

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

**April 13, 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 1:33 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:

BAWSCA Chair Breault thanked the Directors for their willingness to serve on the Board Policy Committee. Selecting the members of the Committee is a challenge given the diversity of BAWSCA's 26 member agencies. But the Committee has a strong composition with a blend of Directors who are serving their first year on the BAWSCA Board, and Directors who have been serving since the beginning. Committee Chair, Dan Quigg, has over 40 years experience in public service as a member of the City Council, City Treasurer, and Chair of the Water Board for the City of Millbrae. Committee Vice-Chair, Gustav Larsson, is serving his first term as Council Member for the City of Sunnyvale.

The Committee members' service is incredibly important to the success of BAWSCA. Director Breault and BAWSCA Vice Chair, Al Mendall, have the confidence in the Directors' abilities to address the organization's challenges, and look forward to a productive year.

2. **Public Comments:** There were no comments from the members of the public.
3. **Consent Calendar:** Approval of Minutes from the February 10, 2016 meeting.
Director O'Connell made a motion, seconded by Director Larssen, that the minutes of the February 10, 2016 Board Policy Committee meeting be approved.
The motion passed unanimously.
4. **Comments by the Chair:** Committee Chair Quigg stated that as a long-time friend of Lou Papan, BAWSCA's godfather, he is honored to serve as Chair of the Board Policy Committee. He looks forward to working with the committee members in advising the BAWSCA Board about important policy issues and carrying out BAWSCA's critical responsibilities.
5. **Action Item:**
 - A. **Proposed Fiscal Year 2016-17 Work Plan and Operating Budget:** Ms. Sandkulla reported that the proposed fiscal year work plan and operating budget is consistent with BAWSCA's goals of ensuring a reliable supply of high quality water at a fair price.

No changes have been made to the proposed work plan and budget since it was presented to the Board in March.

The proposed operating budget includes an increase of 8.3%. The budget increase will be funded by the assessments, which will increase by 5%, and a small portion of the General Reserve. The cost of the operating budget to the water customers in the service area will be less than \$2 per person per year.

The distribution of the proposed operating budget reflects the current priorities of the agency. Most of the budget increase is in the water supply reliability component of the work plan because there are new water resources activities necessary to implement the Strategy and achieve the critical results for the water customers in the BAWSCA service area. The budget also funds the agency's continued efforts with the settlement agreement with San Francisco, and addressing actions taken by Restore Hetch Hetchy.

Increased efforts in the area of water supply reliability moves the Strategy forward and address the question of where future water supply will come from. Work will include analysis on the drought, the agencies' and water customers' response to the drought, and how these actions might impact future planning. Implementation of the Strategy will be expanded through BAWSCA's involvement in the groundwater reliability partnership.

Ms. Sandkulla stated that BAWSCA leverages consultant services to achieve critical results. Majority of BAWSCA's consultant contracts need to be in place by July 1st. These annual contracts have historically been brought to the Board Policy Committee for its recommendation to the Board for approval. With the Committee's focus on policy, these annual contracts will go directly to the Board for approval in May.

Eleven of the contracts are associated with legal, engineering, financial and strategic support. Seven of the contracts support the subscription conservation programs. There are no costs in the budget for the seven contracts that support the subscription conservation programs because they are fully paid for by the agencies that participate in those programs.

New contracts associated with the additional water resources activities will be presented to the Board for approval in July. They will include the consultant contracts associated with the post-drought analysis BAWSCA will be conducting.

The proposed action is for the Committee to recommend Board approval of the:

- 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.

Ms. Sandkulla explained that the 5% increase in assessments would fund 99% of the proposed operating budget. The remaining 1% would be funded by the use of \$27,274 from the General Reserve.

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Director Schmid asked why legal counsel takes about 20% of the budget, and whether other efforts have been put aside to accommodate the budget increase in legal services.

Ms. Sandkulla explained that there are two issues that are driving the increase in the budget for legal services. The first is associated with resolving a contractual issue with San Francisco about cost allocation of certain critical facilities in the regional water system. Legal counsel is leading this work on the Settlement Agreement.

The second component is Restore Hetch Hetchy. Legal counsel will provide a progress report on both items at the May Board meeting under closed session.

Other efforts have not been put aside to accommodate the budget increase in legal services.

Discussions ensued on the increased activities directly related to the continued implementation of the Strategy, particularly in the expansion of the decision-making process.

Director Mendall stated his concern that the drought response analysis has the potential to make significant changes to what is currently known, and BAWSCA's planning efforts. Director Mendall expressed a feeling that developing a decision-making framework before identifying the groundwork is premature, and can present the potential for having to recalculate the region's water supply need.

