

**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, September 21, 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. 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)	
4. Consent Calendar (Attachments)	(Mendall)	
A. Approve Minutes of the July 20, 2017 Meeting		<i>Pg 3</i>
B. Receive and File Pre-Audit Budget Status Report – As of 6/30/17		<i>Pg 7</i>
C. Receive and File Quarterly Bond Surcharge Collection, Account Balance and Payment Report – As of 6/30/17		<i>Pg 9</i>
5. Action Calendar	(Sandkulla)	
A. Resolution Approving Temporary Reappointment of Arthur Jensen as Special Counsel to the CEO/GM (<i>Attachment</i>)		<i>Pg 13</i>
6. SFPUC Report	(Kelly)	
A. WSIP Report	(Wade)	
7. Reports	(Sandkulla/Francis)	
A. Water Use Update		
B. Making Water Conservation a Way of Life (<i>Attachment</i>)		<i>Pg 17</i>
C. CERBT Fund Update (<i>Attachment</i>)		<i>Pg 19</i>
D. CEO/General Manager's Letter (<i>Attachment</i>)		<i>Pg 21</i>
E. Board of Directors Policy Calendar (<i>Attachment</i>)		<i>Pg 25</i>
F. Correspondence Packet (<u><i>Under Separate Cover</i></u>)		
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 (<i>Under Separate Cover</i>)	(Schutte)	
B. Conference with Legal Counsel – Anticipated Litigation Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Government Code 54956.9 (Two potential cases) (<i>Under Separate Cover</i>)	(Schutte)	

- C. Public Employee Performance Evaluation (Mendall)
 Title: CEO/General Manager
 Closed Session Pursuant to Government Code Section 54957
 (Under Separate Cover)
- D. Conference with Labor Negotiator (Mendall)
 Agency designated representative: Al Mendall
 Unrepresented Employee: CEO/General Manager
- 9. Report from Closed Session (Mendall)**
- 10. Break for Negotiation with Agency Labor Negotiator (Mendall)**
- 11. Reconvene Following Labor Negotiations (Mendall)**
- 12. Action Item Following Closed Session (Mendall)**
 A. Consider Compensation Adjustment for CEO/General Manager
 for FY 2017-18 (Under Separate Cover)
- 13. Directors' Discussion: Comments, Questions and Agenda Requests (Mendall)**
- 14. Date, Time and Location of Future Meetings (Mendall)**
 (See attached schedule of meetings) Pg 27
- 15. Adjourn to next meeting scheduled for November 16, 2017 at 6:30pm (Mendall)**

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

Directions to San Mateo Main Library San Mateo – 55 W. 3rd 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 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.

From San Francisco via Hwy 280 Southbound, Exit Hwy-92 East towards San Mateo/Hayward. Exit 12B onto CA-82 N/S El Camino Real. Merge onto CA-82, turn Left on W. 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.

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

**July 20, 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. Seventeen (17) members of the Board were present at roll call, constituting a quorum. Two arrived after roll-call. A list of Directors present (19) and absent (7) is attached.

2. Comments by the Chair: Chair Mendall noted that the agenda includes action items that are essential to the agency's function of ensuring a reliable supply of high quality water at a fair price for its member agencies and their water customers. These items were discussed in detail at the June Board Policy Committee meeting, which Committee Chair Larsson will speak to.

Chair Mendall stated that the use of recycled water in the future is something that BAWSCA must continue to evaluate as part of its Long-Term Reliable Water Supply Strategy to meet the region's future water supply needs. Tom Francis, BAWSCA Water Resources Manager, prepared a White Paper on Recycled Water to detail the work being done by BAWSCA and its member agencies. Copies have been provided to each member of the Board.

Finally, Chair Mendall welcomed Rob Kuta who has been appointed on the BAWSCA Board to represent Cal Water.

Ms. Sandkulla introduced BAWSCA's new Water Conservation Representative/Office Assistant, Emily Yarsinske. She was an intern at Santa Clara Valley Water District. She has a BS in Environmental Studies and a Minor in Sustainable Water Resources from San Jose State University. Her start date at BAWSCA is July 27th.

