

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

**San Mateo Main Library – 55 W. 3<sup>rd</sup> Ave., San Mateo  
Oak Room  
(Directions on Page 2)**

**Thursday, January 18, 2018  
6:30 P.M.**

**AGENDA**

<b><u>Agenda Item</u></b>	<b><u>Presenter</u></b>	<b><u>Page</u></b>
<b>1. Call to Order/Roll Call/Salute to Flag</b>	<b>(Mendall)</b>	
<b>2. Special Order of Business – Election of Officers for Calendar Year 2018 (Attachment)</b> <ul style="list-style-type: none"><li>• Election of Chair</li><li>• Election of Vice Chair</li></ul> <i>(The terms of the new Chair and Vice-Chair commence at the end of the meeting at which they are elected)</i>	<b>(Mendall)</b>	<i>Pg 3</i>
<b>3. Break for the San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting</b>	<b>(Mendall)</b>	
<b>4. Reconvene following San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting</b>	<b>(Mendall)</b>	
<b>5. Comments by the Chair</b>	<b>(Mendall)</b>	
<b>6. Board Policy Committee Report (Attachment)</b>	<b>(Larsson)</b>	<i>Pg 5</i>
<b>7. SFPUC Report</b>	<b>(Kelly)</b>	
<b>8. Public Comments</b> <i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	<b>(Mendall)</b>	
<b>9. Consent Calendar (Attachments)</b> <ul style="list-style-type: none"><li>A. Approve Minutes of the November 16, 2017 Meeting</li><li>B. Receive and File Budget Status Report – As of November 30, 2017</li><li>C. Receive and File Investment Report – as of December 31, 2017</li><li>D. Receive and File Directors’ Reimbursement Report – As of November 30, 2017</li><li>E. Proposed Fiscal Year 2018-19 Bond Surcharges</li></ul>	<b>(Mendall)</b>	<i>Pg 15 Pg 19 Pg 21 Pg 23 Pg 25</i>
<b>10. Action Calendar</b> <ul style="list-style-type: none"><li>A. Mid-Year 2017-18 Work Plan and Budget Review and Management of the General Reserve (Attachment)</li></ul>	<b>(Sandkulla)</b>	<i>Pg 31</i>

- 11. Reports** (Sandkulla)
- A. Water Supply Update
  - B. "Making Water Conservation a California Way of Life" Update
  - C. CEO Letter (*Attachment*) Pg 39
  - D. Correspondence Packet ([Under Separate Cover](#))
  - E. Policy Calendar (*Attachment*) Pg 45
- 12. Closed Session**
- A. Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9: *Restore Hetch Hetchy v. City and County of San Francisco, et al.* Case Number: F074107 (Schutte)
  - B. Conference with Legal Counsel – Anticipated Litigation Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Government Code 54956.9 (Three potential cases) (Schutte)
- 13. Discussion Item** (Sandkulla)
- A. Fiscal Year 2018-19 Work Plan and Budget Preparation Planning Session (*Attachment*) Pg 47
- 14. Directors' Discussion: Comments, Questions and Agenda Requests** (Mendall)
- 15. Adjourn to next meeting scheduled for March 15, 2018** (Mendall)

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**Directions to San Mateo Main Library San Mateo – 55 W. 3<sup>rd</sup> Avenue**

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

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**        **Election of Officers for Calendar Year 2018**

**Summary:**

The State Water Code (Division 31, Section 81401) requires the Board to elect a chair and vice chair each year at the January meeting. The term of officers of the Board commences at the close of the meeting at which they are elected.

**Discussion:**

The suggested process for electing the chair is as follows:

1. Call for nominations for the position of chairperson.
2. Call for a motion to close nominations once no further names are offered.
3. If there is only one nominee, call for the vote.
4. If there is more than one nominee, then proceeding alphabetically:
  - a. Ask each nominee to give a brief statement on his/her qualifications and interest in the position.
  - b. Ask if other directors would like to comment on behalf of the nominee.
  - c. Call for a vote of those in favor of each nominee, by a show of hands.

Following the election of the chair, proceed to the election of vice chair using the same process.

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**MEMORANDUM**

TO: BAWSCA Board Members  
FROM: Nicole Sandkulla, Chief Executive Officer/General Manager  
DATE: January 13, 2018  
SUBJECT: Summary of Board Policy Committee meeting held December 13, 2017

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1. **Call to Order:** Committee Chair Gustav Larsson called the meeting to order at 1:30 pm. A list of Committee members who were present (8), participated via teleconference (1), and other attendees is attached.

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

2. **Comments by Committee Chair:** Committee Chair Larsson welcomed members of the Committee.
3. **Public Comments:** There were no public comments.
4. **Consent Calendar:** Approval of Minutes from the October 11, 2017 meeting.

**Director Quigg made a motion, seconded by Director Kasperzak, that the minutes of the October 11, 2017 Board Policy Committee meeting be approved.**

**Director Benton abstained. The motion passed by roll call vote.**

5. **Action Items:**

- A. **Proposed Fiscal Year 2018-19 Bond Surcharges:** Financial Manager, Christina Tang, presented the proposed Bond Surcharges for FY 2018-19 for the Board's consideration and adoption. BAWSCA's bond indenture requires BAWSCA to impose a fixed surcharge to each member agency on an annual basis, to cover the debt service payments and bond administration expenses, as well as replenish the stabilization fund as necessary.

There are no changes to the methodology used last year. The total proposed surcharge for FY 2018-19 is \$24,686,376. Assuming SFPUC's projected wholesale water consumption is 115 mgd, the surcharge is equivalent to \$0.44/ccf or \$192/AF.

Ms. Tang noted the bond issuance to prepay the capital debt owed to San Francisco saves member agencies over \$3.5 million collectively each year, until 2034.

**Director Quigg made a motion, seconded by Director Kasparzak, that the Committee recommend Board approval of the proposed FY 2018-19 bond surcharges.**

Director Kasperzak commented that “imposing” a “surcharge” seems so draconian for what the purpose of the surcharge is. He noted that BAWSCA’s bond issuance pre-paid the capital debt that agencies owed San Francisco, which provides the agencies substantial savings in the long-term. The surcharge is the annual process that BAWSCA member agencies have to do to meet the obligations which the agencies agreed upon.

**The motion passed by roll call vote.**

**6. Reports and Discussion**

- A. Overview of Current Investment Strategy of BAWSCA’s Bond Proceeds Associated with Revenue Bonds Series 2013A & 2013B: Ms. Tang reminded the Committee that BAWSCA’s bond funds are invested in accordance with the Bond Indenture and the Investment Policy. As of October 31, 2017, the total bond funds of \$18,068,680 are held by the Trustee, the Bank of New York.

The bond funds are comprised of \$5.6 million in surcharges collected from member agencies that are used for the semi-annual debt service payments, and \$12.5 million in stabilization funds that are designed as a reserve fund.

Based on prior evaluations by staff and BAWSCA’s investment advisor, the current investment strategy is determined to provide BAWSCA the most appropriate balance of safety, liquidity, and yield, which have been the primary objectives of BAWSCA’s investment policy.

The bond indenture specifies the permitted investment options for BAWSCA’s bond funds. In November 2012, during the establishment of the bond structure, the Board amended the investment policy to further restrict the investment options for the bond funds to three specific vehicles; Federal Securities, Money Market Mutual Funds, and Certificates of Deposit.

To ensure that BAWSCA has sufficient funds to make the required debt service payments, the current strategy assumes that only 80% of the necessary bond surcharge revenues are collected and available for scheduled debt service payments. In other words, 20% of the required debt service payments must be available to be paid through the stabilization fund.

The current strategy involves a rolling of \$3.6 million in 6-month securities to cover 20% of the debt service payments. This short-term portion of the portfolio provides BAWSCA with sufficient reinvestment opportunities in any upward or downward trend of short-term investment rates.

The remaining stabilization fund is invested in a laddered structure with maturities of every 6 months. This longer-term portion of the portfolio provides BAWSCA with exposure to higher yield in securities.

This current investment strategy is considered the most appropriate because it provides the agency significant upfront liquidity, diversified exposure to the yield curve provided by the ladder structure, and attractive current yield.

BAWSCA has evaluated the strategy on a regular basis to determine whether any change in the agency's circumstances, surcharge collection experience, or market conditions would justify modifications to the strategy to better align the agency's objectives and risk tolerance.

The evaluation made in September 2015 changed the on-time surcharge collection assumption from 70% to 80% based on the past collection experience.

The evaluation made in October 2017 re-affirmed the 80% assumption based on the limited history of the collection experience, and a recent delayed surcharge deposit to the trustee account.

As previously reported to the Board, San Francisco changed their 20-year old financial system to Peoplesoft effective July 1, 2017. BAWSCA's surcharge payment of \$2 million was deposited into the wrong trustee account for September, and caused a delay in the surcharge deposit. This event confirms BAWSCA's decision to keep the 80% assumption, and re-evaluate the assumption after San Francisco has completed a full fiscal year of accounting under Peoplesoft.

To further evaluate BAWSCA's investment performance, staff looked at the average market yield and weighted average maturity of four member agencies with varying size of investment portfolios as of the end of October 31, 2017. The comparison shows that investments with longer maturities generate higher yield. However, Ms. Tang noted that each agency has different circumstances, permitted investment vehicles, and approved maximum investment duration dictated by its own investment policy.

