

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

**San Mateo Main Library – 55 W. 3rd Ave., San Mateo
Oak Room**

(Directions on Page 2)

Thursday, November 16, 2017

6:30 P.M.

AGENDA

| <u>Agenda Item</u> | <u>Presenter</u> | <u>Page #</u> |
|---|-------------------------|----------------------|
| 1. Call to Order/Roll Call/Salute to Flag | (Mendall) | |
| 2. Comments by the Chair | (Mendall) | |
| 3. Board Policy Committee Report | (Larsson) | <i>Pg 3</i> |
| 4. Public Comments <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> | (Mendall) | |
| 5. Consent Calendar | (Mendall) | |
| A. Approve Minutes of the September 21, 2017 Meeting (<i>Attachment</i>) | | <i>Pg 11</i> |
| B. Receive and File Budget Status Report – As of Sept. 30, 2017 (<i>Attachment</i>) | | <i>Pg 15</i> |
| C. Receive and File Annual Audit Report for BAWSCA and Compilation Report for BAWUA for FY 2016-17 (<i>Under Separate Cover</i>) | | <i>Pg 17</i> |
| D. Receive and File Directors' Reimbursement Report – As of Sept. 30, 2017 (<i>Attachment</i>) | | <i>Pg 19</i> |
| E. Receive and File Investment Report – As of Sept. 30, 2017 (<i>Attachment</i>) | | <i>Pg 21</i> |
| F. Receive and File Bond Surcharge Collection, Account Balance and Payment Report – As of Sept. 30, 2017 (<i>Attachment</i>) | | <i>Pg 23</i> |
| G. Annual Review and Consideration of Statement of Investment Policy (<i>Attachment</i>) <i>The Committee voted unanimously to recommend the proposed Board action</i> | | <i>Pg 27</i> |
| 6. SFPUC Report | (Kelly) | |
| 7. Reports | (Sandkulla) | |
| A. Water Supply Update | | |
| B. CEO/General Manager's Letter (<i>Attachment</i>) | | <i>Pg 33</i> |
| C. Board of Directors Policy Calendar (<i>Attachment</i>) | | <i>Pg 37</i> |
| D. Correspondence Packet (Under Separate Cover) | | |
| 8. Closed Session | | |
| A. Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9: <i>Restore Hetch Hetchy v. City and County of San Francisco, et al.</i> Case Number: F074107 | (Schutte) | |

B. Conference with Legal Counsel – Anticipated Litigation (Schutte)
Initiation of litigation pursuant to paragraph (4) of subdivision (d) of
Government Code 54956.9 (Two potential cases) (*Under Separate Cover*)

9. Reconvene from Closed Session (Mendall)

10. Directors' Discussion: Comments, Questions and Agenda Requests (Mendall)

11. Date, Time and Location of Future Meetings (Mendall) Pg 39
(See attached schedule of meetings)

12. Adjourn to next regularly scheduled meeting on January 18, 2018 at 6:30pm (Mendall)

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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 3rd 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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BAWSCA

Bay Area Water Supply & Conservation Agency

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MEMORANDUM

TO: BAWSCA Board Members

FROM: Nicole Sandkulla, Chief Executive Officer/General Manager

DATE: November 9, 2017

SUBJECT: Summary of Board Policy Committee meeting held October 11, 2017

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 (7) 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 the Committee after not having met since June 14th, and thanked the members for their time.
3. **Public Comments:** There were no public comments.
4. **Consent Calendar:** Approval of Minutes from the June 14, 2017 meeting.

Director Kasperzak made a motion, seconded by Director Schmid, that the minutes of the June 14, 2017 Board Policy Committee meeting be approved.

The motion passed unanimously.

5. **Action Items:**

- A. **Annual Review and Consideration of Statement of BAWSCA's Investment Policy:** Ms. Sandkulla reported that BAWSCA's Statement of Investment Policy (Policy) requires that it be reviewed by the Board annually. The Policy was previously reviewed in November 2016 resulting to no changes.

The Policy language remains consistent with State law, and maintains the objective of safety, liquidity and return on investment. The Policy's permitted investment instruments provides BAWSCA a flexible approach for investing its General Reserves and bond proceeds associated with the Revenue Bonds Series 2013A and 2013B. Based on the review of BAWSCA's circumstances and market conditions, BAWSCA's Legal Counsel, Financial Advisor, and Staff recommend no changes to the Policy.

Committee discussions ensued on BAWSCA's rate of return earned on its General Reserve and bond stabilization fund.

In response to Director Schmid, Ms. Sandkulla reported that BAWSCA's \$1.2 M General Reserve is invested in LAIF because it provides the most flexibility for BAWSCA's size of budget and need for liquidity. BAWSCA's \$12 M bond stabilization fund is invested in Mutual Funds and Federal Securities.

Director Schmid asked whether BAWSCA should look into how other cities obtain a higher rate of return than BAWSCA's.

Ms. Sandkulla stated that since the action before the Committee is on the Policy, she offered to provide a report of BAWSCA's investment strategies for the General Reserve and bond stabilization fund at a subsequent Committee or Board meeting to answer Director Schmid's question.

BAWSCA Finance Manager, Christina Tang, explained that staff investigated investment alternatives for BAWSCA's General Reserve and bond stabilization fund during the 2016 review of the investment policy in response to a Board member's inquiry. That assessment identified LAIF as the most appropriate investment tool for BAWSCA's General Reserves, primarily because of the size of BAWSCA's general funds, and required flexibility.

Director Kasperzak commented that the Policy entails the investment instruments as opposed to the minimum and maximum rate of returns. The Board has the opportunity to provide guidance to the CEO to examine and make changes, if needed, to the current mix of investments used that are consistent with the current Policy. Because the requested Committee action is on the Policy,

Director Kasperzak made a motion, seconded by Director Breault, that the Board Policy Committee recommend Board re-affirmation of the current Statement of Investment Policy.

Ms. Sandkulla added that the Policy provides discretion for the investments to the CEO/General Manager, with input from the Board.

A brief Committee discussion ensued on the importance of flexibility that LAIF offers given the small size of BAWSCA's reserves, and liquidity that BAWSCA requires.

Director Mendall noted that he pushed for, and will continue to push for, an aggressive approach to the investment of the bond stabilization funds because of its sizeable amount compared to BAWSCA's General Reserve, its incremental return is more meaningful, and the schedule of the funds' liquidity is known. Director Mendall noted that if the Committee desires a conversation on an aggressive rate of return, he would encourage it to be focused on the bond stabilization funds.

Director Mendall directed the CEO/General Manager to provide a report on BAWSCA's current investment strategies to the Committee in December, instead of the full Board.

