

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

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

(Directions on Page 2)

**Thursday, March 21, 2019
6:30 P.M.**

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page</u>
1. Call to Order/Roll Call/Salute to Flag	(Pierce)	
2. Comments by the Chair	(Pierce)	
3. Board Policy Committee Report <i>(Attachment)</i>	(Zigterman)	<i>Pg 3</i>
4. SFPUC Report	(Ritchie)	
5. Public Comments	(Pierce)	
<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>		
6. Consent Calendar <i>(Attachments)</i>	(Pierce)	
A. Approve Minutes of the January 17, 2019 Meeting		<i>Pg 19</i>
B. Receive and File Budget Status Report – As of January 31, 2019		<i>Pg 25</i>
C. Receive and File Bond Surcharge Collection, Account Balance and Payment Report – As of December 31, 2018		<i>Pg 27</i>
D. Authorization to Enter into a Memorandum of Understanding with Solano County Water Agency for Implementation of the Regional Bay Area Qualified Water Efficient Landscaper (QWEL) Training Program		<i>Pg 31</i>
7. Reports and Discussions	(Sandkulla)	
A. Los Vaqueros Expansion (LVE) Project – Review of Water Supply Benefits <i>(Attachment)</i>		<i>Pg 39</i>
B. Preliminary Fiscal Year 2019-20 Work Plan and Results to be Achieved <i>(Attachment)</i>		<i>Pg 47</i>
8. Reports	(Sandkulla)	
A. Bay Delta Plan - Update		
B. Water Supply Conditions		
C. CEO/General Manager's Letter <i>(Attachment)</i>		<i>Pg 73</i>
D. Board Policy Calendar <i>(Attachment)</i>		<i>Pg 77</i>
E. Correspondence Packet <u>(Under Separate Cover)</u>		

9. Closed Session

- A. Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9 *Federal Energy Regulatory Commission Final License Application Proceedings for Don Pedro Hydroelectric Project, P-2299-082, and La Grange Hydroelectric Project, P-14581-002* (Schutte)
- B. Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9 *San Joaquin Tributaries Authority, et al. v. California State Water Resources Control Board (Tuolumne County Superior Court Case No. CV62094)*.

10. Report After Closed Session

11. Action Calendar (Attachments)

- A. Amendment to Hanson Bridgett Professional Services Contract (Sandkulla) Pg 79

12. Directors' Discussion: Comments, Questions and Agenda Requests (Pierce)

13. Date, Time and Location of Future Meetings (Pierce) Pg 83 (See attached schedule of meetings)

14. Adjourn to next meeting scheduled for May 16, 2019 at 6:30pm (Pierce) in the Oak Room of San Mateo Main Library, 55 W. 3rd Avenue

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 Committee.

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.



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

MEMORANDUM

TO: BAWSCA Board Members

FROM: Nicole Sandkulla, Chief Executive Officer/General Manager

DATE: March 15, 2019

SUBJECT: Summary of Board Policy Committee meeting held February 13, 2019

1. **Call to Order:** Committee Chair, Tom Zigterman, called the meeting to order at 1:32 pm. A list of Committee members who were present (6), absent (2) and other attendees is attached.

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

2. **Comments by Committee Chair:** Chair Zigterman welcomed members of the Committee and thanked them for their time.
3. **Public Comments:** Paul Sethy, Director of Alameda County Water District, introduced himself.
4. **Consent Calendar:** Approval of Minutes from the December 12, 2018 meeting.

Director Pierce made a motion, seconded by Director Kuta, that the minutes of the December 12, 2018 Board Policy Committee meeting be approved.

The motion carried unanimously.

5. **Action Calendar:** Chair Zigterman moved Item 5B as the first item on the Action Calendar, and moved 5A to after Closed Session.

- B. **Authorization to Enter Into a Memorandum of Understanding with Solano County Water Agency for implementation of the regional Bay Area Qualified Water Efficient Landscaper (QWEL) Training Program:** Sr. Water Resources Specialist, Andree Johnson, reported that QWEL is a long-standing Environmental Protection Agency (EPA) certified program that provides training to landscape professionals on various topics associated with water efficiency in the landscape. It is an intensive 20-hour, 3-day course on water-efficient irrigation practices and new technologies, water management and water budget setting, as well as the importance of water supply. Participants earn QWEL certification after passing the exam at the end of the course, and are listed as certified water professionals in the EPA's water-sense website.

Several Bay Area water agencies have implemented the QWEL program within their own jurisdictions. In FY 2018-19, some agencies expressed their interest to come together and implement the program as a regional effort.

