

BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

December 14, 2016

1:30 p.m.

BAWSCA Offices, 155 Bovet Road, San Mateo – 1st Floor Conference Room
(Directions on page 2)

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
1. <u>Call To Order, and Roll Call</u> Roster of Committee Members (<i>Attachment</i>)	(Quigg)	Pg 3
2. <u>Comments by Chair</u>	(Quigg)	
3. <u>Public Comment</u> <i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(Quigg)	
4. <u>Consent Calendar</u> A. Approval of Minutes from the October 12, 2016 meeting (<i>Attachment</i>)	(Quigg)	Pg 5
5. <u>Action Items</u> A. Proposed Fiscal Year 2017-18 Bond Surcharges (<i>Attachment</i>) <u>Issue:</u> How much will the surcharges be for FY 2017-18? <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> That the Committee recommend Board approval of the proposed FY 2017-18 bond surcharges as presented in the staff memorandum	(Tang)	Pg 13
B. Mid-Year 2016-17 Work Plan and Budget Review (<i>Attachment</i>) <u>Issue:</u> What resources are needed to address new work items and significant scope increases that are critical to ensuring reliable supply of high quality water at a fair price? <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> That the Committee recommend Board approval of the proposed adjustments to the FY 2016-17 work plan.	(Sandkulla)	Pg 19
6. <u>Report and Discussion</u> A. Results of Survey on Alternative Board Meeting Time and Location <u>Issue:</u> Would changing the Board meeting time and location offer benefits to the Board Members' commute and efficiency? <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> That the Committee provide feedback on survey responses to provide guidance to the Board and further direction to the CEO/General Manager regarding a potential change to the Board meeting time and location.	(Sandkulla)	Pg 29

7. Reports**(Sandkulla)**

- A. Water Supply Update
- B. SWRCB SED
- C. FY 2017-18 Work Plan and Operating Budget Preparation and Planning Session
- D. CEO's Letter (*Attachment*)
- E. Board Policy Committee Calendar (*Attachment*)
- F. Correspondence Packet ([Under Separate Cover](#))

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8. Comments by Committee Members**(Quigg)****9. Adjournment to the next meeting on February 8, 2017 at 1:30pm in the 1st floor conference room of the BAWSCA office building, at 155 Bovet Road, San Mateo.****(Quigg)**

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Directions to BAWSCA

From 101: Take Hwy.92 Westbound towards Half Moon Bay. Exit at El Camino Northbound (move into the far left Lane) Left at the 1st stop light which is Bovet Road (Chase Building will be at the corner of Bovet and El Camino). Proceed West on Bovet Road past 24-Hour Fitness to two tall buildings to your left. Turn left into the driveway between the two buildings and left again at the end of the driveway to the "Visitor" parking spaces in front of the parking structure.

From 92: Exit at El Camino Northbound and follow the same directions shown above.



BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Committee Roster:

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 (BAWSCA Immediate Past Chair)

Greg Schmid, City of Palo Alto

Louis Vella, Mid-Peninsula Water District

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

**October 12, 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 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 actions and discussed the following topics:

2. **Comments by the Chair:** Committee Chair Dan Quigg welcomed the members of the Committee.

3. **Public Comments:** There were no comments received from the members of the public on items not included on the agenda.

4. **Consent Calendar:** Approval of Minutes from 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.

Ms. Schutte explained that the proposed amendment expands the policy language associated with services to include the use of "best value" evaluation methodology for all service 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 were included in 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 2:35pm. The next meeting is December 14, 2016.

Respectfully submitted,

Nicole Sandkulla, CEO/General Manager

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Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE –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 POLICY COMMITTEE MEETING

Agenda Title: **Proposed Fiscal Year 2017-18 Bond Surcharges**

Summary:

This memorandum presents the proposed bond surcharges for each agency for FY 2017-18. The surcharge would take effect on July 1, 2017. This surcharge setting conforms to BAWSCA's Revenue Bond Indenture (Indenture) for the Series 2013A and 2013B revenue bonds.

Recommendation:

That the Committee recommend Board approval of the proposed FY 2017-18 bond surcharges as presented in this memorandum.

Discussion:

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

The annual surcharges for FY 2017-18 are calculated by multiplying the obligated debt service in 2018 by each agency's percentage of total wholesale customer purchases in FY 2015-16, and adding a "true up" adjustment for the FY 2015-16 surcharges. This "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2015-16 and to reimburse BAWSCA for some expenses incurred in FY 2015-16 in connection with the bond administration that were paid through BAWSCA's FY 2015-16 operating budget.

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

The proposed FY 2017-18 bond surcharge for each agency is shown in Table 1. Table 2 shows how the "true up" adjustment for each member agency is determined and included in the proposed FY 2017-18 surcharge amount. Table 3 indicates how much the capital recovery payment cost would be in FY 2015-16 (column A) if BAWSCA didn't issue the bonds to prepay the capital debt that the agencies owed to San Francisco. The actual savings to each agency in FY 2015-16 (column D) are calculated accordingly.

Table 1. Proposed BAWSCA FY2017-18 Bond Surcharges

Agency	FY 2017-18		Agency	FY 2017-18	
	Annual Bond Surcharge	Monthly Bond Surcharge		Annual Bond Surcharge	Monthly Bond Surcharge
Alameda County WD	\$690,396	\$57,533	Mid Pen WD	\$489,120	\$40,760
Brisbane Water	\$72,564	\$6,047	Millbrae	\$464,952	\$38,746
Burlingame	\$684,444	\$57,037	Milpitas	\$906,816	\$75,568
Coastside County WD	\$207,636	\$17,303	Mountain View	\$1,502,724	\$125,227
CWS - Bear Gulch	\$1,367,016	\$113,918	North Coast WD	\$360,516	\$30,043
CWS - Mid Peninsula	\$2,393,196	\$199,433	Palo Alto	\$1,782,456	\$148,538
CWS - South SF	\$1,090,956	\$90,913	Purissima Hills WD	\$205,104	\$17,092
Daly City	\$1,272,672	\$106,056	Redwood City	\$1,667,100	\$138,925
East Palo Alto WD	\$384,504	\$32,042	San Bruno	\$186,048	\$15,504
Estero Municipal ID	\$928,680	\$77,390	San Jose (North)	\$1,047,396	\$87,283
Guadalupe Valley	\$52,620	\$4,385	Santa Clara	\$696,768	\$58,064
Hayward	\$2,943,576	\$245,298	Stanford University	\$245,508	\$20,459
Hillsborough	\$366,948	\$30,579	Sunnyvale	\$2,065,920	\$172,160
Menlo Park	\$394,308	\$32,859	Westborough WD	\$216,648	\$18,054
Total				\$24,686,592	\$2,057,216

