

BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

February 8, 2017

1:30 p.m.

BAWSCA Offices, 155 Bovet Road, San Mateo, 1st Floor Conference Room

(Directions on page 2)

(A member of the Board Policy Committee may participate in this meeting by Teleconference. Locale shall be: 1025 Strawberry Lane, Boise, Idaho 83712. If any member of the board participates by teleconference, all votes taken at this meeting will be by roll call vote.)

REVISED AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
1. <u>Call To Order, and Roll Call</u>	(Larsson)	
Roster of Committee Members <i>(Attachment)</i>		Pg 3
2. <u>Comments by BPC Chair and Board Chair</u>	(Larsson/Mendall)	
3. <u>Public Comment</u>	(Larsson)	
<i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>		
4. <u>Consent Calendar</u>	(Larsson)	
A. Approval of Minutes from the December 14, 2016 meeting <i>(Attachment)</i>		Pg 5
5. <u>Reports and Discussion Items</u>	(Sandkulla)	
A. Governor's Executive Order B-37-16 on "Making Water Conservation a California Way of Life" <i>(Attachment)</i>		Pg 17
<u>Issue:</u> What is BAWSCA's role in helping agencies comply with the Governor's Executive Order and State of California "Making Conservation a Way of Life" Framework?		
<u>Information to Committee:</u> Memorandum and Oral report		
<u>Committee Action Requested:</u> 1) Comments and suggestions concerning the proposed FY 2017-18 Work Plan activities associated with EO B-37-16; and, 2) suggestions concerning how to approach the presentation, to the Board, of the "Making Conservation a California Way of Life" framework and associated proposed FY 2017-18 Work Plan activities to assist member agencies in implementation.		
B. Preliminary Fiscal Year 2017-18 Work Plan and Results to be Achieved <i>(Attachment)</i>		Pg 21
<u>Issue:</u> What critical results must be achieved in FY 2017-18 to accomplish BAWSCA's goals and water management objectives?		
<u>Information to Committee:</u> Memorandum presenting Preliminary Fiscal Year 2017-18 Work Plan and Results to be Achieved.		

Committee Action Requested: 1) Comments and suggestions concerning the preliminary Fiscal Year 2017-18 Work Plan and results to be achieved; 2) Feedback on presented results from January 19th work plan and budget preparation planning session; and 3) Suggestions concerning presentation of the preliminary Work Plan and Operating Budget to the Board of Directors in March.

6. Reports

(Sandkulla)

- A. Water Supply Update
- B. SWRCB's Draft SED Update
- C. CEO/General Manager's Letter (*Attachment*) Pg 35
- D. Board Policy Committee Calendar (*Attachment*) Pg 39
- E. Correspondence Packet (*Under Separate Cover*)

7. Comments by Committee Members

(Larsson)

8. Adjournment to the next meeting on April 12, 2017 at 1:30pm in the 1st floor conference room of the BAWSCA office building, at 155 Bovet Road, San Mateo.

(Larsson)

*Upon request, the Board Policy Committee of the Bay Area Water Supply and Conservation Agency (BAWSCA) will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and the preferred alternative format or auxiliary aid or service at least two (2) days before the meeting. Requests should be sent to: **Bay Area Water Supply & Conservation Agency, 155 Bovet Road, Suite 650, San Mateo, CA 94402** or by e-mail at **bawsca@bawsca.org***

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

Directions to BAWSCA

From 101: Take Hwy.92 Westbound towards Half Moon Bay. Exit at El Camino Northbound (move into the far left Lane) Left at the 1st stop light which is Bovet Road (Chase Building will be at the corner of Bovet and El Camino). Proceed West on Bovet Road past 24 Hour Fitness to two tall buildings to your left. Turn left into the driveway between the two buildings and left again at the end of the driveway to the "Visitor" parking spaces in front of the parking structure.

From 92: Exit at El Camino Northbound and follow the same directions shown above.



BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Committee Roster:

Gustav Larsson, City of Sunnyvale (Chair)

Tom Zigterman, Stanford University (Vice Chair)

Jay Benton, Town of Hillsborough

Randy Breault, GVMID (BAWSCA Immediate Past Chair)

Rob Guzzetta, Cal Water Service Area

Al Mendall, City of Hayward (BAWSCA Chair)

Barbara Pierce, City of Redwood City (BAWSCA Vice Chair)

Dan Quiqq, City of Millbrae

Greg Schmid, City of Palo Alto

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

December 14, 2016 – 1:30 p.m.

BAWSCA Offices, 155 Bovet Road, San Mateo, 1st Floor Conference Room

MINUTES

1. **Call to Order: 1:30 p.m.:** Committee Chair Dan Quigg called the meeting to order at 1:30 pm. A list of Committee members who were present (8) and other attendees is attached.

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

2. **Comments by the Chair:** Committee Chair Quigg welcomed the members of the Committee.
3. **Public Comments:** Public comments were received from Peter Drekmeier, Policy Director of the Tuolumne River Trust.
4. **Consent Calendar:** Approval of Minutes from October 12, 2016 meeting.
Director O'Connell made a motion, seconded by Director Larsson, that the minutes of the October 12, 2016 Board Policy Committee meeting be approved.
The motion passed unanimously.

5. **Action Item:**

- A. **Proposed Fiscal Year 2017-18 Bond Surcharges:** Christina Tang reported that the proposed FY 2017-18 bond surcharge setting conforms to BAWSCA's Revenue Bond Indenture for the Series 2013A and 2013B revenue bonds. BAWSCA is required to imposed a fixed surcharge for each member agency on an annual basis to pay that year's obligated debt service, bond administration expenses, and replenish the stabilization fund as necessary.

Based on the review, no replenishment amount for the stabilization fund is needed at this time. The same methodology used to calculate the bond surcharges for FY 2016-17 was used to calculate the surcharges for FY 2017-18.

The total surcharge for FY 2017-18 is \$24,686,592. This amount is equivalent to \$0.47/ccf or \$206/AF, assuming a wholesale water consumption of 107 mgd. A table that provides the monthly and annual bond surcharge amount for each agency was presented and included in the packet.

Ms. Tang reminded the Committee that the bond issuance and bond prepayment program saves the member agencies and their customers over \$3.5 M annually until 2034.

Director Larsson noted that because the bond surcharges were based on an established methodology previously approved by the board, the item could go directly

to the Board for action, unless there are changes to the methodologies, or irregularities with the indenture that would require the BPC to discuss and provide further direction to the CEO.

Ms. Sandkulla stated that there is no policy involved in the action, and could be brought directly to the Board moving forward.

Director Vella stated that while the calculation is based on a set methodology, he appreciates the information on an annual basis. He finds it helpful for the item to be brought to the Committee yearly for the reasons that the transaction involves a significant amount of money, the charges to each agency is set once for the entire year, and a presentation provides information to new members of the Committee, and to members who benefit from the reminder. It behooves the committee members to be informed. Director Vella recommends that the item continue to be brought to the BPC on an annual basis.

Director Schmid agreed, and noted that it's important that the BPC get a chance to review and ask their questions before action is taken by the full board. An example of issues that would be important for both BPC and the Board to understand are the effects of the true-ups on agencies, which, for FY 2016-17, provided gains for some agencies and losses for others.

Ms. Sandkulla stated that the work involved to present the information to the BPC prior to the Board is not an issue, and that staff will do what the board and committee desires. She noted that for the past 2 years, the Chair of the Board has been streamlining the items that come to the BPC, consistent with the Committee purpose to review, discuss, and provide the Board recommendations on matters of policy.

Director O'Connell suggested the consideration of adding "advisory" to the name of the Committee.

Given that the Chair of the Board is not present, Ms. Sandkulla recommended, and the Committee agreed, to table the discussion of the Committee's role for a future conversation.

Director Mendall stated that a part of streamlining the items that come to the BPC is to avoid repetitiveness. But there is a balance to be considered on non-policy items that ought to be brought to the BPC for information before it goes to the Board for action. A reconsideration in January is appropriate.

Director Benton stated the importance of maintaining a purposeful Board.

Director O'Connell made a motion, seconded by Director Vella, that the Committee recommend the Board approval of the proposed FY 2017-18 bond surcharges as presented in the staff memorandum.

The motion passed unanimously.

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- B. Mid-Year 2016-17 Work Plan and Budget Review: Ms. Sandkulla reported that BAWSCA routinely reviews its work plan and budget in December, a process that has proven to be an important step in identifying necessary changes at mid-year. While the agency strives to develop the work plan and budget according to anticipated activities, changes occur that present the need to update the work plan. A number of changes to this year's work plan will be presented to the Committee for feedback and discussion. The changes will be presented to the Board for action in January.

The current review shows that all changes identified as necessary can be accommodated within the current budget. Further discussion about possible budget impacts will occur in the coming months.