3. Board Policy Committee (BPC) Report: Committee Chair, Gustav Larsson, reported the Committee's discussions at the June 14th meeting. The Committee voted unanimously to recommend approval of the proposed Board actions. Details of the Committee's discussions are reflected in the BPC summary report included in the packet.**4. Public Comments:** There were no comments from the public.**5. Consent Calendar:**

Director Richardson made a motion, seconded by Director Kasperzak, to approve the Minutes of the May 18, 2017 meeting, receive and file the Budget Status Report as of May 31, 2017, Investment Report and Directors' Reimbursement Report as of June 30, 2017, authorize the CEO/General

Manager to enter into a contract with a selected consultant to develop “Making Conservation a Way of Life” Strategic Plan – Phase 1, and approve the proposed modifications to the Description, Title, and Top Step Salary for the position of Senior Administrative Analyst.

The motion carried unanimously.

6. **The Board adjourned at 6:36pm to break for the San Francisco Bay Area Regional Water System Financing Authority Board Meeting.**
7. **The Board reconvened at 6:38pm following adjournment of the San Francisco Bay Area Regional Water System Financing Authority Board Meeting.**
8. **SFPUC Report:** Steve Ritchie, SFPUC Assistant General Manager for Water Enterprise, addressed the Board with a report on water supply conditions and updates on the Detwiler Fire near Yosemite.

9. Closed Session:

The meeting adjourned to Closed Session at 6:48pm, and reconvened to Open Session at 8:15pm.

Legal Counsel, Allison Schutte, reported that during Closed Session, the Board provided Legal Counsel with appropriate guidance.

10. Action Calendar:

A. Process and Schedule for CEO/General Manager Annual Evaluation

Chair Mendall presented the existing evaluation procedure and form that has been used in the past four years. The Board was asked for their comments, additions, and changes. Chair Mendall reported that the BPC reviewed and discussed the procedure and form, and recommends continuing to use it in its current form.

Director O’Mahony made a motion, seconded by Director Zigterman, to approve the procedure and evaluation form for subsequent use as part of the CEO/GM performance evaluation during Closed Session at the September 21st Board Meeting.

11. Reports:

Mr. Francis provided a report on water supply conditions, and spoke about the Recycled Water White Paper. He also reported on the progress of the Los Vaqueros Expansion Project.

12. Directors’ Discussion: Comments, Questions and Agenda Requests: There were no further discussions.

13. Date, Time and Location of Next Meeting: The next meeting is scheduled on September 21, 2017 at 6:30pm, in the Oak Room, of the San Mateo Main Library.

14. Adjournment: The meeting adjourned at 8:37pm.

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
July 20, 2017

Attendance Roster

Present:

Robert Anderson	Purissima Hills Water District
Randy Breault	Guadalupe Valley Water District
Tom Chambers	Westborough Water District
Mike Kasperzak	City of Mountain View
Kirsten Keith	City of Menlo Park
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
Barbara Pierce	City of Redwood City
Dan Quigg	City of Millbrae
Sepi Richardson	City of Brisbane
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
Tom Zigterman	Stanford

Absent:

Jay Benton	Town of Hillsborough
Charlie Bronitsky	City of Foster City
Sam Liccardo	City of San Jose
Juslyn Manalo	City of Daly City
Tom Piccolotti	North Coast County Water District
Gregg Schmid	City of Palo Alto
Rich Tran	City of Milpitas

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: September 11, 2017

SUBJECT: Pre-Audit Budget Status Report as of June 30, 2017

This memorandum shows fiscal year budget status for FY 2016-17. 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 twelve-month period ending June 30, 2017, total expenditures were \$2,934,077 or 85 percent of the total budget of \$3,468,008.

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

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	1,022,100	838,791	82%
Fair Pricing	409,000	163,106	40%
Administration	95,000	111,578	117%
Subtotal	1,526,100	1,113,475	73%
Administration and General			
Salary & Benefits	1,580,658	1,515,687	96%
Other Expenses			
BAWSCA	356,450	297,396	83%
BAWUA	1,050	0	0%
Subtotal	3,464,258	2,926,558	84%
Capital Expenses	2,500	6,619	265%
Budgeted Contingency	0	0	0%
Regional Financing Authority	1,250	900	72%
Grand Total	3,468,008	2,934,077	85%

Overview:

Overall expenditures for FY 2016-17 tracked within budget.

Consultants

The \$107,500 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 69 percent expended. The budget allocation of \$150,000 for strategic counsel was 100 percent expended. The budget allocation of \$726,000 for legal counsel was 86 percent expended. The \$381,600 budget for water management and conservation-related activities was 42 percent expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 96 and 83 percent expended respectively.