Table 2. Proposed BAWSCA FY2017-18 Bond Surcharge Breakdowns

Agency	FY 2015-16			FY 2017-18	
	Surcharge Collected (Based on FY 2013-14 Purchase)	Surcharge Obligation (Based on FY 2015-16 Purchase)	Difference: True-up Amount	Surcharge To Be Collected (Based on FY 2015-16 Purchase)	Proposed Surcharge Incl. True-up Amount for FY 2015-16
Alameda County WD	\$1,971,633	\$1,331,242	(\$640,391)	\$1,330,786	\$690,396
Brisbane Water	\$60,447	\$66,519	\$6,072	\$66,496	\$72,564
Burlingame	\$676,052	\$680,366	\$4,314	\$680,133	\$684,444
Coastside County WD	\$312,610	\$260,170	(\$52,440)	\$260,081	\$207,636
CWS - Bear Gulch	\$2,125,364	\$1,746,489	(\$378,875)	\$1,745,892	\$1,367,016
CWS - Mid Peninsula	\$2,374,969	\$2,384,490	\$9,521	\$2,383,675	\$2,393,196
CWS - South SF	\$1,065,332	\$1,078,330	\$12,997	\$1,077,961	\$1,090,956
Daly City	\$582,229	\$927,612	\$345,382	\$927,295	\$1,272,672
East Palo Alto WD	\$244,303	\$314,459	\$70,156	\$314,351	\$384,504
Estero Municipal ID	\$669,889	\$799,417	\$129,528	\$799,143	\$928,680
Guadalupe Valley	\$41,114	\$46,872	\$5,759	\$46,856	\$52,620
Hayward	\$2,500,066	\$2,722,285	\$222,219	\$2,721,355	\$2,943,576
Hillsborough	\$560,355	\$463,733	(\$96,621)	\$463,575	\$366,948
Menlo Park	\$581,921	\$488,198	(\$93,723)	\$488,031	\$394,308
Mid Pen WD	\$480,528	\$484,906	\$4,378	\$484,740	\$489,120
Millbrae	\$354,177	\$409,637	\$55,460	\$409,497	\$464,952
Milpitas	\$1,095,677	\$1,001,414	(\$94,262)	\$1,001,072	\$906,816
Mountain View	\$1,487,982	\$1,495,608	\$7,626	\$1,495,097	\$1,502,724
North Coast WD	\$479,458	\$420,056	(\$59,402)	\$419,912	\$360,516
Palo Alto	\$1,864,551	\$1,823,813	(\$40,738)	\$1,823,190	\$1,782,456
Purissima Hills WD	\$331,707	\$268,449	(\$63,258)	\$268,357	\$205,104
Redwood City	\$1,505,429	\$1,586,533	\$81,105	\$1,585,991	\$1,667,100
San Bruno	\$264,966	\$225,548	(\$39,418)	\$225,471	\$186,048
San Jose (North)	\$764,631	\$906,168	\$141,537	\$905,858	\$1,047,396
Santa Clara	\$347,888	\$522,415	\$174,527	\$522,236	\$696,768
Stanford University	\$372,989	\$309,302	(\$63,688)	\$309,196	\$245,508
Sunnyvale	\$1,408,246	\$1,737,380	\$329,134	\$1,736,786	\$2,065,920
Westborough WD	\$147,484	\$182,099	\$34,615	\$182,037	\$216,648
Totals	\$24,671,995	\$24,683,508	\$11,513	\$24,675,070	\$24,686,592

Table 3. Actual Savings to Each Agency for FY 2015-16

Agency	SFPUC Capital Recovery Payment	Annual Surcharge Collected in FY 2015-16	True-ups To Be Collected or Refunded in FY 2016-17	BAWSCA Annual Surcharge Plus True-ups	Actual Savings
	A	B	C	D = B + C	E = A - D
Alameda County WD	\$1,520,895	\$1,971,633	(\$640,391)	\$1,331,242	\$189,653
Brisbane Water	\$75,995	\$60,447	\$6,072	\$66,519	\$9,476
Burlingame	\$777,293	\$676,052	\$4,314	\$680,366	\$96,927
Coastside County WD	\$297,234	\$312,610	(\$52,440)	\$260,170	\$37,065
CWS - Bear Gulch	\$1,995,299	\$2,125,364	(\$378,875)	\$1,746,489	\$248,810
CWS - Mid Peninsula	\$2,724,193	\$2,374,969	\$9,521	\$2,384,490	\$339,702
CWS - South SF	\$1,231,952	\$1,065,332	\$12,997	\$1,078,330	\$153,622
Daly City	\$1,059,762	\$582,229	\$345,382	\$927,612	\$132,151
East Palo Alto WD	\$359,258	\$244,303	\$70,156	\$314,459	\$44,799
Estero Municipal ID	\$913,304	\$669,889	\$129,528	\$799,417	\$113,887
Guadalupe Valley	\$53,550	\$41,114	\$5,759	\$46,872	\$6,678
Hayward	\$3,110,111	\$2,500,066	\$222,219	\$2,722,285	\$387,826
Hillsborough	\$529,798	\$560,355	(\$96,621)	\$463,733	\$66,065
Menlo Park	\$557,748	\$581,921	(\$93,723)	\$488,198	\$69,550
Mid Pen WD	\$553,987	\$480,528	\$4,378	\$484,906	\$69,081
Millbrae	\$467,995	\$354,177	\$55,460	\$409,637	\$58,358
Milpitas	\$1,144,079	\$1,095,677	(\$94,262)	\$1,001,414	\$142,665
Mountain View	\$1,708,677	\$1,487,982	\$7,626	\$1,495,608	\$213,069
North Coast WD	\$479,899	\$479,458	(\$59,402)	\$420,056	\$59,843
Palo Alto	\$2,083,640	\$1,864,551	(\$40,738)	\$1,823,813	\$259,826
Purissima Hills WD	\$306,693	\$331,707	(\$63,258)	\$268,449	\$38,244
Redwood City	\$1,812,556	\$1,505,429	\$81,105	\$1,586,533	\$226,023
San Bruno	\$257,680	\$264,966	(\$39,418)	\$225,548	\$32,132
San Jose (North)	\$1,035,263	\$764,631	\$141,537	\$906,168	\$129,096
Santa Clara	\$596,840	\$347,888	\$174,527	\$522,415	\$74,425
Stanford University	\$353,366	\$372,989	(\$63,688)	\$309,302	\$44,064
Sunnyvale	\$1,984,893	\$1,408,246	\$329,134	\$1,737,380	\$247,513
Westborough WD	\$208,042	\$147,484	\$34,615	\$182,099	\$25,942
Totals	\$28,200,000	\$24,671,995	\$11,513	\$24,683,508	\$3,516,492

Background:

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

BAWSCA has been collecting the bond surcharge from member agencies since July 2013 through the SFPUC as a separate item on their monthly water bills to member agencies. FY 2017-18 will be the fifth year for BAWSCA to collect the bond surcharge payments that are used to make debt service payments on BAWSCA's revenue bonds.