Ms. Sandkulla stated that many of the changes are associated with supply reliability. They are both new and unplanned activities that critically impact BAWSCA and its member agencies. They include 1) the State Water Resources Control Board's (SWRCB) September release of the Recirculated Draft Substitute Environmental Document (SED), 2) increased activity in FERC proceedings, 3) the Governor's Executive Order and Draft Framework for Long-Term Water Conservation Policy, "Making Water Conservation a California Way of Life", and 4) New opportunities to continue implementation of BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy).

To address the changes, BAWSCA needs to expand its work plan to address five critical areas, as well as reduce scope of work in four areas to balance the available resources.

BAWSCA will need to participate in SWRCB's Bay-Delta Plan and Draft SED to protect the water supply reliability interests of the member agencies and their customers. Ms. Sandkulla explained that this activity was not included in the FY 16-17 work plan and budget because while the release of the draft SED was expected, the time in which it was going to be released, or the scope of effort that would be required was unknown. With its release in September 2016, substantial resources are being dedicated to it by the Water Resources Team, the CEO, and legal counsel to address the different pieces involved in what the document proposes. It is a significant addition to BAWSCA's work plan that is critical to protecting and representing the interests of the member agencies and water customers in what is going to be a statewide process.

The second critical area that needs expanded focus is implementation of the Strategy with several opportunities that came about. The opportunities include participation in three feasibility studies for purification of waste water for drinking purposes. BAWSCA is a direct participant in an MOU with San Francisco and Silicon Valley Clean Water for a pre-feasibility study for purified water. Additional MOUs are in progress with SCVWD, as well as with ACWD and Union Sanitary District for purified water pre-feasibility studies.

BAWSCA is also directly involved in the Los Vaqueros Reservoir Expansion project to identify what the potential supply reliability benefits could be achieved through this project.

Ms. Sandkulla explained that the SFPUC had budgeted the costs of these projects in its water enterprise fund for developing alternative new supplies to cover the

wholesale customers' collective share. There is no budget impact to BAWSCA because it is being paid through the wholesale revenue requirement. As a direct participant in the MOUs, BAWSCA is directly involved in the project scoping, evaluation, and subsequent steps. Additionally BAWSCA has the equal opportunity, if SFPUC backs away from these projects, to move forward independently of SFPUC.

The third critical area is BAWSCA's participation in the Regional and State-level discussions related to drought response and new water-use efficiency regulations. Work was expected in this area, but an expansion of efforts is needed as a result of new developments in the Governor's Executive Order and his focus on a new Urban Water-Use Efficiency Framework (Framework) for the State of California. The Framework is a whole new set of rules and regulations about how efficient water agencies must be, and has potential implications on agencies as water suppliers.

The member agencies are looking to BAWSCA to review and comment on the framework, participate in the state wide forums, understand particular issues, and represent the agencies.

The biggest concern is with the data intensive measures required by the framework that many agencies do not have, or are not technically capable of producing. Developing such data intensive measures would be an administrative burden to many agencies. BAWSCA has been active in emphasizing this argument with statewide agencies, such as ACWA, to include this consideration in their comment letter.

Work in this area is expected to continue because when the framework is put in place, the next step will be to help agencies identify what is involved in the implementation; how quickly will agencies need to have the data, and what resources will be required to develop the data.

The fourth critical area that needs expanded focus is on the New Don Pedro FERC proceedings. While it has been an ongoing item on BAWSCA's work plan and budgeted at a moderate level, it will require additional focus this fiscal year because of a growing probability that the FERC process could provide a way to resolve the issues with SWRCB's draft SED.

Ms. Sandkulla explained that MID and TID (Districts) has a license with FERC to operate New Don Pedro Reservoir. That license expired in 2016, and is being renewed on a yearly basis until a permanent license is issued.

As part of the process to discuss the conditions of the license renewal, the Districts have had ongoing meetings over the past 1 ½ years with stakeholders, which includes BAWSCA and the SFPUC, and are the same group involved with the draft SED.

Concurrently, the Governor has asked for a stakeholder driven solution to address the issues with the draft SED in which the SWRCB should look at the voluntary solutions provided by the stakeholders.

A fifth area of increased scope is in the Joint Water Quality Committee. The 2009 agreement obligated SFPUC, at BAWSCA's request, to have a Joint Water Quality Committee whose Chair and Vice-Chair shall be interchangeably filled by a representative from BAWSCA and SFPUC. The Committee has been the technical

body that monitors, and addresses if needed, activities and changes needed in operations on the RWS related to water quality for the RWS supply.

The need to increase the level of effort in this area is evident with the increasing issues over the past three years. There were three critical issues that occurred in 2016 and BAWSCA's participation was helpful in highlighting the water quality issues with the SFPUC and identifying and implementing changes to reduce overall impact.

To balance the staff resources with the scope increases, four areas of the work plan will be deferred.

The development of the water system modeling tool will be deferred to next fiscal year.

The development of a decision-making matrix for implementing the Strategy actions will be moved for reconsideration in next year's work plan, as will the workshop to review water utilities' financial best management practices and the benchmarking study about the SFPUC's development and management of Capital Improvement Programs.

Director Mendall commented that during the FY 2016-17 work plan and budget discussions, the Committee and Board concurred that the development of a decision-making matrix for implementing the Strategy should be an item first considered for deferral, if needed.

There are budget savings from the deferral of the four water resources activities. Given the unpredictable developments of the draft SED and FERC proceedings, Ms. Sandkulla will monitor legal activities and any need for budget changes. To date, the budget for legal counsel is sufficient.

Director Schmid asked if BAWSCA is monitoring the Water Resources Development Act (WRDA) bill to see if there are mandates that BAWSCA should be prepared to respond to, since it is water from the Tuolumne River that would be claimed by the Federal distribution guarantees.

He also asked about the SFPUC's progress on the Water MAP regarding its decision by 2018 about Santa Clara, San Jose and East Palo Alto, in which BAWSCA will have to be involved in during 2017.

WRDA falls outside of the scope that BAWSCA is actively engaged in. However, BAWSCA is relying on the SFPUC which is the agency that is closely monitoring WRDA for the interest of the Regional Water System.

The Federal Government has a role in WRDA because of its impact on a federal water project known as the US Bureau of Reclamation Project. There is no federal water project on the Tuolumne River, therefore, there is some distance between Tuolumne River and WRDA. However, there is funding in WRDA that is intended to help efforts like the Bay Delta Plan.

BAWSCA will continue to rely on the SFPUC and request for information and briefings as necessary on this subject as it pertains to the wholesale customers.

Ms. Sandkulla reported that the SFPUC continues its efforts with the cities of Santa Clara, San Jose, and East Palo Alto to discuss the relationship of the SED with SFPUC's Water MAP. The level of impact that the draft SED has on the Regional Water System puts a significant question on San Francisco's ability to fulfill the agencies' requests.

Ms. Sandkulla added that the SFPUC has to act by the end of 2018, but not necessarily make a decision. Given the absence of any firm knowledge about what is going to happen with the draft SED, no new decision by the SFPUC may be in the best interest of BAWSCA member agencies. BAWSCA will continue working with the SFPUC in representing the best interest of the member agencies.

In response to Director O'Connell, Ms. Sandkulla reported that efforts on Restore Hetch Hetchy are ongoing. Legal Counsel will provide an update in February 2017. The budget for this effort is sufficient.

Director Mendall stated that he is pleased to see that the drought response analysis remains in the work plan. He stated his concern with the deferral of the benchmarking study to evaluate the RWS' operational efficiency and cost effectiveness, but he will support it since it is not an immediate need. He would like to see it back on the subsequent work plan, and would not want it deferred on a yearly basis.

Ms. Sandkulla agreed, and clarified that the benchmarking study was a specific effort. BAWSCA's routine monitoring of the SFPUC's implementation of the WSIP and development of its 10-year CIP will continue.

Director Schmid commented that it would be helpful to be clear that there is flexibility in the work plan to deal with any issues that might come up.

Director Larsson made a motion, seconded by Director O'Connell, that the committee recommend Board approval of the proposed adjustments to the FY 2016-17 Work Plan:

1. Additions:

- a. Participate in SWRCB Bay-Delta Plan for the San Joaquin River including review and comment on Draft SED.**

2. Scope Increase:

- a. Participate in new feasibility studies in support of Long-Term Reliable Water Supply Strategy (Strategy) recommended actions.**
- b. Represent member agencies in regional and state-level discussions related to current drought and new water use efficiency regulations.**
- c. Support ongoing participation in New Don Pedro FERC proceedings.**
- d. Coordinate agency participation in Water Quality Committee.**

3. Scope Reduction/Delay:

- a. **Issue Request for Proposal this fiscal year but delay development of regional water system modeling tool until next fiscal year.**

4. Deletion for Subsequent Reconsideration Next Fiscal Year

- a. **Expand decision-making process for implementing Strategy actions.**
- b. **Organize workshop to review water utility best management practices.**
- c. **Pursue SFPUC benchmarking study.**

The motion passed unanimously.