That direction was acceptable to Director Schmid. Committee members agreed.

The motion passed unanimously.

6. Reports:

- A. Water Supply Update: Ms. Sandkulla reported that there is continued interest in the region's rebound from the drought. She presented a graph that shows member agencies' potable water use between January through August 2017 continue to be below, or 18% less than, the pre-drought (2013) monthly water use, with a spike occurring only after the drought was lifted. The member agencies' 2017 SFPUC purchases continue to be slightly above 5mgd.

Ms. Sandkulla stated that she is curious to see whether water use will go back down to where it was during the Fall and Winter of 2016, as it can be a good indication of how outdoor water-use has changed.

The source of the data is based on the reports each agency is required to submit to the State. BAWSCA will continue to analyze the numbers and their significance.

- B. Regional Water Supply Modeling: Sr. Water Resources Specialist, Adrienne Carr reported that the project has been underway since July 2017, following Board approval in May. Staff has completed the major tasks of formulating the modeling approach, engaging agencies critical to the success of the project, and selecting the software platform.

The purpose of the report to the Committee is to 1) provide the first of a series of informational progress reports that the Committee requested at its meeting on April 2017 when it acted on the negotiation and execution of a professional services contract for the project; 2) consider whether the progress reports should be brought to the Board or kept at the Committee level for the time being; and 3) inform the Committee of BAWSCA's regional engagement of other water suppliers.

As previously reported, BAWSCA's water supply planning has relied solely on SFPUC's regional water system modeling, which, as discovered during the recent drought, did not provide an accurate representation of the region's water supply reliability.

The Regional Water Supply Modeling is geared to help evaluate the BAWSCA region's water supply reliability for long-term planning by looking at all the water supplies, including Santa Clara Valley Water District (SCVWD) and Alameda County Water District (ACWD) water supplies, in addition to SFPUC's water supplies. To achieve this, BAWSCA has convened an Inter-Agency Technical Advisory Panel to provide technical input throughout the development of the model. The first Panel meeting was held on September 21st.

Dr. Carr stated that regional cooperation with ACWD, SCVWD, and SFPUC is key to the project's success. The engagement of the water supply modelers from the regional agencies is critical because they know their systems best, and can help BAWSCA achieve accuracy in the model. BAWSCA and the regional agencies are currently working on the necessary agreements that need to be in place for the year, as well as subsequent years anticipated for the project.

Part of formulating the approach to the model was to identify the various scenarios, or cases, that BAWSCA and its member agencies will use to answer questions about water supply reliability under different conditions.

There are 4 proposed modeling scenarios prioritized between a 1 through 4 ranking.

The first is the Baseline scenario that will evaluate the region's long-term water supply reliability based on all available supplies. This scenario is the priority for FY 2017-18. The subsequent scenarios will be addressed based on the progress of the overall project, as well as the workplan and budget priorities.

The second scenario, New/Alternate Supply Sources and Operating Rules, has 2 parts. The first part will provide an evaluation of the region's water supply reliability with consideration of

new water supply sources or new storage facilities. The second part will evaluate water supply reliability using potential alternative operating rules or policies. For example, one case might evaluate alternative system operations during drought.

The third scenario, Short-Term Drought or Infrastructure Outages, will allow a near-term or real-time forecast during a potential drought or infrastructure outage and could be used to assess how available storage, supply, and changing demands might impact system reliability over a 1-year period.

The fourth scenario, Climate Change, will evaluate how the changing climate might impact the region's water supply reliability. Dr. Carr noted that San Francisco is embarking on a vulnerability analysis that includes an evaluation of climate change impacts on future water supplies. BAWSCA plans to coordinate the Climate Change scenario with San Francisco's efforts.

BAWSCA selected Riverware as the model's software platform. It is widely used throughout the West and is used by Bureau of Reclamation and East Bay Municipal Utilities District. BAWSCA's assessment of the software proved it to be the most user-friendly for staff to be able to operate and manage, as well as the most flexible tool that captured all of the processes and scenarios BAWSCA wanted to evaluate.

BAWSCA continues to work to accurately replicate SFPUC's, ACWD's and SCVWD's water supply modeling with the BAWSCA model. This effort will be ongoing through January 2018. Construction of the model with the Baseline scenario will be finalized in May. Obtaining the model in-house and staff training for operation of the model is anticipated by the end of FY 2017-18. Evaluation of additional scenarios are expected in the next fiscal year.

In response to Director Zigterman's questions, Dr. Carr stated that the model will be quantitative and will replicate the historical hydrology in a long-term simulation. It will take the supply data from the various agencies dating back from 1920 to the most current hydrologic record possible. The SFPUC has data up to 2011, SCVWD has up to 2015, and ACWD has up to 2003. BAWSCA's efforts with the agencies will try to extend the simulation through the most recent drought period. Current data at hand provides a 90-95 year record.

Given the recent drought, Director Mendall commented that the short-term drought and infrastructure outages scenario seems an appropriate second priority instead of the alternative source/storage scenario.

Dr. Carr explained that the baseline scenario will evaluate the entire hydrologic record and will look at past droughts to obtain a long-term reliability picture on the impacts of drought. Development of the short-term scenario will require extensive work in addition to the long-term simulation under the baseline scenario.

Ms. Sandkulla added that a traditional approach to modeling is to replicate historical water supply conditions that are then used to examine drought reliability. Developing the baseline scenario will follow that traditional approach.

The short-term scenario will serve as a tool to look at the potential alternative ways of managing water supply during a drought or an infrastructure outage by using operational and real-time data. This requires a different way of modeling. It is critical to complete a model

with a traditional approach first, because it will provide key information needed to make informed decisions about potential future investments for additional supply and storage.

Board discussions ensued on recycled water and its significance to water supply management for long-term planning and during drought.

Ms. Sandkulla explained that current modeling systems account for recycled water as a fixed data that offsets potable demand. As BAWSCA evaluates potential alternative water supply projects and determines how they are modeled, BAWSCA and the regional agencies may want to examine the consideration of recycled water more explicitly.

Director Zigterman agreed with Director Mendall and the importance of directly identifying recycled water in the regional model. He suggested asking the Water Management Representatives' input on how recycled water can be accounted for in the model. He further stated that for drought purposes, conservation and recycled water is a critical component of supply management during a drought, as well as for long range planning.

Director Schmid noted that flexibility of the model is important to think about up front given the potential impacts of "Making Water Conservation a Way of Life." He asked if the model will be flexible enough to give input to districts and cities in terms of population and commercial per capita water use?