Capital Expenses

A new server was purchased in the amount of \$6,619. Funds were budgeted for this purchase in FY 2017-18. Due to available funding in the FY 2016-17 operating budget and the opportunity to secure a decent sale price in June, the CEO authorized this purchase in June 2017 under her discretionary spending authority. Expenses are reflected in this budget report.

Use of CEO's Discretionary Spending Authority:

See Capital Expenses above.

Use of Reserve and Reserve Fund Balance:

Unspent funds at the end of FY 2015-16 were \$453,246. The BAWSCA General Reserve balance as of June 30, 2017, shown below, reflects this deposit. In accordance with the adoption of the FY 2016-17 budget in May 2016, the Board approved a transfer of \$27,274 from the General Reserve to fund the FY 2016-17 budget. The BAWSCA General Reserve balances shown below reflect this transfer.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 05/31/17)	Account Balance (As of 06/30/17)
General Reserve	\$1,202,592	\$1,202,592

Unspent funds at the end of FY 2016-17 will be determined when the financial audit is completed. The funds will be transferred to the General Reserve after the Board of Directors accepts the FY 2016-17 audited financial report.

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: Nicole Sandkulla, CEO/General Manager

FROM: Christina Tang, Finance Manager

DATE: August 23, 2017

SUBJECT: Bond Surcharge Collection, Account Balance and Payment Report for Fiscal Year Ending June 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 today, BAWSCA has received surcharge payments of \$24,684,780, which represent the total surcharge billed in FY 2016-17. Partial payments of surcharges billed for May 2017 and all payments of surcharges billed for June 2017 were remitted to Trustee after the fiscal year ended. Table 1 below presents a payment collection summary for FY 2016-17.

Table 1: Summary of Surcharges Remitted to Trustee for Fiscal Year Ending 6/30/2017

<u>Month</u>	<u>Amount Billed</u>	<u>Amount Remitted to Trustee</u>	<u>Difference</u>
July 2016	\$2,057,065	\$2,057,065	\$0
August 2016	\$2,057,065	\$2,057,065	\$0
September 2016	\$2,057,065	\$2,057,065	\$0
October 2016	\$2,057,065	\$2,057,065	\$0
November 2016	\$2,057,065	\$2,057,065	\$0
December 2016	\$2,057,065	\$2,057,065	\$0
January 2017	\$2,057,065	\$2,057,065	\$0
February 2017	\$2,057,065	\$2,057,065	\$0
March 2017	\$2,057,065	\$2,057,065	\$0
April 2017	\$2,057,065	\$2,057,065	\$0
May 2017	\$2,057,065	\$2,057,065	\$0

June 2017	<u>\$2,057,065</u>	<u>\$2,057,065</u>	<u>\$0</u>
Total	\$24,684,780	\$24,684,780	\$0

Bond Surcharge Account Balances

All surcharge payments are deposited with the Bank of New York, the Trustee, which manages BAWSCA’s accounts and administers debt service payments. BAWSCA’s account balances at the Trustee and the account activities in FY 2016-17 are shown in Table 2 below.

Table 2: Bank of New York Bond Trustee Account Activity for Fiscal Year Ending 6/30/2017

	27,784,835	Account Market Value as of 06/30/2016
<i>plus:</i>	24,711,061	<i>Surcharge Collected in July 2016 through June 2017</i>
<i>plus:</i>	249,057	<i>Money Market Fund Interest, Security Coupons/Accrued Interest Received</i>
<i>plus:</i>	(122,483)	<i>Change in Market Value of Held Treasury Bonds</i>
<i>plus:</i>	3,669,083	<i>Change in Market Value of Matured Treasury Bonds</i>
<i>plus:</i>	7,290,734	<i>Market Value of Purchased Bonds</i>
<i>minus:</i>	24,537,864	<i>Debt service payment to bondholders</i>
<i>minus:</i>	11,043,232	<i>Principal for Treasury bonds purchased</i>
<i>minus:</i>	14,754	<i>Accrued interest for Treasury bonds purchased</i>
<i>minus:</i>	<u>12,115</u>	<u><i>Reimbursement for Expenses Incurred in FY 2013-14</i></u>
	27,974,322	Account Market Value as of 06/30/2017

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 0.83%. In FY 2016-17, interest earnings received were \$47,988. Second, BAWSCA has the ability to invest the collected surcharge payments by purchasing U.S. 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 earnings 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 laddered security structure provided the Agency with the most appropriate balance of safety, liquidity, and yield. Consequently, this investment strategy was implemented in October 2015. As of June 30, 2017, the currently held U.S. Treasury securities represent an increase of 24 basis points (0.24%) over what BAWSCA would have earned had the balances remained invested in the money market funds. The \$249,057 mentioned in the summary table above includes interest earnings of \$47,988 received from the money market fund and coupons and accrued interest of \$201,069 received from the securities.