Solano County Water Agency (SCWA) took the lead for the regional implementation. They issued an RFP and through a competitive selection process, selected California Water Efficiency Partnership (CalWEP), formerly known as California Urban Water Conservation Council, to administer the program. Agencies looking to participate in the program include ACWD, BAWSCA, City of Napa, Contra Costa WD, EBMUD, SCVWD, SFPUC, Sonoma County WA, and Zone 7.

The QWEL program was previously considered by BAWSCA's Water Resources Committee to be a part of the effort to expand the Landscape Education Program (LEP) during FY 2018-19 workplan development. However, review of the work involved to implement the program for the BAWSCA region alone proved to be substantial. Instead, BAWSCA planned to expand the LEP through development of online resources, specifically videos and potentially online classes. Unfortunately, completion of that task became unfeasible due to unanticipated staff turnover.

With the QWEL program's recent development into a regional effort, it serves as a timely alternative to expand the LEP in FY 2018-19.

Staff is recommending to adjust the workplan budget to participate in the regional effort to implement the QWEL program in FY 2018-19, and consider development of online resources and training videos for the LEP in the work plan for FY 2019-20.

Committee Members asked questions and the following responses were provided.

Ms. Johnson reported that implementation of the program will be consultant-driven. BAWSCA staff's time will be focused on managing the consultant and securing member agency participation who are required to host a minimum of one training per year. The consultant will promote the program to the area's landscape professional groups, gardener associations, and local agencies that have relationships with landscape providers, such as the Bay Area Gardener's Associations where smaller independent "mow and blow" landscape service providers participate in.

Ms. Johnson further clarified that while there are ten agencies that have been actively involved in the consultant selection process and have expressed their intent to participate, the program will commence when at least five agencies have signed the MOU with SCWA. The program cost will not change if there are more than 5 participating agencies because the cost is on a per class basis.

QWEL was started in Sonoma and Marin approximately 10 years ago, and has been expanded outside of California.

The program is free to participating landscape professionals and landscape service providers to encourage them to get acclimated to water-efficient practices and perspectives. There are options that can be considered in the future to charge materials fees of \$20-\$30 to assure a small "buy-in" from the course participants.

Ms. Sandkulla added that the idea behind the Landscape Education Program is to educate water customers about what is achievable with water-efficient landscape practices. The QWEL program expands water-efficient education to industry professionals and service providers who will be committing 3-days of their working hours. Offering the training for free serves as an incentive to partake in the program.

The certification will have an expiration date, and continuing education units will be available to renew and maintain certification. The consultants will be managing the certification tracking and communication with the certified professionals. The renewal process could, in the future, potentially serve as a way to apply a fee for the program.

In response to Director Mendall, Ms. Johnson reported that it was the interest of 2-3 member agencies that brought up QWEL as a way to expand the LEP during one of BAWSCA's water resources committee meeting.

Director Pierce made a motion, seconded by Director Richardson, to recommend that the Board of Directors authorize the CEO/General Manager to:

- 1) negotiate and execute a Memorandum of Understanding with Solano County Water Agency to implement the Qualified Water Efficient Landscaper Training Program; and**
- 2) use \$11,000 from the FY 2018-19 budget to implement the QWEL program.**

The motion carried unanimously.

6. Reports and Discussion

- A. Preliminary FY 2019-20 Work Plan and Results to be Achieved: Ms. Sandkulla reported that BAWSCA's legislated authority and goal of ensuring a reliable supply of high-quality water at a fair price continue to be the driving force in the development of BAWSCA's work plan. The work plan is always forward-looking; therefore, the draft preliminary work plan for FY 2019-20 presents the critical issues identified between now and 2050.

Ms. Sandkulla reported that the Board provided seven comments at the budget planning session held during the January Board meeting. Six of the comments are in the draft preliminary FY 2019-20 work plan, including focus on the CIP oversight and audit of the SFPUC's asset management practices. Ms. Sandkulla noted that BAWSCA's relationship with its allies is always critical and is maintained continuously. The comments that relate to information sharing on water supply needs, supply sources, investment opportunities, and providing better understanding on the relationship between the supply assurance and meeting the requirements of "Making Water Conservation a Way of Life" will be addressed through BAWSCA's work on the demand study.

Ms. Sandkulla further discussed two comments received from the Board during the budget planning session .

One was made by Director Kuta in regards to risk assessments of the Regional Water System to emergency situations such as wildfire and emergency readiness. Ms. Sandkulla reported that this has come up in the past, and is gaining attention given the various events that have occurred in the State. This item, however is not in the draft preliminary work plan because it

falls outside the scope of the agency's current capabilities, and is not directly tied in BAWSCA's goals. But it is an important issue that BAWSCA should have a clear understanding on. Ms. Sandkulla offered to ask the SFPUC to report on their recently finalized Wildfire Mitigation Plan, which is a state required document. In addition, she noted that BAWSCA's efforts on emergency planning includes putting pressure on the SFPUC to engage its wholesale customers in emergency exercises at least twice a year.

