

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

**San Mateo Main Library –55 W. 3<sup>rd</sup> Ave., San Mateo  
Oak Room  
(Directions on Page 2)**

**Thursday, July 19, 2018  
6:30 P.M.**

**AGENDA**

<b><u>Agenda Item</u></b>	<b><u>Presenter</u></b>	<b><u>Page</u></b>
<b>1. Call to Order/Roll Call/Salute to Flag</b>	<b>(Mendall)</b>	
<b>2. Comments by the Chair</b>	<b>(Mendall)</b>	
<b>3. Board Policy Committee Report</b> <i>(Attachment)</i>	<b>(Larsson)</b>	<i>Pg 3</i>
<b>4. Public Comments</b> <i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	<b>(Mendall)</b>	
<b>5. Consent Calendar</b> <i>(Attachments)</i>	<b>(Mendall)</b>	
A. Approve Minutes of the May 17, 2018 Meeting		<i>Pg 15</i>
B. Receive and File Budget Status Report – As of May 31, 2018		<i>Pg 19</i>
C. Receive and File Investment Report – As of May 31, 2018		<i>Pg 21</i>
D. Receive and File Directors' Reimbursement Report – As of May 31, 2018		<i>Pg 23</i>
E. Review and Amendment of BAWSCA's General Reserve Policy <i>(Attachment)</i> <i>The Board Policy Committee voted to recommend the proposed Board action.</i>		<i>Pg 25</i>
F. Establish a List of Potential Long-Term Planning Fund Projects and Adopt the Maximum Balance of the Long-Term Planning Fund <i>(Attachment)</i> <i>The Board Policy Committee voted unanimously to recommend the proposed Board action.</i>		<i>Pg 31</i>
<b>6. SFPUC Report</b>	<b>(Kelly)</b>	
<b>7. Action Calendar</b>		
A. Process and Schedule for CEO/General Manager Annual Evaluation <i>(Attachment)</i> <i>The Board Policy Committee provided feedback to the Chair and voted unanimously to recommend the proposed Board action.</i>	<b>(Mendall)</b>	<i>Pg 35</i>
<b>8. Reports</b>	<b>(Francis/Carr)</b>	
A. Water Supply Update		
B. Implementation of the Long-Term Reliable Water Supply Strategy <i>(Attachment)</i>		<i>Pg 41</i>
C. CEO/General Manager's Letter <i>(Attachment)</i>		<i>Pg 45</i>
D. Board of Directors Policy Calendar <i>(Attachment)</i>		<i>Pg 49</i>
E. Correspondence Packet ( <a href="#">Under Separate Cover</a> )		

**9. Closed Session**

- A. Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9: *Restore Hetch Hetchy v. City and County of San Francisco, et al.* Case Number: F074107 **(Schutte)**
- B. Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9 *Federal Energy Regulatory Commission Final License Application Proceedings for Don Pedro Hydroelectric Project, P-2299-082, and La Grange Hydroelectric Project, P-14581-002* **(Schutte)**
- C. Conference with Legal Counsel – Anticipated Litigation Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Government Code 54956.9 (1 potential case) **(Schutte)**

**10. Directors’ Discussion: Comments, Questions and Agenda Requests** **(Mendall)**

**11. Date, Time and Location of Future Meetings** **(Mendall)** Pg 51  
**(See attached schedule of meetings)**

**12. Adjourn to next meeting scheduled for September 20, 2018 at 6:30pm** **(Mendall)**

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From San Jose via Hwy. 280 Northbound, Exit Hwy-92 East towards San Mateo/Hayward. Exit 12B onto Ca-82 N/S El Camino Real. Turn Left on 3rd Ave. The Library is on your left. Street parking and underground parking are available. The Oak Room is on the main floor to the left of the main Library entrance.

From San Francisco via Hwy 280 Southbound, Exit Hwy-92 East towards San Mateo/Hayward. Exit 12B onto CA-82 N/S El Camino Real. Merge onto CA-82, turn Left on W. 3rd Ave. The Library is on your left. Street parking and underground parking are available. The Oak Room is on the main floor to the left of the main Library entrance.



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

**MEMORANDUM**

TO: BAWSCA Board Members  
FROM: Nicole Sandkulla, Chief Executive Officer/General Manager  
DATE: July 13, 2018  
SUBJECT: Summary of Board Policy Committee meeting held June 13, 2018

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1. **Call to Order:** Committee Chair, Gustav Larsson, called the meeting to order at 1:33 pm. A list of Committee members who were present (9), and other attendees is attached.

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

2. **Comments by Committee Chair:** Committee Chair Larsson welcomed members of the Committee. He announced that one member of the Committee is joining the meeting by conference, and that all votes will be taken by roll call. One of the items on the agenda is the modification to the General Reserve Policy which incorporates the comments received from committee members at the previous meeting. He thanked the members of the Committee for their comments and appreciates the constructive discussions thus far.

3. **Public Comments:** There were no public comments.

4. **Consent Calendar:** Approval of Minutes from the April 11, 2018 meeting.

**Director Kasperzak made a motion, seconded by Director Benton, that the minutes of the April 11, 2018 Board Policy Committee meeting be approved.**

**The motion passed by roll call vote, with one abstention.**

5. **Action Items:**

- A. **Review and Amendment of BAWSCA's General Reserve Policy:** CEO/General Manager, Nicole Sandkulla restated that the current General Reserve is designed to protect the agency against unanticipated deviations in revenue and expenditures. Some past examples of these are unplanned litigation or arbitration. The reserve was also designed and has been used to stabilize variations in assessments to member agencies. The current policy guideline is to have a range of 20% - 35% of the operating budget.

The reserve is currently at 42% of the FY 2017-18 operating budget. Depending upon the expenditures by the end of the fiscal year, the reserve will be at a range of 32% - 35% coming into FY 2018-19.

As part of implementing the Long-Term Reliable Water Supply Strategy (Strategy), staff has identified several potential projects for long-term planning purposes that have been part of reports and discussions with the Board during the budget development. One of those projects is updating the Regional Water Demand Projections (Demand Study) in FY 2019-20. The project is a significant effort with results that are critical for the member agencies' and BAWSCA's long-term planning.

With the discussions of potential long-term projects in the horizon, and in recognizing the current balance of the general reserve, the Board, with its guidance and ideas, asked the CEO to look at possible modifications to the General Reserve Policy to accommodate the management of additional funds for long-term planning projects.

The idea is to establish a Long-Term Planning Fund within the General Reserve. The proposed modification includes two changes in the current policy. First is to expand the stated purpose of the General Reserve to clearly reflect past practice of funding urgent, but unanticipated expenses. Proposed language will be added to the policy to reflect that both the General Reserve and the Long-Term Planning Fund are for the purposes of maintaining surplus funds to finance urgent but unanticipated expenses, and for one-time non-recurring expenses to moderate variations in annual assessments.

The second change adds language to establish the Long-Term Planning Fund (Fund) within the General Reserve. New language in Section 4 of the proposed revision to the policy, states the agency's ability to transfer surplus funds that is not expended or obligated at the end of the fiscal year, and that is in excess of the maximum general reserve balance guideline of 35%.

The new language also states that before any transfer to the Fund can occur, a separate Board action is required to adopt a list of potential long-term projects that will be paid for by the Fund, and to identify a maximum balance for the Fund. This is a subsequent action if the Committee votes to recommend adoption of the proposed amendment to the General Reserve Policy to establish the Fund.

The current policy states that, as part of the annual budget development process, the General Reserve will be reviewed and considered as part of funding the operating budget. Ms. Sandkulla added that, while it is not a policy, it has been BAWSCA's practice to do a mid-year budget review to provide the Board an opportunity to assess work plan progress and budget expenditures including the General Reserve. This process is valuable for the management of funds as it allows the Board to provide input, which helps the CEO understand what is important to the Board.

The proposed language now codifies the process of reviewing the General Reserve with the Board at mid-year. The language also identifies options that the Board may consider for restoring the General Reserve balance within the guidelines. While the Board already has these options currently available to it, the new language explicitly includes these options in the policy. The Board can use the General Reserve to fund the budget, retain the excess in the General Reserve, or refund the member agencies, all of which the Board has done in the

past. Ms. Sandkulla noted that the language is permissive and does not require the Board to do one thing or the other. The management of the General Reserve is at the discretion of the Board.

The floor was opened for questions and Committee discussions ensued.

Director Kuta stated that it seems that the prospective projects identified for the use of the Fund will be funded by excess funds. He asked whether a funding mechanism should be in place since there are known costs.

Ms. Sandkulla explained that establishing the Fund within the General Reserve will be the mechanism to create the funds needed to pay for the potential projects coming in the horizon. She added that the list of projects is a combination of “for sure” projects such as the demand study, and “potential” projects such as the Los Vaqueros Expansion Project (LVE). While BAWSCA’s involvement in the LVE project is appropriate, no decision has been made by the Board. However, it should be the expectation of the Board that the CEO/General Manager is able to present ideas on how to fund these potential projects that are critical to BAWSCA’s long-term water supply reliability.

This mechanism seems sufficient given the current General Reserve balance and the proposed modification to the policy, which is reflective of the agency’s past practice of using the General Reserve to fund a one-time project versus increasing agency assessments.

While the Fund will be within the General Reserve Policy, it will have its own balance that is approved by the Board.

In response to Director Benton, Ms. Sandkulla explained that the transfer of unexpended or unobligated funds to the General Reserve at the end of the fiscal year will occur automatically when the books are closed. The surplus funds will go to the General Reserve up to 35% of the Operating Budget. Excess, if any, of the 35% will go to the Fund. Financial documents will show the General Reserve and the Fund separately.

