

BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

December 12, 2018

1:30 p.m.

BAWSCA Offices, 155 Bovet Road, San Mateo – 1st Floor Conference Room

(Directions on page 3)

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
1. <u>Call To Order, and Roll Call</u> Roster of Committee Members (<i>Attachment</i>)	(Larsson)	Pg 5
2. <u>Comments by Chair</u>	(Larsson)	
3. <u>Public Comment</u> <i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(Larsson)	
4. <u>Consent Calendar</u> A. Approval of Minutes from the October 10, 2018 meeting (<i>Attachment</i>)	(Larsson)	Pg 7
5. <u>Action Items</u> A. Proposed Fiscal Year 2019-20 Bond Surcharges (<i>Attachment</i>) <u>Issue:</u> How much will the surcharges be for FY 2019-20? <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> That the Committee recommend Board approval of the proposed FY 2019-20 bond surcharges as presented in the staff memorandum	(Tang)	Pg 19
B. Annual Review and Consideration of BAWSCA's Statement of Investment Policy (<i>Attachment</i>) <u>Issue:</u> BAWSCA's Investment Policy requires the Board to act on it annually irrespective of any changes. No changes are recommended. <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> That the Board Policy Committee recommend Board re-affirmation of the current Statement of Investment Policy.	(Tang)	Pg 25
C. Authorization of CEO to Enter into a Contract with a Selected Consultant to Develop a Regional Water Demand and Conservation Projections Study <u>Issue:</u> What is BAWSCA's plan for developing new water demand projections and engaging outside stakeholders in the process? <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> That the Board Policy Committee recommend authorization of the CEO/General Manager to negotiate and execute an agreement with a selected consultant, subject to legal	(Johnson)	Pg 33

counsel review, to develop a Regional Water Demand and Conservation Projections Study.

- D. Los Vaqueros Expansion Project MOU (*Attachment*) **(Johnson)** Pg 41
Issue: How will BAWSCA participate in the Los Vaqueros Expansion Project?
Information to Committee: Staff memo and oral report
Committee Action Requested: That the Board Policy Committee recommend Board authorization of the CEO/General Manager to enter into an MOU with CCWD, subject to legal counsel review, for an amount not to exceed \$345,129, for completion of the final planning stage of the LVE Project.

6. Report and Discussion

- A. Mid-Year 2018-19 Work Plan and Budget Review (*Attachment*) **(Sandkulla)** Pg 51
Issue: What resources are needed to address new work items and potential significant scope increases that are critical to ensuring reliable supply of high quality water at a fair price?
Information to Committee: Staff memo and oral report.
Committee Action Requested: Comments and feedback.

7. Reports

(Sandkulla)

- A. Water Supply Update
 B. Review of FY 2019-20 Work Plan and Operating Budget Preparation Process
 C. CEO's Letter (*Attachment*) Pg 59
 D. Board Policy Committee Calendar (*Attachment*) Pg 61
 E. Correspondence Packet ([Under Separate Cover](#))

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 **(Schutte)**
 B. Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9 *Federal Energy Regulatory Commission Final License Application Proceedings for Don Pedro Hydroelectric Project, P-2299-082, and La Grange Hydroelectric Project, P-14581-002* **(Schutte)**
 C. Conference with Legal Counsel – Anticipated Litigation Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Government Code 54956.9 (1 potential case) **(Schutte)**

9. Comments by Committee Members

(Larsson)

10. Adjournment to the next meeting on February 13, 2019 at 1:30pm in the 1st floor conference room of the BAWSCA office building, at 155 Bovet Road, San Mateo.

(Larsson)

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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**

**October 10, 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 1:37 pm. A list of Committee members who were present (7), absent (2) and other attendees is attached.

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

2. **Comments by Committee Chair:** Chair Larsson welcomed members of the Committee, and noted that while there are no significant action items on the agenda, there are substantial reports on water supply reliability developments to date that will provide a critical outlook.
3. **Public Comments:** There were no public comments.
4. **Consent Calendar:** Approval of Minutes from the June 13, 2018 meeting.

Director Kasperzak made a motion, seconded by Director Zigterman, that the minutes of the June 13, 2018 Board Policy Committee meeting be approved.

The motion passed.

5. **Reports:**

- A. **Water Supply Update:** Ms. Sandkulla reported the comparison between the region's water use during the height of the summer months in 2018 and the pre-drought year of 2013. Water use during 2018 summer months was the same as it was in 2017, and continues to be 17% less than in the pre-drought year of 2013. BAWSCA will continue to watch the trend, and monitor the continued water use reduction, which other Bay Area water suppliers are also experiencing.

Ms. Sandkulla noted that the analysis of the region's water use speaks to the importance of the new updated demand study in order to understand what is going on within the service area's water use, and how to make projections moving forward.

In response to Director Mendall's question of how the current trend compare to previous post-droughts of 1976-77, 82 and 87, Ms. Sandkulla stated that total water use never seems to go back up to the same level as the pre-drought years. It is not unusual to continue to stay below the pre-drought level, but it is typically not as much as what is currently happening.

While a temperature comparison has not been done, Ms. Sandkulla noted that both 2017 and 2018 have had cooler summer months.

Director Kasperzak asked if there has been an analysis of what water use would be based on historical water use data and adjusted population?

Sr. Water Resources Specialist, Andree Johnson stated that getting year-to-year population growth data has been a challenge to do a near term analysis on per capita use trends. Long-term analysis that has been done indicate some decline.

Director Schmid referenced Plan Bay Area's recent report on economic growth which states that while jobs are increasing rapidly, there is a huge housing deficit. The region's current water use seems to reflect the economic growth but not the population growth.

Water Resources Manager, Tom Francis, added that EBMUD has looked at their data on hand, and attributes water use reduction to recycled water and conservation. However, there are a lot of questions that remain unanswered, including, how demand hardening will affect conservation in the future. The demand study will help provide insights to such questions.

- B. Implementation of the Long-Term Reliable Water Supply Strategy (Strategy): Ms. Sandkulla stated that Sr. Water Resources Specialists, Adrienne Carr and Andree Johnson, will be providing reports on three key efforts associated with the implementation of BAWSCA's Strategy. These efforts have been ongoing and have been presented as informational items to both the Committee and the Board for a few years. The current status on each of these efforts point toward a stage in which policy action can be anticipated in the coming months. These reports provide the Committee an opportunity to comment, ask questions, and give staff direction on what the Committee believes the full Board would like to see when it is presented at the November Board meeting.

Dr. Carr reported that development of the Strategy began in 2009. The Phase II Final Strategy report was released in February 2015. The study was a comprehensive assessment of the region's water supply reliability through 2040 to assess the water supply problem of when, where, and how much additional water is needed in normal and dry years.

The purpose of the study was also to develop solutions to the identified water supply problem by evaluating specific water supply management projects for implementation. The focus was to provide regional water supply reliability beyond what is provided by the San Francisco Regional Water System.

When the Strategy began in 2009, member agencies anticipated to have unmet supply needs during normal years by 2018. However, when the 2014 Demand Study was completed, it showed that the region has reliable water supply in normal years, but not in dry years. This drove the Strategy in terms of what projects would be of most value for the region.

More than 80 projects were assessed over a period of 5 years. The Phase II Final report identified 15 projects for potential implementation by BAWSCA. The list included brackish groundwater desalination, recycled water, groundwater, local reuse, conservation, and indirect and direct potable reuse. Water transfers and storage projects floated to the top of the list as most suitable for meeting the needs during dry years.

The Strategy Phase II Final report identified two types of actions for implementation of the projects. Core actions are low-cost and low-risk actions towards development of a new supply, and takes place at the beginning of the project development. It is the planning stage that provides critical information to reduce uncertainties and lend themselves to regional cost sharing for the value it provides the entire region.

Implementation actions are the higher costs and higher risks actions. They are pursued later in the phases of a specific project, and lead more directly to the development of new supplies.

Since the completion of the Phase II Final report, BAWSCA's actions have been in the Core level. Projects that have been pursued to date have involved staff time and have had low costs.

The development of an independent Regional Water Supply Reliability Modeling Tool was one of the core actions BAWSCA completed in FY 2017-18. The model was created to evaluate potential water supply projects and to support and inform critical decision-making for the implementation of the Strategy.

The modeling tool allows BAWSCA to independently run alternative scenarios to meet its planning needs, which have been reliant upon San Francisco's modeling tool in determining the region's water supply reliability. The last drought proved that depending on San Francisco's modeling tool was no longer adequate for BAWSCA's service area.

BAWSCA's independent modeling tool has the capability to assess the frequency and magnitude of water supply shortages with consideration of all supply sources. It evaluates the benefits of new water resources, as well as the effects of changed water demands.

The model integrates all the water supplies available to BAWSCA's member agencies including supplies from San Francisco, Santa Clara Valley Water District, Alameda County Water District, and individual agencies' local supplies.

To ensure accurate representation of the regional supplies in BAWSCA's model, BAWSCA worked closely with the regional agencies, who were engaged and supportive of BAWSCA's efforts, and obtained their full cooperation during the development of the model. An inter-agency Technical Advisory Panel was convened and continues to work closely with BAWSCA to ensure that BAWSCA's model is in agreement with the regional agencies' individual models.

The model has four components; the platform, network, input data, and operating rules. BAWSCA selected Riverware as the model platform among 9 other platforms evaluated. The Model network links water supply sources with water users' demand and supply. The input data includes historical hydrology which will be using San Francisco's data from 1920 to 2011, and water demands which includes each agencies water demands and water use patterns throughout the year. The operating rules are the procedures for how water is distributed throughout the water system network.

The model is designed to consider each member agencies' demands and water use patterns, and to be able to provide a complete representation of local and regional supply sources available to BAWSCA's 26 member agencies. While BAWSCA's model was calibrated to be consistent with each of the existing regional models, it does not reproduce those models.

BAWSCA's model combines three disparate models into one to provide a better understanding of each BAWSCA member agencies' water supply reliability, and identify the frequency, magnitude, and timing of water shortages both regionally as well as for each member agency.

The development of the model has already resulted in several significant findings including the confirmation that the current planning assumption that annual demands on the SFRWS are constant, is not accurate. Agencies with multiple supplies can have significant annual variations in demands on the system.

For example, based on current planning, member agencies have a total water system demand of 174 mgd up to the year 2040. In using the BAWSCA model; under different scenarios to determine how each agency might meet their demands, results show that demands vary annually from 167 to 182 mgd, depending on the status of other supply sources.

Ms. Sandkulla noted the experience during the last drought with ACWD and the State Water Project. Demands on the SFRWS increased as a result of ACWD purchasing more of its allocation from San Francisco to make up for supply it could not get from the State Water Project. The increased purchases were not realized as specific to ACWD, until further investigation was done.

BAWSCA's model considers all supply sources used by the member agencies, as well as the agencies' different annual demands on the SFRWS supplies so that it can look at various assumptions and see how it fits in with real situations. Ms. Sandkulla was pleased to see how the real experience with ACWD was confirmed during the development of the model.

Dr. Carr reported that the Model will run three scenarios for evaluation during FY 2018-19. The first scenario will evaluate the regional impacts of new alternative supply sources or storage. The Los Vaqueros Expansion project will be investigated under this scenario. The second scenario is the simulation of alternative operating rules such as a change to Tier 2 Drought Allocation or the existing minimum purchase requirement. The third scenario is the assessment of how near-term drought or infrastructure outages can affect system reliability. It will assess how the region can withstand a drought based on current reliability today.

BAWSCA will present the modeling tool to member agencies in the spring of 2019 to obtain feedback on what kinds of information agencies would like to get from the tool, and identify the scenarios for consideration in the following year.

In response to committee member questions, Dr. Carr stated that BAWSCA worked closely with member agencies to obtain historical use of local supplies and capacity. The FY 2015-16 Annual Survey, which has data collected from member agencies, was used for making growth assumptions.

Making Conservation a Way of Life is one of the potential scenarios that will be evaluated in FY 2018-19.

Ms. Sandkulla stated that BAWSCA will continue to work with the Technical Advisory Panel to ensure accurate correlation of the model outputs.

Mr. Francis added that given the long modeling history that the SFPUC, ACWD, and SCVWD have had, the collaboration has provided the regional agencies reassurance that BAWSCA's model correlates with their models. The agencies have been supportive and are looking to BAWSCA's model to provide answers to their own questions about how the BAWSCA region might respond during a drought.

In response to Director Mendall, Ms. Sandkulla explained that results of the upcoming demand study are a critical input to the model. Member agencies will provide BAWSCA their projected future growth, in accordance with land use plans each agency has adopted. As BAWSCA is not a land use agency and has no land use authority, BAWSCA will work with agencies to make sure there are no overlaps and that there is consistency, or not, with the Association of Bay Area Government (ABAG), since BAWSCA members have different ways of dealing with land use planning.

Ms. Sandkulla added that part of the discussion about demand projections include identifying where the growth is occurring, and how an agency will accommodate that growth. Some agencies have alternative supplies that can accommodate the growth, while other agencies solely depend on the SFRWS. These factors, and other various pieces go into the process of the demand study. Any revised demands will provide critical information for use in the modeling tool.