BAWSCA CEO will re-evaluate BAWSCA's circumstance and investment tools permitted by the Bond Indenture prior to October 2018, before the entire maturity structure is re-balanced and when San Francisco will have completed a full fiscal year with their new accounting system. The result of the evaluation will be reported to the Board as part of the quarterly surcharge collection report. Any changes will be implemented by the CEO in accordance with the current investment policy.

Committee discussions ensued on opportunities for higher rates of return for BAWSCA's stabilization funds.

Ms. Sandkulla explained that BAWSCA's stabilization fund is focused solely on the bonds and is dictated by a bond covenant that is associated with a bond indebtedness. BAWSCA's ability to invest its stabilization fund is dictated by what the Bond Indenture allows, and what the Board approves. The current investment policy's objectives are safety, liquidity, and yield.

Ms. Sandkulla stated that when the full list of permitted vehicles for investment purposes for the stabilization fund is examined and re-evaluated with the financial advisors prior to October 2018, BAWSCA will look into the long-term bond investments with AAA ratings that other municipalities are using, as part of the evaluation.

Director Mendall noted that the investment changes made 2 years ago is providing approximately \$100,000 per year in increased returns than if the investments were kept in the money market funds. The question he suggests for consideration in October 2018, when the strategy is re-evaluated, is whether the four “ladders” is the right number, or should there be added “ladders”, with some going perhaps out to 2.5 years? How do we build on to what we currently have?

Director Benton suggested looking at investing in LAIF, which provides liquidity as well as access to investment vehicles with higher rates of return compared to money market funds.

Secondly, he suggested considering putting the \$12.5 million, the portion designed to function as a reserve fund, into a longer-term investment than 3-6 months, for a higher rate of return. The funds will always be accessible. The only disadvantage is the loss of short-term returns if the funds are tapped into prematurely.

Ms. Tang stated that BAWSCA will explore the possibilities of moving the money, which is required to be deposited into the Trustee account, into LAIF investments.

Ms. Sandkulla added that BAWSCA’s investment advisors currently recommends not to tie the funds up too much for too long, because of rising interest rates. All indications suggests that rates will continue to rise up for the next few quarters, at which time BAWSCA will be re-evaluating the current investment structure.

Director Mendall noted that Hayward’s financial advisors provide similar advise.

Ms. Sandkulla expressed appreciation for the discussion and stated that this item will be brought back to the Committee when BAWSCA begins the re-evaluation process in Fall of 2018.

Director Pierce noted that bond financing and having additional funds that can be put into investments to generate income is a new situation for BAWSCA. Investing is something BAWSCA did not previously do, and it is good to continue to evaluate BAWSCA’s circumstances and look for opportunities. Balancing between safety and liquidity, which is what BAWSCA has done in its existence, is important. While she supports continuing to evaluate investment opportunities, it is also important to be aware of where the agency came from.

Director Kasperzak added that the preservation of capital is what is important. It’s not about making money. The intention is not to lose money due to inflation. Any income is a hedge against the inflation or a loss, instead of making a net return on investment. Most governments are in the preservation of capital, that is why there are State restrictions.

- B. Mid-Year 2017-18 Work Plan and Budget Review: Ms. Sandkulla explained that the mid-year budget and workplan review process ensures that BAWSCA is on track to achieve the critical results set out for the current year and beyond. It is also an opportunity to update the Board on the agency’s progress and to identify areas where change might be needed.

The staff memo provides a table that presents status reports on all areas of the FY 2017-18 work plan. There are two modest changes to the work plan scope that will be recommended



to the Board. The changes have no impact to the budget. The committee is asked for direction on the recommended action.

Ms. Sandkulla presented the recent developments in the critical areas of the workplan.

BAWSCA has been working diligently for the past 2 years to increase its level of involvement with the SFPUC's development of its 10-year CIP. She was pleased to report that BAWSCA has had significant increased involvement with SFPUC staff on its CIP's early development stages which provides BAWSCA the opportunity to see early work products, ask questions and suggest modifications. The program will be brought to the Commission in February 2018, where BAWSCA will be able to make comments.

As part of the ongoing discussion efforts with San Francisco on the 10-year CIP, BAWSCA have had a benchmarking study in its work plan since FY 2016-17 that is focused on SFPUC's operational efficiency and asset management. The SFPUC has recently expressed an interest in taking part in BAWSCA's benchmarking study as a way to look at their process of developing the 10-year CIP, and comparing it with other utilities. This opportunity presents a significant progress for BAWSCA's efforts to really be engaged in SFPUC's process and having the opportunity to provide input.

Ms. Sandkulla stated that the first recommended work plan modification is to adjust the current benchmarking study to be a CIP benchmarking study in coordination with the SFPUC. This effort is currently being scoped for completion in FY 2018-19.

Additional work plan progress includes pre-feasibility studies on potential purified water projects anticipated for completion this fiscal year. These projects were initiated and expedited during the drought. The next steps will be reflected in the work plan for FY 2018-19.

Progress of the pilot water transfer was impacted by the drought, and is now continuing development. Necessary agreements are in progress between BAWSCA, EBMUD, Hayward and SFPUC with the concept of doing a transfer during a planned shutdown at Hetchy Hetchy for work on Mountain Tunnel in FY 2018-19 or FY 2019-20.

Additionally, BAWSCA has been working with neighboring Bay Area agencies through the Bay Area Regional Reliability Partnership (BARR). BARR was recently awarded a Federal grant to test water supply efforts such as water transfers. While a decision has yet to be made, BAWSCA's pilot water transfer plan has a good chance of being used as the pilot for a larger regional water supply project. The effort expanding to larger agencies in the region has been a significant development for BAWSCA's pilot water transfer as it can provide the information needed to know what it would take to execute a water transfer.

Progress on the development of the Regional Water Supply Model is ongoing with the base model scheduled for completion this fiscal year.

The second recommended work plan modification is to postpone the development of the principles for Tiers 1 and 2 drought allocation plans.

The Tier 1 plan is the drought allocation between San Francisco and the wholesale customers. The Tier 2 Plan is the drought allocation among the member agencies. Tier 2

expires in December 2018, and the preparation for a temporary extension was in the work plan. However, both Tier 1 and Tier 2 plans must align with State new requirements that are not yet finalized.

Ms. Sandkulla reported that the Governor’s “Making Water Conservation A Way of Life” requirements were encompassed in two pieces of legislations which failed to pass in September. It has now become a 2-year bill that will be picked up by the Legislature in January 2018. It is expected to move very quickly as the Governor, members of the Legislature, and the State Water Resources Control Board, are committed to it.

Efforts to develop principles for Tier 1 and Tier 2, and to identify the options for extending the Tier 2 plan will begin in Spring 2018 when further legislation information becomes available.

Ms. Sandkulla explained that one of BAWSCA’s role in addressing “Making Water Conservation A Way of Life” is to do an assessment of how member agencies will meet the requirements. The assessment will be completed in January and will be discussed by BAWSCA and the member agencies in a workshop. Information gained from the workshop will be used in BAWSCA’s outreach on the legislation, as well as in developing a Conservation Strategic Plan that will identify the roles and responsibilities of BAWSCA and the member agencies to meet the requirements.

As the final piece of the effort to learn from the recent drought, a workshop on Water Utility Financial Best Management Practices During Drought is being planned for Spring of 2018. The workshop will include discussions on rate structures in normal and drought years, issues with Prop 218, and what agencies would have done differently in hindsight. The output of the Spring Workshop will include a compilation of the reports and presentations given.

BAWSCA continues its efforts to effectively implement the Water Supply Agreement and administer BAWSCA’s bond issuance.

The mid-year review also looks at expenditures and identifies budgetary issues. Ms. Sandkulla reported that all current and projected expenditures are within the approved budget. Expenses associated with legal activities are being closely monitored.

Ms. Sandkulla reported that the General Reserve is currently higher than the budgetary guideline of 35% of the operating budget. There are no recommended changes at this time. The information is being provided to the Committee and will be provided to the Board in January as it is anticipated to be important in the upcoming discussions on funding the FY 2018-19 work plan and budget.

The recommended workplan modifications are based on the developments in the areas of the workplan. The Committee was asked for direction and input on the recommendation.

Director Quigg commented that the current legal activities are the agency’s biggest challenge for the budget and workplan development.

Director Schmid noted that since he has joined the Board in 2015, he has seen a shift from monitoring actions taken by the SFPUC to focusing on State activities and their impacts to the BAWSCA region. He asked whether BAWSCA should re-think its long-term outlook and need for expertise.

Ms. Sandkulla stated that each year, BAWSCA's development of its workplan and budget starts with an evaluation of long-term challenges and risks to the agency and water customers. Of all the issues that were anticipated in each year's budget development process, only the conservation legislation came as a surprise.

BAWSCA's foresight in developing the annual budget and workplan has been helpful in bringing in and supporting the formation of certain expertise.

Ms. Sandkulla explained that the hiring of Adrienne Carr serves as an example. BAWSCA knew 10 years ago that it would need a hydrology expert for the FERC process. But as the FERC process was delayed, the need for a hydrology expert was put off until BAWSCA needed to hire a Senior Water Resource Analyst and found Adrienne Carr who fit the position qualifications along with having the hydrology expertise BAWSCA needed. Ms. Carr is now working directly with Legal Counsel on the FERC process.

In response to Director Larsson's question about the Tier 2 plan, Ms. Sandkulla explained that in the Water Supply Agreement (WSA), the process for adoption of the Tier 2 plan identifies the member agencies as the collective body that would originally adopt the plan in 2009. If the member agencies fail to adopt a plan, the BAWSCA Board can take action. If that fails, the SFPUC has the authority to act.

