

BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

October 11, 2017
1:30 p.m.

BAWSCA Offices, 155 Bovet Road, San Mateo, 1st Floor Conference Room
(Directions on page 2)

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
1. <u>Call To Order, and Roll Call</u> Roster of Committee members (<i>Attachment</i>)	(Larsson)	Pg 3
2. <u>Comments by Chair</u>	(Larsson)	
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>	(Larsson)	
4. <u>Consent Calendar</u> A. Approval of Minutes from the June 14, 2017 meeting (<i>Attachment</i>)	(Larsson)	Pg 5
5. <u>Action Calendar</u> A. Annual Review and Consideration of Statement of BAWSCA's Investment Policy (<i>Attachment</i>) <u>Issue:</u> BAWSCA's Investment Policy requires the Board to act on it annually irrespective of any changes. No changes are recommended. <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> That the Board Policy Committee recommend Board re-affirmation of the current Statement of Investment Policy.	(Sandkulla)	Pg 13
6. <u>Reports</u> A. Water Supply - Update B. Regional Water Supply Modeling Tool Development – Update (<i>Attachment</i>) C. CEO Letter (<i>Attachment</i>) D. Board Policy Committee Calendar (<i>Attachment</i>) E. Correspondence Packet (Under Separate Cover)	(Sandkulla)	Pg 19 Pg 21 Pg 23

7. **Closed Session**

(Schutte)

Conference with Legal Counsel – Anticipated Litigation
Initiation of litigation pursuant to paragraph (4) of subdivision (d) of
Government Code 54956.9 (Two potential cases)

8. **Comments by Committee Members**

(Larsson)

9. **Adjournment to the next meeting on December 13, 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 bawasca@bawasca.org*

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

Directions to BAWSCA

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

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



BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Committee Roster:

Gustav Larsson, City of Sunnyvale (Chair)

Tom Zigterman, Stanford University (Vice Chair)

Jay Benton, Town of Hillsborough

Randy Breault, GVMID (BAWSCA Immediate Past Chair)

Mike Kasperzak, City of Mountain View

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**

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.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

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

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

Fiscal Impact:

No impact on BAWSCA's annual operating budget.

Recommendation:

That the Board Policy Committee recommend Board re-affirmation of the current Statement of Investment Policy.

Discussion

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

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

BAWSCA historically has invested all funds in conservative investment vehicles. Based on BAWSCA’s review of the agency’s circumstances and the market conditions, and consultations with the financial advisor and legal counsel, no changes to the policy, including the permitted investment instruments for the bond proceeds, are recommended.

Attachment:

1. Statement of Investment Policy

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BAY AREA WATER SUPPLY & CONSERVATION AGENCY
STATEMENT OF INVESTMENT POLICY

Adopted February 19, 2004

Amended by the Board, July 15, 2010

Amended by the Board, July 21, 2011

Amended by the Board, November 15, 2012

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

STATEMENT OF INVESTMENT POLICY

1. Introduction

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

2. Scope

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

3. Prudence

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

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

4. Objectives

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

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

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

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

5. Delegation of Authority

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

6. Investment of Funds

A. Permitted Investments and Depositories

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

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

B. Other Limitations

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

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

7. Investment of Bond Proceeds

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

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

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

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

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

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

8. Reporting Requirements

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

9. Annual Review of Investment Policy

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: Regional Water Supply Modeling Tool Development - Update

Summary:

Development of BAWSCA’s independent Regional Water Supply Modeling Tool (Model) is underway and on schedule. Staff will provide an update to the Committee on the project’s progress to date. Pending feedback from the Committee, a more comprehensive written update will be provided to the Board in November.

Recommendation:

This item is for information only. There is no recommended action for this item. Staff requests feedback from the Committee on information that would be helpful for presentation to the Board.

Discussion:

BAWSCA has hired Hazen and Sawyer to develop a modeling tool to run independent alternative scenarios to meet BAWSCA’s water supply planning needs. BAWSCA’s Model is intended to help understand the impacts of the reliability of other regional water supplies (e.g., surface water from Santa Clara Valley Water District, State Water Project supplies) on the BAWSCA agencies and on the reliability of the San Francisco Regional Water System. This tool will also be used to evaluate the benefits of developing additional regional water supplies.

