



NOTICE OF A SPECIAL MEETING

The regularly scheduled meetings of the
Bay Area Water Supply and Conservation Agency (BAWSCA) and
San Francisco Bay Area Regional Water System Financing Authority (RFA)
Boards of Directors on
January 17, 2019 at 6:30p.m.
in the Oak Room of the San Mateo Main Library, 55 W. 3rd Avenue.

WILL BE HELD AT

6:00pm

The RFA meeting will convene immediately following Item #2 of the
BAWSCA Board agenda, and no earlier than 6:00 P.M.

If you have any questions, please call the
BAWSCA office at (650) 349-3000.

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

SPECIAL MEETING

THURSDAY, JANUARY 17, 2019

6:00 P.M.

MEETING START TIME

**San Mateo Main Library – 55 W. 3rd Ave., San Mateo
Oak Room**

(Directions on Page 3)

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page</u>
1. Call to Order/Roll Call/Salute to Flag	(Mendall)	
2. Special Order of Business – Election of Officers for Calendar Year 2018 <i>(Attachment)</i> <ul style="list-style-type: none">• Election of Chair• Election of Vice Chair <i>(The terms of the new Chair and Vice-Chair commence at the end of the meeting at which they are elected)</i>	(Mendall)	<i>Pg 5</i>
3. Break for the San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting	(Mendall)	
4. Reconvene following San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting	(Mendall)	
5. Comments by the Chair <ul style="list-style-type: none">A. 15-year Anniversary Acknowledgment	(Mendall)	
6. Board Policy Committee Report <i>(Attachment)</i>	(Larsson)	<i>Pg 7</i>
7. SFPUC Report <ul style="list-style-type: none">A. Bay-Delta Plan Phase 1	(Kelly)	
8. Closed Session <ul style="list-style-type: none">A. Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9: <i>Restore Hetch Hetchy v. City and County of San Francisco, et al.</i> Case Number: F074107B. Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9 <i>Federal Energy Regulatory Commission Final License Application Proceedings for Don Pedro Hydroelectric Project, P-2299-082, and La Grange Hydroelectric Project, P-14581-002</i>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) (Schutte) (Schutte)	

9. Public Comments	(Mendall)	
<i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>		
10. Consent Calendar (Attachments)	(Mendall)	
A. Approve Minutes of the November 15, 2018 Meeting		Pg 23
B. Receive and File Budget Status Report – As of November 30, 2018		Pg 27
C. Receive and File Investment Report – as of December 31, 2018		Pg 29
D. Receive and File Directors’ Reimbursement Report – As of November 30, 2018		Pg 31
E. Proposed Fiscal Year 2019-20 Bond Surcharges		Pg 33
<i>The Board Policy Committee voted unanimously to recommend the proposed Board action.</i>		
F. Annual Review and Consideration of BAWSCA’s Statement of Investment Policy		Pg 39
<i>The Board Policy Committee voted unanimously to recommend the proposed Board action.</i>		
11. Action Calendar		
A. Mid-Year 2018-19 Work Plan and Budget Review (Attachment)	(Sandkulla)	Pg 47
<i>The Board Policy Committee voted unanimously to recommend the proposed Board action.</i>		
B. Authorization of CEO to Enter into a Contract with a Maddaus Water Management to Develop a Regional Water Demand and Conservation Projections Study (Attachment)	(Johnson)	Pg 57
<i>The Board Policy Committee voted unanimously to recommend the proposed Board action.</i>		
C. Los Vaqueros Expansion Project MOU (Attachment)	(Johnson)	Pg 65
<i>The Board Policy Committee voted unanimously to recommend the proposed Board action.</i>		
12. Reports	(Sandkulla)	
A. Water Supply Update		
B. Bay Delta Plan Phase I Update		
C. CEO Letter (Attachment)		Pg 73
D. Correspondence Packet (Under Separate Cover)		
E. Policy Calendar (Attachment)		Pg 77
13. Discussion Item	(Sandkulla)	
A. Fiscal Year 2019-20 Work Plan and Budget Preparation Planning Session (Attachment)		Pg 79
14. Directors’ Discussion: Comments, Questions and Agenda Requests	(Mendall)	
15. Date, Time and Location of Future Meetings (See attached schedule of meetings)	(Mendall)	

16. Adjourn to next meeting scheduled on March 21, 2019

(Mendall)

**6:30pm, Oak Room – San Mateo Main Library
55 West 3rd Ave., San Mateo**

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

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

Directions to San Mateo Main Library San Mateo – 55 W. 3rd Avenue

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

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Election of Officers for Calendar Year 2019**

Summary:

The State Water Code (Division 31, Section 81401) requires the Board to elect a chair and vice chair each year at the January meeting. The term of officers of the Board commences at the close of the meeting at which they are elected.

Discussion:

The suggested process for electing the chair is as follows:

1. Call for nominations for the position of chairperson.
2. Call for a motion to close nominations once no further names are offered.
3. If there is only one nominee, call for the vote.
4. If there is more than one nominee, then proceeding alphabetically:
 - a. Ask each nominee to give a brief statement on his/her qualifications and interest in the position.
 - b. Ask if other directors would like to comment on behalf of the nominee.
 - c. Call for a vote of those in favor of each nominee, by a show of hands.

Following the election of the chair, proceed to the election of vice chair using the same process.

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BAWSCA

Bay Area Water Supply & Conservation Agency

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MEMORANDUM

TO: BAWSCA Board Members

FROM: Nicole Sandkulla, Chief Executive Officer/General Manager

DATE: January 11, 2018

SUBJECT: Summary of Board Policy Committee meeting held December 12, 2018

1. **Call to Order:** Committee Chair, Gustav Larsson, called the meeting to order at 1:33 pm. A list of Committee members who were present (8), absent (1) and other attendees is attached.

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

2. **Comments by Committee Chair:** Chair Larsson welcomed members of the Committee. He noted that the State Water Resources Control Board is holding its hearing on the Bay Delta Plan Phase I in Sacramento. Tom Francis is at the hearing and is keeping Nicole informed.

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

4. **Consent Calendar:** Approval of Minutes from the October 10, 2018 meeting.

Director Kasperzak made a motion, seconded by Director Zigterman, that the minutes of the October 10, 2018 Board Policy Committee meeting be approved.

The motion carried, with an abstention from Director Benton, who was not present at the October 10th meeting.

5. **Action Calendar:**

- A. **Proposed Fiscal Year 2019-20 Bond Surcharges:** Finance Manager, Christine Tang, presented the process BAWSCA does annually to meet the financial obligations associated with the 2013 revenue bonds. The surcharges are used to make debt service payments to reimburse expenses associated with the bond administration, and to replenish the Stabilization Fund, as necessary. Based on the review, there are no replenishment funds needed at this time.

The methodology used for the calculations are the same from last year. The FY 2019-20 total surcharge of \$24,697,896 is equivalent to \$0.39/Ccf or \$170/AF, assuming projected wholesale water consumption from the San Francisco Regional Water System (SFRWS) of

130 mgd. Ms. Tang noted that based on FY 2018-19 first quarter actual sales, water consumption is on target.

A table of each agency's monthly and annual proposed surcharge was presented and included in the staff report. Ms. Tang stated that the surcharge and the pre-payment program saves the agencies over \$3.5 million collectively each year, until 2034.

In response to Director Zigterman, Ms. Tang explained that there will always be a 2-year lag in the surcharge setting. The allocation among the agencies for FY 2019-20, for example, uses data from FY 2017-18 because that is the most recent whole-year data for actual sales. A true up process will be done when actual sales for FY2019-20 becomes available. This will be included in the surcharge setting process for FY 2021-22.

Director Kasperzak made a motion, seconded by Director Pierce, to recommend Board approval of the proposed FY 2019-20 bond surcharges.

The motion passed unanimously.

- B. Annual Review and Consideration of BAWSCA's Statement of Investment Policy: Ms. Tang reported that BAWSCA's Statement of Investment Policy requires the Board's annual review of the policy itself. The last review occurred in November 2017, which resulted to no changes. Legal counsel's review of the policy confirms that it is consistent with State law.

The policy specifies the investment vehicles which include Money Market Mutual Funds, Certificates of Deposit (CD), and Federal Securities. BAWSCA's review and consultation with its investment advisor confirms that the current permitted investment vehicles remain appropriate for BAWSCA, and are consistent with BAWSCA's risk tolerance and investment objectives, which include safety, liquidity and yield. There are no recommended changes to the policy or the permitted bond investment instruments.

Ms. Tang noted that in previous years, the investment strategy for the bond funds has been reviewed separately from the investment policy review. This year, both reviews occurred simultaneously and are presented in this agenda item and memo.

BAWSCA's bond funds are invested in accordance with the bond indenture and the investment policy. As of November 30, 2018, there was a total of \$20,261,578 in bond funds held by the Trustee, Bank of New York. The bond funds include \$7.7 million of bond surcharges collected to pay the upcoming semi-annual debt service payment, and the \$12.6 million stabilization fund, which serves as a reserve in the event of shortfalls in the surcharge collection.

Based on BAWSCA's evaluation, performed with the agency's investment advisor's assistance, the current 0-5 year laddered maturity portfolio structure continues to be appropriate for the agency. The current strategy provides the agency opportunities to pursue higher yields while satisfying the primary objectives for the investments.

Ms. Tang noted that the 3 permitted investment vehicles were determined in November 2012 as part of the establishment of the bond structure. The Board amended the investment policy to restrict allowable investments vehicles for bond proceeds to Money Market Mutual Funds, CD's, and Federal Securities.

BAWSCA, along with the investment advisors, reviewed the three permitted investment vehicles according to credit quality, market price risks, and liquidity features. The analysis showed that the only other alternative investment vehicles for BAWSCA to consider at this time are Local Agency Investment Fund (LAIF) and Commercial Paper (CP). However, there are no recommended changes to the current strategy to include investments in LAIF or CP for the following reasons.

Based on the market as of November 30, 2018, BAWSCA's current portfolio structure outperforms LAIF by approximately 50 basis points. In terms of CP's, due to Securities and Exchange Commission (SEC) regulations, the availability of CP is very limited with nearly zero supply of CP's available to local governments and agencies such as BAWSCA. BAWSCA will continue to monitor market conditions for opportunities that may arise.

