



**PLS. NOTE DIFFERENT
MEETING LOCATION**

for the

JUNE 14, 2017 at 1:30PM

BOARD POLICY COMMITTEE MEETING

ONLY

**Silicon Valley Community Foundation
1300 So. El Camino Real, San Mateo, Ste #100
Room 112A**

Directions to Silicon Valley Community Foundation Center

From 101: Take Hwy.92 Westbound towards Half Moon Bay. Exit at El Camino Northbound. Turn Left on Barneson Ave. (McDonald's is on the corner of Barneson and El Camino). Turn right into the first driveway leading to a parking lot.

Silicon Valley Community Foundation is located in the building with the top sign "Platfora". The side of the building facing El Camino has a "Charles Schwab" sign at ground level.

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

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BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

June 14, 2017
1:30 p.m.

Silicon Valley Community Foundation - 1300 So. El Camino Real, San Mateo, Ste #100
Room 112A
(Directions on page 2)

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
<p>1. <u>Call to Order, and Roll Call</u> Roster of Committee members (<i>Attachment</i>)</p>	(Larsson)	Pg 3
<p>2. <u>Comments by Chair</u></p>	(Larsson)	
<p>3. <u>Public Comment</u> <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></p>	(Larsson)	
<p>4. <u>Consent Calendar</u> A. Approval of Minutes from the April 12, 2017 meeting (<i>Attachment</i>)</p>	(Larsson)	Pg 5
<p>5. <u>Action Calendar</u> A. Authorize CEO to Enter into a Contract with a Selected Consultant to Develop "Making Conservation a Way of Life" Strategic Plan – Phase 1 (<i>Attachment</i>) <u>Issue:</u> What is required to ensure that agencies have the capabilities to complete and comply with the requirements of EO B-37.16. <u>Information to Committee:</u> Memorandum and oral report. <u>Committee Action Requested:</u> 1) Recommend the Board authorize the CEO/General Manager to negotiate and execute an agreement with the selected consultant, subject to legal counsel review, to complete "Making Conservation a Way of Life" Strategic Plan – Phase 1 for an amount not to exceed \$170,000; and 2) Recommend to the CEO/General Manager on whether additional information might be helpful to the Board for its consideration in July.</p>	(Francis)	Pg 17
<p>B. Approval of Proposed Modifications to the Description, Title and Top Step Salary for the Position of Sr. Administrative Analyst (<i>Attachment</i>) <u>Issue:</u> How have the duties and responsibilities of the Senior Administrative Analyst changed over the past several years? <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> Recommend Board Approval of the proposed modifications to the description, title, and top step salary for the position of Sr. Administrative Analyst.</p>	(Sandkulla)	Pg 27

- C. Process and Schedule for CEO Annual Evaluation (Attachment) **(Mendall/Sandkulla)** Pg 33

Issue: What is the process and schedule for completing the CEO Annual Evaluation and what benchmarks should be considered for the CEO's FY 2017-18 evaluation?

Information for Committee: Staff memo and oral report.

Committee Action Requested: 1) Provide input on the procedure and draft evaluation form for the CEO/GM FY 2016-17 performance evaluation, 2) provide input on possible new personal benchmarks for the CEO's FY 2017-18 evaluation to be considered by the Chair and 3) recommend that the Board review the revised form during its July meeting for subsequent use as part of the CEO/GM performance evaluation.

6. Reports **(Sandkulla)**

- A. Water Supply Update
- B. CEO Letter (*Attachment*) Pg 39
- C. Board Policy Committee Calendar (*Attachment*) Pg 41
- D. Correspondence Packet ([Under Separate Cover](#))

7. Comments by Committee Members **(Larsson)**

- 8. Adjournment to the next meeting on October 11, 2017 at 1:30pm in the 1st floor conference room of the BAWSCA office building, at 155 Bovet Road, San Mateo.**

*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. Turn Left on Barneson Ave. (McDonald's will be on the corner of Barneson and El Camino). Turn right into the first driveway leading to a parking lot.

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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**

**April 12, 2017 – 1:30 p.m.
BAWSCA Offices, 155 Bovet Road, San Mateo, 1st Floor Conference Room**

MINUTES

1. **Call to Order:** Committee Chair Gustav Larsson called the meeting to order at 1:30 pm. A list of Committee members who were present (7) and other attendees is attached.

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

2. **Public Comments:** There were no comments received from the public.
3. **Consent Calendar:** Approval of Minutes from the February 8, 2017 meeting.

Director Zigterman noted that the first line of the last paragraph on page 4 should state, 55 “gpcd” instead of 55 “mgd”.

Director Quigg made a motion, seconded by Director Benton, that the minutes of the February 8, 2017 Board Policy Committee meeting be approved with the noted correction.

The motion passed unanimously.

4. **Comments by Committee Chair and Board Chair:** There were no comments by the Chair.

5. **Action Items:**

- A. **Proposed Fiscal Year 2017-18 Work Plan and Results to be Achieved:**

Ms. Sandkulla reported that the proposed workplan and results to be achieved for FY 2017-18 remains consistent with the preliminary work plan presented to and discussed with the BPC in February, and the Board in March.

The proposed work plan continues to align with BAWSCA’s legislative authority and goals of ensuring water supply reliability, water quality, and fair price. It addresses critical issues identified between now and 2040, responds to input received from the BPC and the Board, and includes increased activities and resources to three specific reliability areas. They include the development of a regional water system and supply modeling tool, helping member agencies meet the requirements of “Making Water Conservation a California Way of Life”, and participating directly in the SWRCB’s Bay-Delta update and draft SED process.

The proposed operating budget of \$3,704,572 is 6.8% higher than the current budget. The budget distribution has a large portion of BAWSCA’s efforts focused on supply reliability given the Governor’s executive order on conservation, the State Water Resources Control Board’s (SWRCB) draft SED, and the efforts to restore Hetch Hetchy. Salaries and Benefits, including full funding of OPEB annual required contribution and COLA adjustment, is 42% of the operating budget. The proposed

budget's total cost to water customers is approximately \$2.08 per person, an increase of 0.12 cents from the current budget.

An important consideration for the Committee's discussion is how to fund the budget. BAWSCA has four principles by which the funding mechanism is developed. They include having sufficient resources to achieve results, spending only what is needed to achieve results, applying incremental and prudent assessment increases as necessary, and maintaining a prudent General Reserve.

Three funding considerations were analyzed:

- 1) 5% increase in Assessments and a transfer of \$91,802 from the General Reserve;
- 2) 3% increase in Assessments and a transfer of \$160,615 from the General Reserve; and
- 3) 7.7% increase in Assessments only.

BAWSCA's General Reserve Policy provides a budgetary guideline of a balance of 20%-35% of the operating budget. The current General Reserve balance is \$1,202,592.

Ms. Sandkulla reported that it would be prudent to anticipate a full expenditure of the current budget at the end of the fiscal year given the current developments that may require legal counsel moving forward. At the same time, it is critical to maintain a strong General Reserve balance for the same reasons.

Ms. Sandkulla noted to the Committee that it is very likely that an amendment to Legal Counsel's budget will be presented as an action item for the Board at its May meeting. The required amendment adds to the legal budget approved by the Board, but will stay within the current operating budget.

Ms. Sandkulla recommends increasing assessments by 5% and transferring \$91,802 from the General Reserve to fund the budget.

Director Quigg commented that litigation, which the member agencies are aware of, can be unpredictable in the level of activities it will involve. He expressed his support for the 5% increase in assessment.

Director Mendall noted that despite the current budget being expended at 90%-100% at the end of the fiscal year, the General Reserve balance will remain at the higher end of the budgetary guideline. Given the previous assessment increases of 5% in FY 2016-17, and 10% in FY 2015-16, the BPC would need to be able to justify its recommendation. Director Mendall stated that he would support a 3% assessment increase.

Director Zigterman pointed two factors for the Committee's consideration. First, there is no increase on the wholesale water rates for FY 2017-18, and second, any legal spending that may come up during the course of FY 2017-18 will not be sudden. Given those considerations, he is supportive of a 3%-5% assessment increase.

Director Guzzetta suggested to include a table that shows what the resulting projected General Reserve balance would be for each funding alternative. That information is key in preparing for unexpected expenditures that might come up. Additionally, having a full reserve would be prudent to avoid having a bigger assessment increase should there may be a need to use a bigger portion of the General Reserve for FY 2018-19.

