

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD POLICY COMMITTEE**

June 14, 2017 – 1:30 p.m.

Silicon Valley Community Foundation – 1300 So. El Camino Real, San Mateo Rm. 112A

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 (9) and other attendees is attached.

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

2. **Comments by Committee Chair:** Committee Chair Larsson thanked Director Guzzetta for his service on the Board and Board Policy Committee.
3. **Public Comments:** Public comments were made by Peter Drekmeier from Tuolumne River Trust, and Dave Warner, Palo Alto resident.
4. **Consent Calendar:** Approval of Minutes from the April 12, 2017 meeting.
Director Quigg made a motion, seconded by Director Pierce, that the minutes of the April 12, 2017 Board Policy Committee meeting be approved.
The motion passed unanimously.

5. **Action Items:**

- A. **Authorize CEO/General Manager to Enter into a Contract with a Selected Consultant to Develop “Making Conservation a California Way of Life” Strategic Plan – Phase 1:**

Water Resources Manager, Tom Francis, reported BAWSCA’s progress in its efforts to support member agencies in meeting the new water use efficiency targets established by the “Making Conservation a California Way of Life” Executive Order, or EO-B-37-16, and subsequent legislative actions. As previously reported to the Board during the FY 2017-18 Work Plan and Budget development, addressing EO-B-37-15 is a key, multi-year effort for BAWSCA and the member agencies with activities specifically aligned with the State’s proposed schedule for implementing new water conservation targets.

The State’s proposed framework establishes new water use targets that go beyond the existing requirements of 20% by 2020, and looks at the unique characteristics, down to the parcel level, of each BAWSCA water agency. While legislation to implement the framework has not been adopted, it is progressing through the legislature and is anticipated to be adopted in early FY 2017-18.

To assist member agencies with the new state requirements, BAWSCA developed a strategic plan in several phases. Phase 1 of the plan is designed to adapt to the developing legislative approach, inform BAWSCA’s work plan and budget development for FY 2018-19 and subsequent years, and provide BAWSCA critical information in representing the interests of its member agencies.

Mr. Francis went over details of the key tasks in Phase 1: 1) review the proposed regulatory requirements, 2) assess member agencies' existing data and technical capabilities to comply with the requirements, and 3) develop a roadmap for compliance.

To complete Phase 1 in FY 2017-18, it is critical to select a consultant no later than August 30th, and begin work in September. The RFP will be issued on June 26, 2017, and proposals are due on August 8, 2017. BAWSCA anticipates that consultants will team up since the scope of services is broader than some firms can address in-house. For that reason, the proposal deadline provides additional time for consultants to join forces and develop a proposal.

A panel comprised of BAWSCA staff, agency staff, and a representative from an outside agency will review the proposals. Evaluation criteria include qualification and experience of the firm and key personnel, understanding of the scope of work, ability to meet the project timeline, and overall value against the project budget. Interviews will be conducted, if necessary, during the week of August 22nd.

Staff is recommending that the Board, at the July Board meeting, authorize the CEO/General Manager to negotiate and execute a contract, subject to legal counsel review, with a selected consultant to be determined in August. The CEO will report back to the Board on this contract at the September Board meeting.

Director Breault expressed his concern with the potential for creating competing regional consumptive rates based on SICs with the assessments of CII classifications.

Mr. Francis noted that those concerns are something that the Governor and his staff seem to be willing to consider when regulations are developed following the passage of legislation.

Director Zigterman commented that all customer classification categories, not just the CII, should be assessed, and that looking into having a uniform categorization system for reporting to the state would be an efficient outcome.

Ms. Sandkulla explained that with what comes out of BAWSCA's Phase I assessment and the regulations developed by the State by which agencies will have to comply with, it is anticipated that the reporting systems will be aligned with the State's in order to fulfill the uniform standard of classification imposed upon the agencies.

Chair Mendall stated that the effort is an onerous and costly task. He encouraged staff to continue to advocate and look for opportunities for agencies, that are achieving water use efficiency, to be relieved from some of the analysis.

