

BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

April 11, 2018
1:30 p.m.

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

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
1. <u>Call To Order, and Roll Call</u> Roster of Committee Members (<i>Attachment</i>)	(Zigterman)	Pg 5
2. <u>Public Comment</u> <i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(Zigterman)	
3. <u>Consent Calendar</u> A. Approval of Minutes from the February 14, 2018 meeting (<i>Attachment</i>)	(Zigterman)	Pg 7
4. <u>Comments by Chair</u>	(Zigterman)	
5. <u>Action Items</u> A. Proposed Fiscal Year 2018-19 Work Plan and Results to be Achieved (<i>Attachment</i>) <u>Issue:</u> What critical results must be achieved in FY 2018-19 to accomplish BAWSCA's goals and water reliability objectives? <u>Information to Committee:</u> Memorandum presenting proposed FY 2018-19 Work Plan and Operating Budget incorporating comments from the February 14 th 2018 BPC meeting, and March 15 th , 2018 Board meeting. <u>Committee Action Requested:</u> That the Committee recommend Board approval of the: <ol style="list-style-type: none">Proposed FY 2018-19 Work Plan and Results to be Achieved;Proposed Operating Budget of \$3,901,085; andProposed funding plan of a 3% assessment increase and a transfer of \$250,809 from the General Reserve.	(Sandkulla)	Pg 19
B. Tier 2 Drought Allocation Plan (<i>Attachment</i>) <u>Issue:</u> What is BAWSCA's approach to addressing the December 2018 expiration of the Tier 2 Drought Allocation Plan? <u>Information to Committee:</u> Memorandum and oral report. <u>Committee Action Requested:</u> That the Committee recommend Board approval of the proposed action.	(Francis)	Pg 45

- C. Authorize CEO/General Manager to enter into a contract with a selected Consultant for the Water Loss Management Program (*Attachment*) **(Johnson)** Pg 51
Issue: What is required to ensure that agencies have the capabilities to comply with new State requirement.

Information to Committee: Memorandum and oral report.

Committee Action Requested: That the Committee recommend the Board:

- 1) Authorize the CEO/General Manager to negotiate and execute an agreement with the selected consultant, for a BAWSCA contract cost share not to exceed \$30,000, subject to legal counsel review, for implementation of the Water Loss Management Program in FY 2018-19; and
- 2) Offer participation in the Water Loss Management Technical Assistance Program to interested BAWSCA agencies on a subscription basis.

- D. General Reserve Management (*Attachment*) **(Sandkulla)** Pg 61

Issue: How should the General Reserve and surplus funds be managed given the ongoing legislative efforts and legal uncertainties in the upcoming and potentially subsequent fiscal years, and potential long-term planning studies that BAWSCA may need to fund?

Information to Committee: Memorandum and oral report.

Committee Action Requested: That the Committee recommend Board approval of the proposed action.

6. Reports

(Sandkulla)

- A. Water Supply Conditions
- B. SFPUC WaterMAP and 2018 Decisions
- C. CEO's Letter (*Attachment*)
- D. Board Policy Committee Calendar (*Attachment*)
- E. Correspondence Packet ([Under Separate Cover](#))

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8. 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 **(Metcalf)**
- 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* **(Metcalf)**
- 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) **(Metcalf)**

7. Comments by Committee Members

(Zigterman)

8. Adjournment to the next meeting

(Zigterman)

June 13, 2018 at 1:30pm in the 1st Floor Conference room of the BAWSCA office building, at 155 Bovet Rd., San Mateo

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

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Directions to BAWSCA

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

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Committee Roster:

Gustav Larsson, City of Sunnyvale (Chair)

Tom Zigterman, Stanford University (Vice Chair)

Jay Benton, Town of Hillsborough

Randy Breault, GVMID (BAWSCA Immediate Past Chair)

Mike Kasperzak, City of Mountain View

Rob Kuta, California Water Service Co.

Al Mendall, City of Hayward (BAWSCA Chair)

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

Greg Schmid, City of Palo Alto

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

**February 14, 2018 – 1:30 p.m.
BAWSCA Offices – 155 Bovet Rd., San Mateo – 1st Floor Conference Room**

MINUTES

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 (8), absent (1), and other attendees is attached

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

2. **Comments by Committee Chair:** Committee Chair Larsson welcomed members of the Committee.
3. **Public Comments:** There were no public comments.
4. **Consent Calendar:** Approval of Minutes from the December 13, 2017 meeting.

Director Kasperzak made a motion, seconded by Director Benton, that the minutes of the December 13, 2017 Board Policy Committee meeting be approved.

The motion passed unanimously.

5. **Reports and Discussions:**

- A. **Preliminary Fiscal Year 2018-19 Work Plan and Results to be Achieved:** Ms. Sandkulla stated that the Preliminary work plan and results to be achieved for FY 2018-19 are aligned with BAWSCA's legislated authority, fulfills BAWSCA's goals to ensure a reliable supply of high-quality water at a fair price, and addresses the critical issues identified between now and 2050.

The work plan includes increased activities and staff time to expand BAWSCA's oversight of SFPUC's 10-year CIP and asset management program, implement BAWSCA's Making Conservation a Way of Life Phase 2 Plan, continue the implementation of the Long-Term Reliable Water Supply Strategy (LTRWSS), and expand BAWSCA's Landscape Education Program.

There were fifteen comments received at the January 18th Budget Planning Session held with the Board. Of the 15 comments, three are already being addressed in the current FY 2017-18 work plan.

In particular, the financial workshop scheduled on March 22nd responds to the Board's comment about looking at alternative rate structures that can mitigate financial hardships incurred during times of drought or reduced water use.

Ms. Sandkulla was pleased to report that overall, 13 of the comments received from Board members are already included in the preliminary work plan for FY 2018-19. It was encouraging for staff to hear the board's desire to pursue efforts that had been planned in the next fiscal year.

Ms. Sandkulla went through BAWSCA's planned efforts that specifically respond to the Board members' comments at the January budget planning session.

Efforts include a plan to host a workshop on AMI and innovative conservation technologies to build from the workshop approach that has proven to be highly effective in fostering information-sharing among member agencies and other utilities. BAWSCA will implement programs to assist agencies in meeting anticipated State conservation requirements. BAWSCA will continue dialogue with responsible entities such as Water Now Alliance, as well as with ABAG on issues that relate to BAWSCA's role on regional water supply matters. BAWSCA will continue to strengthen relationships with permitting agencies and encourage regional approaches and guidelines to water supply development efforts such as BAWSCA's pilot water transfer. BAWSCA will maintain its support for SFPUC's emergency planning exercises. BAWSCA will continue implementation of its Long-Term Reliable Water Supply Strategy (Strategy) which is consistent with the "One Water" philosophy. Ms. Sandkulla explained that BAWSCA's Strategy looks at groundwater, recycled water, advanced treated water and surface supplies. While BAWSCA is not taking a direct approach on stormwater, it was analyzed and is a part of BAWSCA's groundwater efforts with San Mateo County.

BAWSCA staff recommend no action in FY 2018-19 in response to 2 comments from the Board.

One is the development of a plan or approach to support regional emergency resiliency. While BAWSCA is not set up to directly address this issue, BAWSCA can help push San Francisco in addressing resiliency for the Regional Water System, and to encourage agencies to have greater involvement in these kinds of efforts. As an example, the SFPUC developed an emergency response plan in 2016 as a result of BAWSCA member agencies' coordinated efforts to call for a thorough investigation of the potential risks of failure of Mountain Tunnel. Additionally, SFPUC has approached BAWSCA to have a seat at its emergency operations center that is activated following emergency situations that impact the regional service area. BAWSCA's role is to help with the communication, as appropriate, with the wholesale customers. This invitation from the SFPUC demonstrates the recognition by both BAWSCA and the SFPUC that effective communication is critical to resiliency.

The second is extending the horizon for BAWSCA's water supply planning studies up to 2050. While BAWSCA is not yet prepared to plan up to 2050 in FY 2018-19, BAWSCA will extend the horizon in FY 2019-20, coinciding with member agency schedules for updating their Urban Water Management Plans, and when there is full understanding of the new State water conservation regulations.

BAWSCA's major tasks in FY 2018-19 are categorized according to BAWSCA's goals of Reliable Water Supply, High Quality Water and Fair Price.

Ms. Sandkulla highlighted the planned efforts for each category.

Under water supply reliability, BAWSCA will continue to monitor the WSIP. BAWSCA anticipates the need to work with the legislature to extend the State oversight of the WSIP. The current projected completion date for the WSIP is May 2021, and the current State oversight expires on January 1, 2022. There is concern with the short

gap between the dates, and the possibility that the completion of the WSIP may extend further given the pressure on several construction projects. BAWSCA's effort with the legislature will be initiated once further information on the WSIP's completion date is available.

BAWSCA will increase its oversight activities on SFPUC's 10-year CIP development, and will initiate an audit of the SFPUC asset management practices for the RWS. This effort supports the Board's interests in knowing the condition of SFPUC's assets as it is a major driving force in their CIP development, project prioritization, and costs. Ms. Sandkulla explained that such an audit was included in the 2009 WSA. Per the WSA, SFPUC must "cooperate", consider findings and recommendations of the audit, and provide written comments on the final report. This effort will utilize outside consultant expertise. An allocation of \$55K will be included in the FY 2018-19 budget for this effort.

BAWSCA's implementation of the Strategy involves major tasks in the workplan to ensure long-term water supply reliability for the member agencies.

In FY 2018-19, BAWSCA will begin Phase 2 of pre-feasibility studies for two purified water projects. One of the projects is the Potable Reuse Exploratory Plan (PREP) with SFPUC, Silicon Valley Clean Water, City of San Mateo, Redwood City and Cal Water. The second project is the potable reuse investigation with SCVWD and SFPUC. Both projects are advanced treated water projects that require further feasibility assessment as the first step to implementation.

BAWSCA has also been participating in the Los Vaqueros Expansion studies. For this project and the two advanced treated water projects, Ms. Sandkulla is proposing a direct cost share from BAWSCA of \$10K for each project in FY 2018-19.

Ms. Sandkulla explained that while BAWSCA is currently participating in the projects with the SFPUC, each agency's interests are separate and distinct. BAWSCA's interest in the projects is for increased dry year supplies. The SFPUC's interests are for additional water supply opportunities to meet their contractual obligations to the wholesale customers, and for the opportunity to make Santa Clara and San Jose permanent customers. Due to those separate and distinct interests, Ms. Sandkulla is proposing a separate cost payment to reflect BAWSCA's and SFPUC's differing objectives.

In response to Director Mendall, Ms. Sandkulla stated that one of the benefits of BAWSCA's work with other agencies on the advanced treated water project is the introduction of potential collaboration between member agencies as well as with other agencies in the region. The Water Management Representatives (WMR) receive reports on the status and process of the projects, and while further collaborative opportunities on specific projects across the region are not yet evident, the information-sharing among the agencies are valuable.

Part of implementing the Strategy is completing the plans for BAWSCA's Pilot Water Transfer which was put on hold during the drought.

Ms. Sandkulla was pleased to report that BAWSCA will be working with the Bay Area Regional Reliability (BARR) agencies to secure BAWSCA's pilot water transfer plan as

part of BARR Phase 2 Water Marketing Strategy project. This opportunity provides BAWSCA grant funds, and more importantly, regional support for its pilot water transfer. Participating agencies include SCVWD, ACWD, SFPUC, CCWD, Zone 7 and others.

The target implementation timeline for the water transfer is the Winter of FY 2019-20, during a scheduled Hetch Hetchy shutdown. Work during FY 2018-19 will focus on finalizing all required agreements needed to implement the water transfer, as well as meeting CEQA requirements which includes finding a seller. The estimated cost in the FY 2018-19 budget for this effort is \$57K.

Efforts to address near-term water supply reliability in FY 2018-19 involve water conservation and drought response activities.

Ms. Sandkulla reported that BAWSCA's "Making Conservation a Way of Life" is an effort to support member agencies in meeting the State's new water use efficient targets and subsequent legislative actions. To align BAWSCA's efforts with the State schedule, tasks have been phased over three fiscal years, beginning with Phase 1 in FY 2017-18, and Phase 2 in FY 2018-19.

Phase 1 assessed agencies' existing data and technical capabilities to meet State requirements. Ms. Sandkulla noted that written in AB 1668 and SB 606, two bills that have not been passed yet, is an extensive process and data intensive effort for meeting State required conservation. Based on the assessment, Phase 1 will develop a plan that identifies the respective roles and responsibilities of BAWSCA and member agencies in obtaining information needed for State compliance. Phase 1 will be completed in June 2018.

Key results for Phase 2 includes an indoor-outdoor water use study, implementation of a new Pilot Regional Commercial/Industrial Water Audit program, a Water Loss Control Subscription Program, and implementation of a Regional Source Meter Testing plan.

Ms. Sandkulla reported that current developments indicate that the bills will likely become a budget trailer bills, which will not go through the regular legislative process. Instead, it will likely show up in May with a very short review period, and with limited opportunity for further input.

Director Benton expressed his concern about addressing issues that may not end up in the legislation.

Ms. Sandkulla stated that the upcoming workshop on February 28th will discuss the need to reshuffle efforts appropriately. However, the Water Loss Control and implementation of a Regional Source Meter Testing Plan are efforts that will need to move forward because they are part of State requirements that have already passed.

Ms. Johnson added that the indoor-outdoor water use study will provide useful information for member agencies whether or not they become a State requirement.

In response to Director Mendall, Ms. Sandkulla stated that efforts and budget allocated for the development of principals for a new Tier 1 and Tier 2 plans were postponed as

a result of the legislation. The Tier 1 plan is the drought allocation between San Francisco and the wholesale customers. The Tier 2 Plan is the drought allocation among the member agencies. Both plans need to be redone, but they must be consistent with the State guidelines about water use. The State regulations are a significant part of the Tier 1 and 2 efforts, and until more information is known, planning for Tiers 1 and 2 will remain on hold.

Ms. Sandkulla stated that implementing Phase 2 of BAWSCA's "Making Conservation a Way of Life" is a major part of the workplan and budget. The Phase 1 results have been beneficial for, and highly supported by, the member agencies. The estimated cost of for Phase 2 efforts is \$187K.

BAWSCA's Landscape Education Program has been offered since 2006 and has been very successful. Development of the program over the years aimed to support BAWSCA's turf replacement program, Lawn Be Gone! Agency participation and water customer attendance in the program significantly increased during the drought.

Growing interests from water customers have led to a proposed expansion of the program to provide online educational videos. Materials will be developed consistent with BAWSCA's programs on outdoor efficiency, and will be provided to member agencies as a core conservation program as opposed to a subscription program. The estimated cost is \$30K.