Director Guzzetta also noted that the development of the Regional Water System and Water Supply Modeling Tool is a substantial investment. It would be helpful for the Board to know the types of questions the tool will answer.

Ms. Sandkulla agreed with Director Guzzetta and stated that the modeling tool will be a multi-year effort for BAWSCA and its member agencies. Designing the tool to answer the questions that are most important to the member agencies will be a priority in selecting and working with the consultant.

Ms. Sandkulla explained that the proposed funding alternatives and expending the budget at 100% will not significantly put the General Reserve balance below the 30% recommended guideline. BAWSCA is aware of the critical issues that may develop next fiscal year and Ms. Sandkulla is comfortable with the General Reserve balance. She agrees with Director Zigterman's comments that any additional legal expenses will not happen immediately. The more important question, however, is what will happen in the subsequent years and how can BAWSCA manage those events?

Director Pierce suggested to add a column on table H that provides a short description of what the historical assessment increases were primarily related to.

Director Mendall also suggested to include in table H, an estimate of the General Reserve's year-end balance for FY 2016-17.

Ms. Sandkulla noted that 2003, 2004, and 2005 were transitional years between BAWUA and BAWSCA, in which, for best management practices, BAWUA's remaining funds financed a portion of BAWSCA's operating budget.

Director Pierce added that BAWSCA's full staff now provides the means to complete the full work plan, and therefore, the budget is now fully expended. Previous years have had unspent funds due to some work being deferred to focus resources on more time sensitive and higher priority matters that arise.

Ms. Sandkulla stated that she estimates the General Reserve would remain at its current balance of \$1.2 M at year end. If assessments are increased by 3% and funds from the General Reserve are transferred to finance the FY 2017-18 Operating Budget, the General Reserve balance will be slightly below the upper range of the guideline, but will remain well within the 20% - 35% range.

Legal activities will continue and there will be legal expenses through the end of the fiscal year. Ms. Sandkulla, however, does not expect to spend beyond the current fiscal year's budget or have the need to use the General Reserve during this current fiscal year. There are no indications that legal activities will go outside of the approved budget.

Depending on expenses that come in between now and the first two weeks of May, Ms. Sandkulla can provide the Board a better estimate of the overall agency budget expenditures at the May Board meeting.

Committee Chair Larsson stated that while he has concerns with drawing down the General Reserve given the legal uncertainties, he supports keeping the reserve balance fully replenished as much as possible, and suggested looking at 4%.

The Committee had a 2:4 poll between 3% and 5%. Director Guzzetta didn't vote because he needed to know where the likelihood of the General Reserve balance will be under each alternative, to make a decision between 3% and 5%.

Director Mendall noted that Director Zigterman's comment about the zero increase in wholesale water rates for FY 2017-18 is the most compelling reason available to consider an increase in the assessments for FY 2017-18.

Director Mendall made a motion to 1) recommend Board approval of the proposed FY 2017-18 Work Plan and Results to be Achieved, and proposed Operating Budget of \$3,704,572, and 2) to let the full Board decide between the assessment increase of 3% and 5% at the May Board meeting. Director Pierce seconded the motion.

There were no discussions on the motion. The motion passed unanimously by voice vote.

- B. Consultant Selection to Develop Independent Regional Water System and Supply Modeling Tool: Sr. Water Resources Specialist, Adrienne Carr, reported that developing an Independent Regional Water System and Supply Modeling tool was included and approved by the Board in FY 2016-17 work plan, but it was deferred as part of the mid-year budget review.

BAWSCA's reliance on the SFPUC for supply reliability modeling no longer meets BAWSCA's needs. Developing an independent modeling tool would allow an analysis of the SF Regional Water System's reliability based on BAWSCA's scenarios, as well as provide an additional benefit of being able to integrate other regional supplies, such as Santa Clara Valley Water District (SCVWD), and local supplies into the analysis to further understand their implications to the service area's water supply reliability. The SFPUC and SCVWD supports BAWSCA's efforts.

Ms. Carr explained that having an independent modeling tool will enhance BAWSCA's resource evaluation capabilities, as well as support future decision making processes that will be a part of implementing BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy).

For example, if BAWSCA and its member agencies were to consider investing in a new water supply source, such as recycled water, the modeling tool can help in the evaluation of the costs and benefits to the member agencies. It can help assess shortage frequency with consideration of all supplies, and evaluate the effects of changed water demands and demand management projects. To date, BAWSCA relies on the SFPUC's modeling tool for water supply planning.

The development of a modeling tool was initially proposed as a collaboration with Stanford's ReNUWIt program since their efforts aligned with BAWSCA's. However, during the negotiations and legal review of the potential professional services agreement with ReNUWIt, it was discovered that, to execute BAWSCA's Standard form of contract, the cost of the project would be subject to a large additional cost associated with the overhead charged at Stanford University. This warranted a formal RFP process to ensure that BAWSCA obtains the best value for services provided to complete the work and that BAWSCA conforms with agency policy and procedures.

Request for Proposals were released on March 24th, and responses are due on April 24th. The proposed FY 2017-18 operating budget includes \$135K for this effort.

BAWSCA requires proposals to include budget estimates based on the scope of work to be completed within FY 2017-18. If the responses to the RFP indicate that additional funding is needed to complete the work within 1 year, BAWSCA will consider how to best move forward. Changes to the budget, schedule or scope will be presented to the Board at the May board meeting.

A selection panel comprised of BAWSCA staff and outside representatives will evaluate the RFP's and conduct interviews on May 2nd, if necessary. BAWSCA anticipates requesting Board authorization to negotiate and enter into a contract with the selected consultant at the Board meeting on May 18th. The goal is to begin work on July 1st, 2017 for the model's completion by June 2018.

The Committee is being asked 1) to confirm the consultant solicitation and selection process conform to agency practices, and 2) advise CEO of additional information helpful for Board consideration.

Director Mendall expressed his support for the process, and stated that while he was comfortable with sole sourcing the efforts with ReNUWIt, he appreciates the attention to detail in conducting an RFP as best management practice.

Committee input and discussion ensued on the project scope, schedule and budget.

Ms. Carr explained that SFPUC's modeling tool represents only 66% of the BAWSCA member agencies' water supply. The independent modeling tool will include information on all of the BAWSCA member agencies' water supply sources such as SCVWD and the State Water project. For example, SFPUC's modeling tool can run SFPUC's water supply reliability for a 30-year period, but not the water supply reliability of other sources, that BAWSCA member agencies rely on. The independent modeling tool can provide information on all water supply sources that have a potential impact on the member agencies.

The development of BAWSCA's model will be in coordination with the SFPUC and SCVWD who have agreed to provide a suite of output from their modeling tools that BAWSCA can draw from. The scope of work includes the task of looking at how to best develop the tool without reinventing existing models used by these agencies.

The independent modeling tool does not intend to duplicate San Francisco's modeling tool, but instead complement it. During the recent drought, some agencies received zero allocation from the State Water Project and asked the SFPUC to supplement that

water supply. That demand from the agencies was never forecasted in SFPUC's demand scenarios, and could have had a significant impact on water supply reliability during the recent drought. BAWSCA's development of an independent model can, during its construction process, serve as a learning mechanism and, when completed, will be a tool used to find out about how agencies' demands are impacted by other supplies.

While there is coordinated efforts in developing the model with the SFPUC and SCVWD, there is no intention to share the costs because the model is intended to be owned by BAWSCA for its member agencies.

Ms. Sandkulla added that the collaboration with SFPUC, SCVWD and the State Water Project during construction of the modeling tool will be consistent with how BAWSCA has participated in coordinating committees with those agencies in the past. The SFPUC is expected to be a part of an advisory panel that meets regularly with BAWSCA to ensure consistency between the tools.

Director Guzzetta cautioned against drawing from existing models such as the SFPUC's because they may not be of value to BAWSCA except for the data. The goal should be for BAWSCA to have a functioning model that is easy to use and understand, as well as provide the least cost alternative moving forward.

Ms. Sandkulla reiterated that it is important to understand that the model will provide information on the water supplies member agencies rely on, aside from the SF RWS. She explained that when BAWSCA started its efforts on the Strategy in 2007, the initial assumption was that it was appropriate to exclude analysis on the impacts on water supplies outside of SF RWS. This was reflective of the individual agencies' interests to manage their own supplies from sources outside of the SF RWS.

However, the recent drought proved that the assumption was flawed. The agencies now recognize the need and benefits for BAWSCA to be able to provide information on the overall water supply management for the region.

