

BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

February 10, 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>)	(Bronitsky)	Pg 3
2. <u>Comments by Chair</u>	(Bronitsky)	
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>	(Bronitsky)	
4. <u>Consent Calendar</u> A. Approval of Minutes from the December 9, 2015 meeting (<i>Attachment</i>)	(Bronitsky)	Pg 5
5. <u>Action Items</u> A. Adjustments to Staff Position Top Step Compensation (<i>Attachment</i>) <u>Issue:</u> Is compensation for BAWSCA staff positions consistent with comparable positions in the Bay Area market? <u>Information to Committee:</u> Memorandum presenting results of a compensation survey by Koff and Associates, comparing current top step compensation to comparable positions in other Bay Area agencies. <u>Committee Action Requested:</u> Recommendation that the Board of Directors approve adjustments to the top step compensation for specified positions.	(Sandkulla)	Pg 17
6. <u>Reports and Discussion Items</u> A. Preliminary Fiscal Year 2016-17 Work Plan and Results to be Achieved (<i>Attachment</i>) <u>Issue:</u> What critical results must be achieved in FY 2016-17 to accomplish BAWSCA's goals and water management objectives? <u>Information to Committee:</u> Memorandum presenting Preliminary Fiscal Year 2016-17 Work Plan and Results to be Achieved. <u>Committee Action Requested:</u> 1) Comments and suggestions concerning the preliminary Fiscal Year 2016-17 Work Plan and results to be achieved; 2) Feedback on presented results from January 21st work plan and budget preparation planning session; and 3) Suggestions concerning presentation of the preliminary Work Plan and Operating Budget to the Board of Directors in March.		Pg 19

7. Reports**(Sandkulla)**

- A. Water Supply Update
- B. Review of BAWSCA Board Meeting Time Change
- C. CEO/General Manager's Letter (*Attachment*)
- D. Board Policy Committee Calendar (*Attachment*)
- E. Correspondence Packet ([Under Separate Cover](#))

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8. Comments by Committee Members**(Bronitsky)**

9. **Adjournment to the next meeting on April 13, 2016 at 1:30pm in the 1st floor conference room of the BAWSCA office building, at 155 Bovet Road, San Mateo.** **(Bronitsky)**

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

Directions to 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:

Charlie Bronitsky, Estero MID (Chair)

Kirsten Keith, City of Menlo Park (Vice-Chair)

Randy Breault, City of Brisbane/GVMID (BAWSCA Chair)

Rob Guzzetta, California Water Service Company

Gustav Larsson, City of Sunnyvale

Jerry Marsalli, City of Santa Clara

Al Mendall, City of Hayward (BAWSCA Vice-Chair)

Irene O'Connell, City of San Bruno

Barbara Pierce, Redwood City

Louis Vella, Mid-Peninsula Water District

John Weed, Alameda County Water District

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

December 9, 2015 – 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 Vice-Chair Kirsten Keith called the meeting to order at 1:33 pm. A list of Committee members who were present (8), absent (3) and other attendees is attached.

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

2. **Comments by the Chair:** Vice Chair Keith welcomed the Committee members and announced that Committee Chair Bronitsky is traveling.

3. **Public Comments:** Mr. Suhas Ahuja from Smart Utilities Systems (SUS) provided information on SUS' utility product.

4. **Consent Calendar:** Approval of Minutes from the August 12, 2015 meeting.

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

Directors Keith and Marsalli abstained. The motion passed.

5. **Action Items:**

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

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

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

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

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

A true up adjustment is expected every year moving forward.

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

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

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

The motion passed unanimously.

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

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

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

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

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

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

Since BAWUA, BAWSCA's predecessor, has had staff, San Mateo has been the most central location for the member agencies and their staff, the SFPUC, and BAWSCA staff members who all travel back and forth to meetings at each other's locations.

This premise continues today and proves to be the most effective location given the worsening traffic conditions.

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

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

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

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

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

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

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

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

In response to Director Vella, Ms. Sandkulla stated that the current lease total is \$105,000, or approximately 3% of the agency budget. The renewal lease, taking into account the new rate of \$3.75/sq. ft. that will not go in effect until October 1, 2016, will result in total lease costs of \$137,000 in FY 2015-16, or approximately 4% of the current fiscal budget.

Director Vella supports the recommendation and stated that commercial space lease rates will continue to climb in the next few years. He appreciates BAWSCA's initiative

and efforts to negotiate an early agreement and obtain a lower rate than that of the current market value. He encouraged staff to pursue early negotiations of the next lease, and to look at subletting opportunities as mentioned by Director Weed. Lastly, Director Vella suggested including information in the staff memo that would present average commercial vacancy rates in the local vicinity.