Ms. Sandkulla stated that an alternative to the proposed work plan and results to be achieved is to reduce effort or remove one or more of the four new activities to implement the Strategy. Of the four activities, expanding the decision-making process is the least time sensitive towards the overall Strategy objective, and could be deferred, if necessary.

However, Ms. Sandkulla emphasized that while the board does not have to make decisions right away, expanding the decision-making process for implementing the Strategy involves important discussions that will inform the Board of what its priorities are, and how it will make its decisions so that staff can better serve the agencies as it investigates and implements the multiple actions identified in the Strategy.

She added that water planning is a constantly dynamic situation. The question is not whether things are going to change. Rather, the relevant question for BAWSCA is "what are BAWSCA's priorities and what actions will it have to make for the best interests of the member agencies and its water customers?"

For example, if the demands continue to be low, but there is an opportunity to make an investment that will provide a benefit to the region, how will BAWSCA address that opportunity? There are incremental decisions about when and what to invest in to move the Strategy forward and make progress in ensuring water supply when and where it is needed. Ms. Sandkulla stated that developing a decision-making framework is better done sooner rather than later.

Ms. Sandkulla clarified that the four new water resources activities are not listed in the memo in the order of priority or execution. The framework is going to be done in the second half of the year following the initial drought analysis.

The Committee requested that a prioritization of the four activities be added to the proposed budget memo for the Board's clear understanding.

In the order of importance, the four activities would be listed as follows:

1. Conduct Drought Response Analysis
2. Develop Independent Regional Water System and Supply Modeling Tool
3. San Mateo Plain Groundwater Reliability Partnership
4. Expand Decision Making Process for Implementing Strategy Actions

The Committee agreed that if there were needed reductions to the work plan and budget, the work on expanding the decision-making process for implementing the Strategy actions would be deferred.

In response to Director Schmid, Ms. Sandkulla explained that the potential prioritization of the new four water resources activities will not negatively affect BAWSCA in relation to San Francisco's WaterMAP. The WaterMAP is an effort by San Francisco to address the decisions that it must make by December 31, 2018. BAWSCA has no required role in the development of the WaterMAP, but will be actively engaged in the process as the member agencies' regional representative, and to bring further information on opportunities for BAWSCA in further meetings. BAWSCA's effort with developing a decision-making framework could potentially help BAWSCA in thinking through San Francisco's process with the WaterMAP, but the decisions will be San Francisco's.

Director Benton stated that the budget has significantly increased in the past three years. He asked what has driven the increase, and what would the CEO/General Manager amend in the work plan and budget if the Board only allowed an increase of no more than 5%.

Ms. Sandkulla stated that the efforts to address the actions by Restore Hetch Hetchy, and the Settlement Agreement with San Francisco contributes to the increase in the operating budget.

BAWSCA is also increasing its efforts to ensure reliable water supplies outside of what San Francisco is providing the service area. In 2009, the Board initiated the Long-Term Reliable Water Supply Strategy with a series of projects and plans. Today, staff continues the work BAWSCA committed to doing to ensure water supply reliability when and where it is needed in the service area.

Ms. Sandkulla suggested, and the Committee agreed, the addition of information in the staff report for the Board meeting in May that provides background information on BAWSCA's work plan prioritization process and historical budgets would be useful.

Director Benton stated that this historical information would serve as a helpful reminder of what grounds the previous budgets were approved on.

Director O'Connell made a motion, seconded by Director Vella, that the Board Policy Committee recommend Board approval of the:

- 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.

The motion passed unanimously.

6. Report and Discussion Item

- A. Results of Survey on Board Meeting Time and Location Change: In response to the Board Policy Committee's interest in evaluating the benefits of changing the Board meetings to a day time, primarily due to the worsening traffic conditions, staff reviewed with legal counsel the potential implications and requirements of making such a change, and conducted two surveys of alternative times.

Ms. Sandkuilla noted that BAWSCA's Rules of the Board establishes the day, time and location of the regular Board meetings. Changes to the regularly scheduled Board meetings would require an amendment to Rule II-D of the Rules of the Board, and an affirmative vote of the Board majority. The Chair or majority of the Board can call a Special Meeting, in which the date, time, and location can be different from what has been established by the Rules of the Board. This provides the flexibility for the Chair to call a meeting at a different time and/or location to assess the possibilities.