Director Schmid cited BAWSCA's expanding interaction with agencies outside its membership, including BAWSCA's planned pilot water transfer, which would bring in an alternate supply outside of the Hetch Hetchy system. He noted the need to build a model that could look outside of the 26 member agencies to understand how BAWSCA can coordinate with outside agencies, in addition to the 26 member agencies, on potential investments in alternative supplies.

Ms. Sandkulla explained that the model platform, Riverware, offers flexibility to have that capacity. The first scenario that will be evaluated, New Alternative Supply Sources, will look at the significance, or insignificance, of a potential investment in a new supply source or storage to answer the question, "Does it increase the dry year supply and is it cost-effective?" The model will also allow BAWSCA to look more closely at the impacts of changing demands as a result of "Conservation as a Way of Life" that is specific to the BAWSCA region.

Director Zigterman commented that he anticipates additional uses for the model in the future, and noted the timely development of the tool when there is no crisis.

- C. Pilot Water Transfer – Update: Efforts on the pilot transfer plan started in 2010. In partnership with EBMUD, BAWSCA released a report in 2013 called *BAWSCA-EBMUD Short-Term Pilot Transfer Plan*, to test the physical and institutional issues associated with a potential future water transfer.

The efforts between 2012 through 2016 focused on moving Sacramento River water through the EBMUD system to BAWSCA. Significant lessons were learned during that time period with the occurrence of the drought and the physical and institutional difficulties experienced in implementing the plan. Challenges that surfaced included EBMUD's lack of capacity at the Freeport facility for the pilot transfer as a result of the drought, and the inability to secure a permit from the Bureau of Reclamation as BAWSCA did not have an existing contract with the Bureau.

These roadblocks started a conversation with EBMUD about potentially sourcing water from the Mokelumne River via agencies that use those supplies. Amador Water Agency (AWA) was identified as a potential partner. They have water rights and entitlements on the Mokelumne River that could be available for a temporary water transfer.

A cost estimate for the pilot water transfer was developed in 2013 and then updated in 2015. The cost for transferring water from the Mokelumne River via AWA would exclude the costs of some facilities, such as the Freeport Facility, that would have been needed for a transfer of water from the Sacramento River.

Like Hetch Hetchy water, Mokelumne river water is high quality water that travels by gravity. While it requires slightly more treatment than SFRWS supply, Mokelumne water has similar quality to Hetch Hetchy water.

This pilot proposes to purchase and transfer 1,000 AF of water delivered to EBMUD's Pardee Reservoir. The water would be wheeled via EBMUD to the Hayward intertie. Hayward would be the primary agency that would receive the water, but some water would also go into the SFRWS. The anticipated delivery window is winter of 2019-2020, during SFPUC's planned Hetch Hetchy shutdown for maintenance needs.

Implementing the pilot water transfer would be the first effort by the BAWSCA member agencies to act collectively and independently of the SFPUC to secure reliable water supply. It is a significant action that provides a foundation for future efforts on long-term supply.

BAWSCA started negotiation discussions with AWA on the purchase of 1,000 AF transfer water. Agreements with the City of Hayward, EBMUD, and the SFPUC are in progress and are being finalized. BAWSCA is aiming to integrate the transfer effort into the Bay Area Regional Water Market (Exchange/Transfer) Program, as the BARR partnership recently received a \$400,000 grant from the Bureau of Reclamation for this effort. The grant money could potentially be put towards the costs of, for example, completing environmental documents for the BAWSCA pilot water transfer. Board consideration for implementation of the pilot water transfer is anticipated in the summer of 2019.

In response to Director Kasperzak's questions, Dr. Carr explained that the basis of the estimated \$930 - \$1,720 / AF includes costs of the water, as well as operation of the pumping facilities which includes energy, staff, and treatment. Dr. Carr also clarified that because the pilot water transfer is a temporary transfer of water, it involves the transfer of physical water supply as opposed to the transfer of permanent water rights between one agency to another.

In the pilot's estimated costs, Director Kuta asked about the \$400-\$600 / AF line item under the SFRWS, and whether the overall costs can be expected to go down if the transfer became a more routine operation for larger amounts of supply. Dr. Carr explained that the \$400-\$600 / AF SFRWS line item represents system costs that will only be applied under a mandatory drought situation. In accordance with the Wholesale Revenue Requirement, wholesale customers pay a higher share of the costs when they get more share of the regional water supply. In a transfer situation, wholesale customers' allocation will increase with the transfer of outside supply. That outside supply, once it crosses the Hayward Intertie, becomes SFRWS supply for which wholesale customers have to pay. If the pilot water transfer is implemented during a non-drought situation, then there will be no added costs to the Wholesale Revenue Requirement, so that line item would not reflect a cost.

Director Zigterman asked how the transfer plan factors in an overall surface supply shortage. Dr. Carr stated that in a typical transfer scenario, urban customers are willing to pay for the water from farmers who choose to sell their supply as opposed to using it on their fields.

Ms. Sandkulla noted that the objective of the pilot water transfer is to test what it takes to purchase water outside the SFRWS and move it through the system. It has proven to be an important test to run, especially with the various challenges as well as possibilities that developed along the way.

Director Larsson noted the 8-year process it took for the pilot to develop from inception to current status. It is a critical data point worth highlighting to counter SED arguments that water transfers are available water supply alternatives during drought.

Ms. Sandkulla and Legal Counsel, Allison Schutte, confirmed that those arguments were included in BAWSCA's SED comments, emphasizing that while infrastructure exists, the physical requirements of water transfers need to be studied along with the institutional processes. The development of BAWSCA's pilot water transfer has proven that implementing water transfers is more than just turning on the physical infrastructure and conducting paper studies for the institutional process.

- D. Los Vaqueros Expansion Project – Update: Sr. Water Resources Specialist, Andree Johnson, provided the update on the Los Vaqueros Expansion (LVE) project.

The LVE project is the second expansion of Los Vaqueros, an existing off-stream reservoir in Contra Costa County. The LVE project would expand the reservoir from its current capacity of 160 TAF to 275 TAF.

Ms. Johnson stated that the concept of partnering with other agencies to expand storage capacity in the reservoir is not a new one. CCWD had reached out to other agencies for the first expansion of the reservoir back in 2001. At that time, there were no agencies that sought to partner. The expansion was ultimately completed by CCWD on its own.

This second phase of expansion will provide more storage capacity than CCWD needs to meet their local water demands. Therefore, in 2016, CCWD reached out to other agencies, including BAWSCA and the SFPUC, seeking project partners.

In 2017, BAWSCA and SFPUC entered into a cost share agreement with CCWD to fund efforts associated with investigating the potential storage expansion, including preparation of environmental documents and completing an application for Prop 1 funding.

The grant application was successful, and Prop 1 funding of \$459 million was awarded to CCWD to partially fund the project. Since the total LVE project cost is \$980 million, the remainder of the project's cost will be covered by agency partners and potentially through federal grant opportunities.

Ms. Johnson noted the three main components of the project that would benefit BAWSCA. The first is the storage element provided by the reservoir expansion. The second is new conveyance facilities, particularly the transfer Bethany pipeline which would allow movement of water from Los Vaqueros Reservoir to the South Bay Aqueduct. This is of key importance to BAWSCA's interest in that when in place, it allows water to be moved from storage in Los Vaqueros to BAWSCA member agencies through a new conveyance route, one that includes the South Bay Aqueduct. The third is intake facilities. The project includes several options for updating CCWD's existing delta intake facilities and the addition of a new pump station to improve operational flexibilities.

The project concept also proposes permanent storage capacity in LVE that partners can use to store transfer water made available in wet years for release during dry periods. Also, CCWD's Delta surplus supplies can be made available to project partners, and increased water conveyance capabilities.

BAWSCA's and SFPUC's interests in the project are slightly different. SFPUC is interested in obtaining a supply source in a normal year to address San Jose's and Santa Clara's need for water (to make them permanent customers of the SFPUC). LVE may be able to help in that regard.

BAWSCA's interest is in a dry year supplemental supply source to fill the gap between available supply and demands.

Under the 2017 cost share agreement, BAWSCA contributed \$100K through the SFPUC as dictated by the 2009 WSA. That agreement will expire at the end of 2018. An updated funding agreement will form part of a Memorandum of Understanding (MOU). The MOU is currently in the works.

Key efforts in developing the MOU include the clarification of roles and responsibilities between CCWD and partnering agencies, and approving a cost share structure. CCWD is working with their consultants in identifying how the costs for additional planning, design, construction, and operation of the project should be allocated among the potential partners based on their proposed use of the different facilities.

The new cost share agreement is anticipated to get through the final planning stages of the project. It would include completion of final environmental documents, development of a governance mechanism, and additional hydrologic modeling to better identify project benefits.

It is anticipated that BAWSCA would participate in the new cost share separately from the SFPUC. The estimated cost to BAWSCA is approximately in the \$150,000-\$200,000 range. Staff expects to have further information on the progress of the project, and if BAWSCA decides to participate, staff will present a recommendation to the BPC at its December meeting, for Board action in January 2019.

Ms. Sandkulla added that there are more than twenty project partners (made up of water agencies, refuge, suppliers, the Bureau as well as the State). The large number of partners makes the identification of roles and responsibilities and allocation of costs a critical and involved process.

She also noted that LVE's hydrologic modeling results will serve as input information to BAWSCA's modeling to further identify the project's benefit to the BAWSCA region.

Ms. Sandkulla reminded the Committee that the LVE project is one of the anticipated projects to be potentially funded through the Long-Term Reliability Fund under the General Reserve Policy.

In response to Director Mendall, Ms. Sandkulla explained that there are no existing, or plans for, a direct connection point between Los Vaqueros and the Regional Water System. Supply from Los Vaqueros would go through the South Bay Aqueduct into the Santa Clara Valley Water District (SCVWD). It would require shifting of supplies by BAWSCA member agencies. There are six member agencies that receive supply from the SCVWD, and there would need to be an agreement developed as to how the supply would be shared in that area. Supply from Los Vaqueros would go through another system for distribution in Santa Clara county. This will free up Hetch Hetchy supply that could be provided to other member agencies. BAWSCA's modeling will help in identifying the specifics for how to distribute the supply efficiently and accordingly.

Director Mendall expressed his skepticism on the practicality of water transfers because in a drought, BAWSCA member agencies will be in a position of greater need than the agencies that BAWSCA would potentially be buying water from, and therefore can be gouged. But the opportunity to purchase supply in a wet year, and store it for use in dry years, presents a more realistic opportunity to make transfers work, and a viable approach to increasing supply in a drought year. He also noted that with SFPUC's and BAWSCA's differing interests, it is important to keep BAWSCA's partnership with the project separate from San Francisco's.

In response to Director Zigterman, Ms. Sandkulla noted that BAWSCA's participation in the LVE Project is to obtain supplemental supplies above what SFRWS can provide. Securing additional supplemental supplies to meet the BAWSCA member agencies' dry year needs was the Board's key decision out of the final Strategy report that provided specific recommendations for addressing future water supply reliability.

Ms. Sandkulla added that during the development of the Strategy, the Board had a substantial discussion about how the Strategy fits in BAWSCA's role. It was clearly identified that BAWSCA's enabling legislation broadly speaks to addressing the water needs of, and water supply reliability for, this region.

While a combination of increased water-use efficiency, investments in alternative supplies, and an economic slowdown significantly lessened concerns for normal year needs, there remains a gap in dry years. Continued direction from the Board through development of the Strategy and adoption of annual workplans is to investigate potential opportunities that can provide supplemental supplies independent of the SFRWS.

Director Mendall noted that efforts, since the release of the final Strategy report, have primarily been in the investigation of potential opportunities. Advancement towards elevated decision-making by the Board, including policy and higher investments, is only now just developing.

Mr. Francis added that as project progresses, the Board will be kept informed and have the choice to opt in or out.

The LVE project is one of three projects BAWSCA has been working on jointly with SFPUC to address future water supply needs. In these efforts, BAWSCA and SFPUC have defined roles and responsibilities that are specific to BAWSCA's implementation of the Strategy, and the SFPUC's execution of their WaterMAP.

Director Schmid commented that he is pleased to see BAWSCA's development of new water supply sources through the Strategy. A caution he noted, however, is a potential change in governance as BAWSCA's future long-term supply may become dependent on outside sources. As a result, BAWSCA may become farther from decision-making, and have to deal with intermediaries.

Ms. Sandkulla appreciated Director Schmid's comments. She stated that through the first and second expansion phases, CCWD has clearly indicated no interest in selling water by contract. Legal counsel is heavily involved in the governance discussions among the project partners, and CCWD has indicated their interest in some form of governance mechanism, for example, a JPA.

Ms. Sandkulla reminded the Committee of the SFPUC's decision in 2007 to provide up to 184mgd only at least through 2018. Member agencies realized then, that they needed to act collectively, or individually, to secure water supply reliability. Hence, work on the Strategy began.

In response to Director Kuta, Ms. Sandkulla stated that the LVE could provide 10 TAF of storage and a yield of 10 mgd. The regional modeling tool will be useful in identifying LVE's physical, institutional and economic advantages as it fits BAWSCA's needs. Conversations will be ongoing as the project develops and various pieces arises.