Ms. Tang presented a bar graph to demonstrate BAWSCA's 0-5 year ladder maturity investment portfolio which consists of US Treasury Securities that mature in 6-month intervals out to 5 years. The graph reflects the current transition from the prior 6-month rolling and 0-3 year ladder maturity structure to a 0-5 year ladder maturity strategy. Ms. Tang explained that it will take up to 3 years to complete the transition.

The current strategy provides BAWSCA a modest extension of maturity, as well as the opportunity to benefit from longer maturity and higher yielding investments over time.

It is anticipated that the next evaluation of the investment strategy and BAWSCA's circumstances will occur during next year's investment policy review.

The recommendation is for the Committee to recommend re-affirmation of the current Statement of Investment Policy.

Director Mendall thanked staff for its effort on maximizing the agency's investments.

Director Schmid commented that yields of 2-year treasuries are now close to the yields of 10-year treasuries, and noted whether BAWSCA is tying up investments over 3,4,5 years if the yields do not provide substantial difference. Secondly, Director Schmid asked if earnings from the stabilization funds are transferred into the General Reserve.

Ms. Tang explained that the bond indenture requires BAWSCA to put investment earnings from the stabilization funds back into the Trustee account. All earnings earned as a result of the investments in the Trustee remains with the Trustee and are used for debt service payment purposes only.

Director Kasperzak made a motion, seconded by Director Benton, that the Committee recommend the Board's re-affirmation of the current Statement of Investment Policy.

The motion passed unanimously.

- C. Authorization of CEO to enter into a Contract with a Selected Consultant to Develop a Regional Water Demand and Conservation Projections Study: Sr. Water Resources Specialist, Andree Johnson reported that BAWSCA is seeking to enter into a consultant agreement to update BAWSCA's Regional Water Demand and Conservation Projections (Demand Study). BAWSCA has done a regional Demand Study approximately every 5 years.

Consistent with past studies, the goal of the Demand Study is to develop long term water demand and conservation savings projections for each of the BAWSCA agencies and for the region as a whole using consistent methodologies.

Ms. Johnson explained that the existing Decision Support System (DSS) model, developed for each of the member agencies in 2014, will be updated using the most current data on population, employment projections, and water use. The updated DSS model will then be used to develop new demand projections and water conservation savings estimates through 2045.

The last Demand Study was done in 2014 and since then, several factors have occurred in the region that has affected, and will continue to affect, the member agencies' demand patterns. Those factors include a historic drought, significant new state conservation requirements, major economic growth, and the new long-term population and employment growth projections by the Association of Bay Area Government (ABAG). Given those factors, the timing is appropriate to update demand projections. Additionally, Ms. Johnson noted that the Demand Study will assist member agencies in completing their 2020 Urban Water Management Plans required by the State, and due by July 2021.

Ms. Johnson noted that while the scope of work will be similar to the scope of work used in 2014, there are 2 areas that she wanted to focus her comments on. The task of data collection and review will be the first most critical task, and will have the longest timeline in the project. She noted that the quality of the results are only as good as the data entered in the model, therefore, gathering the data will be an extensive process with both the member agencies and outside sources. BAWSCA will work closely with the agencies to ensure accurate assumptions are used in the process.

A second critical and new piece in the scope of work is a stakeholder engagement process. Given the current level of interest on demands and conservation potential in the service area, BAWSCA is planning for a stakeholder engagement component as part of the project development. The objective is to obtain stakeholder feedback on what conservation measures should be analyzed as part of the demand study. Two workshops will be held in which the first will obtain input from environmental groups, business, and regional agencies on potential conservation measures. The second workshop would report the results of the analysis.

The Request for Proposals was released on November 9th. Responses were due December 11th, and Two proposals were received, both of which were within the recommended project budget.

Member agencies have been invited to participate in the selection process, including review of the proposals and in consultant interviews, if interviews are needed. The schedule for the selection process has been aligned so that a consultant recommendation can be presented to the Board for approval at its meeting in January.

The recommended funding source for the Demand Study is the General Reserve and the Long-Term Planning Fund, which currently has a combined balance of \$1,493,348.

BAWSCA is recommending the use of the General Reserve and the Long-Term Planning Fund for the Demand Study as well as the Los Vaqueros Expansion (LVE) Project next phase

Memorandum of Understanding (MOU), which is the next item that will be presented to the Committee for discussion.

Ms. Johnson noted that both the demand study and the LVE Project MOU currently have a cost range. A single cost estimate is not yet available. For planning purposes, BAWSCA completed an analysis to forecast the impact to the funding sources should both projects move forward at a low-end cost or at a high-end cost of the range. Ms. Johnson presented a breakdown of the analysis.

For both projects, the funds would be taken from the Long-Term Planning Fund first, leaving it with a zero balance. The remainder would be paid through the General Reserve. If both projects move forward in FY 2018-19 at the estimated low-end cost, the General Reserve balance would be at 27% of the Operating Budget. If the projects move forward at the estimated high-end cost, the General Reserve balance would be at 16% of the Operating Budget.

Ms. Johnson noted that both projects are multi-year projects, and in the case of the demand study, majority of the expenditures would occur in fiscal year 2019-20. The Board would have the opportunity to evaluate alternative funding mechanisms for the project during the budget setting process.

Selection of the consultant for the Demand Study was originally planned for beginning of FY 2019-20. The schedule was accelerated at the request of the agencies so that the results of the Demand Study would be available by June of 2020 for their use in preparing their Urban Water Management Plans that are due to the State by July 2021.

The Committee was asked to recommend Board authorization of the CEO/General Manager to negotiate and execute an agreement with a selected consultant to complete the Regional Water Demand and Conservation Projection Study, and provide input on additional information that should be presented to the Board in January.

Director Schmid recommended that the Plan Bay Area be taken into specific account. He noted that there are agencies that have resident employees living elsewhere, and he questioned whether the targets and goals of Plan Bay Area are met by the agencies throughout the service area. He urged that the demand study take a closer look at the housing forecasts.

Ms. Johnson stated that the ABAG population and employment projections for the region have been and will be a critical piece of BAWSCA's Demand Study. Most of the member agencies have used the ABAG projections in their models and BAWSCA intends to reach out to ABAG and engage them as part of the stakeholder process.

Director Schmid noted that past ABAG models for Plan Bay Area never reached their residential projections, but their job numbers do. He questioned if they are realistic for local agency projections.

Ms. Sandkulla noted that because BAWSCA is not a land use agency, it relies upon the land use authorities' adopted plan, whether it is ABAG or otherwise.

In response to Director Schmid's reference to the Regional Housing Needs Allocation (RHNA) numbers, Director Pierce noted that while cities plan for RHNA's housing projection, cities are not responsible for building them. As long as cities are taking into account the projected number, which the jurisdictions are indicating for their growth, then cities can ensure water supply. "We" the member agencies do their best to make the most accurate projections. Improved models are helpful, as well as the requirement to complete UWMPs to ensure water supply availability for developments.

Director Mendall asked that financial reporting on the use of the General Reserve and the Long-Term Planning Fund be broken out to show the balance, and perhaps the estimate end balance of year 1 and year 2 noted in a simple table. This would be helpful for future budget planning.

Director Pierce agreed and requested that staff closely review the prioritization of projects accordingly with staff and financial resources

Director Mendall made a motion, seconded by Director Breault, that the Committee recommend that the Board authorize the CEO/General Manager to negotiate and execute an agreement with a selected consultant, subject to legal counsel's review, to complete the Regional Water Demand and Conservation Projection Study.

Director Larsson clarified that the Committee is making a recommendation based on information that is currently available. Staff has yet to select a consultant and will have further and specific information on the consultant for the Board to take action at the January meeting.

The motion passed unanimously.

- D. Los Vaqueros Expansion Project MOU: Ms. Johnson reminded the Committee that Los Vaqueros is Contra Costa County Water District's (CCWD) existing off-stream reservoir. The Los Vaqueros Expansion (LVE) Project would expand the reservoir from 160 TAF to 275 TAF, which is more than what CCWD has a local need for.

In 2016 CCWD reached out to neighboring agencies with an interest in a portion of the new storage to become project partners. BAWSCA and the SFPUC expressed interest in the project and entered a cost share agreement with CCWD in 2017 for the early planning work.

Through that cost share agreement, CCWD completed several planning tasks including securing Prop 1 funding for the project. The grant provides \$459 million to cover the public benefit share of the project, which is approximately half of the \$980 million project cost.

The work under the existing cost share agreement is substantially complete and CCWD has reached the next decision point on the LVE project. Project partners are being asked to re-affirm their participation, as well as for their interest in entering into a new cost share agreement to cover final planning stages of the project.

The new cost share agreement would cover planning work through calendar year 2019. It is anticipated that a formal government structure, most likely a Joint Powers Authority (JPA), will form during the course of the upcoming planning work. This governmental structure would carry the project through design, construction and ultimately, project operation.

The amount of the new cost share will be based on the number of project partners. The exact cost for each partner will be determined when the number of project partners are confirmed to continue on to the next phase. If all existing partners participate, the cost estimate is \$202 k on the low-end. If 6 partner drop out, the cost estimate is \$354 k on the high end.

Ms. Johnson noted that BAWSCA is proposing participation in the project independently from the SFPUC due to BAWSCA and the SFPUC having differing priorities, objectives and interests in the project at this time. BAWSCA is primarily interested in the project for dry-year supply to meet dry-year level of service goals that is consistent with the Strategy. SFPUC's interests are for normal-year and ongoing supplies. The differing interests require different modeling needs and different cost assumptions, therefore, participating separately is most appropriate. Opportunities for joint participation may arise in the future, and will be considered, as the project further develops. Ms. Johnson noted that non-participation in the next phase would likely eliminate opportunities for BAWSCA to participate in the future.

Substantial planning work has been completed under the existing cost share agreement including modeling to identify project benefits, conceptual design and environmental work, as well as an analysis on the government and financial structure.