Mr. Francis agreed and explained that BAWSCA continues its efforts in making that point on behalf of the member agencies as legislation moves to regulation, and is working to make sure legislation provides agencies with several options to show they are meeting their water use targets, as opposed to having only one method.

Mr. Francis reported that BAWSCA is also working on the agencies' concerns regarding recycled water. Specifically, the agencies believe that the use of recycled

water to meet irrigation needs should not be subject to conservation-related cutbacks. Mr. Francis noted that the key is to make those types of points before the legislation becomes regulation. BAWSCA staff and SFPUC staff will continue to work collaboratively on the legislation.

Director Mendall expressed support for the recommended schedule and process for selecting a consultant to complete Phase 1 of the strategic plan for compliance with "Making Water Conservation a California Way of Life".

Director Schmid suggested including external expertise on how to approach gpcd deviations resulting from fundamental changes in household sizes. The RFP should include a criteria to illustrate that the consultant selected has broad conservation expertise.

To Director Schmid's point, Director Pierce suggested that the selected consultants should consider having ongoing communication with the agencies to know how frequently water customers' household and landscape characteristics changes.

Mr. Francis added that the development of the road map document in Phase I will highlight any gaps that agencies might have in their best practices and data collection.

In response to Director Guzzetta, Ms. Sandkulla explained that while the State regulation may have an allocated gpcd target, the agencies' aggregate consumption is the basis for the agencies' compliance with their allocation.

Director Guzzetta stated that it will be up to the individual agencies how they will meet their allocated water use target. Basing it on gpcd will be a huge expense to agencies as far as managing such a dynamic number.

Director Benton agreed and stated the need for some flexibility.

Director Benton made a motion, seconded by Director Zigterman, that the Board Policy Committee:

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 review, to complete "Making Conservation a Way of Life" Strategic Plan – Phase 1.

The Committee had no additional recommendation to the CEO/General Manager to provide for the Board's consideration in July.

The motion passed unanimously.

- B. Approval of Proposed Modifications to the Description, Title and Top Step Salary for the Position of Sr. Administrative Analyst: Ms. Sandkulla reported that BAWSCA has historically analyzed the agency positions to ensure that position descriptions and compensation aligns with the work and responsibilities being fulfilled.

The duties and responsibilities of the Sr. Administrative Analyst has significantly increased and evolved over the past few years. New responsibilities for this position

include the debt management associated with BAWSCA's issuance of revenue bonds in 2013, which brought about the administration of the \$24 M annual bond surcharge, and management of BAWSCA's \$28 M investment portfolio. The work involved with these activities takes approximately 1/3 of the position's time, and require a set of skills unique for that position.

Additionally, the review of the Wholesale Revenue Requirement, which is work that this position has traditionally done, has increased by 38% over the past 5 years. It is reflective of the increased cost of the system as a result of the progress of the WSIP.

Conducting a desk audit has been BAWSCA's historical practice to maintain market competitiveness and to ensure that job position descriptions match the required job skills and need for that position. Duties and responsibilities are compared to similar positions at Bay Area agencies. BAWSCA's standard comparator agencies include ACWD, Palo Alto, CCWD, EBMUD, SFPUC, and SCVWD.

In addition to conducting a desk audit, BAWSCA completes a salary survey to review salary ranges for comparable positions.

A desk audit and salary survey were conducted for the Sr. Administrative Analyst position, and the results indicate the need for modifications to reflect actual work performed.

Changes recommended include a title change from Sr. Administrative Analyst to Finance Manager, modification to the position description to reflect the current duties and responsibilities being performed, and a 26% increase to the top step salary range. Ms. Sandkulla noted that the 26% increase is not an increase in the current position's salary, but rather, is applied in the salary range for that position. The adjustment allows BAWSCA to maintain market competitiveness for this position.