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

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

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

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

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

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

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

The motion carried unanimously

6. Reports:

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

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

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

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

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

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

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

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

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

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

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

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

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

Ms. Sandkulla added that Chair Marcus also spoke about adjusting the baseline to accommodate already low water using agencies with the Governor's firm directive. Ms. Sandkulla reported that she and Steve Ritchie conveyed the message when they participated in a SWRCB meeting attended by Chair Marcus, SWRCB staff members, and other stakeholders.

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

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

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

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

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

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

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

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

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

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

In response to Director Weed, Ms. Sandkulla reported that the FERC process continues. A staff memo will be included in the January 2016 Board Meeting packet to provide a status report with a presentation at the Board meeting to provide an opportunity for the Board to discuss current developments.

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

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

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

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

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

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

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

Ms. Sandkulla stated that the recent Strategy report provided several potential projects, including the Pilot, for alternative sources of water supply. Her continued recommendation is to move forward with pursuing all recommended projects,

including the Pilot, because history has shown that none of these projects happen immediately. All of them require multiple partners, and much more needs to be analyzed for each project before any final recommendation or decision can be made about which project to invest in.

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

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

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

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

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

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

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

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

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

Ms. Sandkulla stated that BAWSCA is concerned with SFPUC's deferral of capital improvements to stay within a pre-determined rate increase, and reported that she has

clearly expressed this concern with the Commissioners. She reported that Mr. Hurley, along with BAWSCA's consultants, will be meeting with SFPUC to look at the specifics details of the deferral in January. While the deferral might be acceptable, BAWSCA will be closely monitoring what happens to the 10-year CIP budget as a result of these changes.

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

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

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

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

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

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

Ms. Sandkulla will review the Board's input received at the January meeting and present her recommendations to the Committee at its meeting in February, where she will discuss what items are included in the recommended preliminary work plan and budget, and why. She emphasized that BAWSCA's strength has been its ability to achieve results. Her recommendations will be based on what the agency can achieve

most effectively for the member agencies' best interests according to the resources it has available. She noted that unlike most cities and water districts, BAWSCA operates with only 8 full time staff and 1 part-time staff and therefore, resource constraints are a critical component of work plan and budget development.

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

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

Ms. Sandkulla reported that BAWSCA continues to have conversations with the SFPUC about how to make Santa Clara and San Jose permanent wholesale customers. She noted that this is a decision that only the SFPUC can make and that may or may not be acceptable to San Jose and Santa Clara. The other member agencies may or may not have a role in this decision depending upon how that agreement would relate the existing WSA.

6. **Comments by Committee Members:** There were no further discussions.
7. **Adjournment:** The meeting was adjourned at 2:48pm. The next meeting is February 10, 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 – December 9, 2015

Roster of Attendees:

Committee Members Present

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

Committee Members Absent

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

BAWSCA Staff:

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

Public Attendees:

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Agenda Title: Adjustments to Staff Position Top-Step Compensation

Summary:

A compensation survey was performed to determine whether BAWSCA's staff positions remains consistent with comparable positions in the Bay Area market.

Fiscal Impact:

The Board of Directors was informed during the development of the FY 2015-16 Work Plan that a compensation survey would be performed. Funding for the survey was included in the adopted FY 2015-16 Operating Budget. A contract with Koff and Associates was executed for \$8,760.

Recommendation:

That the Board Policy Committee recommend that the board approve adjustments to top step compensation for specified positions.

Discussion:

Each year BAWSCA adjusts top step compensation by a factor approved by the Board of Directors as part of the annual budget process. These adjustments are made in an effort to maintain compensation ranges that are competitive with comparable positions in the Bay Area market.

Every two years a compensation survey is performed to ensure that comparability is in fact maintained. Historically, BAWSCA has used the median of the market to define the desired compensation level for its staff positions.

In January 2016, Koff and Associates completed a review of BAWSCA's position descriptions, the comparability of the positions with similar positions at other Bay Area agencies, and provided data on top step compensation in the form of salaries or hourly rates for exempt and non-exempt positions, respectively.

Results:

The survey showed that the current top step for five BAWSCA staff positions are between 1.0 and 6.5 percent below the market median. Two positions are .3 and 2.1 percent above the median of the market.

The survey results appear in Table 1, together with the recommended adjustments.

Table 1. Comparison of FY 2015-16 Top Step Compensation for Each Staff Position to Survey Results Based on the Median of the Market for Comparable Positions*

Position Title	Current top step compensation (FY 2015-16), dollars per yr.	Market median (FY 2015-16), dollars per yr.	Difference, percent	Recommended change, percent
Assistant to the CEO/GM	98,395	96,408	-2.1	0
Office Manager	100,168	106,704	+6.5	+6.5
Sr. Admin Analyst	118,453	123,783	+4.5	+4.5
Sr. Water Resources Specialist	137,591	139,032	+1.0	+1.0
Water Resources Manager	174,519	179,532	+2.9	+2.9
Water Resource Specialist	109,518	114,552	+4.6	+4.6
Office Assistant	65,884	65,664	-.1	0

**For exempt positions, "top step compensation" is equivalent to annual salary. For non-exempt positions, "top step compensation" is equivalent to one year of hourly wages without overtime.*

Total compensation was also evaluated as part of the compensation survey. The results show BAWSCA's total compensation is in line with total compensation for the other comparator agencies.