The next phase would complete additional planning work needed for the project such as refinement of the models to evaluate cost and supply reliability, completion of environmental work and federal feasibility study, finalization of a financing plan and development of a governance structure. Ms. Johnson reported that a "Proforma Financial Model" has been developed and is being used to evaluate under different scenarios what the different costs associated with the project would be, how partners would use the facilities, and how costs should be allocated according to the partners' use.

In addition to the regional activities under the new cost share agreement, BAWSCA is concurrently working on several items that are outside of CCWD's scope of work for the LVE project, but are critical to BAWSCA's decision on whether to participate in the LVE project.

First is an independent audit of CCWD's and EBMUD's proposed costs for the use of their locally owned facilities that would be required as part of the project. Alameda County Water District (ACWD) has indicated a willingness to conduct this independent audit on their proposed user fees to ensure the fees are equitable. The second is discussions with the Santa Clara Valley Water District (SCVWD), ACWD, Zone 7, and City of Milpitas for the potential use of the South Bay Aqueduct and the Milpitas intertie to move water from Los Vaqueros reservoir to the BAWSCA agencies. The third is discussions with the SFPUC about their interests in the project to further assess independent or joint participation in the future.

The cost estimate presented currently includes both a low-end and high-end range because of the unknown number of participation partners. As previously mentioned, the funding source would be the General Reserve and the Long-Term Planning Fund. Ms. Johnson referred to the breakdown of BAWSCA's analysis to forecast the impact to the funding sources should both projects move forward at a low-end cost or at a high-end cost of the range.

Similar to the Demand Study, the LVE project is a multi-year project with the anticipation that half of the expenditures will occur in FY 2019-20. The Committee and the Board will have the

opportunity to consider alternative funding mechanisms during the FY 2019-20 budget planning process.

The recommendation is for the Committee to 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 \$354,129 for completion of the final planning stage of the LVE Project.

Director Kasperzak asked about BAWSCA's long term vision on BAWSCA's participation in the LVE project. Does BAWSCA perhaps become a water agency as opposed to a facilitator? Would BAWSCA own the water or would the member agencies own it? Would the RFA play a role in funding the project? He noted a concern that the amount of \$400 million cannot be collected through assessments.

Ms. Sandkulla stated that those questions are not fully answered yet given the current stage of the project planning. However, those questions are all appropriate and all those ideas are possible. Because of BAWSCA's and SFPUC's differing interests in the project, it is important for BAWSCA to participate in this phase separate from the SFPUC. The project's development, and factors that affect it, changes as we speak, but nevertheless, BAWSCA needs to keep an independent voice because it can, indeed, potentially be an independent partner in LVE project. This would mean that we could potentially be a member of the JPA and purchase the water via a sales contract. BAWSCA would not own or operate the system, but would be a member of the entity responsible for the operation of that system. BAWSCA, therefore, would be responsible for its share of the operation costs. The RFA could play a part, but that has not been closely examined.

Director Kasperzak suggested for staff to present to the Board what the possible vision of this project is, as discussions move forward, to prepare the Board of the potential actions and what those actions mean for the future of BAWSCA.

Ms. Sandkulla agreed and noted that this project and other similar water supply development projects may be leading BAWSCA to more fully take on the role that was specified in the legislation that formed BAWSCA; "...a multicounty agency authorized to plan for and acquire supplemental water supplies...on a regional basis." While it was not an obligation, the legislative language gave BAWSCA the authority and the right to step into this position to serve the water supply interests of the region. This scenario was anticipated, and it could change BAWSCA's role.

Director Benton agreed with having a clear understanding of whether the investment is realistic to avoid having wasted the money spent only to find out that the efforts are not viable. It would be helpful for the Board to have a clear understanding of the "end game" to support making the large investment. Secondly, he asked where the water would come from and if BAWSCA would be in competition with the SFPUC for water if its interests differs with BAWSCA.

Ms. Johnson explained that CCWD has surplus water from the Delta that they would likely be able to make available to project partners. In addition, the expansion of the reservoir can provide BAWSCA additional storage capacity should BAWSCA choose to execute a water transfer from another water entity.

On the point about having a clear understanding of the “end game”, Director Breault commented that conducting the study for the development of the Strategy 10 years ago was controversial because many agencies believed there was enough water and investments for future water supply reliability was unnecessary. Based on the staff report and presentation, there is still significant amount of work in the LVE project study that need to be finalized including settling agreements for the use of interconnecting facilities that will move the water from the reservoir to the agencies, as well as the identification of BAWSCA member agencies who will clearly benefit. We need to get closer to the finalization of those efforts to get a better understanding of which agencies will benefit and whether they are interested to invest. Director Breault asked when the study is expected to be completed.

Ms. Johnson stated that the study will be completed in calendar year 2019, and it is anticipated that the entire LVE project would be completed in 2027.

In response to Director Mendall’s question, Ms. Sandkulla stated that in the 2017 cost-share agreement, BAWSCA is paying 2/3rds of SFPUC’s share.

Director Mendall noted that a \$200 k - \$350 k investment for a study on water supply reliability is reasonable, but a higher stake with a higher cost would require further discussions, and a robust justification and clear understanding of the benefits for the member agencies.

Ms. Sandkulla explained that there is a specific reason the scope is written the way it is. This phase is the last level of planning stage at this lower level of cost for the LVE project. It is in the interests of BAWSCA and the SFPUC to participate as project partners in this phase of the study to be able to have access to information on who will benefit, who will pay, and why.

Ms. Sandkulla does not have enough information to answer the questions presented by the committee because BAWSCA is not yet a direct party to this phase of CCWD’s LVE project. That is why the recommendation is to independently participate in the final planning phase of the project. This provides BAWSCA access to information needed in the interests of the member agencies to be able to make the next level of decisions, which will be at a higher investment.

Director Schmid noted two concerns. He suspects that other agencies are signing up for dry-year allocations like BAWSCA, and if so, how are allocations made? Are there priority rankings for which agency gets the first cut, and where would BAWSCA be on the list?

Secondly, the use of interties to get water to the BAWSCA member agencies require key interties owned by SCVWD who have issues of their own during dry years. What are the legal agreements BAWSCA would have that ensures access to water supply in extreme dry years?

Ms. Johnson explained that extensive modeling has been done during the course of the study that are based on the project partners’ various interests. Based on the current requests in place from the project partners, BAWSCA would get the water in nearly all of the years when BAWSCA would need it out of Los Vaqueros.

With regards to the use of the South Bay Aqueduct, that investigation is high on the priority list for this phase of the study this year.

Director Pierce appreciated hearing the questions and comments raised by committee members about the technical aspects of the project which made her look back to the history behind the development of the Strategy. She noted that the agency's past experience has proven that circumstances can suddenly change, and for some agencies, reliance on a single source of supply can bring a lot of uncertainties. She commented that the future that seems important for all member agencies to be thinking about climate change, drought, future growth, and what those factors mean for the region.

On behalf of Redwood City, her interest would be for the member agencies to be able to grow and build collaboratively to balance the pressure among the agencies. As brought up by one of the comments, there is value to have a region that works properly such as having the appropriate infrastructure necessary to move the water effectively and efficiently. Additionally, she believes that obtaining water reliability for San Jose and Santa Clara so they can build to their full potential provides a regional benefit. In some ways, BAWSCA is pushed to think much broader than just pipes and water. It was forward thinking for the legislation, AB2058, to have a broad definition for the agency that enables it to support the interests of the member agencies when it comes to its water resources.

Director Zigterman echoed the need for further information to justifiably moving forward with the LVE project. He asked if the scope of the effort that BAWSCA is proposing to engage in, and that the Committee is recommending approval of the Board in January, would include the following three factors; that the study will look at the need for additional supply and storage, how BAWSCA and/or SFPUC's role in the governance would work, and provisions of the connecting infrastructure to move water.

Ms. Sandkulla stated yes, and that those are the anticipated end results of the study. She added that the LVE project is controlled by CCWD, and that BAWSCA's evaluation of the value of the study to the member agencies is based on the 10 TAF that the project can potentially provide. While 10 TAF does not provide everything BAWSCA needs in future water supply reliability, it certainly provides a benefit. Additionally, the project cost is as cost-effective as anything else at this level of knowledge.

Director Benton asked how an MOU that multiple agencies are paying for provide information on something unique to BAWSCA. Ms. Sandkulla explained that the aspect of the MOU that is unique to BAWSCA, and a subset of the project participants including the SFPUC, is the use of the South Bay Aqueduct. The project has the capability to model and evaluate multiple scenarios. BAWSCA's participation will allow the project to model scenarios specific to the needs of the BAWSCA region, which is why participation separate from San Francisco is recommended.

Ms. Sandkulla explained that if BAWSCA was to participate with SFPUC, the cost would be the low-end cost or the high-end cost in addition to 2/3's of the SFPUC's cost. Additionally, if CCWD limits the number of modeling for project partners, BAWSCA would have to share that with SFPUC which may require negotiation. Participating independently of SFPUC will provide BAWSCA access to information it needs to clearly identify the potential benefits of the project to the member agencies.

In response to Director Benton's question, Ms. Sandkulla stated that \$350K is worth having that level of independence on the modeling runs.

Director Mendall added that BAWSCA can potentially face an investment decision on the LVE project next year that is of significant cost. The Board would want to be able to make a well-informed decision for that investment, and the \$200-\$350K cost on the MOU is a justifiable investment.

Ms. Sandkulla re-stated that the questions presented by the committee members as far as the end results of the study are what she will have to present to the Committee and the Board to decide whether the LVE project is a project BAWSCA wants to be a part of in the future. It is the same information all project participants are looking for.

Director Zigterman sees the question of whether BAWSCA can potentially be in competition with San Francisco as a water supplier as an important one. However, he would hesitate, without further discussion, for BAWSCA to go into the water supply infrastructure management role because although BAWSCA has the right to have the role, it is a big role. BAWSCA can take the steps to get to that point, but the Policy Committee and the Board would have to take that into serious consideration.

In response to Director Breault, Ms Sandkulla stated that the identification of which BAWSCA member agencies will benefit from the LVE project will be a part of the information presented to the Committee and the Board in the next phase of work.

