

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

February 10, 2016 – 1:30 p.m.

BAWSCA Offices, 155 Bovet Road, San Mateo, 1st Floor Conference Room

MINUTES

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

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

2. **Comments by the Chair:** Chair Bronitsky thanked the Committee members for their time and service.

3. **Public Comments:** There were no comments from members of the public.

On behalf of the City of Santa Clara, Director Marsalli thanked the respective municipalities of the BAWSCA service area for their support of Santa Clara during the Super Bowl week. It was a huge undertaking in which all Bay Area agencies participated in ensuring public safety.

4. **Consent Calendar:** Approval of Minutes from the December 9, 2015 meeting.

Director Vella made a motion, seconded by Director Keith, that the minutes of the December 9, 2015 Board Policy Committee meeting be approved.

Chair Bronitsky abstained. The motion passed.

5. **Action Items:**

- A. **Adjustment to Staff Position Top Step Compensation:** Ms. Sandkulla reported that BAWSCA conducts a salary survey every two years to ensure that staff compensation stays within the Bay Area market. The goal of the survey is to target the median range in the Bay Area among comparator agencies that have similar positions as BAWSCA. Comparator agencies include Alameda County Water District, Contra Costa Water District, East Bay MUD, City of Hayward, City of Palo Alto, Mid-Peninsula Water District, and SFPUC.

Koff and Associates performed the survey, and the results show that the top step compensation for two positions are slightly above, while five positions are below by 1%- 6.5%.

The survey also analyzed BAWSCA's total compensation which includes the benefits package, and the results show that BAWSCA is within the median market. Ms. Sandkulla explained that in comparing total compensation, Koff and Associates adjusted BAWSCA's salaries to be at the recommended median level and compared it with the comparator agencies to determine the differences in total compensation.

The recommendation is to adjust the top step compensation for the positions that are currently below the market median. If the recommendation is approved, salary range adjustments would be applied to all positions except for the CEO, Assistant to the CEO and Office Assistant. The adjustments would be effective at the start of FY 2016-17 with a potential budget impact of \$1,900.

In response to Director Guzzetta's question, Ms. Sandkulla stated that the median ranges of the top salaries are similar across the comparator agencies.

Director Guzzetta supports the recommendation and commented that a helpful back up information for the board would be to show the salary range adjustments made based on the last compensation survey. He and Director Keith noted the significant spread of up to 4.5-6.5% in such a short time period.

Ms. Sandkulla reported that numbers from previous salary surveys were more flat due to the economic conditions at that time. With the current improved economic conditions, it appears that most agencies are catching up with what was due 2-4 years ago.

Ms. Sandkulla added that the Board authorized salary adjustments according to the survey conducted in FY 2013-2014 to be reflected in the FY 2015-16 budget. While BAWSCA conducts a compensation survey every other year, it did not make the recommended salary range adjustments from the compensation survey in FY 2013-14 until FY 2015-16.

Director Weed expressed support for the recommendation. He noted that the benefits package of BAWSCA's predecessor agency, BAWUA, used to be administered by ACWD. BAWSCA branched out one month before ACWD and other agencies with CalPERS adjusted their retirement packages from 2% at 55 to 2.5% at 55. He added that the Bay Area's comparative group of agencies are in the top 1 percentile of the state's market.

Ms. Sandkulla added that half of the employees of BAWSCA are under the 2% at 55, and the new employees are under the new restrictions from PEPRA.

In response to Director Vella, Ms. Sandkulla stated that BAWSCA's positions do not have the exact equivalent positions with cities and water districts, and therefore the agencies with positions closest to BAWSCA's are selected as the comparator agencies.

Director O'Connell made a motion, seconded by Director Breault, to recommend Board approval of adjustments to top step compensation for specified positions.

The motion passed unanimously

6. Report and Discussion Item:

- A. Preliminary Fiscal Year 2016-17 Work Plan and Results to be Achieved: Ms. Sandkulla reported that the development of the Work Plan and results to be achieved for FY 2016-17 will continue to focus on BAWSCA's legislated authority and goals of

ensuring a reliable supply of high-quality water at a fair price. The process will also continue to have a forward-looking approach to determine and address the critical issues anticipated between now and the year 2040.

New program activities that will be incorporated in next year's work plan will focus on responding to ongoing drought conditions, assessing the lessons learned during the current drought and how it affects future planning, and expanding the implementation of the strategy recommendations.

Ms. Sandkulla was pleased to report that of the sixteen potential items identified by the Board at the January Board meeting's planning session, thirteen are addressed in the preliminary work plan.

