporting Requirements

The CEO/General Manager shall provide the Board a quarterly investment report, which shall include the information specified in Government Code Section 53646.

9. Annual Review of Investment Policy

The CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting.

Attachment 2. Result of Investment Tool Survey

	FY2016-17 Operating Budget	Investment Tools of General Fund Other Than Bank Deposits
Sacramento Regional Water Authority	\$1,699,900	Local Agency Investment Fund (LAIF)
Purissima Hills Water District	\$4,687,500	LAIF
North Coast County Water District	\$10,213,803	LAIF
Mid-Peninsula Water District	\$10,856,950	LAIF
City of Brisbane ¹	\$15,500,000	Government-Sponsored Enterprise (GSE) Securities

1. This budget amount represents the city's operating budget in the general fund.

Attachment 3. Result of Investment Alternatives Comparison

Investment Options	Interest Rate (9/30/2016) A	Management Cost B	Net Interest C = A - B	Minimum Fund Requirement
LAIF	0.63%	0.005% ¹	0.625%	\$5,000
1-Year U.S. Treasury Securities	0.64%	0.080% ²	0.560%	\$10 Million
1-Year GSE Securities	0.65%	0.080% ²	0.570%	\$10 Million
2-Year U.S. Treasury Securities	0.76%	0.080% ²	0.680%	\$10 Million
2-Year GSE Securities	0.81%	0.080% ²	0.730%	\$10 Million

1. LAIF charges 0.5 basis points of the average market value of total funds in the pool for the quarter ending 06/30/2016.
2. BAWSCA's investment advisor, Public Trust Advisors, charges 8 basis points of the average market value of total funds under management with a minimum fund requirement of \$10M.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Amendment to Policies and Procedures for the Purchase of Equipment and Supplies/Award of Contracts**

Summary:

Under the Board's existing Procurement Policy, originally adopted in 2004, and amended in 2012, procurements of services contracts do not contain any requirements related to the appropriate methodologies staff should follow when procuring certain types of services. In order to ensure that staff is following appropriate evaluation and selection processes, amendments are proposed.

Fiscal Impact:

The recommended changes have no budgetary or other fiscal impact.

Board Policy Committee Action:

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

Recommendation:

That the Committee recommend the Board adopt the proposed resolution revising the Procurement Policy to update the CEO/General Manager's position title and clarify the following:

1. The "best value" evaluation methodology should be used for all services procurements, with the exception of contracts for services listed under Government Code Section 4525 et seq.
2. Contracts for services listed under Government Code Section 4525 et seq. must be initially ranked based solely upon qualifications, without using cost as a determining factor.

Discussion:

The Board's existing Procurement Policy does not currently provide clarity on the methodologies to be used in the evaluation and selection of certain types of services contracts.

The proposed amendments clarify that the "best value" methodology (the overall combination of quality, price and other elements of a proposal that, when considered together, provide the greatest overall benefit to BAWSCA in response to the requirements described in the solicitation documents) should be used for all services contracts except those services listed under Government Code Section 4525 et seq. For those services listed in Government Code Section 4525 et seq. (architectural, landscape architectural, engineering, environmental, land surveying or construction project management services), the proposed amendments would clarify that such contracts are to be let to the proposer that is most qualified, without consideration given to price. Although prices may not be a determining factor in selection, prices must be determined to be fair and reasonable.

Attachments:

1. The Procurement Policy containing proposed adjustments in strike format.
2. A clean copy of the Policy and a resolution for adopting it.

(This page intentionally left blank)

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
POLICIES AND PROCEDURES FOR THE PURCHASE OF EQUIPMENT AND
SUPPLIES AND THE AWARD OF CONTRACTS

I. PURCHASE OF EQUIPMENT AND SUPPLIES

A. Purchases Under \$25,000

When the estimated cost of equipment or supplies is below \$25,000, the CEO/General Manager may award the contract or purchase order. If the estimated cost is less than \$5,000, the CEO/General Manager shall attempt to secure the best value for the Agency, but need not solicit quotes or bids. If the estimated cost is between \$5,000 and \$10,000, the CEO/General Manager shall solicit informal quotes from at least two vendors. If the estimated cost exceeds \$10,000, but is less than \$25,000, the CEO/General Manager shall solicit formal written quotes from at least three vendors, but need not formally advertise for the solicitation of bids.

B. Purchases of \$25,000 or More

All contracts in the amount of \$25,000 or more shall be submitted to the Board of Directors for approval. When the estimated cost of equipment or supplies is \$25,000 or more, the CEO/General Manager shall solicit formal written bids/proposals through means and methods which he or she determines to be most cost-effective, which may include advertisement in a newspaper of general circulation in the Agency.

C. Leasing of Equipment

Leasing or renting of equipment is permitted if advantageous to BAWSCA. If the total rental payments due under a lease are below \$25,000, the CEO/General Manager shall follow the procedure in Section I.A. If the total rental payments due under a lease are \$25,000 or more, the CEO/General Manager shall follow the procedure in Section I.B.

D. Reporting

The CEO/General Manager shall report to the Board of Directors on (1) all contracts or leases entered into under Section I.A or I.C and (2) all change orders or amendments entered into under Section V.B. at the next meeting of the Board.

E. General

1. Board approval is required for extension of contracts or purchase orders beyond one (1) year where the cost of the extension is estimated to exceed \$25,000.

2. The CEO/General Manager is authorized to purchase equipment and supplies through the State of California cooperative purchasing program authorized by Public Contract Code Section 10298, California Multiple Awards Schedule (CMAS). If the cost of such purchase is expected to exceed \$25,000, the CEO/General Manager shall obtain Board approval before participating in the CMAS procurement.

II. PURCHASE OR LEASE OF REAL PROPERTY

Any contract for the purchase of real property must be submitted to and approved by the Board of Directors.

Any lease or sublease of real property, including any renewal or extension of an existing lease or sublease, must be submitted to and approved by the Board of Directors.

III. CONTRACTS FOR SERVICES

Contracts for services in which the maximum compensation payable does not exceed \$25,000 may be entered into by the CEO/General Manager. All other contracts shall be submitted to and approved by the Board of Directors.

With the exception of contracts for services described in the paragraph below, all services contracts shall be awarded to the proposer(s) that offer the best value to BAWSCA, which is defined as the overall combination of quality, price and other elements of a proposal that, when considered together, provide the greatest overall benefit to BAWSCA in response to the requirements described in the solicitation documents.

Pursuant to California Government Code Section 4525 et seq., BAWSCA shall use qualifications-based competitive proposal procedures for the procurement of architectural, landscape architectural, engineering, environmental (but, not where the scope of work consists of planning services), land surveying or construction project management services. Under this method, proposals shall not contain a cost proposal and shall be evaluated based upon qualifications and demonstrated competence. Negotiations shall be conducted with the proposer deemed most qualified. If the parties are unable to negotiate fair and reasonable contract terms, including compensation, then the negotiations will be closed and staff will commence negotiations with the second most qualified proposer. This process will be followed until an agreement is reached or the determination is made to recommend rejection of all proposals.

IV. CONTRACTS FOR CONSTRUCTION

Any contract for construction (other than a leasehold improvement costing less than \$10,000) shall require approval of the Board of Directors.

V. CEO/GENERAL MANAGER AUTHORITY

- A. The CEO/General Manager is authorized to expend funds, issue purchase orders and sign contracts for procurements and activities as follows: (1) up to \$25,000 for equipment and supplies; and (2) up to \$25,000 for professional or other services.