Director Benton asked whether the agency needs 35% of the operating budget in the General Reserve.

Ms. Sandkulla explained that the 35% was built around the risks surrounding the agency at the time the policy was amended in 2011. With 3 potential lawsuits, Ms. Sandkulla stated that 35% is appropriate. She added that the proposed policy is written so that the Board has discretion to the use of the money in the Fund.

At the request of Director Pierce, Ms. Sandkulla explained that there are two other funding mechanisms, set up through the WSA, that are available to BAWSCA. One is potential access to the Balancing Account set up through the Water Supply Agreement, which allows BAWSCA access to surplus funds for certain uses under specified conditions including water conservation or water supply projects administered by BAWSCA. The other mechanism is the Water Management Charge, which member agencies utilized in 2010 to pay for Phase IIA of the Strategy.

BAWSCA member agencies have not used the Balancing Account as a source of funds for BAWSCA’s water management purposes to date. In discussions with legal counsel and

BAWSCA's Water Management Representatives, member agencies would like to leave the Balancing Account as is for rate stabilization.

Director Kasperzak asked what the alternative would be to address the pending issues and long-term projects without the Fund. Could they be planned out?

Ms. Sandkulla explained that the demand study is a project that BAWSCA controls the schedule to best serve the member agencies. One of the things the study will be used for is to help agencies with their urban water management plans that are required every 5-years. BAWSCA knows when the study should happen and the value it offers to the agencies, and therefore can plan for it.

Projects like the LVE and the Pilot Water Transfer plan, however, are projects that are not controlled by BAWSCA. But they are significant projects that have potential benefits to the BAWSCA region, and therefore, recognizing when they may arise, and what to do when they come up is a discussion that is important for the Board to have.

Director Kasperzak recognized the intentions for the Fund and referenced it to cities' capital improvement programs which have, for example, a 5-year spending plan for a specific project that sometimes gets postponed. However, he expressed his overall concern on whether the budget is kept tight enough, and whether the board has had enough discussions around what the agency 'have to' versus 'want to' accomplish.

He cautioned against budgeting for anticipated expenses that if deferred or postponed year after year, leads to a growing reserve and careless budgeting.

Ms. Sandkulla stated that while monitoring the SFPUC's WSIP was one of BAWSCA's major focus when it was established in 2002, the enabling legislation speaks to BAWSCA as a regional water supply reliability agency. The Strategy was developed because of BAWSCA's role as a multi-county agency authorized to plan for and acquire supplemental water supplies, and to encourage conservation and use of recycled water on a regional basis. The Board adopted the Strategy's recommendations in 2015, which included a Pilot Water Transfer to determine if that is the next best way to ensure the supply of high quality water, investing in storage with other partners to see if that is the next best option for drought year supplies, and investing in studies to assist in all these efforts to make sure they happen.

Ms. Sandkulla stated that each of the long-term projects proposed for the Fund go back directly to the Strategy's dry year reliability goal to ensure BAWSCA agencies and its water customers have sufficient supplies both in normal years and dry years.

**Director Mendall recommended a grammatical change on section 4, and made a motion to move the staff recommendation.**

**Director Schmid seconded.**

Further committee discussion ensued.

Director Mendall stated that the Board has full discretion on managing funds in the general reserve. Having a specific guideline to establish the Fund within the general reserve as a way to manage funds in excess of the maximum 35% is a very good thing. He anticipates the

Fund to be subsidized over several years and if anything changes, the Board can evaluate its course of action year after year.

The recommended modification to the existing General Reserve policy acknowledges in writing what the reserve, in accordance with the 20%-35% guideline, can be used for knowing what is coming in the horizon.

Director Kasperzak suggested the Committee consider the condition of having no assessment increase in the year that money will be transferred to the Fund. He stated that the money being transferred to the Fund is money the agency has as opposed to money the agency needs, and raising assessments would appear that BAWSCA is raising fees to increase surplus. He added that if the agency is saving money for future projects, then they should be included in the budget.

Director Schmid expressed his support for establishing the Fund and urged the Committee to recommend it to the Board. But he noted that the language on Section 4 suggests that the transfer can only occur when the general reserve is above 35% of the maximum guideline.

**Director Schmid made a friendly amendment to the motion to clearly state that the Board has the option to transfer money into the Fund from the General Reserve when it is in excess of 30% or above.**

Nicole explained that the language provides the Board discretion to decide at what level, 35% or below, it wants the General Reserve balance to be. As currently proposed, 35% is the trigger to automatically transfer money into the Fund.

Director Benton shared the same interpretation. He added that management of the General Reserve balance to ensure it does not get too high, places more obligation on the Board and ensures the Board is making wise decisions. Ultimately, no project that the Fund will finance, occurs unless approved by the Board. This places responsibility on future Boards to carefully examine the value of the projects to the region before approving to fund it. Director Benton stated his support for some stipulation that states once the General Reserve balance hits a percentage, the Board or CEO has discretion to transfer money in the Fund.

Following comments from Committee members, Director Mendall suggested against listing a specific percentage.

**Director Mendall countered the friendly amendment to the motion; that the policy state, using appropriate legal wording, that the Board has the authority to transfer funds into and out of both the General Reserve and the Long-Term Planning Fund through Board action, regardless of the percentages in each.**

**Director Schmid accepted.**

Additional comments were expressed by Committee members.

Director Kasperzak emphasized his struggle with raising dues and putting surplus into a fund, even if there is a list of projects approved by the Board which the Fund will be allocated for. He would prefer putting long-term projects, like the LVE, in the normal budgeting process and recognizing that it is forthcoming in the next 2 years. While this process will exceed the

budget, it provides a specifically identifiable fund for a specifically identifiable project that the money is to only be spent on.

Director Breault offered two comments. The purpose of the proposed policy is to provide a general guidance to staff so that administrative processes are not brought back to the Board. The General Reserve funds and the proposed Long-Term Planning Fund serve as BAWSCA's best planning efforts. The CEO, Legal Counsel, and BAWSCA staff have, and will continue to closely monitor and navigate through the developments of activities affecting the BAWSCA service area to know when issues are coming forward so they can report to the Board when action is needed. The Committee maybe expending a lot of energy thinking that this policy is the one and only policy that can never be changed. That is not the case.

Secondly, the Board need to make sure that it is crystal clear with the customers, if and when BAWSCA need to fund the reserves and the long-term planning fund out of excess amounts, in addition to raising the assessments. That is part of the process with staff to evaluate the situation every year to execute whatever is necessary with the proper communication.

Director Benton stated that he would support the policy stating, "not greater than 35%" because if the General Reserve is above, and the Fund is filled, he would be inclined to refund the agencies.

Ms. Sandkulla stated that the policy anticipates that situation, and is the reason why the policy codifies the mid-year budget review which is a process that is separate from the development of the budget.

Director Pierce appreciated the thorough conversation and that the proposed policy provides Board discretion on how to address long-term projects, and keep the reserve under control while maintaining transparency. She noted that the intent is not to gouge the water customers but to take care of their needs.

Director Larsson echoed Director Pierce and expressed his appreciation for the separation between the Long-Term Planning Fund and the General Reserve, the flexibility that is built in to the policy, and the responsibility it puts on the Board to understand and to keep track of each of the reserves and their potential uses.

Director Benton stated that he will vote for the motion as it stands, but noted that he believes the proposed language is soft in terms of the 35%.

**The motion passed as amended by an 8:1 roll call vote**

**Ayes: Larsson, Zigterman, Benton, Breault, Kuta, Mendall, Pierce, Schmid**

**Nayes: Kasperzak**

- B. Establish a List of Potential Long-Term Planning Fund Projects and Adopt the Maximum Balance of the Long-Term Planning Fund: Ms. Sandkulla reported that the modification to the General Reserve Policy to establish a Long-Term Planning Fund requires a separate action by the Board to establish a list of projects and adopt a maximum balance for the Fund before money can be transferred to the Fund from the General Reserve.



Ms. Sandkulla presented a list of potential projects for consideration, each relating directly back to the recommendations from the Strategy which the Board acted to direct staff to pursue in 2015. Staff has been working on these specific projects over a period of time, and at this point, can identify a range of cost. The projects listed are the most developed and appropriate for the needs of the BAWSCA agencies. But because they are in different stages of development, Ms. Sandkulla stated that it is premature to recommend moving forward with any of them at this time.

As previously stated, the demand study is a project that is critical to the agencies and will be implemented in FY 2019-20.

The pilot water transfer plan is an ongoing effort that was started in 2014. BAWSCA will continue to pursue this project as it develops in the next 2 years.

BAWSCA has been a direct participant in the LVE project, and while it has yet to be determined, BAWSCA anticipates participating in the design phase, which is the next step for the project.

The PREP Phase 3 is the Peninsula Potable Reuse Exploratory Project with Silicon Valley Clean Water in Redwood City. BAWSCA has been participating in Phases 1 and 2 of the project. Phase 2 will be completed at the end of the current fiscal year. While BAWSCA has not yet determined its participation in Phase 3, the project is included on the list

The pilot water transfer, the LVE, and PREP Phase 3 speak to the member agencies' drought year reliability need. The demand study supports the member agencies' regional planning efforts.

The recommended action is to adopt a resolution that establishes a list of projects and a maximum balance of \$1.5 M for the Long-Term Planning Fund. The proposed maximum cap amount of \$1.5 M came from the largest cost of a single project on the list.