The WSA states no process for when the plan expires. BAWSCA will be working closely with Legal Counsel to identify the best plan of action. The analysis will be done during the balance of the current fiscal year because if the BAWSCA Board have to act, the action must occur in the beginning for FY 2018-19.

The existing Tier 2 plan was adopted by each individual member agency in 2009. The Board has never dealt with the Tier 2 plan, and therefore, will be provided with details of the necessary actions once they are identified. Ms. Sandkulla has briefed agencies' technical staff about the anticipated efforts.

In response to Directors Schmid and Benton's inquiries, Ms. Sandkulla stated that there will be a summary of the conservation legislation provided to the Board at the January meeting. She explained that having 2 competing bills; one from the Assembly and one from the Senate, was a contributing issue to its failure to pass in the legislature in September. Additionally, during the last few days of the legislative session, there were continual amendments to both bills to ensure that water agencies, like ACWA, were not opposed to the bills.

Ms. Sandkulla explained that while member agencies will be able to meet the per capita conservation requirements, the bills put a significant administrative burden on the member agencies. To date, BAWSCA's concerns with the administrative burden are strongly embedded in the governor's interests in the bill. Additionally, the SWRCB is convinced that the level of detail in the agencies' calculations and reporting to the State are necessary, and both the Governor and the State Board have sufficient support to put it through.

BAWSCA did provide input during the development of the legislations until July 2017. While some key issues were resolved, it was evident that BAWSCA's base concern with the bills were not going to change.

Ms. Sandkulla stated that BAWSCA's assessment on how agencies will meet the conservation requirements of "Making Water Conservation a Way of Life" will provide some very specific accounting and dollar value to what it is going to take for agencies to implement what the legislation proposes.

BAWSCA will use this information as part of its efforts with the legislations. However, Ms. Sandkulla is not hopeful for change because the calculations have been a part of the Governor's and SWRCB's core strategy from the very beginning. This was the foundation of the conservation legislation. The State believes that water agencies have to do a better job in calculating their water needs in a unified fashion, and managing and presenting the information to the State so that the agencies can be held accountable. In the absence of this information, the State is unable to hold agencies to a common standard, which they are unwilling to do.

The Committee supported the recommendations to:

**1. Scope Reduction/Delay:**

**a. Postpone development of principles for a new Tier 1 and Tier 2 drought allocation plan pending ongoing legislative activity with anticipated completion in FY 2018-19**

**2. Scope Modification:**

**a. Conduct benchmarking study of the SFPUC's CIP development process instead of evaluating the SFPUC's RWS operational efficiency and cost effectiveness**

**7. Reports:**

- a. Water Supply Conditions: Ms. Sandkulla reported that the region's water supply conditions are currently in a good position with both local and Tuolumne systems at above the normal percent of maximum storage for this time of the year. While it has been dry, it is too early to forecast the water year.

The member agencies' water use continue to be 12% less than it was in October of 2013.

- b. FY 2018-19 Work Plan and Operating Budget Preparation and Planning: Ms. Sandkulla reported that the January Board meeting will include a planning session for the development of the FY 2018-19 Work Plan and Budget. The long-term issues and objectives will be presented to the Board for discussion and feedback.

A draft preliminary work plan and budget will be presented to the Committee in February for Board consideration in March. A draft proposed Work Plan and Budget will be presented to the Committee in April, for Board consideration and approval at its meeting in May.

This sequence follows the same process that has been done in the past 2 years, which have been effective for both the Board and BAWSCA staff in going through the details.

Ms. Sandkulla noted that the work plan deliverables and preliminary budget information are presented to the member agency staff in March.

Director Pierce suggested to check with Board members on any concerns with the current General Reserve level, as there has been a push in the past to rigidly adhere to the policy guidelines. Having seen BAWSCA's practice on budget expenditures to achieve critical results, Director Pierce understands why the reserve is at the level that it is, given the uncertainties the agency faces at this time. It, however, might be worthwhile to re-evaluate what the appropriate General Reserve level should be, or the appropriate duration for the reserve to be at a certain level given the potential significant legal issues faced by the agency today.

8. **Closed Session:** The meeting adjourned to Closed Session at 2:52pm
9. **Open Session:** The meeting convened to open session at 3:06pm. Legal Counsel, Catherine Groves, reported that no action was taken during Closed Session.
10. **Comments by Committee Members:** There were no further comments from the Committee members.
11. **Adjournment:** The meeting was adjourned at 3:07 pm. The next meeting is February 14, 2018.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE – December 13, 2017**

**Roster of Attendees:**

**Committee Members Present**

Gustav Larsson, City of Sunnyvale (Chair)  
Tom Zigterman, Stanford (Vice Chair)  
Jay Benton, Town of Hillsborough  
Mike Kasperzak, City of Mountain View  
Al Mendall, City of Hayward (BAWSCA Chair)  
Barbara Pierce, City of Redwood City (BAWSCA Vice Chair) *by teleconference*  
Dan Quigg, City of Millbrae  
Gregg Schmid, City of Palo Alto

**Committee Members Absent:**

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

**BAWSCA Staff:**

Nicole Sandkulla	CEO/General Manager
Adrienne Carr	Sr. Water Resources Specialist
Andree Johnson	Sr. Water Resources Specialist
Christina Tang	Finance Manager
Deb Grimes	Office Manager
Lourdes Enriquez	Assistant to the Chief Executive Officer
Catherine Groves	Legal Counsel, Hanson Bridgett, LLP
Bud Wendell	Management Communications

**Public Attendees:**

Michelle Novotny                      San Francisco Public Utilities Commission

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD OF DIRECTORS MEETING****November 16, 2017 – 6:30 p.m.  
Oak Room, San Mateo Public Library, San Mateo CA****MINUTES****1. Call to Order/Pledge of Allegiance/Roll Call – 6:30 pm**

BAWSCA Chair, Al Mendall, called the meeting to order and led the salute to the flag. CEO/General Manager, Nicole Sandkulla, called the roll. Fourteen (14) members of the Board were present at roll call, constituting a quorum. Two arrived after roll-call. A list of Directors present (16) and absent (10) is attached.

**2. Comments by the Chair:**

Chair Mendall reported the CEO's addition of Jose Ortiz to BAWSCA's team of consultants who closely monitors the SFPUC's 10-year CIP and long-term maintenance program. Mr. Ortiz's experience in project development and construction management with the SFPUC and East Bay Municipal Utility District will add value to the team of Terry Roberts and Jean Gardner under Tom Francis' leadership.

BAWSCA's annual audit report was included in the agenda packet for the Board's approval under consent calendar.

**3. Public Comments:** There were no comments from the public.**4. Consent Calendar:**

**Director Quigg made a motion, seconded by Director Richardson, to: approve the Minutes of the September 21, 2017 meeting, receive and file the Budget Status Report as of September 30, 2017, the Annual Audit Report for BAWSCA and Compilation Report for BAWUA for FY 2016-17, Directors' Reimbursement Report, Investment Report, and Bond Surcharge Collection, Account Balance and Payment Report as of September 30<sup>th</sup>, 2017, and Re-affirm the current Statement of Investment Policy.**

**The motion carried unanimously.**

**5. SFPUC Report:**

Michael Carlin addressed the Board with his report on SFPUC's 10-year CIP budget planning and water supply conditions.

Dan Wade provided a report on the WSIP, and updates on the Calaveras Dam Replacement Project and Alameda Creek PEIR.

**6. Reports:**

Ms. Sandkulla provided a report on the region's current monthly water use in comparison to the pre-drought year (2013) and drought year (2016). Water use continues to be below 2013.

A CEO's letter and Board of Director's Policy Calendar were included in the agenda packet for the Board's information. Ms. Sandkulla had no further information to add on those items.

**7. Closed Session:**

The meeting adjourned to Closed Session at 7:11pm

**8. Report from Closed Session:**

The meeting reconvened to Open Session at 7:57pm

Legal Counsel, Allison Schutte, reported that the Board authorized Legal Counsel, in coordination with the CEO, to intervene in an existing litigation.

**9. Directors' Discussion: Comments, Questions and Agenda Requests:**

Director Weed noted AB 555 may be worthy of the Board's future discussion as it may be the next step to conservation.

**10. Date, Time and Location of Next Meeting:**

The next regularly scheduled meeting is January 18, 2018 at 6:30pm, in the Oak Room, of the San Mateo Main Library.