Ensuring water supply reliability for the region continues with BAWSCA's administration of the 2009 WSA. This part of the work plan includes BAWSCA's efforts on the Tier 1 and Tier 2 plans, and engaging in the SFPUC's development of the WaterMAP.

The WaterMAP is SFPUC's process for looking at the possibilities for making the cities of San Jose and Santa Clara permanent customers of the RWS, and examining what type of water supply projects SFPUC could invest in to fulfill their existing 184 mgd commitment to the wholesale customers. Ms. Sandkulla reported the potential for an extension of the SFPUC's 2018 decision which will involve an amendment to the WSA.

BAWSCA will continue its engagement with the Restore Hetch Hetchy litigation, the State Water Resources Control Board's (SWRCB) proposed Bay Delta Water Quality Control Plan, and the FERC process to protect the member agencies' water supply interests.

Under the category of water quality, BAWSCA will continue to engage with the SFPUC in the Joint Water Quality Committee in which BAWSCA and the SFPUC chairs interchangeably. BAWSCA will remain active in this committee as well as in communicating important water quality information to member agencies.

Under the category of fair price, BAWSCA's administration of the 2009 WSA protects the financial interests of BAWSCA member agencies. Up to four contract amendments are anticipated in FY 2018-19. The amendments are associated with the FY 2010-11 settlement discussions on cost allocations, the Regional Groundwater Conjunctive Use Project, the SFPUC's 2018 decision, and WSIP oversight.

Additionally, BAWSCA will continue the administration of the bonds issued by BAWSCA to prepay capital debt owed to San Francisco.

Director Pierce asked if the workplan includes efforts in addressing rate volatility. Ms. Sandkulla reported that under the administration of the WSA, BAWSCA and the SFPUC are working together in an effort to smooth rates through the balancing account.

At the March Board meeting, the Board will be presented with the preliminary operating budget and considerations for funding the budget. Ms. Sandkulla noted that efforts that impact the operating budget are the critical activities involved in implementing the Strategy. These efforts include the next level of studies for alternative water supply, and analysis of alternatives using the new regional modeling tool. Additionally, BAWSCA's continued level of effort with the Bay Delta Plan Phase 1 (SED) and the FERC process are efforts that will impact the budget.

The CEO will examine the estimated end of year spending to understand its impact on the year end reserve balance and the use of General Reserve to fund the Operating Budget.

Ms. Sandkulla reported that an additional consideration for the operating budget is the reconciliation of the salary for the position of Finance Manager. In July 2017, the Board authorized the position modification of the Senior Administrative Analyst to Finance Manager with a 26% increase in top-step salary. The modification was based upon the significant increase in duties and responsibilities that evolved over the past few years in association with the Wholesale Revenue Requirements, and administration of the bonds, which continue to annually save the member agencies more than BAWSCA's annual budget.

No amendment to the FY 2017-18 budget was recommended at the time the position was modified. The current budget allocation for salaries in FY 2017-18 is not sufficient to pay the salary range of the position. The FY 2018-19 budget development provides the opportunity to reconcile the salary allocation, and will therefore, include a budget allowance to reflect the Board's policy action in July 2017. The CEO will look for opportunities to reduce the net financial impact of this modification.

Committee comments received on the workplan and development of the operating budget will be incorporated in the materials presented to the Board in March. A proposed workplan and operating budget will be presented to the BPC in April, and presented to the Board in May for consideration and adoption.

In response to Director Mendall, Ms. Sandkulla stated that she anticipates a slight increase in the operating budget for FY 2018-19, primarily from the financial investments in water supply developments.

Director Zigterman noted that it would be helpful to have a historical summary, from an FTE perspective, of past years' workload to understand how it has grown, and how today's intensity of work is completed relative to BAWSCA's staffing and current resources.

Director Larsson agreed and noted to include the historical cost of staff.

Director Schmid suggested to provide the allocation of resources for each 12 areas of the workplan and results to be achieved.

Director Pierce suggested having a comprehensive table of the historical trend in annual assessments and use of BAWSCA's general reserve.

In response to Director Benton, Ms. Sandkulla explained that development of the budget begins with the work plan. Discussion of a preliminary workplan with the Committee and the Board is a process that identifies what needs to be accomplished in the next fiscal year and how those results relate to the long-term horizon. The workplan establishes the financial resources needed to achieve the results identified as critical to the BAWSCA member agencies.

Director Mendall noted that it was effective in last year's budget process to identify workplan items that could be deferred for the purpose of reducing the operating budget, if needed.

In response to Director Benton, Ms. Sandkulla explained that while the audit of SFPUC's asset management was included in the 2009 WSA, it is being done in FY 2018-19 for two reasons. BAWSCA was focused in monitoring the SFPUC's implementation of the WSIP to rehabilitate the Regional Water System. Now that the WSIP is nearing completion, BAWSCA can shift its focus on the SFPUC's CIP development. The purpose of the audit is to ensure a robust asset management program that forces the SFPUC to be diligent and consistent in assessing the condition of the regional water system.

Ms. Sandkulla emphasized that the member agencies pay two-thirds of operating the Regional Water System that is comprised of multibillion dollar assets. Part of what prompted the legislation to create BAWSCA, and the reason why the 2009 WSA includes such an audit, was that the SFPUC historically failed to manage the assets that it had been entrusted to manage. BAWSCA cannot let that happen again. Additionally, it dovetails with BAWSCA's efforts on, and the SFPUC's interest in, BAWSCA's "SFPUC Long-Term CIP Comparison Study".

- B. Discussion of Possible Establishment of a New Long-Term Planning Reserve: Ms. Sandkulla reported that BAWSCA reviews the General Reserve Policy regularly. The current Policy guideline provides a 20% - 35% of the operating budget. Historically, the General Reserve has been both the depository for surplus funds at the end of the year, and a repository for funding the budget or a one-time project, when possible. The General Reserve balance at the end of a fiscal year has varied from 7% to 35%. Currently, the General Reserve balance is above 35% of the operating budget. The Board is interested in exploring options for managing the General Reserve and surplus funds.

Ms. Sandkulla explained that BAWSCA forms its operating budget tightly based on very specific activities needed to achieve the fiscal year's workplan. There can sometimes be surplus funds at the end of the year as a result of slow-moving or postponed activities that are unavoidable. Resulting unspent funds are deposited in the General Reserve.

Past uses of the General Reserve have included funding the budget and funding one-time projects in the workplan. In developing the FY 2018-19 workplan, two potential one-time water-supply planning projects were identified.

In FY 2019-20, BAWSCA anticipates completing a new Regional Water Demand Projections Project which has proven to be valuable to the agencies in updating their State required Urban Water Management Plans, and in their long-term internal planning. This is a significant project that entails an intensive process of coordination with the 26 member agencies. The last demand study was completed in 2014 at a cost of \$365,000.

Another potential long-term water supply planning expense is BAWSCA's participation in the Los Vaqueros Expansion project. The project provides a potential dry year water supply opportunity. BAWSCA's current participation involves a cost share of \$10,000 in the FY 2018-19 budget for supplemental environmental work. The next phase, however, will involve permitting and construction which will have a substantial cost. While BAWSCA's next steps of involvement and exact cost responsibility are not yet known, it would be useful to pre-deposit surplus funds from the operating budget into a separate reserve for use on future efforts that have been identified.

Ms. Sandkulla presented two options for managing the General Reserve and surplus funds that were reviewed by Legal Counsel and BAWSCA's Auditor. The first is to amend the current General Reserve policy to include language that provides a guideline for use of surplus funds in excess of the current specific upper limit (35% of the operating budget). The guideline will speak to the intent to create a fund reserve beyond the General Reserve for anticipated long-term planning needs.

The second is to adopt a new policy in addition to the existing General Reserve policy. This policy would be coordinated with the existing General Reserve policy, and would receive surplus funds for the purpose of funding long-term planning needs.

Ms. Sandkulla emphasized that both options must clearly specify its purpose, which is to serve as a pre-deposit for anticipated expenses.

Committee discussions ensued.

Legal counsel, Allison Schutte, stated that having one General Reserve account with clear language that identifies 2 separate buckets, each with distinct purposes, is sufficient. BAWSCA could have 2 separate accounting for each bucket, but technically it will be one account in LAIF. She stated that some jurisdictions feel strongly about keeping funds separate but there is no legal requirement to have 2 separate accounts.

Director Pierce had no preference over the two options, but emphasized 1) the need for clear language that provides the appropriate latitude for going over the maximum guideline specified in the General Reserve policy, and 2) that enough funds are set aside for the specific purpose.

Director Benton commented that optics might trump simplicity. Clearly defining why funds are being set aside is important.

Director Kasperzak noted that unlike a City, BAWSCA's general reserve is there for unexpected needs. He agreed with Director Benton about optics on building a reserve while costs to member agencies remain the same. The Board needs to be conscientious of its budgeting, and noted that if BAWSCA anticipates long-term planning, then BAWSCA should be budgeting for long-term planning in the budgeting process. He would prefer not raising assessments to build a reserve.

Director Pierce noted that the idea is not to grow the reserves, but would be similar to municipalities' capital improvement program that would allow, in BAWSCA's case, a budgeting mechanism for long-term planning that lets BAWSCA look out 5-10 years ahead. She stated that BAWSCA needs to pursue long-term planning opportunities because they benefit the member agencies.

Director Mendall recognized the need for a mechanism to budget for long-term planning, and stated his preference to have a separate fund. In the City of Hayward, there is a single policy that sets the priority for excess funds. He suggested that in BAWSCA's case, excess funds would be deposited into the General Reserve. When the General Reserve has reached its target level, the funds would be deposited into the "Long-Term Planning" reserve which should have a specific dollar amount based on a specific project that can reliably be anticipated in the next 5-years. Under current circumstances, the "Long-Term Planning" reserve would have the Regional Water Demand Project. When that target is reached, the surplus would be subject to the Board's discretion of rolling it into the budget, decreasing the assessments, or dispersing it to the member agencies.

Director Kasperzak concurred and added that this process does not necessarily presume raising assessments to ensure a budget surplus.

Director Schmid stated that long-range planning is essential and should be treated as an important line-item. He supports having a reserve for this purpose that is separate from the General Reserve.

Director Larsson supports tracking the General Reserve separately from the "Long-Term Planning" reserve to show how much is truly available for what purpose.

Further committee discussions ensued on considerations for the CEO in developing the policy, particularly on the Board's discretion in managing the surplus between the General Reserve and the "Long-Term Planning" Reserve, and on the appropriate naming of the "Long-Term Planning" reserve.

The CEO indicated her intent to bring this item back to the Committee at an upcoming meeting for potential action.

6. Reports:

- A. Water Supply Conditions: Ms. Sandkulla reported that the region's water supply conditions continue to be in a good position even though precipitation continues to be dry. The SFPUC's February 1st preliminary water supply forecast indicates that Hetch Hetchy Reservoir will fill, and predicts a 25% chance that the entire system will refill despite low precipitation.

Ms. Sandkulla reported that the reservoirs are doing their job, and water use remains low. As a group, the BAWSCA service area bounced back from the drought by approximately 8%. BAWSCA will continue to monitor water use.

The SFPUC will provide water supply availability report by April 15th. At this time, the SFPUC does not anticipate needing to request demand reductions for retail and wholesale customers.

B. BAWSCA's SFPUC CIP Comparison Study: BAWSCA's Sr. Water Resources Specialist, Andree Johnson, provided an update on BAWSCA's "SFPUC Long-Term CIP Comparison Study" (Study). The Study compares the SFPUC's current capital planning processes with agencies through the State and within the Western United States. This effort is part of the current fiscal year's budget with an allocated cost of \$25,000.

BAWSCA is working with Hilton, Farnkopf, Hobson (HF&H) which is a long-time consultant of BAWSCA and its predecessor agency, BAWUA. HFH is experienced in conducting such studies and has significant institutional knowledge of the Regional Water System and the 2009 WSA. The lead consultant from HFH is John Farnkopf who is a long-time consultant with BAWSCA as well as with some of the agencies participating in the Study.

The Study is consistent with BAWSCA's efforts to increase its involvement in SFPUC's development of its 10-year CIP. The early efforts of the Study focused on 1) refining the goals to ensure that results provided the greatest value, and 2) coordinating participation of the SFPUC and of other agencies to ensure their comfort and willingness to provide information.

One of the refinements to the effort was the change in the name from "Benchmarking Study" to "Comparison Study". Participating agencies felt that the word "benchmarking" implied a quantitative evaluation-ranking system. The word "comparison" best represented the purpose of the study, which is to conduct a comparison to identify best practices and strengths of various approaches to develop recommendations for improvements that the SFPUC, participating agencies, and BAWSCA member agencies can utilize.

Staff work commenced in November 2017 with the outreach to agencies to secure their participation. The consultant work efforts accelerated in February, with a goal of completing the Study by June 30, 2018. The completion may extend into the Summer given the nine agencies in the study that are all outside of the BAWSCA membership.

The level of interest from the agencies to participate in the Study was surprisingly high. Many look forward to the results and are looking to change their CIP development processes in the future.

BAWSCA selected agencies for the Study based on their similarities with the SFPUC in one or more areas including locality in the Bay Area, comparability in size, having both wholesale and retail components, and having both water and power enterprise. While the study will focus only on each agency's water CIP development, BAWSCA wanted to look into other agencies with both the water and power challenges. Lastly, BAWSCA wanted

to include city-operated utilities as they often face unique challenges that special district agencies do not.

The list includes four Northern California agencies (SFPUC, CCWD, EBMUD, SCVWD), three Southern California agencies (Los Angeles Department of Water and Power, Metropolitan Water District of Southern California, Western Municipal Water District), and two out-of-State agencies (Las Vegas Valley Water District, Seattle Public Utilities).

The Study is broken down into three primary tasks, each of which will be documented in the final report. The first task is documentation of the agencies' current CIP processes that will be obtained through a survey and agency interviews. The next task is to compile the comparison summaries which will be reviewed by each of the participating agencies to ensure information accuracy. The third step is the development of findings which will be in two categories; General Best Practices for Capital Planning, and Recommendations Specific to the SFPUC. A draft report will be reviewed by all participants before the final report is released in Summer of 2018.

Director Quigg asked if the SFPUC has concerns with their information being shared with other agencies. Ms. Johnson stated that BAWSCA will be mindful of all the agencies' concerns throughout the process, and will provide all participating the opportunity to review findings and deliverables before they are finalized and made public.

7. **Closed Session:** The meeting adjourned to Closed Session at 3:17pm
8. **Open Session:** The meeting convened to open session at 3:36pm. 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 3:37 pm. The next meeting is April 11, 2018.