The survey results indicate that majority of the Board members are negatively impacted by traffic during their commute to the meetings. However, the results do not provide a clear answer on what time would work best for the Board members, and more importantly, whether changing the time of the meeting to day time would impact the current board members' abilities to serve on the board.

In addition to surveying the alternative meeting times, staff also examined alternative locations that are walking distance to Cal Train.

The Belmont City Hall Emergency Operating Center is one location close to Cal Train. It can accommodate all potential meeting times under consideration, however, the room has structural columns that would be a slight obstruction for BAWSCA's ideal set up.

The San Mateo Main Library is the second location that is close to Cal Train. It has a room that allows for an ideal setup, but is currently not available for the times under consideration, or at BAWSCA's current meeting time of 7pm. Additionally, the library does not commit its public spaces to any agency, therefore its availability for the time the board chooses would be subject to the library's reservation terms, and would require further discussion with the City Manager.

Staff also inquired with Sam Trans, which had no availability.

Other possibilities were reviewed. The Wind Room in Foster City's Community Building is available for all times under consideration. A later start time would result in the meeting running past the Community Building's closing time, and does not necessarily make commute traffic significantly better.

Ms. Sandkulla had no recommendations for the committee's consideration, and asked for the committee's feedback and further direction.

Director Schmid commented that the survey results do not indicate how much of an impact the meeting time change would have on Directors' abilities to serve on the Board. The intensity of the impacts should be investigated while keeping in mind that BAWSCA would not want to lose the talent it currently has. He stated that his drive to BAWSCA's meetings take him over one hour from Palo Alto, but 20 minutes going back. However, he will take the inconvenience from the traffic over having to lose directors because the meeting time has changed and they are unable to serve on the BAWSCA Board.

Because the results show that a daytime meeting would not be better for 39% of the Board, Director Breault noted that a time change would only result in a shift of the burden. The Board can choose to hold one or two meetings at a location that is walking distance to Cal Train to provide an opportunity for those who experience the worst traffic, to evaluate whether access to Cal Train will make their commute to the meetings better.

Director Larsson agreed that a weighting among the alternative times should be applied to get an idea of how much impact the alternative times would have on the Board members' ability to serve on the Board. He also suggested checking the Cal Train schedule to ensure its availability around the Board meeting time.

Ms. Sandkulla reported that the latest Cal Train at the Belmont station leaves at 9:30pm.

Director Breault stated that everyone would have to adapt if there are changes made. Traffic is going to get worse and not better, and using public transit is not always as convenient. But those are the realities everyone must face.

Director Benton stated that if traffic is the driver for changing the time, 1pm appears to be the best time to get around traffic congestion. All the other times would just shift the delay.

Ms. Sandkulla stated that that was the thinking behind the 10am and 1pm times in Question #3 of the first survey. But comments came back with alternative times of 3pm and 5pm.

Director Mendall commented that he would drop the alternative location that is close to Cal Train from the list of alternatives. Moving the meeting location closer to Cal Train and having to end the meeting in time to catch the last train is going to be more disruptive than having board members coming in late or a little frazzled because of traffic. He suggested a binary poll to get a clear answer as to whether a time change

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would be better than the current time of 7pm. The binary choice that appears to be worth offering is the 1pm time. If 1pm is not a better alternative, then the time should be left as is.

He added that attendance is good despite the late arrivals due to traffic. While he is negatively impacted by traffic going to the BAWSCA Board meeting, given all other alternatives reviewed, he prefers the meeting time to remain at 7pm.

Director O'Connell added that BAWSCA's meetings are only six times a year. She would be willing to adjust her schedule to avoid arriving late.

The Committee discussed whether it would be worth sending another survey to see whether 1pm would be preferred over the current time of 7pm.

Director Schmid was hesitant on a binary poll and would rather ask whether the time would affect the Board Members' ability to serve on the Board.

Director Breault polled the Committee. Out of the eight members present, 1 would consider using Cal Train. Three prefer a 1pm meeting. The Committee suspects that the poll of the Committee might be representative of the Board as a whole.

Director Breault stated that while majority of the Board can agree that traffic negatively affects their commute to the Board meetings, the survey provides no common answer among the Board members as to what would be better than the current time of 7pm. With the Committee's approval, Chair Breault will further discuss the matter with the CEO/General Manager.

7. Reports

- a. Water Supply and Drought Update: Water Resources Manager, Michael Hurley, reported that SFPUC's overall reservoir storage levels are in good shape. SFPUC is re-prioritizing water to replenish the water bank, which is currently at 62% of maximum storage.

Total system storage is currently at 64% of maximum, compared to 81% of normal maximum storage at this time.