**11. Adjournment:** The meeting adjourned at 8:25pm.

Respectfully submitted,

Nicole M. Sandkulla  
Chief Executive Officer/General Manager

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Attachments: 1) Attendance Roster



**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**  
**Board of Directors Meeting**  
**November 16, 2017**

**Attendance Roster**

Present:

Robert Anderson	Purissima Hills Water District
Randy Breault	Guadalupe Valley Water District
Tom Chambers	Westborough Water District
Rob Kuta	California Water Service Company
Juslyn Manalo	City of Daly City
Al Mendall	City of Hayward
Chris Mickelsen	Coastside County Water District
Irene O'Connell	City of San Bruno
Rosalie O'Mahony	City of Burlingame
Tom Piccolotti	North Coast County Water District
Barbara Pierce	City of Redwood City
Dan Quigg	City of Millbrae
Sepi Richardson	City of Brisbane
Gregg Schmid	City of Palo Alto
John Weed	Alameda County Water District
Tom Zigterman	Stanford

Absent:

Jay Benton	Town of Hillsborough
Charlie Bronitsky	City of Foster City
Mike Kasperzak	City of Mountain View
Kirsten Keith	City of Menlo Park
Pat Kolstad	City of Santa Clara
Gustav Larsson	City of Sunnyvale
Sam Liccardo	City of San Jose
Larry Moody	City of East Palo Alto
Rich Tran	City of Milpitas
Louis Vella	Mid-Peninsula Water District

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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

**TO: Nicole Sandkulla, CEO/General Manager**

**FROM: Deborah Grimes, Office Manager**

**DATE: January 9, 2018**

**SUBJECT: Budget Status Report as of November 30, 2017**

This memorandum shows fiscal year budget status for FY 2017-18. It includes major areas of spending, provides an assessment of the overall budget, and summarizes reserve fund balances. This report covers the budget and expenses for BAWSCA. The BAWSCA budget includes necessary resources for the RFA and BAWUA.

**Operating Budget Summary:**

For the five-month period ending November 30, 2017, 42 percent into the fiscal year, total expenditures were \$1,398,726 or 38 percent of the total budget of \$3,704,572.

**Table 1. Operating Budget Summary as of November 30, 2017**

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
<b>Consultants /Direct Expenditures</b>			
Reliability	1,082,400	356,998	33%
Fair Pricing	439,750	67,556	15%
Administration	95,000	70,083	74%
<b>Subtotal</b>	<b>1,617,150</b>	<b>494,637</b>	<b>31%</b>
<b>Administration and General</b>			
Salary & Benefits	1,644,372	751,546	46%
<b>Other Expenses</b>			
BAWSCA	373,250	150,542	40%
BAWUA	1,050	0	0%
<b>Subtotal</b>	<b>3,635,822</b>	<b>1,396,726</b>	<b>38%</b>
<b>Capital Expenses</b>	10,000	0	0%
<b>Budgeted Contingency</b>	57,500	0	0%
<b>Regional Financing Authority</b>	1,250	2,001	160%
<b>Grand Total</b>	<b>3,704,572</b>	<b>1,398,726</b>	<b>38%</b>

**Overview:**

Overall expenditures for FY 2017-18 are tracking within budget.

**Consultants**

The \$135,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 29 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 37 percent expended. The Operating Budget allocation of \$669,000 budget for legal counsel was 32 percent expended. The \$276,400 budget for water management and conservation-related activities was 37 percent expended.

**Administration and Other Expenses**

Budgets for salaries and other expenses were 46% and 40% percent expended respectively.

**Use of CEO's Discretionary Spending Authority:**

No use of CEO discretionary spending authority occurred during this period.

**Use of Reserve and Reserve Fund Balance:**

Unspent funds at the end of FY 2016-17 were \$519,167. The BAWSCA reserve balance as of November 30, 2017, shown below, reflects this deposit. In accordance with the adoption of the FY 2017-18 annual budget in May 2017, the Board approved transferring \$160,615 from the General Reserve to fund the FY 2017-18 budget. The BAWSCA General Reserve balance shown below reflects this transfer.

**Table 2. General Reserve Fund Balance**

<b>Fund</b>	<b>Account Balance (As of 09/30/17)</b>	<b>Account Balance (As of 11/30/17)</b>
General Reserve	\$1,202,592	\$1,561,144

# **BAWSCA**

## **Bay Area Water Supply & Conservation Agency**

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

### MEMORANDUM

**TO: Nicole Sandkulla, CEO/General Manager**

**FROM: Deborah Grimes, Office Manager**

**DATE: January 9, 2018**

**SUBJECT: Investment Report – As of December 31, 2017**

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In February 2004, the Board originally adopted an investment policy consistent with the Government Code that requires a report on the Agency's investments be provided to the Board. This report presents fund management in compliance with the current investment policy. The Board most recently reviewed and re-affirmed the investment policy at the November 16, 2017 board meeting. No changes were recommended or adopted as part of that review.

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

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

<u>09/30/17</u>	<u>12/31/17</u>
\$2,450,587	\$2,456,997

Of the total in the BAWSCA LAIF account as of December 31, 2017, \$1,561,144 represents BAWSCA's General Reserve Fund, equivalent to approximately 42 percent of FY 2017-18 Operating Budget. The remaining amount consists of Subscription Conservation Program funds and unrestricted funds.

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

<u>06/30/17</u>	<u>09/30/17</u>
0.92%	1.07%

Interest rates for the period ending 12/31/17 are not yet available from LAIF and will be reported next period.

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# **BAWSCA**

## **Bay Area Water Supply & Conservation Agency**

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

### **MEMORANDUM**

**TO: Nicole Sandkulla, CEO/General Manager**

**FROM: Deborah Grimes, Office Manager**

**DATE: January 2, 2018**

**SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending  
November 30, 2017**

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

There were no director expenses reimbursed for the quarter ending November 30, 2017.

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**        **Proposed Fiscal Year 2018-19 Bond Surcharges**

**Summary:**

This memorandum presents the proposed bond surcharges for each agency for FY 2018-19. The surcharge would take effect on July 1, 2018. This surcharge setting conforms to BAWSCA's Revenue Bond Indenture (Indenture) for the Series 2013A and 2013B revenue bonds.

**Board Policy Committee Action:**

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

**Recommendation:**

**That the Board approve the proposed FY 2018-19 bond surcharges as presented in this memorandum.**

**Discussion:**

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

The annual surcharges for FY 2018-19 are calculated by multiplying the obligated debt service in 2019 by each agency's percentage of total wholesale customer purchases in FY 2016-17, and adding a "true up" adjustment for the FY 2016-17 surcharges. This "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2016-17 and to reimburse BAWSCA for some expenses incurred in FY 2016-17 in connection with the bond administration that were paid through BAWSCA's FY 2016-17 Operating Budget.

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

The proposed FY 2018-19 bond surcharge for each agency is shown in Table 1. Table 2 shows how the "true up" adjustment for each member agency is determined and included in the proposed FY 2018-19 surcharge amount. Table 3 indicates how much the capital recovery payment cost would be in FY 2016-17 (column A) if BAWSCA didn't issue the bonds to prepay the capital debt that the agencies owed San Francisco. The actual savings to each agency in FY 2016-17 (column E) are calculated accordingly.

**Table 1. Proposed BAWSCA FY2018-19 Bond Surcharges**

FY 2018-19			FY 2018-19		
Agency	Annual Bond Surcharge	Monthly Bond Surcharge	Agency	Annual Bond Surcharge	Monthly Bond Surcharge
Alameda County WD	\$1,126,416	\$93,868	Mid Pen WD	\$506,880	\$42,240
Brisbane Water	\$91,332	\$7,611	Millbrae	\$435,288	\$36,274
Burlingame	\$674,112	\$56,176	Milpitas	\$1,057,548	\$88,129
Coastside County WD	\$163,464	\$13,622	Mountain View	\$1,486,980	\$123,915
CWS - Bear Gulch	\$1,542,516	\$128,543	North Coast WD	\$382,752	\$31,896
CWS - Mid Peninsula	\$2,428,968	\$202,414	Palo Alto	\$1,991,736	\$165,978
CWS - South SF	\$806,256	\$67,188	Purissima Hills WD	\$277,044	\$23,087
Daly City	\$989,172	\$82,431	Redwood City	\$1,751,604	\$145,967
East Palo Alto WD	\$339,936	\$28,328	San Bruno	\$63,516	\$5,293
Estero Municipal ID	\$869,496	\$72,458	San Jose (North)	\$901,572	\$75,131
Guadalupe Valley	\$43,548	\$3,629	Santa Clara	\$515,328	\$42,944
Hayward	\$2,878,824	\$239,902	Stanford University	\$222,996	\$18,583
Hillsborough	\$479,664	\$39,972	Sunnyvale	\$1,970,568	\$164,214
Menlo Park	\$507,876	\$42,323	Westborough WD	\$180,984	\$15,082
<b>Total</b>				<b>\$24,686,376</b>	<b>\$2,057,198</b>