Application of Results

If approved by the Board, the recommended adjustments would be made to the top step compensation for each position.

The salaries shown in the survey represent currently paid compensation and are compared to BAWSCA's current top step compensation. For FY 2016-17 budgeting purposes, any Board approved COLA adjustment would be applied to the adjusted top step compensation. The COLA adjustment maintains compensation in line with the market that will exist next year. The resulting approved compensation values would go into effect as of July 1, 2016.

Any adjustments to compensation paid to incumbent employees would be determined separately by the CEO following annual performance appraisals, but would necessarily remain at or below the approved top step, including any approved COLA adjustment, for each position.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Agenda Title: **Preliminary Fiscal Year 2016-17 Work Plan and Results to be Achieved**

Summary:

This memorandum presents the preliminary Fiscal Year 2016-17 Work Plan and results to be achieved. Comments received from the Board at the January 21, 2016 Budget Planning Session have been reviewed and addressed. The preliminary Work Plan represents the CEO's recommendations for addressing comments received during the Budget Planning Session held on January 21, 2016. As was discussed with the Board in January, this memorandum does not present a preliminary Operating Budget. Initial operating budget considerations which will be included in the staff presentation. The Board will be presented with a preliminary Work Plan and Operating Budget at its March meeting.

The preliminary Work Plan remains aligned with BAWSCA's legislated authority and its three goals: a reliable supply of high quality water at a fair price. Major work areas include increased activity in implementing the recommended Long-Term Reliable Water Supply Strategy (Strategy) actions, a comprehensive "post-mortem" analysis of the service area response to the drought to better understand impacts on long-term planning, continued support to the member agencies in achieving necessary water use reductions in response to the ongoing drought conditions and mandatory reductions, and participation in the Restore Hetch Hetchy litigation in which BAWSCA is a named party.

Recommendation:

That the Committee provide:

- 1. Comments and suggestions concerning the preliminary Fiscal Year 2016-17 Work Plan and results to be achieved,**
- 2. Feedback on presented results from January 21st work plan and budget preparation planning session, and**
- 3. Suggestions concerning presentation of the preliminary Work Plan and Operating Budget to the Board of Directors in March.**

Discussion:

Preliminary Work Plan:

Next year's Work Plan addresses all of the forward-looking issues discussed with the Board Policy Committee in December and with the Board in January.

The preliminary FY 2016-17 Work Plan includes the following major efforts:

- Oversight of the San Francisco's WSIP, 10-Year Capital Improvement Program (CIP), and Regional Water System Asset Management Program;
- Implement the five recommended actions identified in Long-Term Reliable Water Supply Strategy (Strategy) Phase IIA Final Report (Report);
- Develop two new technical tools to support (1) decision-making framework to guide implementation of the Strategy and (2) a regional water supply reliability model for project evaluation;

- Conduct a post-mortem analysis of the service area response to the drought to inform long-term planning, including a review of 2040 demand and supply need projections;
- Implement regional conservation programs to support member agencies and their customers;
- Take actions to protect members' water supply interests in administration of the 2009 WSA, including addressing the upcoming 2018 decisions and contractual drought allocation methods;
- Participate in the Restore Hetch Hetchy litigation in which BAWSCA is a named party;
- Participate in the New Don Pedro and La Grange FERC proceedings to protect regional water supplies;
- Administer the 2009 Water Supply Agreement (WSA), including development and adoption of up to three amendments to the 2009 WSA; and
- Administer BAWSCA's bonds.

Table 1 presents the preliminary FY 2016-17 Work Plan and the major results to be achieved. The activities are grouped according to the agency goals they support.

Table 2 lists the items that are not included in the preliminary Work Plan. Any of these items could be added at a later date, if needed.

New Activities to Support Strategy Implementation:

In February 2015, BAWSCA completed the Strategy Phase II Final Report, which presented recommended actions to achieve BAWSCA's water management objective of ensuring that a reliable, high quality supply of water is available where and when people within the BAWSCA member agency service area need it. The preliminary Work Plan contains the following four new activities related directly to continued implementation of the Strategy:

**1. Expand Decision Making Process for Implementing Strategy Actions
Estimated FY 2016-17 Cost: \$25-\$50k**

Initial work on this task was performed in Phase IIA of the Strategy, but was not completed given (1) the changed focus of the Strategy to dry year supplies and (2) anticipated budget constraints. This task would complete the development of a decision making process to be used by BAWSCA. This work would involve reviewing previous Strategy work and incorporating that work into a decision making framework that will assist BAWSCA, at the executive and policy level, in directing progress in investigating and implementing the multiple actions identified in the Strategy. This model will allow investigation of multiple projects with multiple beneficiaries over differing development time periods and changing conditions.