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

During FY 2016-17, BAWSCA made debt service payments twice, using the bond surcharges collected from the agencies, consistent with the initial bond structure. The first payment of \$18,078,497 was made on October 1, 2016. The second payment of \$6,459,367 was made on April 1, 2017. The next debt service payment of \$18,214,367 will be made on October 1, 2017. 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: **Resolution Approving Temporary Reappointment of Arthur Jensen as Special Counsel to the CEO/GM**

Summary:

As required by the California Public Employees' Retirement System (PERS), Board findings are required before Arthur Jensen, retired from BAWSCA, can be reappointed to the temporary position of Special Counsel to the Chief Executive Officer and General Manager (CEO/GM) in order to provide BAWSCA with essential services.

Fiscal Impact:

Funds to reappoint Arthur Jensen as Special Counsel to the CEO/GM are included in the adopted budget for salaries and benefits for FY 2017-18.

Board Policy Committee Action:

The Committee did not meet in August. This item is being presented to the Board without a recommendation from the BPC.

Recommendation:

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.

Discussion:

Although Arthur Jensen retired from BAWSCA in September 2013, his services continue to be essential to ensure that BAWSCA can complete critical negotiations with the City and County of San Francisco pertaining to the classification of assets under the Water Supply Agreement between San Francisco and its wholesale water customers, and other matters as needed. These negotiations began in FY 2013-14. The negotiations have resulted in the resolution of a number of issues, and the parties are currently negotiating Water Supply Agreement amendment language. It is anticipated that the remaining issues will be resolved during FY 2017-18. In order to complete these critical negotiations, it is anticipated that in FY 2017-18, Mr. Jensen's level of activity will be less than 7 hours a week.

The California Government Code allows the temporary employment of a PERS-covered retiree only under specified conditions, and only if the person works no more than 960 hours per fiscal year. The attached resolution includes findings that the Board must adopt in order for the CEO/GM to appoint Arthur Jensen to a temporary position for no longer than one year in compliance with all legal requirements.

Attachments:

1. Resolution 2017-01 for the temporary reappointment of Arthur Jensen as Special Counsel to the CEO/GM.

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**RESOLUTION NO. 2017 – 01
BY THE BOARD OF DIRECTORS OF THE
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**APPROVING TEMPORARY APPOINTMENT OF ARTHUR JENSEN
AS SPECIAL COUNSEL TO THE CEO/GM**

WHEREAS, the Bay Area Water Supply and Conservation Agency ("BAWSCA") is organized and established pursuant to the Bay Area Water Supply and Conservation Agency Act, Water Code section 81300, et seq. (the "Act"); and

WHEREAS, section 81408 of the Act authorizes the Board of Directors of BAWSCA (the "Board") to (i) employ employees that it determines are necessary or convenient to operate BAWSCA, and (ii) delegate that authority to the Chief Executive Officer and General Manager of BAWSCA (the "CEO/GM") with respect to the employment of additional employees; and

WHEREAS, the CEO/GM recommends the temporary appointment of Arthur Jensen (the "Appointee") to the position of Special Counsel to the CEO/GM; and

WHEREAS, the Appointee is a retired annuitant entitled to receive retirement benefit payments under the California Public Employees' Retirement System ("PERS"), which benefits he accrued based on service with multiple PERS-covered agencies; and

WHEREAS, BAWSCA contracts with PERS to provide retirement benefits to its eligible employees; and

WHEREAS, the Appointee will be performing similar duties to those performed by individuals who have held or are currently holding the position of CEO/GM; and

WHEREAS, the California Government Code ("Code") generally requires that a retired PERS annuitant be reinstated to active PERS membership upon employment by a PERS-covered agency, unless he is temporarily appointed by the agency's appointing authority under sections 7522.56 and 21224 of the Code, which exempt a retired PERS annuitant from the reinstatement requirement if (i) he is temporarily appointed because he ". . . has specialized skills needed in performing work of limited duration," (ii) he works no more than 960 hours per fiscal year for all PERS-covered employers, (iii) his hourly rate of pay is neither less than nor more than the monthly base salary paid by the agency to any of its other employees who perform comparable duties, divided by 173.333, (iv) he will not receive any other benefit, incentive, compensation in lieu of benefits, or other form of compensation in excess of such hourly rate, (v) he is not reemployed within 180 days of his retirement, and (vi) he has not received unemployment compensation arising out of any prior employment subject to these requirements with the same employer during the 12-month period preceding his appointment; and