**Table 2. Impact of FY 2016-17 True-up Adjustment on FY 2018-19 Proposed Surcharges**

Agency	FY 2016-17			FY 2018-19	
	Surcharge Collected (Based on FY 2014-15 Purchase)	Surcharge Obligation (Based on FY 2016-17 Purchase)	Difference: True-up Amount	Surcharge To Be Collected (Based on FY 2016-17 Purchase)	Proposed Surcharge Incl. True-up Amount for FY 2016-17
Alameda County WD	\$1,534,627	\$1,330,911	(\$203,716)	\$1,330,129	\$1,126,416
Brisbane Water	\$55,030	\$73,204	\$18,174	\$73,161	\$91,332
Burlingame	\$707,520	\$691,021	(\$16,499)	\$690,615	\$674,112
Coastside County WD	\$295,555	\$229,578	(\$65,978)	\$229,443	\$163,464
CWS - Bear Gulch	\$2,046,819	\$1,795,194	(\$251,625)	\$1,794,139	\$1,542,516
CWS - Mid Peninsula	\$2,458,307	\$2,444,352	(\$13,954)	\$2,442,916	\$2,428,968
CWS - South SF	\$1,093,794	\$950,302	(\$143,492)	\$949,744	\$806,256
Daly City	\$640,472	\$815,060	\$174,588	\$814,581	\$989,172
East Palo Alto WD	\$303,423	\$321,773	\$18,350	\$321,584	\$339,936
Estero Municipal ID	\$767,267	\$818,622	\$51,355	\$818,141	\$869,496
Guadalupe Valley	\$59,749	\$51,665	(\$8,085)	\$51,634	\$43,548
Hayward	\$2,620,161	\$2,750,300	\$130,139	\$2,748,684	\$2,878,824
Hillsborough	\$505,936	\$492,948	(\$12,988)	\$492,658	\$479,664
Menlo Park	\$507,318	\$507,748	\$430	\$507,450	\$507,876
Mid Pen WD	\$487,931	\$497,554	\$9,623	\$497,262	\$506,880
Millbrae	\$368,957	\$402,241	\$33,285	\$402,005	\$435,288
Milpitas	\$1,009,537	\$1,033,846	\$24,310	\$1,033,239	\$1,057,548
Mountain View	\$1,467,335	\$1,477,589	\$10,254	\$1,476,721	\$1,486,980
North Coast WD	\$561,812	\$472,419	(\$89,393)	\$472,141	\$382,752
Palo Alto	\$1,844,855	\$1,918,859	\$74,004	\$1,917,732	\$1,991,736
Purissima Hills WD	\$317,247	\$297,231	(\$20,015)	\$297,057	\$277,044
Redwood City	\$1,543,858	\$1,648,212	\$104,354	\$1,647,244	\$1,751,604
San Bruno	\$252,849	\$158,227	(\$94,622)	\$158,134	\$63,516
San Jose (North)	\$864,646	\$883,367	\$18,721	\$882,849	\$901,572
Santa Clara	\$341,649	\$428,613	\$86,964	\$428,361	\$515,328
Stanford University	\$385,496	\$304,338	(\$81,159)	\$304,159	\$222,996
Sunnyvale	\$1,501,376	\$1,736,483	\$235,107	\$1,735,463	\$1,970,568
Westborough WD	\$130,209	\$155,645	\$25,436	\$155,554	\$180,984
<b>Totals</b>	<b>\$24,673,735</b>	<b>\$24,687,301</b>	<b>\$13,566</b>	<b>\$24,672,800</b>	<b>\$24,686,376</b>

**Table 3. Actual Savings to Each Agency for FY 2016-17 Resulting from BAWSCA 2013A and 2013B Bond Issuance**

Agency	FY 2016-17				
	SFPUC Capital Recovery Payment	Annual Surcharge Collected in FY 2016-17	True-ups To Be Collected or Refunded in FY 2018-19	BAWSCA Annual Surcharge Plus True-ups	Actual Savings
	A	B	C	D = B + C	E = A - D
Alameda County WD	\$1,520,283	\$1,534,627	(\$203,716)	\$1,330,911	\$189,372
Brisbane Water	\$83,620	\$55,030	\$18,174	\$73,204	\$10,416
Burlingame	\$789,344	\$707,520	(\$16,499)	\$691,021	\$98,324
Coastside County WD	\$262,244	\$295,555	(\$65,978)	\$229,578	\$32,666
CWS - Bear Gulch	\$2,050,628	\$2,046,819	(\$251,625)	\$1,795,194	\$255,434
CWS - Mid Peninsula	\$2,792,153	\$2,458,307	(\$13,954)	\$2,444,352	\$347,801
CWS - South SF	\$1,085,518	\$1,093,794	(\$143,492)	\$950,302	\$135,216
Daly City	\$931,033	\$640,472	\$174,588	\$815,060	\$115,973
East Palo Alto WD	\$367,558	\$303,423	\$18,350	\$321,773	\$45,784
Estero Municipal ID	\$935,102	\$767,267	\$51,355	\$818,622	\$116,480
Guadalupe Valley	\$59,016	\$59,749	(\$8,085)	\$51,665	\$7,351
Hayward	\$3,141,633	\$2,620,161	\$130,139	\$2,750,300	\$391,334
Hillsborough	\$563,088	\$505,936	(\$12,988)	\$492,948	\$70,140
Menlo Park	\$579,994	\$507,318	\$430	\$507,748	\$72,246
Mid Pen WD	\$568,350	\$487,931	\$9,623	\$497,554	\$70,796
Millbrae	\$459,475	\$368,957	\$33,285	\$402,241	\$57,234
Milpitas	\$1,180,950	\$1,009,537	\$24,310	\$1,033,846	\$147,104
Mountain View	\$1,687,832	\$1,467,335	\$10,254	\$1,477,589	\$210,243
North Coast WD	\$539,638	\$561,812	(\$89,393)	\$472,419	\$67,219
Palo Alto	\$2,191,889	\$1,844,855	\$74,004	\$1,918,859	\$273,030
Purissima Hills WD	\$339,524	\$317,247	(\$20,015)	\$297,231	\$42,292
Redwood City	\$1,882,732	\$1,543,858	\$104,354	\$1,648,212	\$234,520
San Bruno	\$180,741	\$252,849	(\$94,622)	\$158,227	\$22,514
San Jose (North)	\$1,009,060	\$864,646	\$18,721	\$883,367	\$125,692
Santa Clara	\$489,599	\$341,649	\$86,964	\$428,613	\$60,986
Stanford University	\$347,641	\$385,496	(\$81,159)	\$304,338	\$43,303
Sunnyvale	\$1,983,563	\$1,501,376	\$235,107	\$1,736,483	\$247,080
Westborough WD	\$177,792	\$130,209	\$25,436	\$155,645	\$22,146
<b>Totals</b>	<b>\$28,200,000</b>	<b>\$24,673,735</b>	<b>\$13,566</b>	<b>\$24,687,301</b>	<b>\$3,512,699</b>

**Background:**

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

BAWSCA has been collecting the bond surcharge from member agencies since July 2013 through the SFPUC as a separate item on their monthly water bills to member agencies. FY 2018-19 will be the sixth year for BAWSCA to collect the bond surcharge payments that are used to make debt service payments on BAWSCA's revenue bonds.

**Calculating the "True Up" Adjustment**

Consistent with the Indenture, the FY 2018-19 bond surcharge setting includes a "true up" adjustment included in the calculation. This "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2016-17 and to reimburse BAWSCA for some expenses incurred in FY 2016-17 in connection with the bond administration that were paid through BAWSCA's FY 2016-17 Operating Budget. Those expenses include the fees to Bank of New York for its Trustee services and the costs of legal, financial advisor, investment advisor, and arbitrage rebate consultant. A "true up" adjustment is anticipated every year as part of the calculation of the Annual Bond Surcharge.

The annual surcharges collected from the member agencies in FY 2016-17 were calculated by multiplying the obligated debt service in 2017 by each agency's percentage of total wholesale customer purchases in FY 2014-15. FY 2014-15 purchases were used as a surrogate for FY 2016-17 purchases, which were not known when the FY 2016-17 bond surcharges were adopted.

Now that the actual wholesale customer purchases for FY 2016-17 and the actual expenses incurred in FY 2016-17 in connection with the bond administration are available, the actual surcharges for FY 2016-17 are calculated again by multiplying a sum of the obligated debt service in 2017 and the actual expenses incurred in FY 2016-17 by each agency's percentage of total wholesale customer purchases in FY 2016-17. The difference between the surcharges that were actually collected in FY 2016-17, which were based on the surrogate purchase values, and the actual surcharges for FY 2016-17, which are based on actual FY 2016-17 purchases, are one component of the "true up" adjustments to be included in the annual surcharge setting for FY 2018-19.

The second component of the "true up" adjustment is inclusion of \$13,566 of actual expenses incurred by BAWSCA in FY 2016-17 in connection with the bond administration, which represents 0.05% of the annual debt service of the bonds in 2019. In addition, pursuant to the Prepayment and Collection Agreement between BAWSCA and San Francisco, BAWSCA shall reimburse San Francisco for specific expenses incurred for compliance with tax-exempt regulations. BAWSCA didn't receive any relevant bill from San Francisco in FY 2016-17. A "true up" adjustment for FY 2018-19 will be included in the surcharge setting for FY 2020-21.

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**           **Mid-Year 2017-18 Work Plan and Budget Review**

**Summary:**

To ensure continued access to reliable supplies of high quality water at a fair price, two revisions to the adopted FY 2017-18 Work Plan are recommended. The first change would postpone development of principles for a new Tier 1 and Tier 2 drought allocation plan pending ongoing legislative activity. This delay is necessary to ensure that the result will be informed by state requirements, which are not yet final. The second change would modify the plan for a benchmarking study of the SFPUC. Originally planned as a benchmarking study to evaluate the SFPUC's Regional Water System (RWS) operational efficiency and cost effectiveness, the proposed modification would instead focus the benchmarking study on the SFPUC's Capital Improvement Program (CIP) development process. This change is proposed due to the SFPUC's interest in joining with BAWSCA to perform this benchmarking study this fiscal year, thereby increasing its overall benefit. At this time, the resources to address these issues and produce necessary results can be provided within the currently approved Operating Budget for FY 2017-18 of \$3,704,572.

This memorandum presents: (1) the two proposed changes to the FY 2017-18 Work Plan, (2) a discussion of the potential budget implications, and (3) a discussion of management of the General Reserve.

**Fiscal Impact:**

No changes to the Operating Budget are necessary or recommended at this time.

**Board Policy Committee Action:**

This item was not agendized for action by the Committee. The Committee did provide overall direction to the CEO in support of the recommended revisions to the work plan.