BAWSCA has convened an Inter-Agency Technical Advisory Panel to provide regional technical input throughout development of BAWSCA’s Model. The Project Team has recently completed formulating the approach to setting up the Model, including identifying potential planning-level scenarios to be used for development, calibration, and testing of the Model.

The project is on schedule and is adhering to the following implementation schedule.

TASK	SCHEDULE
Memorandum on formulating the modeling approach for regional-scale reliability	Completed
Memorandum on evaluating the reliability of other water supplies	Nov. 2017
Memorandum on evaluating the reliability of the SF RWS	Jan. 2018
Memorandum on constructing and calibrating the regional reliability model	May 2018
Submit copy of regional reliability model	June 2018
Memorandum presenting evaluation results for additional scenarios	TBD

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: October 6, 2017
SUBJECT: Chief Executive Officer/General Manager's Letter

BAWSCA's Current Bond Fund Investment Strategy:

BAWSCA's current bond fund investment strategy that involves both a rolling and a laddered security structure was implemented in October 2015 and was determined as the most appropriate strategy among all options being analyzed for the agency's bond stabilization fund due to its significant upfront liquidity, the diversified exposure to the yield curve provided by the laddered portion, and its attractive current yield.

BAWSCA's current bond fund investment strategy is consistent with the primary objective of BAWSCA's investment policy of safety, liquidity, and return on investment. BAWSCA's collected bond surcharge payments and balances held in the stabilization funds are currently invested in the Bank of New York Bond Trustee's money market account at a current interest rate of approximately 0.90%, and the U.S. Treasury securities at an average yield of 1.07% as of August 31, 2017. All investment interest earnings are deposited directly in the Trustee account, and will be used to pay for future expenses and debt service of the bonds.

With the series of six-month securities recently matured on 9/30/2017, BAWSCA is currently evaluating the investment strategy based on the agency's current circumstances and the market conditions with the investment advisor's assistance. This review is consistent with the management and oversight responsibility for investments delegated to the CEO/General Manager. BAWSCA will re-invest the matured funds based on the result of the evaluation and in accordance with the Investment Policy. Any changes to the investment strategy as a result of this review will be reported to the board.

Conflict of Interest:

Pursuant to California Government Code Section 87306.5, BAWSCA must review the Conflict of Interest Code (Code) every even numbered year or as needed when applicable organizational changes necessitate amendments.

The last modification of the Code took place in 2015, following review by BAWSCA staff and legal counsel, in concert with the Fair Political Practices Commission (FPPC) to reflect changes to titles of designated positions and combine RFA's and BAWSCA's code into one. The updated Code was approved by the FPPC on May 6, 2015, and adopted by the Board at its meeting on May 21, 2015. The Code went in effect on June 5, 2015.

A Multi-County Agency Biennial Notice Form was completed and submitted in September 2016 to fulfill the even-numbered year review. The next review for necessary updates will take place in 2018.

Regional Water System Tours:

On September 13th and 14th, the SFPUC, in coordination with BAWSCA, hosted a tour of the Calaveras Dam and Hetch Hetchy “upcountry” facilities. Participants included BAWSCA staff (Nicole Sandkulla and Tom Francis) and 13 representatives from the BAWSCA member agencies, including several board members from member agencies.

Two other system tours are planned in the next few weeks. A tour of the Peninsula Watershed will occur on Friday, October 6th and a tour of the Calaveras Dam and Alameda Creek Diversion Dam will occur on Thursday, October 12th. Both of these tours are now full with participants from the member agencies.

Board Policy Committee Policy Calendar Through June 2018

Committee Meeting	Purpose	Issue or Topic
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 2018	D&A D&A R R	Review of Agency Personnel Handbook FY 2017-18 Mid-Year Work Plan and Budget Review SFPUC WaterMAP and 2018 Decisions Review of Water Supply Forecast
February 2018	D&A R&D R	Consideration of BAWSCA Bond Surcharges for FY 2018-19 Presentation of Preliminary FY 2018-19 Work Plan and Budget Update on BAWSCA's Phase I "Making Conservation a Way of Life" Strategic Plan
April 2018	D&A D&A	Presentation of Proposed FY 2018-19 Work Plan and Budget Consideration of Annual Consultant Contracts
June 2018	R R	Update on BAWSCA's Regional Water Supply Modeling Too Development Updated on Long-Term Reliable Water Supply Strategy Implementation