Ms. Sandkulla stated that per capita water use is obtained from a separate water demand model, which is a model that factors in population growth, conservation plans, and water use scenarios to create a water demand projection. Ms. Sandkulla stated that she anticipates BAWSCA will have to update its current water demand model as more information on "Making Water Conservation a Way of Life" becomes available for the next round of Urban Water Management Plans.

The regional water supply model is a water supply reliability model that will simulate scenarios to assess water supply reliability including consideration of all the water supply sources.

Demand models are a different type of model, but they are a critical input to the water supply reliability model. With information on demand, the water supply reliability model can evaluate how the system is performing, how performance can be improved, whether there is a need to decrease demand, whether additional supplies are needed, or if additional storage is required.

The two different models need to be kept separate because they have very different capabilities.

Director Kasperzak asked to what extent the model will take into account groundwater supply. Dr. Carr confirmed that the model will incorporate all water supply data from the regional agencies, including groundwater.

Director Kasperzak encouraged BAWSCA's efforts on the model to, when possible, push forward and do more than what has previously been done to achieve a broader more representative modeling.

Ms. Sandkulla agreed and noted that the regional agencies share the same interest in pushing the boundaries and making the regional water supply reliability model a solid regional platform that provides a good reflection of the regional systems.

Ms. Sandkulla added that BAWSCA's regional groundwater model developed in 2013 has served as a valuable tool for the agencies surrounding the regional basins, and established a solid foundation for use by others in the region. BAWSCA hopes to achieve the same for the regional water supply reliability model.

In response to staff's request for Committee input on whether the progress reports are provided at the Committee level or taken to the Board, Director Breault suggested to wait to bring updates about the model to the Board until there are preliminary model results to share, but early enough in the development process to take Board input without having to re-program the system. He noted that the main concern is that the results are represented in the best way possible to the general public, and that the results serve the agencies' goals.

Director Larsson cautioned against scope creep as various questions come up in the process of addressing the first set of questions. While it is good to be aware of where we might be headed, he advised to stay focused on the current scope so as not to burden the model with another set of questions. He noted that the model scenarios are helpful in understanding what specific questions need to be answered.

7. **Closed Session:** The meeting adjourned to Closed Session at 2:13
8. **Open Session:** The meeting convened to open session at 3:02pm. Legal Counsel, Allison Schutte, reported that no action was taken during Closed Session.
9. **Comments by Committee Members:** There were no further comments from the Committee members.
10. **Adjournment:** The meeting was adjourned at 3:03 pm. The next meeting is December 13, 2017.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – October 11, 2017

Roster of Attendees:

Committee Members Present

Gustav Larsson, City of Sunnyvale (Chair)
Tom Zigterman, Stanford (Vice Chair)
Randy Breault, City of Brisbane/GVMID (Immediate Past BAWSCA Chair)
Mike Kasperzak, City of Mountain View
Al Mendall, City of Hayward (BAWSCA Chair)
Dan Quigg, City of Millbrae
Gregg Schmid, City of Palo Alto

Committee Members Absent:

Jay Benton, Town of Hillsborough
Barbara Pierce, City of Redwood City (BAWSCA Vice Chair)

BAWSCA Staff:

| | |
|------------------|--|
| Nicole Sandkulla | CEO/General Manager |
| Tom Francis | Water Resources Manager |
| Adrienne Carr | Sr. Water Resources Specialist |
| Christina Tang | Sr. Administrative Analyst |
| Deb Grimes | Office Manager |
| Lourdes Enriquez | Assistant to the Chief Executive Officer |
| Allison Schutte | Legal Counsel, Hanson Bridgett, LLP |
| Nathan Metcalf | Legal Counsel, Hanson Bridgett, LLP |
| Bud Wendell | Management Communications |

Public Attendees:

Michelle Novotny San Francisco Public Utilities Commission

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

**September 21, 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. Nineteen (19) members of the Board were present at roll call, constituting a quorum. Two arrived after roll-call. A list of Directors present (21) and absent (5) is attached.

- 2. Comments by the Chair:** Chair Mendall welcomed members of the Board. He stated that an action item before the board is a recommendation to re-appoint Art Jensen as Special Counsel to the CEO/General Manager. Mr. Jensen's service has been valuable in completing negotiations with the SFPUC on cost allocation issues.
- Chair Mendall reported that there were no imminent policy matters that required the Board Policy Committee to convene a meeting in August; therefore, the Committee did not meet and there will be no Committee report this meeting.

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

4. Consent Calendar:

Director Kasperzak made a motion, seconded by Director Pierce, to approve the Minutes of the July 20, 2017 meeting, receive and file the Pre-Audit Budget Status Report as of June 30, 2017, and the Quarterly Bond Surcharge Collection, Account Balance and Payment Report as of June 30, 2017.

The motion carried unanimously.

5. Action Calendar:

- A. Resolution Approving Temporary Reappointment of Arthur Jensen as Special Counsel to the CEO/GM

Director Richardson made a motion, seconded by Director Zigterman, that the Board adopt Resolution 2017-01 approving the reappointment of Arthur Jensen to the temporary position of Special Counsel to the CEO/GM, and making associated findings in support of such an appointment.

The motion carried unanimously by roll call vote.

- 6. SFPUC Report:** Michael Carlin, SFPUC Deputy General Manager, addressed the Board with a report on current water use, and SFPUC's efforts on updating the 10-year Capital Plan and 10-year Financial Plan. SFPUC is initiating the process

sooner and more rigorously than in previous years. Mr. Carlin reported that he is working with the head of Infrastructure Division in leading this effort. The team will work closely with BAWSCA CEO, Nicole Sandkulla, in receiving BAWSCA's feedback on the process.

Chair Mendall expressed his appreciation on the cooperative approach as it is a matter that is important to BAWSCA and member agencies. He invited Mr. Carlin to come back and present to the Board when appropriate.

7. Reports:

Ms. Sandkulla provided reports on water use, recent developments on Making Water Conservation a Way of Life, and on BAWSCA's CERBT Funds.

Copies of BAWSCA's Drought Report were sent to each member of the Board by mail. The report documents what happened during the recent drought for the purpose of utilizing the information to help address future droughts, as well as improve future efforts based on the knowledge gained from the experiences.

8. Closed Session:

The meeting adjourned to Closed Session at 6:54pm

9. Report from Closed Session:

The meeting reconvened to Open Session at 8:21pm

Legal Counsel Allison Schutte reported that for items 8A and 8B, the Board provided direction to legal counsel. No action was taken.

Chair Mendall stated that the Board is very pleased with the CEO/General Manager's outstanding performance.

There is no need to break for Items 10 and 11.