Following BAWSCA's development of the groundwater model, which has been instrumental in developing a bigger regional model, agencies are getting an increased understanding of what BAWSCA can do. The progress BAWSCA has made in water supply management provides a natural development of addressing additional and relatable questions associated with water supply reliability.

In response to Director Pierce, Ms. Carr explained that estimates of water conservation savings and water demand will be fed into the model as data input. The model can provide a better understanding of conservation savings as far as its value and how it impacts the overall supply.

Director Guzzetta noted that agencies deal with the sensitivities of costs to demand reductions. The effects of conservation savings are important considerations for an agency's future decision making about costs. Having a rate component in the model that can, for example, average the revenue requirement if an agency reduces supplies would be helpful.

Ms. Sandkulla stated that while it is not in the scope of work, she agreed that this information is critical to supporting agencies' investment decisions. It would be an appropriate question to be included as a secondary step to developing the model. She added that the model will be a planning tool that will take individual agencies' output to come up with a collective data that represents the BAWSCA service area.

The RFP has seven specific tasks for consultants to respond as to how they propose to address them.

Ms. Sandkulla explained that the RFP has a specific scope of work that is critical to complete. While this is a multi-year effort, Ms. Sandkulla stated that keeping focus on the results that need to be achieved during the development of the model, and not having a hiatus in the progress of the work, is preferred. Ms. Sandkulla stated that the scope is critical, the schedule can be flexible, and the budget is at the upper end.

Following the review of responses from the RFP, a full presentation to the Board will be provided at the May meeting. Any necessary adjustments to the budget, scope and schedule will depend on how much money is worth spending to achieve the targeted results.

Director Zigterman noted that he would not be surprised if the proposals came back higher than the \$135K budget.

In response to Director Benton's question, Ms. Carr explained that hydrological modeling has a standard formula for ensuring information accuracy. Construction of the model will include calibration and validation processes. The model will be calibrated for optimal performance before it goes through the validation process where the model runs scenarios that already occurred to generate a result that is consistent with historical facts.

BAWSCA will evaluate the advantages and disadvantages of the options consultants will propose. RFP responses are expected to offer options of a basic spreadsheet tool, customizable packages, loose framework built on mathematical equations, or something in the middle. Packages, for example, can offer the benefits of having reliable ongoing support and features that, while not yet useful at the moment, can be useful in the future. A maintenance plan is requested in the RFP. BAWSCA will choose the option that will work best for BAWSCA's needs.

There will be a technical advisory team to help evaluate the considerations between the options. If ReNUWI does not make a proposal, they will be considered for the technical panel.

Director Benton made a motion, seconded by Director Pierce, that the committee confirms that the process conforms to agency practices and appropriate public process. The motion carried unanimously by voice vote.

6. Report and Discussion:

- A. State Water Resource Control Board's (SWRCB) Draft SED: Ms. Sandkulla reported that all BAWSCA member agencies submitted comment letters to the State on the

draft SED. BAWSCA's comment letter was submitted on March 17th, and is accessible from the BAWSCA website.

BAWSCA is reviewing comment letters from other agencies and interested parties to get familiar with their messages.

BAWSCA's major focus has been on the separate settlement negotiations that is currently taking place. BAWSCA and SFPUC's interests continues to align, and are continuing to coordinate efforts together. However, BAWSCA is pursuing an independent participation in the settlement negotiations to best represent the member agencies' interests. BAWSCA is communicating with state officials, legislators and allies.

Ms. Sandkulla noted that the draft SED is an environmental document, which goes through an evaluation process of alternatives. SFPUC's comment letter proposed an environmentally preferable alternative designed to promote the expansion and maintenance of salmonid populations on the Tuolumne River, and maintain water supply reliability.

Ms. Sandkulla explained that instead of requiring a percent of the river's true natural flow, SFPUC's alternative presents targeted environmental flows that provide net increased flow above current required instream flows for the purpose of supporting and encouraging the life-stages of the species that are currently in the river.

SFPUC's alternative recognizes that the river has evolved from a wild and scenic river to a river that has changed dramatically by the development around it. SFPUC proposes to target the flows that best benefit the existing conditions, because restoring what was the true natural flow is not necessarily the optimal condition. Importantly, SFPUC's alternative includes physical habitat improvements in the instream channel to address known issues including gravel cleaning, gravel improvements, predator control, and effective fishery hatchery management. This is the idea of making sure the that fish grown in the river come back

The elements to SFPUC's alternative are fact based on the results of extensive studies that have been done on the Tuolumne River in collaboration with the Modesto and Turlock Irrigation Districts. Time and money has been invested to conduct studies through the course of over 20 years specifically focused on addressing the issues in Tuolumne River.

SFPUC's proposal is a strong alternative that Ms. Sandkulla hopes will be given serious consideration in the settlement conversations and SWRCP action.

SWRCB will prepare a draft final SED that is required to include responses to all comments received, even if it simply says, "comment noted". The State Board is in the process of reviewing the comments received. While the State Board has previously indicated that adoption of a draft final SED will take place in the Fall of 2017, it is unclear if this timeline remains viable given the volume of comments received.

While this administrative procedural process is ongoing, there are separate settlement discussions taking place because of the threat of a lawsuit given the legal issues raised during the public comment period.

In response to Committee members' questions, Ms. Sandkulla reported that a group focused on the San Joaquin tributaries is involved in the settlement discussion. This group is comprised of the owners and operators of water systems on the Tuolumne, Merced, and Stanislaus Rivers, certain permitting agencies, and other non-governmental organizations. There are other processes starting for the Sacramento River and groups around Mokelumne River.

Ms. Sandkulla stated that there is no unified federal voice between the Bureau of Reclamation, who operates a system and has water supply obligations; the US Fish and Wildlife Service; the National Marine Fishery Service; and other regulatory agencies such as the Environmental Protection Agency.

Legal counsel noted that both sides, environmental groups and water supply groups, were dissatisfied with the draft SED, and it was evident in their comments. If the SWRCB moves forward, without a settlement, a lawsuit is imminent from either or both sides.

Ms. Sandkulla stated that this is a significant issue that will remain on BAWSCA's work plan for multiple years.

Director Pierce was interested in how potential future pilot projects that could develop useful evidence could be incorporated into the settlement discussions and final decisions. Ms. Sandkulla noted that suggestion.

7. Reports

- A. San Francisco Regional Water System Water Supply Forecast and Water Supply Conditions: Ms. Sandkulla reported that the system is full. Precipitation is almost up to the wettest year on record. While the snow data remains below the snow course index, it is higher than the past 2 years. The snow course index is the measurement of the depth and water content of the snow in the different parts of the watershed against an index based on historical records.

Water use went slightly up this past week, but continues to be on the 10% voluntary water use reduction mark.

In early April, the SFPUC issued its final water supply availability report for Water Year 2017, and stated that it will be able to meet 100% of its customers' needs this year. SFPUC continues to support "wise use of water" given ongoing benefit of conservation for all customers.

Ms. Sandkulla noted that during the drought, SFPUC waived its minimum purchase requirements on four wholesale customers: ACWD, Milpitas, Sunnyvale and Mountain View. Because of significant alternate supplies, the agencies are subject to, under their individual contract and the 2009 WSA, a minimum purchase requirement from the SFPUC. Now that the drought is over, the SFPUC has notified the agencies that it will lift the waiver as of July 1, 2017.

Ms. Sandkulla stated that this will be a significant issue, notably for Mountain View, because their demands will not rebound back up to that minimum amount. As a

result, these agencies will be paying for water supply that they are not selling to customers.

This issue plays into Mountain View's discussion with East Palo Alto and its need for additional water supply. There are provisions and some restrictions for these potential transfers within the contract with SFPUC. There are no immediate and obvious answers to address the larger minimum purchase requirements at the moment. It is an issue that has been forthcoming, given Mountain View's significant transformation from large scale chip manufacturing companies and larger residential lots, to having water efficient developments in their technological and residential sectors.

Governor Brown officially declared the end of the drought emergency on April 7th. The BAWSCA agencies are no longer required to complete "stress tests" and adhere to mandatory reductions. The monthly water supplier reporting on urban water use and prohibitions on water waste will remain.

Also on April 7th, the final report presenting the framework for "Making Conservation a California Way of Life" (Conservation Framework) was released. There were no major changes to what was presented in the draft. The framework includes new water use targets for urban water suppliers, and enhanced shortage planning requirements.