Ms. Sandkulla emphasized that adoption of the resolution does not approve the projects included on the list. Projects will be brought to the Board for consideration, either as part of the operating budget, or as a separate action with the recommendation to fund it through the General Reserve or the Fund. Ms. Sandkulla stated that this process fosters ongoing conversation with the Board. Having a separate process required by the General Reserve Policy speaks to the Board's need to review the projects, the projects' status, and its value to the service area.

In response to Committee member questions, Ms. Sandkulla stated that the Board's review of the General Reserve Policy at mid-year will encompass the review of the list of projects and the amount in the Fund.

Ms. Sandkulla explained that the list of projects was included in the resolution at the request of the Chair for the purpose of supporting the existence and amount of the Fund. While each project has previously been discussed with the Board before and during the budget development, the list helps in making the projects more concrete.

Director Benton noted that the list of projects should be a support to the resolution rather than being a part of the resolution because the fund may be used for a project that is not on the list.

In response to Director Kasperzak, Ms. Sandkulla noted that BAWSCA's Pilot Water Transfer plan and LVE can potentially be eligible for grant funding. BAWSCA is a participant in the Bay Area Regional Reliability (BARR) partnership which received federal grant to test water markets. BAWSCA is positioning the pilot water transfer to be funded by this grant.

The LVE is on the list of projects that can potentially be funded by Prop 1. It has made it through the last round with a significant score, and if awarded, BAWSCA will benefit from that grant funding.

The PREP is not far enough along to prove eligible for grant funding.

Ms. Sandkulla explained that BAWSCA has no grant money in its revenue. BAWSCA serves as a conduit for grant money that goes directly to the agencies for their conservation efforts.

Directors Zigterman, Kuta, Kasperzak and Schmid noted that the use of the term "long-term planning" needs clarification to better reflect BAWSCA's purpose of addressing anticipated activities that are not quite ready yet, but are worthy efforts when they solidify. As opposed to "long-term planning" that refers to identifying projects or strategies.

In response to Director Kuta's question about the process for allocating funds to projects as they materialize, Ms. Sandkulla stated that while a process has not been established yet, it should be the Board's expectation of the CEO and Staff to provide a report on a project forecast during the mid-year review and budget development.

She added that any project that materializes from the list, or in general, will require the Board's approval of the project and project funding, in whatever combination it chooses between the operating budget, general reserve and the Fund, such that the total funding needed is achieved.

Ms. Sandkulla further explained that the working capital of the ongoing efforts with the pilot water transfer, LVE and PREP have been, and are currently funded as part of the annual operating budget. The Fund is specifically for the significant step of implementing the project.

Director Kuta appreciated how the \$1.5 million maximum cap was identified, but suggested having a recital to serve as an explanation that the amount was determined on a risk adjusted basis.

Director Pierce noted that she views the Fund as BAWSCA's initial preparation for potential efforts that are not far developed enough to be budgeted for, and a mechanism for managing the General Reserve so that funds can be set aside prudently. She believes the method allows the Board to be thrifty and effective so that an assessment refund, which member agencies do not have an accounting process for, are avoided.

Director Benton commented that the Committee has gone into a lot of details and noted that essentially, the intent is to find a prudent mechanism to manage the General Reserve and put the money towards anticipated activities.

Director Breault stated that he expects further conversation on this with the full board when staff brings forward the first project that materializes. The proposed recommendation provides 1) good policy for staff to work with, 2) allows the Board to identify and allocate the use of the money so that the Board is not complacent that there is a robust general fund when there is not, and 3) avoids spikes in the assessments to the member agencies.

**Director Breault made a motion to approve the staff recommendation.**

**Director Pierce seconded.**

**The motion passed unanimously by roll call vote.**

- C. Process and Schedule for CEO Annual Evaluation: Director Mendall presented the current process and schedule for the CEO's Annual Performance Evaluation. The Committee is requested to review the proposed schedule and evaluation form which will be presented to the Board for approval at its meeting in July.

The evaluation form is designed to solicit Board opinions and feedback. Following the Board's approval at the July 19<sup>th</sup> meeting, the evaluation form and an annual report from the CEO, which will specifically identify what was achieved based on the work plan, will be distributed for Board Members to complete and return to the Chair who will compile the responses. A summary report from the Chair will be provided to the Board in the agenda packet for the September meeting, in which the Board will consider a recommendation under Closed Session.

Chair Mendall has no recommended changes to the current process, unless suggestions are provided by the Committee.

In response to Director Kuta, Chair Mendall stated that 65% of the Board responded last year, which is an increase from previous years.

Director Breault added that while there has never been a 100% response from the Board, the general reason has been lack of time for completion or their newness on the Board to provide a substantial evaluation. Timing plays a factor since the process is done between July and August.

Director Kuta stated that in fairness to the CEO and the level of work entailed, he suggested being more explicit in the management and leadership objectives to speak to the important role of the CEO. It is high-level work which are important to call out.

In response to Director Zigterman, Director Mendall stated that the open-ended questions in the evaluation form provides feedback from Board members which the Chair and the Vice-Chair of the Board reviews and discusses with the CEO. In the last couple of years, this process has allowed the identification of specific actions and improvements the Board wants the CEO to meet in the coming year.

Director Benton noted that the questions seem narrow, particularly on the subject of management objectives. The questions do not go into the quality of the work completed. For

example, how well-received the proposed work plan was by the Board and how many revisions did it need. The answers may be coming out of the narrative responses in the open-ended questions but Director Benton expressed concern with the lack of an easy check on whether the CEO meets or exceeds the essential qualities of some of the line items.

Director Kasperzak noted the importance of trends and suggested including the acknowledgement of whether areas for improvements identified in the previous year were fulfilled.

Director Mendall thanked the Committee for their input. He noted his flexibility to improve the process and evaluation form. He would appreciate receiving the specific language from committee members for his consideration to include in the form.

**Director Kasperzak made a motion that the Committee recommend Board review of the revised form, as discussed by the Committee, during its July meeting for subsequent use as part of the FY 2017-18 CEO/GM performance evaluation.**

**Director Benton seconded.**

**The motion passed unanimously by roll call vote.**

**6. Reports:**

- a. Water Supply Conditions: Ms. Sandkulla was pleased to report that overall water supply conditions are good. As of June 9<sup>th</sup>, Hetch Hetchy was spilling and snow remains in the mountains. Cherry Reservoir underwent valve repairs in Fall 2017, which have been successfully completed and the reservoir is now up to 83% of capacity.

While it was an median year for precipitation and a less than median year for snowpack, the regional water system benefitted from last year's storage that carried over in the reservoirs this year, which enabled the systems to fill back up.

BAWSCA member agency monthly water use in 2018 is lining up with 2016 and 2017, and and remains 26% below 2013.

Calaveras is 30 feet from being at the top level. SFPUC expects to be able to start filling Calaveras by next winter (2019), in compliance with existing Safety of Dams (SOD) regulations. But if 2018 is a wet year, it can fill this coming season, notwithstanding the regulations.

- b. Water Supply Agreement Amendments: Ms. Sandkulla reminded the Committee that the adopted FY 2018-19 work plan anticipated negotiations for amendments to the WSA. They are administrative amendments that deal with specific items including the settlement of the FY 2010-11 Wholesale Revenue Requirement, revised completion date of the WSIP, and implementation of the Regional Groundwater and Storage Recovery Project.

BAWSCA has initiated discussions with the SFPUC and meetings are now happening regularly. While BAWSCA is working with the SFPUC to represent the member agencies' interests, the WSA is a contract between the member agencies and San Francisco. BAWSCA is coordinating with the member agencies through the appointed Water

Management Representatives (WMR) as each agency have a significant role in the results of the negotiations. BAWSCA will continue to work with the WMRs and keep the Board apprised of developments.

7. **Closed Session:** The meeting adjourned to Closed Session at 3:23pm
8. **Open Session:** The meeting convened to Open Session at 3:29pm. Legal Counsel, Allison Schutte reported that no action was taken during Closed Session.
9. **Comments by Committee Members:** There were no further comments from the Committee members.
10. **Adjournment:** The meeting was adjourned at 3:20 pm. The next meeting is June 13, 2018.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE – June 13, 2018**

**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)  
Mike Kasperzak, City of Mountain View  
Al Mendall, City of Hayward (BAWSCA Chair)  
Barbara Pierce, City of Redwood City (BAWSCA Vice Chair) *by teleconference*  
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	Finance Manager
Lourdes Enriquez	Assistant to the Chief Executive Officer
Deborah Grimes	Office Manager
Allison Schutee	Legal Counsel, Hanson Bridgett, LLP
Bud Wendell	Management Communications

**Public Attendees:**

Taylor Chang	San Francisco Public Utilities Commission
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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD OF DIRECTORS MEETING**

**May 17, 2018 – 6:30 p.m.  
Foster City Community Building, Foster City CA**

<b>MINUTES</b>
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**1. Call to Order/Pledge of Allegiance/Roll Call – 6:30 pm**

BAWSCA Chair, Al Mendall, called the meeting to order and led the salute to the flag. CEO/General Manager, Nicole Sandkulla called the roll. Fifteen (15) members of the Board were present at roll call, constituting a quorum. One Board Member was on a conference call-in line and one arrived after roll-call. A list of Directors present (17) and absent (9) is attached.