**2. Develop Independent Regional Water System & Supply Modeling Tool
Estimated FY 2016-17 Cost \$40k; Total Multi-Year Development Cost \$60-\$100k**

This task would develop independent water system and supply modeling tools using publicly available computer programs (i.e., WEAP) in conjunction with Stanford's ReNuWit program. To date, BAWSCA has relied on SFPUC's modeling resources to inform long-term planning decisions, however as BAWSCA's and the member agencies' needs have grown, it is not effective to rely on the SFPUC for modeling work that meets BAWSCA's analytical and schedule needs. Developing an independent model would

allow BAWSCA to simulate SFPUC's reliability analysis, run independent alternative scenarios to meet BAWSCA's planning needs, investigate reliability of other regional water supplies (i.e., surface water from Santa Clara Valley Water District), and assess climate change impacts, given various climate scenarios.

3. Drought Post Mortem

Estimated FY 2016-17 Cost: \$80k

In response to the current drought conditions, water use in the region has been reduced significantly. It is critically important that BAWSCA's long-term planning be informed by these recent experiences. This task would perform a complete review of customer response in the service area including: review water demand response to voluntary and mandatory cutbacks, review responsiveness and appropriateness of existing shortage provisions, review member agencies' and other regional suppliers' (e.g., SCVWD) drought preparedness and its impacts on the member agencies, host regional workshop to facilitate discussion of water utility financial best management practices to identify potential actions that can assist agencies in addressing the financial impacts of drought, and conduct a workshop with member agencies to identify local economic impacts. BAWSCA will use the results of this work to update as appropriate the projected 2040 water demand and supply need for the region.

4. San Mateo Plain Groundwater Reliability Partnership

Estimated FY 2016-17 Cost: \$10-\$20k

BAWSCA has taken a lead role in promoting sustainable use of groundwater resources in its service area by establishing the Groundwater Reliability Partnership for the San Mateo Plain Sub-basin. To support this effort, BAWSCA would seek consultant support for the following tasks: (1) monitoring and regular reporting to BAWSCA on State and regional groundwater policy resulting from the implementation of the Sustainable Groundwater Management Act of 2014, and (2) on-call technical support for local groundwater issues.

Results of January 21, 2016 Work Plan and Budget Preparation Planning Session:

On January 21, 2016 meeting, a work plan and budget planning session was held with the Board as part of its regular meeting agenda. The focus of the planning session was to receive input from Board members on possible work plan items. Table 3 presents the detailed comments provided by Board members during the planning session and the staff response. These comments and responses are reflected in the preliminary FY 2016-17 Work Plan and results to be achieved.

Background:

Each year, BAWSCA's work plan development process starts by reviewing and updating the major activities over the next 20 years. These activities require coordinated action by BAWSCA and its member agencies to ensure a reliable supply of high quality water at a fair price. Table 4 lists these activities as they were updated as part of the FY 2016-17 preliminary Work Plan development. In each case, the results identified in Table 4 will take the form of agreements, legislation, or other legally enforceable work products. Development of these documents will result from skilled negotiations based on rigorous investigations of impacts and alternatives, costs, cost allocation, and other matters.

Table 1. FY 2016-17 Work Plan and Results to be Achieved (Preliminary)

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.
- 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.
- c. Review and monitor SFPUC's Asset Management Program to ensure maintenance and protection of system assets.

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.
- b. Expand activities to support Strategy implementation
 - 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.
 - 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.
- c. Conduct post-mortem 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.

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.
- b. Represent agencies in regional and State-level discussions related to the current drought conditions and regulations.
- c. Administer, implement and expand core water conservation programs that benefit all customers.
- d. Administer subscription conservation rebate programs that benefit, and are paid for by, participating member agencies.

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.
- 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.
- 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.
- d. Protect members' water supply interests to ensure that the SFPUC meets its adopted Water Supply Level of Service Goals.

5. Protect Members' Interests in a Reliable Water Supply

- a. Participate in the Restore Hetch Hetchy litigation in which BAWSCA is a named party.
- 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.

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.
- b. Investigate potential for grant funds to support the implementation of the Strategy, including 2014 California Water Bond.

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.

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.
- b. Review and act on, if necessary, State legislation affecting water quality regulations.

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.
- 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.
- c. Administer bonds issued by BAWSCA to retire capital debt owed to San Francisco.

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.
- b. Pursue SFPUC completion of a benchmarking study to evaluate RWS operational efficiency and cost effectiveness.