Adopted ~~January 19, 2012~~, 20126
by Resolution No. 20162-__

Formatted: Outline Cont 1, Adjust space between Latin and Asian text, Adjust space between Asian text and numbers

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: 12 pt

Formatted: Normal, Indent: Left: 0.5", Don't adjust space between Latin and Asian text, Don't adjust space between Asian text and numbers

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: 12 pt

B. The CEO/General Manager is authorized to administer all contracts on behalf of BAWSCA. The CEO/General Manager is authorized to issue change orders or amendments up to \$25,000 without further Board approval.

VI. WAIVER

The Board of Directors may suspend or waive the requirements of this Policy in any instance when the Board deems it in the best interest of BAWSCA to do so.

Adopted ~~January 19, 2012~~, 20126
by Resolution No. 20162-__

3

1083866.7

(This page intentionally left blank)

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

POLICIES AND PROCEDURES FOR THE PURCHASE OF EQUIPMENT AND SUPPLIES AND THE AWARD OF CONTRACTS

I. PURCHASE OF EQUIPMENT AND SUPPLIES

A. Purchases Under \$25,000

When the estimated cost of equipment or supplies is below \$25,000, the CEO/General Manager may award the contract or purchase order. If the estimated cost is less than \$5,000, the CEO/General Manager shall attempt to secure the best value for the Agency, but need not solicit quotes or bids. If the estimated cost is between \$5,000 and \$10,000, the CEO/General Manager shall solicit informal quotes from at least two vendors. If the estimated cost exceeds \$10,000, but is less than \$25,000, the CEO/General Manager shall solicit formal written quotes from at least three vendors, but need not formally advertise for the solicitation of bids.

B. Purchases of \$25,000 or More

All contracts in the amount of \$25,000 or more shall be submitted to the Board of Directors for approval. When the estimated cost of equipment or supplies is \$25,000 or more, the CEO/General Manager shall solicit formal written bids/proposals through means and methods which he or she determines to be most cost-effective, which may include advertisement in a newspaper of general circulation in the Agency.

C. Leasing of Equipment

Leasing or renting of equipment is permitted if advantageous to BAWSCA. If the total rental payments due under a lease are below \$25,000, the CEO/General Manager shall follow the procedure in Section I.A. If the total rental payments due under a lease are \$25,000 or more, the CEO/General Manager shall follow the procedure in Section I.B.

D. Reporting

The CEO/General Manager shall report to the Board of Directors on (1) all contracts or leases entered into under Section I.A or I.C and (2) all change orders or amendments entered into under Section V.B. at the next meeting of the Board.

E. General

1. Board approval is required for extension of contracts or purchase orders beyond one (1) year where the cost of the extension is estimated to exceed \$25,000.

2. The CEO/General Manager is authorized to purchase equipment and supplies through the State of California cooperative purchasing program authorized by Public Contract Code Section 10298, California Multiple Awards Schedule (CMAS). If the cost of such purchase is expected to exceed \$25,000, the CEO/General Manager shall obtain Board approval before participating in the CMAS procurement.

II. PURCHASE OR LEASE OF REAL PROPERTY

Any contract for the purchase of real property must be submitted to and approved by the Board of Directors.

Any lease or sublease of real property, including any renewal or extension of an existing lease or sublease, must be submitted to and approved by the Board of Directors.

III. CONTRACTS FOR SERVICES

Contracts for services in which the maximum compensation payable does not exceed \$25,000 may be entered into by the CEO/General Manager. All other contracts shall be submitted to and approved by the Board of Directors.

With the exception of contracts for services described in the paragraph below, all services contracts shall be awarded to the proposer(s) that offer the best value to BAWSCA, which is defined as the overall combination of quality, price and other elements of a proposal that, when considered together, provide the greatest overall benefit to BAWSCA in response to the requirements described in the solicitation documents.

Pursuant to California Government Code Section 4525 et seq., BAWSCA shall use qualifications-based competitive proposal procedures for the procurement of architectural, landscape architectural, engineering, environmental (but, not where the scope of work consists of planning services), land surveying or construction project management services. Under this method, proposals shall not contain a cost proposal and shall be evaluated based upon qualifications and demonstrated competence.

Negotiations shall be conducted with the proposer deemed most qualified. If the parties are unable to negotiate fair and reasonable contract terms, including compensation, then the negotiations will be closed and staff will commence negotiations with the second most qualified proposer. This process will be followed until an agreement is reached or the determination is made to recommend rejection of all proposals.

IV. CONTRACTS FOR CONSTRUCTION

Any contract for construction (other than a leasehold improvement costing less than \$10,000) shall require approval of the Board of Directors.

V. CEO/GENERAL MANAGER AUTHORITY

- A. The CEO/General Manager is authorized to expend funds, issue purchase orders and sign contracts for procurements and activities as follows: (1) up to \$25,000 for equipment and supplies; and (2) up to \$25,000 for professional or other services.

- B. The CEO/General Manager is authorized to administer all contracts on behalf of BAWSCA. The CEO/General Manager is authorized to issue change orders or amendments up to \$25,000 without further Board approval.

VI. WAIVER

The Board of Directors may suspend or waive the requirements of this Policy in any instance when the Board deems it in the best interest of BAWSCA to do so.

(This page intentionally left blank)

RESOLUTION NO. 2016-____
BY THE BOARD OF DIRECTORS OF THE
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

POLICIES AND PROCEDURES
FOR THE PURCHASE OF EQUIPMENT AND SUPPLIES AND
THE AWARD OF CONTRACTS

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

WHEREAS, the Act authorizes BAWSCA to acquire such property, facilities, equipment, materials and supplies as may be deemed necessary to carry out its duties; and

WHEREAS, Section 54202 of the Government Code requires that all local government agencies, including BAWSCA, adopt policies and procedures, including bidding requirements, for the purchase of equipment and supplies; and

WHEREAS, in 2004, BAWSCA adopted a “Policies and Procedures for the Purchase of Equipment and Supplies and the Award of Contracts” (“Policies and Procedures”), which was amended in 2012 to adjust the limits of the CEO/General Manager's authority to enter into contracts on behalf of BAWSCA; and

WHEREAS, staff has reviewed the Policies and Procedures and recommends that the Board of Directors amend the Policies and Procedures to update the CEO/General Manager's position title and clarify the methods that staff is required to use concerning the evaluation and selection of certain types of services contracts; and

WHEREAS, staff has amended the Policies and Procedures in accordance with these suggested clarifications.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Bay Area Water Supply and Conservation Agency approves the amended and restated “Policies and Procedures for the Purchase of Equipment and Supplies and the Award of Contracts,” attached hereto.

PASSED AND ADOPTED this ____ day of _____, 2016, by the following vote:

AYES:

NOES:

ABSENT:

President, Board of Directors
Bay Area Water Supply &
Conservation Agency

ATTEST:

Secretary

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Authorization to Negotiate and Execute a Memorandum of Understanding with Solano County Water Agency for a Regional Washing Machine Rebate Program**

Summary

Since January 2008, PG&E has administered a joint Water Utility and Energy Utility Residential Washing Machine Rebate Program (WMRP) in partnership with BAWSCA and the other major water utilities in the Bay Area. PG&E is ending this program on December 31, 2016; however, participating BAWSCA member agencies have expressed interest in continuing to provide washing machine rebates to their customers. To support this need, BAWSCA is partnering with several other Bay Area water agencies to develop and implement a new regional WMRP for calendar year 2017 (CY 2017). Through a competitive procurement process, BAWSCA and other participating water agencies have selected a contractor to administer the WMRP and a contractor to market the program. Solano County Water Agency (SCWA) will be the lead agency that will manage the contracts with both contractors. To enable BAWSCA member agency participation in the WMRP, a Memorandum of Understanding (MOU) with SCWA needs to be executed.