WHEREAS, the Board has determined that the Appointee has the skills needed in performing work as Special Counsel to the CEO/GM for a limited term of no more than one year and intends that his appointment to that position for such term meet this and all other applicable requirements of sections 7522.56 and 21224 of the Code.

NOW THEREFORE BE IT RESOLVED, that subject to BAWSCA's customary employment practices and the specific terms and conditions of any offer of employment by BAWSCA to the Appointee in connection therewith, the Board hereby approves the appointment of the

Appointee to the position of Special Counsel to the CEO/GM for up to a one-year term, effective upon appropriate action by the CEO/GM; and

RESOLVED FURTHER, that in accordance with sections 7522.56 and 21224 of the Code:

1. the Board finds and declares that the Appointee possesses extensive, highly specialized skills and experience needed to complete critical negotiations with the City and County of San Francisco pertaining to the classification of assets under the Water Supply Agreement between San Francisco and its wholesale water customers and other matters as needed;
2. the Appointee's appointment to the position of Special Counsel to the CEO/GM will not exceed 960 hours in any fiscal year for all PERS-covered agencies;
3. the Appointee's rate of pay as Special Counsel to the CEO/GM will be neither less than nor more than the monthly base salary paid by the agency to any of its other employees who perform comparable duties, divided by 173.333, and he will not receive any other benefit, incentive, compensation in lieu of benefits, or other form of compensation in excess of such hourly rate;
4. the Appointee is being reappointed more than 180 days after his retirement;
5. the Appointee has not received any unemployment compensation arising out of his prior employment with BAWSCA during the 12-month period preceding his appointment; and
6. subject to BAWSCA's customary employment practices, including "at-will" employment, the appointment of Appointee as Special Counsel to the CEO/GM will continue only until the earlier of: (i) the end of the appointment's one-year term, or (ii) termination of the Appointee's employment by either BAWSCA or the Appointee for any other reason; and

RESOLVED FURTHER, that the CEO/GM is hereby authorized and directed to execute all documents and take all other actions necessary or advisable to effect the purposes of this resolution.

PASSED AND ADOPTED this 21st day of September, 2017, by the following vote:

AYES:

NOES:

ABSENT:

Chair, Board of Directors
Bay Area Water Supply and
Conservation Agency

ATTEST:

Assistant to the CEO/GM

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **“Making Conservation a Way of Life” Strategic Plan**

Summary:

This memorandum provides an update regarding consultant selection and work efforts to date on the BAWSCA “Making Conservation a Way of Life” Strategic Plan (Plan)- Phase 1. The Plan will support BAWSCA member agencies in meeting the new water use efficiency targets as established by Governor Brown’s “Making Conservation a California Way of Life” Executive Order and subsequent legislative actions. Phase 1 of the Plan, to be completed in FY 2017-18, 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.

Through a competitive procurement process, BAWSCA selected the firm of Maddaus Water Management (MWM) to complete Phase 1 of the Plan. In August 2017, BAWSCA entered into an agreement with MWM for a not-to-exceed budget of \$187,577 for completion of Phase 1.

Fiscal Impact and Budget:

The adopted FY 2017-18 budget includes \$170,000 to complete Phase 1 of the Plan. In July, the Board authorized the CEO to enter into a contract for up to \$170,000. Based on the proposals received and the subsequent negotiations, the final contract with the selected consultant has a not-to-exceed budget of \$187,577. The CEO authorized the additional budget of \$17,577 under her discretionary signature authority. Through reallocation of other planned expenses for water conservation, funds have been made available in the adopted FY 2017-18 for these purposes.

Recommendation:

There is no recommended action for this item. This item is for information only.

Discussion:

Project Background

The BAWSCA “Making Conservation a Way of Life” Strategic Plan will support BAWSCA member agencies in meeting the new water use efficiency targets as established by the “Making Conservation a California Way of Life” Executive Order and subsequent legislative actions. Development and implementation of the Plan is anticipated to be a multi-year effort, phased over the next three fiscal years to align with the state’s proposed schedule for implementing new water use efficiency targets and associated regulations.