Mr. Francis added that LVE's construction cost will be expensive and will have ongoing operational and maintenance costs. While the next 2-years are going to be manageable in costs, there will be some big decisions that can be expected in 3-4 years. With the modeling tool in development now, BAWSCA will be able to make much more informed decisions on what investments to make with information on benefit-to-costs analyses.

Director Mendall asked about the potential for SFPUC to independently negotiate with CCWD to purchase supply, charge the wholesale customers 2/3rds of the cost, and increase the wholesale customers' supply guarantee. Ms. Sandkulla stated that the existing project participants have already allocated the potential new storage, and therefore, the total available yield from LVE to the SFPUC is limited.

Director Breault asked about anticipated significant upstream environmental issues as a result of an increased diversion to fill a large reservoir.

Ms. Sandkulla stated that the project actually received support letters from environmental groups. While the reservoir will triple in size, Los Vaqueros is an off-stream site, and a cattle grazing land that is all within Los Vaqueros and East Bay Regional Park's ownership. The impacts on the intake locations can be controlled and the connection to the California aqueduct is seen as a benefit. In addition, Los Vaqueros reservoir provides refuge water to south of the Delta.

6. **Closed Session:** The meeting adjourned to Closed Session at 3:11pm
7. **Open Session:** The meeting convened to Open Session at 3:23pm. Legal Counsel, Allison Schutte reported that no action was taken during Closed Session.
8. **Comments by Committee Members:** As an update on the Bay-Delta Plan, Ms. Sandkulla will distribute a copy of a letter, dated September 24, 2018, the SFPUC received from Non-Governmental Organizations.

The Board will be reminded via email that all Special Meetings scheduled for the rest of the year is canceled.

Director Kuta thanked staff for information on water quality events. Dr. Carr noted that the Joint Water Quality Committee distribution list is managed by jgale@sfwater.org.

9. **Adjournment:** The meeting was adjourned at 3:26 pm. The next meeting is June 13, 2018.

Respectfully submitted,

Nicole Sandkulla, CEO/General Manager

NS/le

Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – October 10, 2018

Roster of Attendees:

Committee Members Present

Gustav Larsson, City of Sunnyvale (Chair)
Tom Zigterman, Stanford (Vice Chair)
Randy Breault, City of Brisbane/GVMID (Immediate Past BAWSCA Chair)
Mike Kasperzak, City of Mountain View
Rob Kuta, Cal Water Service Company
Al Mendall, City of Hayward (BAWSCA Chair)
Gregg Schmid, City of Palo Alto

Committee Members Absent

Jay Benton, Town of Hillsborough
Barbara Pierce, City of Redwood City (BAWSCA Vice Chair) *teleconferenced*

BAWSCA Staff:

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

Public Attendees:

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Agenda Title: **Proposed Fiscal Year 2019-20 Bond Surcharges**

Summary:

This memorandum presents the proposed bond surcharge for each agency for FY 2019-20. The surcharge would take effect on July 1, 2019. This surcharge setting conforms to BAWSCA's Revenue Bond Indenture (Indenture) for the Series 2013A and 2013B revenue bonds.

Recommendation:

That the Committee recommend Board approval of the proposed FY 2019-20 bond surcharges as presented in this memorandum.

Discussion:

The bond surcharge for each member agency is a fixed amount each fiscal year as adopted by the BAWSCA Board to ensure collection of necessary revenue to pay that year's obligated debt service as defined in the Indenture.

The annual surcharges for FY 2019-20 are calculated by multiplying the obligated debt service in 2020 by each agency's percentage of total wholesale customer purchases in FY 2017-18 and adding a "true up" adjustment for the FY 2017-18 surcharges. This "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2017-18 and to reimburse BAWSCA for some expenses incurred in FY 2017-18 in connection with the bond administration that were paid through BAWSCA's FY 2017-18 Operating Budget.

Per the Indenture, the Rate Stabilization Fund at the Trustee has been reviewed and no replenishment amount is determined necessary at this time. One-twelfth of the annual surcharge, or the monthly surcharge, will be included in the first water bill from San Francisco sent to the agencies each month.

The proposed FY 2019-20 bond surcharge for each agency is shown in Table 1. Table 2 shows how the "true up" adjustment for each member agency is determined and included in the proposed FY 2019-20 surcharge amount. Table 3 indicates how much the capital recovery payment cost would be in FY 2017-18 (column A) if BAWSCA didn't issue the bonds to prepay the capital debt that the agencies owed to San Francisco. The actual savings to each agency in FY 2017-18 (column E) are calculated accordingly.

Table 1. Proposed BAWSCA FY2019-20 Bond Surcharges

Agency	Annual Bond Surcharge	Monthly Bond Surcharge	Agency	Annual Bond Surcharge	Monthly Bond Surcharge
Alameda County WD	\$1,710,036	\$142,503	Mid Pen WD	\$474,420	\$39,535
Brisbane Water	\$102,132	\$8,511	Millbrae	\$369,492	\$30,791
Burlingame	\$633,744	\$52,812	Milpitas	\$995,676	\$82,973
Coastside County WD	\$107,280	\$8,940	Mountain View	\$1,392,132	\$116,011
CWS - Bear Gulch	\$2,199,888	\$183,324	North Coast WD	\$510,768	\$42,564
CWS - Mid Peninsula	\$2,337,468	\$194,789	Palo Alto	\$1,989,600	\$165,800
CWS - South SF	\$798,372	\$66,531	Purissima Hills WD	\$365,172	\$30,431
Daly City	\$470,712	\$39,226	Redwood City	\$1,638,684	\$136,557
East Palo Alto WD	\$291,768	\$24,314	San Bruno	\$124,476	\$10,373
Estero Municipal ID	\$820,776	\$68,398	San Jose (North)	\$818,796	\$68,233
Guadalupe Valley	\$51,120	\$4,260	Santa Clara	\$263,712	\$21,976
Hayward	\$2,850,780	\$237,565	Stanford University	\$259,848	\$21,654
Hillsborough	\$516,636	\$43,053	Sunnyvale	\$1,884,492	\$157,041
Menlo Park	\$605,244	\$50,437	Westborough WD	\$114,672	\$9,556
Total				\$24,697,896	\$2,058,158

Table 2. Impact of FY 2017-18 True-up Adjustment on FY 2019-20 Proposed Surcharges

Agency	FY 2017-18			FY 2019-20	
	Surcharge Collected (Based on FY 2015-16 Purchase)	Surcharge Obligation (Based on FY 2017-18 Purchase)	Difference: True-up Amount	Surcharge To Be Collected (Based on FY 2017-18 Purchase)	Proposed Surcharge Incl. True-up Amount for FY 2017-18
Alameda County WD	\$1,330,786	\$1,521,194	\$190,408	\$1,519,629	\$1,710,036
Brisbane Water	\$66,496	\$84,360	\$17,865	\$84,274	\$102,132
Burlingame	\$680,133	\$657,279	(\$22,854)	\$656,602	\$633,744
Coastside County WD	\$260,081	\$183,775	(\$76,306)	\$183,586	\$107,280
CWS - Bear Gulch	\$1,745,892	\$1,973,905	\$228,014	\$1,971,874	\$2,199,888
CWS - Mid Peninsula	\$2,383,675	\$2,361,790	(\$21,886)	\$2,359,359	\$2,337,468
CWS - South SF	\$1,077,961	\$938,647	(\$139,314)	\$937,681	\$798,372
Daly City	\$927,295	\$699,361	(\$227,934)	\$698,641	\$470,712
East Palo Alto WD	\$314,351	\$303,216	(\$11,135)	\$302,904	\$291,768
Estero Municipal ID	\$799,143	\$810,378	\$11,235	\$809,544	\$820,776
Guadalupe Valley	\$46,856	\$49,012	\$2,155	\$48,961	\$51,120
Hayward	\$2,721,355	\$2,787,505	\$66,150	\$2,784,636	\$2,850,780
Hillsborough	\$463,575	\$490,359	\$26,784	\$489,854	\$516,636
Menlo Park	\$488,031	\$546,917	\$58,886	\$546,354	\$605,244
Mid Pen WD	\$484,740	\$479,825	(\$4,916)	\$479,331	\$474,420
Millbrae	\$409,497	\$389,693	(\$19,804)	\$389,292	\$369,492
Milpitas	\$1,001,072	\$998,891	(\$2,181)	\$997,863	\$995,676
Mountain View	\$1,495,097	\$1,444,360	(\$50,737)	\$1,442,874	\$1,392,132
North Coast WD	\$419,912	\$465,577	\$45,664	\$465,098	\$510,768
Palo Alto	\$1,823,190	\$1,907,375	\$84,185	\$1,905,412	\$1,989,600
Purissima Hills WD	\$268,357	\$316,925	\$48,568	\$316,599	\$365,172
Redwood City	\$1,585,991	\$1,613,166	\$27,175	\$1,611,506	\$1,638,684
San Bruno	\$225,471	\$175,065	(\$50,406)	\$174,885	\$124,476
San Jose (North)	\$905,858	\$862,769	(\$43,089)	\$861,881	\$818,796
Santa Clara	\$522,236	\$393,178	(\$129,059)	\$392,773	\$263,712
Stanford University	\$309,196	\$284,670	(\$24,526)	\$284,377	\$259,848
Sunnyvale	\$1,736,786	\$1,811,571	\$74,784	\$1,809,706	\$1,884,492
Westborough WD	\$182,037	\$148,431	(\$33,606)	\$148,278	\$114,672
Totals	\$24,675,070	\$24,699,192	\$24,122	\$24,673,774	\$24,697,896

Table 3. Actual Savings to Each Agency for FY 2017-18 Resulting from BAWSCA 2013A and 2013B Bond Issuance

Agency	FY 2017-18				
	SFPUC Capital Recovery Payment	Annual Surcharge Collected in FY 2017-18	True-ups To Be Collected or Refunded in FY 19-20	BAWSCA Annual Surcharge Plus True-ups	Actual Savings
	A	B	C	D = B + C	E = A - D
Alameda County WD	\$1,736,805	\$1,330,786	\$190,408	\$1,521,194	\$215,611
Brisbane Water	\$96,317	\$66,496	\$17,865	\$84,360	\$11,957
Burlingame	\$750,440	\$680,133	(\$22,854)	\$657,279	\$93,161
Coastside County WD	\$209,823	\$260,081	(\$76,306)	\$183,775	\$26,048
CWS - Bear Gulch	\$2,253,682	\$1,745,892	\$228,014	\$1,973,905	\$279,777
CWS - Mid Peninsula	\$2,696,544	\$2,383,675	(\$21,886)	\$2,361,790	\$334,755
CWS - South SF	\$1,071,688	\$1,077,961	(\$139,314)	\$938,647	\$133,042
Daly City	\$798,487	\$927,295	(\$227,934)	\$699,361	\$99,126
East Palo Alto WD	\$346,193	\$314,351	(\$11,135)	\$303,216	\$42,977
Estero Municipal ID	\$925,239	\$799,143	\$11,235	\$810,378	\$114,861
Guadalupe Valley	\$55,958	\$46,856	\$2,155	\$49,012	\$6,947
Hayward	\$3,182,599	\$2,721,355	\$66,150	\$2,787,505	\$395,095
Hillsborough	\$559,861	\$463,575	\$26,784	\$490,359	\$69,502
Menlo Park	\$624,436	\$488,031	\$58,886	\$546,917	\$77,519
Mid Pen WD	\$547,834	\$484,740	(\$4,916)	\$479,825	\$68,009
Millbrae	\$444,927	\$409,497	(\$19,804)	\$389,693	\$55,234
Milpitas	\$1,140,471	\$1,001,072	(\$2,181)	\$998,891	\$141,581
Mountain View	\$1,649,081	\$1,495,097	(\$50,737)	\$1,444,360	\$204,720
North Coast WD	\$531,567	\$419,912	\$45,664	\$465,577	\$65,990
Palo Alto	\$2,177,722	\$1,823,190	\$84,185	\$1,907,375	\$270,347
Purissima Hills WD	\$361,845	\$268,357	\$48,568	\$316,925	\$44,920
Redwood City	\$1,841,812	\$1,585,991	\$27,175	\$1,613,166	\$228,647
San Bruno	\$199,879	\$225,471	(\$50,406)	\$175,065	\$24,813
San Jose (North)	\$985,056	\$905,858	(\$43,089)	\$862,769	\$122,287
Santa Clara	\$448,906	\$522,236	(\$129,059)	\$393,178	\$55,728
Stanford University	\$325,018	\$309,196	(\$24,526)	\$284,670	\$40,348
Sunnyvale	\$2,068,339	\$1,736,786	\$74,784	\$1,811,571	\$256,768
Westborough WD	\$169,469	\$182,037	(\$33,606)	\$148,431	\$21,038
Totals	\$28,200,000	\$24,675,070	\$24,122	\$24,699,192	\$3,500,808

Background:

BAWSCA's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued to prepay the capital debt that the agencies owed San Francisco. The bond transaction and the prepayment program will generate approximately \$62.3 million in net present value savings over the term of the bonds, or about 17% of the \$356.1 million in principal prepaid from bond proceeds to San Francisco at the end of February 2013.