Participation in the MOU will provide BAWSCA access to information on what kind of benefit comes into the regional water system, including how much water comes into the system to address dry-year needs. With that information, we can see if there is an agency or whether all the agencies would have interest in the identified supply and whether they would be willing to pay for it to reduce drought shortages by a percentage. That is the level of detail Ms. Sandkulla expects to bring to the Board in the next phase of work so that it can consider taking the next step.

Director Breault commented that \$350 K for 10 TAF is a considerable amount as it would take approximately 7 years of the increased investment savings to replenish that cost.

In response to Director Larsson, Ms. Sandkulla stated that she anticipates substantial discussion on the results of the study and next steps for the LVE Project beginning May 2019, and continuing to July and September. There will also be discussions on the potential developments in the Bay Delta and the Demand Study as those items are connected to overall water supply reliability.

Director Pierce asked if the demand study will be completed by then so that the agencies can know how much supply is needed, and whether the region is close to its 184mgd.

Ms. Sandkulla cannot answer that question until the RFP process is completed.

Director Kasperzak made a motion, seconded by Director Pierce, that the Committee recommend the Board to 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.

The motion passed unanimously.

6. Report and Discussion

- A. Mid-Year 2018-19 Work Plan and Budget Review: Ms. Sandkulla reported that implementation of the FY 2018-19 work plan is on schedule. Mid-year review of the work plan identifies the need for three modest changes.

The first change is postponement of the audit of SFPUC asset management practices to FY 2019-20. This change accommodates the acceleration of the demand study. The second change is the delay in completion of two regional pre-feasibility studies for two purified water projects. This change to the work plan reflects the schedule delay for the Phase 2 of the Potable Reuse Exploratory Plan (PREP) with Silicon Valley Clean Water, and Phase 2 of the BAWSCA/SCVWD/SFPUC joint project. Phase 1 of the SCVWD joint project was completed in Summer 2018, and SCVWD has asked to delay Phase 2 until they complete a countywide water reuse master plan. The third change is to add the initiation of the demand study for completion in FY 2019-20 instead of FY 2020-21. This work was scheduled to begin in FY 2019-20 but is being accelerated to begin in FY 2018-19 so that results can be available to support the member agencies' completion of their UWMPs due by June 2020.

Ms. Sandkulla presented a table showing the progress of the work plan's 11 key tasks, most of which are 50%-75% complete, with a slight delay in the Strategy implementation.

BAWSCA is on track in monitoring the SFPUC's progress in the WSIP, 10-year CIP and Asset Management Program. In January, Ms. Sandkulla and Strategic Counsel, Bud Wendell will pursue extension of the State oversight on the WSIP as well as the Regional Financing Authority (RFA) through legislative actions. Ms. Sandkulla reported that with the SFPUC's adoption of the WSA amendments at its December 11, 2018 meeting, BAWSCA's oversight of the 10-year CIP is now a part of the WSA. BAWSCA continues to focus on SFPUC's progress on the repairs of Mountain Tunnel and the Moccasin Reservoir.

Progress in the implementation of the Strategy recommendations is affected by the noted delays of the two pre-feasibility studies on purified water projects.

In response to new State requirements, BAWSCA is implementing several new water conservation and drought response programs. First is a residential indoor/outdoor water use study that will be completed in May 2019. Results of this study will feed into the Demand Study. Second is a pilot self-audit tool for commercial customers that will be launched in March 2019. Third is a water loss control subscription program that has been implemented to meet state requirements in tracking non-revenue water use. BAWSCA will continue to represent member agencies at the state-wide level on conservation and in meeting the new State requirements.

Additionally, BAWSCA is scheduled to conduct an AMI workshop in March 2019, in coordination with SCVWD. A questionnaire will be distributed to the member agencies in advance of the workshop so that agency responses can be used as part of the workshop preparation and discussions.

Protecting the member agencies' water supply interests in the administration of the WSA has been BAWSCA's major focus for the past several months. Ms. Sandkulla reminded the Committee that the Board extended the Tier 2 drought allocation plan until December 31, 2019. Another extension may be required this fiscal year and staff will begin to work with the agencies in January 2019. As part of the WSA amendments recently adopted by the SFPUC,

the Tier 1 issue was addressed, and SFPUC's 2018 decisions are extended another 10-years.

Efforts in addressing the threats to the region's water supply continues, and BAWSCA will remain engaged to protect the member agencies' interest in water supply reliability.

BAWSCA will continue to pursue grant opportunities that become available. Reporting on, and tracking of, agency water supply and conservation activities is ongoing with the yearly release of the Annual Survey anticipated in February 2019.

Financial matters under the WSA administration are addressed in Christina's work on the Wholesale Revenue Requirement and asset allocations.

As part of the proposed changes to the work-plan and mid-year budget review, there are no recommended changes to the current budget.

Separate funding mechanisms are recommended for the Regional Demand Study and LVE project, which are separate actions from the mid-year budget review.

The budget for Legal Counsel is 57% expended through October. It is tracking high, but that was anticipated given the extended work over the Summer and Fall associated with water supply reliability threats. Ms. Sandkulla will work closely with Legal Counsel to monitor legal activities and expenditures, and noted that a potential contract amendment may be brought forward in Spring 2019. All other work plan expenses are within budget.

Ms. Sandkulla reported that as part of the mid-year budget review, there are no recommended changes to the General Reserve. She presented a breakdown of the balance and activities of the General Reserve, as well as the balance of the recently established Long-Term Planning Fund. The General Reserve balance as of December 5, 2018 is \$1,365,380, or 35% of the Operating Budget.

The combined balance of the 2 funds is 1,493,348. Ms. Sandkulla referred to the funding and cost breakdown previously presented on BAWSCA's analysis of the impact to the funding sources should the Demand Study and LVE Project MOU move forward at a low-end cost or at a high-end cost. She deemed it necessary to present the same funding and cost breakdown analysis for each item; Demand Study, LVE Project MOU, Mid-Year Budget Review; as they are separate items that required separate actions.

A broader table with the cost ranges and multi-year expenditures will be provided for the Demand Study and LVE Project MOU staff memos for the Board's consideration at the January Board meeting, as well as for further discussions of the budget planning.

The Committee supported the new format of the mid-year review update table which now clearly indicates the progress of each key area of the workplan.

Director Mendall supports the recommendation, but expressed his concern with the postponement of the audit of the SFPUC's asset management practices. He understands the need to postpone it, and does not oppose it. But he discouraged the potential for further postponement of the task year after year because it is a critical pre-cursor to BAWSCA's oversight of the 10-year CIP.

He noted that the Mid-year Budget Review presentation should come before the presentation of the Demand Study and LVE project MOU.

Director Benton asked what the loss would be by postponing the audit of SFPUC's asset management program.

Ms. Sandkulla explained that the first part of the effort was to complete a CIP benchmarking study, where an analysis of other utility CIP practices, including the SFPUC, was conducted. That report will be provided at the January Board meeting. The next step of evaluating SFPUC's asset management practices against that analysis is what is being postponed. Ms. Sandkulla anticipates a 6-month delay as opposed to a 1-year delay. The RFP is ready for release, and if the Board chooses, it can consider including the task as part of the FY 2019-20 budget to move it forward right away.

Director Kasperzak made a motion, seconded by Director Pierce, to move staff recommendation on the Mid-Year Budget Review. Further Committee discussions ensued.

In response to Director Schmid, Ms. Sandkulla explained two funding alternatives that BAWSCA can use instead of the Long-Term Planning Fund. One is the Water Management Charge, which was previously used to fund the Long-Term Reliable Water Supply Strategy (Strategy). This mechanism is allowed per the WSA, and has a specific procedure that enables SFPUC to charge wholesale customers a certain amount over a period of time to pay costs approved by the BAWSCA Board. This funding tool works well for a multi-month/year consultant study as opposed to a one-time cost. Another alternative is the use of the Balancing Account that exists under the WSA. It can be used for efforts specifically associated with water supply and conservation development. The use of the mechanism has been discussed for the implementation of the Pilot Water Transfer and can be considered for the LVE MOU. The current estimated balance in the Balancing Account is \$60 million by the end of FY 2017-18.

Director Mendall asked the value for having the balance so high and should it be used prudently.

Ms. Sandkulla explained that the Balancing Account have specific priorities dictated by the WSA. Details of those priorities can be provided to the Board at its January meeting. Essentially, the Balancing Account has a role to help balance fluctuations in the wholesale rates. There is an annual conversation between the SFPUC and the wholesale customers about the use of the Balancing Account towards wholesale rate settings versus rate stabilization. Coming out of the recent drought and with the uncertainties of what the rate could be as a result of water use reductions, it was the member agencies who expressed a specific interest to use the funds to reduce potential drastic rate fluctuations.

Legal Counsel, Allison Schutte, added that there are procedures and recommendations in the WSA for the purpose of smoothing the balance out. The balance can be brought down to zero over 3 years, but Ms. Sandkulla noted that the WSA allows for discretion in certain scenarios. Ms. Sandkulla can provide further information at the January Board meeting as part of the discussion on funding alternatives.

With no further discussions, the recommendation moved the Director Kasperzak, and seconded by Director Pierce, that the Committee recommend Board approval of the revisions to the FY 2018-19 Work Plan as follows:

1. Scope Reduction/Delay:

- **Postpone initiation of an audit of the SFPUC's asset management practices until FY 2019-20**
- **Delay completion of two Phase 2 pre-feasibility studies for purified water projects**

2. Scope Addition:

- **Initiate Regional Water Demand and Conservation Projections Study for completion in FY 2019-20**

The motion passed unanimously.

- 7. Reports:** Ms. Sandkulla reported that water supply conditions are good. Precipitation at Hetch Hetchy is at median level, while the snowpack is slightly higher than normal. Total deliveries remain below the pre-drought level. Total water use in the service area remains 14% less than in October 2013. There was a dip in water use during the month of September 2018 compared to 2017, which may be associated with the fact that September 2017 was hot.

Ms. Sandkulla reminded the Committee that the January Board meeting will include a Budget Planning Session to discuss the long-range view of BAWSCA's work plan for FY 2019-20 and beyond. A preliminary work plan and budget will be presented to the Committee in February for discussion before it goes to the Board in March. BPC review of the Preliminary Work Plan and Budget will occur in April, for Board consideration at the May 2019 Board meeting.