6. Reports and Discussion

- A. Results of Survey on Alternative Board Meeting Time and Location: Ms. Sandkulla presented the results of the survey evaluating the location of the San Mateo Library where the November Board meeting was held. Out of the nineteen Board members who attended the November Board meeting, sixteen responded to the survey.

The overall response favored the San Mateo Library over Foster City in terms of a better commute. Comments received stated that parking and the meeting space in Foster City is better.

Ms. Sandkulla stated that any permanent change to the regular Board meeting date, time and location would need to be approved as an amendment to the Rules of the Board by an affirmative vote of the majority of the full Board.

Further consideration regarding the San Mateo library is the time restriction and an occasional conflict in the month of September.

The Library closes at 9pm and has no capacity to stay open beyond 9pm. A solution the Board can consider is to start the meeting at 6:30 pm.

One of the questions in the survey asked if a start time of 6:30 pm would work with Board Members' schedules. Of the sixteen respondents, eleven responded "yes" to a 6:30 pm start time, two responded "no", and three provided comments that were receptive to a 6:30 pm start time.

The library holds its Annual Book Faire on the 3rd Saturday of September and will occupy the Oak room if the 3rd Thursday precedes the 3rd Saturday. On these occasions, Special meetings of the Board can be held at an alternative location. This is the case for 2019 through 2022.

Ms. Sandkulla explained that the Library programs designed to serve the public users of the Library takes priority over reservations of outside agencies.

There is a charge of \$200 per meeting to use the San Mateo Library. The use of the Wind Room in Foster City is free. The cost to use the San Mateo Library six times during a year fits within BAWSCA's budget.

Ms. Sandkulla stated that this item requests the Committee's feedback for further direction to the CEO or guidance to the Board.

Director Vella commented that the parking at San Mateo is more restricted than Foster City's.

Director Schmid stated that the San Mateo location has three alternative routes, while the Foster City location can only be accessed through 101. The multiple route options justify the need to have to start at an earlier time.

Director Quigg thought that the San Mateo location worked well, and suggested that the Committee make a recommendation to the Board to change the meeting location to San Mateo.

Director Mendall recommended to hold the January 19th Board meeting as a Special Meeting with a 6:30pm start time at the San Mateo Library location. The agenda should include an action item for the Board to consider changing the meeting time and location, and holding a Special meeting on the occasions that the San Mateo Library is not available.

Director Benton advised not to change the start time of the January meeting, if possible, because changing the start time of a standing meeting can be tricky and would require a well-executed notification to ensure that all members of the Board are aware.

Ms. Sandkulla stated that that the January meeting will have a full agenda with the Mid-Year Work Plan and Budget Review and the FY 2017-18 Budget planning session. A least a full 2-hours will be needed to conduct the meeting.

The Committee advised that staff alert the BAWSCA and RFA Board members of the upcoming Special Meeting immediately, send reminder emails, and post a notice in accordance with the Brown Act.

Ms. Sandkulla stated that the Chair of the Board is supportive of making the necessary change to mitigate the negative impacts of worsening traffic conditions. She will report the Committee's discussions and recommendations to the Chair, and move forward as appropriate.

7. Reports:

- A. Water Supply Update: Ms. Sandkulla reported that the RWS' water supply is in a good position. The system storage is at 83% of maximum as opposed to 76% of normal storage. San Francisco is storing more water than normal in anticipation of the Mt. Tunnel shutdown.

Cumulative precipitation is slightly above 2016 (Water year is October 2015 – September 2016). The precipitation forecast shows moderate rain. Snow pack remains below the median.

Ms. Sandkulla reported that the amount of water rights water available to San Francisco to date is at 99 TAF, which is more than what was available in 2014 and

2015 at the end of the water year. This demonstrates the benefit of the storage that the system has been able to hold on to this year, because even if this year is not a good water year, the system will still fill up.

The total water deliveries continue to show a trend of decreased used once the weather cooled down and precipitation occurred.

- B. State Water Resources Control Board (SWRCB) Recent Proposal in the Draft SED: Ms. Sandkulla reported that BAWSCA has concerns with the SWRCB's proposal in the draft SED that could cause substantial flow reductions from the Tuolumne to the RWS. BAWSCA is working closely with the SFPUC to analyze the water supply, environmental, and socioeconomic impacts of the flow proposal in the draft SED.

The proposal is part of a regulatory-based environmental review process in which BAWSCA is preparing comments in conjunction with the SFPUC. BAWSCA's comments will query the adequacy of the CEQA document, and provide additional data and analysis about the impacts of the proposal.

Ms. Sandkulla explained that SWRCB has the obligation to establish objectives to protect the water quality in the Bay-Delta for fish, other wildlife, and human purposes. BAWSCA supports these objectives. The concern is whether the proposal achieves those objectives.

BAWSCA is requesting that the environmental and economic impacts of any shortage on the system, and the associated lost jobs and delayed development, be fully and adequately analyzed; and that these impacts be given at least equal weight with the other elements of the SWRCB's subsequent deliberations and decision making.

BAWSCA is working to secure comment letters from member agencies and allies to support BAWSCA's position. The focus of the comment letters will emphasize the impact to the agencies and suggest that the settlement discussions be given the opportunity to bear information that can potentially provide all or part of the solution.

Comments are due by January 17, 2017, but BAWSCA is asking that comment letters be submitted before the end of the year. Nicole will continue to communicate with the General Managers of each agency, and will reach out to the Board Members if needed.

- C. FY 2017-18 Work Plan and Operating Budget Preparation and Planning Session: Ms. Sandkulla reported that the agenda materials for the January Board meeting will provide a list of short and long-term issues identified by staff for the Board's discussion during the January planning session. BAWSCA's work plan and budget development begins with identifying the near and long-term issues that need to be addressed to achieve critical results. The budget planning session is an opportunity for the Board to provide input about the potential issues identified and results to be achieved, as well as ask questions or voice their concerns and ideas to the CEO/General Manager.

A preliminary FY 2017-18 work plan and budget will be presented to the Committee in February for review and discussion. It will have a list of issues to be addressed and results to be achieved along with responses to questions, concerns and ideas brought forth by the Board during the January planning session. With the Committee's input, the preliminary work plan and budget will be presented to the Board in March for its review and discussion, and additional direction to the CEO.

The proposed work plan and budget for FY 2017-18 will be presented to the BPC in April for discussion and recommendation to the Board for approval in May.

Director Mendall suggested that the Board be advised about the January budget planning session and the information that will be included in the January Board agenda packet so they can come prepared with their input and questions.

D. CEO's Letter: There were no discussions on the items.

E. Board Policy Committee Calendar: There were no discussions on the item

8. **Comments by Committee Members**: In response to Director O'Connell, Ms. Sandkulla stated that she will follow up with an email to the Board providing information on a response to Peter Drekmeier's comments stated during Public Comments.

Director Mendall noted that the February agenda should include a discussion item to continue the tabled dialogue about what non-policy items should come to the Committee, and the Committee's role.

9. **Adjournment**: The meeting was adjourned at 2:50 pm. The next meeting is February 8, 2017.

Respectfully submitted,

Nicole Sandkulla, CEO/General Manager

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Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – December 14, 2016

Roster of Attendees:

Committee Members Present

Dan Quigg, City of Millbrae (Chair)
Gustav Larsson, City of Sunnyvale (Vice Chair)
Jay Benton, Town of Hillsborough
Rob Guzzetta, California Water Service Company
Al Mendall, City of Hayward (BAWSCA Vice Chair)
Irene O'Connell, City of San Bruno
Gregg Schmid, City of Palo Alto
Louis Vella, Mid-Peninsula Water District

Committee Members Absent

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

BAWSCA Staff:

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

Public Attendees:

Peter Drekmeier	Tuolumne River Trust
Jan Lee	City of Hayward
Fan Lau	San Francisco Public Utilities Commission

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Agenda Title: **Governor's Executive Order B-37-16 on "Making Water Conservation a California Way of Life"**

Summary:

This memorandum presents the (1) State agencies' proposed framework to implement Executive Order B-37-16 "Making Water Conservation a California Way of Life" (EO-B-37-16), and (2) BAWSCA's proposed actions to assist the member agencies in complying with the State requirements.

EO B-37-16 calls for the establishment of new water use targets for urban water suppliers that go beyond existing requirements, specifically SBx7-7 (20% conservation by 2020), and take into account the unique climatic, demographic, and land use characteristics of each urban water supplier's service area.

The California Department of Water Resources (DWR) and State Water Resources Control Board (SWRCB), collectively referred to as the "EO Agencies", have released the "Making Water Conservation a California Way of Life" Public Review Draft Report (Report), which provides the framework for establishing these new individual agency water use targets through a multiple year process. If this proposal is implemented, setting and achieving the new water use targets will require significant actions for urban water suppliers. Urban water suppliers will need to annually report on progress toward achieving their individual water use targets beginning in 2019 and will need to meet the targets by 2025.