Calculating the "True Up" Adjustment

Consistent with the Indenture, the FY 2017-18 bond surcharge setting includes a "true up" adjustment included in the calculation. This "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2015-16 and to reimburse BAWSCA for some expenses incurred in FY 2015-16 in connection with the bond administration that were paid through BAWSCA's FY 2015-16 operating budget. Those expenses include the fees to Bank of New York for its Trustee services and the costs of legal, financial advisor, investment advisor, and arbitrage rebate consultant. A "true up" adjustment is anticipated every year as part of the calculation of the Annual Bond Surcharge.

The annual surcharges collected from the member agencies in FY 2015-16 were calculated by multiplying the obligated debt service in 2016 by each agency's percentage of total wholesale customer purchases in FY 2013-14. FY 2013-14 purchases were used as a surrogate for FY 2015-16 purchases, which were not known when the FY 2015-16 bond surcharges were adopted.

Now that the actual wholesale customer purchases for FY 2015-16 and the actual expenses incurred in FY 2015-16 in connection with the bond administration are available, the actual surcharges for FY 2015-16 are calculated again by multiplying a sum of the obligated debt service in 2016 and the actual expenses incurred in FY 2015-16 by each agency's percentage of total wholesale customer purchases in FY 2015-16. The difference between the surcharges that were actually collected in FY 2015-16, which were based on the surrogate purchase values, and the actual surcharges for FY 2015-16, which are based on actual FY 2015-16 purchases, are one component of the "true up" adjustments to be included in the annual surcharge setting for FY 2017-18.

The second component of the "true up" adjustment is inclusion of \$11,513 of actual expenses incurred in FY 2015-16 in connection with the bond administration, which represents 0.04% of the annual debt service of the bonds in 2018. Pursuant to the Prepayment and Collection Agreement between BAWSCA and San Francisco, BAWSCA shall reimburse San Francisco for specific expenses incurred for compliance with tax-exempt regulations. These charges have not been billed at this time. A "true up" adjustment for FY 2017-18 will be included in the surcharge setting for FY 2019-20.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Mid-Year 2016-17 Work Plan and Budget Review**

Summary:

To ensure continued access to reliable supplies of high quality water at a fair price, nine revisions to the adopted FY 2016-17 Work Plan are recommended in response to the unexpected increased level of activities to date., The changes include the addition of one significant new work item, and significant scope increase for three existing work areas. At this time, the resources to address these issues and produce necessary results can be provided within the currently approved Operating Budget for FY 2016-17 of \$3,468,008.

This memorandum presents: (1) the proposed changes to the FY 2016-17 Work Plan, (2) discussion of the potential budget implications, and (3) the discussion of management of the General Reserve.

Fiscal Impact:

No changes to the Operating Budget are necessary or recommended at this time. The anticipated budget savings from delay and deferral of work items will be made available if and when necessary for adjustment to legal counsel's budget.

Recommendation:

That the Committee recommend Board approval of the following revisions to the FY 2016-17 Work Plan:

- 1. Additions:**
 - a. Participate in SWRCB Bay-Delta Plan for the San Joaquin River including review and comment on Draft SED**
- 2. Scope Increase:**
 - a. Participate in new feasibility studies in support of Long-Term Reliable Water Supply Strategy (Strategy) recommended actions**
 - b. Represent member agencies in regional and state-level discussions related to current drought and new water use efficiency regulations**
 - c. Support ongoing participation in New Don Pedro FERC proceedings**
 - d. Coordinate agency participation in Water Quality Committee**
- 3. Scope Reduction/Delay:**
 - a. Issue Request for Proposal this fiscal year but delay development of regional water system modeling tool until next fiscal year**
- 4. Deletion for Subsequent Reconsideration Next Fiscal Year**
 - a. Expand decision-making process for implementing Strategy actions**
 - b. Organize workshop to review water utility best management practices**
 - c. Pursue SFPUC benchmarking study**

Prior Board Approved Work Plan and Budget Actions for FY 2016-17:

On May 19, 2016, the Board approved the following:

- Proposed FY 2016-17 Work Plan and Results to be Achieved;
- Proposed Operating Budget of \$3,468,008; and
- Recommended funding plan which includes FY 2016-17 assessments of \$3,440,734 and a transfer of \$27,274 from the General Reserve.

Discussion:

The mid-year review included (1) examining progress toward completing the Work Plan as adopted, (2) considering anticipated work that should be performed during the balance of this fiscal year, and (3) reviewing new work plan items.

The most critical time sensitive items in the approved Work Plan are on schedule as of December 7, 2016. Significant changes to the Work Plan are proposed below due to (1) increased scope and level of activity in planned and unplanned areas, and (2) need to delay or defer several tasks to re-focus staff resources necessary to address new critical work areas.

Following the Work Plan review, an initial budget assessment was performed to estimate (1) spending on ongoing programs with known level of activity through the end of this fiscal year, (2) savings that are expected to result from completed or delayed activities, and (3) resources needed to achieve any results not already reflected in the approved budget. There are several work plan items, listed below, with significant unknown potential level of effort at this time. The budgetary ramifications of these activities are discussed below.

Proposed FY 2016-17 Work Plan Modifications and Budget Implications

Table 1 presents the Board-approved Work Plan for FY 2016-17 and highlights recommended revisions to the Work Plan. Explanations for the nine recommended revisions and resulting budget implications appear below.