- 8. Closed Session:** The meeting adjourned to Closed Session at 3:18pm
- 9. Open Session:** The meeting convened to Open Session at 3:37pm. Legal Counsel, Allison Schutte reported that no action was taken during Closed Session.
- 10. Comments by Committee Members:** There were no further comments from Committee Members.
- 11. Adjournment:** The meeting was adjourned at 3:38 pm. The next meeting is February 13, 2019.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – December 12, 2018

Roster of Attendees:

Committee Members Present

Gustav Larsson, City of Sunnyvale (Chair)
Tom Zigterman, Stanford (Vice Chair)
Jay Benton, Town of Hillsborough
Randy Breault, City of Brisbane/GVMID (Immediate Past BAWSCA Chair)
Mike Kasperzak, City of Mountain View
Al Mendall, City of Hayward (BAWSCA Chair)
Barbara Pierce, City of Redwood City (BAWSCA Vice Chair)
Gregg Schmid, City of Palo Alto

Committee Members Absent

Rob Kuta, Cal Water Service Company

BAWSCA Staff:

Nicole Sandkulla	CEO/General Manager
Adrienne Carr	Sr. Water Resources Specialist
Andree Johnson	Sr. Water Resources Specialist
Christina Tang	Finance Manager
Lourdes Enriquez	Assistant to the Chief Executive Officer
Deborah Grimes	Office Manager
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP

Public Attendees:

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

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING****November 15, 2018 – 6:30 p.m.
San Mateo Main Library – Oak Room****MINUTES****1. Call to Order/Pledge of Allegiance/Roll Call – 6:30 pm**

BAWSCA Chair, Al Mendall, called the meeting to order and led the salute to the flag. CEO/General Manager, Nicole Sandkulla called the roll. Sixteen (16) members of the Board were present at roll call, constituting a quorum. Two Board Members arrived after roll-call. A list of Directors present (18) and absent (8) is attached.

2. Comments by the Chair: Chair Mendall noted Director Kolstad's retirement from the Council and resignation from the BAWSCA and RFA Boards. He thanked Director Kolstad for his services.

On behalf of BAWSCA, Chair Mendall also noted and expressed appreciation for Governor Brown and Governor-elect Newsom for writing a letter to the State Water Resources Control Board (SWRCB) and urging Board Chair, Felicia Marcus, to support a negotiated settlement for the Bay Delta Water Quality Control Plan Phase 1. Senator Hill and Assembly Members Quirk and Mullin also wrote letters supporting a negotiated settlement strategy. He commended their leadership as well.

3. Public Comments: There were no public comments.**4. Consent Calendar:**

Director Richardson made a motion, seconded by Director Quigg, to approve the minutes of the September 19, 2018 Board meeting, and receive and file the Annual Audit Report for BAWSCA and Compilation Report for BAWUA for FY 2017-18, Directors' Reimbursement and Investment Reports as of September 30, 2018.

The motion passed unanimously.

5. SFPUC Report: SFPUC Assistant General Manager for Water Enterprise, Steve Ritchie, provided a water supply report, and an update on the repairs to the Moccasin Reservoir.**6. Special Reports:**

A. Implementation of the Long-Term Water Supply Strategy - Update: BAWSCA Sr. Water Resources Specialist, Dr. Carr, provided a progress report on the Strategy implementation and the components essential to ensuring a reliable supply of water when and where it is needed during normal and dry years. The Regional Water Supply Reliability Modeling Tool was one of the core actions completed in FY 2017-18 and will be instrumental in evaluating potential water supply projects as well as the impacts of new state conservation and water planning requirements.

B. Pilot Water Transfer – Update: BAWSCA Water Resources Manager, Tom Francis, reported on the progress of the Pilot Water Transfer.

C. Los Vaqueros Expansion Project – Update: Mr. Francis provided a report on the second expansion of Los Vaqueros Reservoir and BAWSCA's potential participation.

7. Reports: Ms. Sandkulla provided reports on member agencies' current water use, and an update on the Bay Delta Water Quality Control Plan Phase 1.

8. The Board adjourned to Closed Session at 8:05pm

9. The Board reconvened to Open Session at 8:28pm: There was no action taken during Closed Session.

12. Directors' Discussion: Comments, Questions and Agenda Requests: Director Pierce commented that she has watched BAWSCA's Strategy development over several years from conception to its current state, and it is evident that the Strategy and efforts like the Pilot Water Transfer do not just happen. The level of details and expertise required to make it all possible are very important to note so that we don't begin to think that efforts like the Strategy or a water transfer are easy to implement. In addition to the time it takes to put everything in place, there are unexpected things that occur and need to be addressed, such as the FERC proceedings and the recent threats to our water supply. She appreciates BAWSCA's ongoing focus and the agencies' collaboration on the Strategy efforts to ensure the region a reliable water supply.

Director Mendall agreed and noted that the intensity of the activities this year is a good reminder of how valuable BAWSCA is.

13. Date, Time and Location of Next Meeting: The next meeting is scheduled on January 17, 2019 at 6:30pm, in the Oak Room, of the San Mateo Main Library.

Note: The meeting start time of the January 17th Board meeting is changed to 6pm by the Board Chair to ensure there is sufficient time to accommodate all items on the agenda.

14. Adjournment: The meeting adjourned at 8:31pm.

Respectfully submitted,

Nicole M. Sandkulla
Chief Executive Officer/General Manager

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Attachments: 1) Attendance Roster

Bay Area Water Supply and Conservation Agency

**Board of Directors Meeting
Attendance Roster**

Director	Agency	Nov. 15 2018	Sept. 20 2018	Jul. 19 2018	May 17 2018	Mar. 15 2018	Jan. 18 2018
Anderson, Robert	Purissima	✓	✓	✓			
Benton, Jay	Hillsborough	✓	✓		✓	✓	✓
Breault, Randy	Guadalupe	✓	✓				✓
Bronitsky, Charlie	Foster City						
Chambers, Tom	Westborough	✓	✓	✓	✓	✓	✓
Kasperzak, Mike	Mountain View	✓			✓	✓	
Keith, Kirsten	Menlo Park			✓	✓	✓	✓
Kolstad, Patrick	Santa Clara	✓		✓	✓	✓	✓
Kuta, Rob	Cal Water	✓	✓	✓	✓	✓	✓
Larsson, Gustav	Sunnyvale		✓	✓	✓	✓	✓
Liccardo, Sam	San Jose						
Manalo, Juslyn	Daly City		✓	✓			
Mendall, Al	Hayward	✓	✓	✓	✓	✓	✓
Mickelsen, Chris	Coastside			✓		✓	
Moody, Larry	East Palo Alto	✓	✓		✓		
O'Connell, Irene	San Bruno	✓	✓	✓	✓	✓	
O'Mahony, Rosalie	Burlingame	✓	✓	✓	✓	✓	✓
Piccolotti, Tom	North Coast	✓	✓		✓		✓
Pierce, Barbara	Redwood City	✓	✓	✓	✓		✓
Quigg, Dan	Millbrae	✓		✓		✓	✓
Richardson, Sepi	Brisbane	✓	✓	✓	✓	✓	✓
Schmid, Greg	Palo Alto	✓		✓	✓	✓	✓
Tran, Rich	Milpitas						
Vella, Lou	Mid-Peninsula		✓	✓	✓	✓	✓
Weed, John	ACWD	✓	✓	✓		✓	✓
Zigterman, Tom	Stanford	✓	✓	✓	✓	✓	✓

✓ : Present

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: January 2, 2019

SUBJECT: Budget Status Report as of November 30, 2018

This memorandum shows fiscal year budget status for FY 2018-19. It includes major areas of spending, provides an assessment of the overall budget, and summarizes reserve fund balances. This report covers the budget and expenses for BAWSCA. The BAWSCA budget includes necessary resources for the RFA and BAWUA.

Operating Budget Summary:

For the five-month period ending November 30, 2018, 42 percent into the fiscal year, total expenditures were \$1,681,413 or 43 percent of the total budget of \$3,901,085.

Table 1. Operating Budget Summary as of November 30, 2018

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	1,376,080	574,306	42%
Fair Pricing	301,000	126,332	42%
Administration	110,000	53,432	49%
Subtotal	<i>1,787,080</i>	<i>754,069</i>	<i>42%</i>
Administration and General			
Salary & Benefits	1,673,955	775,625	46%
Other Expenses			
BAWSCA	376,850	151,719	40%
BAWUA	1,050	0	0%
Subtotal	<i>3,838,935</i>	<i>1,681,413</i>	<i>44%</i>
Capital Expenses	3,000	0	0%
Budgeted Contingency	57,500	0	0%
Regional Financing Authority	1,650	0	0%
Grand Total	<i>3,901,085</i>	<i>1,681,413</i>	<i>43%</i>

Overview:

Overall expenditures for FY 2018-19 are tracking within budget.

Consultants

The \$145,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 25 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 47 percent expended. The Operating Budget allocation of \$669,000 budget for legal counsel was 72 percent expended. The \$341,050 budget for water management and conservation-related activities was 22 percent expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 46% and 40% percent expended respectively.

Use of CEO's Discretionary Spending Authority:

The CEO entered into the following agreement under her discretionary spending authority:

- A contract amendment in the amount of \$850 for Kingston Media, for services related to BAWSCA's 15th anniversary video. (January 2019)
- A contract with ManageWater Consulting, Inc. in the amount of \$24,800 for an Advanced Metering Infrastructure (AMI) assessment for the BAWSCA agencies and Santa Clara County. BAWSCA's share of the total contract amount is \$17,050; the remaining \$7,750 will be funded by Santa Clara Valley Water District.

Expenses related to this action will be reflected in the budget status report period ending January 30, 2019. The total Operating Budget for FY 2018-19 remains the same.