The BAWSCA Preliminary FY 2017-18 Work Plan includes activities to support the member agencies in calculating and achieving the new water use targets as proposed in the Report. These activities align with the implementation schedule developed by the EO Agencies. BAWSCA efforts to assist the member agencies in EO B-37-16 implementation are anticipated to span multiple years and would build on BAWSCA's existing Regional Water Conservation Program.

Recommendation:

That the Committee provide:

- 1. Comments and suggestions concerning the proposed FY 2017-18 Work Plan activities associated with EO B-37-16.**
- 2. Suggestions concerning how to approach the presentation, to the Board, of the "Making Water Conservation a California Way of Life" framework, and associated proposed FY 2017-18 Work Plan activities to assist member agencies in implementation.**

Discussion:

EO B-37-16 Directives:

EO B-37-16, signed by Governor Brown on May 9, 2016, called on the EO Agencies to establish long-term water conservation measures and improved planning for more frequent and severe droughts.

Specifically applicable to the BAWSCA member agencies, EO B-37-16 included directives for the EO Agencies to:

- Establish new water use targets for urban water suppliers that take into account the unique climatic, demographic, and land use characteristics of each urban water supplier's service area; and
- Strengthen requirements for Water Shortage Contingency Plans (WSCP) to require that the plans include adequate actions to respond to droughts lasting at least five years.

EO B-37-16 called for the EO Agencies to publicly issue a proposed draft framework for implementation of the above directives by January 10, 2017. This proposed draft framework has been made available in the “Making Water Conservation a California Way of Life” Public Review Draft Report. Release of the final report is anticipated shortly. Several of the key recommendations in the report, in particular the establishment of new water use targets, will require legislative action to implement.

Proposed Implementation Framework and Timeline

The Report calls for new water use targets to be established for each urban water provider by 2020 and to be achieved by 2025. These water use targets will be calculated as the sum of a supplier’s individual water use budgets for residential indoor use, outdoor irrigation, and distribution system water losses. For each of these individual categories, a water budget will be developed through the application of a water efficiency standard established by the EO Agencies. For example, the indoor residential budget would be calculated based on a gallons per capita per day water efficiency standard. Commercial, industrial, and institutional (CII) use will not be subject to a water budget or included in the agency water use targets, but rather will be subject to specific performance measures such as water audits for accounts over a certain size.

Establishing the water budgets necessary to calculate a supplier’s overall water use target involves a significant level of data that in most cases is not readily available. In particular, each urban water supplier must have landscape area measurements for individual parcels within the supplier’s service area to calculate the outdoor irrigation water budget. Significant State effort and stakeholder involvement will also be required to determine the appropriate indoor residential and outdoor irrigation water efficiency standards, which will provide the basis for the water budgets.

To allow water suppliers sufficient time for the development of the water budgets, the EO Agencies have established a multiple-year timeline for compiling the necessary information to determine water use targets, prepare budget calculations, and demonstrate compliance with the targets. Key milestones in this timeline are presented in Table 1.

Table 1: Implementation Schedule for EO B-37-16 Water Use Targets

Timeframe	Action or Requirement
2017	<ul style="list-style-type: none"> • DWR Completes Pilot Project for Landscape Area Measurements • First validated water audits due
2018	<ul style="list-style-type: none"> • DWR develops preliminary indoor residential and outdoor initial water efficiency standards • DWR provides landscape area data for calculating outdoor water budgets • State regulations and guidelines issued for CII efficiency performance measures
2019	<ul style="list-style-type: none"> • State issues guidelines for calculating water use targets • Water suppliers submit limited progress reports on compliance with targets
2020	<ul style="list-style-type: none"> • State adopts final indoor residential and outdoor water efficiency standards
2021	<ul style="list-style-type: none"> • Water suppliers submit 2020 Urban Water Management Plans (UWMPs) with final water use targets and plan for meeting targets
2022 – 2025	<ul style="list-style-type: none"> • Annual reporting on progress toward targets
2026	<ul style="list-style-type: none"> • Agencies submit final compliance report for 2025 target • If new targets are established, agencies begin annual progress reports for new 2030 targets.

BAWSCA Proposed Work Plan

BAWSCA's Preliminary FY 2017-18 Work Plan includes actions to support BAWSCA member agencies in meeting the new water use efficiency targets as recommended in the Report. Consistent with BAWSCA's Regional Water Conservation Program, BAWSCA's plan includes both (1) Core actions that benefit all BAWSCA member agencies and (2) the implementation of new Subscription programs which will be made available to all agencies and funded entirely by those agencies that opt to participate.

Phasing of BAWSCA's critical tasks over the next three fiscal years aligns with the proposed State schedule, which is predicated on the necessary legislative actions occurring to implement the EO Agencies' recommendations.

Phase I critical results included in the FY 2017-18 Work Plan include:

- Assessment of member agency existing data and technical capabilities to complete required landscape area measurement calculations.
- Assessment of member agency existing processes and capabilities for necessary CII account classifications.
- Implementation of a new subscription conservation program, a Water Audit Third Party Validation Program, to support agencies in complying with current requirements (SB 555) to submit validated water audits by October 1, 2017.
- Implementation of a new subscription conservation program, a Landscape Measurement and Verification Program, to support agencies in developing the necessary information to calculate their outdoor irrigation water use targets.
- Development of a multi-year plan that identifies respective BAWSCA and member agency roles in developing information necessary for compliance with new State conservation requirements.

BAWSCA is working closely with member agency management and staff to develop the scope of work for Phase 1 results as well as a schedule and work plan for the multiple year effort required for establishing and meeting the new water use targets.

It is anticipated that subsequent phases of work in FY 2018-19 and FY 2019-20 will accomplish the following :

- Development of a BAWSCA regional implementation plan for CII performance measures.
- Preparation of a model for calculating water budgets by category and overall agency water use targets, tracking progress, and preparing annual reports.
- Support for development of parcel-level member agency landscape area data.
- Completion of a updated Regional Water Conservation Plan, sufficient to meet UWMP requirements, to support BAWSCA agencies in achieving 2025 water use targets.
- Update of water demand projections through 2045, building upon information developed in the above tasks.

Linkage to Prior, On-Going BAWSCA Conservation Efforts:

The BAWSCA Regional Water Conservation Program was developed as a key recommendation of the Water Conservation Implementation Plan (September 2009). The Program includes two tiers of programs: 1) the Core Program, which is funded through the annual BAWSCA budget and contains conservation measures that benefit all BAWSCA agencies, and 2) the Subscription Program, which is fully funded by the individual agencies that elect to participate in the program based on their individual participation levels.

The Regional Water Conservation Program was developed to support BAWSCA agencies in meeting their conservation targets, to reduce administration costs for the participating agencies, and to be funded by those agencies that benefit from the implementation. The Program enables BAWSCA to do multi-year planning for what level of assistance the member agencies need from BAWSCA to achieve critical conservation results.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Agenda Title: **Preliminary Fiscal Year 2017-18 Work Plan and Results to be Achieved**

Summary:

This memorandum presents the preliminary Fiscal Year 2017-18 Work Plan and results to be achieved. Comments received from the Board at the January 19, 2017 Budget Planning Session have been reviewed and addressed. The preliminary Work Plan represents the CEO's recommendations for addressing comments received during the Budget Planning Session held on January 19, 2017. As was discussed with the Board in January, this memorandum does not present a preliminary Operating Budget. Initial operating budget considerations will be included in the staff presentation. The Board will be presented with a preliminary Work Plan and Operating Budget at its March meeting.

The preliminary Work Plan remains aligned with BAWSCA's legislated authority and its three goals: a reliable supply of high quality water at a fair price. Major work areas include increased activity in implementing the recommended Long-Term Reliable Water Supply Strategy (Strategy) actions, development of a new regional water supply reliability model for the BAWSCA service area, activities to support BAWSCA member agency efforts to meet new State of California "Making Water Conservation a Way of Life" requirements, participation in the State Water Resources Control Board (SWRCB) Bay Delta Water Quality Control Plan Update to ensure member agency interests are represented, and participation in the Restore Hetch Hetchy litigation in which BAWSCA is a named party.