1. Significant New Work Plan Item: Participate in the SWRCB Bay Delta Plan for the San Joaquin River Including Review and Comment on Draft SED. New Work Plan Item 5c. This item was not included in the work plan due to unknown schedule. On September 15th, the State Water Resources Control Board (SWRCB) released the SED which included a flow proposal that could cause substantial reduction of water from the Tuolumne River to the Bay Area for the 1.7 million residents, 40,000 businesses, and thousands of community organizations in Alameda, San Mateo, and Santa Clara counties whose water interests BAWSCA represents. In coordination with the SFPUC, BAWSCA is actively engaged in the review and comment of this draft document. At this time, comments are due January 17th. The level of activity beyond January 17th for the balance of the fiscal year is unclear at this time. This change requires reallocation of staff resources and a future anticipated increase legal counsel's budget. Legal counsel's budget is sufficient at this time.
2. Significant Scope Increase: Participate in New Feasibility Studies in Support of Long-Term Reliability Water Supply Strategy (Strategy) Recommended Actions. Work Plan Item 2a. To support implementation of the Strategy, the FY 2016-17 Work Plan included completion of the Pilot Water Transfer Plan with City of Hayward in preparation for a potential future transfer and participation in the Bay Area Regional Reliability Partnership (BARR). These efforts are on track as planned. In addition, unanticipated progress has been made on three purified/advanced treated water projects in the service area. In each case, BAWSCA is a

direct participant with the SFPUC and other local participating agencies (Silicon Valley Clean Water, Santa Clara Valley Water District, and Alameda County Water District). Also, BAWSCA is participating in technical and environmental studies for possible Enlarged Los Vaqueros Reservoir. The planned feasibility studies for the purified water projects and examination of Enlarged Los Vaqueros Reservoir is consistent with the Strategy recommendations. This change requires reallocation of staff resources. Other costs are funded through SFPUC and the Wholesale Revenue Requirement.

3. Significant Scope Increase: Represent Agencies in Regional and State-Level Discussions Related to Current Drought and New Water Use Efficiency Regulations. Work Plan Item 3b. The FY 2016-17 Work Plan anticipated providing a continuing level of drought support to the member agencies, however, with the development and release of the Governor's Executive Order and Draft "Making Water Conservation a California Way of Life" State Framework for Long-Term Water Conservation Policy, BAWSCA's level of effort has increased significantly and is anticipated to stay at a high level for the balance of the fiscal year, and possibly beyond. On behalf of the member agencies, BAWSCA is participating in State-wide calls, reviewing all relevant documents and providing comments as necessary, and updating member agencies on the near-term and long-term implications. The member agencies have continued to request BAWSCA participation on this effort on their behalf. This change requires reallocation of staff resources. There are no anticipated budget impacts from this change.
4. Significant Increase in Level of Activity: Support Ongoing Participation in New Don Pedro FERC Proceedings. Work Plan Item 5b. The FY 2016-17 Work Plan anticipated participation in the FERC proceedings and the confidential settlement discussions. The level of activity associated with the settlement discussions has increased significantly and is anticipated to increase further for the balance of the fiscal year. With the release of the Recirculated Draft Substitute Environmental Document (SED) in September, BAWSCA's continued participation to protect the interests of the member agencies and the water customers is critical at this time. These activities require reallocation of staff resources and a future anticipated increase in legal counsel's budget. Legal counsel's budget is sufficient at this time.
5. Increase in Level of Activity: Coordinate Member Agency Participation in Water Quality Committee to Ensure Agency Needs Met. Work Plan Item 8a. The FY 2016-17 Work Plan included a small allotment of staff time to support the Water Quality Committee consistent with past experience. This fiscal year, there have already been three separate emergency operations incidents associated with water quality that have required closer coordination with the Joint Water Quality Committee and involvement of BAWSCA staff and CEO to secure changes to the SFPUC Water Quality Notifications and Communication Plan. This higher level of activity is anticipated to continue given ongoing issues and timeframe for resolution. This increased level of activity requires reallocation of staff resources. There are no anticipated budget impacts from this change.
6. Scope Reduction and Delay: Develop Independent Regional Water System and Supply Modeling Tool. Work Plan Item 2b (3). Negotiations with ReNUWI have identified the need for BAWSCA to issue a complete Request for Proposal (RFP) for this work. At this time, it is anticipated that an RFP for this work will be released by March 2017 with work to begin in FY 2017-18, pending budget approval. In the meantime, staff will continue discussions with the SFPUC to identify what, if any, modeling assistance can be provided by the SFPUC to meet BAWSCA's near term needs. There is a budget savings of \$40,000 related to this delay.
7. Defer: Expand Decision Making Process for Implementing Strategy Actions. Work Plan Item 2b (2). This work plan item should be delayed for consideration in FY 2017-18 or later, depending upon developments in other work plan areas. While necessary for future decision

making, this delay can be accommodated at this time without impacting BAWSCA's overall critical results that must be achieved. There is a budget savings of \$50,000 related to this deferral.

8. Defer: Organize Workshop to Review Water Utility Financial Best Management Practices. Work Plan Item 10a. Due to staff resource constraints resulting from need to accommodate increased work in other areas, this item should be deferred for consideration in FY 2017-18 or later. This change requires reallocation of staff resources. There are no anticipated budget savings from this change.
9. Defer: Pursue SFPUC Benchmarking Study. Work Plan Item 10b. Due to staff resource constraints resulting from need to accommodate increased work in other areas, this item should be deferred for consideration in FY 2017-18 or later. This change requires reallocation of staff resources. There are no anticipated budget savings from this change.

Capacity to Accommodate Potential or Unanticipated Issues

As always, if potential or unanticipated issues arise during the Spring, they will be brought to the attention of the Committee and the Board with recommendations to further reallocate and/or augment existing resources, if necessary.

Budget Modifications Needed to Complete Work Expected During FY 2016-17:

A preliminary budget review has been performed at this time and resulted in the following findings:

- An anticipated budget savings of \$90,000 would result from the recommended deferral of two work plan items (development of modeling tool and expansion of decision making process).
- With the exception of legal counsel, all other expenditures will be within the approved budget.
- Legal counsel expenditures are projected to be within the current budget limit for the near term. Given the significant new work on the SED and the FERC settlement discussions discussed in the work plan modifications above, a budget modification for legal counsel may be necessary, possibly as early as March 2017. Further detail on legal counsel expenditures will be provided to the board at its January meeting.
- No modifications to the budget are necessary at this time. The anticipated budget savings will be made available for adjustment to legal counsel's budget if and when necessary.

Management of General Reserve:

As no changes to the General Reserve are requested at this time, the projected General Reserve balance at the end of FY 2016-17 is equivalent to the General Reserve balance on June 30, 2016 plus the FY 2015-16 unspent funds that were transferred to the General Reserve in November following acceptance of the FY 2015-16 Audited Financial Report by the Board:

\$776,620	General Reserve balance as of June 30, 2013
<u>+\$453,246</u>	<u>FY 2015-16 Unspent Funds transferred to General Reserve Nov. 2016</u>
\$1,229,866	General Reserve balance as of December 1, 2016

This level of General Reserve represents 35% of the approved Operating Budget. This is at the upper limit of the 35% guideline adopted by the Board in September 2011.