BAWSCA has been collecting the bond surcharge from member agencies since July 2013 through the SFPUC as a separate item on SFPUC's monthly water bills to member agencies. FY 2019-20 will be the seventh year for BAWSCA to collect the bond surcharge payments that are used to make debt service payments on BAWSCA's revenue bonds.

Calculating the "True Up" Adjustment

Consistent with the Indenture, the FY 2019-20 bond surcharge setting includes a "true up" adjustment included in the calculation. This "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2017-18 and to reimburse BAWSCA for some expenses incurred in FY 2017-18 in connection with the bond administration that were paid through BAWSCA's FY 2017-18 Operating Budget. Those expenses include the fees to Bank of New York for its Trustee services and the costs of legal, financial advisor, investment advisor, and arbitrage rebate consultant. A "true up" adjustment is anticipated every year as part of the calculation of the Annual Bond Surcharge.

The annual surcharges collected from the member agencies in FY 2017-18 were calculated by multiplying the obligated debt service in 2018 by each agency's percentage of total wholesale customer purchases in FY 2015-16. FY 2015-16 purchases were used as a surrogate for FY 2017-18 purchases, which were not known when the FY 2017-18 bond surcharges were adopted.

Now that the actual wholesale customer purchases for FY 2017-18 and the actual expenses incurred in FY 2017-18 in connection with the bond administration are available, the actual surcharges for FY 2017-18 are calculated again by multiplying a sum of the obligated debt service in 2018 and the actual expenses incurred in FY 2017-18 by each agency's percentage of total wholesale customer purchases in FY 2017-18. The difference between the surcharges that were actually collected in FY 2017-18, which were based on the surrogate purchase values, and the actual surcharges for FY 2017-18, which are based on actual FY 2016-17 purchases, are one component of the "true up" adjustments to be included in the annual surcharge setting for FY 2019-20.

The second component of the "true up" adjustment is inclusion of \$24,122 of actual expenses incurred by BAWSCA in FY 2017-18 in connection with the bond administration, which represents 0.10% of the annual debt service of the bonds in 2020. In addition, pursuant to the Prepayment and Collection Agreement between BAWSCA and San Francisco, BAWSCA shall reimburse San Francisco for specific expenses incurred for compliance with tax-exempt regulations. BAWSCA didn't receive any relevant bill from San Francisco in FY 2017-18. A "true up" adjustment for FY 2019-20 will be included in the surcharge setting for FY 2021-22.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

The Board’s Investment Policy states the CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting. The previous review occurred on November 16, 2017 and resulted in no changes to the policy. Quarterly investment reports are provided to the Board as required by the policy. The last investment report was provided to the Board on November 15, 2018.

BAWSCA’s Investment Policy also specifies permitted investment instruments for the bond proceeds associated with the Revenue Bonds Series 2013A and 2013B and delegates the management and oversight of BAWSCA’s investments to the CEO. Based on a review of the agency’s circumstances and liquidity needs, BAWSCA believes the current permitted investment instruments are consistent with the agency’s risk tolerances and primary investment objectives. In consideration of the long-term nature of the stabilization fund, BAWSCA has determined that the current 0-5 year laddered maturity investment strategy is appropriate and continues to provide the agency opportunities to pursue higher yields and benefit from longer maturity and higher yielding investments over time.

Legal counsel confirmed that the current Investment Policy reflects language consistent with current State law. A copy of the current policy is attached. No changes to the policy, including the permitted investment instruments for the bond proceeds, are recommended at this time.

Fiscal Impact:

No impact on BAWSCA's annual operating budget.

Recommendation:

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

Discussion

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

BAWSCA’s bond proceeds are invested in accordance with the Bond Indenture and the agency’s Investment Policy. The Bond Indenture specifies investments in which BAWSCA is permitted to invest bond proceeds. In November 2012, as part of the establishment of the bond structure, the BAWSCA Board amended the Investment Policy to further restrict allowable investments for bond proceeds to three specific instruments: Federal Securities, Money Market Mutual Funds, and Certificates of Deposit. As of November 30, 2018, the total balance held by the bond trustee, Bank of New York, was \$20,261,578, which includes:

(1) the bond surcharges of \$7,678,511 collected from the member agencies to pay the next semi-annual debt service payment, and (2) the stabilization fund of \$12,583,067 that is a reserve to cover the debt service payments in the event of potential shortfalls in the surcharge revenue received from the BAWSCA agencies.

BAWSCA reviews the investment strategy for the stabilization fund in connection with the agency's circumstances and the market conditions on a regular basis. As a result of the recent review in November 2018 performed in coordination with BAWSCA's investment advisor, Public Trust Advisors, BAWSCA believes the current permitted investment instruments are consistent with the agency's risk tolerances and primary investment objectives. In consideration of the long-term nature of the stabilization fund, BAWSCA determines the current 0-5 year ladder maturity investment strategy, implemented in April 2018, is still appropriate and continues to provide the agency opportunities to pursue higher yields and benefit from longer maturity and higher yielding investments over time.

A summary of the current investment portfolio maturity distribution for BAWSCA's stabilization fund is shown in Table 1 below. No changes to the policy, including the permitted investment instruments for the bond proceeds, are recommended at this time.

Results of Prior Evaluations of Investment Strategy with Investment Advisor's Assistance

In July 2013, BAWSCA implemented an investment strategy that assumed 70% of the necessary bond surcharge revenues are collected on time and available for scheduled debt service payments. Therefore, 30% of the necessary debt service payment must be accessible to the bond trustee through the stabilization fund to supplement bond surcharge revenues. The stabilization fund was invested by purchasing US Treasury Securities (a subset of Federal Securities as defined in the Investment Policy) with 6 month or one-year maturities coinciding with the debt service payment dates.

In September 2015, the annual on-time surcharges collection assumption was changed from 70% to 80% based on BAWSCA's experience in collecting bond surcharge revenues. BAWSCA also implemented an investment strategy that involved both a 6-month rolling and a 0-3 year ladder security structure designed to provide the agency an appropriate balance of safety, liquidity and yield.

In October 2017, BAWSCA reviewed the investment strategy again to determine whether a change in the agency's circumstances, surcharge revenue experience, or market conditions may justify a change in the investment strategy to better align the agency's objectives and risk tolerance. Due to a limited history of bond surcharge payment collection from the member agencies and a then recent delay in surcharge deposits to the Trustee due to the SFPUC's wire transfer error and agreement misinterpretation, no changes were made to the investment strategy at that time.

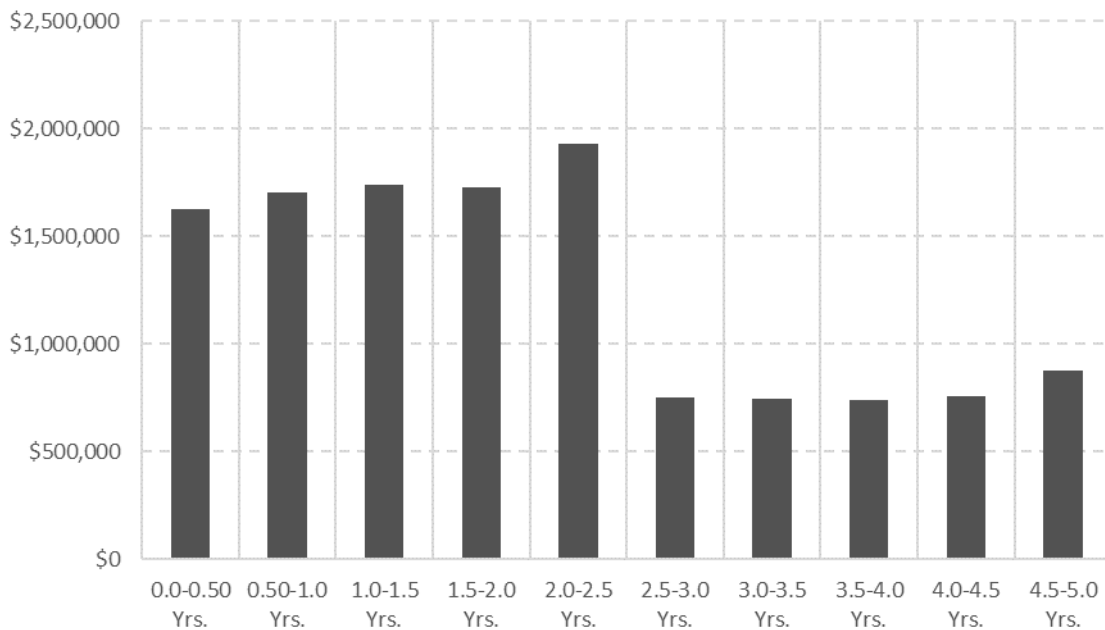
In April 2018, BAWSCA re-evaluated the investment strategy and determined that a modest extension of portfolio maturity was appropriate to pursue higher yields while still satisfying the primary objectives of safety and liquidity. Following the April debt service payment, BAWSCA began to transition to a 0-5 year ladder portfolio strategy without an on-time surcharge collection assumption. As of November 30, the market yield on BAWSCA's current portfolio was 2.77% with an average maturity of 2.14 years compared to 2.10% for the money market fund. It is anticipated to take about 3 years to smooth out the ladder.

In November 2018, BAWSCA evaluated the credit quality, market price risk, and liquidity characteristics of all investment instruments permitted by the Bond Indenture. As a result,

BAWSCA determined that only the State of California’s Local Agency Investment Fund (LAIF) and the Commercial Paper (CP) are considered available to BAWSCA as alternative options, in addition to the three specific investment vehicles allowed by the Investment Policy. Both LAIF and CP are short-term investment vehicles with a term to maturity of less than 270 days. BAWSCA’s current 0-5 year ladder portfolio strategy consists of US Treasury Securities maturing in 6-month intervals out to a final maturity of 5 years. Per BAWSCA’s investment advisor, longer-term portfolios have historically outperformed LAIF as evidenced by the average annual returns over the preceding 20 years. As of November 30th, the market yield on BAWSCA’s current portfolio was 2.77% compared to 2.24% for LAIF (daily yield as of 11/28/2018). Any CP that may be appropriate for the shortest maturity in BAWSCA’s portfolio strategy would have supply constraints due to the Securities and Exchange Commission’s 4(2) exemption. Based on the results of the evaluation, no changes in the investment strategy to include investment in LAIF or CP are anticipated at this time.

The CEO/General Manager anticipates another evaluation of the agency’s circumstances and the investment strategy during next year’s investment policy review. The result of the evaluation will be reported to the Committee and the Board.

Figure 1: Stabilization Fund Investment Portfolio Maturity Distribution as of 11/30/2018



Attachment:

1. Statement of Investment Policy

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BAY AREA WATER SUPPLY & CONSERVATION AGENCY
STATEMENT OF INVESTMENT POLICY

Adopted February 19, 2004

Amended by the Board, July 15, 2010

Amended by the Board, July 21, 2011

Amended by the Board, November 15, 2012

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

STATEMENT OF INVESTMENT POLICY

1. Introduction

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

2. Scope

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

3. Prudence

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

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

4. Objectives

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

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

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

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

5. Delegation of Authority

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

6. Investment of Funds

A. Permitted Investments and Depositories

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

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

B. Other Limitations

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

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

7. Investment of Bond Proceeds

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

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

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

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

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

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

8. Reporting Requirements

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

9. Annual Review of Investment Policy

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Authorization of CEO to Enter into a Contract with a Selected Consultant to Develop a Regional Water Demand and Conservation Projections Study**

Summary:

BAWSCA is seeking to complete a Regional Water Demand and Conservation Projections Study (Demand Study). The goal of the Demand Study is to develop water demand and conservation projections through 2045 for each BAWSCA agency and the region as a whole. It will provide valuable insights on long-term water demand patterns and conservation savings potential for the BAWSCA agencies to support regional efforts, such as implementation of the Long-Term Reliable Water Supply Strategy. The Demand Study will also provide necessary information to support individual agency efforts such as compliance with the new State water efficiency requirements and completion of Urban Water Management Plans (UWMPs). The Demand Study is anticipated to be an 18-month effort, aligned with the State's UWMP submittal schedule, to be completed by June 2020.

To prepare the demand and conservation projections, BAWSCA is seeking a consultant to update the individual Decision Support System (DSS) models prepared in 2014 for each BAWSCA agency. The updates will improve the forecast of water demands and potential conservation savings. The model updates will also add additional capabilities, including (1) ability to estimate each agency's annual urban water use objectives as mandated by the State, (2) ability to forecast water demands and conservation savings under a range of hydrologic conditions, and (3) ability to incorporate water use projections for new developments based on land use projections. The Demand Study will require close coordination with each BAWSCA agency.

Proposals are due on December 11, 2018, and consultant interviews, if needed, are scheduled for January 8, 2019. The BAWSCA agencies have been invited to participate in all parts of the selection process. It is anticipated that a recommended consultant award will be brought to the BAWSCA Board for action in January 2019.