Ms. Sandkulla explained that the proposed modifications have no impact on the approved FY 2017-18 Operating Budget. Salary adjustments will stay within the adopted allowance the Board approved for merit increases.

In response to committee members' questions, Ms. Sandkulla explained that BAWSCA's historical practice for salary adjustments have been to take the median salary ranges from the comparator agencies. The range for the position of Sr. Administrative Analyst was approximately \$25 K from the lowest to the highest.

The survey focused on salary only, as opposed to total compensation. Ms. Sandkulla reported that the salary survey conducted in FY 2015-16 did not show a significant difference in total compensation, therefore a survey on total compensation was not re-done for this one position. Ms. Sandkulla stated her confidence that the salary survey conducted for the Sr. Administrative Analyst position is a fair reflection of the market.

Director Pierce stated that she is pleased BAWSCA is addressing the evolvement of the position.

Director Pierce made a motion, seconded by Director Schmid, 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.

The motion passed unanimously.

- C. Process and Schedule for CEO Annual Evaluation: Board Chair Mendall reported that the CEO/General Manager evaluation process is forthcoming. The process and schedule is an item on the agenda for the Committee's comment and discussion on changes and/or additions to the evaluation form and procedure.

The item will be brought to the Board at its meeting in July for discussion and approval to use for the CEO/General Manager performance evaluation. With the Board's input, Director Mendall anticipates distributing the evaluation materials immediately following the July Board meeting.

Chair Mendall stated that the form and procedure has been refined by previous chairs into a process that works very well, and recommends using the same form and following the same procedure done last year. A particular request he will ask committee and Board members to provide are specific benchmarks to include in the FY 2017-18 evaluation.

Director Schmid stated his appreciation for the one-page evaluation form that manages to be very specific and include an open-ended comment field.

Director Pierce commented on setting personal and staff training objectives, succession planning, and identifying leadership capacity.

Director Mendall added the inclusion of developing a formalized plan on how BAWSCA intends to monitor the SFPUC's 10-year CIP.

Ms. Sandkulla stated that a CEO annual progress report summarizing the years' activities will be provided to the Board along with the evaluation form and procedure.

With no further discussion, Chair Larsson asked for a motion on staff recommendation #3.

Director Benton made a motion, seconded by Director Pierce, to recommend that the Board review the revised form during its July meeting for subsequent use as part of the CEO/GM performance evaluation.

The motion passed unanimously.

6. Reports:

- A. Water Supply Update: In the interest of Committee members, Ms. Sandkulla brought back the water supply conditions charts from the SFPUC that has been regularly presented to the Committee and Board during the drought.

Ms. Sandkulla reported that Hetch Hetchy is currently at full capacity. The SFPUC has recently been accessing local supplies as much as possible, and will be utilizing Hetch Hetchy supplies again shortly.

While precipitation and snowpack did not measure up to the wettest year on record, the year continues to be a wet year with snow remaining in the Sierras, and runoff anticipated to continue up to August and possibly September.

Ms. Sandkulla presented the graph with SFPUC's Regional Water System total deliveries. The graph shows an increase in system deliveries that represents the region's rebound from the drought as well as other factors that are resulting in some irregularities in the chart. Ms. Sandkulla noted that the graph includes the additional surface supplies agencies in Northern San Mateo County are taking from San Francisco in lieu of groundwater as part of the Regional Groundwater and Storage Recovery Project. The agencies include Cal Water- South San Francisco, San Bruno and Daly City. She noted that this did not occur in CY 2016 or 2013 at this time of year.

Additionally, ACWD is purchasing more water than normal at this time of year to ensure that they meet their minimum purchase requirement, which has been waived by the SFPUC since the beginning of FY 2013-14. This waiver will be lifted beginning June 30, 2017.

Ms. Sandkulla explained that the source of this chart is the large SF Regional Water System meters, which are currently the only source for weekly data. It represents total purchases from the Regional Water System rather than actual usage by the BAWSCA agencies. The proper accounting will be done for these supplemental water supplies so that they are accounted for accurately.