Respectfully submitted,

Nicole Sandkulla, CEO/General Manager

NS/le

Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – February 14, 2018

Roster of Attendees:

Committee Members Present

Gustav Larsson, City of Sunnyvale (Chair)
Tom Zigterman, Stanford (Vice Chair)
Jay Benton, Town of Hillsborough
Mike Kasperzak, City of Mountain View
Al Mendall, City of Hayward (BAWSCA Chair)
Barbara Pierce, City of Redwood City (BAWSCA Vice Chair)
Dan Quigg, City of Millbrae
Gregg Schmid, City of Palo Alto

Committee Members Absent:

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

BAWSCA Staff:

Nicole Sandkulla	CEO/General Manager
Adrienne Carr	Sr. Water Resources Specialist
Andree Johnson	Sr. Water Resources Specialist
Christina Tang	Finance Manager
Lourdes Enriquez	Assistant to the Chief Executive Officer
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP
Nathan Metcalf	Legal Counsel, Hanson Bridgett, LLP
Bud Wendell	Management Communications

Public Attendees:

Lisa Bilir	City of Palo Alto
Jan Lee	City of Hayward
Michelle Novotny	San Francisco Public Utilities Commission

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Proposed Fiscal Year 2018-19 Work Plan and Operating Budget**

Summary:

This memorandum presents the proposed Fiscal Year 2018-19 Work Plan and Results to be Achieved, proposed Operating Budget, and proposed considerations for funding the Operating Budget. Comments received from the Board at the January 18, 2018 Budget Planning Session have been reviewed and addressed. The proposed Work Plan represents the CEO's recommendations for those comments and feedback provided by the Committee in February.

The proposed Work Plan is aligned with BAWSCA's legislated authority and its three goals: a reliable supply of high quality water at a fair price. Major work areas include increased activity in implementing the recommended Long-Term Reliable Water Supply Strategy (Strategy) actions, scenario planning (i.e., new water supply options, etc.) through the use of the newly developed regional water supply reliability modeling tool for the BAWSCA service area, continuation of activities to support BAWSCA member agency efforts to meet new State of California "Making Water Conservation a Way of Life" requirements, participation in the State Water Resources Control Board (SWRCB) Bay Delta Water Quality Control Plan Update to ensure member agency interests are represented, participation as an intervenor in Federal Energy Regulatory Commission (FERC) proceedings associated with the licensing of Don Pedro Reservoir, and participation in the Restore Hetch Hetchy litigation in which BAWSCA is a named party. BAWSCA also proposes to continue increasing its oversight of the SFPUC's Capital Improvement Program and Regional Water System Asset Management Program, as well as initiate an audit of SFPUC's asset management practices.

The proposed FY 2018-19 Operating Budget is \$3,901,085, which is 5.3% above the current FY 2017-18 Operating Budget. The proposed Operating Budget represents approximately an 8-cent increase in annual cost per person in the service area for an estimated cost to the water customer of \$2.16 per person per year. Considerations for funding the proposed Operating Budget are presented below for further discussion. Based on an evaluation of four funding alternatives, a 3% assessment increase combined with a transfer from the General Reserve is recommended for funding the proposed Operating Budget.

Recommendation:

That the Committee recommend the Board approve the:

- 1. Proposed Fiscal Year 2018-19 Work Plan and Results to be Achieved,**
- 2. Proposed Operating Budget of \$3,901,085, and**
- 3. Proposed funding plan of a 3% assessment increase and a transfer of \$250,809 from the General Reserve.**

Discussion:

Proposed Work Plan:

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

The proposed FY 2018-19 Work Plan includes the following major efforts:

- Oversight of the SFPUC's Water System Improvement Program (WSIP), 10-Year

Capital Improvement Program (CIP), and Regional Water System Asset Management Program, including the following actions:

- Secure legislative extension of State oversight on WSIP through completion.
- Complete the comparison study of long-term CIP development efforts of SFPUC and other major water utilities.
- Initiate an audit of the SFPUC's asset management practices per Section 3.10c of the 2009 Water Supply Agreement.
- Implementation of BAWSCA's Strategy, as documented in the Strategy Phase II Final Report, including the following actions:
 - Complete Phase 2 pre-feasibility studies for two potential purified water projects in partnership with SFPUC, Silicon Valley Clean Water, SCVWD, and others. Engage with advocacy groups (e.g., WaterReuse) to access and exchange critical technical, legislative, and legal information to support these studies.
 - Finalize Pilot Water Transfer Agreements with EBMUD, Hayward, and others to implement BAWSCA's Pilot Water Transfer in FY 2019-20.
 - Participate in development of the Bay Area Regional Reliability (BARR) Partnership Bay Area Regional Water Market (Exchange/Transfer) Program, with inclusion of BAWSCA's Pilot Water Transfer.
 - Participate in Los Vaqueros Expansion Studies to ensure participation in upcoming project decisions.
 - Promote the continued sustainable use of San Mateo Plain Groundwater Basin (Basin) for long-term water supply reliability through the Groundwater Reliability Partnership, participation in San Mateo County's Basin Assessment, and other multi-party efforts.
- Evaluate potential water supply projects using BAWSCA's new regional water supply reliability modeling tool;
- Support BAWSCA member agency efforts to meet the new State of California "Making Water Conservation a Way of Life" requirements, including the following actions;
 - Implement a new Residential Indoor-Outdoor Water Use Study.
 - Implement a new Pilot Regional/Commercial/Industrial (CII) Audit Program.
 - Implement a new Water Loss Control Subscription Program.
 - Develop and implement a Regional Source Meter Testing Plan.
- Implement regional conservation programs to support member agencies and their customers;
- Take actions to protect member agencies' water supply interests in administration of the 2009 WSA, including addressing the upcoming 2018 decisions and contractual drought allocation methods;
- Participate in the Restore Hetch Hetchy litigation in which BAWSCA is a named party;
- Participate in the SWRCB's Bay Delta Water Quality Control Plan Update to ensure member agency interests are represented;
- Participate in the Don Pedro Project and La Grange Project FERC proceedings to protect regional water supplies;
- Administer the 2009 Water Supply Agreement (WSA), including development and

adoption of up to four amendments to the 2009 WSA; and

- Administer BAWSCA's bonds.

Table 1 presents the proposed FY 2018-19 Work Plan and major results to be achieved. The activities are grouped according to the agency goals they support.

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

New or Significantly Rescoped Activities for FY 2018-19: There are four new, significantly rescoped, or expanded activities included in the proposed FY 2018-19 Work Plan. In each case, these activities relate directly to ensuring water supply reliability for the customers served by the BAWSCA member agencies.

**1. Initiate an audit of SFPUC's asset management practices for the Regional Water System (RWS)
Estimated FY 2018-19 Cost: \$55k**

Through this task, BAWSCA would perform an audit of the SFPUC's asset management practices for the RWS. The 2009 Water Supply Agreement (WSA) anticipated this issue and requires San Francisco to cooperate with such an audit, consider findings and recommendations of such an audit, and provide written response within 90 days after receipt of a final audit report. The scope and schedule for this audit is not complete at this time. Outside consultant services will be used to perform this audit with support and management provided by BAWSCA staff.

**2. Implement BAWSCA's "Making Water Conservation a Way of Life" Phase 2 Plan
Estimated FY 2018-19 Cost: \$187k**

The primary goal of this activity is to support BAWSCA member agencies in meeting the new water use efficiency targets as established by the "Making Conservation a California Way of Life" Executive Order and subsequent legislative actions. BAWSCA has been phasing critical tasks over three fiscal years, beginning in FY 2017-18, to align with the proposed State schedule for implementation.

Phase 1 will be completed in FY 2017-18. A report documenting the results of Phase 1 will be completed by June 2018, including the two key results:

- Assessment of member agency existing data and technical capabilities to complete required landscape area measurement calculations, and to assess their existing processes and capabilities for necessary Commercial, Industrial, and Institutional (CII) account classifications.
- Development of a plan that identifies respective BAWSCA and member agency roles in developing information necessary for compliance with new State conservation requirements.

These early results have formed the basis for the development of a preliminary Phase 2 scope of work. The proposed Phase 2 scope includes the following critical results:

- Complete an Indoor-Outdoor Water Use Study that will determine current indoor and outdoor residential water use for BAWSCA member agencies and evaluate efficiency relative to proposed State standards. Cost estimate = \$114,500
- Implement a pilot program that will test up to three different options for meeting the

CII Water Audit requirements that may include a web-based self-audit, staff training to support agency-led audits, and a software tool to facilitate agency-led audits.
Cost estimate = \$32,500

- Implement a Regional Water Loss Management Subscription Program to assist agencies in complying with SB 555 requirements. This work item also includes the creation of a BAWSCA Water Loss Control Workgroup open to all member agencies to support their efforts to reduce water losses, improve data quality, and comply with regulations. Cost estimate = \$27,500
- Assist in the development and implementation of a Regional Source Member Testing Plan to help insure that agency questions regarding regional source meter testing and calibration are addressed and to help coordinate ongoing data and testing requirements between member agencies and the SFPUC to support SB 555 compliance. Cost estimate = \$12,500

The proposed scope and estimated cost included in the proposed Work Plan are based on results and input received to date from the member agencies.

**3. Participation in BARR Water Marketing Strategy Project with inclusion of BAWSCA's Pilot Water Transfer
Estimated FY 2018-19 Cost: \$57k**

Eight of the Bay Area's largest public water agencies are working together through the Bay Area Regional Reliability (BARR) partnership toward regional solutions to improve water supply reliability. In September, the U.S. Bureau of Reclamation notified BARR agencies of a successful \$400,000 grant award for the Bay Area Regional Water Market Program to test the concept of interagency water transfers and exchanges.

BAWSCA is promoting the inclusion of the BAWSCA Pilot Water Transfer as part of this study. Indications are that BARR agencies are supportive of that possibility. The cost included in the proposed Work Plan reflects inclusion of BAWSCA's Pilot Water Transfer in BARR, support for necessary CEQA compliance, and completion of necessary agreements with transfer partners and other participating agencies. Implementation of the Pilot Water Transfer is anticipated to occur in FY 2019-20, coincident with a shutdown on the Hetch Hetchy system, so costs to implement the pilot water transfer (e.g., purchase of the water, any necessary storage) are not included at this time.

**4. Develop & Implement Online Video Water-Efficient Landscape Education Classes
Estimated FY 2018-19 Cost: \$30k**

BAWSCA began offering Water-Efficient Landscape Education Classes throughout the BAWSCA region in Spring 2006. Through Fall 2017, 12,747 water customers have participated in a BAWSCA supported landscape class. There have been no major changes to the structure of these classes since inception. During the drought, there was increasing customer interest in accessing this education material, especially in support of BAWSCA's turf removal rebate program, the Lawn Be Gone Program. Updating BAWSCA's landscape education materials and developing educational videos to support BAWSCA's water-efficient landscape program will continue to promote water-efficient gardens throughout the service area. These materials and videos will be made available to member agencies for their independent use and educational purposes.

Results of January 18, 2018 Work Plan and Budget Preparation Planning Session: During BAWSCA's January 18, 2018 meeting, a work plan and budget planning session was held with the Board as part of its regular meeting agenda. The focus of the planning session was to

receive input from Board members on possible work plan items for the coming fiscal year. Table 3 presents the detailed comments provided by Board members during the planning session and the staff response that was subsequently prepared. These comments and responses are reflected in the proposed FY 2018-19 Work Plan and results to be achieved.

Alternatives to the Proposed Work Plan and Results to be Achieved: The proposed Work Plan includes (1) the development and implementation of new online video water-efficient landscape education classes, (2) the initiation of an audit of the SFPUC's asset management practices for the Regional Water System, and (3) the organization and hosting of a workshop on Advanced Metering Infrastructure (AMI) and innovative water conservation technologies. These three work areas are budgeted with \$30k, \$55k, and \$4k respectively. If the goal is to reduce the proposed Operating Budget, an alternative to the proposed Work Plan would be to reduce effort or remove one or more of these new activities.

In addition, the proposed Work Plan anticipates analyzing three different scenarios using BAWSCA's new regional water supply reliability modeling tool as recommended by the water resources team to support BAWSCA's evaluation of future water supply projects. The number of scenarios could be reduced to two with an associated reduction in cost of \$50k.

Proposed FY 2018-19 Operating Budget:

The proposed Operating Budget of \$3,901,085 presented in Table 4 reflects the funding necessary to achieve the full Work Plan and includes estimated costs to fund the Annual Required Contribution (ARC) for Other Post-Employment Benefits (OPEB). This is included as a separate line item to highlight its inclusion in this fourth year of funding.

Explanation and Alternatives for Salaries and Benefits: The increase for salaries and benefits of \$27,208 shown in the proposed budget is a result of a variety of changes. These changes include increases in health benefit costs and salary adjustments. The proposed Operating Budget also includes the following for all employees except the CEO:

- \$25,670 for a COLA adjustment to existing FY 2017-18 top step salary
- \$30,651 merit allowance separate from COLA adjustment

A Cost of Living Allowance (COLA) adjustment of 3.084% to the top step of salaries is consistent with the December value for the Consumer Price Index for Urban Wage Earners and Clerical Workers in the San Francisco-Oakland-San Jose area. COLA increases for employees are not automatic, but can be granted by the CEO on the basis of merit. The history of salary and benefit adjustments for BAWSCA is presented in Appendix B to this memo.

The size of the merit allowance would permit potential salary increases of up to 5%, or to top step for the position, whichever is less.

The Board authorized modification of the Senior Administrative Analyst position to a Finance Manager position in July 2017. Because of the timing at the beginning of the fiscal year, the July Board action did not provide for an increased budget allowance associated with the salary range for the new position. It is appropriate for the FY 2018-19 Operating Budget to reflect the Board's action. The merit allowance values above reflect that modification. At the same time, the budget allowance for Mr. Art Jensen has been reduced significantly, providing an offset for these increases and resulting in a net increase in total salaries and benefits of \$27,208.

Consistent with practice over the past two years, a budget allowance of \$21,365 for a potential merit increase for the CEO has been included in the proposed Operating Budget. For

budgeting purposes, this amount is consistent with the merit increase budgeted for the CEO in FY 2017-18.

Funding Considerations for the Proposed Operating Budget: Four principles have historically been used by BAWSCA when considering how to fund the proposed Operating Budget:

1. Budget sufficient resources to achieve the desired Work Plan results.
2. Spend only what is needed to achieve the results.
3. Apply incremental and prudent increases in assessments as necessary.
4. Maintain a prudent General Reserve balance within Board guidelines.

The adopted FY 2017-18 funding plan increased assessments to \$3,543,957 (a 3% increase) and used \$160,615 from the General Reserve to fund the FY 2017-18 Operating Budget, thereby enabling the General Reserve to remain within the budgetary guidelines established by the Board. BAWSCA's General Reserve Policy identifies a range of 20% to 35% of the budget year's operating expense as a budgetary guideline for the General Reserve balance.