The work plan will continue to support agencies in addressing the drought, investigate the development of new supplies, and look at how future droughts and climate change can impact long-term planning. It will also continue to monitor SFPUC's asset management and operational efficiency, as well as develop internal skill and knowledge related to the regional system operations and decision-making.

Ms. Sandkulla presented her rationale for the three items that were not included in the preliminary work plan: Item # 8, 9 and 10 as shown in Table 3 of the staff report, February 10, 2016 – Agenda Item #6A.

The first item not addressed in the work plan is Director Kasperzak's suggestion for increasing BAWSCA's effort on legislative advocacy. Ms. Sandkulla explained that BAWSCA's current legislative efforts are focused on issues that are unique to BAWSCA. For example, the amendment of AB1823 which extended BAWSCA's oversight of the SFPUC's implementation of the WSIP.

Ms. Sandkulla does not recommend expanding BAWSCA's legislative efforts on issues that are not unique to BAWSCA because doing so will dilute BAWSCA's effectiveness in addressing issues that are critical to BAWSCA and its member agencies.

BAWSCA member agencies are a very diverse group. Expanding BAWSCA's efforts on issues such as the Bay Delta Solution, for example, would not be effective given the varied nature of the BAWSCA member agencies' positions and the difficulty coming to consensus. There are trade organizations and regional groups such as ACWA and League of Cities that can deal with specific legislative efforts more effectively.

Director Breault stated that while he understands Director Kasperzak's perspective, he supports the CEO's recommendation to maintain BAWSCA's current approach on legislative efforts. BAWSCA should keep focus on legislative efforts that BAWSCA and its member agencies can't do without.

Director Mendall concurred that expanding BAWSCA's legislative efforts would weaken its ability to make the necessary impact when it is most needed.

Strategic Counsel, Bud Wendell, agreed and highly recommended not straying from the legislative purpose that formed BAWSCA. He emphasized that straying can result

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in the loss of credibility. Expanding efforts beyond BAWSCA's unique issues can put the agency in statewide debates that may not be favorable for BAWSCA or its member agencies. Mr. Wendell encourages the Board to maintain its current legislative approach to preserve the agency's high credibility and clear purpose, as well as to avoid being compromised.

Director Weed commented that there may be occasions where it would be to the membership's advantage for BAWSCA to step forward, particularly when our members are in support of an issue. He noted issues such as conjunctive use, and revisions to Proposition 218. There's a void and perhaps BAWSCA will have to make considerations on an exception basis.

Director O'Connell stated that C/CAG is heavily involved in advocating for Prop. 218 and is currently working with an advocacy group in Sacramento.

The second and third items that are not incorporated in the preliminary work plan were Director Weed's suggestions related to contingency planning and the member agencies' reference to SFPUC's Level of Service (LOS) goal as a planning guideline.

Ms. Sandkulla explained that BAWSCA's enabling legislation, AB 2058, and the Water Supply Agreement (WSA) form the framework that encompass BAWSCA's mission and the work that the agency is expected to do and address. The legislation speaks to the function of BAWSCA, and the WSA delegates certain responsibilities to BAWSCA. The framework does not consider the role of contingency planning, and while it is something that BAWSCA can potentially address, it would require a significant expansion of BAWSCA's scope and operating budget.

Consideration of including contingency planning in the work plan depends on whether the effort and its benefits are specific to BAWSCA and its member agencies.

Ms. Sandkulla stated that emergency planning is currently a required responsibility of the County Office of Emergency Services (OES). She added that it is not an issue that the member agencies, as operators, have come to BAWSCA for its involvement, and in fact, she is cautious of the negative response that might be generated from within the County OES if BAWSCA steps in.

Weed commented that there is a void in having a viable emergency response in the water industry, and a misconception of what the real functions are between the water purveyors and the county after an emergency. He believes that much of the efforts being done for water conservation is compatible with what needs to be done with emergency response planning.

As for the member agencies' reference to SFPUC's Level of Service (LOS) goals, Ms. Sandkulla explained that the LOS goals are what the Water System Improvement Program (WSIP) was based on. SFPUC's LOS goal requires 70% of the Regional Water System turnouts to be online with minimum winter day demands within 24 hours of an emergency. The 70% was based on statistical number of potential scenarios, and is used by San Francisco for planning and determining where to make investments in terms of hardening the system. Each BAWSCA member agency, however, has been told by SFPUC and the State Division of Drinking Water that they

need to have multiple days of drinking water supply for any event, earthquake or otherwise.