Recommendation:

That the Committee provide:

- 1. Comments and suggestions concerning the preliminary Fiscal Year 2017-18 Work Plan and results to be achieved,**
- 2. Feedback on presented results from January 19th Work Plan and Budget preparation planning session, and**
- 3. Suggestions concerning presentation of the preliminary Work Plan and Operating Budget to the Board of Directors in March.**

Discussion:

Preliminary Work Plan:

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

The preliminary FY 2017-18 Work Plan includes the following major efforts:

- Oversight of the SFPUC's WSIP, 10-Year Capital Improvement Program (CIP), and Regional Water System Asset Management Program;
- Implementation of BAWSCA's Strategy, as documented in the Strategy Phase IIA Report, including the following actions:
 - Complete pre-feasibility studies for up to four potential purified water projects in partnership with SFPUC, Silicon Valley Clean Water, Santa Clara Valley Water

- District and others. Engage with advocacy groups (e.g. WaterReuse) to access and exchange critical technical, legislative, and legal information to support these studies.
- Finalize Pilot Water Transfer Agreements with EBMUD, Hayward, and others to implement a pilot water transfer in FY 2018-19.
 - Complete development of Bay Area Regional Reliability (BARR) Drought Action Plan in partnership with other Bay Area water agencies.
 - Participate in Los Vaqueros Expansion Studies to ensure participation in upcoming project decisions.
 - Promote the continued sustainable use of San Mateo Plain Groundwater Basin (Basin) for long-term water supply reliability through the Basin Partnership, participation in San Mateo County's Basin Assessment Program, and other multi-party efforts.
- Develop a new regional water system and supply reliability modeling tool for project evaluation;
 - Support BAWSCA member agency efforts as related to meeting the new State of California "Making Water Conservation a Way of Life" requirements;
 - Implement regional conservation programs to support member agencies and their customers;
 - Take actions to protect members' water supply interests in administration of the 2009 WSA, including addressing the upcoming 2018 decisions and contractual drought allocation methods;
 - Participate in the Restore Hetch Hetchy litigation in which BAWSCA is a named party;
 - Participate in the SWRCB's Bay Delta Water Quality Control Plan Update to ensure member agency interests are represented.
 - Participate in the New Don Pedro and La Grange FERC proceedings to protect regional water supplies;
 - Administer the 2009 Water Supply Agreement (WSA), including development and adoption of up to three amendments to the 2009 WSA; and
 - Administer BAWSCA's bonds.

Table 1 presents the preliminary FY 2017-18 Work Plan and major results to be achieved. The activities are grouped according to the agency goals they support.

Table 2 lists the items that are not included in the preliminary Work Plan. Any of these items could be added at a later date, if needed, following further discussion with the Board concerning available resources and priorities.

New or Significantly Re-scoped Activities for FY 2017-18:

There are two new or significantly re-scoped activities included in the Preliminary FY 2017-18 Work Plan. In each case, these activities relate directly to ensuring water supply reliability for the customers served by the BAWSCA member agencies

**1. Develop Independent Regional Water System & Supply Modeling Tool
Estimated FY 2017-18 Cost \$135k**

This task would develop a new, independent water system and supply modeling tool that would improve BAWSCA's ability to analyze long-term water reliability in the BAWSCA service area, including potential impacts of availability of existing water supplies and development of additional regional water supplies. To date, BAWSCA has relied on SFPUC's modeling resources to inform long-term planning decisions. However, as BAWSCA's and the member agencies' needs have grown, it is no longer effective to rely on the SFPUC for modeling work to meet BAWSCA's analytical and schedule needs. Developing an independent model would allow BAWSCA to simulate SFPUC's reliability analysis, run independent alternative scenarios to meet BAWSCA's planning needs, investigate reliability of other regional water supplies (i.e., surface water from Santa Clara Valley Water District), and assess climate change impacts, given various climate scenarios.

Development of this model was included in the FY 2016-17 Work Plan and was anticipated to be developed in conjunction with Stanford's ReNUWIt program. Unfortunately, for this type of work, it was determined that the original contracting vehicle with Stanford was not viable at the, then estimated total, multi-year development cost of \$100k. For this reason, as discussed at the January 2017 Mid-Year Budget Review, BAWSCA intends to issue a Request for Proposal for this work in Spring 2017, with work to begin in July 2017, subject to FY 2017-18 Work Plan and Budget approval.

**2. Support BAWSCA member agency efforts in meeting the new State of California "Making Water Conservation a Way of Life" requirements
Estimated FY 2017-18 Cost: \$170k**

The primary goal of this activity is to 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. Phasing of critical tasks over the next three fiscal years align with the proposed State schedule for implementation.

Phase I critical results included in the FY 2017-18 Work Plan include:

- Assessment of member agency existing data and technical capabilities to complete required landscape area measurement calculations and to assess their existing processes and capabilities for necessary Commercial, Industrial, and Institutional (CII) account classifications.
- Implement a new subscription conservation program, a Water Audit Third Party Validation Program, to meet new State conservation requirements.
- Implement a new subscription conservation program, a Landscape Measurement and Verification Program, to meet new State conservation requirements.
- Develop a plan that identifies respective BAWSCA and member agency roles in developing information necessary for compliance with new State conservation requirements.

A report documenting the results of Phase I will be completed and will provide the basis for a future Phase 2 scope of work.

Informal Survey of Consultant Rates

Legal, strategic, financial, and engineering consultants provide professional services critical to BAWSCA's work in achieving the agency's goals and achieving critical results. Many of BAWSCA's consultants have been under contract with BAWSCA since its creation and a few of those consultants have been in place even longer, in that they served as consultants to Bay

Area Water Users Association, BAWSCA's predecessor organization. Each year, the Board acts on each consultant contract following consideration of the annual Work Plan and Operating Budget. Information provided to the Board at that time relates to expertise, current scope of work, budget, and billing rates.

As part of this coming fiscal year's preliminary budget preparation work, BAWSCA conducted an informal survey by using recent RFP responses and contacting other local public agencies and asking them to share the billing rates they are currently being charged by comparable consulting service providers. Table 3 presents the results of that informal survey, providing a comparison of the rates for those consultants that BAWSCA uses on an annual basis to rates for similar service providers. In each case, the rates for BAWSCA's consultants compare favorably.

Results of January 19, 2017 Work Plan and Budget Preparation Planning Session:

During BAWSCA's January 19, 2017 meeting, a work plan and budget planning session was held with the Board as part of its regular meeting agenda. The focus of the planning session was to receive input from Board members on possible work plan items for the coming fiscal year. Table 4 presents the detailed comments provided by Board members during the planning session and the staff response that was subsequently prepared. These comments and responses are reflected in the preliminary FY 2017-18 Work Plan and results to be achieved.

Background:

Each year, BAWSCA's work plan development process starts by reviewing and updating the major activities over the next 20 years. These activities require coordinated action by BAWSCA and its member agencies to ensure a reliable supply of high quality water at a fair price. Table 5 lists these activities as they were updated as part of the FY 2017-18 preliminary Work Plan development. In each case, the results identified in Table 5 will take the form of agreements, legislation, or other legally enforceable work products. Development of these documents will result from skilled negotiations based on rigorous investigations of impacts and alternatives, costs, cost allocation, and other matters.

Table 1. FY 2017-18 Work Plan and Results to be Achieved (Preliminary)**RELIABLE WATER SUPPLY**

- (*.*)% **1. Facility Reliability: Monitor the SFPUC's WSIP, 10-Year CIP, and Asset Management Program**
- a. Monitor WSIP scope, cost, and schedule as San Francisco continues an aggressive construction schedule through 2019. Press the SFPUC and the city's political leadership to meet the city's adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests.
 - b. Review and monitor SFPUC's Regional 10-Year Capital Improvement Program to ensure that identified projects and programs meet the needs of the BAWSCA member agencies in a cost-effective and appropriate manner.
 - c. Review and monitor SFPUC's Asset Management Program to ensure long-term protection of system assets.
- (*.*)% **2. Long-Term Supply Solutions: Implement Long-Term Reliable Water Supply Strategy to Ensure a Reliable, High Quality Supply of Water is Available Where and When Needed**
- a. Complete pre-feasibility studies for up to four potential purified water projects in partnership with SFPUC, Silicon Valley Clean Water, Santa Clara Valley Water District and others. Engage with advocacy groups (e.g. WaterReuse) to access and exchange critical technical, legislative, and legal information to support these studies.
 - b. Finalize Pilot Water Transfer Agreements with EBMUD, Hayward, and others necessary to implement a pilot water transfer in FY 2018-19.
 - c. Complete development of Bay Area Regional Reliability (BARR) Drought Action Plan in partnership with other Bay Area water agencies and investigate additional project opportunities including a federal grant for a pilot project.
 - d. Participate in CCWD's Los Vaqueros Expansion Studies to ensure participation in upcoming project decisions.
 - e. Promote the continued sustainable use of San Mateo Plain Groundwater Basin (Basin) for long-term water supply reliability through the Basin Partnership, participation in San Mateo County's Basin Assessment Program, and other multi-party efforts.
 - f. Facilitate development of other local water supply options including monitoring/tracking member agency efforts.
 - g. Develop a new, regional water supply reliability model to improve BAWSCA's ability to analyze long-term water reliability in the BAWSCA service area, including potential impacts of availability of existing water supplies and development of additional regional water supplies.
- (*.*)% **3. Near-term Supply Solutions: Water Conservation and Drought Response**
- a. Partner with Alliance for Water Efficiency to complete a study, "Use and Effectiveness of Municipal Irrigation Restrictions During Drought".
 - b. Support BAWSCA member agency efforts as related to meeting the new State of California "Making Water Conservation a Way of Life" requirements with the following specific BAWSCA results:
 - Assessment of member agency existing data and technical capabilities to complete required landscape area measurement calculations and to assess their existing processes and capabilities for necessary CII account classifications.
 - Implement new subscription conservation program, a Water Audit Third Party Validation Program, to meet new State conservation requirements.
 - Implement a new subscription conservation program, a Landscape Measurement and Verification Program, to meet new State conservation requirements.