Committee members expressed some concerns with how the chart, on its own, can be misinterpreted. Ms. Sandkulla stated that the graph was developed in monitoring the impacts of the drought. She will revisit the graph with the SFPUC to see how it can best reflect actual demand given the anomalies that occur.

Ms. Sandkulla stated that water usage is certainly higher than last year's, but not as high as shown in the graph because of the caveats.

Director Guzzetta noted that this graph was used as a surrogate for demand which worked in the past. Moving forward, however, a total demand graph for the 26 wholesale customers would be more appropriate given the changes in agencies' water supply management.

- B. Bay Delta Update: Ms. Sandkulla reported that the settlement discussions continue with the goal of crafting a basis for voluntary agreement. While the Governor appears to continue to support a successful resolution, all indications show that the State Board intends to act in the Fall on the Draft SED.

The State Board staff is having external discussions about how the idea of a voluntary agreement can be incorporated into the State Board's action on the draft SED. The SED is an environmental document that sets the boundaries of the action that a public agency can take. A key component for a voluntary agreement would be how it fits within the boundaries of what was set up in the draft SED, so that the document does not have to be re-released and re-circulated.

BAWSCA continues to meet with the SFPUC and other agencies to protect the member agencies' customer interests. BAWSCA supports a voluntary agreement that serves the interest of the environment, the Delta, and all water users. BAWSCA is reaching out to allies to apprise them of the current status.

- C. **Conservation Legislation:** Ms. Sandkulla reported that there are two competing bills, AB 1654 (Rubio) and AB 1668 (Friedman) on the Water Shortage Contingency Plan that passed the Assembly and the Senate. These bills outline the requirements on what water agencies would have to do and have to plan for in the event of drought. Both bills are currently waiting assignment to a Committee, but the bills would have to find resolution before they move forward.

Additionally, there are two competing bills on water efficiency targets that did not make it out of the Assembly. It is suspected that the Governor's budget trailer bill, which he continues to pursue, will be the likely path forward.

A revised trailer bill language has not been released, but is anticipated. A working group, which the SFPUC is a part of, was established to address stakeholder concerns. BAWSCA is communicating with the SFPUC regularly in developing revised language. Ms. Sandkulla explained that the budget has to pass, and if it does, the legislature can add the trailer bill language until August 21st.

In response to Director Benton, Mr. Francis explained that AB 1654 puts the control of water shortage contingency planning on the water agencies, whereas AB1668 is more of a regulatory requirement approach by the State Water Resources Control Board.

Mr. Francis noted the importance of BAWSCA and the SFPUC's continued efforts to encourage and inform the governor about the multiple ways of looking at how conservation targets can be met.

Ms. Sandkulla added that BAWSCA is working closely and relying heavily on ACWA with their presence in Sacramento. ACWA's position is in full alignment with BAWSCA's interest in supporting the idea of "broad opportunities".

The member agencies will be kept apprised on any developments that take place.

7. **Comments by Committee Members:** There were no further comments from the Committee members.

Ms. Sandkulla announced that there will be no need for a Committee meeting in August.

8. **Adjournment:** The meeting was adjourned at 2:52 pm. The next meeting is October 11, 2017.

Respectfully submitted,



Nicole Sandkulla, CEO/General Manager

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Attachments: 1) Attendance Roster

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BOARD POLICY COMMITTEE – June 14, 2017

Roster of Attendees:

Committee Members Present

Gustav Larsson, City of Sunnyvale (Chair)
Tom Zigterman, Stanford (Vice Chair)
Jay Benton, Town of Hillsborough
Randy Breault, City of Brisbane/GVMID (Immediate Past BAWSCA Chair)
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
Gregg Schmid, City of Palo Alto

BAWSCA Staff:

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

Public Attendees:

Karla Dailey	City of Palo Alto
Peter Drekmeier	Tuolumne River Trust
Michelle Novotny	San Francisco Public Utilities Commission
Dave Warner	Palo Alto Resident