**Recommendation:**

**That the Board approve of the following revisions to the FY 2017-18 Work Plan:**

- 1. Scope Reduction/Delay:**
  - a. Postpone development of principles for a new Tier 1 and Tier 2 drought allocation plan pending ongoing legislative activity with anticipated completion in FY 2018-19.**
- 2. Scope Modification:**
  - a. Conduct benchmarking study of the SFPUC's CIP development process instead of evaluating the SFPUC's RWS operational efficiency and cost effectiveness.**

**Prior Board Approved Work Plan and Budget Actions for FY 2017-18:**

On May 18, 2017, the Board approved the following:

- Proposed FY 2017-18 Work Plan and Results to be Achieved;
- Proposed Operating Budget of \$3,704,572; and

- Recommended funding plan which includes FY 2017-18 assessments of \$3,543,957 and a transfer of \$160,615 from the General Reserve.

**Discussion:**

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

Implementation of the Work Plan is on schedule as of December 7, 2017. Two changes to the Work Plan are proposed below. Following the Work Plan review, a budget review was performed which confirmed that the FY 2017-18 Work Plan can be completed within the approved budget.

**Proposed FY 2017-18 Work Plan Modifications and Budget Implications**

Table 1 presents the Board-approved Work Plan for FY 2017-18 and highlights recommended revisions to the Work Plan. Explanations for the two recommended revisions and resulting budget implications appear below.

1. **Scope Reduction and Delay: Development of Principles for a New Tier 1 and Tier 2 Drought Allocation Plan That Aligns with the Proposed State Water Shortage Contingency Plan Requirements and New State Conservation Requirements.** Work Plan Item 4b. The purpose of this task was to align the development of new Tier 1 and Tier 2 principles with the anticipated new state requirements. Final legislation incorporating these new requirements has not yet passed, but legislative efforts are anticipated to restart in January 2018. This item should be delayed until Spring 2018 or later, pending future legislative activity and any associated state requirements. Possible budget savings associated with deferral of legal counsel's support to staff on this work plan item will be accrued and used, if necessary, for other critical legal tasks.
2. **Scope Modification: Pursue SFPUC Benchmarking Study to Evaluate SFPUC's RWS Operational Efficiency and Cost-Effectiveness.** Work Plan Item 10b. This work plan item was originally planned as a benchmarking study to evaluate the SFPUC's RWS operational efficiency and cost effectiveness. The proposed modification would instead focus the benchmarking study on the SFPUC's CIP development process. This change is proposed due to the SFPUC's interest in joining with BAWSCA to perform that particular benchmarking study this fiscal year, thereby increasing its overall benefit and depth of analysis possible. This effort is being tracked and reported on as part of Work Plan Item 1b. There are no anticipated budget savings from this proposed change.

**Capacity to Accommodate Potential or Unanticipated Issues**

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

**Budget Modifications Needed to Complete Work Expected During FY 2017-18:**

A preliminary budget review has been performed at this time and no budget modifications are necessary.



**Management of General Reserve:**

No changes to the General Reserve are requested at this time. The current General Reserve balance of \$1,561,144 reflects the (1) approved withdrawal and transfer to BAWSCA's Operating Fund to fund the FY 2017-18 approved budget and (2) the deposit of FY 2016-17 unspent funds transferred to the General Reserve in November 2017:

\$1,202,592	General Reserve balance as of June 30, 2017
-\$160,615	May 2017 approved transfer to Operating Fund
<u>+\$519,167</u>	<u>FY 2016-17 Unspent Funds transferred to General Reserve Nov. 2017</u>
\$1,561,144	General Reserve balance as of December 1, 2017

This level of General Reserve represents 42% of the approved Operating Budget. This is above the upper limit of the 35% budgetary guideline adopted by the Board in September 2011.

Given the high level of uncertainty with several critical areas of work (Restore Hetch Hetchy Litigation and the SWRCB's Bay Delta Water Quality Control Plan Update Phase 1) and the potential need for significant additional legal resources, the current General Reserve balance provides a resource for additional funding needs that may arise. Further discussions on this issue will continue as part of regular Work Plan and Budget updates with the Board. In addition, potential future uses of these funds will be discussed with the Board as part of the FY 2018-19 Work Plan and Budget development process.

Attachments:

1. Table 1. Work Plan and Results to be Achieved in FY 2017-18: Progress and Proposed Changes

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**Table 1. Work Plan and Results to be Achieved in FY 2017-18: Progress and Proposed Changes**  
**(Progress Shown in Brackets and Underlined; Proposed Changes Shown in Bold Blue Italic Font)**

**RELIABLE WATER SUPPLY**

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

- a. Monitor WSIP scope, cost, and schedule as San Francisco continues an aggressive construction schedule through 2019. Press the SFPUC and the city's political leadership to meet the city's adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests. [Ongoing, including review of Quarterly Reports and regular meetings with SFPUC to address issues and concerns. Current focus on Alameda Creek Recapture Project EIR recirculation, Regional Groundwater Storage and Recovery Project implementation, and anticipated Winter 2018 re-baselining.]
- b. Review and monitor SFPUC’s Regional 10-Year Capital Improvement Program to ensure that identified projects and programs meet the needs of the BAWSCA member agencies in a cost-effective and appropriate manner. [*On track with scope modification; Major activity associated with early review and input on SFPUC’s planned update to 10-year CIP, SFPUC’s reporting on 10-year CIP implementation, and review of next steps for Mountain Tunnel rehabilitation. As a scope modification of Work Plan Item 10b, BAWSCA has initiated a benchmarking study of the SFPUC’s CIP development and implementation best practices which is anticipated to include an element associated with asset management. Additional consultant expertise (J. Ortiz) added to BAWSCA’s expert team to support these efforts.*]
- c. Review and monitor SFPUC’s Asset Management Program to ensure long-term protection of system assets. [On track. The CIP benchmarking study is anticipated to include an element associated with asset management.]

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

- a. Complete pre-feasibility studies for up to four potential purified water projects in partnership with SFPUC, Silicon Valley Clean Water, Santa Clara Valley Water District and others. Engage with advocacy groups (e.g. WateReuse) to access and exchange critical technical, legislative, and legal information to support these studies. [Prefeasibility studies for three of four potential purified water projects will be completed this fiscal year. Examination of pre-feasibility study with ACWD and Union Sanitary District on hold at this time.]
- b. Finalize Pilot Water Transfer Agreements with EBMUD, Hayward, and others necessary to implement a pilot water transfer in FY 2018-19. [On track; Continued development of agreements in support of a pilot transfer in FY 2018-19 (or later) as part of recent grant awarded to BARR Partner Agencies.]
- c. Complete development of Bay Area Regional Reliability (BARR) Drought Contingency Plan in partnership with other Bay Area water agencies and investigate additional project opportunities including a federal grant for a pilot project. [Complete. BARR Drought Contingency Plan completed. The BARR Partner Agencies have been awarded a new \$400k federal grant to pursue further development of a Bay Area water market.]
- d. Participate in CCWD’s Los Vaqueros Expansion Studies to ensure participation in upcoming project decisions. [On track; Draft EIS/EIR completed in Summer 2017 and grant application to CA Water Commission submitted in August 2017.]

- e. Promote the continued sustainable use of San Mateo Plain Groundwater Basin (Basin) for long-term water supply reliability through the Basin Partnership, participation in San Mateo County’s Basin Assessment Program, and other multi-party efforts. [On track.]
- f. Facilitate development of other local water supply options including monitoring/tracking member agency efforts. [Ongoing. BAWSCA’s annual data gathering effort has been expanded to include information about local supply development.]
- g. Develop a new, regional water supply reliability model to improve BAWSCA’s ability to analyze long-term water reliability in the BAWSCA service area, including potential impacts of availability of existing water supplies and development of additional regional water supplies. [On schedule for planned tasks completion by June 2018.]

**3. Near-term Supply Solutions: Water Conservation and Drought Response**

- a. Partner with Alliance for Water Efficiency to complete a study, “Use and Effectiveness of Municipal Irrigation Restrictions During Drought”. [On schedule; Study currently in progress and scheduled for completion in December 2018.]
- b. Support BAWSCA member agency efforts as related to meeting the new State of California “Making Water Conservation a Way of Life” requirements with the following specific BAWSCA results:
  - Assessment of member agency existing data and technical capabilities to complete required landscape area measurement calculations and to assess their existing processes and capabilities for necessary CII account classifications. [On track for completion in June 2018; Maddaus Water Management (MWM) has been contracted to complete this work.]
  - Implement new subscription conservation program, the Water Audit Third Party Validation Program, to meet new State conservation requirements. [On schedule for evaluation as part of Conservation Strategic Plan.]
  - Implement a new subscription conservation program, the Landscape Measurement and Verification Program, to meet new State conservation requirements. [On schedule for evaluation as part of Conservation Strategic Plan; Implementation will be delayed pending adoption of State requirements.]
  - Develop a plan that identifies respective BAWSCA and member agency roles in developing information necessary for compliance with new State conservation requirements. [On track for completion in June 2018; MWM under contract to complete development of this work (Conservation Strategic Plan).]
  - Represent member agencies in regional and State-level discussions relative to the development of regulations and guidelines as needed to implement the “Making Water Conservation a Way of Life” framework. [On track.]
- c. Represent agencies in regional and State-level discussions related to water conservation-related regulations. [Ongoing.]
- d. Administer, implement, and expand core water conservation programs that benefit all customers. [On track.]
- e. Administer subscription conservation rebate programs that benefit, and are paid for by, participating member agencies. [On track.]