In response to Director Quigg, Ms. Carr stated that there four counties in southern San Joaquin area that continue to be under emergency local restrictions so they can receive funding because there are communities that have no access to water. This enables them to continue receiving supply from water trucks.

Implementation of the Conservation Framework will require expanded statutory authorities. Governor Brown's administration has proposed a budget trailer bill to establish these authorities. The bill would give the State Board a broad and significant authority to establish, change, and enforce long-term water use targets. The State Board will have the enforcement power that will have financial implications if water suppliers do not comply. It is a significant change in the State Board's authority.

On a separate path, there are two policy bills proposed by Assembly Member Blanca Rubio to implement ACWA-developed alternative to the State's Conservation Framework. They are AB 968 on Water Shortage Contingency Plan requirements, and AB 1654 on New Water Use Targets. The bills are consistent with what water suppliers were envisioning, not keeping the authority within the Department of Water Resources, and providing greater flexibility in establishing the water-use targets.

BAWSCA is working with SFPUC and ACWA in determining position on these pieces of legislations.

Director Mendall asked if the CEO and Strategic Counsel have thought about what the next potential Governor's position might be regarding water. He suggested for the CEO's consideration, and not necessarily a direction, to examine whether there are some opportunities to educate before the election occurs.

Strategic Counsel stated that he and Nicole are scheduled to meet with Legislators in Sacramento to discuss water supply issues to try and gauge where this effort is headed.

- B. **BAWSCA Planning Efforts with SCVWD:** Ms. Sandkulla reminded the Committee that in the Fall of 2016, she reported that BAWSCA was preparing to enter a Memorandum of Understanding (MOU) with SCVWD and San Francisco to investigate the potential of a Purified Water Feasibility Study in FY 2017-18. The feasibility study will identify and evaluate options for SFPUC and BAWSCA to participate in SCVWD's expedited Purified Water Program, particularly for the 8 agencies in Santa Clara County including San Jose and Santa Clara.

The study provides San Francisco and BAWSCA with the potential of new water supply between 5-15 mgd. SCVWD's interest in the collaboration is partnership with water agencies and the financial benefit from increased use of their facilities with partners.

Ms. Sandkulla was pleased to report that the MOU has been executed.

In addition, Ms. Sandkulla and Chair Mendall met with SCVWD CEO, Norma Camacho, and Board Member, Gary Kremen, to discuss the agencies' common interests in water supply. There are early planning efforts that can be accommodated and are included in the work plan for FY 2017-18. Meetings between the agencies will be scheduled for further consideration of opportunities.

Chair Mendall added that the meeting indicated a spirit of cooperation which he appreciated and looks forward to developing.

Director Zigterman asked what BAWSCA's role is in this localized supply opportunity. Ms. Sandkulla stated that BAWSCA's role is collective for the member agencies. The member agencies have expressed interest in finding a resolution for San Jose and Santa Clara's water supply needs. Additionally, the member agencies share a common supply source, in which the project can provide a reliability benefit for the regional system. The work will focus on the large group, and if development indicates specific focus on certain agencies, then the efforts will be re-examined.

Director Guzzetta added that the potential Pacheco Reservoir project identified by SCVWD can offer opportunities for increased supply and present a regional benefit.

8. **Comments by Committee Members:** In response to Director Zigterman, Ms. Sandkulla explained the application of COLA to the salary ranges. The adjustment is applied to the upper end of the salary range for each position, except the CEO's, to maintain market competitiveness. Salary increases are based on merit. The COLA provides the window for the merit increase.
9. **Adjournment:** The meeting was adjourned at 2:59 pm. The next meeting is June 14, 2017.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – April 12, 2017

Roster of Attendees:

Committee Members Present

Gustav Larsson, City of Sunnyvale (Chair)
Tom Zigterman, Stanford (Vice Chair)
Jay Benton, Town of Hillsborough
Rob Guzzetta, California Water Service Company
Al Mendall, City of Hayward (BAWSCA Chair)
Barbara Pierce, City of Redwood City (BAWSCA Vice Chair)
Dan Quigg, City of Millbrae

Absent

Randy Breault, City of Brisbane/GVMID (Immediate Past BAWSCA Chair)
Gregg Schmid, City of Palo Alto

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
Nathan Metcalf	Legal Counsel, Hanson Bridgett, LLP
Bud Wendell	Management Communications

Public Attendees:

Michelle Novotny	San Francisco Public Utilities Commission
Jan Lee	City of Hayward

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Authorize CEO to Enter into a Contract with a Selected Consultant to Develop “Making Conservation a Way of Life” Strategic Plan – Phase 1**

Summary:

A key effort included in BAWSCA’s FY 2017-18 Work Plan and Operating Budget is support for 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. The BAWSCA “Making Conservation a Way of Life” Strategic Plan (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 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.

BAWSCA plans to release the Request for Proposals (RFP) for Phase 1 on June 26, 2017. Proposals will be due back to BAWSCA on August 8, 2017. BAWSCA will review proposals, conduct interviews, select a consultant, and bring a consultant under contract in August 2017 in order to complete Phase 1 of the Plan in FY 2017-18.

It would create significant delay in the finalization and implementation of the consultant contract should BAWSCA staff have to delay the start of work for contract approval by the BAWSCA Board at the September 21st Board meeting. That approach would impede completion of key deliverables such that there would be insufficient time to inform the FY 2018-19 budget development for BAWSCA and the member agencies.

Therefore, at the July board meeting, the CEO will request authorization to negotiate and execute a professional services agreement with a consultant for the identified services for an amount not to exceed \$170,000, prior to the final proposals being submitted and evaluated. The Procurement Policy states that “Contracts for services in which the maximum compensation payable does not exceed \$25,000 may be entered into by the CEO/General Manager. All other contracts shall be submitted to and approved by the Board of Directors.” In this case, the request is to authorize the CEO to enter into a contract up to \$170,000, subject to legal counsel review. The CEO will report back to the Board on this contract at the next (September) Board meeting. This schedule is consistent with the schedule anticipated in the FY 2017-18 Work Plan.

Fiscal Impact:

The proposed FY 2017-18 budget includes \$170,000 to complete Phase 1 of the Plan. It is anticipated that the Plan will be a multi-year effort and that the work completed in Phase 1 will inform the budget needs for FY 2018-19 and subsequent years. In addition, Phase 1 will help inform budget development within each BAWSCA member agency as they scope what individual efforts are needed to comply with the state requirements.

Recommendation:

That the Board Policy Committee:

- 1) Recommend the Board authorize the CEO/General Manager to negotiate and execute an agreement for an amount not to exceed \$170,000 with a selected consultant, subject to legal counsel review, to complete “Making Conservation a Way of Life” Strategic Plan – Phase 1; and**
- 2) Recommend to the CEO/General Manager on whether additional information might be helpful to the Board for its consideration in July.**

Discussion:

On April 7, 2017, the state released the “Making Water Conservation A California Way of Life, Implementing Executive Order B-37-16” final framework report. This report addresses the long-term water use efficiency requirements called for in Governor Brown’s Executive Orders and provides information to the Legislature and other interested parties on the proposed framework.

The BAWSCA “Making Conservation a Way of Life” Strategic 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 the new water conservation targets. While legislation to implement the “Making Conservation a Way of Life” framework has not yet been adopted, several pieces of legislation have passed through the Assembly and are awaiting Senate actions. It is anticipated that the legislation will be adopted in FY 2017-18 and that accompanying state regulations detailing requirements for water suppliers will also be developed during this period.

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 state requirements that identifies respective BAWSCA and member agency roles.

Phase 1 will provide critical information to assist BAWSCA in representing the interests of the BAWSCA member agencies with regard to proposed state regulations. In particular, Phase 1 will determine the feasibility of implementing the state’s proposed approach to assigning long-term conservation targets and the cost impacts to BAWSCA member agencies. In addition, Phase 1 will inform the BAWSCA Work Plan and Operating Budget development for FY 2018-19 and subsequent years.

Consultant Selection Process

The proposed selection and contracting process has been reviewed by BAWSCA’s legal counsel and is consistent with BAWSCA’s policies and procedures for acquiring professional services.