The recommended action would authorize the CEO to negotiate and execute a Memorandum of Understanding (MOU) with SCWA for administrative and rebate processing services through June 20, 2018. This would extend the availability of the rebates through December 31, 2017 and provide a 6-month close out period to process all rebates and complete necessary administrative tasks. The MOU would also provide BAWSCA the opportunity to modify its participation in June 2017 consistent with the desires of the participating member agencies.

Fiscal Impact

None. As a subscription program, all costs are accounted for separately and paid by participating BAWSCA agencies. Costs to participating BAWSCA member agencies are anticipated to be consistent with the current WMRP.

Recommendation

That the Board authorize the CEO/General Manager to:

- 1) Negotiate and execute an MOU with SCWA, subject to legal counsel’s final review, for administrative and rebate processing services through June 30, 2018 associated with implementation of the Washing Machine Rebate Program from January 1 through December 31, 2017; and**
- 2) Offer participation in the program to BAWSCA member agencies through December 31, 2017.**

Discussion

On December 31, 2016, PG&E is ending its WMRP. To continue to offer a WMRP, BAWSCA is proposing to partner with several Bay Area water agencies to implement a new Regional WMRP separate from PG&E. SCWA will serve as the lead agency for the WMRP and will

contract with a program administrator and program marketer. Other water agencies that are considering participation in the program include San Francisco Public Utilities Commission, Zone 7 Water Agency, and City of Napa.

Through a competitive selection process, in which proposals were sought from three vendors to administer and market the new WMRP, Blackhawk Engagement Solutions (BES) was selected as the program administrator. BES currently administers the PG&E WMRP. In addition, ICF International was selected to provide marketing and field services such as outreach to retail stores.

The new WMRP will be operated on a calendar year basis, consistent with the existing PG&E program. This will extend the availability of the rebates through December 31, 2017 and provide a 6-month close out period to process all rebates and complete necessary administrative tasks. For CY 2017, water agencies will continue to offer rebates of \$100 for the most energy efficient tier of washing machines. PG&E will no longer provide an additional customer rebate.

BAWSCA agency participation in BAWSCA's conservation programs, including the WMRP, typically operate on a fiscal year basis, as this is consistent with the budget cycles of most of the BAWSCA member agencies. The MOU would provide BAWSCA the opportunity to modify its participation in June 2017 consistent with the desires of the participating member agencies. In the event that SCWA or BAWSCA, were to elect not to continue the WMRP beyond December 31, 2017, the six-month close-out period accommodates the three months that customers have to submit a rebate request, plus processing time for the rebates and resolution of all accounting.

Alternatives to the Recommended Action

The alternatives to the recommended action included herein are to (1) not offer a WMRP in CY 2017, or (2) offer an individual WMRP instead of participating in the Regional WMRP. BAWSCA does not recommend the above alternatives.

A Regional WMRP has been implemented since 2001 in partnership with other Bay Area water agencies and has proven to be a cost-effective means to operate the program and achieve strong customer participation levels. BAWSCA has also secured grant funding through the Prop 84 Integrated Regional Water Management program which offsets the WMRP costs to the participating agencies. The program continues to provide a cost-effective way to improve water use efficiency. BAWSCA agencies have continued to express interest in and plan for implementation of the WMRP as part of their local conservation program options.

Implementing an individual WMRP would greatly increase the administrative cost for this program and significantly reduce its cost-effectiveness.

Background

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

Table 1 below presents the number of rebates issued each year since the WMRP was initiated and the estimated annual water savings achieved. While program participation has declined in the past three years due to code changes and Cal Water ending its participation, the program

continues to provide a cost-effective way to improve water use efficiency. Fourteen BAWSCA member agencies currently participate in the WMRP.

Table 1: Washing Machine Rebate Program Results

Program Information	Rebates Issued	Estimated Annual Water Savings (acre-feet)
FY 2001-02	1,244	23
FY 2002-03	3,091	58
FY 2003-04	1,805	34
FY 2004-05	2,914	55
FY 2005-06	2,332	44
FY 2006-07	3,254	61
FY 2007-08	4,162	73
FY 2008-09	5,339	93
FY 2009-10	6,941	122
FY 2010-11	7,030	123
FY 2011-12	6,003	105
FY 2012-13	5,706	100
FY 2013-14	4,273	75
FY 2014-15	2,675	47
FY 2015-16	1,425	25
Totals	58,193	1,038

(This page intentionally left blank)

BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: November 10, 2016
SUBJECT: Chief Executive Officer/General Manager's Letter

Drought Response Analysis

As part of its adopted FY 2016-17 Work Plan, BAWSCA identified a need to conduct a drought response analysis to review multiple aspects of water customer response in the service area to the current drought.

As a first step, BAWSCA has entered into a non-disclosure agreement with Stanford University and Re-inventing the Nation's Urban Water Infrastructure (ReNUWIt) for completion of two specific studies: 1) analysis of impacts of media coverage of the drought on customer response, and 2) analysis of the relative impacts of other factors that influenced water use during the drought, including climate, water conservation programs, and water use restrictions. Other future studies can be added as directed by BAWSCA and agreed to by ReNUWIt.

During the course of the contract negotiations with ReNUWIt, it was agreed that ReNUWIt would complete the studies in consultation with BAWSCA and in conformance with the non-disclosure agreement, and that BAWSCA would provide funding after the completion of the work in the form of a financial gift to ReNUWIt (as opposed to a fee for service under a professional services agreement). This arrangement with ReNUWIt provides for the most cost-effective approach for completing the studies.

BAWSCA continues to analyze further study opportunities to better understand the water customer response during the last drought. The resulting information, from ReNUWIt studies and other work, will assist BAWSCA and the member agencies in determining what portion of the demand reductions achieved during the drought can be expected to continue long-term.

Independent Regional Water System & Supply Modeling Tool

In July, the BAWSCA Board of Directors authorized the CEO to negotiate and execute an agreement with ReNUWIt, subject to legal counsel review, to perform initial development of an Independent Regional Water System & Supply Modeling Tool.

Subsequent negotiations and legal review of the potential professional services agreement with ReNUWIt indicated that the cost of the project would be subject to a large additional cost associated with the overhead charged at Stanford University. At

this time, a formal Request for Proposals process is warranted to ensure that BAWSCA obtains the best value for services provided to complete this work. BAWSCA will provide updates on the progress of this RFP process.

SWRCB Long-Term Conservation Framework

Department of Water Resources (DWR) and State Water Resources Control Board (SWRCB) are continuing the development of a new Long-Term Water Use Efficiency Framework (Framework) as required by Governor Brown's Executive Order B-37-16 - Making Water Conservation a California Way of Life (Executive Order).

The Framework will include:

1. long-term water use targets for urban water suppliers that go beyond existing requirements to achieve a 20% reduction in urban water usage by 2020; and
2. additional Water Shortage Contingency Plan requirements to assure water supplier drought resilience and forestall the need for state mandated actions.

An Urban Advisory Group (UAG), comprised of invited representatives from water agencies, non-governmental organizations, and other interested parties, is assisting the State in the development of the Framework. On October 20th, DWR, SWRCB, and CA Public Utilities Commission staff hosted a meeting with UAG to continue development of the Framework. Prior to the meeting, the Association of California Water Agencies (ACWA) submitted a comment letter to the SWRCB documenting its recommended modifications to the proposed Framework. BAWSCA participated in the development of the ACWA comment letter and was a signatory. A Copy of the letter is attached.