Given the high level of uncertainty with several critical areas of work (Restore Hetch Hetchy Litigation and SED) and the potential need for significant additional legal resources, the current General Reserve balance provides a resource for additional funds as may be necessary. Further discussions on this issue will continue as part of regular Work Plan and budget updates with the Board.

Attachments:

1. Table 1. Work Plan and Results to be Achieved in FY 2016-17: Progress and Proposed Changes

Table 1. Results to be Achieved in FY 2016-17

(Progress Shown in Brackets and Underlined; *Proposed Changes Shown in Bold Blue Italic Font*)

RELIABLE WATER SUPPLY

1. Facility Reliability: Monitor the SFPUC’s WSIP, 10-Year CIP, and Asset Management Program

- a. Monitor WSIP scope, cost, and schedule as San Francisco continues an aggressive construction schedule through 2019. Press the SFPUC and the city's political leadership to meet the city's adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests. [Ongoing, including review of Quarterly Reports and regular meetings with SFPUC to address issues and concerns; Currently reviewing Alameda Creek Recovery Project EIR to ensure project scope on track to meet needs of BAWSCA agencies]
- b. Review and monitor SFPUC’s Regional 10-Year Capital Improvement Program to ensure that identified projects and programs meet the needs of the BAWSCA member agencies in a cost-effective and appropriate manner. [On track; Major activity focused on Mountain Tunnel Improvements Projects and upcoming January 2017 shutdown]
- c. Review and monitor SFPUC’s Asset Management Program to ensure maintenance and protection of system assets. [Ongoing, including review of Quarterly Reports; BAWSCA reviewed and provided comment on SFPUC’s Sept. 2016 State of Regional Water System Report]

2. Long-Term Supply Solutions: Ensure a Reliable, High Quality Supply of Water is Available Where and When Needed

- a. Implement the actions recommended in the Long-Term Reliable Water Supply Strategy Phase II Final Report. [Progress on Pilot Water Transfer and Bay Area Regional Reliability Study on schedule; *Significant scope increase with initiation of feasibility studies on three purified/advanced treated water projects and participation in technical and environmental studies for possible Enlarged Los Vaqueros Reservoir*]
- b. Expand activities to support Strategy implementation
 - 1. Establish Groundwater Reliability Partnership for the San Mateo Plain Sub-basin and take a lead role in promoting sustainable use of groundwater resources in basin. [On track; New BAWSCA consultants under contract to provide support]
 - 2. Extend BAWSCA’s resource investment decision-making framework to incorporate a structured, iterative “adaptive management” process to assist policy makers and BAWSCA management in making decisions in the face of changing conditions and lessons learned with the aim of reducing uncertainty over time. [Defer; Re-consider for FY 2017-18]
 - 3. Expand BAWSCA’s water supply reliability analysis to include new, independent modeling capability and incorporate missing, critical regional water reliability planning components including the hydrology and supply reliability of other imported and local supplies that may impact the reliability of the member agencies. [Delay; Proposal solicitation this fiscal year for project initiation in FY 2017-18]
- c. Conduct drought response analysis of the BAWSCA service area drought planning, preparedness, and service area response to inform long-term planning including review of 2040 demand and supply gap projections. [On track at this time]

3. Near-term Supply Solutions: Water Conservation

- a. In cooperation with member agencies, implement drought response actions to achieve necessary water use reductions and minimize likelihood of mandatory rationing. [On track]
- b. Represent agencies in regional and State-level discussions related to the current drought conditions and regulations. ***[Significant scope increase in response to Governor's Executive Order and Draft "Making Water Conservation a California Way of Life" State Framework for Long-Term Water Conservation Policy]***
- c. Administer, implement and expand core water conservation programs that benefit all customers. [On track]
- d. Administer subscription conservation rebate programs that benefit, and are paid for by, participating member agencies. [On track]

4. Take Actions to Protect Members' Water Supply Interests in the Administration of the 2009 Water Supply Agreement

- a. Review existing Tier 2 drought allocation plan and prepare for modifications as needed due to upcoming 2018 expiration. [Review complete; Further work on hold pending further information on State drought regulations and State Framework for Long-term Water Conservation Policy]
- b. Investigate a Water Supply Agreement contract amendment to incorporate an appropriate alternative supply allocation approach to address the shortcomings of the existing Tier 1 drought allocation formula. [Performance evaluation of current Tier 1 Plan complete, Further work on hold pending further information on State drought regulations and State Framework for Long-term Water Conservation Policy]
- c. Protect members' water supply and financial interests in the SFPUC's upcoming 2018 decisions and associated Water Management Action Plan (MAP) to support the Commissions' upcoming 2018 water supply decisions. [On track; Ensured WaterMAP questions modified to directly address EPA's needs for more water; Actively supporting discussions between EPA and others for possible ISG transfer; Ensured Enlarged Los Vaqueros included as a possible project evaluated as part of WaterMAP.]
- d. Protect members' water supply interests to ensure that the SFPUC meets its adopted Water Supply Level of Service Goals. [On track; Minimal level of activity given focus of WaterMAP and SED]

5. Protect Members' Interests in a Reliable Water Supply

- a. Participate in the Restore Hetch Hetchy litigation in which BAWSCA is a named party. [Ongoing; on appeal to the Fifth District Court of Appeal]
- b. Ensure necessary legal & technical resources for monitoring & intervention in the Don Pedro Project and La Grange Project FERC licensing are sufficient to protect customers' long-term interests in Tuolumne River water supplies. ***[Significant increase in level of activity related to confidential settlement discussions for the Tuolumne River]***
- c. ***Participate in the SWRCB Bay Delta Plan for the San Joaquin River to protect the interests of the BAWSCA member agencies, including providing review and comment on Draft SED and associated settlement discussions [SIGNIFICANT NEW SCOPE ITEM]***

6. Pursue Grant Opportunities Independently and in Coordination with Regional Efforts

- a. Pursuit and use of grant funds for water conservation programs and for regional supply projects and programs. [On track]
- b. Investigate potential for grant funds to support the implementation of the Strategy, including 2014 California Water Bond. [On track; No new applications at this time]

7. Reporting and Tracking of Water Supply and Conservation Activities

- a. Complete BAWSCA FY 2015-16 Annual Survey.
- b. Complete BAWSCA FY 2015-16 Annual Water Conservation Report.
- c. Review and modify, if appropriate, BAWSCA's Water Conservation Database consistent with BAWSCA's recently implemented ConservTrak water conservation management system. [On track; Proposal solicitation underway for update to database]