The Demand Study was originally intended to begin in FY 2019-20; however, BAWSCA has expedited the work effort to meet the needs of the BAWSCA agencies. Agencies have requested that BAWSCA complete the Demand Study by June 2020 to support development of their individual UWMPs.

Fiscal Impact:

It is anticipated that the Demand Study will be a multi-year work effort in FY 2018-19 and FY 2019-20. The proposed funding sources are the Long-Term Planning Fund and the General Reserve. Total cost is not yet known as proposals have not been received. At this time, BAWSCA is estimating a potential range for the Demand Study from \$250,000 to \$500,000. A final cost will be available as part of the Board consideration of action in January 2019.

Funding for this work effort was not included in the adopted FY 2018-19 Operating Budget as it was thought that the work may not commence until FY 2019-20. However, since that time it has become clear that it would be in BAWSCA's and the member agencies' best interest to begin the work effort in early 2019. This particular work effort was listed as a potential use of funds in the

recently approved BAWSCA Long-Term Planning Fund. Additional funding will come from BAWSCA's General Reserve.

For the Demand Study and the Los Vaqueros Expansion Project (Item #5D), the total combined cost ranges from \$452,360 to \$854,129. At the low end of this cost range, completion of both projects would fully utilize the Long-Term Planning Fund and would bring the General Reserve balance to \$1,040,988, which represents 27% of the BAWSCA Operating Budget. At the high end of the cost range, completion of both projects would bring the General Reserve balance to \$639,219, which represents 16% of the BAWSCA Operating Budget. The current guideline for the General Reserve balance for budgetary purposes is a range of 20% to 35% of the annual Operating Budget. In either case, both projects are multi-year efforts and the majority of expenditures would occur in FY 2019-20. Therefore, the BAWSCA Board will have an opportunity as part of the upcoming FY 2019-20 budget process, which commences in early 2019, to explore alternate supplemental funding sources for these work efforts.

Recommendation:

That the Board Policy Committee:

- 1) Recommend the Board authorize the CEO/General Manager to negotiate and execute an agreement with a selected consultant, subject to legal counsel review, to complete the Regional Water Demands and Conservation Projections Study; and**
- 2) Recommend to the CEO/General Manager on whether additional information might be helpful to the Board for its consideration in January.**

Discussion:

BAWSCA completed its most recent Demand Study in July 2014. It developed long-term water demand and conservation savings projections for each BAWSCA member agency through the year 2040. The projections were developed using the DSS Model, with an individual model developed for each agency. To forecast future water demands, the DSS Model relies on demographic and employment projections, combined with the effects of natural fixture replacement due to the implementation of plumbing codes.

Since completion of the 2014 Demand Study, demand patterns within the BAWSCA service area have been impacted by several factors. Key factors include the recent drought and ensuing shift in customer behavior, the adoption of new long-term statewide water efficiency standards, and changes to growth projections for the region. BAWSCA is therefore seeking to complete the Demand Study to update the individual DSS models as prepared in 2014 for each BAWSCA agency. The update will improve the forecast of water demands and potential conservation savings. The updated DSS Models must be capable of estimating water demand and conservation potential through the year 2045.

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 Request for Proposals (RFP) for Phase 1 on November 9, 2018. Proposals are due back to BAWSCA on December 11, 2018. A panel will review the proposals received. If necessary, consultant interviews will be held on January 8, 2019. The panel will include BAWSCA staff, BAWSCA member agency staff, and a representative from an outside agency. All BAWSCA member agencies will be provided the option of observing the interview process.

Consultants will be evaluated based on the following criteria:

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

Based on the evaluation of the written proposals and interviews (if conducted), the panel will recommend a consultant for consideration by the CEO. It is expected that the consultant recommendation and proposed contract amount will be brought to the Board in January for authorization action.

This schedule will ensure that the Demand Study is completed by June 2020 and that the key results to inform the BAWSCA agencies' UWMPs are available within the agencies' requested timeline.

Scope of Work

The Scope of Work, as included in the RFP, is included in Attachment A. The key tasks include:

- Data Collection and Review: Consultant will identify data needs based on the model(s) requirements and collect the data from BAWSCA, member agencies, and third-party sources.
- Baseline and Future Demand Analysis: Consultant will develop baseline annual demand projections based on projected population and employment growth, land use planning data, and other relevant information, incorporating the impacts of passive conservation. Projections will be developed for a range of weather scenarios.
- Calculate Urban Water Use Objective: Consultant will use best available information to estimate each agency's urban water use objective, as required by AB 1668 and SB 606, and will configure DSS model for future annual calculation of each agency's urban water use objective.
- Conservation Program Analysis and Selection: Consultant will evaluate up to 25 conservation measures and will perform a cost-benefit analysis for each measure for each individual agency.
- Member Agency Coordination: Consultant will conduct meetings with BAWSCA member agency staff to collect feedback and provide DSS Model training.
- Stakeholder Engagement: Consultant will conduct meetings with outside stakeholders to seek stakeholder feedback on the conservation measures to be analyzed for potential implementation.
- Final Report and Documentation: Consultant will develop Final Water Demand and Conservation Report and DSS Model User Manual.
- Project Management: Consultant will provide BAWSCA with monthly status and budget updates by task and will participate in meetings and conference calls.

- Individual Agency Support: Consultant will provide additional support to some agencies, as desired by and funded by the individual agencies, beyond what BAWSCA has included in the regional effort.

Schedule

BAWSCA anticipates commencing work by March 2019 and proposes the following overall schedule to ensure that key information is available in time for the development for BAWSCA agency UWMPs.

Deliverable	Proposed Completion Date
Technical Memorandum 1 (Data Collection)	July 2019
Technical Memorandum 1 (Demand Projections)	November 2019
Technical Memorandum 1 (Conservation Projections)	February 2020
Updated DSS Models	March 2020
Final Report	May 2020

Alternatives Considered:

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

- Alternative #1: Support the Recommended Actions. An immediate start on the Demand Study allows completion of work within sufficient time to inform BAWSCA member agencies' 2020 UWMPs and to support early planning efforts for compliance with State long-term water use efficiency requirements.
- Alternative #2: Postpone Contract Consideration until July 2019. The BAWSCA Board can choose to delay consideration of this contract until next fiscal year. This alternative would delay the Demand Study start by at least four months, which would pose a significant challenge in completing the work within the BAWSCA agencies' requested timeline. **This alternative is not recommended.**
- Alternative #3: BAWSCA To Not Develop Updated and Consistent Regional Demand Projections: While a valid alternative, BAWSCA does not recommend this option. BAWSCA's member agencies need updated demand projections in order to craft certain elements of required documents (i.e., UWMPs). Further, BAWSCA member agencies have specifically asked that BAWSCA lead the update and prefer that a consistent, member agency-wide approach be followed for demand projections as past efforts have been very successful for the agencies and BAWSCA. **This alternative is not recommended.**

Attachment A

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

BAWSCA would like to replicate past success in developing transparent, defensible, and uniform demand and conservation projections that can successfully be used to support regional planning efforts (e.g., implementation of BAWSCA’s Long-Term Reliable Water Supply Strategy) and individual agency work assignments (e.g., 2020 Urban Water Management Plans). As mentioned earlier, for each individual agency, BAWSCA seeks to update its existing DSS Model. Those updated DSS Models would be used to prepare new demand projections and water conservation savings estimates through the planning horizon (year 2045). Each BAWSCA agency will be engaged in the development of its respective model.

The Project will include the following tasks:

- **Data Collection and Review:** The Contractor will identify data needs based on the model(s) requirements and submit a data request to BAWSCA and each of its member agencies. In addition, the Contractor will also gather population and employment projections and other necessary data from other relevant sources (e.g., Association of Bay Area Governments [ABAG]). Once the Contractor collects the requested data from each member agency and BAWSCA, the Contractor will review the data. If further data collection and refinement is needed, the Contractor will alert BAWSCA. As appropriate, BAWSCA will direct the Contractor to follow up with individual member agencies to complete the data collection step.

Based on the results of this task, the Contractor will prepare a Data Collection Technical Memorandum (TM-1), which will include the specific data for each of the 27 agency models and aggregate data for BAWSCA.

Task 1 Deliverable

- TM-1 documenting the specific data collected for each of the agency models and aggregate data for BAWSCA.
- **Baseline and Future Demand Analysis:** The Contractor will recommend and justify a base year from which to develop projections through 2045. The base year and the resultant projections may be normalized through the application of econometric tools/models that consider weather, water price, drought recovery, customer income, economic recovery, and other elasticities.

The Contractor will develop baseline annual demand projections based on projected population and employment growth, land use planning data, and other relevant information. Within the framework of the model(s), the Contractor will quantify and include impacts of passive conservation, evaluate demand by customer sector, project future agency water use characteristics, and consider impacts of demand rebound.

The Contractor will develop annual demand projections for a range of climate scenarios, including normal year, dry year, and multiple dry year, to facilitate understanding of demand patterns and the impacts of long-term conservation programs on water shortage contingency plan actions.

The Contractor shall develop a user guide that enables BAWSCA and/or its member agencies to update the demand forecasting model in the future, including data sources and assumptions used in developing the model.

Based on the results of this task, the Contractor will prepare a Demand Analysis Technical Memorandum (TM-2) which will include specific information and results for each of the 27 agency models and an aggregate Technical Memorandum (TM) for BAWSCA. TM-2 will also be integrated into the Final Water Demand and Conservation Report (see Task 5).

Task 2 Deliverable

- TM-2 (Demand Analysis TM) which will include specific information and results for each agency model and BAWSCA aggregate data.
- **Calculate Urban Water Use Objective:** Contractor shall use best available information to estimate each agency's urban water use objective, as required by AB 1668 and SB 606. The methodology and complete dataset for formal calculation of the urban water use objective is not anticipated to be available at the time of the Project; therefore, it is anticipated that only preliminary calculations will be developed and that each agency's DSS model will be configured to allow for user updates and refinement of the annual urban water use objective calculation on an ongoing basis.

Task 3 Deliverables

- DSS Model updates for each agency model with tool for calculating urban water use objective (to be provided with Task 4)
- Estimated 2023 urban water use objective for each agency model and BAWSCA aggregate urban water use objective (to be documented in TM-3)
- **Conservation Program Analysis and Selection:** The Contractor will develop a suite of conservation measures and their associated water savings, costs, and other metrics. The 25 measures that are currently integrated into the BAWSCA Water Conservation Database will provide a starting point for consideration. In addition, new water conservation measures, including measures such as rate design and water loss management, may be considered. Overall, 25 measures will be evaluated. The Contractor will configure three distinct programs for each member agency, each program including some combination of the 25 measures, based on general criteria (i.e., most cost-effective) and solicit individual member agency input in approving of the program components. The Contractor will perform a benefit-cost analysis for each measure and for each of the three distinct programs. Based on the results of this task, the Contractor will prepare individual Water Conservation TMs (TM-3) for each agency model to document the results of the particular model developed. In addition, BAWSCA as an agency will receive a TM-3 developed under this task. BAWSCA's TM-3 shall present the overall results of the multiple models developed in a rolled-up fashion. The BAWSCA TM-3 will be integrated into the Final Water Demand and Conservation Report (see Task 7).

Task 4 Deliverable

- TM-3 summarizing the results of Tasks 3 and 4.
- Updated DSS Model for each of the 27 areas agency models and BAWSCA aggregate model.
- **Member Agency Coordination:** BAWSCA member agency input will be vital to the success of this effort; therefore, in its proposal, Contractor is required to provide a detailed approach and budget for facilitating member agency participation. Contractor must allot sufficient hours within the overall budget to accommodate this necessary input.

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

In addition, it is anticipated that 3 workshops with BAWSCA and all BAWSCA member agencies will be required to review deliverables, obtain agency feedback, and provide DSS Model training.

- **Stakeholder Engagement:** BAWSCA seeks to engage outside stakeholders, such as non-governmental organizations, businesses, and others, in identifying conservation measures to be considered for analysis and selection as part of Task 4.

The Contractor will conduct two meetings with outside stakeholders identified by BAWSCA. It is anticipated that the first meeting will present the project approach and seek stakeholder feedback on the conservation measures to be analyzed for potential implementation. It is anticipated that the second meeting will present to preliminary results of the cost-benefit analysis and demand projections incorporating the recommended suite of conservation measures.

Contractor will prepare summary materials for stakeholder communication prior to and following each stakeholder meeting. Contractor will track feedback received from stakeholders as well as actions taken to address comments.

Task 6 Deliverables

- Meeting Materials and Summary Notes each stakeholder meeting
- **Final Report and Documentation:** Contractor will develop Final Water Demand and Conservation Report, incorporating the information developed for each TM (TM-1 through 3). For budgeting purposes, Contractor shall anticipate preparation of two draft reports and incorporation of comments for each.

Contractor will update User Manual for DSS Model.