BAWSCA plans to release the Request for Proposals (RFP) for Phase 1 on June 26, 2017. Proposals will be due back to BAWSCA on August 8, 2017. As it is anticipated that proposing firms may need to partner to meet BAWSCA’s needs for this project, this schedule provides slightly longer than normal time so that interested consultants can secure partners

as needed and then prepare proposals. A panel will review the proposals received. If necessary, consultant interviews will be held during the week of August 22nd. The panel will include BAWSCA staff, BAWSCA member agency staff, and a representative from an outside agency. All BAWSCA member agencies will be provided the option of observing the interview process.

Consultants will be evaluated based on the following criteria:

- Qualifications and experience of firm and key personnel (25%);
- Understanding of the project and approach to the scope of work (25%);
- Ability to meet project timeline (25%); and
- Overall value illustrated by the proposer as provided within the project budget (25%).

Based on the evaluation of the written proposals and interviews (if conducted), the panel will recommend a consultant for consideration by the CEO. In the event that interviews are not required, it is expected that the CEO will be prepared to enter into a contract with the consultant by August 21st. If interviews are required, it is expected that the decision on consultant selection will be made by August 30th. Due to the timing of this work, the selected consultant will not be known at the time of the July Board authorization action as detailed above. At the July Board meeting, the recommended action will be to authorize the CEO to negotiate and execute a professional services agreement with a selected consultant for the specified services, with a not-to-exceed contract amount of \$170,000, subject to legal counsel review.

At the September Board meeting, the CEO will provide an update to the Board on the results of the selection process, noting the selected consultant. If the Board desires to be on record as approving the specific consultant selected, the Board can authorize the CEO to enter into a contract with the (not yet identified) selected consultant at the July meeting, and then, at the request of the Board Chair, ratify the contract with the selected consultant at the September meeting.

This schedule will ensure that Phase 1 is completed within FY 2017-18 and that the key results to inform the FY 2018-19 Work Plan and Budget are available by March 2018 such that the next phase of work can be planned and scoped as part of FY 2018-19 budget development for BAWSCA and the member agencies.

Scope of Work

The Phase 1 Scope of Work, to be included in the RFP, is included in Attachment A. As the new state long-term targets are still in development, BAWSCA anticipates that adjustments to the scope of work, within the total project budget, may be required to align with the final legislation and regulations.

The key tasks include:

- Review “Making Conservation a Way of Life” Regulations and Existing Conservation Efforts: Consultant will review legislation and regulations related to “Making Conservation a Way of Life” long-term water conservation targets and associated actions that will be required of water suppliers to calculate and report on these targets.

- **Assess Outdoor Landscape Area Measurements Existing Capabilities and Best Practices:** Consultant will assess the existing capabilities and practices of each BAWSCA member agency regarding the collection, management, and use of landscape area measurements. Consultant will also evaluate water industry best practices for developing landscape area measurements.
- **Assess Commercial, Industrial and Institutional (CII) Account Classification Capabilities and Best Practices:** Consultant will assess the existing capabilities and practices of each BAWSCA member agency regarding classification of CII accounts. Consultant will also determine existing BAWSCA member agency practices for sub-metering CII accounts, if used to separate landscape water use from indoor use. Additionally, Consultant will assess existing CII audit programs. Consultant will evaluate water industry best practices for CII account classification and best practices for CII water use efficiency.
- **Evaluate Water Loss:** Consultant will assess current practices of each BAWSCA member agency regarding water auditing and water loss and will evaluate water industry best practices for water audit data management and water loss control.
- **Meetings and Workshops:** Consultant will conduct meetings with BAWSCA staff and BAWSCA member agency staff as part of performing the data collection. Consultant will facilitate two workshops with BAWSCA and all member agencies to review goals and deliverables and to determine the preferred approach for compliance.
- **Develop Roadmap for Compliance:** Consultant will develop a multi-year roadmap for complying with “Making Conservation a Way of Life” requirements that outlines specific actions for BAWSCA to implement to assist agencies in complying with requirements as well as specific actions for BAWSCA member agencies to take to achieve compliance.

Schedule

BAWSCA anticipates commencing work in September 2017, and proposes the following overall schedule to ensure that key information is available in time to inform the FY 2018-19 budget development for BAWSCA and the member agencies.

ACTIVITY	SCHEDULE
Review of Proposed Requirements	Sep. 2017
Data Collection and Agency Interviews	Sep. 2017 – Dec. 2017
Evaluation of Best Practices for Compliance	Nov. 2017 – Feb. 2018
Technical Memorandums Complete	Mar. 2018
Draft Report Complete	May 2018
Final Report Complete	Jun.2018

Alternatives Considered:

The following alternatives to achieve the necessary results have been considered:

- Alternative #1: Support the Recommended Actions. An immediate start on the project provides two key benefits: 1) it allows completion of Phase 1 within sufficient time to inform budget needs for BAWSCA and the member agencies for FY 2018-19 and 2) it provides BAWSCA with information on the potential impacts of the proposed regulations to the member agencies, which will be beneficial in advocating for the member agencies' interests in discussion with the state regarding proposed regulations.
- Alternative #2: Postpone Contract Consideration until September 2017. The BAWSCA Board can choose to delay consideration of this contract until the consultant selection process has been completed and a recommended consultant has been identified. This alternative would delay the project start by at least one month, which would pose a significant challenge in completing the work within FY 2017-18. In particular, the Phase 1 results may not be available in time to support discussions with the state on proposed regulations and to inform the BAWSCA FY 2018-19 Work Plan and Operating Budget development. **This alternative is not recommended.**

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Attachment A

DRAFT Scope of Work: “Making Conservation a Way of Life” Strategic Plan - Phase 1

BAWSCA seeks to select a firm (Consultant) to complete Phase 1 of BAWSCA “Making Conservation a Way of Life” Strategic Plan (Plan) to align with the state’s new “Making Conservation a California Way of Life” long-term water conservation targets as dictated by the Governor’s Executive Orders B-37-16 and B-40-17. It is anticipated that new long-term regulations will be developed in FY 2017-18 and that the regulations will require a range of actions by BAWSCA and its member agencies to calculate and ultimately achieve each agency’s conservation target.

It is anticipated that the Plan will be a multi-year effort to align with the state’s implementation of the long-term conservation targets. Phase 1 of the Plan, to be completed in FY 2017-18 through this solicitation, will include:

- Assessment of BAWSCA member agency capabilities to comply with proposed new water conservation targets;
- Evaluation of options for complying with the requirements and their associated costs; and
- Development of a roadmap for BAWSCA and its member agencies for the overall compliance process.

The Phase 1 effort will also include development of a scope of work for Phase 2 of the Plan, anticipated to be completed in FY 2018-19 subject to future approval by the BAWSCA Board.

As the new state long-term targets are still in development, BAWSCA anticipates that adjustments to the scope of work, within the total project budget, may be required to align the Project with final legislation and regulations.

The Project will include the following tasks:

1. Review “Making Conservation a Way of Life” Regulations and Existing Conservation Efforts: Consultant will review legislation and regulations related to “Making Conservation a Way of Life” long-term water conservation targets and associated actions that will be required of water suppliers to calculate and report on these targets.

Consultant will review BAWSCA and member agency existing conservation efforts and planning documents, including the Drought Report (BAWSCA, 2017), the BAWSCA FY 2015-16 Annual Conservation Report, and the Regional Demand and Conservation Projections Report (BAWSCA, 2014).

2. Assess Outdoor Landscape Area Measurements Existing Capabilities and Best Practices: Consultant will assess the existing capabilities and practices of each BAWSCA member agency regarding the collection, management, and use of landscape area measurements. Consultant will also research and evaluate water industry best practices for developing landscape area measurements. The

deliverable for this task will be Technical Memorandum #1 (TM-1) detailing the results.

As part of this task, Consultant will determine, at a minimum:

- Whether each BAWSCA member agency has measured irrigated and/or irrigable landscape area within its service area for (a) large landscapes and (b) residential properties
- What methods were used to conduct and verify landscape area measurements, and what level of accuracy was found if verification was conducted
- What each agency used as criteria for determining whether to measure landscape area
- Whether each agency maintains parcel level data for its service area (e.g. lot size, installation date, landscape installation date, etc.) and, if so, how this data is obtained, how it is tracked, and how often it is updated
- Whether BAWSCA member agencies have conducted any studies or pilots on landscape area measurement
- What platform each agency uses for maintaining landscape area measurement data, if applicable
- What challenges agencies have encountered in the past regarding conducting or managing landscape area measurements
- What existing investments BAWSCA member agencies have made in landscape area measurements
- What are the current Industry best practices for conducting landscape area measurements, including a comparison of options and costs

Task 2 Deliverable

- TM-1 summarizing the results of Task 2.
3. **Assess CII Account Classification Capabilities and Best Practices:** Consultant will assess the existing capabilities and practices of each BAWSCA member agency regarding classification of CII accounts. Consultant will also determine existing BAWSCA member agency practices for sub-metering CII accounts to separate landscape water use from indoor use. Additionally, Consultant will assess existing CII audit programs.