Use of Reserve and Reserve Fund Balance:

Unspent funds at the end of FY 2017-18 were \$253,892. The BAWSCA reserve balance as of November 30, 2018, shown below, reflects this deposit. In accordance with the adoption of the FY 2018-19 annual budget in May 2018, the Board approved transferring \$321,688 from the General Reserve to fund the FY 2018-19 budget. The BAWSCA General Reserve balance shown below reflects this transfer.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 09/30/18)	Account Balance (As of 11/30/18)
General Reserve (Including Long- Term Planning Fund)	\$1,561,144	\$1,493,348

BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: January 7, 2019

SUBJECT: Investment Report – As of December 31, 2018

In February 2004, the Board originally adopted an investment policy consistent with the Government Code that requires a report on the Agency's investments be provided to the Board. This report presents fund management in compliance with the current investment policy. The required annual review of the investment policy by the Board is scheduled for the January 17, 2018 board meeting.

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

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

<u>09/30/18</u>	<u>12/31/18</u>
\$2,406,533	\$2,420,363

Of the total in the BAWSCA LAIF account as of December 31, 2018, \$1,365,380 represents BAWSCA's General Reserve Fund, equivalent to approximately 35 percent of FY 2018-19 Operating Budget and \$127,968, equivalent to 3.28 percent of the FY 2018-19 Operating Budget, represents the Long-Term Planning Fund (excess funds over the maximum reserve balance of 35 percent). The remaining amount consists of Subscription Conservation Program funds and unrestricted funds.

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

<u>06/30/18</u>	<u>09/30/18</u>
1.90%	2.16%

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: January 2, 2019

**SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending
November 30, 2018**

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

There were no director expenses reimbursed for the quarter ending November 30, 2018.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

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.

Board Policy Committee Action:

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

Recommendation:

That the Board approve 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 OF DIRECTORS 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.

Board Policy Committee Action:

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

Recommendation:

That the Board re-affirm 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 laddered 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 laddered security structure designed to provide the agency an appropriate balance of safety, liquidity and yield.

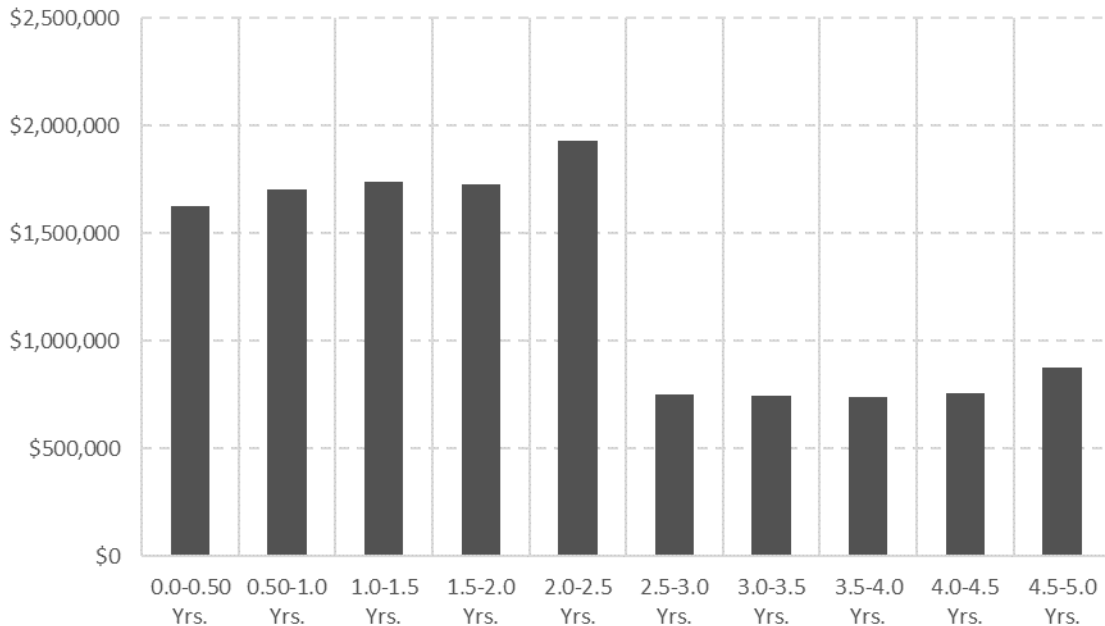
In October 2017, BAWSCA reviewed the investment strategy again to determine whether a change in the agency's circumstances, surcharge revenue experience, or market conditions may justify a change in the investment strategy to better align the agency's objectives and risk tolerance. Due to a limited history 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 laddered 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 OF DIRECTORS 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.

Legal Counsel expenses, which are tracking high for this time of year as anticipated with the extended work effort last 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, including a recommended two-year funding plan for the Demand Study and BAWSCA's participation in the next phase of the Los Vaqueros Expansion (LVE) Project.

Fiscal Impact:

No changes to the FY 2018-19 Operating Budget are recommended as part of this action. A recommended two-year funding plan for the proposed Demand Study and BAWSCA's participation in the next phase of the LVE Project is presented in this memo for consideration as part of a subsequent Board action on these items at its January 17, 2019 meeting.

Board Policy Committee Action:

At its December 12, 2018 meeting, the Committee recommended the Board approve the proposed revisions to the FY 2018-19 Work Plan.

Recommendation:

That the Board authorize 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 January 10, 2019. 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 for the Demand Study is available from BAWSCA's Long-Term Planning Fund and General Reserve.

Proposed FY 2018-19 Work Plan Modifications and Budget Implications

Table 1 (attached) 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 was 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 2019.

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:

A budget review has been performed as part of this mid-year review and no budget modifications are proposed as part of this action.

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 and Funding Actions to Complete FY 2018-19 Work Plan:

No changes to the General Reserve are requested as part of this item, however, as part of two other separate actions at its meeting on January 17, 2019, the Board will be asked to consider authorizing and funding (1) the Demand Study and (2) BAWSCA’s participation in the next phase of the Los Vaqueros Expansion. Both of these projects will be completed over a two-year period. Table 2 provides the anticipated timing of costs for both projects.

Table 2. Anticipated Timing of Costs for Demand Study and LVE Project

Project Name	FY 2018-19 Anticipated Costs	FY 2019-20 Anticipated Costs	Total Cost
Demand Study	\$150,000	\$300,000	\$450,000
<u>LVE Project</u>	<u>\$177,500</u>	<u>\$177,500</u>	<u>Up to \$355,000</u>
Total Cost by FY	\$327,500	\$477,500	\$805,000

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)
- \$127,968 Transfer to Long-Term Planning Fund
- \$150,000 General Reserve balance as of Nov. 30, 2018

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

Given the information presented in Table 2 on the timing of costs associated with the Demand Study and LVE Project and the current Long-Term Planning Fund and General Reserve balances, the recommended two-year funding plan for the combined cost of the Demand Study and LVE Project is as follows:

- Year 1 (FY 2018-19): Transfer \$127,968 from the Long-Term Fund and up to \$199,532 from the General Reserve, for a total transfer of up to \$327,500, to the Operating Budget
- Year 2 (FY 2019-20): Transfer up to \$477,500 from the General Reserve to the Operating Budget

This recommended funding plan and impact on the Long-Term Planning Fund and General Reserve balances is presented in Table 3.

Table 3. Recommended 2 Year Funding Plan for Demand Study and LVE Project

	Long-Term Planning Fund	General Reserve	Description
12/5/18 Balance (estimated)	\$127,968	\$1,365,380	
	<u>-\$127,968</u>	<u>-\$199,532</u>	<i>\$327,500 transfer to BAWSCA FY 2018-19 Operating Fund for Year 1 funding</i>
6/30/19 Balance (estimated)	\$0	\$1,165,848	This General Reserve balance represents 30% of the FY 2018-19 Operating Budget
		<u>-\$477,500</u>	<i>\$477,500 transfer to BAWSCA FY 2019-20 Operating Fund for Year 2 funding</i>
6/30/20 Balance (estimated)	\$0	\$688,348	This General Reserve balance represents 18% of the FY 2018-19 Operating Budget

Estimated reserve balances do not include any assumption or estimate of any end of year unspent funds transfer to the General Reserve.

The current guideline for the General Reserve balance for budgetary purposes is a range of 20% to 35% of the annual operating expense. With the recommended funding plan, the General Reserve will remain within target for FY 2018-19. For FY 2019-20, the Board will have the opportunity to review the estimated General Reserve balance and consider alternatives for funding the FY 2019-20 Operating Budget including a continued use of General Reserve or an assessment increase.

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 adopted by SFPUC and being considered for action by 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 adopted by SFPUC in Dec. 2018 and being considered for adoption by member this year.]
- 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.]

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Authorization of CEO to Enter into a Contract with Maddaus Water Management 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.

In response to the November 9, 2018 Request for Proposals (RFP), two proposals were received. A review panel found Maddaus Water Management (MWM) most highly qualified. The CEO recommends this firm be hired to complete the Demand Study.

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:

The total proposed budget for the Demand Study is \$450,000. The Demand Study will be a multi-year work effort with anticipated expenditures in FY 2018-19 of \$150,000 and FY 2019-20 of \$300,000. Funding for this study were not included in the adopted FY 2018-19 budget.

The following recommended two-year funding plan for the combined cost of the Demand Study and participation in Los Vaqueros Expansion (LVE) (Item 11C) is presented in detail in the Mid-Year 2018-19 Work Plan and Budget Review (Item #11A):

- Year 1 (FY 2018-19): Transfer \$127,968 from the Long-Term Fund and up to \$199,532 from the General Reserve, for a total transfer of up to \$327,500, to the Operating Budget

- Year 2 (FY 2019-20): Transfer up to \$477,500 from the General Reserve to the Operating Budget

Board Policy Committee Action:

At its December 12, 2018 meeting, the Board Policy Committee recommended that the Board authorize the CEO to execute an agreement with a selected consultant, subject to legal counsel review, to complete the Demand Study. The recommended consultant and final contract amount were not included in this action as the selection process has not yet been completed.