**2. Comments by the Chair:** Director Mendall welcomed members of the Board, SFPUC staff, and Commission President Ike Kwon. He expressed his and the BAWSCA Board's appreciation of President Kwon's efforts to attend the meeting despite his busy schedule. The BAWSCA member agencies who pay more than \$233 M in water purchases are vitally interested in SFPUC's water supply activities and policies. The BAWSCA Board is pleased that the Commission welcomes BAWSCA's input on the Commission's important policy decisions that affect the wholesale customers.

Director Mendall noted that the agenda includes adoption of the Work Plan and Operating Budget for FY 2018-19, and approval of twenty-two professional services contracts.

**3. Board Policy Committee (BPC) Report:** Director Zigterman reported the discussions and actions taken by the Board Policy Committee at its meeting on April 11, 2018. They are reflected in the BPC summary report included in the packet.

**4. Water Bond Initiative:** Jerry Meral, Director, California Water Program, Natural Heritage Institute addressed the Board on the Water Bond Initiative that will be on the November ballot. The purpose of his presentation is to solicit water purveyors in urban areas to support the measure.

Ms. Sandkulla noted that while BAWSCA does not generally take positions on water bonds, Mr. Meral's presentation may assist individual member agencies' independent considerations.

**5. SFPUC Report:** Commission President Ike Kwon addressed the BAWSCA Board and expressed his appreciation for the agencies' continued collaboration in maintaining and improving the Regional Water System.

General Manager, Harlan Kelly, was pleased to report the approval of SFPUC's proposed FY 2018-19 budget and proposed water and wastewater rates for its in-city customers, as well as the inclusion of Prop A in the November ballot that will allow

the PUC to have revenue bonds for Power supply. The PUC is also working on its succession plan for its aging workforce to ensure a reliable workforce in the future.

Steve Ritchie, Assistant General Manager for Water Enterprise, reported on current water supply conditions and water storage, and reported on the Moccasin Reservoir and Dam repair.

**6. Public Comments:** There were no public comments:

**7. Consent Calendar:**

**Director Keith made a motion, seconded by Director Kasperzak, to approve the minutes of the March 15, 2018 Board meeting, receive and file the Budget Status Report, Investment Report, Bond Surcharge Collection Report, and Directors' Reimbursement Report as of March 31, 2018, and to authorize the negotiation and execution of a contract with Water Systems Optimization, Inc. to implement the Water Loss Management Program in FY 2018-19.**

**The motion carried unanimously by roll call vote.**

**8. Closed Session was moved up on the Agenda. The Board adjourned to Closed Session at 7:21pm**

**9. The Board re-convened to Open Session at 7:31pm**

Legal Counsel, Allison Schutte, reported that no action was taken during Closed Session.

**10. Action Calendar:**

A. Proposed Fiscal Year 2018-19 Work Plan and Results to Be Achieved:

**Director Richardson made a motion, seconded by Director O'Connell, that the Board approve:**

- 1. The proposed Fiscal Year 2018-19 Work Plan and Results to be Achieved;**
- 2. The proposed Operating Budget of \$3,901,085; and**
- 3. The proposed funding plan of a 1% assessment increase and a transfer of \$321,688 from the General Reserve.**

**The motion passed by roll call vote of 16:1.**

B. Approval of Professional Services Contracts for FY 2018-19:

**Director Kasperzak made a motion, seconded by Director Zigterman, that the Board approve the 22 contracts for legal, engineering, financial, strategic, and water conservation services needing to be in place by July 1, 2018.**

**The motion passed unanimously by roll call vote.**



C. Adoption of Resolution 2018-01 Approving the Extension of the Tier 2 Drought Allocation Plan:

**Director Keith made a motion, seconded by Director Richardson, that the Board adopt Resolution 2018-01 adopting the Tier 2 drought allocation methodology for the year January 1, 2019 through December 31, 2019.**

**The motion passed unanimously by roll call vote.**

**11. Reports:**

BAWSCA staff reported that overall water use as of March 2018 continued to be 21% less than in March 2013. However, total water purchases from San Francisco is only down 4%, indicating member agencies' increased reliance on the San Francisco Regional Water System. BAWSCA and the SFPUC are monitoring the water use patterns closely to get a better understanding of the causes.

**12. Directors' Discussion: Comments, Questions and Agenda Requests:** Director Moody reported that the City of Palo Alto has agreed to transfer water to the City of East Palo Alto. He thanked the BAWSCA Board of Directors, Ms. Sandkulla and her staff for its efforts in supporting inter-agency water transfers, which allows the City of East Palo Alto to receive the water it needs to lift a moratorium on its development.

**13. Date, Time and Location of Next Meeting:** The next meeting is scheduled on July 19, 2018 at 6:30pm, in the Oak Room, of the San Mateo Main Library.

**14. Adjournment:** The meeting adjourned at 8:30pm.

Respectfully submitted,

Nicole M. Sandkulla  
Chief Executive Officer/General Manager

NMS/le

Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
Board of Directors Meeting  
May 17, 2018**

**Attendance Roster**

Present:

Jay Benton	Town of Hillsborough
Tom Chambers	Westborough Water District
Mike Kasperzak	City of Mountain View
Kirsten Keith	City of Menlo Park
Pat Kolstad	City of Santa Clara
Rob Kuta	California Water Service Company
Gustav Larsson	City of Sunnyvale
Al Mendall	City of Hayward
Larry Moody	City of East Palo Alto
Irene O'Connell	City of San Bruno
Rosalie O'Mahony	City of Burlingame
Tom Piccolotti	North Coast County Water District
Barbara Pierce	City of Redwood City
Sepi Richardson	City of Brisbane
Gregg Schmid	City of Palo Alto
Louis Vella	Mid-Peninsula Water District
Tom Zigterman	Stanford

Absent:

Robert Anderson	Purissima Hills Water District
Randy Breault	Guadalupe Valley Water District
Charlie Bronitsky	City of Foster City
Sam Liccardo	City of San Jose
Juslyn Manalo	City of Daly City
Chris Mickelsen	Coastside County Water District
Dan Quigg	City of Millbrae
Rich Tran	City of Milpitas
John Weed	Alameda County Water District

# BAWSCA

## Bay Area Water Supply & Conservation Agency

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

**TO: Nicole Sandkulla, CEO/General Manager**

**FROM: Deborah Grimes, Office Manager**

**DATE: July 6, 2018**

**SUBJECT: Budget Status Report as of May 31, 2018**

This memorandum shows fiscal year budget status for FY 2017-18. It includes major areas of spending, provides an assessment of the overall budget, and summarizes reserve fund balances. This report covers the budget and expenses for BAWSCA. The BAWSCA budget includes necessary resources for the RFA and BAWUA.

**Operating Budget Summary:**

For the eleven-month period ending May 31, 2018, 92 percent into the fiscal year, total expenditures were \$2,953,390 or 80 percent of the total budget of \$3,704,572.

**Table 1. Operating Budget Summary as of May 31, 2018**

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
<b>Consultants /Direct Expenditures</b>			
Reliability	1,082,400	894,152	83%
Fair Pricing	439,750	166,223	38%
Administration	95,000	131,695	139%
<b>Subtotal</b>	<b>1,617,150</b>	<b>1,192,071</b>	<b>74%</b>
<b>Administration and General</b>			
Salary & Benefits	1,644,372	1,455,428	89%
<b>Other Expenses</b>			
BAWSCA	373,250	303,132	81%
BAWUA	1,050	0	0%
<b>Subtotal</b>	<b>3,635,822</b>	<b>2,950,630</b>	<b>81%</b>
<b>Capital Expenses</b>	10,000	0	0%
<b>Budgeted Contingency</b>	57,500	0	0%
<b>Regional Financing Authority</b>	1,250	2,760	221%
<b>Grand Total</b>	<b>3,704,572</b>	<b>2,953,390</b>	<b>80%</b>

**Overview:**

Overall expenditures for FY 2017-18 are tracking within budget.

**Consultants**

The \$125,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 61 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 90 percent expended. The Operating Budget allocation of \$669,000 budget for legal counsel was 80 percent expended. The \$276,400 budget for water management and conservation-related activities was 82 percent expended.

**Administration and Other Expenses**

Budgets for salaries and other expenses were 89 and 81 percent expended respectively.

**Use of CEO's Discretionary Spending Authority:**

No use of CEO discretionary spending authority occurred during this period

**Use of Reserve and Reserve Fund Balance:**

Unspent funds at the end of FY 2016-17 were \$519,167. The BAWSCA reserve balance as of May 31, 2018, shown below, reflects this deposit. In accordance with the adoption of the FY 2017-18 annual budget in May 2017, the Board approved transferring \$160,615 from the General Reserve to fund the FY 2017-18 budget. The BAWSCA General Reserve balance shown below reflects this transfer.

**Table 2. General Reserve Fund Balance**

<b>Fund</b>	<b>Account Balance (As of 03/31/18)</b>	<b>Account Balance (As of 05/31/18)</b>
General Reserve	\$1,561,144	\$1,561,144

# **BAWSCA**

## **Bay Area Water Supply & Conservation Agency**

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

### MEMORANDUM

**TO: Nicole Sandkulla, CEO/General Manager**

**FROM: Deborah Grimes, Office Manager**

**DATE: July 6, 2018**

**SUBJECT: Investment Report – As of May 31, 2018**

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In February 2004, the Board originally adopted an investment policy consistent with the Government Code that requires a report on the Agency's investments be provided to the Board. This report presents fund management in compliance with the current investment policy. The Board most recently reviewed and re-affirmed the investment policy at the November 16, 2017 board meeting. No changes were recommended or adopted as part of that review.

Funds in excess of \$250,000 are deposited in the BAWSCA Local Agency Investment Fund (LAIF) account throughout the year to ensure compliance with BAWSCA's investment policy.