The draft Framework is currently scheduled to be released the week of November 14th, with comments due on December 1st. DWR is holding a webinar on November 18th to review the draft Framework with the UAG and the public. BAWSCA will review the draft Framework and will submit comments as needed. The Framework will be completed by January 10, 2017, as required by EO-B-37-16.

Groundwater Reliability Partnership

At the end of October, BAWSCA entered into a contract with Geosyntec Consultants to support BAWSCA's efforts related to groundwater and the Groundwater Reliability Partnership included in the adopted FY 2016-17 Work Plan. The consultant will be attending the December BAWSCA Water Management Representatives meeting to provide a brief presentation on local groundwater issues.

San Mateo County is hosting the third workshop for their Groundwater Basin Assessment for the San Mateo Plain Sub-basin on November 21 from 1:30 pm to 3:30 pm at Menlo Park's Arrillaga Family Recreation Center, and the fourth workshop is tentatively scheduled for Tuesday, December 4 from 2:00 pm to 4:00 pm at Belmont City Hall. The third workshop will be focused on the results of groundwater modeling for the basin. The fourth workshop will be a discussion of alternatives to enhance groundwater sustainability and general descriptions of various management options.

BAWSCA staff are actively participating in the County's process. The next meeting of the Groundwater Reliability Partnership has not yet been scheduled.

Online Application for BAWSCA Conservation Rebate Programs

The ConserveTrack Online Rebate Application System, which launched in August, has thus far proven effective in improving the rebate process for customers. The system enables customers to submit their rebate applications and associated documentation electronically and to communicate with their water agency throughout the application process. In the two months following system launch, 58 percent of the rebate applications received for participating agencies were submitted electronically. This number is anticipated to increase as marketing materials promoting the online application system are more widely circulated.

Columbian Ministry of the Environment:

On October 14th, BAWSCA staff met with a representative from the Colombian Ministry of the Environment (CMOE) in charge of staffing their national water use efficiency policies, regulations, and guidelines. Colombia has about the same population as California and similar climate and challenges with water use efficiency. BAWSCA provided CMOE with information on water conservation program structures and policies that have been successfully implemented in the BAWSCA service area. CMOE was particularly interested in BAWSCA methods for effectively collecting and tracking water use and conservation data.

Wholesale Revenue Requirement – Status Report

For FY 2014-15, pursuant to Section 7.06A of the 2009 Water Supply Agreement (WSA), BAWSCA conducted its review of SFPUC's calculation of the annual Wholesale Revenue Requirement and the changes in the balancing account, which was submitted by the SFPUC on February 23, 2016. As a result of the WRR review, BAWSCA sent questions and concerns to the SFPUC on April 19, 2016. BAWSCA is still waiting for the SFPUC's response. The deadline for both parties to enter into a settlement agreement for FY 2014-15 or for the wholesale customers to file a demand for arbitration on any unsolved issues is February 20, 2017.

For FY 2015-16, in accordance with Sections 5.04, 6.08B and 7.02 of the WSA, the SFPUC is going to provide BAWSCA the required reports for FY 2015-16 before the end of November 2016. This information will also be provided to the auditors who perform the FY 2015-16 compliance audit. The SFPUC expects the auditors to complete the compliance audit by January 31, 2017. A copy of SFPUC's calculation of the annual Wholesale Revenue Requirement and the changes in the balancing account for FY 2015-16 will be submitted to BAWSCA for wholesale revenue requirement review after the compliance audit is completed.

Upcoming Schedule for Work Plan and Budget Activities

The CEO has initiated the FY 2016-17 Mid-Year Budget Review. Initial findings will be shared with the BPC in December and any necessary modifications to the Work Plan or budget will be recommended to the Board at its January meeting. This review is especially important given the publication of the draft Substitute Environmental Document for the Bay Delta Plan in September, as this was not included or anticipated in the adopted Work Plan. The Mid Year Budget Review will also include a review of the General Reserve.

BAWSCA's FY 2017-18 budget preparation process will begin with a FY 2017-18 Work Plan and Budget Preparation Planning Session with the Board at its January 19, 2017 meeting.

October 12, 2016 – Agenda Item #9D

Prior to the Planning Session, the CEO will provide the Board a written assessment of the long-term critical issues and major challenges facing BAWSCA and its member agencies. During the Planning Session, Board Members will have the opportunity to provide comments on the identified issues and challenges, and to discuss additional ideas for consideration.

October 18, 2016

The Honorable Mark Cowin, Director
California Department of Water Resources
P.O. Box 942836, Room 1115-1
Sacramento, CA 94236-0001

The Honorable Felicia Marcus, Chair
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814

SUBJECT: Comments on Current State Agency Draft Response to Executive Order B-37-16

Dear Director Cowin and Chair Marcus:

As urban retail and wholesale water suppliers serving tens of millions of Californians throughout the State, we have invested in water supplies for many years to reliably serve our residential, commercial, and industrial customers. We collectively responded to help achieve Governor Brown's goal of 25% water conservation in 2015 in response to the ongoing drought. We appreciate the State's recognition of water suppliers' past investments in water supply resiliency that resulted in the vast majority of the suppliers passing the State's "stress test," demonstrating their capacity to meet customer demand in the event of an ongoing drought.

The undersigned water suppliers and associations comprise designated members of the Urban Advisory Group (UAG) convened by the State to provide input on the framework for implementation of Executive Order B-37-16 (EO) and additional participants in the recent stakeholder outreach process. As such, we wish to express our appreciation for the extensive opportunities to understand and provide comments on the State's proposed implementation and we have provided substantial feedback. We are committed to helping define a successful framework to help California prepare for and respond to future droughts, and to improve the long-term efficiency of water use. We share the goal articulated by your staff in the UAG meetings to date of developing an implementation proposal that can be translated into a legislative package that we can all support.

The purpose of this letter is to identify the elements of the State agencies' current proposal that we support that will improve water management in the future, and to provide specific feedback to improve the proposal. We have the following areas of continued concern, which are described in more detail in Attachment 1, and which we look forward to addressing as the proposal is refined in coming weeks:

- Five-year Drought Period. We support the shift to planning for a five-year drought period based on historical hydrologic data, but suggest that the option remain to plan for a shorter period if it represents a more severe drought. We urge the State to continue with the current proposal with that adjustment and include that requirement as an element of the Urban Water Management Plan, rather than an annual assessment. More detailed comments on the Water Shortage

Contingency Plan proposal are included in Attachment 2 to this letter, which we anticipate are now closely aligned with the pending revisions to the staff proposal.

- **Adequate Process to Develop Standards.** We strongly urge the State to proceed with caution as it develops standards, outdoor water use standards, in particular. The State is proposing major changes in water management requirements, some of which are based on emerging methodologies. A large amount of data and technical assistance will be required to implement these standards. The process and methods to obtain and disseminate the data will need to be transparent and technically sound in order to ensure credibility with the public. We urge the State to take a deliberate and iterative approach that allows sufficient time to test the proposed standards and make refinements as necessary. Attachment 3 contains detailed comments on the standard and target-setting proposal.
- **Alternative Target-Setting Approach.** We urge the State to include additional approaches to the standards-based water budget target-setting process which build on the elements of SB x7-7, as directed by the EO. Expansion of the State agencies' proposal to provide for alternative target-setting approaches should be equally effective in reducing water use and would allow for more a cost effective means to reduce water demands. This is particularly important for water agencies that lack resources or capacity, or for water agencies that would benefit from additional flexibility. More detailed suggestions for alternative target-setting are included in Attachment 4.
- **Incentives to Support Continued Supply Investments.** We urge the State to develop and implement a framework that incorporates incentives for the development of drought resilient water supplies, including recycled water and potable reuse, desalination, storage and conjunctive use, stormwater capture, groundwater and other alternatives. Similarly, the State must ensure that the framework does not result in any adverse impacts to water rights.
- **Support for 2025 Schedule.** We support the State's proposal for full compliance of the permanent long-term water use efficiency targets in 2025, as documented in a 2026 compliance report and 2025 Urban Water Management Plan. The Urban water suppliers need adequate time to get the tools and resources in place to achieve the target. (i.e., water rate structure, water use efficiency programs, etc.)
- **Expand the Focus and the Tools.** To make conservation a way of life in California, significant and sustained behavioral changes by nearly 40 million residents will be required. Regulatory standards set on urban water suppliers alone will not be enough to achieve the desired results. We urge the State to use the proposed framework to expand its financial commitment for outreach and technical assistance for water conservation for water suppliers, as well as identifying other mechanisms at the State's disposal to effect changes by end-users of water.