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, to safeguard the health, safety, and economic well-being of residents and communities.
- b. Maintain a dialogue with responsible environmental and other groups, who will participate in the permitting and approval process for efforts to maintain system reliability.
- 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

Table 2: Activities Not Included in Preliminary Work Plan and Operating Budget for FY 2016-17

RELIABLE SUPPLY

1. Implement a pilot water transfer with EBMUD in FY 2016-17, following completion of the pilot transfer plan.
2. Engage in extended or complex applications for grant funds. Application for water conservation grants will continue to be made through or with the Bay Area Water Agency Coalition, the California Urban Water Conservation Council, or other agencies.
3. Introduce major new legislation or supporting/opposing legislation initiated by others. If needed, the agency could support major legislative efforts by redistributing resources, using the contingency budget, or accessing the general reserve, subject to prior Board approval.
4. Initiate litigation or support/oppose litigation initiated by others. If needed, the agency could support major litigation efforts by redistributing resources, using the contingency budget, or accessing the general reserve, subject to prior Board approval.

FAIR PRICE

5. Evaluate potential economic or water supply impacts of State efforts to fix the Delta and other State water management projects.
6. Develop alternative wholesale rate structures that the SFPUC might consider. Actions will be limited to facilitating communication with SFPUC, development of goals and objectives relevant to Wholesale Customers, and addressing the potential relationship to alternative retail rate structures Member Agencies might consider to stabilize water rates and water revenues.
7. Arbitrate issues related to the 2009 Water Supply Agreement.

HIGH WATER QUALITY

8. Perform technical studies of water quality or San Francisco's treatment of the water it delivers to the BAWSCA agencies.
9. Advocate changes to water quality regulations or the manner in which San Francisco treats water for drinking and other purposes.

AGENCY EFFICIENCY

10. Add resources to support additional Board, Board committee, or technical committee meetings.
11. Conduct tours of member agency facilities to acquaint Board members with potential supply projects and their neighboring jurisdictions, other than through co-sponsoring tours with San Francisco.

Table 3. FY 2016-17 Work Plan and Budget Planning Session - Suggested Work Plan Items for Further Consideration

#	Board Member	Board Member Comment	Staff Response
1	Zigterman	How is BAWSCA addressing the question of San Jose and Santa Clara's desire for permanent contract status?	Included in Task 4c. BAWSCA is working with San Jose, Santa Clara, SFPUC, and SCVWD to secure permanent contract status for San Jose and Santa Clara, as requested in 2009 contract negotiations.
2	Richardson	Drought is a moving target	Included in Tasks 3a and 3b, which address BAWSCA's efforts to support member agencies during current drought.
3	Pierce	Can we develop a financial model to assist member agencies in addressing concerns related to drought water use reductions and resulting revenue reductions?	Included in Task 10a. BAWSCA will host a regional workshop to facilitate discussion of water utility financial best management practices to identify potential actions to better agencies from the financial impacts of drought.
4	Pierce	Looking at new technologies that provide water differently than done today (e.g. green roofs), how can we assess and quantify those options and incorporate them into our supply portfolio?	Included in Task 2a, which includes efforts to promote new, de-centralized water supplies, including on-site water reuse.
5	Schmid	Can we have a better understanding of the impact of the drought on local groundwater (e.g. the impact of people using shallow wells for brackish supply for landscaping, etc.)?	Included in Task 2a, which includes BAWSCA's support for continuation of the San Mateo Groundwater Reliability Partnership and working with San Mateo County's new Groundwater Study, which includes an assessment of the current groundwater basin and identification of activities that impact basin storage.
6	Schmid	Considering impacts of global warming, BAWSCA should look at desalination as a long-term source of supply. What is the timeframe and technology for that supply?	Included in Task 2a, which includes next steps to implement a brackish groundwater project in the region. These next steps are to identify a project partner and secure grant or other funds to implement a test well.
7	Schmid	How do we deal with projected growth (e.g. 25% projected from Plan Bay Area) while achieving the 20% reduction in water use mandated by SBx7-7?	The water demand projections in BAWSCA's Long-Term Reliable Water Supply Strategy reflect the adopted long-term growth plans of BAWSCA's member agencies, which have been informed by ABAG's Plan Bay Area 2013 population and employment projections. Planned growth has the potential to increase total water demand in a service area. Overall, BAWSCA member agencies are planning for a decrease in water use on a per capita basis, which is the basis for achieving the 20% reduction in water use by 2020 that is mandated by SBx7-7, and are on track to meet SBx7-7 per capita water use targets. In Task 2c, BAWSCA will work with the member agencies to better