Phase 1 of the Plan, to be completed in FY 2017-18, 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.

Consultant Selection

BAWSCA released a Request for Proposals (RFP) seeking consultants interested in providing Phase 1 services on June 26, 2017. Three proposals were received from teams led by the following consultants:

- EKI Water and Environment (EKI)
- Maddaus Water Management (MWM)
- WaterForever, LLC

A selection panel comprised of one BAWSCA staff member and two outside panelists scored the written proposals. BAWSCA member agencies were invited to participate in the proposal review and to observe the consultant interviews. The top two consultant teams based on their written proposal rankings, MWM and EKI, were interviewed by the selection panel. MWM was determined to be the top firm based on the extensive qualifications of their team members with regard to the technical elements of the project coupled with other factors that considered the strength of their presentation and written proposal.

MWM’s proposed project approach and budget assumed that BAWSCA staff would have a significant role in the coordination with member agencies on data collection. Such a level of BAWSCA staff support is not possible or practicable, given the other commitments BAWSCA staff have consistent with the adopted FY 2017-18 BAWSCA Work Plan. Hence BAWSCA requested a revised proposal from MWM to incorporate additional junior staff to support the data collection process. The revised proposal addressed BAWSCA’s needs, and on August 29, 2017, BAWSCA and MWM executed an agreement to complete the project.

Schedule

Phase 1 is scheduled to be completed during FY 2017-18, with key deliverables to be complete in March 2018 in order to inform development of BAWSCA’s FY 2018-19 Work Plan and Operating Budget. Table 1 shows the major milestones for project completion.

Table 1: Phase 1 Project Schedule

Milestone	Due Date
Data Collection Complete	October 2017
Workshop #1	January 2017
Technical Memoradums on CII Account Classification, Landscape Area Measurements, and Water Loss Complete	February 2018
Workshop #2	March 2018
Draft Roadmap/Strategic Plan	April 2018
Final Strategic Plan	May 2018

Activities to Date

BAWSCA held a kick-off meeting with the MWM project team on August 31st and coordinated with the consultant team on the data collection process to obtain key information from BAWSCA member agencies. A pilot data collection workbook was provided to three BAWSCA agencies on September 8th. The pilot agencies are currently reviewing the workbook for clarity and will provide feedback on the amount of time required to complete the workbook. The data collection workbook will be provided to all agencies on September 21st and will be completed in October 2017.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: BAWSCA's California Employers' Retiree Benefit Trust Fund Update

Summary:

BAWSCA participates in the California Employers' Retiree Benefit Trust (CERBT) program, administered by CalPERS, to prefund Other Post-Employment Benefits (OPEB) obligations. Since entering the CERBT program from April 26, 2014 through June 30, 2017, BAWSCA has had total contributions of \$407,851 and investment earnings of \$43,735. The actual average annualized internal rate of return was 6.76% for FY2016-17, which is slightly higher than the 6.73% discount rate used in the recent OPEB actuarial valuation as of July 1, 2016. Since FY 2013-14, BAWSCA has been fully funding the Annual Required Contribution (ARC) to prefund its OPEB obligations in each year.

Fiscal Impact:

BAWSCA's FY 2017-18 Operating Budget includes a CERBT contribution of \$80,505 to fully fund the ARC for the fiscal year. This amount was deposited into BAWSCA's CERBT account on July 21, 2017.

Recommendation:

This item is for informational purposes only. No Board action is requested.

Discussion:

Like all other public agencies, BAWSCA prefunds its OPEB obligations in order to generate investment income from employer controlled contributions to pay for future retiree benefits, reduce future employer cash flow requirements, and reduce OPEB liabilities reported on the agency's annual financial statements. To achieve these goals, BAWSCA established a CalPERS CERBT program to prefund OPEB obligations in April 2014.

BAWSCA's actual investment performance in the CERBT account is always considered during the annual OPEB actuarial valuation. Since FY 2013-14, BAWSCA has been fully funding the ARC determined by the annual OPEB actuarial valuation as part of its operating budget. The table on the next page provides a summary of BAWSCA's CERBT account as of June 30, 2017.