Each year, unspent funds (if available) are moved to the General Reserve to fund special needs and future budgets. Appendix J presents historical budget data including use of the General Reserve to fund special studies, fund the Operating Budget, and provide a one-time refund to the member agencies in November 2011.

At this time, it is estimated that the FY 2017-18 Operating Budget will be 95% expended at year end, or an estimated unspent budget of \$185,229 at the end of the fiscal year. Any post-audit excess funds will be transferred to the General Reserve in Fall 2018.

As of January 31, 2018, the General Reserve balance exceeds the upper end of the budgetary guideline at \$1,561,144, or 42% of the FY 2017-18 Operating Budget. At the same time, given the outstanding legal issues facing BAWSCA next fiscal year and beyond, use of the General Reserve to fund a portion of the Operating Budget should be considered very carefully.

Alternatives for Funding the Proposed Operating Budget: Based on feedback received from the Board at its March meeting, four alternatives (0%, 1%, 2%, and 3% assessment increase) for funding the Proposed FY 2018-19 Operating Budget are presented in Table 5. In each case, before the transfer of any surplus FY 2017-18 funds to the General Reserve, the General Reserve balance is within the budgetary guideline of 20% to 35%, ranging from 31% to 34% of the Operating Budget.

For each of the four funding alternatives examined, Table 5 also presents an estimate of the potential General Reserve balance for FY 2018-19 assuming \$185,229 in surplus FY 2017-18 funds is transferred to the General Reserve at the end of the fiscal year. In each case, when considering the potential impact of an estimated surplus funds transfer, the General Reserve balance is outside the budgetary guideline at 36% to 38% of the FY 2018-19 Operating Budget.

Table 5 also presents a calculation of the Annual Assessment to Budget ratio for each funding alternative evaluated with the results ranging from 91% to 95%.

A review of the analysis presented in Table 5 results in a staff recommendation of a 3% assessment increase as a way of managing the General Reserve balance, maintaining a strong Assessment to Budget ratio, and moderating the overall assessment increase.

Table 1. FY 2018-19 Work Plan and Results to Be Achieved (Proposed)

(Percent of Proposed Operating Budget for Each Item Shown in Parenthesis, New/Expanded items shown in *blue italic font*)

RELIABLE WATER SUPPLY

- 12.7%** 1. **Facility Reliability: Monitor the SFPUC’s WSIP, 10-Year CIP, and Asset Management Program**
- a. Monitor WSIP scope, cost, and schedule as San Francisco continues an aggressive construction schedule through to completion. Press the SFPUC and the city's political leadership to meet the adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests. *Work with the legislature to extend State oversight of WSIP.*
 - b. Review and monitor SFPUC’s Regional 10-Year Capital Improvement Program to ensure that identified projects and programs meet the needs of the BAWSCA member agencies in a cost-effective and appropriate manner.
 - c. Review and monitor SFPUC’s Asset Management Program to ensure long-term protection of system assets.
 - d. *Initiate audit of SFPUC's asset management practices per WSA Section 3.10.c.*
- 12.2%** 2. **Long-Term Supply Solutions: Implement the Long-Term Reliable Water Supply Strategy to Ensure a Reliable, High Quality Supply of Water is Available Where and When Needed**
- a. *Complete Phase 2 pre-feasibility studies for two potential purified water projects in partnership with SFPUC, Silicon Valley Clean Water and Santa Clara Valley Water District.* Engage with advocacy groups (e.g. WaterReuse) to access and exchange critical technical, legislative, and legal information to support these studies.
 - b. *Finalize Pilot Water Transfer Agreements with EBMUD, Hayward, & others to implement a pilot water transfer in FY 2019-20.*
 - c. *Participate in development of Bay Area Regional Reliability (BARR) Phase 2 (Water Marketing Strategy) in partnership with other Bay Area water agencies & promote implementation of BAWSCA’s Pilot Water Transfer as a component of the Phase 2 work effort.*
 - d. Participate in CCWD’s Los Vaqueros Expansion Studies to ensure BAWSCA’s interests are considered in upcoming decisions.
 - e. Promote the continued sustainable use of San Mateo Plain Groundwater Basin (Basin) for long-term water supply reliability through the Basin Partnership, participation in San Mateo County’s Basin Assessment Program, and other multi-party groundwater efforts.
 - f. Facilitate development of other local water supply options including monitoring/tracking member agency efforts.
 - g. Perform up to three regional water supply reliability model scenario studies to analyze adequacy & flexibility of existing water supplies under various stresses (e.g., drought, policy changes) & identify how add’l regional water supplies can enhance reliability.
- 14.6%** 3. **Near-term Supply Solutions: Water Conservation and Drought Response**
- a. *Implement Phase 2 of BAWSCA’s “Making Water Conservation a Way of Life” work plan:*
 - *Implement a Residential Indoor-Outdoor Water Use Study.*
 - *Implement a Pilot Regional/Commercial/Industrial/Institutional (CII) Audit Program.*
 - *Implement a new subscription conservation program, the Water Loss Control Subscription Program.*
 - *Develop and implement a Regional Source Meter Testing Plan.*
 - *Represent member agencies in regional and State-level discussions relative to the development of guidelines to implement the “Making Water Conservation a Way of Life” framework (assumes that regulations will pass in FY 2017-18).*
 - b. Represent agencies in regional and State-level discussions related to water conservation-related regulations.
 - c. Administer, implement, and expand core water conservation programs that benefit all customers.
 - d. Administer subscription conservation rebate programs that benefit, and are paid for by, participating member agencies.
 - e. *Organize and host a workshop on automated metering instrumentation (AMI) and/or innovative water conservation technologies.*

- 7.2% **4. Take Actions to Protect Members' Water Supply Interests in the Administration of the 2009 Water Supply Agreement**
 - a. Prepare temporary extension of existing Tier 2 drought allocation plan that expires Dec. 2018.
 - b. Develop principles for a new Tier 1 and Tier 2 drought allocation plan that aligns with the proposed State Water Shortage Contingency Plan requirements and new State conservation requirements.
 - c. Protect members' water supply and financial interests in the SFPUC's upcoming 2018 decisions (including possible extension(s) of said decisions) and associated Water Management Action Plan (WaterMAP).
 - d. Protect members' water supply interests to ensure that the SFPUC meets its adopted Water Supply Level of Service Goals.
- 11.5% **5. Protect Members' Interests in a Reliable Water Supply**
 - a. Participate in the Restore Hetch Hetchy litigation in which BAWSCA is a named party.
 - b. Participate in SWRCB Bay Delta Plan Update to ensure member agency interests are represented.
 - c. Participate in the Don Pedro Project/La Grange Project FERC licensing process, via legal intervention, to protect customers' long-term interests in Tuolumne River water supplies.
- 0.2% **6. Pursue Grant Opportunities Independently and in Coordination with Regional Efforts**
 - a. Pursue and use grant funds for water conservation programs and for regional supply projects and programs.
 - b. Pursue, with regional partners, grant funding to support studies that aim to improve regional water supply reliability, such as possible future BARR Phase 3 effort(s).
 - c. Investigate potential for grant funds to support the implementation of the Strategy, including possible opportunities that may be available in the event that a proposed 2018 California Water Bond vote is successful.
- 0.5% **7. Reporting and Tracking of Water Supply and Conservation Activities**
 - a. Complete BAWSCA FY 2017-18 Annual Survey.
 - b. Complete BAWSCA FY 2017-18 Annual Water Conservation Report.
 - c. In partnership with member agencies, operate and maintain BAWSCA's Water Conservation Database.

HIGH QUALITY WATER

- 1.2% **8. Support Member Agencies in Receiving Reliable Communication of Water Quality Issues**
 - a. Coordinate member agency participation in Water Quality Committee established by the 2009 Water Supply Agreement to ensure it addresses Wholesale Customer needs.
 - b. Relay important water quality information (notices as received from SFPUC) to BAWSCA member agencies when made aware of changes that have the potential to impact water quality (e.g., taste, odor, blending, etc.).
 - c. Review and act on, if necessary, State legislation affecting water quality regulations.

FAIR PRICE

- 14.0% **9. Perform Matters that Members Delegated to BAWSCA in the Water Supply Agreement**
 - a. Administer the Water Supply Agreement with SF to protect the financial interests of member agencies.
 - b. Support development & member agency adoption of up to four contract amendments to address resolution of several issues including FY 2010-11 WRR settlement, implementation of the RGSR project and *SFPUC's anticipated 2018 decisions*.
 - c. Administer bonds issued by BAWSCA to retire capital debt owed to San Francisco.

AGENCY EFFECTIVENESS

- 5.2%** **10. Maintain Community Allies and Contacts with Environmental Interests**
- a. Maintain close relationships with BAWSCA's local legislators and allies, and activate them if necessary, to safeguard the health, safety, and economic well-being of residents and communities.
 - b. Maintain a dialogue with responsible environmental and other groups, who will participate in the permitting and approval process for efforts to maintain system reliability.
 - c. Maintain effective communications with member agencies, customers, & others to achieve results and support goals.
 - d. In conjunction with San Francisco, conduct or co-sponsor tours of the water system for selected participants.
- 20.4%** **11. Manage the Activities of the Agency Professionally and Efficiently**

Table 2: Activities Not Included in Proposed Work Plan and Operating Budget for FY 2018-19
(New/Expanded items shown in *blue italic font*)

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

**Table 3. FY 2018-19 Work Plan and Budget Planning Session – Comments and Suggested Work Plan Items for Further Consideration
(Questions presented in alphabetical order by Board Member)**

#	Board Member	Board Member Comment	Staff Response
1	Kuta	BAWSCA should develop a plan or an approach that supports member agency resiliency to recover following an unforeseen event and or disaster	At this time, the proposed FY 2018-19 Work Plan does not include a task to develop a regional emergency resiliency plan. BAWSCA actively supports the Regional Water System emergency exercises coordinated by the SFPUC with the member agencies. In April 2016, the SFPUC completed the Mountain Tunnel Emergency Response Plan which identifies specific actions to be taken by the SFPUC in the event of an extended Hetch Hetchy outage emergency. As part of that Plan, BAWSCA worked with the SFPUC and the member agencies to identify flexibility within the region for the use of local supplies to mitigate the impact of a Hetch Hetchy emergency. BAWSCA proposes to continue to look for opportunities to expand emergency preparedness among the member agencies.
2	Kuta	BAWSCA should evaluate and track SFPUC’s Asset Management Program to ensure that assets are fully utilized and adequately maintained	Included in Task 1.d. BAWSCA continued to increase its oversight of the SFPUC’s CIP in FY 2017-18. Task 1.d of the proposed FY 2018-19 Work Plan includes BAWSCA initiation of an audit of SFPUC’s asset management practices. BAWSCA’s ability to audit said practices is provided for in Section 3.10.c. of the 2009 Water Supply Agreement.
3	Mendall	BAWSCA should, in the mid-term, extend the horizon for its Water Supply Planning studies (e.g., demand studies) through 2050, consistent with the timeline employed for BAWSCA’s identified long-range challenges	Not included in the proposed FY 2018-19 Work Plan. BAWSCA is planning to update overall water demand and supply projections for the member agencies through 2050 in FY 2019-20. This timing will coincide with agency-specific schedules for updates of their Urban Water Management Plans. This task is not recommended for FY 2018-19 as the specifics of implementing “Making Water Conservation a California a Way of Life” will not be clear until next fiscal year. Updated water demand projections are a component of implementation of BAWSCA’s Long-Term Reliable Water Supply Strategy.
4	Mendall	BAWSCA should plan for future budgetary needs associated with water supply planning to determine alternative funding mechanisms (e.g., one-time assessment, building and using financial reserve)	This fiscal year, BAWSCA is in discussion with legal counsel and others regarding potential alternatives available. One alternative is the creation of a new long-term planning reserve, in which surplus funds at the end of the year can be transferred into it for use on specified long-term planning studies per Board direction. A discussion item related to this potential new reserve is agendized for the February 14, 2018 Board Policy Committee meeting.

5	Mendall	As “new” technologies are employed by member agencies (such as AMI), implement a means to improve knowledge and information sharing amongst member agencies (i.e., regular or recurring workshops) on emerging technologies	Included in Task 3.e. For FY 2018-19, BAWSCA is proposing to organize and host a workshop on automated metering infrastructure (AMI) and innovative water conservation technologies. BAWSCA has held workshops in past years to foster knowledge sharing among our member agencies. BAWSCA has found such information sharing workshops to be highly effective at providing information to member agencies on new and emerging technologies and their implementation.
6	Mendall	Host a workshop or promote information sharing on the topic of “water loss audits and new state conservation requirements” such that member agencies can compare how individual agencies are addressing the topics	Included in Task 3.a. BAWSCA is taking a phased approach to the implementation of “Making Water Conservation a Way of Life”. Phase 1 will be completed in FY 2017-18 and Phase 2 will commence at the start of FY 2018-19. As part of Phase 2, BAWSCA is proposing to conduct two pilot projects (one on outdoor water budgeting and a second on commercial, industrial and institutional account (CII) classifications). BAWSCA is also proposing to implement a new subscription program to assist agencies in meeting the State’s new water loss control requirements. BAWSCA will continue to represent member agencies in regional and State-level discussions relative to the development of guidelines to implement the “Making Water Conservation a California Way of Life” framework.
7	Mendall	BAWSCA should develop and implement an approach to sharing information regarding new water utility related technologies that may be of interest to member agencies (e.g., biotechnologies and their use in water purification, AMI systems, etc.) – <i>voiced in support of Zigterman comment (see comment #14 in this table)</i>	Included in Task 3.e. Refer to the response to Question 5.
8	Pierce	Many of the comments by fellow Board Members appear to already be listed on the table provided by BAWSCA’s CEO / GM. As a “next step”, BAWSCA staff should point out whether these requests fall within the proposed work plan and results to be achieved	Agreed. Responses in this table are formatted to speak to whether the requests are included in the proposed work plan and results to be achieved.