Task 7 Deliverable

- Final Report
- Updated DSS User Manual
- **Project Management:** To keep the Project on schedule and budget, Contractor must provide BAWSCA with monthly status and budget updates by task. The information can be shared via phone or email in combination with updated Excel spreadsheets detailing budget and schedule status. The Contractor will participate in four in-person meetings with BAWSCA (a kick-off meeting and three others), as well as bi-weekly conference calls.
- **Individual Agency Support:** During the development of the demand and conservation projections, some agencies may desire additional support from Contractor, beyond what BAWSCA has included. To facilitate that option, the Contractor will develop a single unit hourly billing rate to provide technical or other support to an agency. If an agency has requested that additional support from BAWSCA and agreed to reimburse BAWSCA for time spent by Contractor in assisting that agency, then the Contractor will work with the agency directly to provide the additional support.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: Los Vaqueros Expansion Project Memorandum of Understanding

Summary:

In January 2017, BAWSCA and SFPUC executed a Memorandum of Understanding (MOU) with Contra Costa Water District (CCWD) (current MOU) for participation in the planning stages of the Los Vaqueros Expansion Project (LVE Project). Under this existing agreement, work completed included preliminary modeling to identify water supply benefits to BAWSCA and other project partners, conceptual design of all facilities, preparation of environmental documents, analysis of governance options, and the successful pursuit of State and Federal funding assistance. At this time, CCWD is requesting execution of a new MOU with approval of an associated cost share for the next phase of the LVE Project. The new MOU would provide for completion of the final planning phase of the LVE Project, through calendar year 2019, including modeling of water supply benefits, completion of environmental documents, engineering feasibility work, governance structure development, and financial planning. Participation in the new MOU will provide necessary technical, legal, environmental and other details for BAWSCA and the other project partners to more fully understand the costs of and benefits from participation in the LVE Project. Non-participation in the new MOU will result in BAWSCA removing itself from further participation in this potential project.

Fiscal Impact:

Total costs for this new phase are estimated at \$2,833,036. BAWSCA's share of these costs is estimated to range from \$202,360 to \$354,129 depending upon a reasonable assumption of the final number of project participants.

Funding for the LVE Project was deliberately not included in the adopted FY 2018-19 Operating Budget given the level of uncertainty on timing and total cost. However, the LVE Project was included as a potential future project in the recently approved BAWSCA Long-Term Planning Fund. BAWSCA's Long-Term Planning Fund and General Reserve will be used to fund this phase of the LVE Project. Half of this payment will be due in early 2019 and the remainder due in early FY 2019-20.

For this project and the Regional Water Demand and Conservation Projections Study (Item #5C), the total combined cost ranges from \$452,360 to \$854,129. At the low end of this cost range, completion of both projects would fully utilize the Long-Term Planning Fund and would bring the General Reserve balance to \$1,040,988, which represents 27% of the BAWSCA Operating Budget. At the high end of the cost range, completion of both projects would bring the General Reserve balance to \$639,219, which represents 16% of the BAWSCA Operating Budget. The current guideline for the General Reserve balance for budgetary purposes is a range of 20% to 35% of the annual Operating Budget. In either case, both projects are multi-year efforts and the majority of expenditures would occur in FY 2019-20. Therefore, the BAWSCA Board will have an opportunity as part of the upcoming FY 2019-20 budget process, which commences in early 2019, to explore alternate supplemental funding sources for these work efforts.

Should BAWSCA opt to continue as a project partner following 2019, the costs of participation will grow measurably as the next stage will include detailed project design.

Recommendation:

That the Board Policy Committee recommend the Board authorize the CEO/General Manager to enter into an MOU with CCWD, subject to legal counsel review, for an amount not to exceed \$354,129 for completion of the final planning stage of the LVE Project, including:

- The completion of the Final Supplement to the 2010 Final EIS/EIR;
- The release of the Final Federal Feasibility Report;
- A financial evaluation of the project to support decisions regarding financial commitment to project implementation;
- The development of a long-term governance structure;
- Initiation of consultations with Federal, State, and local entities for project permits, approvals, certifications and agreements;
- Conceptual and preliminary design advancement of project facilities; and
- Other planning activities mutually agreed to by the parties.

Discussion:

The LVE Project would enlarge the existing Los Vaqueros Reservoir again from 160 thousand acre-feet (TAF) to 275 TAF, making it a regional facility that would provide public benefits, including ecosystem benefits to south-of-Delta wildlife refuges, drought and non-drought emergency water supply benefits for a large number of local agency partners, and recreation benefits, while also providing non-public benefits to regional water supply agencies, integration with state water systems to increase flexibility and efficiency of operations, and enhanced opportunities for sustainable groundwater and recycled water management.

The total estimated LVE Project cost is \$980 million. On July 24, 2018, the California Water Commission (CWC) announced that \$459 million of Proposition 1 (Prop 1) funding will be slated for the LVE Project to pay for the public benefits portion of the LVE Project design and construction, including ecosystem improvement, recreation, and emergency response. The award includes \$13.65 million of early funding to cover fifty percent of the estimated planning and permitting costs. CCWD and the CWC are currently negotiating a funding agreement.

BAWSCA has been a participant in the LVE Project since its inception with the anticipation that it could provide water supply benefits to the member agencies as identified in BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy).

Potential Water Supply Benefits

The LVE Project has the potential to provide dry year water supplies for BAWSCA to accomplish the Strategy goals. The Strategy identified its upper range dry year water supply need of up to 48,000 acre-feet for the BAWSCA agencies, which would assume planning for a 100% reliable water supply and no anticipated water supply shortages.

BAWSCA is evaluating the project as a means to provide up to 10,000 acre-feet per year of supply in dry years as part of the Strategy implementation. In 2017, BAWSCA requested that CCWD model water supply benefits to BAWSCA for two participation levels: 10,000 acre-feet of storage and 20,000 acre-feet of storage. During the current planning process, given subscriptions in storage by other project partners, storage available to BAWSCA was limited to 10,000 acre-feet.

In addition to what BAWSCA is seeking, SFPUC is evaluating the project’s ability to provide up to 16,700 acre-feet per year of normal year supply to the San Francisco Regional Water System (SF RWS) and an additional 57,000 acre-feet per year supply in dry years.

Actions to Date Under Existing Cost Share Agreement

LVE Project work under the existing MOU has provided a preliminary understanding of the water supply volume and timing that could be available to BAWSCA from the project. In addition, funding assistance of \$459M has been secured through the Prop 1 Water Storage Investment Program, conceptual design has been completed, and environmental documents have been drafted. Table 1 presents the work elements that have been completed under the existing \$100K cost share agreement.

Table 1. LVE Project Work Elements Completed under Existing Cost Share Agreement

Work Element	Status
Preliminary modeling to identify project benefits (water supply availability)	Complete
Conceptual design of all facilities (dam raise, pipelines, pump stations, etc.)	Complete
Draft Supplemental EIS/EIR	Complete
Funding Assistance (Applications for state and federal grants and funding)	California Prop 1 Monies Secured; Federal (US Bureau) monies applied for
Governance structure option analysis	Complete
Conceptual-level cost and user fee estimates (to partner and for use of CCWD & EBMUD facilities)	Complete

Actions to Be Completed under New Funding Agreement

The next LVE Project stage, to be completed in calendar year 2019, will include continued environmental review, hydrologic modeling, governance development, engineering feasibility and preliminary design, and other associated work efforts. Table 2 below identifies the key work efforts to be completed under the new funding agreement.

Table 2. Work Efforts to be Performed under New Funding Agreement

Task	Work Effort	Discussion
1 – Project Management	Prop 1 Funding Reimbursement	<ul style="list-style-type: none"> • Prepare invoices for reimbursement of expenses incurred • Prepare Quarterly Project Reports
	Project Management	<ul style="list-style-type: none"> • All management activities performed by CCWD and partners
	Joint Powers Authority (JPA) Formation	<ul style="list-style-type: none"> • Joint selection of legal counsel • Term sheet • JPA Agreement

2 – Environmental Planning	Modeling	<ul style="list-style-type: none"> • Modeling as needed to prepare Final Supplement to EIS/EIR • Refine models to evaluate costs and supply reliability • Refine reservoir daily operation model
	Public Outreach	<ul style="list-style-type: none"> • Development of outreach materials and stakeholder plan • Outreach to media, elected officials, ratepayers, communities, environmental organizations, etc. • Public meetings as required for Final EIS/EIR
	Environmental Document and Technical Studies	<ul style="list-style-type: none"> • Preparation of Supplement to the Final EIR/EIS and technical studies for NEPA and CEQA compliance • Finalize wetlands and habitat surveys along the transfer pipeline alignment • Consider alternative alignment for the transfer pipeline • Prepare Mitigation Monitoring and Reporting Plan (MMRP) and develop CEQA findings • Land transaction activities (for key facilities)
	Regulatory Permitting	<ul style="list-style-type: none"> • Prepare permit applications and provide supporting docs. • Secure permits (for permits not requiring final design)
	Water Rights Permitting	<ul style="list-style-type: none"> • Coordinate with Federal and State agencies regarding changes to existing water rights (to address facility and partner needs)
	Land Transactions	<ul style="list-style-type: none"> • Contact landowners; gain property access; perform property appraisals; obtain right-of-way(s) • Acquire options for mitigation lands
3 – Engineering Feasibility	Financial Evaluation	<ul style="list-style-type: none"> • Refine Proforma Financial Model incorporating water pricing options) • Create a project financing plan
	Federal Feasibility Study	<ul style="list-style-type: none"> • Prepare and finalize a federal feasibility study
	Preliminary Design	<ul style="list-style-type: none"> • Pumping Plant No. 1 • Los Vaqueros Dam • Transfer Bethany Pipeline • Recreational Facilities • Updated Cost Estimates (for the project)

Other Ongoing Work Efforts

BAWSCA, with the support of other project partners, has requested an independent audit of the CCWD and East Bay Municipal Utility District (EBMUD) user fees which are being proposed for use of these agencies' locally owned facilities. BAWSCA is coordinating with other project partners for the completion of this work effort, which is anticipated to be led by Alameda County Water District (ACWD). Costs associated with this effort are anticipated to be covered within the new cost share agreement.

Delivery of water stored in Los Vaqueros Reservoir to the BAWSCA agencies and SF RWS requires the use of two existing water facilities necessary for conveyance purposes. Those two facilities are the SFPUC/Santa Clara Valley Water District (SCVWD) Intertie at Milpitas and the State Water Project’s (SWP) South Bay Aqueduct. BAWSCA has initiated discussions with SCVWD and SFPUC regarding feasibility and costs for use of the Milpitas Intertie to deliver water from Los Vaqueros to the BAWSCA agencies. BAWSCA will also be engaging Milpitas in these discussions beginning January 2019.

For the SWP South Bay Aqueduct, discussions with the Aqueduct’s existing users (Zone 7 Water Agency, ACWD, and SCVWD) have also begun as part of the LVE Project. BAWSCA has identified the reliable use of the facility as critical to its participation in LVE Project and will pursue these discussions to sufficient resolution as part of this next stage of the project.

Future Project Phases

Based upon the current schedule, the JPA for the LVE Project would be formed in late 2019. Initially, the JPA entity will manage the Prop 1 grant funding, finalize project permitting, and select a consultant to complete detailed design of the project. The JPA will also negotiate and execute agreements with each participating agency for participation in the final project and will ultimately manage the construction effort. Funding for the project in the coming years will necessitate financing (bond funding primarily). The JPA will also manage that effort. Moving into 2020 and beyond, and as consultants, contractors and funding have been secured by the JPA, detailed design and construction activities will commence in earnest.

BAWSCA will need to determine whether to join the JPA in Fall 2019. Subsequent to JPA formation, BAWSCA would finalize its participation in the LVE Project, including the specific terms and associated costs, through an individual participation agreement with the JPA. There will be other off-ramps in future years, including provisions for how parties may withdraw from the JPA.

The current schedule anticipates completion of all construction activities by early 2029.

Table 3. Future LVE Work Efforts

Work Type	Work Element / Component	Timeframe
Planning	Finalize permitting / secure all remaining permits	Complete by fall 2020
	Manage all local, federal and state agreements (as needed for funding, construction and operation)	Complete by mid-2021
	Amend existing water rights	Complete by mid-2022
Detailed Design and Construction	Pump Station Replacements, Additions and Improvements	Complete design by Summer 2020; Complete construction by end of 2026
	Transfer-Bethany Pipeline	Complete design by close of 2021; Complete construction by end of 2024

	Transfer Facility Improvements	Complete design by mid-2023; Complete construction by end of 2024
	LV Dam Raise and Watershed Improvements	Complete design by mid-2025; Complete construction by early 2029
	Delta-Transfer Pipeline	Complete design by mid-2025; Complete construction by fall 2027
	EBMUD Facility Improvements (primarily Aqueduct Lining)	Complete design by end of 2023; Complete construction by end of 2028
	Brentwood Pipeline	Complete design by early 2024; Complete construction by mid-2026
Project Partners - Funding Requests Envisioned	JPA Formation (includes funding request for detailed design and permitting)	JPA developed during 2019 / expect to execute by fall 2019. JPA once formed will be used to fund detailed design (funds to be provided “first” in fall 2019)
	JPA funding for construction	JPA to provide funding for construction – anticipated to be requested in mid-2021

As noted previously, the Prop 1 funding agreement also provides \$13.65 million in early funding from the State to cover the State’s share of the costs to prepare environmental documentation, obtain permits, secure water rights, develop agreements, perform engineering work, and provide project management. The agreement requires 50% non-state cost share, which can include Local Agency Partner staff labor and services as well as federal labor and services. Therefore, BAWSCA and the other partners are closely tracking labor and other expenses and sharing that information with CCWD for use in their cost accounting.