CERBT Account Summary as of June 30, 2017	
Total Contributions (Initial contribution made on 4/26/2014)	\$407,851
Total Disbursements	-
Total CERBT Expenses	(\$756)
Total Investment Earnings	\$43,735
Total Assets	\$450,830
Current Asset Allocation Strategy Selection	CERBT Strategy 2
CERBT Long-Term Expected Rate of Return	6.73%
BAWSCA Actual Average Annualized Internal Rate of Return* for FY2016-17	6.76%
BAWSCA Actual Average Annualized Internal Rate of Return* from Inception (4/26/2014) through 6/30/2017	5.00%

**Net of fees*

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: September 15, 2017
SUBJECT: Chief Executive Officer/General Manager's Letter

Drought Report:

In early 2017, BAWSCA identified the need to document the drought response actions taken by BAWSCA, BAWSCA member agencies, and the State, and to include, as part of that documentation, critical knowledge gained through these actions, during the 2014 to 2017 drought period. BAWSCA's Drought Report was finalized in August of 2017, after undergoing final review by member agencies. The Report will serve as a reference document for future drought response and water planning efforts.

Contents of the Drought Report include:

- A timeline of the major drought actions by the State, SFPUC, and Santa Clara Valley Water District (SCVWD);
- BAWSCA drought response actions, including demand management actions, water supply actions, and regulatory and policy support provided;
- BAWSCA member agencies' local drought response actions and feedback on BAWSCA drought response activities;
- Fiscal considerations, including fiscal impacts for BAWSCA, the SF Regional Water System, and individual member agencies;
- Water quality issues observed during the drought and responses taken;
- Water use reductions achieved for the SF Regional Water System and individual BAWSCA member agencies; and
- Lessons learned, as well as ongoing and potential future activities related to drought response.

The Drought Report was distributed to the Board and member agencies in early September. An electronic version has also been uploaded to the BAWSCA website.

Proposition 1 Applications – BAWSCA Project Advocacy

In November 2014, California voters passed Proposition 1 - the Water Quality, Supply, and Infrastructure Improvement Act of 2014 - a \$7.5 billion water bond designed to provide needed financial investments in the state's water management systems. The bond dedicated \$2.7 billion for investments in water storage projects and designated the California Water Commission (Commission) as the agency responsible for appropriately allocating these funds.

The Commission, through their Water Storage Investment Program, will fund the public benefits of these projects. Eligible projects must also provide measurable benefits to the Delta ecosystem or its tributaries.

The application period for funding closed on August 14, 2017. Twelve applications were received requesting a total of \$5.792 billion in funding. All applications received by the Commission and information and documentation related to the review process can be found on their web page at <https://cwc.ca.gov/Pages/WSIP.aspx>

Of the twelve that were received, BAWSCA is directly a partner along with other Bay Area water utilities, in Contra Costa Water District's (CCWD) application for \$434 million in funding to go toward the expansion of their Los Vaqueros Reservoir. In addition, BAWSCA provided a support letter to Santa Clara Valley Water District for their application for \$485 million in funding to go toward the expansion of the Pacheco Reservoir, a project that, if constructed, has the potential to benefit BAWSCA member agencies.

FERC Licensing Processes - Update

The Modesto and Turlock Irrigation Districts (Districts) are in the process of (1) renewing their operating license with the Federal Energy Regulatory Commission (FERC) for the Don Pedro Hydroelectric Project and (2) obtaining a new license for the operation of the La Grange Hydroelectric Project on the Tuolumne River. The multi-year licensing processes include various operational, environmental and economic studies and involve multiple parties including the Districts, FERC, other federal and state resource agencies, local governments, nongovernmental organizations, and members of the public.

BAWSCA has monitored the licensing processes, paying particular attention to issues that have the greatest potential to shape downstream flow release requirements under the terms of the new FERC licenses. Changes to the license requirements for release flows from the Don Pedro Hydroelectric Project could increase the amount of water required to be released from Don Pedro Reservoir for environmental purposes. San Francisco has rights to store exchange water in Don Pedro Reservoir and may potentially have responsibility for a portion of any increased flows required by FERC, thereby potentially negatively affecting water supplies available to BAWSCA agencies.

The Districts released a Draft License Application for the La Grange Project on April 24, 2017 and had planned to release a joint Final License Application for both Don Pedro and La Grange on September 24, 2017. In late August, the Districts filed a request with FERC for an extension of time for submittal of the Final License Application for both projects until October 11, 2017. This extension has been granted. BAWSCA will continue to monitor the FERC licensing processes, including the official schedule, and will update the Board with any significant progress or findings that occur.