Thank you for the opportunity to comment. We look forward to continued collaboration with staff of the State agencies to develop a framework by the January 2017 deadline that meets the objectives of the EO while preserving local water supplier authority and providing flexibility in implementation.

Sincerely,

David Bolland
Director of State Regulatory Relations
Association of California Water Agencies

John Woodling
Executive Director
Regional Water Authority

Deven Upadhyay
Group Manager, Water Resource Management
Metropolitan Water District of Southern California

John Rossi
General Manager
Western Municipal Water District

David Eggerton
General Manager
Calaveras County Water District

Maureen Stapleton
General Manager
San Diego County Water Authority

Jim Smyth
General Manager
Sweetwater Authority

Gary Arant
General Manager
Valley Center Municipal Water District

Brett Sanders
General Manager
Lakeside Water District

David W. Pedersen, P.E.
General Manager
Las Virgenes Municipal Water District

Chris Garner
General Manger
Long Beach Water

Danielle Blacet
Director for Water
California Municipal Utilities Association

Jim Peifer
Policy and Legislation Manager
City of Sacramento Department of Utilities

Linda Reed
Interim Director
Santa Rosa Water

Joe Berg
Director of Water Use Efficiency
Municipal Water District of Orange County

Jim Barrett
General Manager
Coachella Valley Water District

Alex Coate
General Manager
East Bay Municipal Utility District

Jack Hawks
Executive Director
California Water Association

Paul Helliker
General Manager
Humboldt Bay Municipal Water District

Paul Shoenberger
General Manger
Mesa Water District

Jerry Brown
General Manger
Contra Costa Water District

Hilary Straus
Assistant General Manager
Citrus Heights Water District

Mike Markus
General Manager
Orange County Water District

Paul Kelley
Executive Director
CalDesal

Greg Thomas
General Manager
Rincon Del Diablo Municipal Water District

Allen Carlisle
CEO/General Manager
Padre Dam Municipal Water District

Harry Starkey
General Manager
West Kern Water District

Paul Jones
General Manager
Eastern Municipal Water District

Keven Hunt
General Manager
Central Basin Municipal Water District

Paul Cook
General Manager
Irvine Ranch Water District

Einar Maisch
General Manager
Placer County Water Agency

Richard Solbrig
General Manager
South Tahoe Public Utilities District

Shauna Lorance
General Manager
San Juan Water District

Leslie A. Bryan
Management Analyst
Redding Electric Utility Legislative & Regulatory
Program

Mark Kinsey
General Manager
Monte Vista Water District

Wendy Chambers
General Manager
Carlsbad Municipal Water District

Martin Zvirbulis
General Manager
Cucamonga Valley Water District

Robert Roscoe
General Manager
Sacramento Suburban Water District

David Hull
General Manager
Humboldt Community Services District

Chris DeGabriele
General Manager
North Marin Water District

Grant Davis
General Manager
Sonoma County Water Agency

Toby Goddard
Administrative Services Manager
Santa Cruz Water Department

Kenneth V. Payne, P.E.
Interim General Manager
El Dorado County Water Agency

Brian Crane
Public Works Director
City of Redding – Public Works Department

Marc Marcantonio
General Manager
Yorba Linda Water District

Marcus Yasutake
Environmental and Water Resources Director
City of Folsom

Robert R. Hill
General Manager
El Toro Water District

Steve Cole
General Manager
Newhall County Water District

Thomas D. Cumpston
Acting General Manager
El Dorado Irrigation District

Carrie Pollard
W.A. Principal Programs Specialist
Sonoma-Marín Saving Water Partnership

Tommy Esqueda
Director of Public Utilities
City of Fresno

Ralph Felix
General Manager
Rio Linda/Elverta CWD

Donald M. Zdeba
General Manager
Indian Wells Valley Water District

Tony Stafford
General Manager
Camrosa Water District

Gregory P. Orsini
General Manager
McKinleyville Community Services District

Lisa Koehn
Assistant Public Utilities Director
City of Clovis

Donald M. Zdeba
General Manager
Indian Wells Valley Water District

Doug Culbert
Utilities Director
City of Fortuna

Nicole M. Sandkulla
Chief Executive Officer/General Manager
Bay Area Water Supply and Conservation Agency

Brian Gerving
Director of Public Works
City of Eureka

Mark Andre
Environmental Services Director
City of Arcata

Kimberly A. Thorner
General Manager
Olivenhain Municipal Water District

Robert Shaver
General Manager
Alameda County Water District

Cc:

The Honorable Frances Spivy-Weber, Vice Chair, State Water Resources Control Board
The Honorable Dorene D'Adamo, Member, State Water Resources Control Board
The Honorable Tam Doduc, Member, State Water Resources Control Board
The Honorable Steven Moore, Member, State Water Resources Control Board
Ms. Kim Craig, Deputy Cabinet Secretary, Office of Governor Edmund G. Brown Jr.
Mr. Tom Howard, Executive Director, State Water Resources Control Board
Mr. Eric Oppenheimer, Chief Deputy Director, State Water Resources Control Board
Mr. Gary B. Bardini, Deputy Director, Integrated Water Management, Department of Water Resources
Mr. Kamyar Guivetchi, Manager, Statewide Integrated Water Management, Department of Water Resources

Attachment 1

Comments on the Development of the Framework for Implementation of Executive Order B-37-16

The comments below include fundamental areas of agreement as well as a number of concerns with the current direction of the State's proposals. The comments are arranged under the topical areas defined in the Executive Order (EO): Eliminate Water Waste, Strengthen Local Drought Resilience, and Use Water More Wisely; as well as the Reporting, Compliance and Enforcement element defined by State staff. In some cases, additional detail is provided in attachments.

Eliminate Water Waste

- We support EO Directive 4 that permanently prohibits practices that waste potable water.
- We support the State's intention to continue the ongoing process for implementation of SB 555, passed in 2015, in satisfaction of this element of the EO.

Strengthen Local Drought Resilience

- We strongly support the State's stated objective to create a framework for water shortage contingency planning to be implemented by urban water suppliers that will mitigate the future need for emergency water conservation mandates from the State. Further, we support the State's proposed position that specific actions to be taken to respond to real or potential shortages should be entirely at the discretion of individual water suppliers in their own service areas.
- We support the proposal to assess the impact of a five-year drought period in the urban water management plan (UWMP) process, which will be updated every five years.
- We support an annual drought risk assessment that looks at current year supplies as the basis for making the local decision to implement demand reduction measures. These annual assessments will provide the necessary information on potential shortages to determine specifically which urban water suppliers are in a drought concern area and require technical and/or financial assistance from the State.
- We support the State addressing the needs of small water suppliers that do not meet the statutory threshold to prepare and adopt urban water management plans. The small suppliers may not have the resources to plan for, acquire and manage the necessary water supplies in their community. Indeed, some small suppliers suffered enormously in the past couple of years. It should be acknowledged that urban water agencies have had access to planning and guidance documents prepared by the State, as well as utilizing their own planning and financial resources which have resulted in urban water agencies being well prepared during this drought. We look forward to collaborating in the continued development of tools and resources for small water suppliers.
- **Attachment 2** has been provided to State staff and offers additional specific feedback on the State's proposal for Strengthening Local Drought Resilience.