			understand the impact of the drought on long-term per capita water use reductions.
8	Kasperzak	Should BAWSCA be engaged with Legislative advocacy for good water policy? For example, the initiative to add stormwater to the list of exemption for Prop 218 requirements could have a huge impact. We need permanent change in water use.	No change recommended. Currently, BAWSCA maintains close relationships with elected officials in the service area and provides as needed technical review and other input on water issues, including potential legislation. BAWSCA's review and input focuses on those critical areas unique to BAWSCA and BAWSCA's goals. BAWSCA uses its legislative connections as necessary to implement its annual work plan and achieve the agency's goals. An example of this is the recent legislation to extend the sunset provision in AB 1823. Expanding BAWSCA's role in legislation to other areas of water policy not unique to BAWSCA would require a significant increase in staff, strategic, and legal resources. In addition, other regional agencies and trade organizations (ACWA, CSDA, League of Cities) already effectively provide similar services to BAWSCA member agencies.
9	Weed	Consider having contingency planning as a separate item	Not recommended. This change would represent an increase in BAWSCA's scope of work with an anticipated increase in cost to support. This work cannot be accommodated within the current staff load without eliminating other critical efforts. For example, the Water Emergency Response Organization of Orange County (WEROC) coordinates and supports emergency response for 36 water and wastewater agencies in Orange County. WEROC has an annual budget of \$282,613, which supports 2 FTE's and other program costs.
10	Weed	The level of service criteria that the SFPUC system won't be down for more than 24 hours should not be our "planning guideline"	No change recommended. BAWSCA does not have operational responsibility and does not issue operational guidelines to its member agencies. The WSIP has a Level of Service goal that states "Deliver basic service to the service area within 24 hours after a major earthquake". This goal is critically important to the level of investment made in the Regional Water System and the assurances of water supply following an event. Further regional investments to increase that level of reliability beyond the SFPUC's Level of Service goal cited are anticipated to be cost-prohibitive and should be considered at a local level if desired.
11	Mendall	BAWSCA should reassess the supply gap in the Strategy given the drought response and actual conservation savings achieved	Included in Task 2c.
12	Mendall	Reconsider the economic impacts of the drought, given the actual economic impacts	Included in Task 2a and 2c. BAWSCA will request the SFPUC review and update its most recent economic impacts analysis to address this concern and in light of the recent drought and impact experienced. BAWSCA will also

		experienced with the current drought	work with member agencies to understand service area economic impacts from most recent drought to inform future analyses and decision making.
13	Guzzetta	Support inclusion of asset management	Included in Task 1c.
14	Guzzetta	Develop internal skills to have better knowledge of SFPUC system operations, increase influence or role in SFPUC system operations decision-making.	Included in Tasks 2b and 5b. BAWSCA will be developing independent expertise in SFPUC system modeling and operations to support ongoing evaluation of alternative new water supplies as part of the Strategy implementation and review of technical information related to the FERC process.
15	Guzzetta	Ensure that the system is operated efficiently so that costs are maintained	Included in Task 10b. BAWSCA will pursue the SFPUC's completion of a Utility Performance Benchmarking Study. The National Water Research Foundation has published recommended guidelines for such studies.
16	Richardson	Consider what additional information is needed to assess impacts of climate change	Included in Task 2a. BAWSCA will request that the SFPUC pursue further analysis and reporting on the potential impacts in the Regional Water System watersheds from climate change.

Table 4. Future Challenges Facing BAWSCA, Member Agencies, and Their Customers

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

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

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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: Board Policy Committee
FROM: Nicole Sandkulla, CEO/General Manager
DATE: February 5, 2016
SUBJECT: Chief Executive Officer/General Manager's Letter

SFPUC WSIP/10-Year CIP:

BAWSCA staff and consultants met with the SFPUC in January to review the preliminary FY2016-17 budgets for Water System Improvement Program (WSIP) and 10-Year Capital Improvement Program. The SFPUC adopts its CIP budgets for all three enterprises every 2 years. Consideration of the FY 2016-17 AND FY 2017-18 budget by the Commission will take place this spring with final adoption by the Board of Supervisors in June.

The FY2015-16 WSIP Quarterly Report was released on February 4th. BAWSCA has not completed its review of this report but has been informed by Dan Wade, WSIP Program Manager, that the report provides project level detail associated with the request for an additional \$80M in funding over the current total WSIP budget amount. These changes will then be incorporated in the FY 2016-17 and FY 2017-18 CIP budgets as a WSIP line item.

The SFPUC has also indicated that it will seek an extension of the WSIP completion date, which is currently May 24, 2019, and is preparing the required Notice of Change as required by AB 1823. The extension is a result of anticipated delays in the project closeout for the Calaveras Dam Replacement project, but is not expected to change the date that the facility will be placed "in-service."

Unlike the last time there was an increase in the overall WSIP budget, the current WSIP budget increases will not result in significant modifications to or deferral of projects within the SFPUC's 10-Year Capital Improvement Program. The WSIP cost increases will be funded primarily from savings in debt refinancing as well as downsizing scope for certain non-critical projects (e.g., Sunol Yard upgrades).

One significant change in the 10-Year CIP is an increase of \$53M in the Regional Water Transmission Program (i.e., pipeline improvement program) that reflects an aggressive response to deal with known problems such as the break in the San Andreas Pipeline No. 2 54-inch regional transmission line last July.