BAWSCA's prior and current period LAIF account balances are shown below:

<u>03/31/18</u>	<u>05/31/18</u>
\$2,330,456	\$2,569,603

Of the total in the BAWSCA LAIF account as of May 31, 2018, \$1,561,144 represents BAWSCA's General Reserve Fund, equivalent to approximately 42 percent of FY 2017-18 Operating Budget. The remaining amount consists of Subscription Conservation Program funds and unrestricted funds.

Recent historical quarterly interest rates for LAIF deposits are shown below:

<u>12/31/17</u>	<u>03/31/18</u>
1.20%	1.51%

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# **BAWSCA**

## **Bay Area Water Supply & Conservation Agency**

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

### **MEMORANDUM**

**TO: Nicole Sandkulla, CEO/General Manager**

**FROM: Deborah Grimes, Office Manager**

**DATE: July 6, 2018**

**SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending May 31, 2018**

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In March 2006, the board adopted a directors' expense reimbursement policy consistent with the Government Code that requires a quarterly report on the Agency's reimbursement of directors' expenses. This report shall show the amount of expenses reimbursed to each director during the preceding three months.

There were no director expenses reimbursed for the quarter ending May 31, 2018.

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title: Review and Amendment of BAWSCA's General Reserve Policy**

**Summary:**

This item presents a review of BAWSCA's General Reserve Policy. The previous review occurred on September 17, 2015 and resulted in no changes to the Policy. The current General Reserve Policy is designed to protect the agency against unanticipated deviations in revenue and expenditures, and stabilize or attenuate variations in assessments to member agencies. The current guideline for the general reserve balance for budgetary purposes is a range of 20% to 35% of the annual operating expense. The recommendation is to establish within the General Reserve a Long-Term Planning Fund, and to permit the Agency to transfer surplus funds in excess of the maximum reserve balance of 35% of the annual operating expense to the Long-Term Planning Fund. Funds will only be transferred into the Long-Term Planning Fund upon approval of a separate resolution by the Board establishing the anticipated long-term projects. The maximum balance of the Long-Term Planning Fund will not exceed the amount approved by the Board in such a resolution. The Board, in its discretion, may transfer funds to the Long-Term Planning Fund from the General Reserve or to the General Reserve from the Long-Term Planning Fund for any reason. Lastly, the Policy now codifies BAWSCA's review and evaluation of the General Reserve balance, and any refunds to member agencies, during the mid-year budget review.

**Fiscal Impact:**

No impact on BAWSCA's annual operating budget.

**Board Policy Committee Action:**

The Committee voted to recommend approval of the proposed Board action.

**Recommendation:**

That the Board adopt Resolution 2018-02 to amend the General Reserve Policy establishing within the General Reserve a Long-Term Planning Fund.

**Discussion:**

BAWSCA's General Reserve serves two primary functions to achieve its goal to protect the agency:

1. Enables the agency to apply resources to urgent needs that were not foreseen at the time the annual budget was adopted. Using the reserve allows the needs to be met without imposing special assessments and avoid imposing additional burdens on the agency's budget during a fiscal year.
2. Fund one-time, non-recurring expenses to moderate variations in annual assessments.

The current budgetary guideline for the range in the general reserve balance is from 20% to 35% of the Operating Budget. At this time, BAWSCA anticipates potential water planning projects associated with implementation of BAWSCA's Long-Term Reliable Water Supply

Strategy implementation and long-term planning purposes (e.g. updating Regional Water Demand Projections) with costs that have the potential to greatly increase BAWSCA's overall annual Operating Budget.

The recommendation is to revise BAWSCA's General Reserve Policy to establish a designated fund for long-term planning purposes and to permit the transfer of surplus funds available following the end of the fiscal year that are in excess of the maximum reserve balance guideline to the Long-Term Planning Fund.

Funds will only be transferred into the Long-Term Planning Fund upon approval of a separate resolution by the Board establishing the anticipated long-term projects. The maximum balance of the Long-Term Planning Fund will not exceed the amount approved by the Board in such a resolution. The Board, in its discretion, may transfer funds to the Long-Term Planning Fund from the General Reserve or to the General Reserve from the Long-Term Planning Fund for any reason. Lastly, the Policy now codifies BAWSCA's review and evaluation of the General Reserve balance, and any refunds to member agencies, during the mid-year budget review.

**Background:**

The BAWSCA Board originally adopted a General Reserve Policy in 2004. The Board adopted a resolution in 2011 to amend the policy to change the budgetary guideline for the range in the general reserve from 20%-25% to 20%-35% of the Operating Budget. On September 17, 2015 the Board reviewed the General Reserve Policy and that review resulted in no changes to the policy.

**Attachments:**

1. Resolution 2018-02, Amending the General Reserve Policy, showing recommended modifications
2. Resolution 2018-02, Amending the General Reserve Policy, clean version as recommended

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**RESOLUTION NO. 2018-02**

**AMENDING THE GENERAL RESERVE POLICY**

~~WHEREAS, it is a prudent financial measure to maintain surplus funds in a reserve in order to provide funds for urgent but unanticipated expenses and for one-time, non-recurring expenses to moderate variations in annual assessments; maintenance of a reserve to provide funds for urgent but unanticipated expenses is a prudent financial measure; and~~

WHEREAS, the Bay Area Water Supply & Conservation Agency (Agency) originally adopted a General Reserve Policy in 2004, Resolution 2004- 07; and

WHEREAS, the Agency revised the General Reserve Policy in 2011, Resolution 2011-01, and now determines that the Policy should again be revised; and

WHEREAS, the CEO/General Manager and Board Policy Committee have so recommended.

**BE IT RESOLVED** by the Board of Directors of the Bay Area Water Supply & Conservation Agency as follows:

1. Revenue received by the Agency during a fiscal year that is not expended or obligated by June 30 of that year shall be transferred to the General Reserve, subject to the limitation on that reserve in Section 2.
2. For budgetary purposes, the guideline for the maximum balance in the General Reserve is thirty five percent (35%) of the budget year's operating expense.
3. For budgetary purposes, the guideline for the minimum balance in the General Reserve is twenty percent (20%) of the budget year's operating expense. Once that level is achieved, it is the policy of the Board to maintain the General Reserve at the minimum 20% level.
4. The Agency anticipates potential long-term planning needs with costs that have the potential to greatly increase BAWSCA's overall annual Operating Budget. As such, within the General Reserve, the Agency desires to establish the Long-Term Planning Fund and, notwithstanding the guideline for the maximum balance in Section 2, upon approval of a resolution establishing anticipated long-term projects, the Agency will transfer revenue received by the Agency during a fiscal year, that is not expended or obligated by June 30 of that year and that is in excess of the maximum balance guideline of thirty five percent (35%) of the budget year's operating expense, to the Long-Term Planning Fund. The maximum balance in the Long-Term Planning Fund will not exceed the amount approved by the Board in a

resolution establishing anticipated long-term projects.

5. Notwithstanding Section 4 above, in its discretion, the Board may transfer additional funds from the General Reserve into the Long-Term Planning Fund. The Board may also transfer funds from the Long-Term Planning Fund into the General Reserve for any reason including, but not limited to, in order to achieve the General Reserve's minimum or maximum balance guideline.

6. Each year the proposed budget submitted to the Board by the CEO/General Manager shall estimate the amount of the reserve at the end of the fiscal year covered by the budget. If the ending ~~General R~~reserve balance is estimated to fall outside the guidelines established by this resolution, the budget shall include a prudent and practical schedule for restoring the reserve balance to within those guidelines.

In the event the General Reserve balance is in excess of the guidelines established by this resolution, the development of such practical and prudent schedule may include Board consideration of the following:

- a) using the excess reserve balance to fund the new budget,
- b) retaining the excess funds reserve balance in the General Reserve, or
- c) refunding the member agencies a proportionate share of the excess reserve balance.

The Board will consider the options set forth above as part of the mid-year budget review, as appropriate.

4.7. Funds in the General Reserve may be used only for purposes approved by the Board of Directors.

5.8. Funds in the General Reserve are to be deposited in accordance with the Board's approved Investment Policy, but need not be deposited in a separate account.

**PASSED AND ADOPTED**, this \_\_\_\_ day of \_\_\_\_\_ 2018 by the following vote:

AYES:

NOES:

ABSENT:

ATTEST:

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Chair, Board of Directors

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Secretary

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**RESOLUTION NO. 2018-02**

**AMENDING THE GENERAL RESERVE POLICY**

**WHEREAS**, it is a prudent financial measure to maintain surplus funds in a reserve in order to provide funds for urgent but unanticipated expenses and for one-time, non-recurring expenses to moderate variations in annual assessments; and

**WHEREAS**, the Bay Area Water Supply & Conservation Agency (Agency) originally adopted a General Reserve Policy in 2004, Resolution 2004- 07; and

**WHEREAS**, the Agency revised the General Reserve Policy in 2011, Resolution 2011-01, and now determines that the Policy should again be revised; and

**WHEREAS**, the CEO/General Manager and Board Policy Committee have so recommended.

**BE IT RESOLVED** by the Board of Directors of the Bay Area Water Supply & Conservation Agency as follows:

1. Revenue received by the Agency during a fiscal year that is not expended or obligated by June 30 of that year shall be transferred to the General Reserve, subject to the limitation on that reserve in Section 2.
2. For budgetary purposes, the guideline for the maximum balance in the General Reserve is thirty five percent (35%) of the budget year's operating expense.
3. For budgetary purposes, the guideline for the minimum balance in the General Reserve is twenty percent (20%) of the budget year's operating expense. Once that level is achieved, it is the policy of the Board to maintain the General Reserve at the minimum 20% level.
4. The Agency anticipates potential long-term planning needs with costs that have the potential to greatly increase BAWSCA's overall annual Operating Budget. As such, within the General Reserve, the Agency desires to establish the Long-Term Planning Fund and, notwithstanding the guideline for the maximum balance in Section 2, upon approval of a resolution establishing anticipated long-term projects, the Agency will transfer revenue received by the Agency during a fiscal year, that is not expended or obligated by June 30 of that year and that is in excess of the maximum balance guideline of thirty five percent (35%) of the budget year's operating expense, to the Long-Term Planning Fund. The maximum balance in the Long-Term Planning Fund will not exceed the amount approved by the Board in a resolution establishing anticipated long-term projects.