Use Water More Wisely

- While we recognize that the EO calls for standards to be developed for indoor residential water use, outdoor irrigation, CII water use, and water loss, we offer additional mechanisms that fit within the methodology to set targets. Much like in SBX7-7, we believe multiple target setting mechanisms can be developed to provide flexibility to water suppliers, while meeting the goal of increased water savings beyond the 2020 requirements. We also believe the regional compliance approach allowed in SBX7-7 should be maintained as an option. **Attachment 4** provides more detail on potential compliance mechanisms.
- We appreciate the State's recognition that a standardized percentage reduction for CII water use would be potentially damaging to the State's economy. We look forward to working with the State to develop performance standards for water use for various business types in fulfillment of the EO's CII water use element.
- The proposed standards for indoor water use of 55 gallons per person per day (GPCD) and outdoor water use that is a function of landscape area and evapotranspiration are a useful starting point for discussion. However, this method requires a large amount of landscape information that will require validation and indoor standards either need to reflect the unique conditions of the community such as widespread use of swamp coolers or the age of the housing stock, or provide a variance process. We offer detailed feedback on the State's proposal in **Attachment 3**.
- The State agencies' proposal inappropriately applies outdoor standards based on the Model Water Efficient Landscape Ordinance to properties built before 1993.
- In order to develop a permanent framework that supports the state's goals for long-term water use efficiency as outlined in the EO, we recommend an iterative process that allows sufficient time to test the proposed standards for each of the sector budgets and to make refinements as necessary. The long-term water use efficiency framework should provide a broad policy outline on the approach to calculating the new water use targets and include the potential for alternative methods. The state should then allow sufficient time to pilot test the proposed target-setting methodology with water suppliers and incorporate needed refinements.
- Recycled water should also be recognized as an efficient alternative to the use of potable water. We understand that all water should be used efficiently, and the use of recycled water is already highly regulated under the Regional Water Quality Control Board National Pollutant Discharge Elimination System permits that prohibits certain practices, such as runoff or ponding. The efficient use of recycled water should not be limited. Recycled water is by its nature an efficient use of water and barriers to its use should be minimized. The state's proposal on water waste prohibitions should remain consistent with the intent of the Executive Order.
- If California is to be successful in making conservation a California way of life, a much more comprehensive set of actions must be implemented beyond establishing regulatory water use efficiency targets. The State is proposing enforceable standards applied to water suppliers as the sole mechanism by which to achieve the targets set through the process, and neglecting the opportunity to effect change with end users. We urge the State to consider other mechanisms, both incentives and disincentives, that more directly focus on specific uses and users of water including: State investment in water conservation messaging and outreach, the role of land use agencies in residential and commercial landscaping, and appropriate requirements on businesses and other water users.

- Water suppliers have identified a number of potential unintended consequences of decreasing urban water use that must be more fully evaluated prior to standard and target setting, including, reduced flows that impact the effective operation of wastewater collection and treatment systems; reduced flows that impact drinking water quality, and the higher costs of water efficiency measures that will necessitate increased water rates, further exacerbating affordability issues in urban disadvantaged communities.

Reporting, Compliance and Enforcement

- We appreciate the State's commitment to streamlining both existing and new reporting requirements to minimize the burden on water suppliers.
- The State is proposing a significant paradigm shift in water efficiency requirements from that in SBX7-7. We support the State's proposal to provide a period of five years or more for implementation of new standards and targets before enforcement action is considered. We believe the enforcement timeline must also reflect the need for the State to meet its commitments to provide necessary validated irrigable landscape data, and technical and financial assistance to reduce water loss.
- We urge the State to support collaboration of water suppliers by considering mechanisms by which compliance can be achieved regionally.

Attachment 2

Proposed Drought Planning and Response Structure

The table below identifies a framework for drought planning and response in California and identifies the roles and responsibilities of urban water suppliers and state agencies. The structure includes: Planning – the preparation of Urban Water Management Plans and their specific elements related to potential shortages; Assessment – an annual evaluation by the water supplier of demand, supplies, and potential shortages; and Response – specific actions identified to reduce demand. As the structure is in response to the directives in Executive Order B-37-16, it does not address planning for potential water shortages that result from causes other than drought. Such shortages can be readily incorporated into the structure by each urban water supplier depending on their specific conditions.

	Planning/Response Element	Urban Water Supplier	State Agencies
PLAN	Urban Water Management Plan (UWMP)	<ul style="list-style-type: none"> • Includes long-term “drought risk assessment” consistent with Water Code (WC) 10631(c), 10632(a)(2) and 10635(a): <ul style="list-style-type: none"> ○ Revise WC 10632(a)(2) to require agencies to evaluate drought lasting at least five years - suppliers will analyze supply and demand for five years from the year of the UWMP forward, assuming conditions equivalent to supplier’s five consecutive historic driest years ○ Suppliers will analyze at least five dry years, as part of the multiple dry year assessments in WC 10631(c) and 10635, assuming conditions equivalent to supplier’s five consecutive historic hydrologic driest years ○ Suppliers should be able to utilize a shorter period if it represents a more severe drought than the five-year period. 	<ul style="list-style-type: none"> • DWR prepares UWMP Guidebook. • As part of Guidebook, DWR provides guidance on characterizing the five-year drought cycle. • DWR receives and reviews UWMP for completeness and compliance with statutory requirements.
	Water Shortage Contingency Plan (WSCP) Required element of UWMP <i>This proposal focuses the drought planning aspect of WSCP. The planning for catastrophic events remains unchanged.</i>	<ul style="list-style-type: none"> • Revise WC 10632 to expand the elements of the current water shortage contingency analysis to require a water shortage contingency plan which would include: <ul style="list-style-type: none"> ○ Stages of water shortages and actions that would be taken by suppliers to address each stage. ○ Conditions which would trigger each stage of water shortage. ○ The supplier’s communications strategy to implement the plan. ○ A discussion of the supplier’s WSCP implementation 	<ul style="list-style-type: none"> • As part of UWMP Guidebook, DWR works with stakeholders to develop potential actions that will accomplish the demand reductions. <ul style="list-style-type: none"> ○ Include updated range of savings from water use restrictions and consumption reduction methods, taking into account results from implementation of long-term water use targets.