10. Break for Negotiation with Agency Labor Negotiator:

This process was unnecessary and was skipped.

11. Reconvene Following Labor Negotiations:

This process was unnecessary and was skipped.

12. Action Item Following Closed Session:

A. Consider Compensation Adjustment for CEO/General Manager for FY 2017-18

Director Kolstad made a motion, seconded by Director Kasperzak, that the Board approve the amendment to the CEO/General Manager's Agreement to reflect the recommended compensation adjustment with a 3% salary increase and a \$15,000 bonus, resulting in a salary increase of \$212,158.00.

The motion passed unanimously.

13. Directors' Discussion: Comments, Questions and Agenda Requests: Chair Mendall asked members of the Board to continue holding the special meeting dates until further notice.

14. Date, Time and Location of Next Meeting: The next regularly scheduled meeting is November 16, 2017 at 6:30pm, in the Oak Room, of the San Mateo Main Library.

15. Adjournment: The meeting adjourned at 8:25pm.

Respectfully submitted,

Nicole M. Sandkulla
Chief Executive Officer/General Manager

NMS/le

Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board of Directors Meeting
September 21, 2017

Attendance Roster

Present:

| | |
|-------------------|-----------------------------------|
| Robert Anderson | Purissima Hills Water District |
| Randy Breault | Guadalupe Valley Water District |
| Charlie Bronitsky | City of Foster City |
| Tom Chambers | Westborough Water District |
| Mike Kasperzak | City of Mountain View |
| Pat Kolstad | City of Santa Clara |
| Rob Kuta | California Water Service Company |
| Gustav Larsson | City of Sunnyvale |
| Al Mendall | City of Hayward |
| Chris Mickelsen | Coastside County Water District |
| Larry Moody | City of East Palo Alto |
| 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 |
| Louis Vella | Mid-Peninsula Water District |
| John Weed | Alameda County Water District |
| Tom Zigterman | Stanford |

Absent:

| | |
|---------------|----------------------|
| Jay Benton | Town of Hillsborough |
| Kirsten Keith | City of Menlo Park |
| Sam Liccardo | City of San Jose |
| Juslyn Manalo | City of Daly City |
| Rich Tran | City of Milpitas |


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: October 31, 2017

SUBJECT: Budget Status Report as of September 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 three-month period ending September 30, 2017, 25 percent into the fiscal year, total expenditures were \$838,102 or 23 percent of the total budget of \$3,704,572.

Table 1. Operating Budget Summary as of September 30, 2017

| Cost Category | Year-To-Date | | |
|---|------------------|----------------|------------|
| | Budget | Expenses | Percent |
| Consultants /Direct Expenditures | | | |
| Reliability | 1,082,400 | 163,595 | 15% |
| Fair Pricing | 439,750 | 32,908 | 7% |
| Administration | 95,000 | 57,653 | 61% |
| Subtotal | 1,617,150 | 254,156 | 16% |
| Administration and General | | | |
| Salary & Benefits | 1,644,372 | 502,759 | 31% |
| Other Expenses | | | |
| BAWSCA | 373,250 | 79,187 | 21% |
| BAWUA | 1,050 | 0 | 0% |
| Subtotal | 3,635,822 | 836,102 | 23% |
| Capital Expenses | 10,000 | 0 | 0% |
| Budgeted Contingency | 57,500 | 0 | 0% |
| Regional Financing Authority | 1,250 | 2,001 | 160% |
| Grand Total | 3,704,572 | 838,102 | 23% |

Overview:

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

Consultants

The \$110,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 16 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 21 percent expended. The Operating Budget allocation of \$669,000 budget for legal counsel was 19 percent expended. The \$301,400 budget for water management and conservation-related activities was 14 percent expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 31% and 21% percent expended respectively.

Use of CEO's Discretionary Spending Authority:

In October, the CEO entered into the following agreements under her discretionary spending authority:

- Gloria Cohn Consulting, in the amount of \$1,600, to provide "Speak with Confidence" training sessions for the technical staff.
- South Tech Systems, in the amount of \$1,828 per year for three years, for development and implementation of a web based Form 700 electronic filing program.
- Joe Ortiz, in the amount of \$25,000, for technical support related to BAWSCA's oversight of the SFPUC capital program.

Expenses related to these actions will be reflected in future budget status reports. The Operating Budget for 2017-18 remains the same.

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 September 30, 2017, shown below, does not yet reflect this deposit. Once the audited financial report has been accepted by the Board of Directors, the unspent balance from FY 2016-17 will be transferred to the General Reserve. 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. After the two transfers have been executed, the BAWSCA General Reserve balance will be \$1,561,144.

Table 2. General Reserve Fund Balance

| Fund | Account Balance (As of 06/30/17) | Account Balance (As of 09/30/17) |
|-----------------|---|---|
| General Reserve | \$1,202,592 | \$1,202,592 |

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Receive and File Annual Audit Report for BAWSCA and
Compilation Report for BAWUA for FY 2016-17**

Summary:

An independent auditor report for BAWSCA and a compilation report for Bay Area Water Users Association (BAWUA) have been completed for the year ending June 30, 2017. An audit of BAWSCA accounts is required by Division 31, Section 81426 of the Water Code. The compilation of BAWUA accounts is prepared in accordance with its bylaws, Article 8, Section 8.2. The reports are enclosed, under separate cover, for your review. A financial audit of the Regional Finance Authority is not required at this time.

Fiscal Impact:

None

Board Policy Committee Action:

None. The reports became available on October 24th for staff review, allowing their inclusion in the BAWSCA board meeting agenda.

Recommendation:

That the Board receive and file the independent auditor's report for BAWSCA and the compilation report for BAWUA for the year ending June 30, 2017.

Discussion:

BAWSCA's and BAWUA's financial statements have been audited and compiled by the independent auditing firm of Chavan & Associates, LLP. The goal of an independent audit is to provide reasonable assurance that the financial statements are free from material misstatement.

Based on their review of the financial statements, the auditors have concluded that the financial statements are in conformance with generally accepted accounting principles, and fairly present, in all material respects, the financial position of both BAWSCA and BAWUA and the changes in financial position and cash flow for FY 2016-17.

As demonstrated by the statements, schedules and notes included in the auditor's reports, BAWSCA and BAWUA are meeting the requirements for sound financial management.

Enclosed under separate cover:

1. BAWSCA FY 2016-17 Audit Report
2. BAWUA FY 2016-17 Compilation Report

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Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: October 26, 2017

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

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 September 30, 2017.

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Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: October 27, 2017

SUBJECT: Investment Report – As of September 30, 2017

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 required annual report of investment policy by the Board is scheduled for the November 16th board meeting.