Ms. Sandkulla stated that most of the member agencies have either treated water storage, water that can be treated, or access to groundwater within its service area that the agencies have control of in the event of a loss of supply from the San Francisco Regional Water System. She stated that BAWSCA does not have operational responsibilities and does not issue operation guidelines to member agencies. Investments to increase reliability beyond the SFPUC's LOS goal should be considered at the local level.

Additionally, while BAWSCA does not have a broker role, member agencies have the ability, on a long-term basis or on an emergency basis, to sell their permanent supply assurance from San Francisco to each other. In fact, this is how the City of San Bruno addressed its water supply during the pipeline break in August 2015. This ability applies to the agencies' Hetch Hetchy supply and alternative supplies.

BAWSCA's major tasks in FY 2015-16 will continue in FY 2016-17, plus the addition of four recommended activities associated with the implementation of the Strategy. Mr. Hurley presented those recommendations and reported that they are essentially analysis and/or tools needed to inform or implement the Strategy.

The first of four recommendations is to develop a decision making framework that builds on previous work done during the initial development of the Strategy that focused on project identification and selection, which included the Board's input for the Strategy's goals and objectives. The framework will provide guidance to BAWSCA staff and the Board as it focuses on the implementation phase of the Strategy, particularly as it considers multiple projects under changing conditions. Important elements of the framework are decision points that will ensure the implementation remains in line with the overall goals and objectives.

Mr. Hurley explained that a process will be developed for deciding when to move away from, or focus on, a particular supply, as well as respond to developing opportunities and incorporate them into the Strategy. The estimated cost for this effort is \$25K-\$50K.

The second recommendation is the development of independent modeling capabilities for BAWSCA, which have been reliant on the SFPUC to date. As part of the Strategy, BAWSCA's hydrologic modeling needs were addressed through a cooperative agreement with SFPUC to analyze hydrologic vulnerabilities such drought frequency and extents. The reliance on SFPUC's modeling capabilities have become restricting for BAWSCA's analytical and schedule needs.

BAWSCA has an opportunity to establish independent modeling capabilities by supporting and building on an effort currently under way at Stanford. This would allow an analysis of the SFPUC's reliability based on BAWSCA's scenarios, and provide an additional benefit of being able to integrate other regional supplies and local supplies into the analysis to further understand their implications to regional water supply reliability.

This effort would be a multi-year commitment estimated at \$40K in FY 2016-17.

The third recommendation is an evaluation of the overall drought response to date. This effort will include the examination of factors that contributed to the significant demand reductions, a thorough review of projected demands and supply needs, and working with the SFPUC on the Tier 1 water shortage allocations to develop a process for responding to shortage provisions. The effort will also assess other regional suppliers' drought preparedness and how they affect BAWSCA member agencies' allocation planning, as well as an overall assessment of how the drought impacts to revenues affected the agencies' capital improvement programs and state of economy. BAWSCA plans to hold a workshop on the financial impacts of drought where issues including best management practices and the state of Prop. 218 can be discussed with experts.

This area of activity is estimated to have a cost of \$80K.

The fourth recommendation involves expanding BAWSCA's groundwater efforts. Since BAWSCA's formation of the Groundwater Reliability Partnership for the San Mateo Plain Sub-basin, developments on Indirect Potable Reuse (IPR) and Brackish Groundwater Program have emerged and put focus on groundwater basins as potential storage for these supplies.

BAWSCA needs to (1) monitor and respond to these issues and their potential impacts to the implementation of the Strategy and BAWSCA's brackish groundwater project, (2) provide member agencies technical knowledge in response to their queries, and (3) track the State and regional implementation of the sustainable groundwater act of 2014. BAWSCA is looking to utilize consultant expertise who are already working on the groundwater legislation for an on-call based support. This effort is estimated to have a cost of \$10K-\$20K.

Director Mendall commented that while the cost of the San Mateo Plain sub-basin effort is currently small, it offers no benefit to Hayward and ACWD, in particular. He stated that if the cost significantly increases, he recommends justification or an alternate funding method.

Mr. Mendall also stated that of the four recommended activities, the second, third and fourth are more timely than the first one. He felt that the information gained from an evaluation of the drought provides the information for developing the decision-making framework.

Ms. Sandkulla stated that the drought has informed BAWSCA and its member agencies that the region has a major, single source of supply that is highly reliable when it is available. However, when it's not, the region becomes very vulnerable to the lack of reliability and redundancy. The evaluation of the drought can further define what the region's needs are and support the development of the decision-making framework. Additionally, there are serious questions about the impacts of climate change as presented by Mr. Behar at the January Board meeting.