Attachment 2

		<p>authority.</p> <ul style="list-style-type: none"> ○ An assessment of the financial impacts of implementing each stage. ○ A discussion of the process the supplier will use to report to its community, its governing body and state agencies on implementation of the WSCP; ○ A discussion of customer compliance and enforcement provisions in the plan, as well as any customer exemption processes. ○ A review and improvement process for the plan. 	<ul style="list-style-type: none"> ● DWR offers technical assistance for the development of WSCPs for agencies requesting it. ● DWR reviews WSCP for completeness and compliance with statutory requirements.
ASSESS	Annual Drought Risk Assessment	<ul style="list-style-type: none"> ● Urban water suppliers will be required to prepare an annual water supply assessment (Add a new section to WC) <ul style="list-style-type: none"> ○ Prepare by May 30th of each year ○ Include projected demand and total supplies available for the upcoming year, which includes any supply augmentation. ○ If assessment shows a shortage of supply in the year analyzed, the agencies must identify the appropriate water shortage stage and associated responses to manage the shortage. ● Suppliers can submit the assessment on a regional basis, based on a region identified by water suppliers. 	<ul style="list-style-type: none"> ● As part of DWR Guidebook, DWR provides common standards on preparation of the assessments and the supply and demand documentation required to verify availability of the supply. (e.g., contracts, agreements, etc.)
RESPOND	Implement Water Shortage Contingency Plan)	<ul style="list-style-type: none"> ● Suppliers will submit their annual drought assessment to DWR by May 30th. ● Should a water supplier identify a shortage in their assessment, the supplier shall implement the relevant stage of response actions in its WSCP (including the communications, reporting, and customer compliance elements) ● In the Supplier’s SWRCB monthly report, the supplier shall provide information on implementation of its WSCP, until the hydrologic condition triggering the WSCP actions dissipates 	<ul style="list-style-type: none"> ● DWR will evaluate hydrologic conditions statewide ● From the annual drought assessments, DWR/SWRCB will know the shortage level, if any, of urban water supplier and/or region can take the following actions, if warranted: <ul style="list-style-type: none"> ○ Identify communities that are of “drought concern” ○ Provide assistance (e.g. financial, technical) to those agencies experiencing shortages in order to

Attachment 2

			<ul style="list-style-type: none">manage the drought.○ DWR/SWRCB monitor implementation of WSCP through monthly reporting.
--	--	--	---

Attachment 3
Analysis of State Proposed Long Term Conservation
Target Framework
(September 20, 2016 UAG Meeting)
UPDATED – October 17, 2016

Overall Requirements	
<p>State Agency Proposal:</p> <ul style="list-style-type: none"> • State would allow suppliers to achieve the target in aggregate, and would not regulate or require targets for suppliers’ individual customer groups or classes. • The effective start date of the reporting and compliance period would be six months after the State agencies provide each urban water supplier: <ul style="list-style-type: none"> • The data base of measured irrigable area for all residential and separately metered irrigable landscape areas 	<p>Proposed Response:</p> <ul style="list-style-type: none"> • Support the proposal with the following changes: <ul style="list-style-type: none"> – Specify that for compliance purposes, suppliers would be allowed to implement any method of conservation that best meets the needs of the supplier and its customers. Suppliers will have the sole discretion to design and utilize rate structures or implement other conservation tool as the supplier deems appropriate to achieve long term conservation targets. – The state provides additional support for creating targets (See below). <p>State Agency Requirements:</p> <ul style="list-style-type: none"> • Provide a functioning data portal with downloadable reference evapotranspiration data for representative climate zones for each supplier. Provide a data base of validated aerial imagery with measured irrigable area for all residential and separately metered irrigable landscape areas correlated at the assessor parcel level. • Provide a calculated target for suppliers requesting state assistance. • Specific compliance dates included in the State’s proposal would be extended to reflect the length of any delay in providing these items.

1. Indoor Residential Water Use Standard

State Agency Proposal:

- The indoor residential water use standard is a volume of water used by each person per day. The standard is in units of gallons per capita per day (GPCD).
- The provisional standard is proposed as 55 GPCD beginning in 2018.
- Revised downward in 2018, to be achieved by 2025
- State will reevaluate standard every five years, beginning in 2025.
 - The standard will be revised downward to reflect increased usage of efficient fixtures and appliances in 2025 and 2030.

Proposed Response:

- Support the initial standard of 55 GPCD.
- Indoor target of 55 GPCD standard multiplied by the population in the year of compliance (to adjust for growth).
- Suppliers' produced Potable Reuse water is excluded from supply when calculating and reporting compliance with the total target.

State Agency Requirements:

- Develop and adopt a variance process for water agencies with a workgroup to address special conditions such as the age of the housing stock, use of swamp coolers, seasonal population, etc.
- Develop a stakeholder workgroup to consider the impact of lower indoor GPCD standards on wastewater systems and recycled water prior to revising standards starting in 2025.

2. Outdoor Water Use Standard

State Agency Proposal:

- Using the landscape area option selected by the State above, the outdoor water use budget is calculated as the sum of the individual budgets for all parcels within that landscape area, using a provisional *Evapotranspiration Adjustment Factor (ETAF)* as follows:
 1. Landscape area for parcels developed pre-2010 x 0.8 ETo;
 2. Landscape area for parcels developed between 2010 and 2015 x 0.7 ETo;
 3. Landscape area for parcels developed post 2015 x 0.55 ETo (0.45 for Commercial landscape); and
 4. Special Landscapes (parks, fields) area x 1.0 ETo.
- A pilot study will be conducted with 30 agencies.
- The outdoor standard will be revised lower based on the results of DWR’s review of existing budgets and a study of landscape irrigation use in a representative statewide sample of suppliers. Revised standards will be available from the state in 2018.
- Compliance with standards required in 2025
- Standards based on irrigable area.
- State will reevaluate every 5 years, beginning in 2025.

Proposed Response:

- Support initial proposed structure and pilot study with the following conditions:
 - Inclusion of an additional ETAF of 1.0 ETo for pre-1992 installed landscapes.
 - Standards will only be revised in 2018 if total statewide targets are not lower than the current SBX7-7 target.
 - Landscape areas irrigated with recycled water and commercial agriculture are excluded from suppliers’ outdoor water use portion of target.
- Outdoor target in the year of compliance adjusted for landscape area increases due to growth that occurred during reporting period. Target adjustment based upon supplier submitted increased landscape area and irrigation data, or percentage population increase.
- Recommend mixed use CII and outdoor water use other than irrigation (i.e. construction water) be handled separately (see below).

State Agency Requirements:

- Provide a database of third-party validated aerial imagery with measured irrigable area for all residential and separately metered irrigable landscape areas, and age of parcels correlated at the assessor parcel level.
 - Aerial imagery data shall be suitable such that it provides for the appropriate amount of irrigation for a variety of vegetation (i.e. large trees, irrigable area under native tree canopy, etc.).
- Provide a data portal that contains downloadable reference evapotranspiration data with representative climate zones for all urban water suppliers in the State.
- Provide the computation of the supplier level outdoor irrigation water target for any urban water supplier requesting State assistance due to inadequate resources.
- Provide updated aerial imagery and measured irrigable area at least by 2025 and every five years thereafter.
- Through a workgroup process, develop and adopt:
 - Standards and processes for developing the landscape area data;
 - A variance process for water agencies with special conditions of outdoor use. Special conditions could include livestock, food production, or water used for firefighting; and
 - Guidelines for calculating areas for Special Landscapes.