HIGH QUALITY WATER

8. Support Member Agencies in Receiving Reliable Communication of Water Quality Issues

- a. Coordinate member agency participation in Water Quality Committee established by the 2009 Water Supply Agreement to ensure it addresses Wholesale Customer needs. [*Increase in level of activity; Three separate water quality incidents this year requiring increased staff and CEO coordination with Technical Committee to secure necessary changes*]
- b. Review and act on, if necessary, State legislation affecting water quality regulations. [On track; No new activity]

FAIR PRICE

9. Perform Matters that Members Delegated to BAWSCA in the Water Supply Agreement

- a. Administer the Water Supply Agreement with SF to protect the financial interests of member agencies. [Annual review on track; Resolution of settlement agreement with SFPUC on schedule for completion this fiscal year]
- b. Support development and member agency adoption of up to three contract amendments to address resolution of FY 2010-11 WRR settlement, revenue funded capital, and implementation of regional groundwater storage project. [Small progress on different pieces; On hold pending resolution of settlement agreement with SFPUC]
- c. Administer bonds issued by BAWSCA to retire capital debt owed to San Francisco. [On track]

10. Provide Other Support to Protect Financial Interests of Member Agencies

- a. Organize a workshop to review water utility financial best management practices to identify potential actions to better protect BAWSCA member agencies from the financial impacts of drought. [*Defer for consideration next fiscal year*]
- b. Pursue SFPUC completion of a benchmarking study to evaluate RWS operational efficiency and cost effectiveness. [*Defer for consideration next fiscal year*]

AGENCY EFFECTIVENESS

11. Maintain Community Allies and Contacts with Environmental Interests

- a. Maintain close relationships with BAWSCA's local legislators and allies, and activate them if necessary.
- b. Maintain a dialogue with responsible environmental and other groups.
- c. Maintain effective communications with member agencies, customers, & others to achieve results and support goals
- d. In conjunction with San Francisco, conduct or co-sponsor tours of the water system for selected participants.

12. Manage the Activities of the Agency Professionally and Efficiently

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Results of Survey on Alternative Board Meeting Time and Location**

Summary:

The November 17, 2016 BAWSCA Board Meeting was held as a Special Meeting to evaluate the benefits of an alternative Board meeting location; the Oak Room in the San Mateo Main Library on 55 West 3rd Ave. The location's accessibility from Highway 280 and close proximity to Cal Train offers possible improvements to the commute of Board Members coming from the South, North and East of the Bay, and to those who choose to use public transportation. Outstanding issues related to the time availability of Oak Room are discussed below. No changes to the existing regular meeting day, 3rd Thursday bi-monthly, are being considered.

A third survey was conducted to obtain the Board Members' impression of the alternative location, and whether a start time of 6:30pm is worth considering. Survey #3 responses are presented in Exhibit A.

The date, time, and location of BAWSCA Board meetings are established through its Rules of the Board. Any permanent change to regular Board meeting date, time or location would need to be approved as an amendment to the Rules of the Board by an affirmative vote of the majority of the full Board.

Fiscal Impact:

Approximately \$1,500. Use of the Oak room in the San Mateo Main Library has a cost of \$200 per meeting.

Recommendation:

That the Board Policy Committee provide feedback on survey responses to provide guidance to the Board and further direction to the CEO/General Manager regarding a potential change in meeting time and location.

Discussion:

Due to worsening traffic conditions, members of the Board expressed interest in possibly changing the Board meeting time and location in the Fall of 2015. Two separate surveys were conducted in December 2015 and April 2016 to obtain a general idea of what conditions offer the most benefit to Board Members. Based on the first and second survey results and discussions by the Board at its May 19, 2016 meeting, the Chair called a Special Meeting for the November 17, 2016 meeting to test the Oak Room in San Mateo Main Library as an alternative location for the Board's consideration.

The San Mateo Main Library Oak Room is available on BAWSCA's regular meeting days with two restrictions:

- First, the library closes at 9pm, and the Board meeting must adjourn no later than 8:45pm to allow 15 minutes for clean-up. A potential solution to this restriction is to start the meeting at 6:30 pm to allow a meeting duration of at least 2-hours. The current time limit for Board meetings is 2 ½ hours.
- Second, the library's annual book fair is held on the 3rd weekend of September. The Oak room will not be available to BAWSCA if the 3rd Thursday of September precedes

the 3rd Saturday because the Oak room is prepped for the Fair one week before. This is the case for 2019 through 2022, 2024 and 2025. In these cases, the meeting will need to be held at a different location as a Special Meeting.

A third survey was conducted following the November 17, 2016 meeting to obtain the Board Members' impression of the Oak Room location, and whether a start time of 6:30pm is worth considering. Survey #3 responses are presented in Exhibit A.

BAWSCA Rules of the Board

BAWSCA's enabling legislation grants the Agency discretion to establish and change the time, place, and frequency of its Board meetings.

BAWSCA's Board established the time and place of its regular meetings through its Rules of the Board, which are its bylaws, adopted on September 2003, and amended in June 2004 and July 2011.

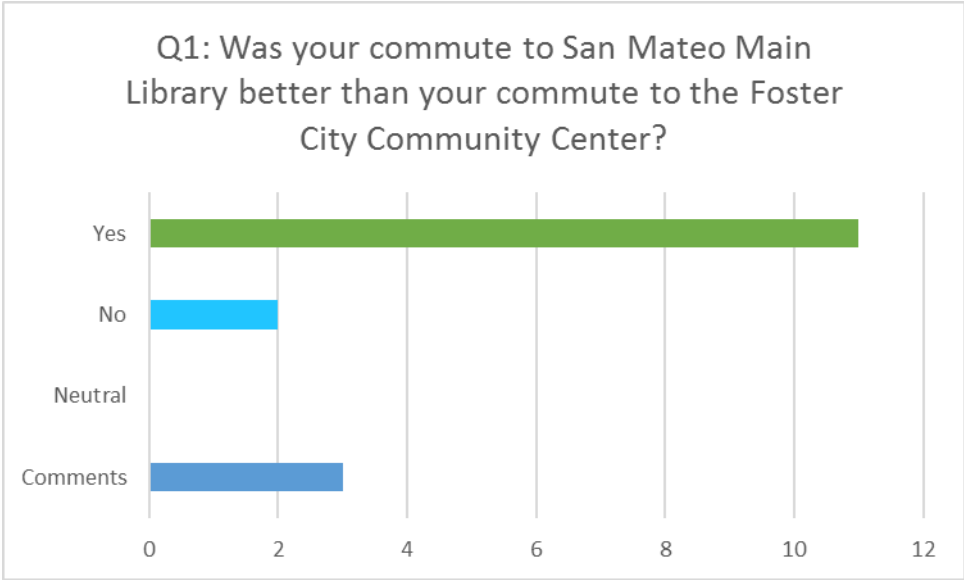
BAWSCA's Rules of the Board state that:

- Regular meetings of the Board shall be held on the third Thursday of January, March, May, July, September and November at the hour of 7 P.M.
- The date, time, and/or location of a particular regular meeting may be changed by the Board as needed to accommodate scheduling conflicts, subject to the notice requirements in Rule II.B.
- Special meetings of the Board may be called by the Chairperson or by a majority of the members of the Board. The notice of the meeting shall state the particular business to be conducted. The Board may not consider other business at such meetings
- All regular meetings of the Board shall be held at the Foster City Library-Community Center, 1000 East Hillsdale Boulevard. When that location is unavailable, or when it is otherwise in the public's interest, a meeting may be held at another location determined by the Chairperson.