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>06/30/17</u> | <u>09/30/17</u> |
| \$2,305,278 | \$2,450,587 |

Of the total in the BAWSCA LAIF account as of September 30, 2017, \$1,202,592 represents BAWSCA's General Reserve Fund, equivalent to approximately 32 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% |

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Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Christina Tang, Finance Manager

DATE: November 3, 2017

**SUBJECT: Bond Surcharge Collection, Account Balance and Payment Report
as of September 30, 2017**

BAWSCA's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued to prepay the remaining capital cost recovery payments that the BAWSCA agencies owed San Francisco as of June 30, 2013, when the payments were paid off. The bond transaction and the prepayment program was anticipated to 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.

Bond Surcharge Collections

BAWSCA collects the bond surcharge from member agencies through the SFPUC as a separate item on SFPUC's monthly water bills to agencies. The bond surcharge payments are used to make debt service payments on BAWSCA's revenue bonds.

As of November 3, 2017, BAWSCA received all surcharges billed for July 2017. The payments collected for August are \$38,746 less than the total surcharge payments billed due to City of Millbrae's August water bill not being paid until the end of October, which includes the bond surcharge amount of \$38,746 owed to BAWSCA. Payments of surcharges billed for September 2017 are still being received. In addition, the payments collected to date for September are \$121,519 less than expected because the SFPUC deducted the remainder of City of Millbrae's unpaid August water bill owed to the SFPUC.

According to the Prepayment and Collection Agreement between BAWSCA and the City and County of San Francisco, BAWSCA believes that the SFPUC is not allowed to use the surcharges collected from other agencies to make up to any single agency's unpaid water bill owed to the SFPUC. With BAWSCA Legal Counsel's assistance, BAWSCA has secured the SFPUC's agreement on BAWSCA's interpretation of the language in the Agreement. Since City of Millbrae paid the August bill at the end of October, BAWSCA expects the total shortfall amount of \$160,265 to be remitted to BAWSCA's Trustee account in November.

Table 1 below presents a summary of financial transactions related to BAWSCA's Bond Series 2013A and 2013B for the three months.

Table 1: Summary of Surcharges Remitted to Trustee for Quarter Ending 9/30/2017

| <u>Month</u> | <u>Amount Billed</u> | <u>Amount Remitted to Trustee</u> | <u>Shortfall</u> | <u>To Be Remitted in November</u> |
|----------------|----------------------|-----------------------------------|------------------|-----------------------------------|
| July 2017 | \$2,057,216 | \$2,057,216 | - | - |
| August 2017 | \$2,057,216 | \$2,018,470 | \$ 38,746 | \$ 38,746 |
| September 2017 | <u>\$2,057,216</u> | <u>\$1,461,440</u> | <u>\$121,519</u> | <u>\$595,776</u> |
| Total | \$6,171,648 | \$5,537,126 | \$160,265 | \$634,522 |

Bond Surcharge Account Balances

All surcharge payments are deposited with the Bank of New York, the Trustee who manages BAWSCA's accounts and administers debt service payments.

BAWSCA's account balances at the Bank of New York and the account activities in the past quarter are shown in Table 2 below.

Table 2: Bank of New York Bond Trustee Account Activity for Quarter Ending 9/30/2017

| | | |
|-------|-------------------|--|
| | 27,974,322 | Account Market Value as of 06/30/2017 |
| plus: | 6,246,166 | Surcharge Collected in July 2017 through September 2017 |
| plus: | 34,612 | Money Market Fund Interest, Security Coupons/Accrued Interest Received |
| plus: | (14,775) | Change in Market Value of Held Treasury Bonds |
| plus: | <u>(11,044)</u> | <u>Reimbursement to BAWSCA for Expenses Incurred in FY 2014-15</u> |
| | 34,229,281 | Account Market Value as of 09/30/2017 |

There are two ways interest is earned by BAWSCA on the collected surcharge payments and balances held in the stabilization funds. First, interest is automatically earned on the account balance in the Bank of New York Bond Trustee money market account at a current rate of approximately 0.91%. Last quarter, interest earnings received were \$34,612. Second, BAWSCA has the ability to invest the collected surcharge payments by purchasing US Treasury securities, possibly earning a higher rate of return than the money market account.

Based upon an evaluation of the available yields, it was determined that BAWSCA would realize a moderate earning benefit by purchasing U.S. Treasury securities instead of staying invested in the money market account. Following further evaluation, BAWSCA determined that a strategy that involved both a rolling and a ladder security structure provided the Agency with the most appropriate balance of safety, liquidity, and yield in October 2015. With the Investment Advisor's assistance, BAWSCA re-evaluated the strategy and confirmed that the current investment strategy meets the agency's needs most appropriately based on the current market conditions in October 2017. Just prior to security maturities on September 30, 2017, the held U.S. Treasury securities represented an increase of 16 basis points (0.16%) over what BAWSCA would have earned had the balances remained invested in the money market funds.

All investment interest earnings are deposited directly in the Trustee account, and will be used to pay for future expenses and debt service of the bonds. Ultimately, all interest earnings are returned to the member agencies through annual savings and through distribution of the Stabilization Fund, including interest, once the bonds are fully paid.

Revenue Bond Series 2013A and Series 2013B Debt Service Payment Status

The recent debt service payment of \$18,214,367 was made on October 1, 2017. It was paid using the bond surcharges collected from the agencies, consistent with the bond indenture. The next debt service payment of \$6,272,534 will be made on April 1, 2018. There are sufficient funds in the Trustee account to make the payment. Debt service payments are made on April 1st and October 1st of each year until 2034.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Annual Review and Consideration of BAWSCA's Statement of Investment Policy**

Summary:

The Board's Investment Policy states the CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting. The previous review occurred on November 17, 2016 and resulted in no changes to the policy. Quarterly investment reports are provided to the Board as required by the policy. The last investment report was provided to the Board for its July 20, 2017 meeting.

Legal counsel confirmed that the current Investment Policy reflects language consistent with current State law. A copy of the current policy is attached. BAWSCA's staff and financial advisor have also reviewed the current policy and support the continuation of the current limitations contained in the Investment Policy. No changes to the policy are recommended at this time.

Fiscal Impact:

No impact on BAWSCA's annual operating budget.

Board Policy Committee Action:

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

The Committee also directed the CEO to provide an informational report on BAWSCA's current investment strategies to the Committee in December.

Recommendation:

That the Board re-affirm the current Statement of Investment Policy.