As part of this task, Consultant will determine, at a minimum:

- Existing practices for each BAWSCA member agency regarding sub-metering of landscape water use for CII accounts, including criteria for determining whether to separately meter landscape water use and the associated costs
- Existing practices and capabilities for each BAWSCA member agency for classifying accounts within the CII sector, including classification system used and level (degree of detail) of the data collected
- Triggers and process for each BAWSCA member agency for updating CII account classifications, if applicable

- Platform used by each agency for tracking CII account classifications, or capability of agency's existing billing system to track CII account classifications
- Existing or planned programs for each BAWSCA member agency for developing knowledge related to CII water use or promoting reductions in CII water use
- Industry best practices for CII account classifications, including a comparison of options and costs
- Industry best practices for CII water audits, including a comparison of options and costs

Task 3 Deliverable

- TM-2 summarizing the results of Task 3.
4. Evaluate Water Loss: Consultant will assess current practices of each BAWSCA member agency regarding water auditing and water loss accounting and will evaluate water industry best practices for water audit data management and water loss control.

As part of this task, Consultant will, at a minimum:

- Compile results from the AWWA Water Audits completed by BAWSCA member agencies per SB 555 requirements
- Inventory each BAWSCA member agency's existing water auditing practices and water loss control practices
- Determine, in conjunction with BAWSCA and member agencies, goals and timeline for improving water audit data and water loss control activities
- Develop a water loss control program roadmap scoping tasks and timeline for implementation of further water loss assessment and intervention needs

Task 4 Deliverable

- TM-3 summarizing the results of Task 4.
5. Meetings and Workshops: BAWSCA member agency input will be vital to the success of this effort; therefore, Consultant is required to provide a detailed approach and budget for facilitating member agency participation. Consultant must allot sufficient hours within the overall budget to accommodate this necessary input.

Consultant will conduct meetings with BAWSCA staff and BAWSCA member agency staff to complete the data collection required for Tasks 2-4. It is anticipated that meetings and/or phone interviews with each of the 25 BAWSCA member agencies will be required to perform this task.

In addition, it is anticipated that 2 workshops with BAWSCA and all BAWSCA member agencies will be required to review Phase 1 goals and deliverables and to determine the preferred approach for compliance with the adopted regulations.

6. Develop Roadmap for Compliance: Consultant will develop a multi-year roadmap for complying with “Making Conservation a Way of Life” requirements. The roadmap will include:
- Identification of gaps between current BAWSCA member agency capabilities and practices and the capabilities and practices that will be needed to comply with the requirements of the adopted regulations
 - An evaluation of options for BAWSCA agencies to develop and implement the expertise and/or staff capabilities as needed for compliance with the adopted regulations, including an estimate of the associated costs and benefits related to the options available, as well as the recommended preferred approach
 - Identification of actions to be taken by BAWSCA to support member agency compliance, including timing of actions
 - Identification of actions to be taken by BAWSCA member agencies to achieve compliance, including timing of actions

For budget and schedule purposes, Consultant should plan to prepare two drafts and incorporate comments received for each draft: one draft for BAWSCA review and a second draft for BAWSCA member agency review. BAWSCA will provide a compiled set of comments from member agencies

Task 6 Deliverable

- Final Report
7. Project Management: To keep the project on schedule and budget, Consultant must provide BAWSCA with monthly status and budget updates by task. The information can be shared via phone or email in combination with updated Excel spreadsheets detailing budget and schedule status.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Approval of Proposed Modifications to the Description, Title and Top Step Salary for the Position of Senior Administrative Analyst**

Summary:

The duties and responsibilities of the position of Senior Administrative Analyst have evolved significantly over the past several years. This position is now responsible for debt management associated with BAWSCA's 2013 revenue bonds, including administering the \$24 million annual bond surcharge collection to ensure timely debt service payments, and treasury management associated with BAWSCA's \$28 million investment portfolios. None of these critically important tasks or associated skills are included in the existing position description. In addition, the level of effort and overall financial responsibility in review of the annual Wholesale Revenue Requirement has increased significantly with the new 2009 Water Supply Agreement and the 38% increase in the annual Wholesale Revenue Requirement over the past five years.

An outside compensation analyst was hired to perform a desk audit and a comparison with positions at Bay Area water utilities that conduct similar work. An adjustment is recommended to maintain the Agency's ability to retain and attract high quality professionals to perform these critical financial tasks for the Agency.

Fiscal Impact:

The recommended adjustment would increase the top step salary for this position by \$35,411 per year to \$166,956. The actual salary paid to the employee is based on performance but cannot exceed the top step salary for the position.

Approval of these recommended modifications will not result in any necessary changes to BAWSCA's approved FY 2017-18 Operating Budget. Specifically, any salary adjustments made by the CEO as a result of these proposed modifications will stay within the allowance for merit increases within allocated budget for Salaries & Benefits in the approved FY 2017-18 Operating Budget.

Recommendation:

That the Board Policy Committee recommend Board approval of the recommended modifications to the position description, title and top step salary by 26% for the position of Senior Administrative Analyst.

Discussion:

In May 2017, Koff and Associates conducted an independent classification review and compensation study for the position of Senior Administrative Analyst. This review included questionnaires and interviews with the CEO as well as with Ms. Tang, BAWSCA's Senior Administrative Analyst.

As has been the practice of the Agency, Koff and Associates compared the duties and responsibilities to similar positions at Bay Area water utilities. Also, as in the past, the top step salary for the current position was compared to the median of top step salaries paid to the comparable positions at the other utilities.

Through this review, Koff and Associates identified that the Senior Administrative Analyst position is now responsible for the following new tasks:

- Debt management associated with BAWSCA's 2013 revenue bonds, including administering the \$24 million annual bond surcharge collection to ensure timely debt service payments, as well as compliance with bond covenants and federal and state laws; and
- Treasury management associated with BAWSCA's \$28 million investment portfolios, including forecasting future cash flow needs, analyzing investment opportunities, and making recommendations during annual review of the Investment Policy.

In addition, the level of effort and overall financial responsibility in review of the annual Wholesale Revenue Requirement has increased significantly with the new 2009 Water Supply Agreement and the 38% value increase in the annual Wholesale Revenue Requirement over the past five years.

As a result of this review, the consultant recommended specific changes to the current position description, a change to the title of the position and an adjustment to the top step salary for the position. The proposed title of the position is Finance Manager. This title reflects the duties and level of responsibility that characterize the position and the titles of comparable positions at other agencies. A revised position description is attached.

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

POSITION DESCRIPTION

CLASS TITLE: FINANCE MANAGER

Brief Description:

Reporting directly to the CEO/General Manager, the Finance Manager manages the Water Supply Agreement between the City and County of San Francisco (City) Public Utilities Commission (SFPUC) and Wholesale Customers (BAWSCA members) for City and BAWSCA compliance with agreement provisions; implements a comprehensive financial audit and management reporting program of the annual Wholesale Revenue Requirement; manages BAWSCA's debt administration and investment policy; ensures assigned programs meet generally accepted accounting principles and governmental auditing standards. This position description does not limit the CEO's ability to assign other work.

The responsibilities of the Finance Manager require a high-level of independent judgement, problem-solving, analysis of unique issues or increasingly complex problems without precedent and/or structure, and formulating, presenting, and implementing strategies and recommendations for resolution. The employee receives occasional instruction or assistance as new or unusual situations arise and is fully aware of the operating procedures and policies of assigned projects. Assignments are given with general guidelines and the employee is responsible for establishing objectives, timelines, and methods to deliver work products. Work is typically reviewed upon completion for soundness, appropriateness, and conformity to policy and requirements, and the methodology used in arriving at the end results are not reviewed in detail. Interpersonal skills in both individual and group settings are critical for successful performance of the work.