Ms. Sandkulla added that the issue of dry year water supply will not go away. While they may change, the region needs to know how to make investments and how to deal with multi beneficial projects that are gaining attention for other reasons. The framework will allow BAWSCA and its member agencies to develop a way to make

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decisions. Obtaining the information will take time, and part of what the recommended efforts' objectives are is to prepare the Board for the decisions it will need to face.

Mr. Hurley stated that implementation of the Strategy requires both qualitative and quantitative information, and the first recommendation is a qualitative effort.

Director Bronitsky commented, and the Committee agreed, that the use of "post-mortem" to refer to the effort that reviews the impacts of drought is not accurate because it suggests that the drought is over. "Lessons Learned" might be a better consideration because the drought is not over.

Ms. Sandkulla reported that the increased activities planned for the FY 2016-17 are in line with the costs of projects BAWSCA has done in the past. The 2014 Demand and Conservation Study was \$360K, and the 2009 Water Conservation Implementation Plan was \$255K.

Ms. Sandkulla reported that a preliminary budget will be developed with the incorporation of the Committee's input on the preliminary work plan.

The current operating budget for FY 2015-16 is fully funded by the assessments. While the Board adopted a 24% increase in assessments last year, the increase was not a reflection of an increase in the budget, but rather, of how the budget is funded.

Ms. Sandkulla explained that in previous years, the agency's historical expenditures allowed portions of the operating budget to be funded by the General Reserve to appropriately manage the General Reserve balance. The agency reached a point where the assessments were not fully funding the budget. Therefore, adjustments were made in FY 2015-16 to maintain the agency's good financial position with the General Reserve balance and level of assessments.

The combined cost of the four recommendations will be approximately \$190K. In addition, there will be slight cost increases on other budget items, including administrative and personnel costs, ongoing tasks such as improvements to the Water Conservation Database, and the office lease.

Ms. Sandkulla noted that obtaining the lease at a rate below current market value is a result of the efforts of Office Manager, Deborah Grimes.

BAWSCA's current annual operating budget represents a cost of \$1.84 per person in the service area. This number does not reflect the cost savings secured through the Wholesale Revenue Requirement review, the cost savings from the BAWSCA Bonds, which is equivalent to the current operating budget, or the conservation grants that BAWSCA secures for its member agencies.

The committee's feedback will be incorporated in the revised preliminary work plan and operating budget that will be presented to the Board in March. A proposed work plan and operating budget will be presented to the Committee for discussion in April. Staff will present a recommendation to the Board at its meeting in May.

Director O'Connell suggested clarifying the prioritization of the four recommendations in the work plan.

Additionally, she stated that the groundwater partnership is an important area to address, particularly for the City of San Bruno, Cal Water and San Francisco. It also addresses some of the contingency concerns Director Weed has expressed.

Ms. Sandkulla stated that BAWSCA's efforts with the Groundwater Reliability Partnership protect all the member agencies' interests because of the inter-connections between the different groundwater basins. What happens in San Mateo groundwater basin will impact the Niles Cone groundwater basin, which Hayward and ACWD overlie, and the Santa Clara groundwater basin, which eight agencies overlie. Even if BAWSCA was not directly involved with the groundwater effort, BAWSCA will stay connected with the activities to be able to highlight and address the issues that affect the member agencies.

Director Weed commented that BAWSCA could possibly be written in as one of the stakeholders to the overall groundwater planning, and to have BAWSCA identified as a line item for some of those future state and federal funds would be helpful.

6. Reports

- A. Water Supply Update: Ms. Sandkulla reported that the storage levels are increasing in the overall system, but remain below normal. Cumulative precipitation is currently above last year's and moving towards a wetter water year. The snowpack levels are tracking at median.

Based on SFPUC's most recent forecast, Ms. Sandkulla reported that if the region experiences low level precipitation from here on out, the estimated cumulative Tuolumne River water that will be available to San Francisco is 520 thousand acre feet (TAF) by July 2016. This puts the system above where it was, at 50 TAF of water, in 2015. If the region experiences a median level precipitation, there will be 1030 TAF of water, which will fill the system. The system will be full with 810 TAF of water available to San Francisco.

This does not mean that the drought is over because what may happen in future years' precipitation remain unknown. But this puts the region in a good position with the potential of filling the system. She noted that median conditions moving forward are projected to fill systems of agencies such as EBMUD, Marin Municipal, and Napa.

Total system deliveries are significantly lower than last year's and clearly demonstrates the region's response to water use reduction.

The SFPUC will hold its annual meeting with BAWSCA and the wholesale customers on February 18th where they will officially announce their projections for the wholesale rate. The SFPUC provided a range to the Board in November of 2015, and the current projections are said to be much lower.