9	Richardson	Collaborate with WaterNow Alliance on partnership opportunities that could prove mutually beneficial	Included in Task 11.b. As part of this task, BAWSCA staff will maintain a dialogue with responsible environmental and other groups, including WaterNow Alliance. In FY 2017-18, BAWSCA partnered with WaterNow Alliance on a grant proposal to the Santa Clara Valley Water District to secure monies to implement a pilot program to investigate emerging customer-focused automated water meter technologies. BAWSCA's CEO/GM will be attending the upcoming WaterNow Alliance annual summit on March 28 and 29, 2018, to continue to build a relationship with that organization.
10	Schmid	BAWSCA should have ongoing dialogue and continued involvement with the Association of Bay Area Governments (ABAG) and the Metropolitan Planning Commission (MPC) as it relates to their Plan Bay Area efforts	Included in Task 11.c. In FY 2018-19, BAWSCA proposes to continue the ongoing dialogue with ABAG as it relates to its Plan Bay Area efforts and the potential impact on regional water supplies and water reliability. In FY 2019-20, as part of the updated water demand studies, BAWSCA will work with its member agencies to identify how growth as proposed by Plan Bay Area 2040 is incorporated into the member agencies long-term plans and how it may impact predicted water needs.
11	Weed	BAWSCA should encourage the State to apply guidelines regionally (as it relates to water supply development efforts) akin to policies and procedures as proposed by ACWA	Included in Task 11.b. In FY 2018-19 and beyond, BAWSCA will continue to work to strengthen the relationship(s) with responsible groups in charge of the permitting and approval of BAWSCA's water supply initiatives and interests (e.g. State Water Resources Control Board, Department of Water Resources, California Fish and Wildlife Department). As part of that ongoing dialogue, BAWSCA will encourage regulators to promote regional approaches to water supply development.
12	Weed	BAWSCA should provide information regarding alternative rate structures that could enable member agencies to avoid (or lessen) the financial hardships incurred during times of drought (when water sales are reduced)	Included in Task 10.a in the current FY 2017-18 Work Plan. A member agency financial workshop is scheduled on March 22, 2018. Member agencies have provided input on desired topics, which will include alternative rate structures. No further work on this topic is proposed in the FY 2018-19 Work Plan at this time.
13	Weed	BAWSCA should foster relationships between and among the 26-member agencies such that when and if a disaster strikes, regional support can be provided to those most impacted for repairs, etc., following such emergencies	Included in Task 11.c. BAWSCA maintains effective communications with member agencies, customers, & others. For emergency planning and communications, BAWSCA will continue to support SFPUC sponsored Regional Water System emergency planning exercises. In addition, the SFPUC has recognized a role for BAWSCA as part of emergency situations for communication with the member agencies and others in the region.

14	Zigterman	Given BAWSCA's unique geographic presence (covering the heart of Silicon Valley), develop and implement an approach to share technological advances on topics such as water metering technologies, monitoring devices, control systems, etc. that are more "advanced" than those currently employed by water agencies	Included in Task 3.e. Refer to the response to Question 5.
15	Zigterman	Consider incorporating a "one water" approach toward management of water resources, and looking further out into the future to evaluate what key issues BAWSCA should be looking at closely as resource "opportunities" to meet BAWSCA's objectives (e.g., impacts of climate change, potential for storm water capture, improvements to groundwater management, expansion of recycled water)	Included in Task 2, which reflects BAWSCA's implementation of its Reliable Water Supply Strategy (Strategy). "One Water" is defined as an integrated planning and implementation approach to managing finite water resources for long-term resilience and reliability, meeting both community and ecosystem needs. While BAWSCA's Strategy predated the concept of One Water, BAWSCA's Strategy implementation to date is consistent with the One Water philosophy. For example, under Tasks 2.a and 2.b., BAWSCA is proposing to continue to participate in water reuse planning studies (both direct and indirect potable reuse) with other regional partner agencies. Under Task 2.c, BAWSCA is proposing its continued participating in the Bay Area Regional Reliability effort to investigate water marketing strategies. Task 2.e addresses groundwater opportunities. As part of Task 2.g, in FY 2018-19 BAWSCA is proposing to evaluate the water supply impact of adding new alternative water supplies into its water supply portfolio, using the BAWSCA Regional Reliability Model built in FY 2017-18.

Table 4. Proposed FY 2018-19 Operating Budget by Major Expenditure Category

Cost Category	Approved FY 2017-18 Budget (\$)	Proposed FY 2018-19 Budget (\$)	Change from FY 2017-18 Budget, (\$)
Consultants/ Direct Expenditures			
Reliability	1,081,400	1,366,080	283,680
Fair Pricing	439,750	311,000	(128,750)
Administration	95,000	110,000	15,000
<i>Subtotal Consultants</i>	1,617,150	1,787,080	169,930
Administration			
Employee Salaries & Benefits	1,564,372	1,591,580	27,208
Other Post-Emp. Benefits (net)	80,000	82,375	2,375
Operational Expenses	373,250	376,850	3,600
<i>Subtotal Administration</i>	2,107,622	2,050,805	33,183
Total Operating Expenses	3,634,772	3,837,885	203,113
Capital Expenses	10,000	3,000	(7,000)
Budgeted Contingency	57,500	57,500	-
Regional Financing Authority	1,250	1,650	400
Bay Area Water Users Assn.	1,050	1,050	-
Grand Total Operating Budget	3,704,572	3,901,085	196,513

Table 5. Analysis of Alternative Funding Options

Fund Source	FY 2017-18	FY 2018-19			
	Adopted Funding Plan	Alt. 1 No Assessment Increase (0%)	Alt. 2 1% Increase	Alt. 2 2% Increase	Alt. 3 3% Increase
Assessments	\$3,543,957	\$3,543,957	\$3,579,397	\$3,614,836	\$3,650,276
Transfer from General Reserve	<u>\$160,615</u>	<u>\$357,128</u>	<u>\$321,688</u>	<u>\$286,248</u>	<u>\$250,809</u>
Total Available Operating Funds/Operating Budget	\$3,704,572	\$3,901,085	\$3,901,085	\$3,901,085	\$3,901,085
Known Year-End Reserves	\$1,561,144	\$1,204,016	\$1,239,456	\$1,274,896	\$1,310,335
% of Budget	42%	31%	32%	33%	34%
Potential End of Year Transfer to General Reserve	\$185,229				
% of FY 2017-18 Budget	5%				
Estimated FY 2018-19 Year-end Reserves		\$1,389,245	\$1,424,685	\$1,460,124	\$1,495,564
% of Budget		36%	37%	37%	38%
Assessment to Budget Ratio	96%	91%	92%	93%	94%

APPENDICES

Appendices A through J present additional detail about the proposed Work Plan and Operating Budget.

Appendix A: Uses of Professional Services

Outside professional services are used to provide specialized services and augment staff:

1. Professional engineering services for: a) evaluating and monitoring SFPUC's Asset Management Program; b) evaluating and monitoring SFPUC's 10-Year Capital Improvement Program (CIP) development and implementation; c) evaluating Water System Improvement Program project scopes during design and construction; d) monitoring WSIP project cost estimates, bids and schedules; e) monitoring and assessing San Francisco's performance in implementing the overall WSIP; f) assessing San Francisco's method for cost estimation, application of contingencies and addressing cost inflation during the WSIP; g) providing specific constructive recommendations for keeping the WSIP on or ahead of schedule; h) analyzing hydraulic records used by San Francisco in setting the wholesale water rates; and g) providing as needed groundwater technical assistance.
2. Water resources analysis and planning services to: a) evaluate potential water supply projects using BAWSCA's new regional water supply reliability modeling tool; and b) support BAWSCA member agency efforts to meet the new State of California "Making Water Conservation a Way of Life" requirements.
3. General legal services for BAWSCA and the RFA; specialized legal services to support administration of the Water Supply Agreement; specialized legal services for addressing matters related to water supply reliability including Restore Hetch Hetchy litigation, the Bay Delta Plan Phase I, and FERC intervention.
4. Strategic counsel for identifying and addressing strategic and political issues associated with maintaining the progress of the Water System Improvement Program, assisting the Board and the CEO in developing and implementing an effective policy making process that supports the development of the Long-Term Reliable Water Supply Strategy, providing legislative and political support, and providing advice to the CEO and the Board on other issues significant to the water customers and the effectiveness of the agency.
5. Financial advisory services to conduct specified capital financing and rate impacts analyses on a task order basis.
6. Accounting/auditing expertise to assist with implementing the Water Supply Agreement, as well as an independent auditor to prepare and review annual financial statements.

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

Each year, the Board acts on each consultant contract following consideration of the annual Work Plan and Operating Budget. Information provided to the Board at that time relates to expertise, current scope of work, budget, and billing rates.

Appendix B: History of Salary and Benefits Adjustments

The information below presents the history of salary and benefits adjustments for BAWSCA staff. Where Cost of Living Adjustments (COLA) to the salary ranges are considered by the Board, BAWSCA relies on the December value for the Consumer Price Index for Urban Wage Earners and Clerical Workers in the SF-Oak-SJ area. COLA increases for employees are not automatic but can be granted by the CEO on the basis of merit.

- FY 2009-10: There was no COLA adjustment. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2010-11: The Board approved a 3.01 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2011-12: The Operating Budget included no adjustment to the salary for any employee for COLA, merit or any other reasons.
- FY 2012-13: The Board approved a 3.10 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2013-14: The Board approved a 2.312 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2014-15: The Board approved a 2.60 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2015-16: The Board approved a 2.09 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2016-17: The Board approved a 3.15 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2017-18: The Board approved a 3.025 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.

Appendix C: Proposed Budget for the Bay Area Water Users Association (BAWUA)

The proposed FY 2018-19 budget for BAWUA is \$1,050 and includes legal counsel support and a small operations budget allowance. This budget amount appears as a separate line item in the BAWSCA budget and is included in the BAWSCA proposed FY 2018-19 Operating Budget.

Appendix D: Proposed Budget for the Regional Financing Authority Budget

The BAWSCA Board of Directors has continued to agree to fund nominal administrative costs for the Regional Financing Authority (RFA), at least until it becomes more actively involved and required significant resources. Assuming a continued low level of activity in FY 2018-19, the proposed RFA budget is \$1,650. This budget amount includes legal counsel support and a small operations budget allowance. This budget amount appears as a separate line item in the BAWSCA budget and is included in the BAWSCA proposed FY 2018-19 Operating Budget. The RFA will formally consider and adopt this budget in January 2019.

Appendix E: Funding for Subscription Conservation Programs

As in prior years, a portion of operating expenses would be reimbursed by agencies that participate in BAWSCA’s subscription water conservation programs. The staff time to be devoted to those programs during FY 2018-19 is estimated to be 1,393 hours, including temporary staff time. Agencies participating in subscription programs pay for associated consultant support and direct expenses. As in prior years, those consultant costs and direct expenses are not included in the Operating Budget.

Appendix F: Select Financial Details for BAWSCA’s Subscription Conservation Program

Table F-1 provides select financial information for BAWSCA’s subscription conservation programs for the past five years including BAWSCA staff costs that are reimbursed by the participating member agencies. Other costs are not included in Table F-1, for example, rebates and other costs paid directly by the participating member agencies and quantification of grant funds used. More complete details on BAWSCA’s subscription programs, cost, and level of activity is included in BAWSCA’s Annual Water Conservation Report.

**Table F-1: Select Financial Details Related to BAWSCA
Subscription Conservation Programs**

Fiscal Year and Program Name	Direct Program Cost - Reimbursed	BAWSCA Staff Cost - Reimbursed	BAWSCA Admin. Cost - Reimbursed
2012-13			
EarthCapades	\$64,110	\$1,900	
HET Rebate		\$6,675	\$300
Large Landscape Audit	\$66,045	\$1,332	
Lawn Be Gone		\$380	\$2,434
Water Wise Ed. Kits	\$65,922	\$5,368	\$1,494
Washing Machine Rebate	\$419,625	\$16,851	\$1,581
Total	\$615,702	\$32,506	\$5,808
2013-14			
EarthCapades	\$61,325	\$2,120	
HET		\$6,785	\$300
Large Landscape Audit	\$85,996	\$1,184	
Lawn Be Gone		\$2,420	
Water Wise Ed. Kits	\$89,864	\$2,668	
Washing Machine Rebate	\$325,775	\$9,964	\$1,104
Total	\$562,960	\$25,141	\$1,405
2014-15			
EarthCapades	\$53,380	\$1,980	
HET		\$9,066	\$319
Large Landscape Audit	\$92,521	\$1,332	
Lawn Be Gone		\$6,340	
Water Wise Ed. Kits	\$95,346	\$2,599	
Washing Machine Rebate	\$308,313	\$4,667	\$104
Watersense Giveaways	\$8,893		
Rain Barrel Rebate	\$22,164		
Total	\$580,617	\$25,984	\$423

2015-16			
EarthCapades	\$64,575	\$2,360	
Free Sprinkler Nozzles	\$2,988		
HET		\$9,965	\$300
Large Landscape Audit	\$99,808	\$1,332	
Lawn Be Gone		\$3,380	
Lawn Be Gone Inspections	\$7,704		
Water Wise Ed. Kits	\$101,701	\$2,393	
Washing Machine Rebate	\$157,945	\$4,546	\$1,170
Watersense Giveaways	\$10,930		
WaterSmart Reports	\$209,380		
Rain Barrel Rebate	\$11,144		
Total	\$666,175	\$23,976	\$1,470
2016-17			
EarthCapades	\$61,345	\$2,120	
Free Sprinkler Nozzles	\$7,585		
HET		\$6,340	\$300
Large Landscape Audit	\$94,260	\$1,184	
Lawn Be Gone		\$1,860	
Lawn Be Gone Inspections	\$2,858		
Water Wise Ed. Kits	\$104,716	\$1,860	
Washing Machine Rebate	\$114,530	\$1,900	\$1,055
Watersense Giveaways	\$20,886		
WaterSmart Reports	\$313,128		
Rain Barrel Rebate	\$2,300		
Total	\$660,263	\$13,144	\$1,355

Appendix G: Value for the Cost

The formula for BAWSCA assessments results in equivalent cost per gallon throughout BAWSCA’s members. All BAWSCA costs are ultimately passed on to water customers through the water rates of the local city, district, or private utility. Table G-1 below provides the estimate annual cost per person and per household (assuming three persons per household) for BAWSCA’s Operating Budget.