Principal Duties and Responsibilities:

- Manages the Water Supply Agreement between the SFPUC and BAWSCA members on an annual basis for compliance by the City and BAWSCA with agreement provisions; conducts annual compliance audit; negotiates interpretation and application of agreement provisions; as needed, evaluates feasibility of agreement amendments and provides recommendations to the CEO for amendment approval.
- Audits wholesale revenue requirement by researching and analyzing the financial impact and allocation methodology used by the SFPUC in assessing costs to BAWSCA members; ensures that the member agencies are being charged an appropriate wholesale price for water supplied.
- Develops annual bond surcharge rate schedule; meets with member agencies to explain basis of rate schedule; monitors surcharge revenue collected; presents proposed bond surcharge rate schedule to the Board of Directors for approval.
- Reviews and analyzes SFPUC's wholesale water rate projections; prepares independent analyses as necessary; analyzes and prepares recommendations.
- Manages the debt management program, including administering the debt portfolio to ensure timely debt service payments and compliance with bond covenants and federal and state laws; coordinates with bond counsel, underwriters, and financial advisors on developing and implementing short- and long-term financing strategies and refunding.
- Manages the treasury management program, including working with financial advisors in making investment decisions, tracking cash flows and forecasting future cash flow needs,

analyzing investment opportunities, maintaining current knowledge of appropriate laws and their applications, and making recommendations and reporting on investing surplus funds in compliance with BAWSCA's Investment Policy; regularly reviews BAWSCA's Investment Policy and General Reserve Policy.

- Reviews and analyzes the SFPUC's draft Operating Budget, including changes and trends, and makes recommendations. May testify before the SFPUC on matters related to the Operating Budget.
- Performs general accounting, budgeting, and financial reporting functions to ensure compliance with laws, regulations, BAWSCA and Board policies, and professional standards, as well as to ensure financial internal controls are in place.
- Assists the CEO with the development, implementation, and maintenance of BAWSCA's annual operating budget.
- Serves on the San Francisco Revenue Bond Oversight Committee; represents BAWSCA at various committee, SFPUC, and other meetings.
- Develops consultant requests for proposals and qualifications for professional services; evaluates proposals and recommends project award; develops, negotiates, and reviews contract terms and amendments; ensures contractor compliance with BAWSCA policies and contract terms and agreements; analyzes and resolves complex problems that may arise.

Other Duties and Responsibilities:

- Conducts a variety of special studies and analyses as requested; evaluates alternatives, makes recommendations and prepares narrative, statistical and graphic reports.
- Prepares agenda materials for Board and committee meetings and makes presentations.
- Prepares a variety of reports, correspondence, policies, procedures, and other written materials.
- Maintains accurate records and files.

Education and Experience:

Equivalent to possession of Bachelors or Master's degree in business or public administration, public policy, economics or a field related to the work and five years of professional-level experience in financial analysis, financial forecasting, or a field which will have produced the required knowledge and skills.

Knowledge and Skills:

Knowledge of:

- Principles, practices, and procedures and methods of public agency financial, budget, investment, and debt management.
- Principles and practices of forecasting, financial analysis, and auditing.
- General accounting and auditing principles and practices including GAAP, GASB, and related standards.
- Applicable federal, state, and local laws, regulatory codes, ordinances, and procedures relevant to assigned area of responsibility.
- Principles and practices of contract administration and review for both professional services and capital improvement projects.
- Principles and practices conducting analytical studies, evaluating alternatives and

preparing effective narrative, statistical, financial and graphic reports.

- Principles and practices of strategic planning.
- Principles and practices of internal and external auditing.
- Computer applications related to the work.
- Standard office practices and procedures and the operation of standard office equipment.
- Working knowledge of applicable state laws governing local public entities.

Skill and Ability to:

- Direct and participate in the analysis of a variety of complex financial, budgetary, administrative and operational problems and make effective operational and/or administrative recommendations.
- Interpret, apply, explain, and ensure compliance with federal, state, and local policies, procedures, laws, and regulations.
- Develop and implement assigned programs, projects, and activities in an independent and cooperative manner, evaluate alternatives, make sound recommendations, and prepare effective financial and staff reports.
- Research, analyze, interpret, summarize, and present financial and technical information and data in an effective manner.
- Negotiate agreement among groups and individuals with differing objectives.
- Prepare, review, and interpret complex financial reports, summaries and data.
- Effectively represent BAWSCA in meetings with the Board, SFPUC, member agencies, governmental agencies, community groups, and various businesses, professional, and regulatory organizations and in meetings with individuals.
- Communicate effectively, both orally and in writing, including making effective oral presentations.
- Establish and maintain effective working relationships with those contacted in the course of the work.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Process and Schedule for CEO Annual Evaluation**

Summary:

The Chair and Vice-Chair have met with the CEO to review and update the procedure for the CEO's Annual Performance Evaluation.

The design of the evaluation procedure continues to be based on the participation by the full Board and a written set of performance objectives. Prior to the evaluation, the CEO will prepare a report to the Board on her performance during the prior year.

At the July 20th Board meeting, Chair Mendall will present the procedure and evaluation form to the Board of Directors for input. The CEO's performance report and the evaluation form will be e-mailed to each Director following the July 20th Board meeting. The Closed Session performance evaluation will take place at the September 21st Board meeting.

In addition, the Chair will work with Ms. Sandkulla to develop new personal benchmarks to be included in her FY 2017-18 performance plan. Input from the Committee on possible personal benchmarks for the CEO is requested.

Recommendation:

That the Committee (1) provide input on the procedure and draft evaluation form for the CEO/GM FY 2016-17 performance evaluation, (2) provide input on possible new personal benchmarks for the CEO's FY 2017-18 evaluation to be considered by the Chair and (3) recommend that the Board review the revised form during its July meeting for subsequent use as part of the CEO/GM performance evaluation.

Attachments:

1. CEO Evaluation Procedure
2. Draft CEO Annual Performance Evaluation Form

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**CHIEF EXECUTIVE OFFICER
ANNUAL PERFORMANCE REVIEW: EVALUATION PROCEDURE
July 2017**

Evaluation procedure design

- a. Based on prescribed objectives.
- b. Conducted by the Board Chair.
- c. Includes the full Board's participation and review.
- d. Summarized in the CEO's personnel file.
- e. At any time, the Board Chair may access legal counsel guidance on legal questions and procedures.

Evaluation steps

1. CEO Activities

- CEO provides a copy of the evaluation criteria for the current year.
- CEO produces a summary of annual activities and a copy of the CEO's job description.

2. Preliminary Board Chair activities

- Board Chair sends evaluation criteria, evaluation form, CEO summary report, and CEO job description to all Board members on July 21st.

3. Directors submit forms and written comments

- Board members to return completed evaluation forms and written comments to BAWSCA Chair by August 9th.

4. Board Chair activities following receipt of completed forms and written comments

- Board Chair compiles scores and compiles all written comments.
- Board Chair may edit if director comments are inappropriate under law.
- Board Chair may ask CEO to clarify or fact-check information referenced in directors' comments.
- Board Chair should exercise caution to avoid the fact or appearance of serial communications with directors.
- Board Chair produces a written draft report (in collaboration with legal counsel) consisting of:
 1. Tabulated scores and totals.
 2. Compilation of directors' comments.
 3. Summary CEO evaluation.
- Board Chair distributes these products to directors in advance of closed session discussion.

- Legal counsel should be asked to provide a cover letter that sets the context for, and prudent reminders related to closed session discussions and personnel performance reviews.

5. The Board meets in closed session

- Board Chair presents the written materials for discussion:
 1. Board Chair notes any comments deleted or revised, and the reasons for doing so.
 2. Board Chair discusses with the Board other potential quantifiable benchmarks that could be included in evaluation process for FY 2017-18 if desired.
 3. Board Chair may ask that any significant new information be put in writing, perhaps as an amendment to the director's original input, so as to ensure the input is accurately reproduced.
 4. The Chair may ask the CEO to join the closed session for clarification or discussion of matters.
 5. The Chair may ask legal counsel to join the closed session for legal guidance.

6. Board Chair activities following closed session

- Following the closed session, the Board Chair finalizes the written materials, including the summary evaluation.
- Board Chair meets with the CEO to go over and discuss the materials.
 1. The packet is signed by both the Board Chair and CEO to signify that the meeting and discussion took place.
 2. The CEO should acknowledge whether he/she accepts the report or wishes to provide written responses to specific statements.
- All of the written material will be retained in the CEO's personnel file.
- Board Chair shares the finalized evaluation with the Board, or makes it available to them.