Background:

Los Vaqueros Reservoir is an existing off-stream reservoir in Contra Costa County that provides water quality, drought emergency supply, and non-drought emergency water supply benefits to CCWD customers. The original reservoir was completed in 1998. The first expansion of Los Vaqueros was completed in 2012, increasing storage capacity from 100 TAF to 160 TAF of water.

In 2016, CCWD reached out to other local water agencies, including SFPUC and BAWSCA, to determine if they had an interest in a portion of the new storage that would be created as part of the LVE Project. Interested agencies were asked to enter into agreements formalizing their respective participation in studies and environmental documentation and to provide a financial contribution toward the cost of the associated work effort. The potential partners in the LVE Project include 14 “primary” water agency partners. A longer list includes those agencies that are represented by BAWSCA (i.e., BAWSCA member agencies) as well as those agencies that are represented by San Luis Delta Mendota Water Authority (SLDMWA). Refer to Figure 1, attached, for a geographic depiction of LVE partner agencies.

In February of 2017, BAWSCA entered into an MOU with CCWD formalizing BAWSCA’s potential interest in a share of future Los Vaqueros storage and willingness to participate in the work effort. Similarly, SFPUC entered into an MOU, and provided a financial contribution of \$100,000 on behalf of both BAWSCA and SFPUC. The term of that MOU is now nearing completion and a new MOU for the next stage of work is being finalized, one that includes a

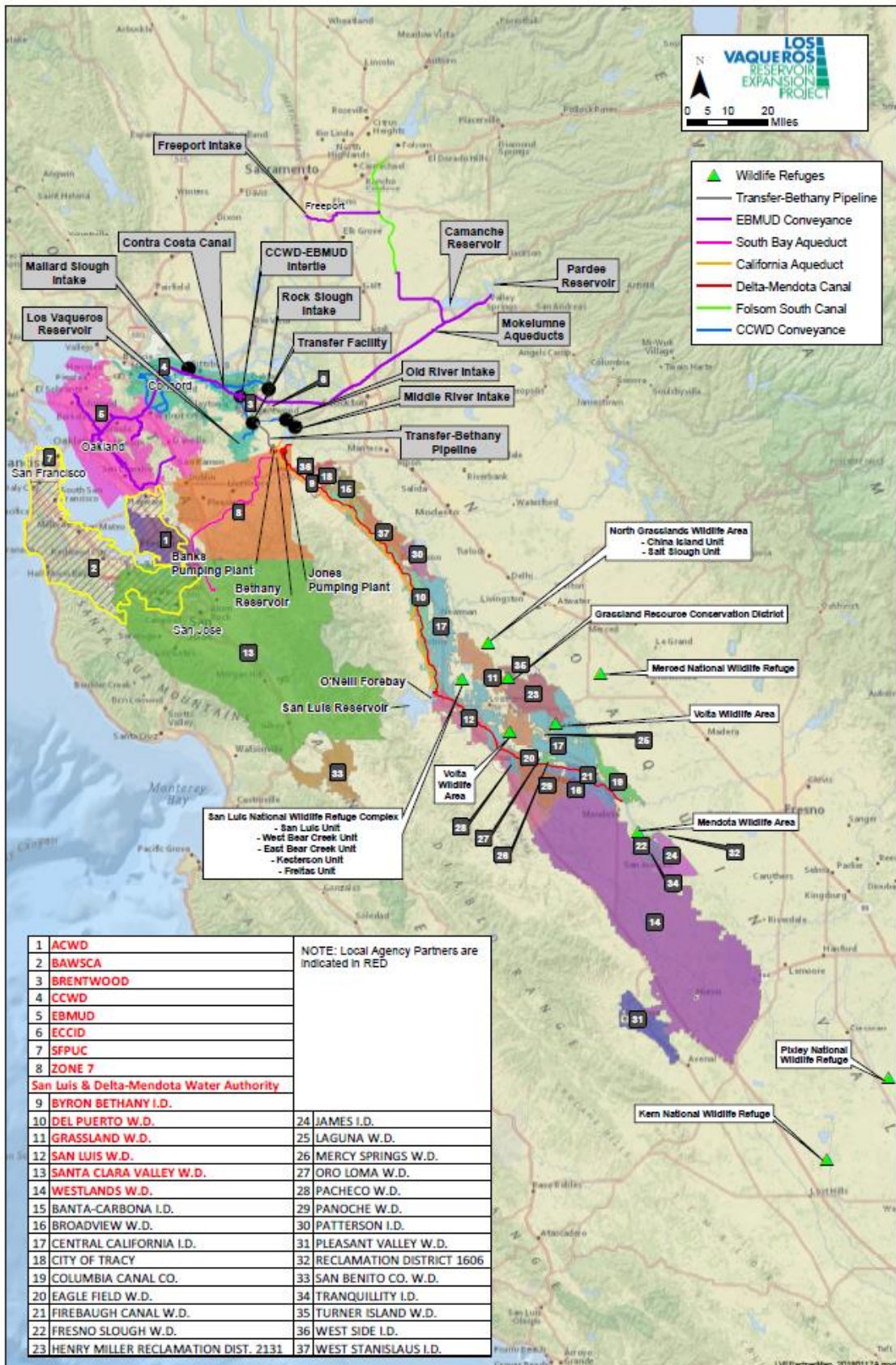
new financial commitment. BAWSCA is asked to therefore confirm (via entering into the new MOU) the continued interest / willingness to participate in the project and provide a financial contribution to the work proposed. The proposed term of this new MOU is through the end of calendar year 2019.

Attachment:

Figure 1. LVE Project Partner Map

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Figure 1. LVE Project Partner Map



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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Mid-Year 2018-19 Work Plan and Budget Review**

Summary:

A review of the FY 2018-19 Work Plan has been performed, with the results presented in the attached Table 1. To ensure continued access to reliable supplies of high quality water at a fair price, three revisions to the adopted FY 2018-19 Work Plan are recommended. The first change would delay the initiation of an audit of the SFPUC's asset management practices until FY 2019-20. This delay is proposed due to workload considerations to allow for the Regional Water Demand and Conservation Projections Study to be accelerated. The second change is a delay in the completion of the Phase 2 pre-feasibility studies for two potential purified water projects. This change is proposed to ensure that the Work Plan accurately reflects the identified schedule delay in these two projects. The third change is to add a new "Regional Water Demand and Conservation Projections Study" (Demand Study). This change is proposed to accelerate the completion of this project to allow for results to be available in time to support upcoming member agency planning efforts. At this time, it is recommended that the cost of the Demand Study be funded by a transfer from the General Reserve. Legal Counsel expenses, which are tracking high for this time of year, as anticipated with the extended work effort this summer and fall, will continue to be monitored closely and may require a contract amendment in spring 2019. For all other Work Plan items, expenses are tracking within the currently approved Operating Budget for FY 2018-19 of \$3,901,085.

This memorandum presents: (1) the three proposed changes to the FY 2018-19 Work Plan, (2) a discussion of the potential budget implications, and (3) a discussion of management of the General Reserve.

Fiscal Impact:

No changes to the Operating Budget are necessary or recommended at this time. In a separate action, the Board will be presented with the financial implication of the proposed new Work Plan item 2(h) "Regional Water Demand and Conservation Projections Study" and recommendation for funding.

Recommendation:

That the Committee recommend Board approval of the following revisions to the FY 2018-19 Work Plan:

- 1. Scope Reduction/Delay:**
 - a. Postpone initiation of an audit of the SFPUC's asset management practices until FY 2019-20**
 - b. Delay completion of two Phase 2 pre-feasibility studies for purified water projects**
- 2. Scope Addition:**
 - a. Initiate Regional Water Demand and Conservation Projections Study for completion in FY 2019-20**

Prior Board Approved Work Plan and Budget Actions for FY 2018-19:

On May 17, 2018, the Board approved the following:

- Proposed FY 2018-19 Work Plan and Results to be Achieved;
- Proposed Operating Budget of \$3,901,085; and
- Recommended funding plan which includes FY 2018-19 assessments of \$3,579,397 and a transfer of \$321,688 from the General Reserve.

Discussion:

The mid-year review included (1) examining progress toward completing the Work Plan as adopted, (2) considering anticipated work that should be performed during the balance of this fiscal year, and (3) reviewing any new Work Plan items.

Implementation of the Work Plan is on schedule as of December 7, 2018. Three changes to the Work Plan are proposed below. Following the Work Plan review, a budget review was performed, which confirmed that the FY 2018-19 Work Plan can be completed within the approved budget and that funding is available for the Demand Study from the General Reserve.

Proposed FY 2018-19 Work Plan Modifications and Budget Implications

Table 1 presents the Board-approved Work Plan for FY 2018-19 modified to show recommended revisions to the Work Plan. Explanations for the three recommended revisions and resulting budget implications appear below.

1. Scope Reduction/Delay: Postpone initiation of an audit of the SFPUC's asset management practices until FY 2019-20. Work Plan Item 1d. The purpose of this task was to initiate an audit of the SFPUC's asset management practices as allowed per the Water Supply Agreement Section 3.10.c. The effort has been initiated with the development of a Request for Proposals (RFP), however, a delay of the release of the RFP until spring 2019 with a project start of July 1, 2019 is proposed. This proposed delay is recommended due to workload considerations and to allow for the initiation of the Demand Study to be accelerated to this fiscal year.
2. Scope Reduction/Delay: Delay completion of two Phase 2 pre-feasibility studies for purified water projects. Work Plan Item 2a. The purpose of this task is to modify the Work Plan to reflect a schedule delay that has occurred on pre-feasibility studies for two potential purified water projects. The first project, the Potable Reuse Exploratory Plan (PREP), has continued to make progress on its Phase 2 pre-feasibility study, however the completion of this study has been delayed to summer 2019. The second project, a joint study with Santa Clara Valley Water District (SCVWD) and SFPUC, has just completed a Phase 1 pre-feasibility study and any further work is postponed until the SCVWD has completed its Countywide Water Reuse Master Plan.
3. Addition: Initiate Demand Study for completion in FY 2019-20. Work Plan Item 2h. This work was originally planned to begin in FY 2019-20, however at the request of the member agencies, BAWSCA is proposing to accelerate the start of this project in FY 2018-19, so that the results can be available to support upcoming member agency planning efforts by June 2020. BAWSCA has released an RFP and, with Board approval, is prepared to begin this project in March 2018.

Capacity to Accommodate Potential or Unanticipated Issues

As always, if potential or unanticipated issues arise during the spring, they will be brought to the attention of the Committee and the Board with recommendations to further reallocate and/or augment existing resources, if necessary.

Budget Modifications Needed to Complete Work Expected During FY 2018-19:

A preliminary budget review has been performed as part of this mid-year review and no budget modifications are proposed as part of this action. As part of a separate action on the Demand Study, using the available General Reserve to fund this project is recommended. A review of Legal Counsel expenses to date show that expenses are tracking high for this time of year. This is anticipated given the extended work effort this summer and fall. Legal expenses will continue to be monitored closely and may require a contract amendment in spring 2019. For all other Work Plan items, expenses are tracking within the currently approved Operating Budget for FY 2018-19 of \$3,901,085.

Management of General Reserve:

No changes to the General Reserve are requested as part of this item.

The current General Reserve balance of \$1,365,380 reflects the (1) approved withdrawal and transfer to BAWSCA's Operating Fund to fund the FY 2018-19 approved budget, (2) the deposit of FY 2017-18 unspent funds to the General Reserve in November 2018, and (3) the transfer of \$127,968 to BAWSCA's Long-Term Planning Fund, as authorized by the Board in May 2018:

\$1,561,144	General Reserve balance as of June 30, 2018
-\$321,688	May 2018 approved transfer to Operating Fund
+\$253,892	FY 2017-18 Unspent Funds transferred to General Reserve Nov. 2018
<u>-\$127,968</u>	<u>Transfer to Long-Term Planning Fund</u>
\$1,365,380	General Reserve balance as of December 5, 2018

This level of General Reserve represents 35% of the approved Operating Budget.

Separately, the Board will be considering action on initiating the Demand Study and participating in the new phase of the Los Vaqueros Expansion Project. It is recommended that both projects be funded via the General Reserve and the Long-Term Planning Fund. There is a range for the cost of both projects at this time. At the low end of the cost range, completion of both projects would fully utilize the Long-Term Planning Fund and would bring the General Reserve balance to \$1,040,988, which represents 27% of the BAWSCA Operating Budget. At the high end of the cost range, completion of both projects would bring the General Reserve balance to \$639,219, which represents 16% of the BAWSCA operating budget.