Recommendation:

That the Board authorize:

- 1. the CEO/General Manager to negotiate and execute an agreement with Maddaus Water Management, subject to legal counsel review, for an amount not to exceed \$450,000 to complete the Regional Water Demand and Conservation Projections Study; and**
- 2. transfer of up to \$150,000 to the Operating Fund from first, the Long-Term Planning Fund, and second, the General Reserve to fund Year 1 project costs.**

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

BAWSCA released the Request for Proposals (RFP) for Phase 1 on November 9, 2018. Proposals were due back to BAWSCA on December 11, 2018. Two proposals were received: MWM and Watearth, Inc. A panel consisting of staff representatives from BAWSCA, a BAWSCA member agency, and an outside agency reviewed the proposals received. In addition, all BAWSCA member agencies were invited to review the proposals; four agencies opted to review the proposals and provided comments.

Consultants were 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 proposals, the panel recommended that the contract be awarded to MWM. The CEO reviewed the results of the scoring process and affirmed this recommendation.

Scope of Work

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

1. **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.
2. **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.
3. **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.
4. **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.
5. **Member Agency Coordination:** Consultant will conduct meetings with BAWSCA member agency staff to collect feedback and provide DSS Model training.
6. **Stakeholder Engagement:** Consultant will conduct meetings with outside stakeholders to seek stakeholder feedback on the conservation measures to be analyzed for potential implementation.
7. **Final Report and Documentation:** Consultant will develop Final Water Demand and Conservation Report and DSS Model User Manual.
8. **Project Management:** Consultant will provide BAWSCA with monthly status and budget updates by task and will participate in meetings and conference calls.
9. **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 were 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
Scope of Work: Regional Water Demand and Conservation Projections Study

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:

1. **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.
2. **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.
3. **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)
4. **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.
5. **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.

6. 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
7. 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
8. 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.
 9. 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 OF DIRECTORS 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 \$202,000 to \$355,000 depending upon a reasonable assumption of the final number of project participants. Half of this cost (up to \$177,600) will be incurred in FY 2018-19 and the remainder (up to \$177,500) will be incurred in FY 2019-20.

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.

The following recommended two-year funding plan for the combined cost of the LVE Project and the Regional Water Demand and Conservation Projections Study (Item #11B) is presented in detail in the Mid-Year 2018-19 Work Plan and Budget Review (Item #11A):

- Year 1 (FY 2018-19): Transfer \$127,968 from the Long-Term Fund and up to \$199,532 from the General Reserve, for a total transfer of up to \$327,500, to the Operating Budget
- Year 2 (FY 2019-20): Transfer up to \$477,500 from the General Reserve to the Operating Budget

Board Policy Committee Action:

At its December 12, 2018 meeting, the Board Policy Committee recommended that the Board authorize the CEO/General Manager to enter into an MOU with CCWD for an amount not to exceed \$354,129 for completion of the final planning stage of the LVE Project.

Recommendation:

That the Board authorize:

- 1. the CEO/General Manager to enter into an MOU with CCWD, subject to legal counsel review, for an amount not to exceed \$355,000 for completion of the final planning stage of the LVE Project; and**
- 2. transfer of up to \$177,500 to the Operating Fund from first, the Long-Term Planning Fund, and second, the General Reserve, to fund Year 1 project costs.**

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 expense reimbursement • Prepare Quarterly Project Reports
	Project Mgmt.	<ul style="list-style-type: none"> • All CCWD/Partner management activities
	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 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"> • Develop 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 transfer pipeline alignment • 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 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

Should BAWSCA opt to continue as a project partner following 2019, BAWSCA would need to provide additional cost share and join the Joint Powers Authority (JPA) to be established for managing the project. For 2020 through 2022, the total cost to be split among project partners is estimated at \$9.15M. BAWSCA’s share of this cost would be dependent on (1) the number of project partners and (2) the funding structure for the project; It is estimated that BAWSCA’s share of the this cost would total \$800K to \$1.5M over the three-year period (\$267K to \$500K annually). Costs would increase significantly after 2022 with the commencement of detailed design and construction.

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.

Upcoming BAWSCA Decisions

It is anticipated that the BAWSCA Board will need to consider action to join the JPA for the LVE Project in November 2019. Key outstanding questions related to the JPA membership decision are intended to be answered through the 2019 work efforts described above. Presentation and discussions on key technical and policy decisions points related to BAWSCA’s continued project participation are anticipated for upcoming BAWSCA Board meetings based upon the scheduled provided in Table 4.

Table 4. Preliminary Schedule of BAWSCA Board LVE Discussions

Meeting Date	Anticipated Discussion Items
March 2019	<ul style="list-style-type: none"> • Water Supply Benefits and Modeling Results • Potential LVE project structures for BAWSCA (Regional or Subscription)
May 2019	<ul style="list-style-type: none"> • Consider budget for FY 2019-20 LVE expenditures • Project benefits and costs • Potential LVE project structures for BAWSCA (Regional or Subscription)

July 2019	<ul style="list-style-type: none">• Preliminary terms for JPA structure• South Bay Aqueduct conveyance options
September 2019	<ul style="list-style-type: none">• LVE Project Structure for BAWSCA Agencies• Results of Work Efforts from 2019 MOU
November 2019	<ul style="list-style-type: none">• Consider Action on JPA Membership

Background:

Los Vaqueros (LV) 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 LV was completed in 2012, increasing storage capacity from 100 TAF to 160 TAF.

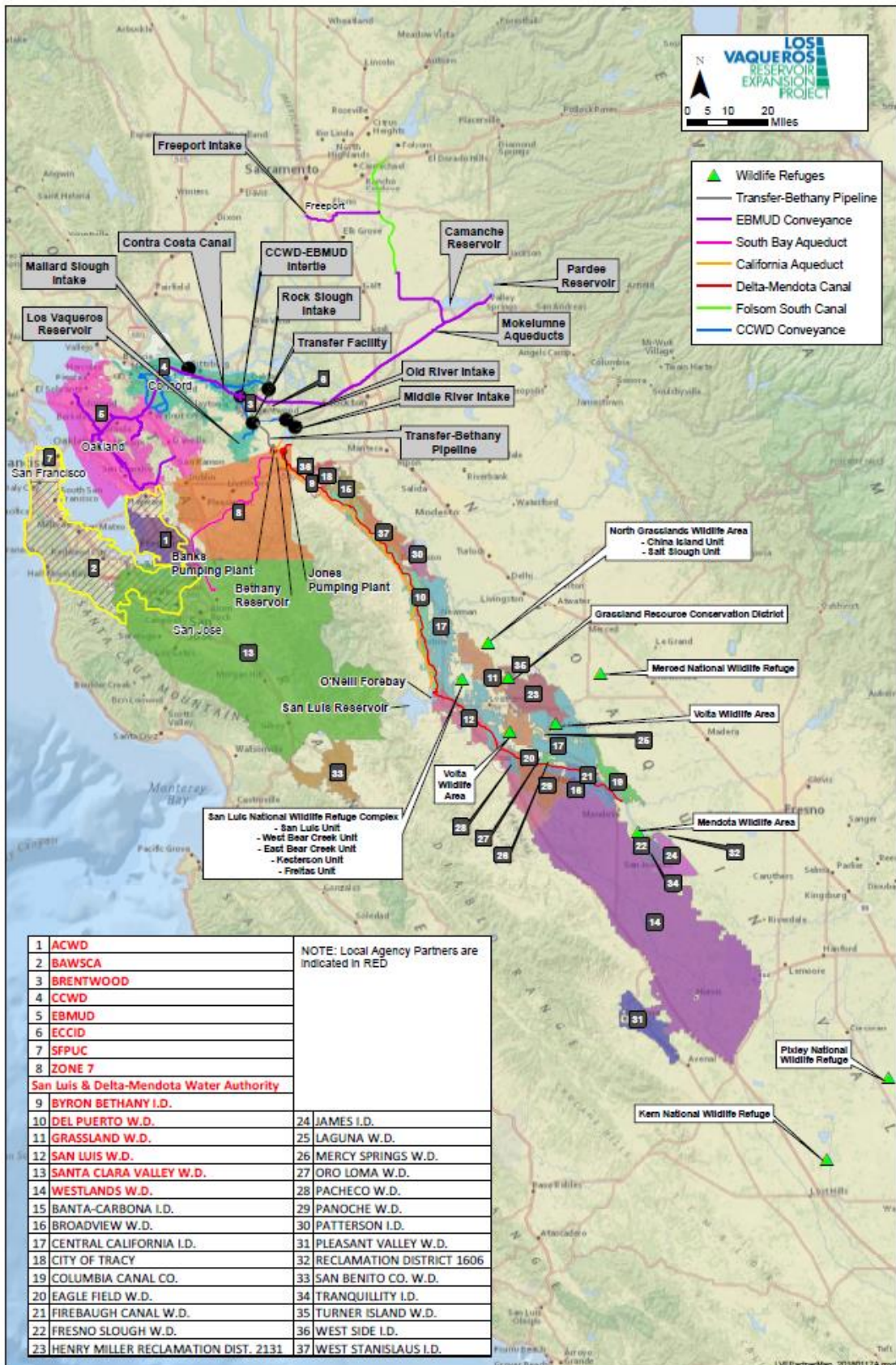
In 2016, CCWD reached out to other local water agencies, including SFPUC and BAWSCA, to determine if they had an interest in a portion of the new storage that would be created as part of the LVE Project. Interested agencies were asked to enter into agreements formalizing their respective participation 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

Figure 1. LVE Project Partner Map



BAWSCA

Bay Area Water Supply & Conservation Agency

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San Mateo, California 94402
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MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: January 11, 2019
SUBJECT: Chief Executive Officer/General Manager's Letter

Bay Area Regional Reliability Partnership (BARR)

On September 18, 2015, eight (8) Bay Area water agencies, including BAWSCA, entered into a Memorandum of Agreement (MOA) to Participate in the Bay Area Regional Reliability (BARR) Plan relative to development of a Bay Area Regional Reliability Drought Contingency Plan (DCP). That effort was funded by financial contributions from the 8 Bay Area agencies coupled with grant monies from the U.S. Bureau of Reclamation (Bureau). The DCP was completed in 2017.

Since the completion of the DCP, the BARR agencies have worked on securing additional funding to support additional BARR work efforts. In 2018, the BARR partner agencies were successful in securing grant funding from the Bureau to perform a Water Market Program analysis. A formal agreement between the Bureau and the applicant agency (EBMUD, on behalf of the 8 agencies) was executed on September 21, 2018. EBMUD is currently working to finalize the selection of a consultant to provide technical support.