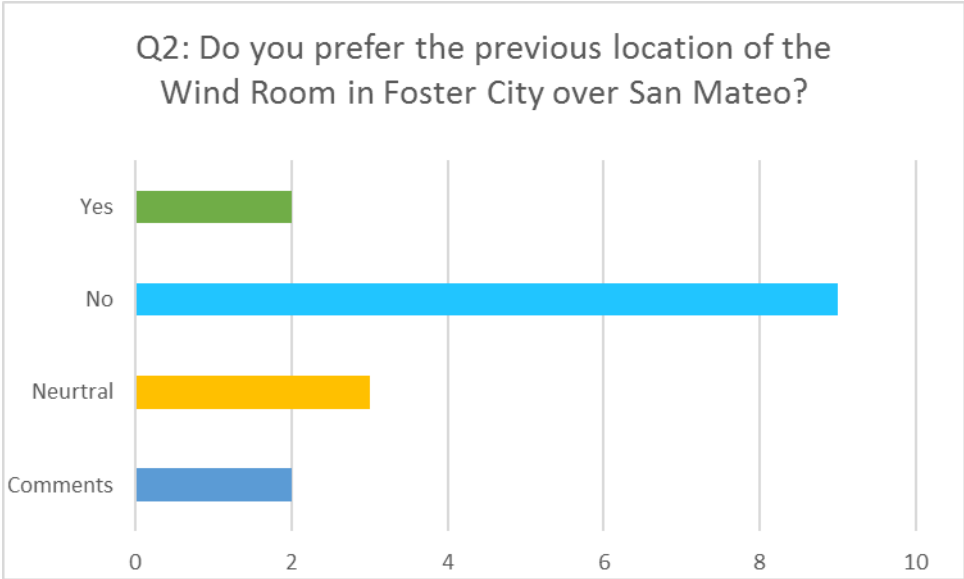
Rule VI requires an affirmative vote by the majority of the full Board to amend the Rules. The Board will need to amend the Rules of the Board through a majority vote of the full Board in order to permanently change its regular meeting date or time.

Exhibit A

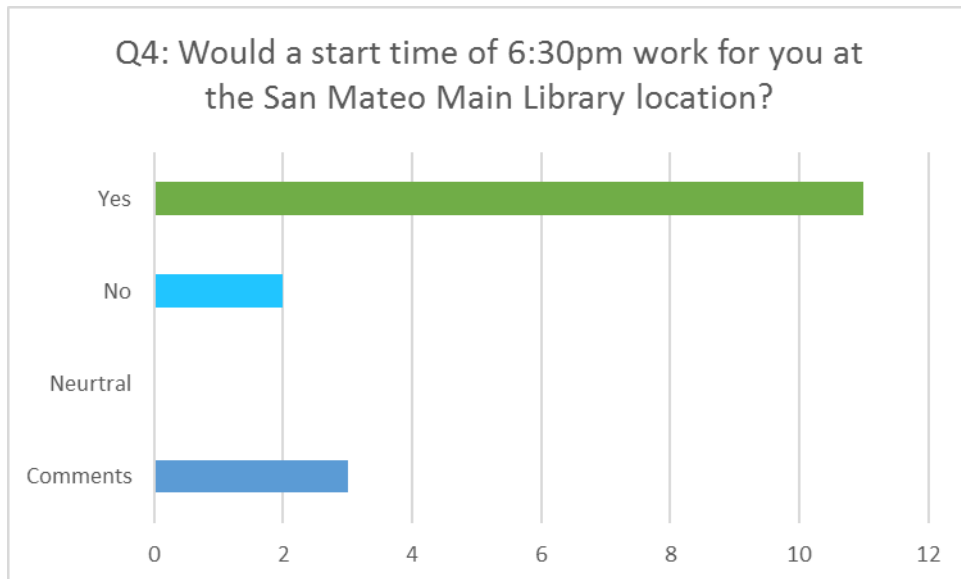
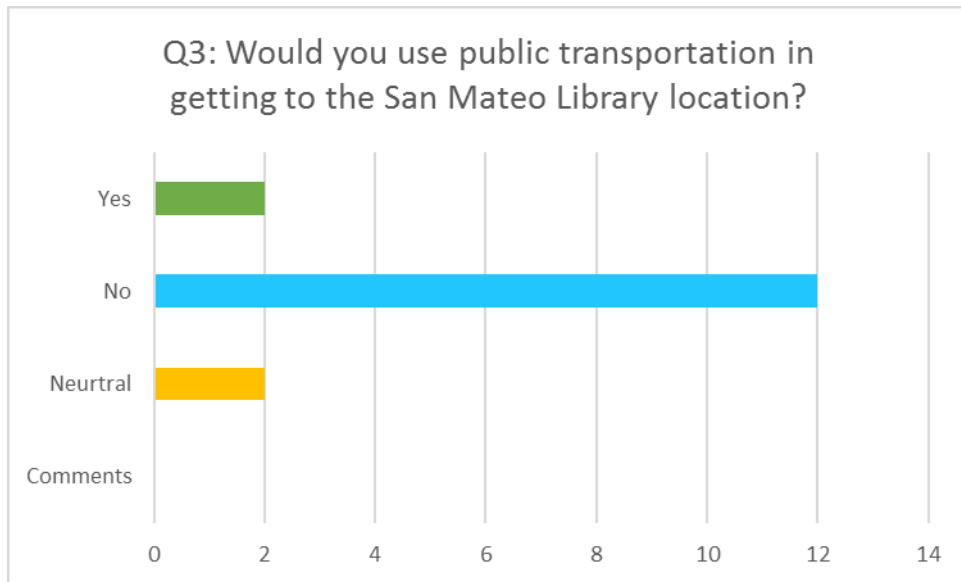
BAWSCA Meeting Time and Location Change Survey 3