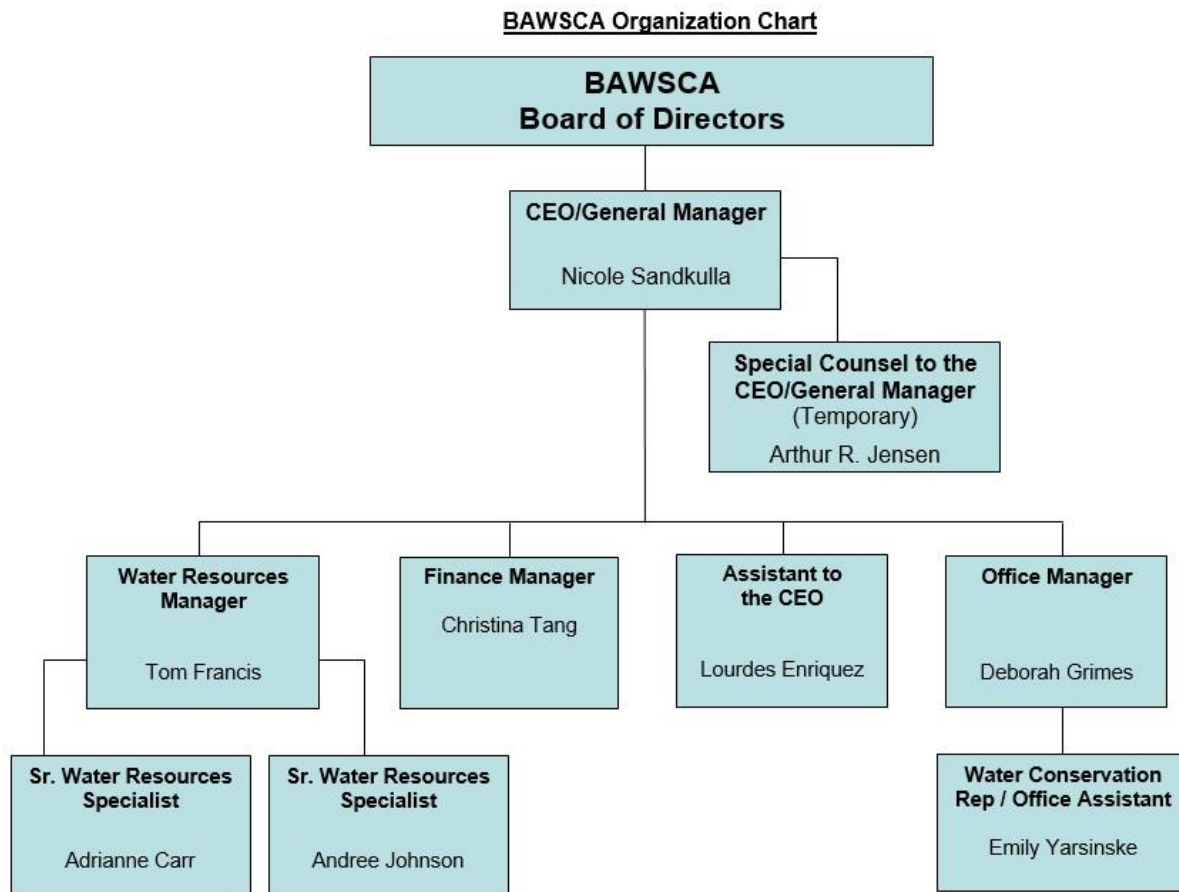
**Table G-1. Historical Estimated Annual Cost of BAWSCA
Operating Budget per Service Area Household**

Fiscal Year	Est. Annual Cost Per Person	Est. Annual Cost Per Household
2010-11	\$1.64	\$4.93
2011-12	\$1.53	\$4.60
2012-13	\$1.52	\$4.56
2013-14	\$1.82	\$5.47

2014-15	\$1.70	\$5.11
2015-16	\$1.84	\$5.51
2016-17	\$1.96	\$5.88
2017-18	\$2.08	\$6.24
2018-19	\$2.16 (proposed)	\$6.48 (proposed)

Appendix H: Current Organization and Staffing

The figure below represents the current reporting relationships in the organization.



Appendix I: Future Challenges Facing BAWSCA, Member Agencies, and Their Customers

Each year, BAWSCA’s work plan development process starts by reviewing and updating the major activities over the next 20 to 30 years. These activities require coordinated action by BAWSCA and its member agencies to ensure a reliable supply of high quality water at a fair price.

Table I-1 lists these activities as they were updated as part of the FY 2018-19 proposed Work Plan development. In each case, the results identified in Table I-1 will take the form of agreements, legislation, or other legally enforceable work products. Development of these documents will result from skilled negotiations based on rigorous investigations of impacts and alternatives, costs, cost allocation, and other matters.

Appendix J: Historical BAWSCA Operating Budgets and Assessments

BAWSCA's annual budget is developed to pay for the cost of the annual work plan, which is reviewed by the BPC and approved by the Board. Each year, the work plan is designed to achieve results that support BAWSCA's three goals – a reliable supply of high-quality water at a fair price – and to implement BAWSCA's purpose as stated in AB 2058. As a special district, BAWSCA is not like a city council or other community agency. BAWSCA is an issue-driven organization that responds to the needs of its member agencies and the water users who pay for BAWSCA's work. BAWSCA uses experienced consultants to limit fixed costs.

Two historical examples of significant annual budget increases to address one-time or unexpected issues that required BAWSCA's actions in addition to its on-going programs are:

- In FY 2008-09, the approved budget was 10% higher than the previous year; issues included: increased conservation, new contract with SF, and WSIP oversight.
- In FY 2013-14, the approved budget was 18% higher than the previous year; issues included: long-term water supply reliability, administration of bonds to accelerate paying off capital debt to save significant money for member agencies; administration of the Water Supply Agreement; an unexpected threat from Mountain Tunnel; and monitoring the SFPUC's Capital Improvement Plan and its Asset Management Program.

Resolution of issues also reduces budgets as shown below in FY 2010-11 (-3%), FY 2011-12 (-2%), and FY 2014-15 (-10%). Table J-1 displays the history of BAWSCA's Operating Budget, assessments, and year-end reserves.

Table I-1: Future Challenges Facing BAWSCA, Member Agencies, and Their Customers (Preliminary - FY 2018-19)

BAWSCA Goal and Associated Challenges	FY 2018-19 (Near-Term)	2019-2035 (Mid-Term)	2035-2050 (Long-Term)
Reliable Supply: Ensure Long-Term Water Supply Reliability			
Protection of BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts.	X	X	X
Reflection of member agencies' long-term water supply needs and investments in regional planning efforts.	X	X	X
Representation of member agencies in Federal relicensing of New Don Pedro to protect SF RWS water supply reliability.	X	X	
Representation of member agencies in Bay Delta Plan Update to protect RWS water supply reliability.	X	X	
Meeting the new Statewide "Making Water Conservation a California Way of Life" requirements thru 2030.	X	X	
Implementation of interim Tier 2 drought allocation plan before the existing one expires at the end of 2018.	X		
Protection of member agencies' interests in updating SF RWS drought year allocation plans, consistent with new State Guidelines.	X	X	
Protection of member agencies' interests in San Francisco's upcoming December 2018 decisions including deciding whether to make San Jose and Santa Clara permanent customers.	X	X	
Protection of member agencies' interests in long-term water supply reliability need from the SF RWS and 184 MGD Supply Assurance in light of climate change and future regulatory challenges.			X
Reliable Supply: Ensure SF RWS Facility Reliability			
Protection of water supply and financial interests of water customers in SFPUC's development and implementation of its 10-Year CIP.	X	X	X
Protection of water supply and financial interests of water customers in SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets.	X	X	X
Protection of water supply and financial interests of water customers in SFPUC's WSIP implementation.	X	X	
Protection of water customers' interest in SFPUC's decision on and implementation of final Mountain Tunnel Improvements.	X		
High Quality Supply & Fair Price: Enforce 2009 Water Supply Agreement			
Enforcement of the Water Supply Agreement to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting obligations.	X	X	X
Representation of member agencies' financial interests in negotiation with SFPUC on potential Water Supply Agreement amendments.	X		
Protection of member agencies' water supply reliability interests against threats by outside forces including efforts by others to drain Hetch Hetchy that disregard their interests in reliability, quality and cost.	X	X	X
Protection of water customers interests in ensuring SF maintains its Tuolumne River water rights.		X	X
Management of BAWSCA's revenue bonds in accordance with Bond Indenture and other applicable laws to ensure accountability and ultimately to reduce overall cost to regional water customers (thru 2034).	X	X	
Extension or renegotiation of the Water Supply Agreement before it expires in 2034		X	

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Table J-1. Historical Annual Assessments, Budget, Reserve Balance, and Use of Reserves

Fiscal year	Assessments	% Change	Budget	% Change	% of Budget Spent	Transfers from Reserve	Notes on Transfers from Reserve	Unspent Funds Transfer to Reserve ⁽¹⁾	Year-End Reserve Balance	Reserve as a % of Budget	# of Full Time Authorized Staff	Major New/Increased Work Plan Focus
2003-2004	\$1,668,550	22%	\$1,821,350								6	Operated under BAWUA budget
2004-2005	\$1,641,995	-2%	\$1,838,490	0.94%	80.99%			\$240,000			6	1st BAWSCA Budget Est.
2005-2006	\$1,953,998	19%	\$2,099,975	14.22%	79.36%			\$414,000	\$240,000	11%	7	WSIP Oversight, 2009 WSA neg.
2006-2007	\$2,117,904	8%	\$2,291,904	9.14%	81.85%			\$428,474	\$654,000	29%	7	2009 WSA negotiations
2007-2008	\$2,117,904	0%	\$2,508,967	9.47%	89.54%	\$391,000	To fund budget	\$270,000	\$691,474	28%	7	2009 WSA Negotiations, WSIP PEIR
2008-2009	\$2,309,000	9%	\$2,763,196	10.13%	95.31%	\$349,000	To fund budget	\$149,718	\$507,474	18%	7	WSIP PEIR, 2009 WSA, develop WCIP
2009-2010	\$2,517,000	9%	\$2,766,945	0.14%	84.79%	\$250,000 \$105,000	To fund budget WCIP	\$409,965	\$407,192	15%	7	WCIP Yr. 1 implementation, 2009 WSA Admin Yr. 1, Transition from old Contract, WSIP legislation
2010-2011	\$2,517,000	0%	\$2,680,394	-3.13%	83.26%	\$163,394	To fund budget	\$435,324	\$653,763	24%	7	WCIP Yr. 2, 2009 WSA (Strategy funded thru Water Mgmt. Charge)
2011-2012	\$2,517,000.00	0%	\$2,619,705	-2.26%	87.28%	\$172,190	Assessment refund	\$264,000	\$916,897	35%	7	WCIP Yr 3
2012-2013	\$2,517,000.00	0%	\$2,780,504	6.14%	93.53%	\$130,000 \$65,000	Pilot Transfer Demand Study		\$985,897	35%	7	Bond investigation, Demand Projections, Pilot Water Transfer, 2009 WSA amendment
2013-2014	\$2,516,812.00	0%	\$3,280,188	17.97%	93.24%	\$300,000 \$98,000 \$66,000	Demand Study OPEB FY 13-14 Technical support		\$521,897	16%	8	1st year bond administration, funding one-time cost of OPEB, Regional Water Demand Projections, Pilot Water Transfer, WSIP legislation, new water resources staff position authorized
2014-2015	\$2,642,653.00	5%	\$2,939,286	-10.39%	93.42%	\$296,436	To fund budget	\$198,781	\$225,461	8%		Net increase for OPEB, 10yr CIP oversight, increase legal support for Strategy, WSIP legislation
2015-2016	\$3,276,889.00	24%	\$3,201,679	8.93%	88.34%			\$453,246 \$352,378	\$776,620	24%	8	1st year Strategy implementation thru Operating Budget, 2014 Settlement Agmt.
2016-2017	\$3,440,734.00	5%	\$3,468,008	8.32%	84.60%	\$27,274	To fund budget	\$519,167	\$1,202,592	35%	8	RHH litigation, 2014 Settlement Agmt, 2018 decision, WaterMAP
2017-2018	\$3,543,957.00	3%	\$3,704,572	6.82%		\$160,615	To fund budget		\$1,561,144	42%	8	RHH litigation, Bay Delta Plan, FERC

Footnotes

(1) Remaining unspent Strategy development funds transferred to General Reserve in 2015-16

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Tier 2 Drought Implementation Plan Extension**

Summary:

The Tier 2 Drought Implementation Plan (Tier 2 Plan) allocates the collective Wholesale Customer share of the water made available by the San Francisco Public Utilities Commission (SFPUC) during shortages caused by drought to individual Wholesale Customer.

The current Tier 2 Plan was adopted by each Wholesale Customer in the winter/spring of 2011 pursuant to Section 3.11.C of the July 2009 Water Supply Agreement between the City and County of San Francisco and the Wholesale Customers (WSA). The existing Tier 2 Plan expires on December 31, 2018 and as such the Board must act to provide formal drought allocations to the SFPUC for the following year.

Recommendation:

That the Committee recommend the Board adopt Resolution 2018-01 adopting the Tier 2 Plan drought allocation methodology for the year January 1, 2019 through December 31, 2019.

Discussion:

The Tier 2 Plan describes the method for allocating the water made available by the San Francisco Public Utilities Commission (SFPUC) among the Wholesale Customers during shortages caused by drought.

A Tier 2 Plan was adopted by each Wholesale Customer pursuant to Section 3.11.C of the July 2009 Water Supply Agreement between the City and County of San Francisco and the Wholesale Customers (WSA) in the winter/spring of 2011. The current Tier 2 Plan established December 31, 2018 as an interim expiration deadline in order to allow for the consideration of matters such as the inclusion of the cities of San Jose and Santa Clara as permanent customers and to allow for the development of a new Tier 2 Plan.

At this time, legislation has been introduced to implement the Governor's Executive Order B-37-16 (EO), "Making Water Conservation a California Way of Life," which if passed, will substantially impact the normal year and drought year water use within the BAWSCA member agencies' service areas. Until the impacts of implementation of that EO in each member agency's service area is clear, it is not recommended that BAWSCA or the member agencies develop a new Tier 2 methodology.

The WSA provides that the SFPUC will honor allocations of water among the Wholesale Customers provided by BAWSCA or if unanimously agreed to by all Wholesale Customers. Legal Counsel has determined that the Board may rely on the water allocations included in the current Tier 2 Plan, and provide those to the SFPUC in accordance with Section 3.11.C.3 of the WSA. In doing so, BAWSCA will, in effect, extend the terms of the Tier 2 Plan for one calendar year, through December 31, 2019.

Background:

The WSA with San Francisco includes a Tier 1 Plan, which divides the available water supply between San Francisco retail customers and the collective Wholesale Customers during a drought. The WSA also provides that the SFPUC will honor allocation of water among the Wholesale Customers, provided by BAWSCA or unanimously agreed to by the Wholesale Customers. In 2011, the Wholesale Customers adopted the current Tier 2 Plan, which takes that collective Wholesale Customer allocation and further divides it among each Wholesale Customer. The existing Tier 2 Plan details the methodology used to divide the available supply.

The Tier 2 Plan applies when, and only when, the SFPUC determines that a system-wide water shortage of 20 percent or less exists, as set forth in a declaration of water shortage emergency adopted by the SFPUC pursuant to California Water Code Sections 350 *et seq.* The Tier 2 Plan applies only to water acquired and distributed by the SFPUC to the Wholesale Customers and has no effect on water obtained by a Wholesale Customer from any source other than the SFPUC.

The current Tier 2 Plan established December 31, 2018 as an interim expiration deadline in order to allow for the consideration of matters such as the inclusion of the cities of San Jose and Santa Clara as permanent customers and to allow for the development of a new Tier 2 Plan.