- Develop a plan that identifies respective BAWSCA and member agency roles in developing information necessary for compliance with new State conservation requirements.
- Represent member agencies in regional and State-level discussions relative to the development of regulations and guidelines as needed to implement the “Making Water Conservation a Way of Life” framework.
- c. Represent agencies in regional and State-level discussions related to water conservation-related regulations.
- d. Administer, implement, and expand core water conservation programs that benefit all customers.
- e. Administer subscription conservation rebate programs that benefit, and are paid for by, participating member agencies.

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

- a. Prepare temporary extension of existing Tier 2 drought allocation plan that expires Dec. 2018.
- b. Develop principles for a new Tier 1 and Tier 2 drought allocation plan that aligns with the proposed State Water Shortage Contingency Plan requirements and new State conservation requirements.
- c. Protect members’ water supply and financial interests in the SFPUC’s upcoming 2018 decisions and associated Water Management Action Plan (MAP).
- d. Protect members’ water supply interests to ensure that the SFPUC meets its adopted Water Supply Level of Service Goals.

(*.*%) **5. Protect Members’ Interests in a Reliable Water Supply**

- a. Participate in the Restore Hetch Hetchy litigation in which BAWSCA is a named party.
- b. Participate in the SWRCB’s Bay Delta Water Quality Control Plan Update to ensure member agency interests are represented.
- c. Ensure that necessary legal & technical resources for participation in the Don Pedro Project/La Grange Project FERC licensing are sufficient to protect customers’ long-term interests in Tuolumne River water supplies.

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

- a. Pursue and use grant funds for water conservation programs and for regional supply projects and programs, such as CCWD’s Los Vaqueros Enlargement Project.
- b. Pursue, with regional partners, grant funding to support studies that aim to improve regional water supply reliability, such as BARR Phase 2 effort(s).
- c. Investigate potential for grant funds to support the implementation of the Strategy, including 2014 California Water Bond.

(*.*%) **7. Reporting and Tracking of Water Supply and Conservation Activities**

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

HIGH QUALITY WATER

(*.*%) **8. Support Member Agencies in Receiving Reliable Communication of Water Quality Issues**

- a. Coordinate member agency participation in Water Quality Committee established by the 2009 Water Supply Agreement to ensure it addresses Wholesale Customer needs.
- b. Relay important water quality information (notices as received from SFPUC) to BAWSCA member agencies when made aware of changes that have the potential to impact water quality (taste, odor, blending particulars, etc.)
- c. Review and act on, if necessary, State legislation affecting water quality regulations.

FAIR PRICE

- (*.%) **9. Perform Matters that Members Delegated to BAWSCA in the Water Supply Agreement**
- a. Administer the Water Supply Agreement with SF to protect the financial interests of member agencies.
 - b. Support development and member agency adoption of up to two contract amendments to address resolution of FY 2010-11 WRR settlement and implementation of the Regional Groundwater Storage and Recovery Project.
 - c. Administer bonds issued by BAWSCA to retire capital debt owed to San Francisco.
- (*.%) **10. Provide Other Support to Protect Financial Interests of Member Agencies**
- a. Organize a workshop to review water utility financial best management practices to identify potential actions to better protect BAWSCA member agencies from the financial impacts of drought. Deliverable = workshop and supporting materials.
 - b. Conduct a benchmarking study to evaluate SFPUC's RWS operational efficiency and cost effectiveness.

AGENCY EFFECTIVENESS

- (*.%) **11. Maintain Community Allies and Contacts with Environmental Interests**
- a. Maintain close relationships with BAWSCA's local legislators and allies, and activate them if necessary, to safeguard the health, safety, and economic well-being of residents and communities.
 - b. Maintain a dialogue with responsible environmental and other groups, who will participate in the permitting and approval process for efforts to maintain system reliability.
 - c. Maintain effective communications with member agencies, customers, & others to achieve results and support goals.
 - d. In conjunction with San Francisco, conduct or co-sponsor tours of the water system for selected participants.
- (*.%) **12. Manage the Activities of the Agency Professionally and Efficiently**

Table 2: Activities Not Included in Preliminary Work Plan and Operating Budget for FY 2017-18

<p>RELIABLE SUPPLY</p> <ol style="list-style-type: none"> 1. Implement a pilot water transfer with EBMUD in FY 2017-18, following completion of the pilot transfer plan. 2. Engage in extended or complex applications for State or Federal grant funds. Application for water conservation grants will continue to be made through or with the Bay Area Water Agency Coalition, the California Urban Water Conservation Council, or other agencies. 3. Introduce major new legislation or supporting/opposing legislation initiated by others. If needed, the agency could support major legislative efforts by redistributing resources, using the contingency budget, or accessing the general reserve, subject to prior Board approval. 4. Initiate litigation or support/oppose litigation initiated by others. If needed, the agency could support major litigation efforts by redistributing resources, using the contingency budget, or accessing the general reserve, subject to prior Board approval.
<p>FAIR PRICE</p> <ol style="list-style-type: none"> 5. Develop alternative wholesale rate structures that the SFPUC might consider. Actions will be limited to facilitating communication with SFPUC, development of goals and objectives relevant to Wholesale Customers, and addressing the potential relationship to alternative retail rate structures Member Agencies might consider to stabilize water rates and water revenues. 6. Arbitrate issues related to the 2009 Water Supply Agreement.
<p>HIGH WATER QUALITY</p> <ol style="list-style-type: none"> 7. Perform technical studies of water quality or San Francisco's treatment of the water it delivers to the BAWSCA agencies. 8. Advocate changes to water quality regulations or the manner in which San Francisco treats water for drinking and other purposes.
<p>AGENCY EFFICIENCY</p> <ol style="list-style-type: none"> 9. Add resources to support additional Board, Board committee, or technical committee meetings. 10. Conduct tours of member agency facilities to acquaint Board members with potential supply projects and their neighboring jurisdictions, <u>other than tours done in coordination with San Francisco.</u>

Table 3: Informal Consultant Billing Rate Comparison

Task Category	Consultant Name	FY 2016-17 Approved Budget	Hourly Rate	Market Comparison
Legal				
	Hanson Bridgett, LLP	\$651,000	\$360	\$350-\$400
Strategic				
	Harlan Wendell	\$150,000	\$185	\$250
Financial				
	BLX Group (Arbitrage Rebate Compliance Service)	\$2,000	n/a	\$2,800
	Orrick, Herrington & Sutcliff (Bond Documents, Legal Support)	\$12,000	\$825	>\$800
	Public Trust Advisors (Investment Advisor)	\$10,000	8 basis pts.	10 basis pts.
	Burr Pilger Mayer (Auditing, 2009 WSA Admin.)	\$15,000	\$350	\$400
	Chavan & Assoc. (Financial Auditing Services) ⁽¹⁾	\$10,000	n/a	n/a
	Kelling Northcross Nobriga (Financial Counsel)	\$43,500	\$315	\$350
Engineering				
	Terry Roberts (WSIP, 10-Year CIP)	\$125,000	\$204	\$260-\$310
	Stetson Engineering (Water Use Analyses)	\$50,000	\$195	\$260-\$310
	Hilton Farnkopf Hobson (Engineering, Financial WSA)	\$20,000	\$229	\$262-\$300
	GeoSyntec (Groundwater)	\$15,000	\$200	\$233-\$300

Notes:

- 1) At its May 19, 2016 meeting, the BAWSCA board authorized a three-year contract with Chavan & Assoc (C&A). In 2010, the last time BAWSCA issued a Request for Proposals for these services, C&A was the lowest cost proposal and the approved budget for FY 2016-17 remains below the next closest bid received in 2010.