3. CII Water Use Performance Measures	
<p>State Agency Proposal:</p> <ul style="list-style-type: none"> • All dedicated irrigation accounts will be on a budget using outdoor standards. • Require classification using the North American Industry Classification System (NAICS) by 2021, develop benchmarks. • Require all mixed meter accounts to split off landscape greater than a size threshold to dedicated irrigation accounts (or equivalent technology) by 2021. • Audits and water management plans for reporting efficiency in CII water use. <ul style="list-style-type: none"> – Audits and plans for subset of CII customers, based on volume, percentage, or number. • CII reporting requirements. 	<p>Proposal Response:</p> <ul style="list-style-type: none"> • Support the proposal and the development of performance measures using the following process <ul style="list-style-type: none"> • Form a CII Technical Workgroup comprised of industry representatives, economic development and business community leaders, water agencies and state agencies. The Workgroup will be tasked with the following requirements: <ul style="list-style-type: none"> • Develop appropriate CII classifications. <ul style="list-style-type: none"> ○ Complete defining classifications for reporting by 2019; and ○ Support using appropriate NAICS classifications as baseline. ○ Classifications should be detailed enough to include uses of water that are not normally thought of as CII sector water (example: dust control for grading). • Develop applicable performance measures for CII classifications by 2021. In developing the performance measures, the Workgroup would gather the data deemed necessary to develop the measures, such as water use, and utilize recommendations from the <i>2013 CII Task Force Water Use Best Management Practices Report to the Legislature</i>. • Water suppliers would be required to request that representative industries in the top 5% of their CII users participate in audits and water management plans for each of the CII classifications by 2021, with State reimbursement for suppliers' costs. <ul style="list-style-type: none"> ○ Suppliers not staffed to conduct audits can request and have audits conducted directly by the State, subject to supplier review. <p>State Agency Requirements:</p> <ul style="list-style-type: none"> • Supply staff resources and funding assistance to develop classifications and performance measures for CII uses within the timelines. • Through a workgroup process, assess the feasibility criteria and cost-effectiveness of splitting mixed use meters and options, including costs, for installing equivalent technologies. Provide grant funding to split mixed use meters or to install new equivalent technology • Provide grant funding and technical support for audits and management plans.

4. Water Loss Standard	
<p>State Agency Proposal:</p> <ul style="list-style-type: none"> • The standard for water system loss will be established through the SB 555 process, and will be expressed in terms of a volume per capita or volume per connection, accounting for relevant factors such as infrastructure age and condition. • Will include real and apparent losses. • The water system loss standard will be set by 2019, to be achieved by 2025. • State will reevaluate standard every five years, beginning in 2025. 	<p>Proposal Response:</p> <p>Support the development of appropriately measured standards through the SB 555 process.</p> <ul style="list-style-type: none"> • Base the target water loss standard on relevant factors identified through the SB 555 process. • Water system loss standard will be for potable water systems only. <p>State Agency Requirements:</p> <ul style="list-style-type: none"> • Provide financial assistance to address data gathering and water loss prevention efforts.
5. Reporting, Compliance and Enforcement	
<ul style="list-style-type: none"> • Progress reports beginning in 2019 • Full compliance in 2025 reporting period, as documented in 2026 compliance report and 2025 UWMP update (submitted in July 2026) <ul style="list-style-type: none"> – State Board enforcement • State agencies are developing methods to encourage compliance from 2021 through 2025. 	<p>Proposal Response:</p> <ul style="list-style-type: none"> • Support the proposed timeline with the requirement that all data (i.e. landscape area data, reference evapotranspiration data portal, etc.) and guidance targets dates are met, as proposed. • Need more specificity on proposed State Board enforcement process. <p>State Agency Requirements:</p> <ul style="list-style-type: none"> • Meet target deadlines for data and guidance as proposed.

Conceptual Approach to “Use Water More Wisely”

Executive Order

Governor Brown’s Executive Order B-37-16 #02 directs the Department of Water Resources and the State Water Resources Control Board to work together to develop new water use targets that build on the goal defined in SB x7-7 of 20% reduction in statewide water use by 2020. The Order further states that the targets will be customized to the unique conditions of each water agency, shall generate more statewide water conservation than existing requirements and will be based on strengthened standards for indoor water use, outdoor irrigation, CII uses and water loss through leaks.

Proposed Approach

- Water agencies will support a stronger statewide goal – a new water use target – that builds on and goes beyond 20% reduction statewide by 2020. The goal would be based on achieving reductions compared to the existing baselines developed pursuant to SB x7-7. Further revisions to a statewide goal would be developed after analyzing progress in 2030, and would be implemented via new legislation.
- In SBX 7-7 four methods were originally developed to provide mechanisms for water agencies to contribute to achieving the 2020 statewide goal – these methods allow for the creation of targets that are customized to the unique conditions of each water agency – allowing water agencies to select the most effective, and cost-effective means of reducing water use.
- These methods accommodate the diversity of hydrologies, individual water system and service area characteristics, sources of supply, demand patterns and investments already made by water agencies in alternative sources and demand reduction and should be maintained and each made more stringent.
- These methods will be strengthened, per the direction provided in the Executive Order. Every water agency will demonstrate that it will achieve greater reductions in water use than would otherwise be achieved under the current requirements of SB x7-7, no matter what method is chosen.
- These alternate methods do not rely solely on remote sensing data and provide the necessary flexibility to avoid the adverse unintended consequences on recycled water supplies, as well as wastewater collection systems.
- Each water agency will evaluate the four alternate methods of compliance and select the most appropriate method for their agency’s local conditions and unique circumstances.

Attachment 4

Compliance Methods

- Method 1 would be modified to reflect the EO requirement to achieve greater water savings than existing requirements. Building on the 20% reduction required in SBX7 7, Method 1 would apply enhanced numerical water use reduction targets for the years 2025 and 2030 to the existing baseline water use (for example 25% by 2025).
- Method 2 (efficiency standards for indoor and outdoor use, CII and leaks) is proposed to be modified per the language in the document entitled “Analysis of State Proposed Long Term Conservation Target Framework – Method 2”. This method requires significant time and expense to determine outdoor use standards, but may become more viable after considerable effort is invested to refine, test and validate it.
- Method 3 would be modified to include an updated regional hydrologic target, and agencies would be required to achieve a 5% reduction from this regional target by 2025. In 2025 an updated regional hydrologic target would be set and agencies would be required to meet an objective 5% reduction from this new regional target by 2030.

Board of Directors Policy Calendar through January 2017

Board Meeting	Purpose	Issue or Topic
November 2016	D&A D&A D&A	Enter into an MOU with Solano County Water Agency for Implementation of Regional Washing Machine Rebate Program Annual Review and Consideration of Statement of Investment Policy Review and Consideration of BAWSCA's Procurement and Purchase Policies and Procedures
January 2016	D&A R S	FY 2016-17 Mid-Year Work Plan, Budget Review, and Management of General Reserve Review of Water Supply Forecast FY 2017-18 Work Plan and Budget Preparation Planning Session
March 2017	D&A R&D R	Consideration of BAWSCA Bond Surcharges for FY 2017-18 Presentation of Preliminary FY 2017-18 Work Plan and Budget Review of Water Supply Forecast
May 2017	D&A D&A	Presentation of Proposed FY 2017-18 Work Plan and Budget Consideration of Annual Consultant Contracts

(This page intentionally left blank)

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

Meeting Schedule through July 2017

Schedule for BAWSCA Board Meetings (Meetings are held from approx. 7:00 – 9:00 p.m.)	
<u>Date</u>	<u>Location</u>
Thursday – November 17, 2016	Wind Room, Foster City Community Center
Thursday – January 19, 2017	Wind Room, Foster City Community Center
Thursday – March 16, 2017	Wind Room, Foster City Community Center
Thursday – May 18, 2017	Wind Room, Foster City Community Center
Thursday – July 20, 2017	Wind Room, Foster City Community Center

Schedule for RFA Board Meetings (Meeting time will be announced)	
<u>Date</u>	<u>Location</u>
Thursday – January 19, 2017	Wind Room, Foster City Community Center
Thursday – July 20, 2017	Wind Room, Foster City Community Center

Schedule for BAWSCA Board Policy Committee Meetings (Meetings held from 1:30-4:00 p.m.)	
<u>Date</u>	<u>Location</u>
Wednesday – December 14, 2016	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – February 8, 2017	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – April 12, 2017	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – June 14, 2017	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.