During the most recent drought, the SFPUC did not declare a water shortage emergency and the Tier 1 and Tier 2 Plans were not implemented. Rather, the State Water Resources Control Board (SWRCB) imposed water use reductions based on separate criteria unrelated to the existing drought allocation plans for the Regional Water System.

Existing Tier 2 Plan Methodology

The existing Tier 2 Plan's methodology consists of a stepwise process that is followed to determine each Wholesale Customer's allocation. More specifically, a seven-step allocation process is followed which takes into account factors such as: volume of water purchased by each agency in most recent non-drought year(s); seasonal demand fluctuations; Individual Supply Guarantee (ISG) allocations; minimum and maximum cutback levels; and the public health and safety needs of East Palo Alto.

The estimation process is iterative, in that if following one "round" of calculations, if one or more agencies has a proposed cutback of less than 10% of their normal supply or if a proposed cutback for a particular agency is quite severe, adjustments are made to the calculation procedure and a revised estimate is developed.

The above discussion is brief in that it does not go into the complexity and nuances of the estimation process. The estimate takes time to perform and a firm understanding of member agency water use specifics.

BAWSCA's Role in the Tier 2 Plan

The Tier 1 Plan identifies BAWSCA as the party to perform the Tier 2 Plan calculations. The Tier 1 Plan requires SFPUC to allocate water to each Wholesale Customer in accordance with BAWSCA's calculations. By adopting the WSA and the Tier 2 Plan, each Wholesale Customer thereby authorized BAWSCA to perform the allocation calculations. BAWSCA interacts with both the SFPUC and the Wholesale Customers to obtain needed input data.

BAWSCA's role in developing the existing Tier 2 Plan was as follows:

- Assist agencies in agreeing on a formula that could be accepted unanimously;
- Providing the structure for the discussion and analyses to support decision making;
- Encouraging decisions regarding the adoption of a proposed method based on fact, analyses, and practicality; and
- Supporting agencies in the adoption process.

When a new Tier 2 Plan is proposed, if the allocation method incorporated into the Plan is not unanimously adopted by the BAWSCA member agencies, the WSA provides the BAWSCA Board has the authority to set an allocation method. If the BAWSCA Board does not set an allocation method, the SFPUC retains final authority to allocate water to its wholesale customers during a drought.

Complicating Factors

In 2016, Governor Brown issued Executive Order B-37-16 which included several directives related to "Making Water Conservation a California Way of Life". These directives included the implementation of new, long-term water use efficiency targets for urban water suppliers in California. This requirement, if implemented, would have long-term impacts on the BAWSCA member agencies' water use patterns and ability to further reduce water use during times of shortage. Legislation to adopt these new requirements has been proposed but has not yet been adopted. Given the potential impacts of these requirements, BAWSCA staff is recommending the revisions to the Tier 2 Plan be postponed until the requirements have been finalized so their impacts on water use can be fully understood.

The existing Tier 2 Plan has never been implemented. During the 2014 – 2017 drought, SFPUC did not declare a water supply emergency, as the necessary water use reductions were achieved through a voluntary call for conservation. Given current water supply conditions and water demand levels, it is highly unlikely that the existing Tier 2 Plan would need to be implemented prior to December 31, 2019.

Suggestion to Extend the Existing Tier 2 Plan

Given that the WSA has a provision that gives the BAWSCA Board the authority to set an allocation method, BAWSCA staff proposes that the Board authorizes that the SFPUC follow the existing Tier 2 Plan method for an additional year, thereby effectively extending the term of the existing Tier 2 Plan such that it expires on December 31, 2019.

This additional time will provide BAWSCA and the Wholesale Customers additional time to review new state requirements following their adoption and moreover, interpret how best to apply those new requirements into an updated Tier 2 Plan.

Attachments:

1. Draft Resolution 2018-01 Approving the Extension of the Tier 2 Drought Implementation Plan

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**RESOLUTION NO. 2018 – 01
BY THE BOARD OF DIRECTORS OF THE
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**APPROVING THE EXTENSION OF
THE TIER 2 DROUGHT IMPLEMENTATION PLAN**

WHEREAS, the Bay Area Water Supply and Conservation Agency ("BAWSCA") is organized and established pursuant to the Bay Area Water Supply and Conservation Agency Act, Water Code section 81300, et seq. (the "Act"); and

WHEREAS, the July 2009 Water Supply Agreement between the City and County of San Francisco and the Wholesale Customers in Alameda County, San Mateo County and Santa Clara County (WSA) sets forth the terms for ensuring the Wholesale Customers receive a reliable supply of high quality water at a fair price; and

WHEREAS, section 3.11(C)(1) of the WSA established the Water Shortage Allocation Plan (Tier 1 Shortage Plan) to allocate water from the Regional Water System between Retail and Wholesale Customers during system-wide shortages of 20% or less; and

WHEREAS, pursuant to section 3.11(C)(2) of the WSA and section 5.5 of the Tier 1 Shortage Plan, the Tier 1 Shortage Plan will remain in effect for the term of the WSA; and

WHEREAS, subsequent to the Tier 1 Shortage Plan, the Wholesale Customers adopted the Tier 2 Drought Implementation Plan (Tier 2 Plan), to document the method of allocating, among the Wholesale Customers, the collective Wholesale Customer share of the water made available by the San Francisco Public Utilities Commission (SFPUC); and

WHEREAS, the Tier 2 Plan was adopted in the Winter and Spring of 2011 by the governing bodies of each Wholesale Customer; and

WHEREAS, the current Tier 2 Plan established December 31, 2018 as an interim expiration deadline in order to allow for the consideration of matters such as the inclusion of the cities of San Jose and Santa Clara as permanent customers and to allow for the development of a new Tier 2 Plan; and

WHEREAS, in 2016, the Governor issued Executive Order B-37-16 (EO), "Making Water Conservation a California Way of Life," and the State Water Resources Control Board (SWRCB) adopted water conservation targets for each BAWSCA member agency that effectively negated the implementation of the Tier 2 Plan during the most recent drought; and

WHEREAS, the BAWSCA member agencies have determined that an extension of the allocation method in the current Tier 2 Plan is appropriate at this time so that BAWSCA and the Wholesale Customers have adequate time to consider the requirements of the EO and the associated implementation legislation in developing a new Tier 2 Plan and to complete consideration of the inclusion of additional permanent customers; and

WHEREAS, section 3.11(C)(3) of the WSA provides that the SFPUC will honor allocations of water among the Wholesale Customers provided by BAWSCA or if unanimously agreed to by all Wholesale Customers; and

WHEREAS, pursuant to section 3.11(C)(3) of the WSA, BAWSCA is authorized to provide the SFPUC with the allocations set forth in the Tier 2 Plan; and

WHEREAS, the BAWSCA Board of Directors desires to continue to rely on the allocation methodology set forth in the Tier 2 Plan for one year, thereby effectively extending the Tier 2 Plan for one year until December 31, 2019.

BE IT RESOLVED, that the Board of Directors of the Bay Area Water Supply and Conservation Agency will rely on the methodology provided in the Tier 2 Drought Implementation Plan for one additional year, through December 31, 2019, and requests the CEO/General Manager to transmit the methodology to the San Francisco Public Utilities Commission for drought planning purposes.

PASSED AND ADOPTED this ____ day of _____, 2018, by the following vote:

AYES:

NOES:

ABSENT:

Chair, Board of Directors

ATTEST:

Secretary

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Authorize CEO to Enter into a Contract with a Selected Consultant to Implement Water Loss Management Program**

Summary:

BAWSCA is currently completing Phase 1 of its “Making Water Conservation a California Way of Life” Strategic Plan. Among other things, Phase 1 has provided information on BAWSCA agencies’ current water loss control practices, water audit results, and desired future actions related to water loss. During Phase 1 discussions, implementation of a Regional Water Loss Management (WLM) Program has been identified as a key action for FY 2018-19 in order to provide the BAWSCA agencies the necessary technical assistance to comply with current regulatory requirements and to benefit from cost-effective water loss interventions.

The BAWSCA WLM Program is proposed to contain two components:

1. The **WLM Technical Assistance Program (TAP)**, which will provide technical assistance to individual BAWSCA agencies in completing annual water audits and improving water loss management practices. This program will be offered as a Subscription Conservation Program, and therefore, those agencies wishing to participate in the program will fully fund the cost of implementation in their service area.
2. The **Regional Water Loss Control (RWLC) Work Group**, which will provide water loss control education and peer to peer learning opportunities for all BAWSCA agencies. The RWLC Work Group is recommended to be implemented as a Core Conservation Program, funded by BAWSCA for FY 2018-19 to the benefit of all BAWSCA agencies as a component of the BAWSCA “Making Conservation a Way of Life” workplan item.

BAWSCA released a Request for Proposals (RFP) for the WML Program on March 21, 2018. Proposals are due back to BAWSCA on April 20, 2018. BAWSCA will review proposals, conduct interviews if needed, and bring a consultant recommendation to the Board in May for contract authorization in order to launch the WLM Program on July 1, 2018.

Fiscal Impact:

The proposed FY 2018-19 budget includes \$187,000 to complete Phase 2 of the “Making Conservation a Way of Life” Strategic Plan work effort. It is anticipated that \$30,000 of this budget will fund the RWLC Work Group for FY 2018-19. The Technical Assistance Program will be offered on a subscription basis, and only those agencies that elect to participate in the program will pay the cost of the selected outside service provider.

Recommendation:

That the Board Policy Committee recommend the Board:

- 1) **Authorize the CEO/General Manager to negotiate and execute an agreement with the selected consultant, for a BAWSCA contract cost share not to exceed \$30,000, subject to legal counsel review, for implementation of the Water Loss Management Program in FY 2018-19; and**
- 2) **Offer participation in the Water Loss Management Technical Assistance Program to interested BAWSCA agencies on a subscription basis.**

Discussion:

In October of 2015, the Governor of California signed Senate Bill (SB) 555 into law to improve water system auditing throughout the state. SB 555 requires all California Urban Retail Water Suppliers to submit validated water audits to the Department of Water Resources (DWR) annually, beginning in October 2017. SB 555 also requires that, by July 1, 2020, the State Water Resources Control Board (SWRCB) adopt rules requiring urban retail water suppliers to meet performance standards for water loss. Most of BAWSCA's 26 member agencies have completed their first validated audits and submitted the audits to DWR in 2017.

Most of the WLM Program will be implemented as a Subscription Program, funded by the individual agencies that elect to participate and implemented for their respective service areas. One portion of the WLM Program, the RWLC Work Group, is recommended to be implemented as a Core Program, funded by BAWSCA for FY 2018-19 to the benefit of all BAWSCA agencies as part of the BAWSCA "Making Conservation a Way of Life" workplan item. The RWLC Work Group will provide water loss control education and peer to peer learning opportunities for the BAWSCA member agencies.

As the specific needs of each BAWSCA agency differ, BAWSCA anticipates that for the WLM TAP, each Participating Agency will implement a selection of the specific tasks outlined below to meet its individual needs. BAWSCA also anticipates that tasks may be phased over multiple years. Therefore, the annual budget for each Participating Agency is expected to vary, as is the number of agency participants. It is estimated that twelve BAWSCA agencies will opt to participate in the technical assistance task in the first year of the program.

BAWSCA released the Request for Proposals (RFP) for the WML Program on March 21, 2018. Proposals are due back to BAWSCA on April 20, 2018. BAWSCA will review proposals, conduct interviews if needed, and bring a consultant recommendation to the Board in May for contract authorization in order to launch the WLMP on July 1, 2018.

Consultant Selection Process

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

BAWSCA released the RFP for the WLM Program on March 21, 2018. Proposals are due back to BAWSCA on April 20, 2018. A panel will review the proposals received. If necessary, consultant interviews will be held on May 2, 2018. The panel will include BAWSCA staff, BAWSCA member agency staff, and a representative from an outside agency. All BAWSCA member agencies are provided the option of reviewing the proposals and observing the interview process.

Consultants will be evaluated based on the following criteria:

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

Based on the evaluation of the written proposals and interviews (if conducted), the panel will recommend a consultant for consideration by the CEO. It is anticipated that a recommended consultant will be presented to the Board at the time of the May Board authorization action.

This schedule will ensure that the WLM Program is available to the BAWSCA agencies beginning in July 1, 2018.

Scope of Work

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

The key tasks include:

- **Technical Assistance for Preparation and/or Validation of Distribution System Water Audits:** Contractor shall assist Participating Agencies in preparation of distribution system water audits, and/or in the Level 1 Validation of water audits, consistent with SB 555 requirements.
- **Component Analysis: Volume and Value of Real and Apparent Losses:** Contractor will provide technical assistance to Participating Agencies who desire a higher level of investigation into real and apparent losses occurring in their systems. Real losses are attributed to leakage in transmission and distribution mains, leakage and overflows at utility storage tanks, and leakage at service connections. Apparent losses are attributed to unauthorized consumption, metering inaccuracies and data handling errors.
- **Meter Accuracy Testing:** Contractor shall conduct volumetric meter accuracy testing for source meters and/or customer meters.
- **Comprehensive Leak Detection:** Contractor shall survey participating agencies' distribution systems for leakage.
- **Report Preparation:** For each Participating Agency, Contractor shall prepare report documenting water loss investigation and findings, including recommendations for next steps to cost-effectively improve data quality, water loss understanding, and water loss performance.
- **RWLC Work Group:** Contractor will coordinate RWLC Work Group meetings to provide water loss control education and peer to peer learning opportunities for BAWSCA member agencies.
- **Program Management:** Contractor shall provide administrative services to oversee the day to day implementation of the WLM Program, including monthly status and budget updates by task.

Schedule

BAWSCA anticipates commencing work in July 2018. The WLM Program is anticipated to be implemented over a period of three to five years, to enable agencies to collect missing information, improve data sources, consider economics of water loss management, and refine Participating Agency's local water loss management practices. BAWSCA proposes to enter into a one-year contract with the Contractor with four additional one-year options to extend the contract at BAWSCA's discretion.

Alternatives Considered:

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

- Alternative #1: Support the Recommended Actions. Both components of the WLM Program have been requested by the BAWSCA member agencies to meet an existing need to address water loss regulatory requirements and improve water loss management. A July 1st launch will provide BAWSCA agencies with the necessary support to meet State water loss reporting requirements in 2018.
- Alternative #2: Support only the subscription program portion of the WLM Program. The BAWSCA Board can choose to offer only the subscription portion of the WLM Program, the WLM TAP. This alternative would eliminate the RWLC Work Group, which is recommended to provide support to all agencies in understanding State water loss requirements and expanding knowledge on water loss management. **This alternative is not recommended.**

Attachment A

Scope of Work: Water Loss Management Program

BAWSCA seeks to select a firm (Contractor) to implement the BAWSCA's WLM Program. The WLM Program is anticipated to be implemented over a period of three to five years, to enable agencies to collect missing information, improve data sources, consider economics of water loss management, and refine Participating Agency's local water loss management practices. BAWSCA intends to enter into a one-year contract with the Contractor with four additional one-year options to extend the contract at BAWSCA's discretion.