Table 4. FY 2017-18 Work Plan and Budget Planning Session - Suggested Work Plan Items for Further Consideration

#	Board Member	Board Member Comment	Staff Response
1	Mendall	Recycled water requires additional focus by BAWSCA, independently, and in support of our member agencies' efforts. Consider all aspects including purified water uses (direct & indirect potable reuse). BAWSCA should take a lead role in advancing recycled water.	<p>Included in Task 2a. In FY 2017-18, two pre-feasibility studies for possible purified water projects will be completed in partnership with BAWSCA. Potential partnerships on two additional pre-feasibility studies are under discussion. In early FY 2017-18, BAWSCA will complete a white-paper presenting updated information on the potential use of wastewater, including recycled and advanced treated water), outlining BAWSCA activities and the activities of member agencies, and summarizing related regulatory efforts underway at the State level.</p> <p>BAWSCA is actively engaged in discussions with wastewater facility owners and others regarding possible reuse projects in the service area. BAWSCA is planning to join WaterReuse, a non-profit trade organization focused on advancing laws, policy and funding to increase water reuse. WaterReuse provides member agencies with an ability to stay current on applied research and policy level activities (including legislation) related to water reuse as well as providing educational tools on water reuse.</p>
2	Kasperzak	Support more active role by BAWSCA in purified water projects.	Included in Task 2a. Please see Question 1 response.
3	Zigterman	Support BAWSCA role in advancing all alternatives water supplies like groundwater, storm water capture, and recycled water.	Included in Task 2a-2e. The preliminary FY 2017-18 Work Plan includes a wide range of activity to develop alternative supplies consistent with BAWSCA's Long-Term Reliable Water Supply Strategy) including the increased examination of recycled water in the service area (see answer to Question 1 above), finalizing the necessary Pilot Water Transfer Plan agreements, partnering with Contra Costa Water District to examine Expanded Los Vaqueros, and promoting the continued sustainable use of the San Mateo Plain Groundwater Basin (Basin) for long-term water supply reliability through the Basin Partnership and participation with San Mateo's Basin Assessment Program.
4	Pierce	How do we as a region address the issues and impacts increased water conservation has on our wastewater treatment plant operational capacity and effectiveness and	No change recommended. Agencies that operate wastewater plants within the BAWSCA service area may decide, as part of their master planning efforts, to assess how increased water conservation could have an impact on their ability to convey wastewater as well as treat wastewater due to effluent

		the impacts on the other built infrastructure we have in place today?	loading concerns. As master plans are prepared, BAWSCA staff are involved as stakeholders in such planning processes.
5	Guzzetta	Support examination of recycled water as an alternative water supply. Support BAWSCA facilitating exchange of technical information among various stakeholder interests, as opposed to BAWSCA becoming the subject matter expert itself.	Included in Task 2a. Please see Question 1 response.
6	Guzzetta	Interested in a discussion of the downstream impacts to wastewater systems from increased conservation and recycling from the perspective of the customer, who will eventually pay cost.	No change recommended. BAWSCA will learn more about those potential impacts as an active stakeholder in master planning efforts undertaken by the region's wastewater agencies. In addition, through its participation in WaterReuse, BAWSCA can share available information with member agencies on that (and other) topics.
7	Breault	We should reach out to other agencies to address the issues of purified water, increased conservation and impact on our existing infrastructure.	Included in Task 2a. Please see Question 1 response.
8	Weed	BAWSCA and its agencies can benefit universally for coordinating our contingency water plan in contingency situations.	<p>Not recommended. This change would represent an increase in BAWSCA's scope of work with an anticipated increase in cost to support. This work cannot be accommodated within the current staff load without eliminating other critical efforts that would not otherwise be implemented by any other entity.</p> <p>Through the SFPUC, the BAWSCA agencies regularly participate in emergency drills for scenarios related to the Regional Water System. BAWSCA has supported increasing the regularity of those drills.</p>
9	Pierce	Respond to ABAG's letter to clarify that if there is additional available water supply then growth can be supported, but if not, then supporting growth more challenging.	Completed. BAWSCA provided a response to ABAG on January 26, 2017. The letter has been provided as part of the Feb. 8, 2017 Board Policy Committee correspondence packet for the March 16, 2017 meeting. The letter contents address the sentiment raised by Director Pierce.
10	Pierce	Can the Governor assist in addressing the issues caused by Prop 218 and water agencies abilities to set water rates to encourage water conservation?	Partially included in Task 3b and 3c. In 2017, the State will be spending considerable time and energy on its efforts to "Make Conservation a Way of Life". Comments that are already being generated (by individual agencies as well as collective bodies such as ACWA) discuss concerns regarding how conservation programs and practices can be financed, and on the impact that lower water use has on agency revenue(s) and budgets. BAWSCA will

			<p>continue to monitor these discussions and provide information to agencies as developed.</p> <p>The Work Plan does not include BAWSCA taking independent action to advocate for particular resolution of this issue at this time as BAWSCA does not have a role in local water rate setting.</p>
11	O'Connell	BAWSCA should examine opportunities for accessing federal and state grant dollars to support the water interests of this region.	Included in Task 6. BAWSCA routinely looks for ways to access state grant programs to cover the cost of programs of interest to our member agencies (most recently monies through bond measures passed such as Prop. 1 that have helped cover the cost of select conservation programs). In addition, BAWSCA and the 7 other Bay Area Regional Reliability Partner (BARR) agencies are successfully using federal grant funds (the Bureau's WaterSMART grant program) to develop approaches to address Bay Area water supply reliability. Through participation in WaterReuse, BAWSCA is hopeful for increased potential for grant funding opportunities for upcoming projects.
12	Zigterman	BAWSCA should create a summary and track the efforts of its member agencies related to water supply, reliability, etc. to expand the collective knowledge and thinking.	Included in Task 2F. BAWSCA periodically updates information related to the water supply reliability plans of each agency for use by the member agencies and BAWSCA. In FY 2017-18, an updated summary will be prepared.
13	Guzzetta	BAWSCA should have a "members only" page on our web site for agencies to access critical reports.	Complete. The new BAWSCA website has a members only portal. Member agencies have a login/password to access information. Additional information regarding that portal (where one can find a link, how to go about providing content to upload, etc.) can be provided to Board Members if desired.
14	Guzzetta	If there is a light agenda, consider having an individual agency provide a briefing on what they are doing to educate others.	BAWSCA will work to identify when such opportunities present themselves and discuss potential with the Board Chair. Such presentations occur on a regular basis at the monthly BAWSCA meetings with agency representatives, though they have been put on hold due to drought conditions.
15	Kasperzak	As WSIP nears completion, BAWSCA should examine critical work plan areas and level of effort associated with overseeing SFPUC's capital work.	Completed as part of Work Plan development each year. Reflected in the addition of Tasks 1B and 1C the past few years to review the SFPUC's 10 Year CIP and the SFPUC's Asset Management Program.
16	Kasperzak	BAWSCA should consider how it should communicate the progress on the WSIP to agencies and their constituents.	Included in Task 1A and 11A. BAWSCA staff are committed to keeping the Board and member agencies informed as it relates to the progress of the WSIP.

Table 5. Future Challenges Facing BAWSCA, Member Agencies and Their Customers (FY 2017-18)

BAWSCA Goal	FY 2017-18 (Near-Term)	2018-2025 (Mid-Term)	2026-2040 (Long-Term)
Reliable Supply: Ensure Long-Term Water Supply Reliability	<ul style="list-style-type: none"> Protect BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts. Conduct investigations and advocate appropriate positions prior to San Francisco deciding whether or not to make San Jose and Santa Clara permanent Wholesale Customers by 2018. Conduct investigations and advocate appropriate positions prior to San Francisco deciding whether to provide more than 184 mgd to Wholesale Customers and whether or not to increase the perpetual Supply Assurance by 2018. Represent member agencies in Federal relicensing of New Don Pedro to protect SF RWS water supply reliability. Represent member agencies in SWRCB Bay Delta Plan Update to protect SF RWS water supply reliability. Ensure member agencies' interests are included in regional planning efforts. Protect member agencies' interests in SFRWS drought year allocation plan (Tier 1 and Tier 2), consistent with new State Guidelines, by preparing and analyzing alternatives, facilitating agreements and producing legal documents before the existing one expires at the end of 2018. Assist agencies in meeting the new Statewide "Making Water Conservation a California Way of Life" interim and final conservation requirements thru 2025. Assist agencies during drought to achieve State mandated reductions 	<ul style="list-style-type: none"> Protect BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts. Conduct investigations and advocate appropriate positions prior to San Francisco deciding whether or not to make San Jose and Santa Clara permanent Wholesale Customers by 2018. Conduct investigations and advocate appropriate positions prior to San Francisco deciding whether to provide more than 184 mgd to Wholesale Customers and whether or not to increase the perpetual Supply Assurance by 2018. Represent member agencies in Federal relicensing of New Don Pedro and to protect SF RWS supplies. Represent member agencies in SWRCB Bay Delta Plan Update to protect SF RWS water supply reliability. Ensure member agencies' interests are included in regional planning efforts. Protect member agencies' interests in SFRWS drought year allocation plan (Tier 1 and Tier 2), consistent with new State Guidelines, by preparing and analyzing alternatives, facilitating agreement and producing legal documents before the existing one expires at the end of 2018. Assist agencies in meeting the new Statewide "Making Water Conservation a California Way of Life" interim and final conservation requirements thru 2025. 	<ul style="list-style-type: none"> Protect BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts. Ensure new water supplies are on line to meet future needs that are not met by San Francisco. Ensure member agencies' interests are included in regional planning efforts.
Reliable Supply: Ensure SF RWS Facility Reliability	<ul style="list-style-type: none"> Monitor SFPUC's development and implementation of its 10-Year CIP to ensure protection of water supply and financial interests of the water customers. Monitor SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets. Monitor WSIP implementation to protect interests of member agencies and take steps necessary to ensure all adopted Level of Service goals are achieved. Monitor SFPUC's decision on final Mountain Tunnel Improvements to ensure protection of water customers' interests (Summer/Fall 2017). 	<ul style="list-style-type: none"> Monitor SFPUC's development and implementation of its 10-Year CIP to ensure protection of water supply and financial interests of the water customers. Monitor SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets. Monitor WSIP implementation to protect interests of member agencies and take steps necessary to ensure all adopted Level of Service goals are achieved. Scheduled completion March 2019. Monitor SFPUC implementation of the Mountain Tunnel Improvement Project to ensure protection of water customers' interests. 	<ul style="list-style-type: none"> Monitor SFPUC's development and implementation of its 10-Year CIP to ensure protection of water supply and financial interests of the water customers. Monitor SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets.
High Quality Supply & Fair Price: Enforce 2009 Water Supply Agreement	<ul style="list-style-type: none"> Enforce the Water Supply Agreement to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting obligations. Protect customers from legal and legislative efforts to drain Hetch Hetchy that disregard their interests in reliability, quality and cost. 	<ul style="list-style-type: none"> Enforce the Water Supply Agreement to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting obligations. Protect customers from legal and legislative efforts to drain Hetch Hetchy that disregard their interests in reliability, quality and cost. Ensure San Francisco maintains its Tuolumne River water rights. 	<ul style="list-style-type: none"> Enforce the Water Supply Agreement to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting obligations. Ensure San Francisco maintains its Tuolumne River water rights. Protect member agencies' water supply reliability interests against threats by outside forces. Extend or renegotiate the Water Supply Agreement before it expires in 2034