Discussion

The primary objectives of BAWSCA's Investment Policy are safety, liquidity, and return on investment. All BAWSCA funds are invested in accordance with the Investment Policy and the California Government Code. Legal counsel has reviewed the applicable State law and believes that BAWSCA's current Investment Policy reflects language consistent with current State law.

BAWSCA's Investment Policy also specifies permitted investment instruments for the bond proceeds associated with the Revenue Bonds Series 2013A and 2013B. The permitted instruments are Federal Securities, Money Market Mutual Funds, and Certificates of Deposit. This approach provides BAWSCA the flexibility to gradually expand the types of permissible investments for bond proceeds through Policy amendments over the life of the bonds. BAWSCA's collected bond surcharge payments and balances held in the stabilization funds are currently invested in the Bank of New York Bond Trustee's money market account and U.S. Treasury securities.

BAWSCA historically has invested all funds in conservative investment vehicles. Based on BAWSCA's review of the agency's circumstances and the market conditions, and

consultations with the financial advisor and legal counsel, no changes to the policy, including the permitted investment instruments for the bond proceeds, are recommended.

Attachment:

1. Statement of Investment Policy

BAY AREA WATER SUPPLY & CONSERVATION AGENCY
STATEMENT OF INVESTMENT POLICY

Adopted February 19, 2004

Amended by the Board, July 15, 2010

Amended by the Board, July 21, 2011

Amended by the Board, November 15, 2012

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

STATEMENT OF INVESTMENT POLICY

1. Introduction

The investment policies and practices of the Bay Area Water Supply & Conservation Agency (BAWSCA) are based on state law and prudent money management. All funds will be invested in accordance with the Agency's Investment Policy and the California Government Code.

2. Scope

This policy applies to all funds and investment activities under the direction of the Agency, including funds held in the name of the Bay Area Water Users Association (BAWUA), a California nonprofit corporation of which the Agency is the sole member.

3. Prudence

The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency.

Investments shall be made with the judgment and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived, and in accordance with the provisions of Government Code Section 53600 et seq.

4. Objectives

The primary objectives, in priority order, of the Agency's investment activities shall be:

A. Safety. Safety of principal is the foremost objective of the investment program. The Agency's funds shall be invested in a manner that seeks to ensure preservation of capital.

B. Liquidity. The Agency's investments will remain sufficiently liquid to enable the Agency to meet its cash flow requirements.

C. Return on Investment. The Agency's investments shall be designed with the objective of attaining a market rate of return consistent with the constraints imposed by its safety and liquidity objectives.

5. Delegation of Authority

The management and oversight responsibility for investments is hereby delegated to the CEO/General Manager who shall monitor and review all investments for consistency with this Investment Policy.

6. Investment of Funds

A. Permitted Investments and Depositories

(i) Agency funds may be deposited only in state or national banks and state or federal savings associations with offices in California that meet the requirements and conditions of the Government Code, as it may be amended from time to time.

(ii) Funds not deposited in banks or savings associations shall be invested in the Local Agency Investment Fund administered by the Treasurer of the State of California, in accordance with Government Code Section 16429.1.

B. Other Limitations

(i) The maximum amount of funds deposited with any bank or savings association shall be \$250,000; provided that if funds are each separately insured by the Federal Deposit Insurance Corporation ("FDIC"), the General Manager may maintain separate accounts for the Agency and for BAWUA (to a maximum of \$250,000 for each entity) at one bank or savings association. The temporary increase from \$100,000 to \$250,000 in the standard maximum deposit insurance amount has been permanently extended by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

(ii) Investment maturities shall be based on a review of cash flow forecasts and shall be scheduled so as to allow the Agency to meet all projected obligations. The maturity of any certificate of deposit shall not exceed 12 months.

7. Investment of Bond Proceeds

Permitted Investments and Depositories. Pursuant to Government Code section 53601(m), a local agency may invest bond proceeds "in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance of those bonds." Typically, a local agency will specify in its investment policy that the investment of bond proceeds is out of the scope of the investment policy because permitted investments are specified in the bond indenture.

Instead, BAWSCA has determined that it would like to at least temporarily use its Investment Policy to restrict the vehicles permitted for the investment of bond proceeds to more conservative investments than are permitted by the Revenue Bond Indenture, dated January 1, 2013, by and between BAWSCA and the Trustee (the "Indenture"). This gives BAWSCA the flexibility to, through amendments to future Investment Policies, gradually expand permitted investments for bond proceeds to include some or all of the investment vehicles permitted in the Indenture. As

such, notwithstanding language allowing a broader range of investment vehicles in the Indenture, bond proceeds may be invested only in the following instruments:

(i) “Federal Securities” meaning direct and general obligations of the United States of America, or those which are fully and unconditionally guaranteed as to timely payment of principal and interest by the same;

(ii) “Money Market Mutual Funds” meaning funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor’s of “AAAm-G” or “AAAm” and, if rated by Moody’s, having a rating by Moody’s of “Aaa,” including money market funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund or for which the Trustee or any of its affiliates serve as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee; and

(iii) “Certificates of Deposit” (including those placed by third parties pursuant to an agreement between the Agency and the Trustee), trust funds, trust accounts, overnight bank deposits, interest bearing money market accounts, time deposits, savings accounts, deposit accounts, bankers’ acceptances or money market deposits which are fully insured by the Federal Deposit Insurance Corporation, including those of the Trustee or its affiliates.

8. Reporting Requirements

The CEO/General Manager shall provide the Board a quarterly investment report, which shall include the information specified in Government Code Section 53646.

9. Annual Review of Investment Policy

The CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting.

BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: November 9, 2017
SUBJECT: Chief Executive Officer/General Manager's Letter

Status of FY 2015-16 & FY 2016-17 Wholesale Revenue Requirement Reviews

Pursuant to Section 7.06A of the 2009 Water Supply Agreement (WSA), BAWSCA conducted its review of SFPUC's calculation of the annual Wholesale Revenue Requirement and the changes in the balancing account for FY 2015-16. As a result of the WRR review, BAWSCA sent some questions and concerns to the SFPUC on May 8, 2017. BAWSCA is still waiting for the SFPUC's response. The deadline for both parties to enter into a settlement agreement for FY 2015-16 or for the wholesale customers to file a demand for arbitration on any unsolved issues is March 8, 2018.

In accordance with Sections 5.04, 6.08B and 7.02 of the WSA, the SFPUC is going to provide BAWSCA the required reports for FY 2016-17 before the end of November 2017. This information will also be provided to the auditors who will perform the FY 2016-17 compliance audit. The SFPUC expects the auditors to complete the compliance audit by January 31, 2018. A copy of SFPUC's calculation of the annual Wholesale Revenue Requirement and the changes in the balancing account for FY 2016-17 will be submitted to BAWSCA for its Wholesale Revenue Requirement review after the compliance audit is completed.