**July 19, 2018 – Agenda Item #5E Attachment 1**

5. Notwithstanding Section 4 above, in its discretion, the Board may transfer additional funds from the General Reserve into the Long-Term Planning Fund. The Board may also transfer funds from the Long-Term Planning Fund into the General Reserve for any reason including, but not limited to, in order to achieve the General Reserve's minimum or maximum balance guideline.
6. Each year the proposed budget submitted to the Board by the CEO/General Manager shall estimate the amount of the reserve at the end of the fiscal year covered by the budget. If the ending General Reserve balance is estimated to fall outside the guidelines established by this resolution, the budget shall include a prudent and practical schedule for restoring the reserve balance to within those guidelines.

In the event the General Reserve balance is in excess of the guidelines established by this resolution, the development of such practical and prudent schedule may include Board consideration of the following:

- a) using the excess reserve balance to fund the new budget,
- b) retaining the excess funds reserve balance in the General Reserve, or
- c) refunding the member agencies a proportionate share of the excess reserve balance.

The Board will consider the options set forth above as part of the mid-year budget review, as appropriate.

7. Funds in the General Reserve may be used only for purposes approved by the Board of Directors.
8. Funds in the General Reserve are to be deposited in accordance with the Board's approved Investment Policy, but need not be deposited in a separate account.

**PASSED AND ADOPTED**, this \_\_\_\_ day of \_\_\_\_\_ 2018 by the following vote:

AYES:

NOES:

ABSENT:

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Chair, Board of Directors

ATTEST:

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Secretary

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:**           **Establish a List of Potential Long-Term Planning Fund Projects and Adopt the Maximum Balance for the Long-Term Planning Fund**

**Summary:**

This item establishes the list of potential projects that may be funded by the Long-Term Planning Fund and sets forth the maximum balance for the Long-Term Planning Fund based on the estimated costs of such projects. This item presumes that the Board has previously acted to establish within the General Reserve a Long-Term Planning Fund, and to permit the Agency to transfer funds in excess of the maximum reserve balance of 35% of the annual operating expense to the Long-Term Planning Fund. Funds may only be transferred into the Long-Term Planning Fund upon approval of a separate resolution by the Board establishing the anticipated long-term projects. The maximum balance of the Long-Term Planning Fund will not exceed the amount approved by the Board in such a resolution. The recommendation at this time is to establish the list of potential projects that may be funded by the Long-Term Planning Fund and to adopt the maximum balance for the Long-Term Planning Fund consistent with the list of potential projects.

**Fiscal Impact:**

No impact on BAWSCA's annual operating budget.

**Board Policy Committee Action:**

The Committee voted unanimously to recommend approval of the proposed Board action.

**Recommendation:**

That the Board adopt Resolution 2018-03 to establish the list of potential projects that may be funded by the Long-Term Planning Fund and to adopt the maximum balance for the Long-Term Planning Fund.

**Discussion:**

Funds may only be transferred to the Long-Term Planning Fund within the General Reserve upon approval of a resolution by the Board establishing the anticipated long-term projects. The maximum balance of the Long-Term Planning Fund will not exceed the amount approved by the Board in such a resolution and will be consistent with the estimated cost of such projects. The current list of potential long-term projects is as follows:

	<b>Project</b>	<b>Potential Cost Range</b>
1.	Update to Regional Demand Projections	\$500,000 - \$750,000
2.	Implement Pilot Water Transfer	\$1,000,000 - \$1,500,000
3.	Expanded Los Vaqueros: Design	\$500,000 - \$1,000,000
4.	PREP Phase 3	\$500,000 - \$1,000,000

Based on this list of potential projects, the maximum balance of the Long-Term Planning Fund is \$1,500,000, which is equal to the highest potential project cost. Any specific project funded by the Long-Term Planning Fund will require approval of the Board or the CEO/General Manager, as required by BAWSCA's Procurement Policy. Specific projects funded by the Long-Term Planning Fund of the General Reserve are subject to any necessary environmental review and regulatory approvals. Any necessary review under the California Environmental Quality Act (CEQA) is a condition precedent to any approval of projects funded by the Long-Term Planning Fund.

**Background:**

As part of a separate action, it is anticipated that the Board will act to establish within the General Reserve a Long-Term Planning Fund, and to permit the Agency to transfer funds in excess of the maximum reserve balance of 35% of the annual operating expense to the Long-Term Planning Fund. Funds may only be transferred into the Long-Term Planning Fund upon approval of a resolution by the Board establishing the anticipated long-term projects. The maximum balance of the Long-Term Planning Fund will not exceed the amount approved by the Board in such a resolution.

**Attachments:**

1. Resolution 2018-03, Establishing a list of potential long-term planning projects and adopting the maximum balance for the Long-Term Planning Fund



**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**RESOLUTION NO. 2018-03**

**ESTABLISHING A LIST OF POTENTIAL LONG-TERM PLANNING  
PROJECTS AND ADOPTING THE MAXIMUM BALANCE  
FOR THE LONG-TERM PLANNING FUND**

**WHEREAS**, the Bay Area Water Supply & Conservation Agency (Agency) originally adopted a General Reserve Policy in 2004, Resolution 2004-07; and

**WHEREAS**, the Agency revised the General Reserve Policy in 2018, Resolution 2018-02, to establish within the General Reserve the Long-Term Planning Fund; and

**WHEREAS**, the Agency desires to establish the potential projects that may be funded by the Long-Term Planning Fund and to adopt the maximum balance for the Long-Term Planning Fund; and

**WHEREAS**, the CEO/General Manager and Board Policy Committee have so recommended.

**BE IT RESOLVED** by the Board of Directors of the Bay Area Water Supply & Conservation Agency as follows:

1. The Long-Term Planning Fund of the General Reserve will potentially be used for the following projects:

	<b>Project</b>	<b>Potential Cost Range</b>
1.	Update to Regional Demand Projections	\$500,000 - \$750,000
2.	Implement Pilot Water Transfer	\$1,000,000 - \$1,500,000
3.	Expanded Los Vaqueros: Design	\$500,000 - \$1,000,000
4.	PREP Phase 3	\$500,000 - \$1,000,000

2. Specific projects funded by the Long-Term Planning Fund of the General Reserve will require approval by the Board or CEO/General Manager, as required by the Agency's Procurement Policy.
3. Specific projects funded by the Long-Term Planning Fund of the General Reserve are subject to any necessary environmental review and regulatory approvals.
4. Any necessary review under the California Environmental Quality Act (CEQA) is a condition precedent to any approval of projects funded by the Long-Term Planning Fund.
5. The maximum balance of the Long-Term Planning Fund will not exceed \$1,500,000, which is equal to the highest potential project cost.

**PASSED AND ADOPTED**, this \_\_\_\_ day of \_\_\_\_\_ 2018 by the following  
vote:

AYES:

NOES:

ABSENT:

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Chair, Board of Directors

ATTEST:

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Secretary

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

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

**Summary:**

The Chair and Vice-Chair met with the CEO to review and update the procedure for the CEO's Annual Performance Evaluation. It was then presented to the Board Policy Committee at its June meeting for review and discussion.

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

At the July 19<sup>th</sup> Board meeting, Chair Mendall will present the procedure and evaluation form to the Board of Directors for input. Following the July 19<sup>th</sup> Board meeting, the CEO's performance report and the evaluation form will be e-mailed to each Director. The Closed Session performance evaluation will take place at the September 20<sup>th</sup> Board meeting.

In addition, the Chair will work with Ms. Sandkulla to develop new personal benchmarks to be included in her FY 2018-19 performance plan. Input from the Board on possible personal benchmarks for the CEO is requested.

**Board Policy Committee Action:**

The Committee provided feedback to the Chair on the evaluation form and voted unanimously to recommend approval of the proposed Board action.

**Recommendation:**

**That the Board review the procedure and evaluation form during its July meeting for subsequent use as part of the CEO/GM performance evaluation during Closed Session at the September 20<sup>th</sup> Board meeting,**

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 2018**

**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 20<sup>th</sup>.

**3. Directors submit forms and written comments**

- Board members to return completed evaluation forms and written comments to BAWSCA Chair by August 8<sup>th</sup>.

**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 2018-19 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.

**BAWSCA CEO / GENERAL MANAGER  
ANNUAL PERFORMANCE REVIEW: EVALUATION FORM**

Employee: Nicole Sandkulla Date: \_\_\_\_\_ Evaluator: \_\_\_\_\_

**Please return to the Chair of the Board by August 8, 2018.**

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 on page 2.