Scope items for the Water Market Program include an outreach to interested groups and non-governmental organizations; an analysis of the legal, environmental, and engineering requirements to perform water transfers and exchanges within the Bay Area; and the preparation of a report. BAWSCA specifically has an opportunity to incorporate the proposed Pilot Transfer between BAWSCA and Amador Water Agency into the analysis performed. This opportunity is being explored further as the work effort proceeds in 2019.

The MOA that exists between the BARR agencies is currently being amended to cover the scope associated with this BARR Water Market Program work effort. There remains sufficient BARR Partner agency contribution funding left over from the DCP effort, such that combined with Bureau monies no additional agency funding is needed. There are, however, significant in-kind contributions required of BAWSCA and other agencies (e.g., staff hours).

BAWSCA anticipates signing the amended MOA in late January, 2019, assuming a final version has been completed and following BAWSCA's legal counsel review.

Qualified Water Efficient Landscaper

BAWSCA is coordinating with other Bay Area water agencies to implement a Qualified Water Efficient Landscaper (QWEL) training program within the BAWSCA 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 for review and consideration is anticipated by BAWSCA by March. Depending on the final contract amount, approval from the Board will be scheduled as necessary.

Water Loss Management Program

BAWSCA's Water Loss Management Program (WLMP) was launched in FY 2018-19. The program, a recommended action in BAWSCA's Making Conservation a Way of Life Strategic Plan, supports participating BAWSCA agencies in reducing water losses to an economically optimized level and in complying with water loss requirements implemented by the State. The WLMP includes two components: 1) the Loss Evaluation and Knowledge (LEAK) workgroup, which is a Core program to provide water loss control education and peer to peer learning opportunities for BAWSCA member agencies, and 2) the WLMP Subscription Program, which provides individual support to the BAWSCA agencies on water audit completion, validation, and other tasks associated with water loss management.

The first LEAK workgroup was held in November 2018. Topics included the results of the 2018 water audit submittals to the State, status of State actions to implement water loss requirements, source meter testing, and identification of desired topics for future workgroups. The next workgroup meeting, scheduled for February 5th, will focus on SFPUC meter testing and calibration practices. All BAWSCA member agencies are invited to participate in the workgroup.

Sixteen BAWSCA agencies are currently participating in the WLMP Subscription Program.

Water Supply Agreement (WSA) Amendment – Adoption Process

In June 2009, BAWSCA member agencies entered into a Water Supply Agreement (WSA) with San Francisco. The WSA sets forth the terms by which the twenty-six Wholesale Customers will purchase water from the San Francisco Regional Water System (System).

In the course of implementing the WSA, BAWSCA and the San Francisco Public Utilities Commission (SFPUC), identified a number of amendments necessary to address substantive, important, and discrete issues. These amendments do not diverge from the existing policies and spirit of the WSA and do not change the basic contract structure. A total of seven amendments have been negotiated addressing the following topics: oversight

of the SFPUC Capital Improvement Program; the SFPUC required 2018 decisions; the existing Tier 1 Drought Allocation Plan; the Wholesale Capital Fund; WSIP completion date; and the Regional Groundwater Storage and Recovery Project.

On December 11, 2018, the Commission approved the seven amendments to the Water Supply Agreement (WSA) and an “Amended and Restated” WSA. On December 23, BAWSCA distributed an adoption package to its member agencies to support agency adoption, including: a memo providing direction for approval of these amendments; a sample resolution for agency adoption of the amendments; contract language for each of the seven amendments; and an amended and restated WSA.

The goal is for each BAWSCA agency to approve the amendments no later than March 31, 2019. As of Friday, January 11, the amendments have been adopted by two agencies: Coastside County Water District and Westborough Water District. The BAWSCA Board is not a party to the WSA and therefore, will not act on the proposed amendments.

Groundwater

On May 18, 2018, the California Department of Water Resources (DWR) Sustainable Groundwater Management Program released a draft reprioritization of groundwater basins as required by the Sustainable Groundwater Management Act (SGMA). Select BAWSCA Member Agencies overlie portions of basins that were proposed to be reprioritized from “very low priority” to “medium priority” or “high priority.” Medium- and high-priority basins are subject to regulation under California’s Statewide Groundwater Management Act (SGMA). Regulatory requirements include the mandate to establish a Groundwater Sustainability Agency (GSA) and a Groundwater Sustainability Plan (GSP).

BAWSCA coordinated with member agencies and San Mateo County to review the data and methods used in the reprioritization. On August 20, 2018, BAWSCA submitted comments to DWR on the draft reprioritization of groundwater basins, specifically providing feedback on the methodology used in the reprioritization. The DWR carefully considered those comments and made significant changes from the draft rankings.

On January 4, 2019, the DWR released the “final” results of their recent groundwater basin reprioritization effort in which the rankings for the Westside Basin, the Half Moon Bay Terrace Basin and the San Mateo Plain Basin (San Mateo County basins) were changed to “very low priority.” This change in ranking is very good news and accurately reflects the currently sustainable condition of these basins. Both the East Bay Plain and Niles Cone Basins have been ranked as “medium priority,” and the Santa Clara Plain has been ranked as “high priority.”

Annual Conflict of Interest Filing – Form 700

The Annual Conflict of Interest Form 700 filing deadline for BAWSCA and RFA board members is April 2, 2019. BAWSCA is pleased to provide board members an electronic filing solution through eDisclosure.

On January 18th, you will receive an email from BAWSCAForm700@bawasca.org reminding you of your filing requirements. eDisclosure is used locally by the cities of San Mateo, Belmont, and Los Altos Hills, among others. It is also used by Santa Clara County, Metropolitan Water District, CalPERS and the FPPC. The system is straightforward and provides various resources including the FPPC Reference Pamphlet, FPPC Instructions, a User Guide, and video tutorials.

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Board Of Directors Policy Calendar Through July 2019

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Fiscal Year 2019-20 Work Plan and Budget Preparation Planning Session**

Summary:

Each year, the BAWSCA budget is prepared to meet a specific work plan and identified results to be achieved. The development of the preliminary work plan begins by compiling a list of major challenges that BAWSCA, its member agencies, and their water customers will face next fiscal year, and between now and 2050. This long-term perspective helps anticipate and identify the results that must be achieved during FY 2019-20. A preliminary list of challenges as updated for the FY 2019-20 budget process appears in Table 1.

As has been done the past several years, the work plan and budget preparation will be initiated with a planning session with the Board, providing an early opportunity for input on near-, mid- and long-term issues for consideration as part of the work plan development.

Recommendation:

This item is for Board discussion only. Board feedback and input on the near-, mid- and long-term issues for consideration as part of the work plan development are requested at this time.

Discussion:

The FY 2019-20 Work Plan and Budget development process is being initiated with a Board planning session. The goal of the planning session is to receive Board input on near-, mid- and long-term issues for BAWSCA to consider in developing its FY 2019-20 Work Plan.

The preliminary budget will be developed to provide the resources needed to achieve necessary results. Emphasis is placed on the most vital results that need to be achieved in order to provide a reliable and high-quality water supply at a fair price. Activities that are secondary to those goals may be noted but are not incorporated into the budget.

A preliminary list of challenges appears in Table 1. Some of the challenges may affect BAWSCA or its members directly. Other challenges will have indirect, but nonetheless important consequences, and require action by BAWSCA to protect the interests of its member agencies and their customers. In each case, the challenges relate directly to BAWSCA's goal of ensuring a reliable supply of high quality water at a fair price for the water customers.

Input received from the Board will be reviewed and addressed by the CEO in developing the Preliminary FY 2019-20 Work Plan and Budget, which will be presented to the BPC in February and the Board in March. Following further Board input, a recommended Work Plan and Budget will be presented to the BPC in April for its review and presented to the Board for recommended adoption in May.

Attachment: Table 1. Future Challenges Facing BAWSCA, Member Agencies and Their Customers (Preliminary FY 2019-20)

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Table 1: Future Challenges Facing BAWSCA, Member Agencies, and Their Customers (Preliminary FY 2019-20)

BAWSCA Goal and Associated Challenges	FY 2019-20 (Near-Term)	2020-2035 (Mid-Term)	2035-2050 (Long-Term)
Reliable Supply: Ensure Long-Term Water Supply Reliability			
Protection of member agencies' interests in long-term water supply reliability need from the SF RWS and 184 MGD Supply Assurance in light of climate change and regulatory challenges.	X	X	X
Protection of BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts.	X	X	X
Reflection of member agencies' long-term water supply needs and investments in regional planning efforts.	X	X	X
Representation of member agencies in Federal relicensing of New Don Pedro to protect SF RWS water supply reliability.	X	X	
Representation of member agencies in Bay Delta Plan Update to protect RWS water supply reliability.	X	X	
Meeting the new Statewide "Making Water Conservation a California Way of Life" requirements thru 2030.	X	X	
Protection of member agencies' interests in San Francisco's December 2028 decisions including deciding whether to make San Jose and Santa Clara permanent customers.	X	X	
Development of a new Tier 2 drought allocation plan.	X		
Reliable Supply: Ensure SF RWS Facility Reliability			
Protection of water supply and financial interests of water customers in SFPUC's development and implementation of its 10-Year CIP.	X	X	X
Protection of water supply and financial interests of water customers in SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets.	X	X	X
Protection of water supply and financial interests of water customers in SFPUC's WSIP implementation.	X	X	
High Quality Supply & Fair Price: Enforce 2009 Water Supply Agreement			
Enforcement of the Water Supply Agreement to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting obligations.	X	X	X
Protection of member agencies' water supply reliability interests against threats by outside forces including efforts by others to drain Hetch Hetchy that disregard their interests in reliability, quality and cost.	X	X	X
Protection of water customers interests in ensuring SF maintains its Tuolumne River water rights.		X	X
Management of BAWSCA's revenue bonds in accordance with Bond Indenture and other applicable laws to ensure accountability and ultimately to reduce overall cost to regional water customers (thru 2034).	X	X	
Extension or renegotiation of the Water Supply Agreement before it expires in 2034.		X	