WSIP Alameda Creek Recapture Project EIR – Update

The Alameda Creek Recapture Project (ACRP) is one component of the SFPUC's Water System Improvement Program (WSIP). The project is located in the Sunol Valley in Alameda County on lands within the SFPUC's Alameda Watershed. The project would be implemented following completion of the Calaveras Dam Replacement Project and in conjunction with future operation of the restored Calaveras Reservoir.

To comply with federal and state permit requirements for the future operations of Calaveras Dam and Reservoir, the SFPUC is required to make releases from Calaveras Dam and to bypass creek flow around the Alameda Creek Diversion Dam in accordance with instream flow schedules set forth by the National Marine Fisheries Service in a March 5, 2011 biological opinion for the Calaveras Dam Replacement Project. The releases and bypasses are designed to improve conditions for native aquatic species including threatened steelhead in Upper Alameda Creek downstream of Calaveras Dam and the Alameda Creek Diversion Dam. The SFPUC proposes the ACRP to "recapture" some of the water that it is required to release and bypass in order to use this water in the Regional Water System.

San Francisco's Planning Department published a Final Environmental Impact Report (EIR) for the ACRP on June 7, 2017. Two weeks later, the EIR was certified in compliance with the California Environmental Quality Act (CEQA). Subsequent to that certification, the Alameda

County Water District (ACWD) filed an appeal to the San Francisco Board of Supervisors requesting that the Board overturn the certification of the Final EIR. The National Marine Fisheries Service (NMFS) filed a letter in support of the appeal that contained comments the San Francisco Planning Department considered to be "significant new information" under CEQA.

As such, on September 19, 2017, the San Francisco Board of Supervisors adopted findings reversing the Final EIR certification and directing the Planning Department to provide additional analysis regarding whether the proposed project would result in impacts on steelhead fish. They also directed the Planning Department to enlist an independent third-party expert to review the groundwater/surface water analysis in the EIR to determine if the analysis adequately and accurately supports the fisheries impact analysis as required by CEQA.

On October 17, 2017, the Planning Department released a notice of preparation (NOP) of the recirculated portion of the project EIR. The NOP is available for public review and comment through November 17, 2017.

BAWSCA understands, following discussion with SFPUC and Planning Department staff, that it is likely to take approximately 10 to 12 months to revise and recirculate the EIR. BAWSCA will be tracking the efforts of the SFPUC as part of BAWSCA's WSIP oversight role.

SFPUC/BAWSCA Benchmarking Study

BAWSCA's FY 2017-18 Work Plan includes a task to conduct a Benchmarking Study of the SFPUC. A draft scope of work has been developed following further conversations with BAWSCA's technical consultants who have expertise in this area.

The draft scope calls for (1) evaluating the SFPUC's capital planning process and (2) benchmarking that process with those used by other comparable water suppliers. A report will be prepared summarizing the findings of the two main tasks as well as the overall assessment of the SFPUC's strengths and opportunities for improvement.

Interviews and interaction with SFPUC are necessary steps during the planned work effort. BAWSCA staff has met with SFPUC staff to discuss the proposed Benchmarking Study. SFPUC participation is necessary to assure that BAWSCA can adequately detail the SFPUC's capital planning process. SFPUC indicated a willingness and interest to participate in the Benchmarking Study.

A subset of agencies that will be compared to SFPUC has been drafted, but the list will not be finalized until the project moves into the implementation stage.

BAWSCA intends to conduct this work effort within the budget established in the FY 2017-18 workplan. The schedule for completion of the study is currently being discussed with the SFPUC. Completion of this study may need to extend into FY 2018-19 depending on the ability to coordinate with SFPUC staff as needed over the next 7 months. Further schedule updates will be provided as part of the mid-year Work Plan and Budget review.

New Additional Consultant Support to Assist Review of SFPUC's Capital Program

BAWSCA is pleased to announce the addition of Mr. Jose Ortiz as a technical expert and consultant to support BAWSCA's overall review of the SFPUC's capital planning and asset management programs. Mr. Ortiz recently opened his own consulting firm, J. L. Ortiz Consulting, following his retirement from the SFPUC earlier this year.

BAWSCA will be utilizing Mr. Ortiz's understanding of SFPUC's water system and operations as well as his expertise in the areas of major capital project planning, development, and

implementation. He will support BAWSCA's review of the SFPUC's capital planning and asset management programs, including the upcoming updates to the SFPUC 10-Year CIP.

Mr. Ortiz's background includes many years of service at both the SFPUC and East Bay Municipal Utility District (EBMUD). At the SFPUC from 2006 through mid-2017, Mr. Ortiz was a Senior Project Manager responsible for managing three WSIP projects (Bay Division Pipeline No. 5 Project, the Regional Groundwater Storage and Recovery Project, and the Bioregional Habitat Restoration Project). From 1992 thru to 2006, Mr. Ortiz worked at EBMUD where he was involved in several large water infrastructure design and construction efforts. Mr. Ortiz is a registered engineer in the State of California.

Under her discretionary authority, the CEO has entered into a contract with J.L. Ortiz Consulting, Inc. for up to \$25,000 for FY 2017-18. Funds for this unanticipated contract were made available through associated cost savings in other program areas with no resulting impact to the overall FY 2017-18 budget. The addition of Mr. Ortiz to BAWSCA's existing team of Mr. Terry Roberts and Ms. Jean Gardner, under the primary direction of Tom Francis, greatly increases BAWSCA's overall technical expertise in this critical area and supports BAWSCA's goal of ensuring long-term effective management of the Regional Water System and its assets.

Regional Reliability Modeling Project - Update

Development of BAWSCA's independent Regional Water Supply Modeling Tool (Model) is underway and on schedule. BAWSCA's Model is intended to serve as an analysis tool that BAWSCA staff will utilize to evaluate regional water supply reliability, considering all water supplies available to BAWSCA's member agencies. In addition to evaluating the reliability of the region under the current water supply portfolio, BAWSCA will use the Model to evaluate how new supplies can serve to improve water supply reliability in the future.

The Model will explicitly represent local and regional supply sources and will be capable of capturing the supply and demand interactions that affect regional water supply reliability. Incorporated into the Model are the various sources of supply that one or more BAWSCA member agencies have access to (e.g., San Francisco Regional Water System supplies, Santa Clara Valley Water District supplies, State Water Project supplies). Member agency water demands are incorporated into the Model as input data (current as well as future demand estimates).