<b><u>LEADERSHIP OBJECTIVES</u></b>	<b>Exceeds Objectives</b>	<b>Meets Objectives</b>	<b>Meets Minimal Objectives</b>	<b>Does Not Meet Objectives</b>	<b>Don't Know</b>
A. Leads BAWSCA, its agencies, Board and staff to understand and support BAWSCA's goals.					
B. Works with SF policy makers, legislators, media and others to understand and support BAWSCA's goals.					
C. Identifies major issues, assigns appropriate priorities and determines appropriate annual results for meeting agency goals.					
D. Ensure that staffing, consultant and financial resources are deployed efficiently and in as impactful a manner as possible.					
E. Defines, and proposes how to address policy issues and provides clear information for the Board to make timely, informed decisions.					
F. Listens to and objectively considers comments by the Board, staff and agencies and responds appropriately to achieve the agency's goals.					
G. Crafts and executes on BAWSCA's long-term strategic goals including local, state, regulatory, legal and legislative issues that impact BAWSCA's ability to meet its goals.					
H. Creates a culture of excellence and detail-oriented work-product.					

<b><u>MANAGEMENT OBJECTIVES</u></b>	<b>Exceeds Objectives</b>	<b>Meets Objectives</b>	<b>Meets Minimal Objectives</b>	<b>Does Not Meet Objectives</b>	<b>Don't Know</b>
I. The CEO's performance in preparing and presenting the annual work plan and budget.					
J. The CEO's performance in managing the agency's consultants.					
K. The CEO's performance in maintaining expenses within budget and managing reserve.					
L. The CEO's performance in recruiting and managing staff.					
M. The CEO's performance in achieving a results focused workplan to ensure progress is being made on agency goals.					

**BAWSCA 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?

Do you have any 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.***



**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title: Implementation of the Long-Term Reliable Water Supply Strategy**

**Summary:**

This memorandum serves to provide an update the Board on the implementation progress for six water supply project areas of BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy). In FY 2017-18, BAWSCA made significant and measurable progress on Project Area #6 of the Strategy, the development of a Regional Reliability Model (Model). The Model will be used to evaluate the benefits of possible water supply options proposed under the Strategy. Information regarding Model development is discussed herein.

**Recommendation:**

This item is for information and discussion purposes only. No action is requested at this time.

**Background:**

In 2009, BAWSCA initiated development of the Strategy to provide a comprehensive, regional assessment of the BAWSCA member agencies' water supply reliability needs, complete an evaluation of potential water management actions that could be implemented to meet these needs, and identify recommended actions for consideration by BAWSCA to achieve an increased level of regional reliability. Various types of water supply projects were evaluated as a part of the Strategy analysis: non-potable recycled water, groundwater, local capture and reuse, desalination, and water transfer projects. BAWSCA has continued to fund and implement actions consistent with the Strategy recommendations since February 2015.

**Discussion:**

BAWSCA is pursuing multiple actions and projects in order to implement the Strategy recommendations to ensure water supply reliability for its member agencies. Work on different projects is varied during this implementation phase, as different projects require diverse types of actions. What follows are updates on implementation of six different project areas of BAWSCA's Strategy.

**Project Area # 1 - Participation in the Bay Area Regional Reliability (BARR) Partnership**

The BARR Partnership was one of the regional planning studies identified in the Strategy, and BAWSCA has been an active participant in the BARR Partnership since its inception in 2014.

BARR agencies, including BAWSCA, recently collaboratively developed a Drought Contingency Plan (DCP) to approach drought mitigation and response from a regional, integrated perspective, while taking stock of BARR agencies' existing water resources and assets. The DCP identified potential new water supply projects that, if implemented, would improve the region's water supply reliability. Examples include interties (or connections) between neighboring water suppliers, desalination facilities, and potable reuse projects. Other approaches, such as establishing a Bay Area Regional Water Market for water exchanges and transfers, were also included. The DCP was finalized in Dec. of 2017.

In the spring of 2017, the BARR partner agencies submitted a WaterSMART Water Marketing Strategy Grant application to the U.S. Bureau of Reclamation (Bureau) for funds to develop a "Bay Area Regional Water Market (Exchange/Transfer) Program." That application was successful as of September 2017, and the BARR partners are currently working with the Bureau to enter into the funding agreement.

Project Area # 2 - Water Transfers and Storage

BAWSCA continues to pursue a pilot water transfer with East Bay Municipal Utility District (EBMUD) for implementation in Winter 2019-2020, at the earliest. BAWSCA is working with the BARR partners to advocate for BAWSCA's pilot water transfer to be included in the forthcoming BARR Bay Area Regional Water Market (Exchange/Transfer) Program as detailed above, so regional funding could be leveraged to support this project. BAWSCA believes that extensive work that has been done to date on BAWSCA's pilot water transfer makes it an ideal choice for inclusion in the program.

Project Area # 3 - Recycled Water

In July 2017, BAWSCA released a white paper on recycled water that provided an overview of the regulations that have been developed at the state level, the SFPUC's interest on the topic, and of BAWSCA's strategy moving forward. BAWSCA has also been participating in two water reuse projects conceptually sited in the South Bay and along the Peninsula:

- Potable Reuse Exploratory Plan (PREP): In November 2016, BAWSCA, California Water Services Company (Cal Water), SFPUC, and Silicon Valley Clean Water (SVCW) finalized a Memorandum of Understanding (MOU) to perform an initial exploration of potential potable reuse/purified water opportunities on the Peninsula. The partnership has since expanded to include two additional organizations, Redwood City and the City of San Mateo. An early feasibility study was developed under Phase 1 of the project and Phase 2 of the project, which expands the feasibility analysis, will begin shortly.
- Feasibility Study to Evaluate Alternatives to Participate in the Expedited Purified Water Program: Since the Spring of 2017, BAWSCA has been partnering with SFPUC and the Santa Clara Valley Water District (SCVWD) to study potential opportunities for BAWSCA and/or SFPUC to participate in SCVWD's Expedited Purified Water Program. That work continues at a gradual pace.

Project Area # 4 - Groundwater

San Mateo County is on track to finalize the San Mateo Plain Groundwater Basin Assessment that the County has been working to complete since the Spring of 2016. BAWSCA has participated in the County's study of the Basin, including attending the County's nine stakeholder meetings and providing the County with BAWSCA's Strategy Groundwater Model.

BAWSCA developed the Strategy Groundwater Model to evaluate a potential brackish desalination project on the Peninsula. The Strategy Groundwater Model was the first regional model covering most of the Bay Area: it combined previously developed groundwater models and addressed areas not previously covered in groundwater models in the region. The County updated the groundwater model with additional data collected for the Assessment, and the new model has proven to be a very useful tool in evaluating conditions in the Basin.

The County released a draft final report in June 2018, and anticipates it will be finalized in August 2018.

BAWSCA and San Mateo County have been coordinating to help the agencies in the San Mateo Plain Sub-basin form a California Statewide Groundwater Elevation Monitoring (CASGEM) monitoring entity. In January and June 2018, San Mateo County hosted meetings of land and water use agencies to discuss and receive feedback on potentially becoming a CASGEM monitoring entity. Many agencies expressed interest in participating in this voluntary program, and additional discussion will take place this coming fiscal year.

**Project Area # 5 - Local Reuse**

Since 2015, BAWSCA has been an active participant in an effort by Sustainable Silicon Valley (SSV) to explore on-site water reuse in buildings in San Mateo and Santa Clara counties. Most recently, BAWSCA staff attended SSV's Navigating Bay Area Water: Emerging Technology Solutions event on Thursday, May 31st. BAWSCA continues to support SSV's efforts to bring corporate leaders, technologists, and water agencies together to implement on-site water reuse.

BAWSCA also continues to partner with the City/County Association of Governments of San Mateo County in support of the San Mateo Countywide Water Pollution Prevention Program by administering a county-wide rain barrel rebate program.

**Project Area #6 - BAWSCA's Regional Water Supply Modeling Tool**

BAWSCA has completed development of its new independent Regional Water Supply Modeling Tool (Model). BAWSCA's Model is intended to serve as an analysis tool that BAWSCA staff will utilize to evaluate regional water supply reliability, considering all water supplies available to BAWSCA's member agencies. In addition to evaluating the reliability of the region under the current water supply portfolio, BAWSCA will use the Model to evaluate how new supplies could improve water supply reliability in the future.

The Model explicitly includes both local and regional supply sources and is capable of capturing the supply and demand interactions that affect regional water supply reliability. Incorporated into the Model are the various sources of supply that one or more BAWSCA member agencies have access to (e.g., San Francisco Regional Water System supplies, Santa Clara Valley Water District supplies, State Water Project supplies). Member agency water demands are also incorporated into the Model as input data (current as well as future demand estimates).

As a part of the approved FY 2018-19 Work Plan, BAWSCA will use the model to investigate three different water supply development scenarios. BAWSCA will also conduct a workshop to elicit feedback from BAWSCA member agencies on the Model.

**Next Steps:**

BAWSCA will continue to make progress on all fronts in implementing the Strategy. Regular updates will be provided to the Board when there is information to share, at least annually.

Policy action in support of implementing the Strategy actions occurs as part of the annual work plan development and operating budget adoption, approval of expenditures associated with planning agreements with other agencies, and approval of contracts with other agencies and consultants to implement specific projects as necessary.

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# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

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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:** July 13, 2018  
**SUBJECT:** Chief Executive Officer/General Manager's Letter

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### Water System Improvement Program – Notice of Change

Pursuant to the reporting requirements of the Wholesale Regional Water System Security and Reliability Act, on June 29, 2018 the San Francisco Public Utilities Commission (SFPUC) submitted a Notice of Change, describing changes adopted by the SFPUC Commission (Commission) on April 10, 2018 to the schedule of the Water System Improvement Program (WSIP). This updated WSIP is called the March 2018 Revised WSIP. The Notice of Change cover letter from SFPUC is attached as correspondence in this month's Board Packet.