- Comments:
- 1. Much better
 - 2. Slightly better
 - 3. Not impacted by San Mateo Bridge traffic



- Comments:
- 1. Foster City Space and Parking is better
 - 2. Neutral to pro San Mateo. 6:30 a better start



- Comments:
1. Or 7 whichever is preferred. 6:30 would allow more time given 9 pm close
 2. I could make it work
 3. An extra 30 min will work better especially when using the parking garage

Additional Comments:

1. World of difference coming from SJ on 280 not having to cross 101 to Hillsdale
2. We should hold the January meeting in San Mateo
3. Great location
4. Thanks for trying to make it an easier commute
5. Closing the building & parking at 9PM is a potential serious detriment to desired discussions
6. While the Foster City room was larger than the San Mateo one, I think y'all can make it work in the SM room
7. The San Mateo location is more convenient because it is better accessible by surface roads and from highway 280. The Foster City location is dependent on Hwy 101 which is almost always a parking lot during commute hours. Thank you for giving us a chance to voice our preference.
8. Thanks

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: December 9, 2016
SUBJECT: Chief Executive Officer/General Manager's Letter

Update on East Palo Alto's Request for Additional Water from the SFPUC

On December 5th, the Palo Alto City Council considered a recommendation to discuss how the City of Palo Alto may support East Palo Alto through a transfer of a portion of its Regional Water System supply allocation. Through unanimous action, the Council referred the issue to the Council Finance Committee for further review and recommendation.

Active negotiations between East Palo Alto and Mountain View for a permanent transfer of a portion of Mountain View's Regional Water System supply allocation are continuing with both sides expressing a continued interest in securing this long-term transfer.

Drought Response Analysis - Demand Reduction Study (ReNUWit)

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. BAWSCA has received a draft of Technical Memorandum #1, which documents the study objectives and approach and presents the initial analysis of the relationship between media coverage of drought and single family residential water use. BAWSCA is currently reviewing this deliverable and is coordinating with ReNUWit on obtaining data to complete the study.

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.

SWRCB Long-Term Conservation Framework

On November 30th, Department of Water Resources (DWR) and State Water Resources Control Board (SWRCB) released a Public Review Draft of the "Making Conservation a California Way of Life" Long-Term Water Use Efficiency Framework (Draft Framework) as required by Governor Brown's Executive Order B-37-16 - Making Water Conservation a California Way of Life (Executive Order).

The Framework includes:

1. A method for establishing and enforcing 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.

On December 7th, DWR, SWRCB, and CA Public Utilities Commission staff hosted a public meeting to review the Draft Framework. BAWSCA participated in this meeting and in the Association of California Water Agencies (ACWA) Leadership Group to develop ACWA's comment letter. BAWSCA also reviewed the Draft Framework at its December Water Resources Committee and sought feedback from the member agencies. Comments on the Draft Framework are due to DWR on December 19th. Based on feedback from member agencies and BAWSCA's ongoing review of the Draft Framework, BAWSCA will consider submittal of comments as necessary.

Regional Washing Machine Rebate Program

As reported at the November Board meeting, the selected vendor to take over implementation of the Regional Washing Machine Rebate Program (WMRP) withdrew its proposal. After evaluating the remaining options for continuation of the Regional WMRP in 2017, the BAWSCA Water Resources Committee determined that none of the available options were cost-effective. As a result, BAWSCA and the participating agencies will end the WMRP as of December 31, 2016. Customers that purchase qualifying washing machines by December 31st will have 60 days to apply, and program closeout activities will subsequently occur.

Water Conservation Database RFP

BAWSCA has released a Request for Proposals (RFP) for upgrades and user support to its Water Conservation Database (WCDB). The WCDB is (1) the repository for BAWSCA member agency water use, demographic, and water conservation program data and (2) is used to support development of BAWSCA's Annual Survey, Annual Water Conservation Report, demand models, and other analyses. The current WCDB was deployed in 2010 and requires upgrades due to challenges in maintaining and enhancing the database in the outdated MS Sharepoint 2003 platform.

Proposals for the WCDB redesign are due December 28th. BAWSCA anticipates that a contract with the recommended consultant will be brought to the Board for approval at the January Board meeting.

San Mateo County's San Mateo Plain Groundwater Basin Assessment

On November 21st, BAWSCA attended San Mateo County's third workshop for their San Mateo Plain Groundwater Basin Assessment, focused on the results of groundwater modeling for the basin. San Mateo County updated BAWSCA's Strategy Groundwater Model to incorporate additional data from the region that has been collected as a part of the County's Assessment thus far. The modeling is preliminary and has helped the County identify data gaps in the basin, which will inform Phase 2 of their Assessment, designed to address these data gaps.

On December 1st, representatives from San Mateo County attended BAWSCA's Water Management Representatives (WMR) meeting to provide a shortened version of the presentation they planned for their fourth public workshop which was focused on current and

potential future groundwater management options for the San Mateo Plain Sub-basin. The County's presentation at the WMR meeting provided a valuable opportunity for the BAWSCA member agencies to ask questions to the County and engage in a productive discussion about the role of management in the basin.

The fourth County-hosted workshop was held on December 6th, in which BAWSCA participated in and was part of the breakout sessions about groundwater management options. During this workshop, BAWSCA expressed support for the County's efforts in helping to identify and fill data gaps in the basin and continuing to engage all stakeholders. BAWSCA also highlighted direct experience of several of its member agencies, as part of the Westside Groundwater Basin, that have proven that good groundwater management can come without having a formal institutional framework in place, but instead establishing, overtime, a solid technical understanding of the basin and a strong working relationship among stakeholders.

The County is planning on hosting a fifth workshop in late January or early February in conjunction with the release of a report that summarizes the first phase of the County's assessment.

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Board Policy Committee Policy Calendar through April 2017

Committee Meeting	Purpose	Issue or Topic
December 2016	D&A D&A R R R&D	FY 2016-17 Mid-Year Work Plan and Budget Review Consideration of BAWSCA Bond Surcharges for FY 2017-18 Review of Water Supply Forecast FY 2017-18 Work Plan and Budget Preparation Planning Session Results of Survey on Alternative Board Meeting Time and Location
February 2017	D&A R	Presentation of Preliminary FY 2017-18 Work Plan and Budget Review of Water Supply Forecast
April 2017	D&A D&A R	Presentation of Proposed FY 2017-18 Work Plan and Budget Consideration of Annual Consultant Contracts Review of Water Supply Forecast
June 2017	D&A R	Consideration of Professional Services Contract for Regional Water System Model Development Services Long-Term Reliable Water Supply Strategy Update