BAWSCA has convened an Inter-Agency Technical Advisory Panel to provide technical input from the region's major water suppliers (e.g., SFPUC, Santa Clara Valley Water District, ACWD) throughout development of the Model. The Project Team has recently completed formulating the approach to setting up the Model, including identifying potential planning-level scenarios to be used for development, calibration, and testing of the Model. In addition, BAWSCA selected RiverWare as the platform for the Model, as it best met the criteria BAWSCA established, including ability to efficiently analyze the scenarios, efficiency of model set-up, level of available vendor support, and cost.

Making Conservation a Way of Life - Update

The BAWSCA "Making Conservation a Way of Life" Strategic Plan – Phase 1 is on schedule. The Plan will support BAWSCA member agencies in meeting the new water use efficiency targets as established by Governor Brown's "Making Conservation a Way of Life" Executive Order and subsequent legislative actions. Phase 1 includes: a) an assessment of member agency existing data and technical capabilities to comply with the anticipated state requirements and b) development of a roadmap for compliance with the proposed state requirements that identifies respective BAWSCA and member agency roles.

Two kick-off webinars for the project were held in September, and collection of key member agency data to complete the assessment is nearly complete. On January 10th, a member agency workshop will be held to review BAWSCA agencies' current practices and water industry best practices for conducting landscape area measurements, classifying commercial, industrial, and institutional customer accounts, and managing water loss.

Two bills to implement the new water use efficiency target, SB 606 and AB 1668, are anticipated to be the focus of renewed attention by the California Legislature when the legislative session resumes in January 2018. In preparation for the legislative session, BAWSCA has expedited Phase 1 tasks to develop cost estimates for agency actions that would need to be taken to comply with the proposed requirements in SB 606 and AB 1668. This information will support BAWSCA's efforts to evaluate impacts of the proposed legislation and to advocate for member agency interests.

Water Smart Innovations Conference and Expo 2017

In early October, BAWSCA staff member, Andree Johnson, presented on two topics at the WaterSmart Innovations Conference and Exposition in Las Vegas. This annual conference has become one of the premier water industry conferences focused on achieving greater water efficiency and included more than 1,000 water industry professionals from around the world. The first BAWSCA presentation, "Taking the Temperature on Drought Response," shared the results of the BAWSCA drought report, in particular the insights gained from the member agency drought response survey. The second presentation, "Innovative Approaches to Water Demand Forecasting", discussed best practices for forecasting water demands and approaches for overcoming data gaps.

Local System Tours – Peninsula Watershed and Calaveras Dam

Two tours of the local portion of the SFPUC's Regional Water System were held on separate days during the month of October 2017. Both tours were coordinated by BAWSCA staff and hosted by staff from the SFPUC.

On October 6, 2017, SFPUC hosted an all-day tour of the Calaveras Dam construction site. Stops on the tour also included the new fish ladder under construction at the SFPUC's Alameda Creek Diversion Dam, which is a part of the Calaveras Dam Project. Attendees on the tour included BAWSCA Water Management Representatives, a BAWSCA Board Member, BAWSCA's Water Resources Manager and BAWSCA's CEO/GM. Several SFPUC staff were also present to serve as tour guides. The tour provided attendees with added perspective on the scale (size) and significant progress that is being made on the embankment and spillway construction for new Calaveras Dam.

On October 12, 2017, SFPUC hosted an all-day tour of the Peninsula Watershed. The sites visited as part of the tour included the Pulgas Water Temple, the Bay Area Ridge Trail, Pilarcitos Dam, Harry Tracy Water Treatment Plant, a new groundwater facility associated with the Regional Groundwater Storage and Recovery Project, and the SFPUC's Homestead Pond Bioregional Habitat Restoration Site. Attendees on the tour included BAWSCA Water Management Representatives, elected representatives from BAWSCA Member Agencies, BAWSCA's Water Resources Manager, and BAWSCA's CEO/GM. Several SFPUC staff were also present to serve as tour guides. The tour provided attendees with added perspective on the large swath of lands and facilities within the Peninsula that form part of the Regional Water System.

Board of Directors

Policy Calendar Through July 2018

| Board Meeting | Purpose | Issue or Topic |
|---------------|---------------------------------|---|
| January 2018 | D&A D&A R&D R R | Review of Agency Personnel Handbook FY 2017-18 Mid-Year Work Plan and Budget Review, and Management of General Reserve FY 2018-19 Work Plan and Budget Preparation Planning Session SFPUC WaterMAP and 2018 Decisions Review of Water Supply Forecast |
| March 2018 | D&A R&D R R | Consideration of BAWSCA Bond Surcharges for FY 2018-19 Presentation of Preliminary FY 2018-19 Work Plan and Budget Update on BAWSCA's Phase I "Making Conservation a Way of Life" Strategic Plan 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
and Regional Financing Authority**

Meeting Schedule through December 2018

| Schedule for BAWSCA Board Meetings (Meetings are held from approx. 6:30 – 8:45 p.m.) | |
|---|----------------------------------|
| <u>Date</u> | <u>Location</u> |
| Thursday – September 21, 2017 | Oak Room, San Mateo Main Library |
| Thursday – November 16, 2017 | Oak Room, San Mateo Main Library |
| Thursday – January 18, 2018 | Oak Room, San Mateo Main Library |
| Thursday – March 15, 2018 | Oak Room, San Mateo Main Library |
| Thursday – May 17, 2018 | Oak Room, San Mateo Main Library |
| Thursday – July 19, 2018 | Oak Room, San Mateo Main Library |
| Thursday – September 20, 2018 | Oak Room, San Mateo Main Library |
| Thursday – November 15, 2018 | Oak Room, San Mateo Main Library |

| Schedule for RFA Board Meetings (Meeting time will be announced) | |
|---|----------------------------------|
| <u>Date</u> | <u>Location</u> |
| Thursday – January 18, 2018 | Oak Room, San Mateo Main Library |
| Thursday – July 19, 2018 | Oak Room, San Mateo Main Library |

| Schedule for BAWSCA Board Policy Committee Meetings (Meetings held from 1:30-4:00 p.m.) | |
|--|--|
| <u>Date</u> | <u>Location</u> |
| Wednesday – October 11, 2017 | 155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm. |
| Wednesday – December 13, 2017 | 155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm. |
| Wednesday – February 14, 2018 | 155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm. |
| Wednesday – April 11, 2018 | 155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm. |
| Wednesday – June 13, 2018 | 155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm. |
| Wednesday – August 8, 2018 | 155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm. |
| Wednesday – October 10, 2018 | 155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm. |
| Wednesday – December 12, 2018 | 155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm. |