Mountain Tunnel Emergency Response Plan – Bay Area Water Delivery

On January 7th, BAWSCA received a draft of the SFPUC's Mountain Tunnel Emergency Response Plan (Response Plan) – Bay Area Water Delivery. The Plan is intended to provide a strategy for meeting Bay Area water demand during planned or unplanned Mountain Tunnel outages. While the Plan was developed in response to the structural defects detected in the lining of Mountain Tunnel, such a plan would also be applicable to any other problems that may occur in the Hetch Hetchy system (e.g., delivery problem involving Canyon Power Tunnel, Kirkwood Penstock, Foothill Tunnel or the Coast Range Tunnel).

BAWSCA has reviewed the Plan and sent a letter to the SFPUC containing suggested changes and requesting further clarification on specified issues. A copy of the letter is attached. BAWSCA also recently attended the first of a series of planned monthly meetings with the SFPUC staff to discuss the progress on the Mountain Tunnel.

Internal Promotion

As part of the recent compensation study performed by Koff and Associates, a separate classification review was performed for Andree Johnson, BAWSCA's Water Resources Specialist. This audit was done at the request of the CEO/General Manager to determine if the duties and responsibilities being performed by Ms. Johnson were in line with her current Water Resources Specialist classification. Koff and Associates' independent analysis determined that Ms. Johnson is working outside the scope of responsibility of her current classification of Water Resources Specialist and recommended that Ms. Johnson's position be reclassified from Water Resources Specialist to Senior Water Resources Specialist. Based on these findings, and on Ms. Johnson's outstanding performance, the CEO/General Manager has promoted Ms. Johnson to Senior Water Resources Specialist effective February 15, 2016.

Attachment:

1. Letter to Steve Ritchie regarding the Mountain Tunnel Emergency Response Plan – Bay Area Water Delivery, dated January 25, 2016.



January 25, 2016

Mr. Steve Ritchie
Assistant General Manager, Water Enterprise
San Francisco Public Utilities Commission
525 Golden Gate Ave., 13th Floor
San Francisco, CA 94102-3220

Subject: Mountain Tunnel Emergency Response Plan – Bay Area Water Delivery

Dear Mr. Ritchie

Thank you for preparing the Mountain Tunnel Emergency Response Plan – Bay Area Water Delivery (Delivery Plan, Jan. 2016) to address the threat to BAWSCA's water users from a "catastrophic collapse" of the Tunnel through which all the water flows from Hetch Hetchy Reservoir to the Bay Area.

The Delivery Plan discusses two central elements: 1) incident management for a Mountain Tunnel outage; and 2) response plans for ensuring an alternative supply of water.

In combination with the three adopted capital projects related to Mountain Tunnel (Mountain Tunnel Adits and Improvements, Mountain Tunnel Inspection and Repair, and Mountain Tunnel Bypass) and the Mountain Tunnel Access and Adit Improvement Project – Emergency Restoration Plan (SFPUC, Dec. 2014), the Delivery Plan is a significant step to resolving the issues that were first identified by your consultant in 1987. Additionally, the upcoming initiation of monthly meetings for the SFPUC and BAWSCA to monitor and expedite progress on Mountain Tunnel issues will be most helpful.

Within the Delivery Plan, however, there are uncertainties that must be addressed. First is the availability of the facilities (e.g. the intertie with Santa Clara Valley Water District) necessary to ensure the delivery of outside alternative water supplies for the planned and unplanned outages described in the Delivery Plan. Second, similar certainty must be provided regarding the minimum amount of water available from other sources, on an exchange or other basis. Expansion of the intertie agreements with SCVWD and EBMUD with regard to water exchange agreements that outline the terms for exchange supplies on a temporary basis for a length of time being considered by the SFPUC in a Mountain Tunnel emergency would provide clarity and certainty while increasing the water supply reliability of all parties. As currently written, the Delivery Plan contains possibilities, and they need to be turned into certainties.

To this end, we suggest that the SFPUC immediately conduct high-level negotiations with Santa Clara Valley Water District (SCVWD) and East Bay Municipal Utility District (EBMUD) to ensure that their infrastructure will be available to transport alternative water supplies in an emergency. While MOU's exist with both SCVWD and EBMUD for operation of the interties, renewed documentation addressing the extreme event being planned for by the SFPUC and the agencies' joint commitments to support water exchange via the existing interties during an emergency event would be extremely beneficial. Such negotiations could expand upon the terms of the existing agreements for the use of jointly owned and operated interties. Each of

Mr. Steve Ritchie
January 25, 2016
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these discussions and negotiations must result in written memoranda of understanding and agreement to provide assurance as to how water users will be protected in case the Tunnel collapses. Hope and possibilities are not sufficient.

Another uncertainty is assignment and accountability for implementation of the Delivery Plan and delivering results. We ask that a senior SFPUC executive be assigned as the "hands-on executive" with authority, experience, staff and financial resources to do the job.

Attached to this letter is a more detailed list of comments and questions that BAWSCA has on the Delivery Plan.