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

- a. Prepare temporary extension of existing Tier 2 drought allocation plan that expires Dec. 2018. [Slight delay; Initial discussions with legal counsel regarding potential administrative options scheduled for January 2018.]

- b. Develop principles for a new Tier 1 and Tier 2 drought allocation plan that aligns with the proposed State Water Shortage Contingency Plan requirements and new State conservation requirements. [*On hold pending ongoing legislative action; Reconsider schedule and anticipated results in Spring 2018 and defer completion to FY 2018-19.*]
- c. Protect members' water supply and financial interests in the SFPUC's upcoming 2018 decisions and associated Water Management Action Plan (MAP). [Ongoing; Facilitating active discussions with Santa Clara, San Jose, and SFPUC regarding potential alternative next steps.]
- d. Protect members' water supply interests to ensure that the SFPUC meets its adopted Water Supply Level of Service Goals. [Ongoing; Provided comment on recent updates to SFPUC level of service goals considered by the Commission; Actively facilitating discussions among BAWSCA agencies, and with SFPUC, related to minimum purchase issues and potential options.]

**5. Protect Members' Interests in a Reliable Water Supply**

- a. Participate in the Restore Hetch Hetchy litigation in which BAWSCA is a named party. [Ongoing; On appeal to the Fifth District Court of Appeal.]
- b. Participate in SWRCB Bay Delta Plan Update to ensure member agency interests are represented. [Ongoing; Actively monitoring settlement discussions and SWRCB activity.]
- c. Ensure that necessary legal & technical resources for participation in the Don Pedro Project/La Grange Project FERC licensing are sufficient to protect customers' long-term interests in Tuolumne River water supplies. [Ongoing.]

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

- a. Pursue and use grant funds for water conservation programs and for regional supply projects and programs, such as CCWD's Los Vaqueros Enlargement Project. [On schedule; Participant in grant application for Los Vaqueros Enlargement Project submitted in August 2017; Provided support for several BAWSCA member agency grant applications for local recycled and other projects.]
- b. Pursue, with regional partners, grant funding to support studies that aim to improve regional water supply reliability, such as BARR Phase 2 effort(s). [Ongoing; Successful award of a new federal grant for BARR to support potential Bay Area water transfer market.]
- c. Investigate potential for grant funds to support the implementation of the Strategy, including 2014 California Water Bond. [Ongoing; No new grant opportunities identified at this time.]

**7. Reporting and Tracking of Water Supply and Conservation Activities**

- a. Complete BAWSCA FY 2016-17 Annual Survey. [On schedule.]
- b. Complete BAWSCA FY 2016-17 Annual Water Conservation Report. [On schedule.]
- c. In partnership with member agencies, implement BAWSCA's updated Water Conservation Database. [On schedule.]

**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. [Ongoing.]
- b. Relay important water quality information (notices as received from SFPUC) to BAWSCA member agencies when made aware of changes that have the potential to impact water quality (taste, odor, blending particulars, etc.). [Ongoing.]
- c. Review and act on, if necessary, State legislation affecting water quality regulations. [Ongoing, including assisting agencies with understanding and responding to new State legislation relating to lead in water systems.]

**FAIR PRICE**

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

- a. Administer the Water Supply Agreement with SF to protect the financial interests of member agencies. [Annual review on track.]
- b. Support development and member agency adoption of up to two contract amendments to address resolution of FY 2010-11 WRR settlement and implementation of the Regional Groundwater Storage and Recovery Project. [Slow progress in final resolution of the FY 2010-11 WRR settlement; Other contract amendments on hold pending resolution of settlement agreement with SFPUC.]
- c. Administer bonds issued by BAWSCA to retire capital debt owed to San Francisco. [On track.]

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

- a. Organize a workshop to review water utility financial best management practices to identify potential actions to better protect BAWSCA member agencies from the financial impacts of drought. [On track; Workshop scheduled for Spring 2018.]
- b. Conduct a benchmarking study to evaluate SFPUC's RWS operational efficiency and cost effectiveness. [**Scope modification; See Work Plan Item 1b.**]

**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**

# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

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

## MEMORANDUM

**TO:** BAWSCA Board of Directors  
**FROM:** Nicole Sandkulla, CEO/General Manager  
**DATE:** January 12, 2018  
**SUBJECT:** Chief Executive Officer/General Manager’s Letter

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### Bay Area Regional Reliability Partnership

Eight of the San Francisco Bay Area’s largest public water agencies are working together through the Bay Area Regional Reliability (BARR) partnership toward regional solutions to improve water supply reliability. BARR’s first project was to develop a regional Drought Contingency Plan (DCP). The DCP addresses potential drought-related impacts. In addition, the DCP identifies regional drought mitigation projects that, when implemented, could provide increased drought reliability and redundancy.

A draft version of the DCP was provided to the U.S. Bureau of Reclamation on June 30, 2017 for their review. Revision requests were provided by the Bureau on August 31, 2017. Following several conversations with Bureau staff regarding their comments, coupled with internal conversations among the BARR partners, a draft final DCP was provided to the Bureau on November 15, 2017. The Bureau provided their approval of the DCP on December 11, 2017. That document is available for download at <http://www.bayareareliability.com/>.

To continue the BARR effort, BARR agencies applied for a Federal WaterSMART Drought Response Grant, from the Bureau, to fund a pilot project consistent with the DCP. Grant monies would be used to pilot a “regional water marketing program” that would test the concept of interagency water transfers/exchanges. EBMUD served as the grant applicant on behalf of the BARR partners. BARR agencies received word on September 5, 2017 from the Bureau that the application was successful in securing a \$400,000 grant award.

The Bureau has had some internal delays in terms of negotiation of a funding agreement with EBMUD. They have indicated that they are planning to work on that agreement starting in mid-January 2018, with the aim of finalizing the agreement by March 2018. During this interim period, BAWSCA has held discussions with other BARR agencies to promote the concept of including a potential BAWSCA pilot water transfer as part of the study. Indications are that BARR agencies are supportive of that possibility.

### Water Conservation Legislation - Update

In 2017, two companion bills to implement the “Making Water Conservation a Way of Life” long-term water use requirements, AB 1668 and SB 606, were not taken to a vote at the end of the legislative session, and instead became two-year bills. During the recess, the authors of the bills convened a series of “listening sessions” to provide stakeholders an opportunity to discuss four technical issues that have been identified as areas for potential refinements to the legislation: variances; landscape principles cost-effectiveness of commercial, industrial, and institutional performance measures; and reporting

requirements. Through ACWA, water suppliers have provided recommended amendments to address these concerns.

The California Legislature reconvened on January 3<sup>rd</sup>, and action on the bills is anticipated. BAWSCA is engaged in the legislative process through SFPUC and ACWA. To prepare member agencies for the proposed requirements, BAWSCA is completing its “Making Conservation a Way of Life” Strategic Plan to assess the potential impacts to the BAWSCA agencies and determine next steps for supporting agency compliance in a cost-effective manner.

### **SFPUC 10-year CIP**

The SFPUC prepares its long-term capital improvement plan (CIP) every two years. The plan spans a ten-year period, with year 1 being the start of their next fiscal year (hence the title “10-Year CIP”). Now, the SFPUC is updating its 10-Year CIP in anticipation of Commission adoption in February 2018. With this most current CIP development effort, BAWSCA has had a greater opportunity to meet with SFPUC staff and provide comments.

The SFPUC’s 10-Year CIP is for all SFPUC enterprises (Water, Power, and Wastewater). BAWSCA’s primary interest is focused on the capital projects in the different categories related to the physical assets of the Regional Water System: Regional Water, WSIP, Hetch Hetchy Water, and Hetch Hetchy Joint. In round numbers, the approximate cost total of the 10-Year CIP for these categories that are of most interest to BAWSCA is \$3B.

The SFPUC is scheduled to hold three budget workshops with the Commission to present its preliminary budget proposals for all SFPUC enterprises. The first workshop will take place on January 18, 2018, the second on January 25, 2018, and a third on February 1, 2018. Only parts of the 10-Year CIP will be covered at each workshop, with the successive workshops devoted to the remaining parts, such that by the completion of the February 1, 2018 workshop, the Commission, as well as members of the public that will be attending the workshops, will have had an opportunity to review and comment on the entire 10-year CIP. BAWSCA staff will be present at each workshop and will be prepared to comment as appropriate.

BAWSCA has advocated for a robust 10-year CIP that supports necessary long-term investments to ensure that the SFPUC is able to meet its adopted Level of Service Goals for the Regional Water System on a long-term basis. To date, staff have identified key projects that were removed, missing, or under-budgeted, and strongly urged SFPUC staff to reconsider.

BAWSCA will continue to review critical documents and make its interests known as the process continues forward. The Commission is scheduled to adopt the 10-Year CIP at its February 13, 2018 regular meeting.

### **Los Vaqueros Expansion Project - Update**

In 2016, Contra Costa Water District (CCWD) reached out to other local water agencies, including SFPUC and BAWSCA, to determine if they had an interest in a portion of the storage that would be created as part of Phase 2. Interested agencies were asked to enter into agreements formalizing their respective participation in studies and environmental documentation, and provide a financial contribution toward the cost of the associated work effort.