The current guideline for the General Reserve balance for budgetary purposes is a range of 20% to 35% of the annual operating expense. In either case, both projects are multi-year efforts and the majority of expenditures would occur in FY 2019-20. Therefore, the BAWSCA Board will have an opportunity as part of the upcoming FY 2019-20 budget process, which commences in early 2019, to explore alternate supplemental funding sources for these work efforts.

Further discussions on this issue will continue as part of regular Work Plan and Budget updates with the Board.

Attachment:

1. Table 1. Work Plan and Results to be Achieved in FY 2018-19: Progress and Proposed Changes

Table 1. FY 2018-19 Work Plan and Results to Be Achieved: Progress and Proposed Changes
(Progress Shown in Brackets and Underlined; Proposed Changes Shown in *Blue Italic Font*)

RELIABLE WATER SUPPLY

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. [Ongoing, including review of Quarterly Reports and regular meetings with SFPUC to address issues and concerns. Current focus on Alameda Creek Recapture Project EIR recirculation, Regional Groundwater Storage and Recovery Project. BAWSCA will begin work with the legislature to extend State oversight of WSIP in January 2019.]
- 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. [On track with current focus on Mountain Tunnel and Moccasin Reservoir work efforts. BAWSCA's formal role in CIP oversight included in proposed WSA amendments.]
- c. Review and monitor SFPUC's Asset Management Program to ensure long-term protection of system assets. [On track; Per proposed WSA amendments, SFPUC will submit a proposed Asset Management Policy to the Commission for adoption by Dec. 2020.]
- d. Initiate audit of SFPUC's asset management practices per WSA Section 3.10.c. *[Delay of further work until FY 2019-20 is proposed; A Request for Proposal (RFP) for an asset management practices audit has been prepared by BAWSCA, however delay of the release of the RFP until next fiscal year is recommended due to workload considerations and to allow for the Updated Demand Projections Project to be accelerated.]*

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 (SVCW), 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. *[Delayed; PREP Phase 2 work effort with SFPUC and SVCW has been delayed a few months and is now scheduled to be complete in Summer 2019. Phase 1 pre-feasibility study with SCVWD completed in November 2018. SCVWD seeks to delay Phase 2 until the Countywide Water Reuse Master Plan is completed. It is proposed to modify the Work Plan to reflect the delay in these two projects.]*
- b. Finalize Pilot Water Transfer Agreements with EBMUD, Hayward, & others to implement a pilot water transfer in FY 2019-20. [On track; BAWSCA is in negotiations with Amador Water Agency (AWA) and is scheduled to complete all necessary inter-agency agreements this fiscal year.]
- 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. *[Delayed; Additional time was required (between EBMUD and the Bureau of Reclamation) to finalize the grant funding agreement. The Agreement was finalized in Fall 2018; the work effort will begin in 2019. It is proposed to modify the Work Plan to reflect this delay.]*

- d. Participate in CCWD's Los Vaqueros Expansion (LVE) Project to ensure BAWSCA's interests are considered in upcoming decisions. [On track; BAWSCA continues to be an active participant in the LVE effort. An updated agreement with CCWD for the next phase work is anticipated for to be presented to the BAWSCA Board for consideration in January 2019.]
- 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. [Ongoing; BAWSCA reviewed and commented on California Department of Water Resources groundwater basin reprioritization documentation. Responses to comments and final basin rankings are anticipated by January 2019.]
- f. Facilitate development of other local water supply options including monitoring/tracking member agency efforts. [Ongoing including execution of supply guarantee transfer from Palo Alto to East Palo Alto.]
- 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 additional regional water supplies can enhance reliability. [On track; Alternative water supply scenarios simulations are underway including evaluation of the Los Vaqueros Expansion Project to address BAWSCA's needs and interests.]
- h. Initiate Regional Water Demand and Conservation Projections Study. ***[New; This work effort was not originally included in the FY 2018-19 Work Plan but is proposed to be added as part of the mid-year Work Plan review in recognition of the need for updated demand projections to support upcoming agency planning efforts (e.g., 2020 UWMPs) by June 2020. Consultant selection and contracting will be completed in March of 2019; the study will continue into FY 2019-20.]***

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. [On schedule; Residential Indoor-Outdoor Water Use Study is underway and anticipated to be complete in May 2019.]
 - Implement a Pilot Regional/Commercial/Industrial/Institutional (CII) Audit Program. [On schedule; Pilot Customer Self-Audit tool is in development and scheduled to launch in March 2019.]
 - Implement a new subscription conservation program, the Water Loss Control Subscription Program. [Complete; Program has been implemented with 16 BAWSCA agencies participating for FY 2018-19.]
 - Develop and implement a Regional Source Meter Testing Plan. [Ongoing; BAWSCA has initiated discussions with SFPUC on regional source meter testing and documentation. Additional discussions with SFPUC and BAWSCA agencies are planned for February 2019.]
 - 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. [Ongoing; BAWSCA continues to participate in State working groups regarding the implementation of the regulations and has also secured participation in the State pilot project for landscape area measurements.]
- b. Represent agencies in regional and State-level discussions related to water conservation-related regulations. [Ongoing.]

- c. Administer, implement, and expand core water conservation programs that benefit all customers. [Ongoing; BAWSCA anticipates joining other bay area agencies in the “Qualified Water Efficient Landscaper (QWEL)” training program with efforts in FY 2018-19 including executing an MOU and scheduling trainings.]
- d. Administer subscription conservation rebate programs that benefit, and are paid for by, participating member agencies. [Ongoing; BAWSCA is currently implementing 12 subscription conservation programs.]
- e. Organize and host a workshop on automated metering instrumentation (AMI) and/or innovative water conservation technologies. [On schedule; Workshop scheduled for March 2019.]

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. [Complete; Board extended expiration to Dec. 2019 on May 17, 2018; Further extension to Dec. 2020 may be considered this fiscal year.]
- 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. [Ongoing; Tier 1 drought allocation plan amendments with WSA amendments address issues with Tier 1 Plan; BAWSCA to develop draft principles for Tier 2 Plan in Spring 2019.]
- 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). [On schedule; Extension of the SFPUC’s 2018 decisions included in proposed WSA amendments to be considered for adoption by SFPUC and BAWSCA member agencies this year.]
- d. Protect members’ water supply interests to ensure that the SFPUC meets its adopted Water Supply Level of Service Goals. [Ongoing.]

5. Protect Members’ Interests in a Reliable Water Supply

- a. Participate in the Restore Hetch Hetchy litigation in which BAWSCA is a named party. [Ongoing; Trial court ruled against RHH’s claim and further legal appeals have been unsuccessful; RHH has requested the US Supreme Court to consider the case.]
- b. Participate in SWRCB Bay Delta Plan Update to ensure member agency interests are represented. [Ongoing; Actively engaged in State Board proceedings including monitoring settlement discussions and other SWRCB activity.]
- 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. [Ongoing; BAWSCA remains engaged in the FERC relicensing efforts and will comment on Draft EIS/EIR when circulated this winter.]

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. [Ongoing; Currently pursuing funding through Bay Area Integrated Regional Water Management Plan Prop 1 Funds for water conservation 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). [Ongoing.]
- 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. [Ongoing; No new grant opportunities identified at this time. The failure of 2018 Proposition 3 limits future state funding opportunities for the near term.]

7. Reporting and Tracking of Water Supply and Conservation Activities

- a. Complete BAWSCA FY 2017-18 Annual Survey. [On schedule.]
- b. Complete BAWSCA FY 2017-18 Annual Water Conservation Report. [On schedule.]
- c. In partnership with member agencies, operate and maintain BAWSCA's Water Conservation Database. [Ongoing.]

HIGH QUALITY WATER

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. [Ongoing; Supporting transition to new BAWSCA Water Quality Committee Chair this fiscal year.]
- 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.). [Ongoing.]
- c. Review and act on, if necessary, State legislation affecting water quality regulations. [Ongoing.]

FAIR PRICE

9. Perform Matters that Members Delegated to BAWSCA in the Water Supply Agreement

- b. Administer the Water Supply Agreement with SF to protect the financial interests of member agencies. [Annual review on schedule.]
- c. 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. [Negotiations complete and adoption pending; BAWSCA and SFPUC negotiated seven proposed Water Supply Agreement amendments to be considered for adoption by SFPUC in Dec. 2018 and member agencies Spring 2019.]
- c. Administer bonds issued by BAWSCA to retire capital debt owed to San Francisco. [On track.]

AGENCY EFFECTIVENESS

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. [Ongoing; Significant communication with elected officials and others associated with the potential negative impact of the SWRCB's Bay Delta Plan on BAWSCA Member Agencies' (and their constituent's) water supply.]

- 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. [Ongoing.]
- c. Maintain effective communications with member agencies, customers, & others to achieve results and support goals. [Ongoing.]
- d. In conjunction with San Francisco, conduct or co-sponsor tours of the water system for selected participants. [Ongoing; A tour of the SF RWS (including Hetch Hetchy Reservoir, Calaveras Dam, and Moccasin facilities) was held on September 26 – 27.]

11. Manage the Activities of the Agency Professionally and Efficiently; [Ongoing.]

BAWSCA

Bay Area Water Supply & Conservation Agency

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MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: December 7, 2018
SUBJECT: Chief Executive Officer/General Manager's Letter

Advanced Metering Infrastructure (AMI) Workshop

BAWSCA is planning to host an AMI workshop on March 27, 2019 at Mitchell Park Community Center in Palo Alto, CA. The workshop, which was included in BAWSCA's FY 2018-19 Work Plan, is intended to support BAWSCA member agency efforts to advance the implementation of AMI within their respective service areas. Another focus of the workshop will be to guide member agencies on how to use AMI data to facilitate or improve upon water use efficiency. Santa Clara Valley Water District (SCVWD) has expressed its interest in co-hosting this event with BAWSCA.

The AMI workshop will include two sessions: 1) a morning session with panel presentations on AMI case studies from agencies implementing innovative practices and 2) an afternoon session with a round-table discussion among the BAWSCA agencies on opportunities for regional support and coordination for AMI implementation. Prior to the workshop, BAWSCA intends to complete an AMI assessment and white paper documenting the current status of AMI implementation for each BAWSCA agency. The white paper is seen as a necessary tool that will be used to help guide and support the discussion of regional coordination opportunities for AMI implementation.

Qualified Water Efficient Landscape

BAWSCA is coordinating with other Bay Area water agencies to implement a Qualified Water Efficient Landscaper (QWEL) training program within the region. The QWEL program trains landscape professionals on topics related to water efficiency in landscaping, including water supply constraints during time of drought, efficient irrigation techniques, soils, water budgets, irrigation system auditing, and plant selection. Program participants undergo 20 hours of training and must pass a subsequent exam to earn the QWEL certification. The program is intended to support BAWSCA's goal of reducing outdoor water use and is consistent with BAWSCA's FY 2018-19 Work Plan, which includes an item to expand the existing Landscape Education Program.

Through a competitive procurement process led by Solano County Water Agency, California Water Efficiency Partnership (CalWEP) was selected to implement the QWEL program. Participating agencies include BAWSCA, SFPUC, SCVWD, Alameda County Water District, East Bay Municipal Utility District, Zone 7 Water Agency, and the City of Napa. Solano County

Water Agency is anticipated to complete the contracting in January 2019. A Memorandum of Understanding between the partner agencies will be considered by BAWSCA shortly thereafter.

Status of FY 2017-18 Wholesale Revenue Requirement (WRR) Review

Pursuant to Section 7.02 of the 2009 Water Supply Agreement (WSA), the SFPUC is required to provide BAWSCA with the WRR calculations and the required reports for FY 2017-18 before the end of November 2018. However, the SFPUC's FY 2017-18 year-end close has taken longer than usual, mainly due to the City and County of San Francisco's transition to a new financial management software system. This delay in the year-end close has resulted in a delay in the completion of the citywide audited financial statements and therefore a delay in the preparation of the related WRR calculations.

As of November 30, 2018, the SFPUC expects to provide the final FY 2017-18 WRR calculations to BAWSCA and the compliance auditor at the end of January 2019. Pursuant to WSA Section 7.06, BAWSCA will conduct its review of SFPUC's WRR calculations and the changes in the balancing account upon the completion of the compliance audit, which is expected to happen at the end of March 2019.

Board Policy Committee

Policy Calendar Through June 2019

Meeting Date	Purpose	Issue or Topic
December 2018	D&A D&A D&A D&A D&A R	Enlarged Los Vaqueros MOU & Potential Project Participation Consideration of Consultant Contract for Demand Study Annual Review and Consideration of Statement of Investment Policy Consideration of BAWSCA Bond Surcharges for FY 2019-20 FY 2018-19 Mid-Year Review & Management of General Reserve Review of Water Supply Forecast
February 2019	D&A R R	Review of Agency Personnel Handbook Presentation of Preliminary FY 2019-20 Work Plan and Budget Review of Water Supply Forecast
April 2019	D&A D&A R	Consideration of Proposed FY 2019-20 Work Plan and Budget Consideration of Annual Consultant Contracts Review of Water Supply Forecast
June 2019	R R	Update on BAWSCA's Regional Water Supply Modeling Tool Development Update on Long-Term Reliable Water Supply Strategy Implementation