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: February 3, 2017
SUBJECT: Chief Executive Officer/General Manager's Letter

ABAG Plan Bay Area 2040

In September of 2016, the Association of Bay Area Governments (ABAG), as part of its Plan Bay Area 2040, released a Draft Preferred Land Use Scenario (DPS) that “represents a regional pattern of household and employment growth by the year 2040, and includes a corresponding transportation investment strategy”. BAWSCA commented on the DPS, noting that the economic and household projections for the West Bay Corridor were 60% higher, and 17% higher respectively than in Plan Bay Area 2013, making it difficult if not impossible to accommodate the additional growth projected by Plan Bay Area 2040 within the limitations of their existing water supplies. BAWSCA’s comments also noted the impact the DPS would have on drought year reliability for member agencies. BAWSCA strongly urged ABAG to work with local water suppliers to consider the long-term water supply reliability implications of its regional land use planning effort.

In their reply to BAWSCA, ABAG committed to include BAWSCA in the stakeholder group assembled to provide input to a Plan Bay Area 2040 Action Plan that will soon be in development, and that it will consider BAWSCA’s concerns in a Draft PEIR being prepared for Plan Bay Area 2040.

BAWSCA’s further communication with ABAG, via a letter dated January 26, 2017, strongly recommending that ABAG directly include our member agencies in ABAG’s future outreach on Plan Bay Area 2040. BAWSCA’s most recent communication to ABAG has been included in the correspondence packet.

Bay Area Regional Reliability Partnership (BARR)

Eight of the San Francisco Bay Area’s largest public water agencies are working together through the Bay Area Regional Reliability (BARR) partnership toward regional solutions to improve water supply reliability. BARR’s first project is to develop a regional Drought Contingency Plan (DCP). Currently under development, the DCP will specifically address potential drought-related impacts. In addition, the DCP will identify regional drought mitigation projects that, when implemented, would provide increased drought reliability and redundancy. The DCP will be completed by May of 2017.

The BARR agencies are applying for a Federal WaterSMART Drought Response Grant to fund a pilot project consistent with the DCP. The proposed project is a pilot “regional water marketing program”, that would test the concept of interagency water transfers / exchanges.

EBMUD, BAWSCA, ACWD, SFPUC, and other BARR partners have potential pilot transfers/exchanges that they have been investigating individually, and that will be considered for the pilot (assuming grant funding is secured). EBMUD is serving as the grant applicant on behalf of the BARR partners.

2016 Water-Energy Grant Award

The Ecology Action WaterLink Program has been recommended for \$2.46M in funding from the 2016 DWR Water-Energy Grant Program to support water conservation for disadvantaged communities within the BAWSCA service area. BAWSCA partnered with Ecology Action on the grant application and intends to support the program through in-kind contributions and water use efficiency education materials.

The WaterLink Program will provide direct installation of water- and energy-saving fixtures, leak repair, and incentives for commercial dishwasher installations to the seven disadvantaged community census tracts within Daly City, East Palo Alto, Hayward, and Santa Clara. The Program is estimated to provide a lifetime water savings of 1.62 million gallons within these communities.

San Mateo County's Groundwater Assessment Plan

San Mateo County finished Phase 1 of its Groundwater Basin Assessment for the San Mateo Plain Sub-basin (Assessment) with a meeting on January 31, 2017 that summarized the findings of Phase 1. A report summarizing the results of Phase 1 has been released and can be downloaded from the following website, along with meeting agendas and presentations from the five public meetings about the Assessment: <http://green.smcgov.org/san-mateo-plain>.

The County also presented an overview of the types of data collection and analysis efforts that are planned to occur in coordination with other basin stakeholders in Phase 2. The Assessment is planned to occur in three phases, and will be completed by April 2018.

Mountain Tunnel

The Hetch Hetchy conveyance system is the supply and transmission backbone of the Regional Water System, moving water from the Sierra Nevada to the Bay Area by gravity through a series of pipelines and tunnels. A key element of the conveyance system is Mountain Tunnel. Mountain Tunnel is located in the upper foothills of the Sierra Nevada and extends from Kirkwood Powerhouse tailrace to Priest Reservoir; a distance of about 19.2 miles. Past tunnel inspections (the most recent of which was conducted in 2008) indicated deterioration of the tunnel's concrete lining that has been occurring over time, and the need to consider various tunnel rehabilitation (and/or tunnel reliability) measures.

In 2015 SFPUC began the planning of how to go about the tunnel improvement process. Two extended tunnel outages are proposed where data would be collected to better assess the state of the lining and evaluate rehabilitation measures. The first such extended outage commenced on January 3, 2017. That outage is to last through February 28, 2017.

The SFPUC has kept BAWSCA apprised of the status of outage-related efforts via weekly tunnel shutdown reports. BAWSCA has in turn provided regular updates to the Board and member agency representatives. On February 7, Tom Francis, BAWSCA's Water Resources Manager, will join the SFPUC and the Mountain Tunnel Technical Advisory Panel on a guided tour of the tunnel and work in progress.

As of January 27, the entire length of Mountain Tunnel has been inspected and tunnel lining demolition and shotcrete repairs are complete for 48 of the 123 total repair sites. Progress continues at the two adit (tunnel access) sites. While weather has resulted in some shifting of the schedule, the SFPUC remains committed to complete the outage by February 28, 2017.

WSIP

On January 13, 2017, in accordance with State Water Code Section 73514, the San Francisco Public Utilities Commission (SFPUC) formally notified BAWSCA that it would be considering proposed changes to the Water System Improvement Program (WSIP). Per the SFPUC's notification, the changes proposed would not result in an overall WSIP schedule adjustment nor in an overall WSIP budget adjustment. The WSIP revision is agenized for consideration by the Commission at its February 14, 2017 meeting.

BAWSCA has reviewed the proposed WSIP changes and will submit a comment letter to the SFPUC noting its findings and recommendations as follows:

- BAWSCA finds that the proposed revisions would extend the schedule for three WSIP projects: New Irvington Tunnel (NIT), Seismic Upgrade of BDPL Nos. 3 & 4, and Security System Upgrades. BAWSCA, however, recognizes that NIT and BDPL Nos. 3&4 are already in service, therefore, the schedule extension does not impact the system's ability to meet the level of service requirements.
- Due to increasing schedules and current conflicts with contractors, BAWSCA recommends that the SFPUC review the scope of the remaining active projects to determine if there are avenues available to accelerate select project schedules such that the overall WSIP completion date is not jeopardized. Further, BAWSCA recommends that sometime in the next 3 to 6 months SFPUC review available funding versus the current forecast WSIP cost-to-complete as a check to verify funding adequacy.

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Board Policy Committee

Policy Calendar through June 2017

Committee Meeting	Purpose	Issue or Topic
February 2017	D R&D R	Presentation of Preliminary FY 2017-18 Work Plan and Budget State of California “Making Conservation a Way of Life” Framework Review of SF RWS Water Supply Forecast and Statewide Drought Conditions
April 2017	D&A D&A R	Presentation of Proposed FY 2017-18 Work Plan and Budget Consideration of Annual Consultant Contracts Review of SF RWS Water Supply Forecast and Statewide Drought Conditions
June 2017	D&A R	Consideration of Professional Services Contract for Regional Water System Development Services Long-Term Reliable Water Supply Strategy Update