As the specific needs of each BAWSCA agency differ, BAWSCA anticipates that each Participating Agency will implement a selection of the specific tasks outlined below to meet its individual needs. BAWSCA also anticipates that tasks may be phased over multiple years. Therefore, the annual budget for each Participating Agency is expected to vary, as is the number of agency participants. It is estimated that 12 BAWSCA agencies will opt to engage in the technical assistance task in the first year of the program.

The WLM Program shall include the following tasks:

Task 1 - Program Management

Contractor will provide administrative services to oversee the day to day implementation of the WLM Program. To keep the work on schedule and budget, Contractor must provide BAWSCA with monthly status and budget updates by Participating Agency and by task. The information can be shared via phone or email in combination with updated Excel spreadsheets detailing budget and schedule status.

Task 2 - Technical Assistance for Preparation and/or Validation of Distribution System Water Audits

Contractor will assist Participating Agencies in preparation of distribution system water audits, and/or in the Level 1 Validation of water audits, consistent with SB 555 requirements. For each Participating Agency, specific support activities may include:

- a) Water Audit Compilation: Collect and review existing records and compile water audit and associated documentation.
- b) Level 1 Validation: Complete Level 1 Validation of agency's audit and compose documentation for submission to DWR for SB 555 compliance.
- c) Source Meter Volumetric Accuracy Testing: Design a volumetric source meter accuracy test to establish a field-validated water supplied baseline for the water audit. Document test procedures for future meter accuracy investigation.
- d) Billing Data Chain Assessment: Map meter read collection and billing processes. Compare raw data across billing data management platforms (e.g. read collection system, billing data system, and reporting system). Identify data transmission errors.
- e) Field Pressure Survey: If desired by or if determined to be necessary for a Participating Agency, 1) determine average system pressure, 2) conduct pressure transient investigation, and/or 3) prepare district metered area (DMA) potential assessment.

It is anticipated that this effort will help to identify data components that require further validation and recommend improvements to data validation processes. Direction and advice shall be

provided to each Participating Agency regarding how to best improve its data process and improve audits in subsequent years.

Task 2 Deliverable

- A completed and/or Level 1 Validated water audit for each Participating Agency.
- A memorandum documenting Task 2 activities and results for each Participating Agency.

Task 3 - Component Analysis: Volume and Value of Real and Apparent Losses

Contractor will provide technical assistance to Participating Agencies who desire a higher level of investigation into real and apparent losses occurring in their systems. Real losses are attributed to leakage in transmission and distribution mains, leakage and overflows at utility storage tanks, and leakage at service connections. Apparent losses are attributed to unauthorized consumption, metering inaccuracies and data handling errors.

- a) Component Analysis of Real Losses: Establish methods and data requirements to quantify background leakage, unreported leakage, and reported leakage. Tasks shall be customized based on the characteristics of the Participating Agency and may include:
 - Collect and review leakage repair documentation.
 - Evaluate leak repair process.
 - Determine participating agency's leakage profile (background, unreported, and reported leakage).
 - Develop analysis of cost-effective interventions against leakage. Design leak management program.
- b) Component Analysis of Apparent Losses: Establish methods and data requirements to quantify customer metering inaccuracies, systematic data handling errors, and unauthorized consumption. Tasks shall be customized based on the characteristics of the Participating Agency and may include:
 - Design small meter testing protocol.
 - Prioritize large customer meters for testing.
 - Analyze meter testing results.
 - Calculate and determine value of apparent losses due to meter inaccuracy.
 - Recommend further study areas and customer meter management practices.

Task 3 Deliverable

- A memorandum documenting Task 3 activities and results for each Participating Agency.

Task 4 – Meter Accuracy Testing

Contractor will conduct volumetric meter accuracy testing. For each Participating Agency, tasks may include:

- Source Meter Volumetric Accuracy Testing: Design and conduct volumetric source meter accuracy test(s). Establish a field-validated water supplied baseline for the water audit. Document test procedures for future meter accuracy investigation.
- Customer Meter Volumetric Accuracy Testing: Design and conduct volumetric small meter customer tests to quantify customer metering inaccuracies. Design

and conduct volumetric large customer meter tests to quantify customer metering inaccuracies.

Task 4 Deliverable

- A detailed Meter Testing report containing a list of each meter tested, meter age and cumulative flow information, details of the meter testing protocol employed, and meter testing results.
- A report summarizing findings and recommendations as pertaining to meter maintenance and replacement program development and water audit results.

Task 5 – Comprehensive Leak Detection

Contractor will survey participating agencies' distribution systems for leakage. Participating Agencies may choose to have their entire systems surveyed or to elect to survey only those portions of their systems suspected to have leaks. Contractor will calculate water savings resulting from the leak detection and associated repairs.

Task 5 Deliverable

- A detailed Leak Report containing a photo showing each leak location, X-Y GPS coordinates, satellite photo with location of leak, details of the type of leak found, estimated leak flow rate in gallons per minute, leak classification and prioritization, and equipment and technique used to locate the leak. Pinpoint leaks need to be marked on the asphalt in accordance with Participating Agency requirements.
- A prioritized list of leaks, including the specific location within the distribution system and a quantification of the volume of water for each identified leak.
- A report summarizing findings as pertaining to water audit results.

Task 6 – Report Preparation

For each Participating Agency, Contractor shall prepare report documenting water loss investigation and findings for Tasks 2 through 5, as applicable to the Participating Agency. Report shall include recommendations for next steps to cost-effectively improve data quality, water loss understanding, and water loss performance.

Task 7 - RWLC Work Group

Contractor will coordinate RWLC Work Group meetings to provide water loss control education and peer to peer learning opportunities for BAWSCA member agencies. Activities will include:

- a. Coordination of quarterly meetings.
- b. Development of meeting curriculum.
- c. Preparation of meeting materials and handouts.
- d. Communication with BAWSCA on water loss regulatory updates and industry news.

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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 at this time is to establish within the General Reserve a Long-Term Planning Designated 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 Designated Fund.

Fiscal Impact:

No impact on BAWSCA's annual operating budget.

Recommendation:

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

Discussion:

A 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 that it will need additional reserve funds for long-term planning purposes (e.g. updating Regional Water Demand Projections). To accomplish this, 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 funds in excess of the maximum reserve balance guideline to the Long-Term Planning Designated Fund.

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, 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 finds that its long-term planning needs require a General Reserve balance that is in excess of the budgetary guideline for maximum balance set forth in Section 2. As such, within the General Reserve, the Agency establishes the Long-Term Planning Designated Fund and, notwithstanding the guideline for the maximum balance in Section 2, 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 Designated Fund.

4.5. 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 reserve balance is estimated to fall outside the

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guidelines established by this resolution, the budget shall include a prudent and practical schedule for restoring the reserve balance to within those guidelines. This requirement shall not apply to the Long-Term Planning Designated Fund set forth in Section 4.

~~5.6.~~ Funds in the General Reserve may be used only for purposes approved by the Board of Directors.

~~6.7.~~ 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:

Chair, Board of Directors

ATTEST:

Secretary

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

RESOLUTION NO. 2018-02

AMENDING THE GENERAL RESERVE POLICY

WHEREAS, 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 finds that its long-term planning needs require a General Reserve balance that is in excess of the budgetary guideline for maximum balance set forth in Section 2. As such, within the General Reserve, the Agency establishes the Long-Term Planning Designated Fund and, notwithstanding the guideline for the maximum balance in Section 2, 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 Designated Fund.
5. 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

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covered by the budget. If the ending 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. This requirement shall not apply to the Long-Term Planning Designated Fund set forth in Section 4.

6. Funds in the General Reserve may be used only for purposes approved by the Board of Directors.
7. 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:

Chair, Board of Directors

ATTEST:

Secretary

BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: April 6, 2018
SUBJECT: Chief Executive Officer/General Manager's Letter

SFPUC Proposed Changes to the WSIP:

On March 9, 2018, the San Francisco Public Utilities Commission (SFPUC) notified BAWSCA that it would be considering proposed changes to the Water System Improvement Program (WSIP) in accordance with the Wholesale Regional Water System Security and Reliability Act (AB 1823, Water Code Section 73500 *et seq.*). BAWSCA performed a thorough review of Notice of Public Hearing and associated documents and met several times with SFPUC staff.

SFPUC is proposing to change the scope of seven WSIP projects, to extend the WSIP completion date from December 30, 2019 to December 30, 2021, and to increase WSIP project costs by \$42M.

BAWSCA has submitted a comment letter to the Commission for its consideration prior to the proposed action. BAWSCA's letter presents eleven findings and seven recommendations for the Commission's consideration as part of any action on the proposed changes. The Commission will consider action on the proposed changes at its regularly scheduled meeting on Tuesday April 10, 2018. BAWSCA will present a formal statement at the hearing.

Overall, BAWSCA has two key concerns with the proposed changes:

- The proposed scope change for the Regional Groundwater Storage and Recovery Project (RGSR) would reduce the drought year yield of the project. In adopting the proposed scope change, the Commission would be taking action that may reduce the SFPUC's ability to meet its contractual obligations regarding water supply Level of Service.
- The WSIP "Finance" cost category forecast has been reduced from \$471.7M to \$372.0M. BAWSCA appreciates the SFPUC's prudent and cost-effective WSIP financing efforts, however, it is important that it is clear to the public and the water customers that this forecast reduction is not a result of project cost savings. Rather, it is due to the release of debt service reserve funds resulting from changes in the SFPUC's bond indenture requirements. The SFPUC's March 9, 2018 proposed WSIP revisions documentation should have made this point more clearly to avoid confusion.

BAWSCA's comment letter presents recommendations for the Commission to consider as part of any potential action it might make to address BAWSCA's comments and concerns.

Assuming the SFPUC approves the WSIP changes, SFPUC is then required per AB 1823 to forward documentation to the State of California's SWRCB Division of Drinking Water and the State of California's Seismic Safety Commission for their respective review and comment.

BAWSCA's Phase I "Making Conservation a Way of Life" Strategic Plan:

BAWSCA is nearing completion of the "Making Conservation a Way of Life" Strategic Plan Phase 1 work. The purpose of this project is to (1) evaluate the feasibility of implementing the new long-term water use efficiency requirements proposed by Governor Brown in EO B-37-16 and (2) identify actions to support BAWSCA agencies in preparing for and implementing the proposed requirements.

Phase 1 is assessing BAWSCA agencies' current practices and water industry best practices for three components of the proposed new requirements that, based on a preliminary review by BAWSCA and the agencies, present the greatest level of uncertainty and potential risk to the BAWSCA agencies. These three elements are: 1) development of outdoor water use budgets using landscape area, 2) commercial, industrial and institutional water use performance measures and 3) water loss performance standards.

Three technical memorandums assessing BAWSCA member agency capabilities and water industry best practices for each of these elements were completed in February, and a final report documenting the study results and recommended actions will be complete in June. In addition, two workshops were held with the BAWSCA agencies to review the results of the analysis and obtain agency input on next steps.

Currently, there are two companion bills in the legislature to implement the "Making Water Conservation a California Way of Life" long-term water use efficiency requirements, Senate Bill (SB) 606 and Assembly Bill (AB) 1648. These bills were carried over from 2017 into the current (2018) legislative session. AB 1668 was amended this week and has been re-referred to Committee on Rules. BAWSCA is reviewing the proposed amendments. Proposed amendments to SB 606 have been circulated by the author, but have not been formally introduced.

Santa Clara Valley Water District Grant Award for Leak Detection Pilot Study:

WaterNow Alliance was awarded a grant from the Santa Clara Valley Water District (SCVWD) for a Leak Detection Pilot Study. The grant, provided through the SCVWD's 2018 Safe, Clean Water Priority A Water Conservation Research Grant Program, will evaluate the water savings realized following the installation of next-generation leak detection devices. These leak detection devices encourage water conservation by providing real-time water consumption data to customers, raising awareness and enabling customers to make more informed decisions about how they use water.

Currently, the project contracting is underway and WaterNow Alliance is seeking two water utilities in Santa Clara County to partner on the pilot. Participating water utilities will primarily be responsible for supporting customer outreach to potential participants and for providing water use data for the analysis. There will be no cost to the participating utilities, and WaterNow Alliance will provide the device installation, monitoring, and analysis of results. BAWSCA is partnering with WaterNow Alliance on this project by providing technical review on the work plan, assisting with the recruitment of participating water agencies, and reviewing deliverables.

BAWSCA Member Agency Financial Best Management Practices Workshop:

On March 22nd, BAWSCA hosted a workshop for the BAWSCA agencies on water utility financial best management practices. The workshop, held in partnership with Raftelis Financial Consultants, included technical presentations from industry experts and case studies from water utilities on water rate design options, cost of service allocation, choosing the right rate structure for a community, and the legal environment in water rate development. The workshop was attended by 22 representatives from BAWSCA member agencies, including management, finance, and water resources staff.

San Mateo County Water Summit:

San Mateo County and the City/County Association of Governments (C/CAG) held a water summit titled “Floods, Drought, Rising Seas, Oh My!” on March 30, 2018 at Cañada College. The summit highlighted water management issues in San Mateo County and provided an opportunity to connect with others in the community working on these issues. BAWSCA’s CEO, Nicole Sandkulla, was a featured panelist at the event, and BAWSCA staff presented a poster detailing BAWSCA’s participation in the Bay Area Regional Reliability Partnership effort throughout the Bay Area.

WateReuse California Annual Conference:

On March 25 through March 27, BAWSCA staff member, Adrienne Carr, attended the 2018 WateReuse California Annual Conference in Monterey. This conference is the premier educational event for California water professionals involved in recycled water policy, operations, technology and public perception. Information and insights gained at the meeting are directly applicable to both purified and recycled water projects that are an ongoing part of BAWSCA’s work plan and implementation of BAWSCA’s Long-Term Reliable Water Supply Strategy.

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Board Policy Committee Policy Calendar Through June 2018

Meeting Date	Purpose	Issue or Topic
April 2018	D&A D&A D&A D&A R R	Consideration of Proposed FY 2018-19 Work Plan and Budget Consideration of Tier 2 Drought Allocation Plan Consideration of Consultant Contract for New Water Loss Management Program Consideration of Modification to Agency Reserve Policy Review of Water Supply Forecast SFPUC WaterMAP and 2018 Decisions
June 2018	D&A R R	Review of Agency Personnel Handbook Update on BAWSCA's Regional Water Supply Modeling Tool Development Update on Long-Term Reliable Water Supply Strategy Implementation