We look forward to your response to the questions we have raised, and to further discussions about how to eliminate the threats of Mountain Tunnel to the water users BAWSCA represents.

Sincerely,



Nicole Sandkulla
CEO/General Manager

Attachment:

Detailed Comments and Questions on Delivery Plan

cc: David Briggs, SFPUC Division Manager, Water Supply and Treatment Division
Michelle Novotny, SFPUC Senior Water Analyst and BAWSCA Liaison
BAWSCA Water Management Representatives
Allison Schutte, Hanson Bridgett, LLP

Attachment 1: Detailed Comments and Questions on
Mountain Tunnel Emergency Response Plan – Bay Area Water Delivery (SFPUC, Jan. 2016)

- Pg. 2, Figure 1-1:
 - On the prior page it states “the SFPUC expects an approximate 6 month period before initiating the selected capital improvement alternative”. This 6 month period is not clear on Figure 1-1.
 - Why is the shutdown period for the 2017 inspection and interim repairs 60 days and not 100 days?
- Pg. 6, Figure 2-1:
 - Is there a larger, overall ICS structure that this “Mountain Tunnel Outage ICS Structure” fits into. If yes, please include it for context, possibly as an appendix?
 - Please identify titles (and names if possible) of responsible SFPUC staff member in each box.
- Would the SFPUC’s consultants on Mountain Tunnel agree with the following two statements made in the report:
 - Pg. 3 “Additional analysis by technical experts also indicated that there is a small but increasing possibility of collapse of the lining in the near term that could significantly restrict or block water conveyance”
 - Pg. 8 “Condition assessment of Mountain Tunnel, the long and oldest of these conduits, indicates there is a change of lining failure that could significantly restrict or block off tunnel flow.”
- Pg. 9: The modeling assumptions include drawdown of local Bay Area reservoirs to dead storage. This modeling assumption is not appropriate for a response plan as a water utility manager would not plan to operate a system to dead storage. To be effective and real, the Delivery Plan must speak to how the system operational decisions will be made and not rely solely on modeling assumptions. It is unacceptable for the Delivery Plan to anticipate dead storage at the end of the emergency.
- Pg. 9: It would be helpful to provide some greater understanding of the assumption for range of supply available via interties? How does this assumed range compare to the capacity of the existing interties and past use?
- Pg. 10: Is the 2 to 6 MGD of groundwater cited from new groundwater wells in San Francisco? Please describe how that would be integrated into the system to provide an emergency supply benefit to the entire Regional Water System.
- Pg. 11, “The SFPUC is actively working with our intertie partners to increase the likelihood that the supply from the interties is predictable and reliable”: BAWSCA would like further detail on these activities. Is there a regular practice of meeting with SCVWD, EBMUD, and SWP operations staff to discuss individual agency plans for maintenance and other activities that would impact the use of the interties?

- Pg. 12 “Ongoing Preparation for an Incident”:
 - Please provide further detail on potential water transfer partners including potential amounts and types of approvals that would be necessary. Consider providing a UWMP level description of potential water transfers.
 - Identify process (i.e., next steps) and necessary agreements to assure that source shifting capabilities identified are implementable.
 - Please include the wholesale customers and BAWSCA in future exercises to test this plan.
 - Include a schedule for completion of the identified actions in this section.
- Pg. 13 “Unplanned Mountain Tunnel Outage Plan – Level 1” and Pg. 15 “Unplanned Mountain Tunnel Outage Plan – Level 2”:
 - In the Day 2-10 timeline, there is a missing component of communicating to the public about the emergency and asking for voluntary water use reductions. This communication should occur as quickly as possible, certainly as soon as the problem is verified and as part of overall media communication. The level of requested reductions could depend upon the month/season of the outage (e.g. greater savings available in summer vs. winter periods). This action should be included in the response plan shown in Days 11-end of outage, coincident with other activities and supplies activated.
 - Consider creating a schedule that identifies assumed levels of reductions in demands based on projected demands, time of year and, potentially, the severity of an outage.
 - Clarify basis for implementing source shifting after the acquisition of SCVWD /EBMUD supplies.
- Pg. 16, footnote 5: What is the “400 MG of potable supply” that exists between Alameda East and Moccasin Reservoir? Please describe further.

Board Policy Committee

Policy Calendar through June 2016

BPC Meeting	Purpose	Issue or Topic
February 2016	D&A D	Consideration of Adjustments to Staff Top Step Position Compensation Presentation of Preliminary FY 15-16 Work Plan and Results to Achieved
April 2016	D&A D&A D D	Presentation of Proposed FY 2016-17 Work Plan and Budget Consideration of Annual Consultant Contracts Discussion of Possible Actions to Implement the Strategy Review of Water Supply Forecast
June 2016	D D	Discussion of Possible Actions to Implement the Strategy Review of Water Supply Forecast

Key: R=Report, D = Discussion, S = Study Session, A = Action