Given the recent storms, precipitation is slightly above normal. Snowpack remains below median, but better than previous years.

The current water year is providing an improved forecast for water that will be available to San Francisco after meeting environmental and irrigation district obligations. Water year 2016 has achieved 293 thousand acre feet (TAF) compared to 50 TAF in WY 2015.

Year to date precipitation index at the upcountry 6-station and Bay Area 7-station continue to be above the historic mean every month between December and April, with the exception of February.

Total deliveries remain well below the water use reduction target, reflecting the continued decrease in demand.

Between June 2015 and February 2016, all but one of the BAWSCA member agencies exceeded their conservation standards, achieving a weighted average of 26.5% in water savings, with nine agencies having achieved and exceeded their total savings requirement. Within an 8 month period, agencies have collectively achieved 81% of the 17-month savings target.

Ms. Sandkulla explained that a savings of 81% is equivalent to almost 17 billion gallons of water saved, which is enough water to serve all of the BAWSCA member agencies for 3 months, or the City of Hayward for approximately 3 ½ years, or all of the San Mateo County water agencies for 7 ½ years. The water saved stays at Hetch Hetchy and adds to the water supply for the region in case the current water year continues to be dry.

Current conditions have enabled San Francisco to re-prioritize water out of Eleanor and Cherry into the Water Bank. Mr. Hurley noted that Water Bank has been an asset to the region in the past couple of years.

Director Quigg was impressed how much water was now stored in the Water Bank considering it was down to 17%.

Ms. Sandkulla added that there is a 25% probability of completely filling every reservoir, with the exception of Calaveras, which will not fill to its historic capacity because it is mandated to operate at a reduced level for seismic concerns and is now managed due to construction.

Ms. Sandkulla further reported that San Francisco, for the first time in 7 years, declared surplus water and is working with the Groundwater Storage and Recovery Project partners to take delivery of more Hetch Hetchy water with a resulting in-lieu increase in groundwater storage.

Mr. Hurley reported that the State Water Resources Control Board (SWRCB) is currently dealing with the differing conditions between the north and the south, but all indications suggest that the mandatory conservation targets will be relaxed.

SWRCB is reaching out to agencies throughout the State for feedback on short-term and long-term proposals.

A workshop is scheduled for April 20th where SWRCB staff will give an overview of the water conditions across the state, and discuss 3 key topics: 1) What elements of the regulations should be modified; 2) How should SWRCB account for regional differences in precipitation and drought impacts; 3) Should SWRCB consider reliability of a water supplier's supply portfolio in emergency regulations?

BAWSCA will submit comments ahead of the workshop to highlight the member agencies' response to the emergency regulations, relay BAWSCA's commitment to promote efficient water use in the service area, and support SWRCB's efforts to incorporate the agencies' supply reliability portfolio in emergency regulations.

Comments are due by April 14th, and actions by SWRCB on a new or modified regulations are expected in May.

- b. SFPUC's Water Management Action Plan (Water MAP): Ms. Sandkulla reported that San Francisco has started its development of the Water Management Action Plan (WaterMAP) to address water management questions left unanswered when the Program Environmental Impact Report (PEIR) was adopted for the WSIP in 2008.

The PEIR documents require SFPUC to conduct additional water supply planning before 2018. The 2009 Water Supply Agreement (WSA) requires SFPUC to identify the process of the specific discretionary actions related to the water supply decisions it will make by 2018.

Additionally, recent changes have come up including the change in the system's demands, as well as changes in the system's yield. The SFPUC have had to increase in-stream releases on the creeks in the East Bay and San Mateo County, which have decreased the yield of the system.

The WaterMAP is expected to address key questions: 1) How should SFPUC maintain delivery reliability of 184 mgd to its wholesale customers while addressing reductions in supply availability caused by new in-stream flow reductions; 2) What options should SFPUC consider to make San Jose and Santa Clara permanent customers; 3) Should SFPUC revise its current performance objective on rationing, currently no more than 20%, to increase the system's drought year reliability; and 4) Should SFPUC provide additional firm supply to any individual BAWSCA agencies?

BAWSCA will have a range of roles in the development process of the WaterMAP. As it does with the administration of the WSA, BAWSCA will represent the collective interests of the member agencies and will review the WaterMAP for its consistency with the WSA.

BAWSCA will serve as a resource for the group, as well as for individual agencies. East Palo Alto, San Jose and Santa Clara have already, and will continue to, reach out to BAWSCA for help in clarifying elements in the WSA and understanding the potential impacts to the group in pursuing their supply needs.