7. Board Chair activities for subsequent year's evaluation

- Following the evaluation process, the Board Chair considers suggestions from directors and establishes the evaluation criteria and other potential quantifiable benchmarks for the coming evaluation period.
- Board Chair and the CEO meet to discuss and agree on the revised criteria.
- The Board Chair reviews the revised criteria with the Board of Directors.

BAY AREA WATER SUPPLY & CONSERVATION AGENCY
CEO/GENERAL MANAGER
ANNUAL PERFORMANCE REVIEW: EVALUATION FORM

Employee: _____ Date of Evaluation: _____ Evaluator: _____

Instructions:

Please return to the Chair of the Board by August 9, 2017.

Please mark here if you would like your name as associated with your comments to not be shared by Chair with CEO/GM at conclusion of review

Check the appropriate box for each factor. Provide specific comments or examples in the comment section on page 2.

<u>LEADERSHIP OBJECTIVES</u>	Exceeds Objectives	Meets Objectives	Meets Minimal Objectives	Does Not Meet Objectives	Don't Know
A. Leads BAWSCA, its agencies, Board, staff, SF policy makers, legislators, media and others to understand and support BAWSCA's goals.					
B. Identifies major issues, assigns appropriate priorities and determines appropriate annual results for meeting agency goals.					
C. Applies resources effectively to achieve results.					
D. Defines, and proposes how to address, policy issues and provides clear information for Board to make timely, informed decisions.					
E. Anticipates and recognizes when external actions impact our ability to achieve our goals, and helps the agency respond accordingly.					
F. Relates effectively with diverse audiences to achieve results.					
G. Listens to and objectively considers comments by the Board, staff and agencies and responds appropriately to achieve the agency's goals.					

<u>MANAGEMENT OBJECTIVES</u>	Exceeds Objectives	Meets Objectives	Meets Minimal Objectives	Does Not Meet Objectives	Don't Know
H. Prepares and presents annual work plan by May board meeting.					
I. Prepares and presents annual budget and funding plan by May board meeting.					
J. Maintains expenses within budget and manages reserve.					
K. Recruit, screen, hire and train new staff members and maintain an effective work force.					

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY
CEO/GENERAL MANAGER
ANNUAL PERFORMANCE REVIEW: EVALUATION FORM**

COMMENTS ABOUT THE CEO'S PERFORMANCE DURING THE EVALUATION PERIOD*

What does the CEO do very well?

What could the CEO do better?

Other comments?

On what performance issues do you suggest the CEO focus during the coming year?

**** Comments related to annual work plans, the conduct of Board meetings or other matters regarding the effectiveness of the agency and Board will be solicited separately from the CEO's performance evaluation.***

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: June 9, 2017
SUBJECT: Chief Executive Officer/General Manager's Letter

Association of Bay Area Government (ABAG) Plan Bay Area 2040 Draft Program Environmental Impact Report (Program EIR) – Update

In the fall of 2016, BAWSCA reviewed the ABAG Plan Bay Area 2040 Draft Preferred Scenario (DPS). In the ensuing correspondence between BAWSCA and ABAG, ABAG committed to responding to BAWSCA's concerns as part of the DEIR that at the time was in development. The Plan Bay Area 2040 DEIR was released for public review and comment on April 17, 2017.

Unfortunately, while the DEIR does include a public utilities section that addressed some of BAWSCA's concerns associated with the proposed growth called for in the DPS, it did not adequately identify and stress the difficulty water agencies (including BAWSCA member agencies) would have in providing an adequate and reliable water supply to support the growth and associated population distribution called for by ABAG, particularly during times of drought.

BAWSCA prepared a comment letter on the DEIR, submitting it to ABAG on June 1, 2017. A copy of the letter is included in the Correspondence Packet. In the letter, BAWSCA noted that Plan Bay Area 2040 implementation could result in insufficient water supplies for BAWSCA member agencies, was fashioned in a manner that made it difficult for our member agencies to clearly identify the growth proposed within their service areas, needed to reference the SWRCB's update to the Bay-Delta Water Quality Control Plan and its potential to impact area water supplies, and that mitigation measures proposed by ABAG to address predicted growth should also include the development of new water supplies.

BAWSCA will continue to track ABAG Plan Bay Area 2040, including a review of their response to the comments generated by BAWSCA to the DEIR.

Water Conservation Legislations - Update

On November 30th, the California Department of Water Resources (DWR) and State Water Resources Control Board (SWRCB) released a Public Review Draft of the "Making Conservation a California Way of Life" Report (Draft Report) that presented state agencies' proposal for implementing new long-term water use targets and Water Shortage Contingency Plan (WSCP) requirements as called for in Governor Brown's Executive Order B-37-16. The Final Report was released on April 7th, along with the Governor's proposed legislation to implement the Final Report recommendations.

Several bills have been introduced during the 2017 legislative session that would implement either (1) portions of the state agencies' "Making Conservation a California Way of Life" framework, or (2) alternative proposals for long-term water conservation policy developed by the

Association of California Water Agencies (ACWA) or individual water agencies. On June 1, 2017, three water conservation bills – AB 1654 (Rubio), AB 1668 (Friedman) and AB 1323 (Weber) – passed the Assembly and advanced to the Senate and now await assignment to a Senate policy committee. ACWA and much of the water community actively support AB 1654 (Rubio) but oppose AB 1668 (Friedman). Both bills address urban water management planning. ACWA is currently neutral on AB 1323 (Weber), which would require the California Department of Water Resources to convene a stakeholder workgroup to recommend new water use targets for urban water suppliers.

In addition to the policy bills put forth in the legislature, a budget trailer bill has been proposed that would implement the state agencies' proposal. The budget trailer bill was heard on May 3rd at the Assembly Budget Committee. A stakeholder subcommittee comprised of interested parties, including the SFPUC, is being engaged by state agency staff as they attempt to move the budget trailer bill proposal forward. The trailer bill approach as it currently stands is opposed by a number of California water agencies as well as ACWA.

BAWSCA continues to work closely with the SFPUC to evaluate positions and potential strategies for these legislative proposals and will continue to update the Board as legislation implementing the long-term conservation directives moves forward.

Drought Report

On January 17, 2014, following months of continued low precipitation, reduced snow pack levels, and diminishing water supplies in California's major rivers and reservoirs, Governor Edmund G. Brown, Jr. issued an Executive Order declaring a Drought State of Emergency. Over the next three years, responding to the drought represented a substantial effort by the Bay Area Water Supply and Conservation Agency (BAWSCA) and its member agencies, as well as by state agencies and water suppliers throughout California.

BAWSCA has identified a need to document (1) the drought response actions taken by BAWSCA, BAWSCA member agencies, and the State, and (2) critical knowledge gained through these actions, during the 2014 to 2017 drought period. A draft Drought Report has been prepared and is being reviewed by member agencies for their input and comment. The Report will serve as a reference document for future drought response and planning efforts.

The draft Report includes:

- A timeline of the major drought action 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 member agency feedback on BAWSCA drought response activities;
- Fiscal considerations, including fiscal impacts for BAWSCA, the SF RWS, and individual member agencies;
- Water quality issues observed during the drought and responses taken;
- Water use reductions achieved for the SF RWS and individual BAWSCA member agencies; and
- Lessons learned, as well as ongoing and potential future activities related to drought response.

Following the receipt of member agency comments, the report will be finalized and distributed to the Board and member agencies as well as uploaded to the BAWSCA website. The Report will be finalized prior to the end of this fiscal year (June 30, 2017).

Board Policy Committee Policy Calendar Through April 2018

Committee Meeting	Purpose	Issue or Topic
June 2017	D&A D&A D&A	Consideration of Consultant Selection to Develop BAWSCA's "Making Conservation a Way of Life" Strategic Plan – Phase 1 Consideration of Proposed Modifications to the Description, Title, and Top Step Salary for the Position of Sr. Administrative Analyst. Discussion of the process and schedule for completing the CEO Annual Evaluation and Benchmarks
August 2017		MEETING CANCELLED
October 2017	D&A R	Annual Review and Consideration of Statement of Investment Policy Update on BAWSCA's Regional Water Supply Modeling Tool Development
December 2017	D&A R&D	FY 2017-18 Mid-Year Work Plan and Budget Review FY 2018-19 Work Plan and Budget Preparation
February 2018	D&A R&D	Consideration of BAWSCA Bond Surcharges for FY 2018-19 Presentation of Preliminary FY 2018-19 Work Plan and Budget
April 2018	D&A D&A	Presentation of Proposed FY 2018-19 Work Plan and Budget Consideration of Annual Consultant Contracts