The Notice of Change is provided to both the California Seismic Safety Commission and the State Water Resources Control Board's Division of Drinking Water. As part of the Notice of Change documentation, the SFPUC provided a description of the budget revisions and the project scope changes adopted by the Commission in April. The Notice of Change was shared with BAWSCA's Water Management Representatives via an email from BAWSCA on July 3, 2018.

The WSIP completion date adopted as part of the March 2018 Revised WSIP is now December 30, 2021, which represents about a 24-month extension over the last program-level schedule approved by the Commission as part of the March 2016 Revised WSIP. The forecasted WSIP costs has increased from \$4,373.8M to \$4,415.8M (an increase of \$42M or 1%). This forecast does not include WSIP financing costs, which are estimated by SFPUC based on bond-related costs. The budget revisions involve a mix of cost increases coupled with a few cost savings at the project level. The project with the largest cost increase is the Regional Groundwater Storage and Recovery Project, which requires a \$25.2M budget increase.

Prior to the SFPUC's April 10, 2018 WSIP changes adoption hearing, BAWSCA provided a letter, dated April 3, 2018, presenting seven recommendations that BAWSCA viewed warranted consideration as part of the WSIP change adoption process. The Commission incorporated BAWSCA's seven recommendations by reference into its action when it adopted the WSIP changes.

Regarding changes to the WSIP, the overall WSIP scope essentially remains unchanged and no projects were deleted from the program, but specific scopes for seven WSIP projects were refined. SFPUC states that those changes will not impact the Level of Service (LOS) goals to be achieved by the WSIP. However, BAWSCA identified that changes to one project, the Regional Groundwater Storage and Recovery Project (RGSRP), could result in a lower basin

yield, which could in turn would reduce the SFPUC's ability to meet its LOS goals. One of BAWSCA's seven recommendations was that SFPUC staff develop a written report that provides an updated RGSRP yield estimate and presents options to install additional permanent wells if project yield is diminished. This recommendation was adopted by the Commission and that report is to be completed by January of 2019.

As detailed in the Notice of Change, of the 52 existing regional projects in the WSIP, 39 have been completed, three have no schedule variance, and 10 have been extended. The project with the longest forecast schedule extension is the Bioregional Habitat Restoration Project at 40 months. The last project forecast to complete in the March 2018 Revised WSIP is the Regional Groundwater Storage and Recovery project.

BAWSCA will be working with our state legislative representatives beginning in the Fall of 2018 to extend State oversight of WSIP. Specifically, oversight authority would extend for a period beyond the new December 30, 2021 WSIP completion date.

### **Groundwater**

On May 18<sup>th</sup>, 2018, the California Department of Water Resources (DWR) Sustainable Groundwater Management Program released a draft reprioritization of groundwater basins as required by the Sustainable Groundwater Management Act (SGMA). Select BAWSCA Member Agencies overlie portions of basins that were re-ranked from "very low priority" to "medium priority" or "high priority." Medium- and high-priority basins are subject to regulation under California's Statewide Groundwater Management Act (SGMA). Three basins in San Mateo County have changed in priority: the Westside basin and the San Mateo Plain sub-basin are now proposed as medium-priority, and the Half Moon Bay Terrace basin is proposed as a "high priority" basin. Regulatory requirements include the mandate to establish a Groundwater Sustainability Agency (GSA) and a Groundwater Sustainability Plan (GSP).

Initially, the comments on this draft reprioritization of the groundwater basins were due on July 18, 2018. BAWSCA coordinated with San Mateo County to draft a formal comment letter to the DWR to urge the agency to extend the comment period to 60-days after all of the data used in the reprioritization was released. The comment letter was signed by 23 agencies, after BAWSCA and the County distributed the letter widely, and it was submitted to DWR on June 15, 2018. On June 20, 2018, the DWR extended the comment period to extend to August 20, 2018, and, in parallel, DWR released the complete dataset used in the reprioritization of the groundwater basins throughout the state.

BAWSCA is continuing coordination with member agencies and the County to review the data and methods used in the reprioritization and may submit comments to DWR to correct errors or provide feedback on the methodology.

### **Conservation as a California Way of Life**

BAWSCA has initiated work on Phase II of its "Making Conservation a Way of Life Strategic plan. Phase II includes specific actions to 1) support BAWSCA agencies in meeting the new urban water use objectives and 2) provide key insights to assist BAWSCA in representing member agency interest in the State decision-making processes associated with establishing the new water use targets.

Per the recently adopted long-term water use efficiency requirements (AB 1668 and SB 606), urban water suppliers in California will need to calculate and meet water use targets, referred to as "urban water use objectives," on an annual basis beginning in 2023. Over the

next three years, the Department of Water Resources (DWR) and the State Water Resources Control Board (SWRCB) will be adopting specific standards and performance measurements for requirements of the new long-term urban water use objectives. These actions will include: 1) adopting standards for outdoor residential use, 2) evaluating the appropriateness of the standards for indoor residential use included in the legislation, 3) adopting performance measures for commercial, industrial and institutional (CII) water use, and 4) adopting water loss standards.

Phase II of the BAWSCA “Making Conservation a Way of Life” Strategic Plan includes the following actions:

- Completion of an indoor-outdoor water use study to determine current levels of indoor and outdoor water use among residential customers within the BAWSCA service area. This study will inform BAWSCA’s input on the SWRCB adoption of the outdoor residential water use standards.
- Implementation a CII audit pilot program to evaluate cost-effectiveness of CII pilot program options. This pilot will inform BAWSCA’s input on the SWRCB adoption of CII performance measures.
- Implementation of the BAWSCA Regional Water Loss Management Program and coordination with SFPUC on source meter testing practices. These actions will support BAWSCA agencies in meeting existing SB 555 water auditing requirements and will inform BAWSCA’s input on the SWRCB adoption of water loss standards.

**Hetch Hetchy Tour – September 26 and 27, 2018**

The SFPUC will host a Hetch Hetchy Tour for BAWSCA Board of Directors and Water Management Representatives on **September 26 and 27, 2018**.

Space is limited and priority will be given to Board Members attending for the first time. Board Members and agency staff who have not attended a Hetch Hetchy tour are encouraged to participate given the current water supply reliability challenges our region faces.

Tour highlights and logistics include:

- Behind-the-scenes look at some of the system’s key facilities, such as Calaveras Dam, Moccasin Powerhouse, and Hetch Hetchy Reservoir.
- A private tour bus that departs at 8:00am on September 26th from BAWSCA offices, 155 Bovet Rd, San Mateo, and returns to the same location at approximately 5:30pm on September 27th.
- Lodging overnight at the Hetch Hetchy Reservoir in one of three cabins owned by the SFPUC.
- All food and transportation will be provided.

The SFPUC requires all participants to register for safety and security purposes. BAWSCA will email registration information in July to which interested participants will need to respond.

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# Board Of Directors Policy Calendar Through January 2019

Meeting Date	Purpose	Issue or Topic
July 2018	D&A	Review and Consideration of Modifications to BAWSCA's General Reserve Policy
	D&A	Establish a List of Potential Projects and Adopt a Maximum Balance for the Long-Term Planning Fund within the General Reserve.
	D&A	Discussion of the Process and Schedule for CEO/General Manager Annual Evaluation
	R	Update on BAWSCA's Regional Water Supply Modeling Tool Development Update on Long-Term Reliable Water Supply Strategy Implementation
September 2018	D&A	CEO/General Manager Evaluation
	D&A	Resolution Approving Temporary Appointment of A. Jensen as Special Counsel to the CEO/General Manager
November 2018	D&A	Review of Agency Personnel Handbook
	D&A	Annual Review and Consideration of BAWSCA's Statement of Investment Policy
	D&A	Review and Consideration of BAWSCA's General Reserve Policy
January 2019	D&A	Mid-Year Budget Review and Management of General Reserve
	R&D	FY 2019-20 Work Plan and Budget Development

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

**Meeting Schedule through May 2019**

<b>Schedule for BAWSCA Board Meetings (Meetings are held from approx. 6:30 – 8:45 p.m.)</b>	
<b><u>Date</u></b>	<b><u>Location</u></b>
Thursday – May 17, 2018	Oak Room, San Mateo Main Library
Thursday – July 19, 2018	Oak Room, San Mateo Main Library
Thursday – September 20, 2018	Oak Room, San Mateo Main Library
Thursday – November 15, 2018	Oak Room, San Mateo Main Library
Thursday – March 21, 2019	Oak Room, San Mateo Main Library
Thursday – May 16, 2019	Oak Room, San Mateo Main Library

<b>Schedule for RFA Board Meetings (Meeting time will be announced)</b>	
<b><u>Date</u></b>	<b><u>Location</u></b>
Thursday – January 17, 2019	Oak Room, San Mateo Main Library

<b>Schedule for BAWSCA Board Policy Committee Meetings (Meetings held from 1:30-4:00 p.m.)</b>	
<b><u>Date</u></b>	<b><u>Location</u></b>
Wednesday – June 13, 2018	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday – August 8, 2018	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday – October 10, 2018	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday – December 12, 2018	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday – February 13, 2019	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.
Wednesday – April 10, 2019	155 Bovet Rd., San Mateo – 1 <sup>st</sup> Floor Conf. Rm.