An important role for BAWSCA is facilitating the discussions among the 26 member agencies and SFPUC. There will be difficult discussions that will occur and will require financial resources to resolve issues, as well as identification of who pays and who benefits.

Ms. Sandkulla stated that the questions of cost allocations, impacts on rates, increases and decreases in sales will all come up in the discussions. BAWSCA will develop a tool to help aide those discussions with facts and keep focus on representing the collective interest of the member agencies.

The BAWSCA Board has no defined contractual role. The WSA states that BAWSCA and the SFPUC will work with the Santa Clara Valley Water District to address the issue of San Jose and Santa Clara. This, however, does not mean that the Board does not have a role at all. BAWSCA will be engaged in this process at a technical as well as at a policy level. This is why it is important for the Board to fully understand the course of the discussions.

BAWSCA has initiated discussions with the Water Management Representatives from each agency to get a greater understanding of the technical information as the process moves toward the policy level. The SFPUC is expected to present the WaterMAP document to the Commission in May for their initial discussion and input.

BAWSCA will monitor SFPUC's process closely and provide comments. A progress report will be provided to the Board in May. SFPUC's decisions by 2018 are the driver of the WaterMAP, and SFPUC anticipates completion of necessary CEQA documents in FY 2017-18. Commission approval of what SFPUC has developed is expected in 2018.

In response to Director Schmid, Ms. Sandkulla reported that BAWSCA's FY 2016-17 work plan includes the development of the San Mateo Groundwater Reliability Partnership, which will facilitate, as a stakeholder driven process, the discussion between San Mateo County and stakeholders about sustainable use of the San Mateo Plain Sub-basin. BAWSCA is heavily involved in the process because of the basin's interconnectivity with neighboring groundwater basins and its impacts to BAWSCA agencies in the three counties, as well as to Santa Clara Valley Water District and EBMUD.

Director Breault commented that supporting San Jose, Santa Clara, and East Palo Alto is consistent with BAWSCA's philosophical view of implementing the WSA. He asked staff to take into consideration the demands of those systems. It would be a downside if a large number of the member agencies had the potential to have the reliability of their supply negatively impacted by bringing new allocations to existing customers because the insisting demands of those customers were not considered.

In response to Director Mendall's question, Ms. Sandkulla explained that if San Francisco increases the supply assurance to accommodate San Jose, Santa Clara, East Palo Alto, or all three, each of the member agencies would need to agree as part of a contract amendment.

If San Francisco entered into a bilateral agreement outside of the WSA, the other BAWSCA agencies would have no role in that contract as long as the agencies are not impacted. BAWSCA's role would be to ensure that there are indeed no impacts to the agencies.

Ms. Sandkulla is meeting with the staff of both San Jose and Santa Clara to understand their interests and level of commitment to this effort. BAWSCA is acting under the direction it received from San Jose and Santa Clara during the negotiations of the new WSA, to pursue permanent customer status. The agencies supported San Jose and Santa Clara as long as the new allocations were not within the 184mgd.

Ms. Sandkulla emphasized the importance of understanding the process because it will likely impact the WSA and require individual contract amendments. All member agencies will have to unanimously agree to it.

In response to directors' questions, Ms. Sandkulla stated that San Jose and Santa Clara's supplies have never been interrupted. They have always been supplied by San Francisco since the late 1960's, early 1970's and have paid the same amount as everyone.


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The 2018 deadline was a self-imposed deadline by San Francisco. While becoming permanent customers is not urgent, East Palo Alto's need for additional supplies is imminent.

- c. CEO's Letter: Committee members had no questions or comments on the items reported in the CEO letter.
 - d. Board Policy Committee Calendar: Identified upcoming action items for the Board in September are not associated with new or changing policy. Unless new policy items come up, a Committee meeting in August may not be required. Ms. Sandkulla will have more information in the coming months.
8. Comments by Committee Members: Director Quigg stated that since he will not be at the May Board Meeting, he expressed his support for the proposed FY 2016-17 Work Plan and Operating Budget and stated that his last choice for a meeting time change would be the 5pm alternative, but it would be better than 7pm.
9. Adjournment: The meeting was adjourned at 3:18pm. The next meeting is June 8, 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 – April 13, 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)
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

Committee Members Absent

Rob Guzzetta, California Water Service Company
Kirsten Keith, City of Menlo Park
Jerry Marsalli, City of Santa Clara

BAWSCA Staff:

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

Public Attendees:

Michelle Novotny San Francisco Public Utilities Commission