WSIP Annual Report – BAWSCA Review

In accordance with Section 73502(c) of the California Water Code, the SFPUC is required each year to prepare and submit to the State of California an annual report describing progress made on the implementation of the Water System Improvement Program (WSIP) during the preceding Fiscal Year. The most recent report, summarizing the progress made during FY 2016-17 was completed during the month of August and made available to BAWSCA and the State on Friday, September 1, 2017.

As noted in the report, SFPUC continued to make progress on the implementation of the WSIP during FY 2016-17. Between July 1, 2016 and June 30, 2017, the overall completion of the Regional Program increased from 91.4% to 94.1%. The focus of the program continued to be construction of several ongoing large projects and administrative closeout of projects that recently completed construction. During the reporting period, one large construction contract,

the Harry Tracy Water Treatment Plant (HTWTP) Long-Term Improvements, reached final completion. In addition, two other projects, the Peninsula Pipelines Seismic Upgrade Phases 1 and 2 and the Bay Division Pipeline (BDPL) Reliability Upgrade – Tunnel, reached administrative closeout/completion. As of June 30, 2017, construction was in progress on eight regional projects valued at \$1,502 million, while construction had been completed on 39 regional projects valued at \$2,188 million. There is one project remaining in pre-construction (the Alameda Creek Recapture Project).

BAWSCA's technical team has initiated a review of the Annual Report, which is anticipated to be complete by early October. A summary of the results of the review will be shared with the Board and Member Agencies.

Mountain Tunnel - Update

The Mountain Tunnel conveys the Tuolumne River water supply stored in Hetch Hetchy Reservoir from the Kirkwood Powerhouse/Early Intake to Priest Reservoir. The Mountain Tunnel has been in service since 1925 and consists of concrete-lined and unlined sections.

The SFPUC initiated the Mountain Tunnel Improvements Project (project) to evaluate the condition of the tunnel and ensure it can meet the established performance standards of providing reliable, quality drinking water to the San Francisco Bay Area. Past inspection reports questioned the integrity of the lined portion of the tunnel and in 2013 an Alternatives Analysis Report recommended that the lower 11 miles of the tunnel be replaced with a new bypass tunnel. That conclusion was questioned such that a new evaluation accompanied by a new tunnel inspection was pursued. SFPUC formed a Technical Advisory Panel (TAP) to help review the efforts of the consultant team tasked with the new evaluation.

SFPUC conducted a detailed tunnel inspection in 2017 to both assess the condition of the Mountain Tunnel and develop the technical documentation needed to recommend a preferred repair or replacement alternative. A draft condition assessment report was completed in July 2017, detailing the results of the inspection, summarizing the current condition of the tunnel, evaluating the integrity of the tunnel rock and lining, and determining if rehabilitation of the tunnel to restore service life is possible.

In August 2017, the SFPUC hosted a meeting of their TAP where the results of the inspection were presented and questions from the TAP were responded to. There also was a discussion regarding the finding that the repair alternatives appear to be the most appropriate, although no formal decision was yet made by the SFPUC.

As a follow-up to the August TAP meeting, the TAP will be preparing a final report that presents its opinion as to the work effort performed to date. At the same time, the inspection reports prepared by SFPUC's consultants will be finalized, and SFPUC will continue to refine the various alternative approaches such that a final selection can be brought forward for review and approval by SFPUC's management. A follow-up TAP meeting to detail these next proposed work efforts is anticipated before the end of the calendar year.

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Board of Directors

Policy Calendar Through May 2018

Committee Meeting	Purpose	Issue or Topic
September 2017	D&A D&A	Resolution Approving Temporary Appointment of A. Jensen as Special Counsel to the CEO/GM CEO/GM Evaluation
November 2017	D&A D&A R	Annual Review and Consideration of Statement of Investment Policy Review of Agency Conflict of Interest and Personnel Handbook Update on BAWSCA's Regional Water Supply Modeling Tool Development
January 2018	D&A R S	FY 2017-18 Mid-Year Work Plan and Budget Review Review of Water Supply Forecast FY 2018-19 Work Plan and Budget Preparation
March 2018	D&A R&D 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
May 2018	D&A D&A	Presentation of Proposed FY 2018-19 Work Plan and Budget Consideration of Annual Consultant Contracts

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**Bay Area Water Supply and Conservation Agency
and Regional Financing Authority**

Meeting Schedule through June 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

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

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.