BAWSCA's SFPUC Liaison, Michelle Novotny, reported that in response to Director Guzzetta's request at the January Board meeting, the SFPUC is currently working on putting the system's 24-hour delivery report online.

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With regards to the emergency drought regulations, Mr. Hurley was pleased to report that the State Water Resources Control Board's (SWRCB) adoption of the revised emergency drought regulations on February 2, 2016 reflected BAWSCA's comments.

BAWSCA's comments emphasized that adjustments and credits to conservation standards should result in no redirected impacts to others, and that the SWRCB should establish a process for rescinding mandatory reductions should water conditions improve. Mr. Hurley explained that it was important for the SWRCB to understand that the reliability of agencies varies across the state.

Additionally, the regulations should not be applicable in future droughts nor should be interpreted as basis for future drought responses by the State, given the differing reliabilities and the short time frame in which it was developed.

The regulations will be in effect for 270 days, or through October 2016. BAWSCA is assessing the impacts of the changes on the member agencies. SWRCB will re-visit the regulations in April.

Director Weed noted that ACWA suggested that SWRCB look at regional compliance by water agencies instead of as individual agencies. The SFPUC is an ideal agency for that type of analysis, and he suggested a coordinated effort with ACWA.

Ms. Sandkulla stated that a regional approach might be in future conversation for developing regulations for future droughts, but that the SWRCB has rejected a regional approach for the current regulations.

Mr. Hurley reported that the member agencies continue to achieve significant water conservation during the winter months. As of February 2015, overall savings are at 28%, which greatly exceeds the 15% target for the region. With the extension of the regulation through October, already eight agencies have achieved the target water savings for the extended period.

- B. Review of BAWSCA Board Meeting Time Change: Ms. Sandkulla reported that a surveys is being conducted on the Board's consideration to change the Board meeting time. A full analysis will be presented to the BPC at its meeting in April.
- C. Water System Improvement Program and Mountain Tunnel – Update: Mr. Hurley reported that at the February 9th Commission meeting, the SFPUC outlined its WSIP budget and schedule revisions. The program revisions include budget increases for individual projects, including the Calaveras Dam, Alameda Creek Diversion Dam, and the Bioregional Habitat, as well as additional contingency funds. Schedule extensions are associated with the project close outs including the final negotiations of settlements.

The overall budget increase is \$80 M, and the schedule revisions are not expected to impact in-service dates. BAWSCA continues to meet with the SFPUC on the WSIP and its 10-year CIP.

The SFPUC indicated that the WSIP budget revisions will not impact the 10-year CIP. The Water Enterprise was able to achieve funding of the CIP without major deferrals of projects. In response to the recent pipeline break in San Bruno, the CIP's pipeline

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improvement program underwent a re-prioritization and now has an aggressive approach to address the identified problems.

The SFPUC is also undertaking a separate process to provide clarity to currently adopted LOS goals for all of its major facilities.

As required by AB 1823, the SFPUC will issue a Notice of Change in March. BAWSCA will review the details closely and provide comments accordingly.

The proposed program revisions will be presented to the Commission for approval in April, and advance to the Board of Supervisors for its approval in May.

BAWSCA continues to review the water delivery plan from the Water Emergency Response Plan the SFPUC developed in the event of a Mountain Tunnel outage. BAWSCA provided written comments and worked with the SFPUC to develop an understanding of the member agencies' supply source shifting capabilities for alternative supplies, and how they can be implemented in the event of a Mountain Tunnel outage. Monthly meetings are scheduled to discuss ongoing progress.

Ms. Sandkulla announced that she is working with the SFPUC to schedule a tour of the Calaveras. An announcement with a date will be sent to the Board.

7. **Comments by Committee Members:** There were no further discussions.
8. **Adjournment:** The meeting was adjourned at 3:05pm. The next meeting is April 13, 2016.

Respectfully submitted,


Nicole Sandkulla
CEO/General Manager

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Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

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Roster of Attendees:

Committee Members Present

Charlie Bronitsky, City of Foster City (Chair)
Kirsten Keith, City of Menlo Park (Vice Chair)
Randy Breault, City of Brisbane/GVMID (BAWSCA Chair)
Rob Guzzetta, California Water Service Company
Jerry Marsalli, City of Santa Clara
Al Mendall, City of Hayward (BAWSCA Vice Chair)
Irene O'Connell, City of San Bruno
Louis Vella, Mid-Peninsula Water District
John Weed, Alameda County Water District

Committee Members Absent

Gustav Larsson, City of Sunnyvale
Barbara Pierce, City of Redwood City (*Listened in by phone*)

BAWSCA Staff:

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

Public Attendees:

Michelle Novotny San Francisco Public Utilities Commission