In February of 2017, BAWSCA entered into an MOU with CCWD formalizing BAWSCA’s potential interest in a share of future Los Vaqueros storage and willingness to participate in the work effort. Similarly, SFPUC entered into an MOU, and provided a financial contribution of



\$100,000 on behalf of both BAWSCA and SFPUC. In-kind services are also being provided by both BAWSCA and SFPUC. Note that 12 primary water agency partners have been identified.

CCWD released their draft supplemental EIS/EIR for the Phase 2 LVE in June of 2017 for public review and comment. CCWD submitted a funding application in August of 2017, requesting \$454M in funding for the \$914M project, with the California Water Commission (CWC). Funding awards will not be announced until mid-2018. On December 13, BAWSCA staff testified before the CWC in support of CCWD's funding application. A copy of the statement is attached.

For the year 2018, CCWD has requested that partner agencies revisit their stipulated interest in taking part in the project, and more specifically to identify the total volume (or share) in the project that they are currently interested in. CCWD also envisions studying various governance options for LVE, such as a Joint Powers Authority, given that many groups would potentially have an interest or share in the expanded project.

It is anticipated that until the CWC funding decision is announced, work on the project will be minimal, and will not involve partner agencies. Assuming funding is received, plans will follow for detailed engineering efforts. Design and permitting will take until 2021 to complete.

Additional details on the LVE is available at <http://www.ccwater.com/706/Los-Vaqueros-Studies>

### **Annual Conflict of Interest Filing – Form 700**

The Annual Conflict of Interest Form 700 filing deadline for BAWSCA and RFA board members is April 2, 2018. This year, BAWSCA is pleased to provide board members an electronic filing solution through eDisclosure.

On January 19<sup>th</sup>, you will receive 2 emails from [BAWSCAForm700@bawsca.org](mailto:BAWSCAForm700@bawsca.org):

1. "Conflict of Interest eDisclosure Account Creation Notification" which will provide you a Login ID and temporary password to get into the system.
2. "Welcome to eDisclosure for BAWSCA Form 700 Filing" which is a welcome letter with a link to a "How to" video.

eDisclosure is used locally by the cities of San Mateo, Belmont, and Los Altos Hills, among others. It is also used by Santa Clara County, Metropolitan Water District, CalPERS and the FPPC. The system is straightforward and provides various resources including the FPPC Reference Pamphlet, FPPC Instructions, a User Guide, and video tutorials.

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**Bay Area Water Supply and Conservation Agency  
Statement of Support for the Los Vaqueros Reservoir Expansion Project  
Water Storage Investment Program Funding Application  
as Given to the  
California Water Commission**

**December 13, 2017**

Good morning Chair Quintero and Commission Members.

My name is Tom Francis. I am the Water Resources Manager for the Bay Area Water Supply and Conservation Agency (BAWSCA).

I am here today on behalf of BAWSCA to express the agency's support for Contra Costa Water District's (CCWD) Water Storage Investment Program funding application. Funding is sought for the Los Vaqueros Reservoir Expansion Project. BAWSCA is one of several regional partners on the project.

BAWSCA represents the interests of 16 cities, 8 water districts, and 2 private water providers. BAWSCA agencies deliver water to over 1.7 million people and 40,000 commercial, industrial and institutional accounts in Alameda, San Mateo and Santa Clara Counties. The BAWSCA region covers most of Silicon Valley, considered the economic engine of California.

The Los Vaqueros Expansion Project has the potential to provide a wealth of public benefits. For BAWSCA, those benefits include helping our member agencies address their needs for increased drought year water supplies. The Project is economically favorable and operationally flexible. The number and scale of new alternative water supply options available to BAWSCA member agencies are limited. Therefore, the Project takes on great importance.

BAWSCA respectfully requests that the California Water Commission award the requested funding to CCWD for this Project. Thank you for this opportunity to speak in support of the Project and CCWD's application.

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# Board of Directors Policy Calendar Through July 2018

Board Meeting	Purpose	Issue or Topic
January 2018	D&A D&A R&D R	FY 2017-18 Mid-Year Work Plan and Budget Review, and Management of General Reserve Consideration of BAWSCA Bond Surcharges for FY 2018-19 FY 2018-19 Work Plan and Budget Preparation Planning Session Review of Water Supply Forecast
March 2018	D&A R&D R R R	Review of Agency Personnel Handbook Presentation of Preliminary FY 2018-19 Work Plan and Budget Update on BAWSCA's Phase I "Making Conservation a Way of Life" Strategic Plan SFPUC WaterMAP and 2018 Decisions Review of Water Supply Forecast
May 2018	D&A D&A R	Consideration of Proposed FY 2018-19 Work Plan and Budget Consideration of Annual Consultant Contracts Review of Water Supply Forecast
July 2018	R R	Update on BAWSCA's Regional Water Supply Modeling Tool Development Update on Long-Term Reliable Water Supply Strategy Implementation

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**        **Fiscal Year 2018-19 Work Plan and Budget Preparation Planning Session**

**Summary:**

Each year, the BAWSCA budget is prepared to meet a specific work plan and identified results to be achieved. The development of the preliminary work plan begins by compiling a list of major challenges that BAWSCA, its member agencies, and their water customers will face next fiscal year, and between now and 2050. This long-term perspective helps anticipate and identify the results that must be achieved during FY 2018-19. A preliminary list of challenges as updated for the FY 2018-19 budget process appears in Table 1.

As has been done the past several years, the work plan and budget preparation will be initiated with a planning session with the Board, providing an early opportunity for input on near-, mid- and long-term issues for consideration as part of the work plan development.

**Recommendation:**

This item is for Board discussion only. Board feedback and input on the near-, mid- and long-term issues for consideration as part of the work plan development are requested at this time.

**Discussion:**

The FY 2018-19 Work Plan and Budget development process is being initiated with a Board planning session. The goal of the planning session is to receive Board input on near-, mid- and long-term issues for BAWSCA to consider in developing its FY 2018-19 Work Plan.

The preliminary budget will be developed to provide the resources needed to achieve necessary results. Emphasis is placed on the most vital results that need to be achieved in order to provide a reliable and high-quality water supply at a fair price. Activities that are secondary to those goals may be noted but are not incorporated into the budget.

A preliminary list of challenges appears in Table 1. Some of the challenges may affect BAWSCA or its members directly. Other challenges will have indirect, but nonetheless important consequences, and require action by BAWSCA to protect the interests of its member agencies and their customers. In each case, the challenges relate directly to BAWSCA's goal of ensuring a reliable supply of high quality water at a fair price for the water customers.

Input received from the Board will be reviewed and addressed by the CEO in developing the Preliminary FY 2018-19 Work Plan and Budget, which will be presented to the BPC in February and the Board in March. Following further Board input, a recommended Work Plan and Budget will be presented to the BPC in April for its review and presented to the Board for recommended adoption in May.

Attachment: Table 1. Future Challenges Facing BAWSCA, Member Agencies and Their Customers (Preliminary – FY 2018-19)

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**Table 1: Future Challenges Facing BAWSCA, Member Agencies, and Their Customers (Preliminary - FY 2018-19)**

<b>BAWSCA Goal and Associated Challenges</b>	<b>FY 2018-19 (Near-Term)</b>	<b>2019-2035 (Mid-Term)</b>	<b>2035-2050 (Long-Term)</b>
<b>Reliable Supply: Ensure Long-Term Water Supply Reliability</b>			
Protection of BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts.	X	X	X
Reflection of member agencies' long-term water supply needs and investments in regional planning efforts.	X	X	X
Representation of member agencies in Federal relicensing of New Don Pedro to protect SF RWS water supply reliability.	X	X	
Representation of member agencies in Bay Delta Plan Update to protect RWS water supply reliability.	X	X	
Meeting the new Statewide "Making Water Conservation a California Way of Life" requirements thru 2030.	X	X	
Implementation of interim Tier 2 drought allocation plan before the existing one expires at the end of 2018.	X		
Protection of member agencies' interests in updating SF RWS drought year allocation plans, consistent with new State Guidelines.	X	X	
Protection of member agencies' interests in San Francisco's upcoming December 2018 decisions including deciding whether to make San Jose and Santa Clara permanent customers.	X	X	
Protection of member agencies' interests in long-term water supply reliability need from the SF RWS and 184 MGD Supply Assurance in light of climate change and future regulatory challenges.			X
<b>Reliable Supply: Ensure SF RWS Facility Reliability</b>			
Protection of water supply and financial interests of water customers in SFPUC's development and implementation of its 10-Year CIP.	X	X	X
Protection of water supply and financial interests of water customers in SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets.	X	X	X
Protection of water supply and financial interests of water customers in SFPUC's WSIP implementation.	X	X	
Protection of water customers' interest in SFPUC's decision on and implementation of final Mountain Tunnel Improvements.	X		
<b>High Quality Supply &amp; Fair Price: Enforce 2009 Water Supply Agreement</b>			
Enforcement of the Water Supply Agreement to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting obligations.	X	X	X
Representation of member agencies' financial interests in negotiation with SFPUC on potential Water Supply Agreement amendments.	X		
Protection of member agencies' water supply reliability interests against threats by outside forces including efforts by others to drain Hetch Hetchy that disregard their interests in reliability, quality and cost.	X	X	X
Protection of water customers interests in ensuring SF maintains its Tuolumne River water rights.		X	X
Management of BAWSCA's revenue bonds in accordance with Bond Indenture and other applicable laws to ensure accountability and ultimately to reduce overall cost to regional water customers (thru 2034).	X	X	
Extension or renegotiation of the Water Supply Agreement before it expires in 2034		X	

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