The second comment was made by Director Mendall, who encouraged the Board and CEO to focus on agency priorities given the magnitude of current activities. Ms. Sandkulla agreed and reported that in her review of the agency's current staff resources against the results that need to be achieved in FY 2019-20, each staff member in the Water Resources department is allocated close to 150% of a Full Time Equivalent (FTE) staff person, with one staff well over 150% of FTE. This is a clear indication of the need to re-asses and re-prioritize workplan and resources to ensure the critical results for the agency are met efficiently.

Ms. Sandkulla presented the draft preliminary work plan and emphasized the major tasks in each category of water supply reliability, water quality, and fair price.

Efforts that will require additional program activity and staff time in FY 2019-20 include the initiation of an audit of SFPUC's Asset Management Program, completion of the Regional Water Demand and Conservation Study, implementation of the pilot water transfer plan, and participation of BAWSCA in the Los Vaqueros Expansion program, as authorized by the Board at its January 17th Board meeting.

Under water supply reliability, BAWSCA will have increased oversight of SFPUC's CIP as a result of the recent WSA amendments. As part of this effort, BAWSCA will initiate an audit of SFPUC's Asset Management Practices, which was moved from FY 2018-19 to FY 2019-20. The need for such an audit was anticipated in the 2009 WSA which stated San Francisco "will cooperate" with such an audit. Ms. Sandkulla noted that much like BAWSCA's staff, the SFPUC staff may similarly be pushed to its limits and it is important to look at the priorities and available resources. BAWSCA proposes to use outside consultant expertise for this task that is estimated at a low range of \$55K. The board will be notified if the costs proves to be higher than anticipated

The FY 2019-20 workplan will pursue several major efforts to address long-term water supply solutions, which all fall under the implementation of the Long-Term Reliable Water Supply Strategy (Strategy). As reported previously, the efforts include completion of the Regional Water Demand Study, implementation of the Pilot Water Transfer, participation in LVE, participation in Bay Area Regional Reliability (BARR) to develop the "Water Marketing Strategy", working on potable reuse studies, monitoring San Mateo Plain Groundwater Basins efforts, and development of other local water supply options.

Ms. Sandkulla reported what is to be expected on the Pilot Water Transfer Plan during FY 2019-20. She reminded the Committee that the effort was initiated back in 2012, and was perceived by many as an effort that was less complicated than it has proven to be. There were challenges in the process and efforts had to be placed on hold during the most recent drought, which was a circumstance that provided a lot of useful information.

BAWSCA's pilot water transfer is now moving forward and may potentially be included in the BARR Phase 2 "Water Marketing Strategy Project", which has regional support and identified

potential grant funds. Ms. Sandkulla noted, however, that the amount of time involved in receiving Federal grants can sometimes outweigh the benefits, and BAWSCA is seriously considering maintaining its current schedule. A target window has been identified in Winter 2019-20 during a Hetch Hetchy system shutdown in the November 2019 or February 2020 timeframe. Ms. Sandkulla emphasized that the primary driver is staying on schedule and not missing the opportunities to implement the transfer in FY 2019-20.

Agreements are being negotiated with the agencies that will sell and wheel the water through the system. Those agencies include Amador Valley Water District, East Bay MUD, SFPUC, and City of Hayward. The agreements are progressing, and expected to be completed in FY 2018-19.

Ms. Sandkulla reported that there are 2 areas of costs for the transfer. The first area is associated with activities before the Board takes a CEQA action to implement the transfer. They include legal and consultant support for environmental documentation that is estimated at \$60K. This would be funded through the FY 2019-20 operating budget.

The second area of costs is the larger cost associated with the purchase and wheeling of the water. That cost is estimated at a range of \$930K - \$1,669K, and would be funded through the Balancing Account.

Ms. Sandkulla explained that the Balancing Account is set up under the 2009 Water Supply Agreement (WSA). It is an account where wholesale customer surplus payments, if any, are deposited at the end of the fiscal year, and where wholesale customer payment shortfalls, if any, are taken from at the end of the fiscal year. It has served as a rate stabilization fund for the wholesale customers to mitigate significant rate increases and decreases.

The previous agreement to the 2009 WSA required the balancing account to be zeroed out at the end of every fiscal year, which caused substantial rate fluctuations that were difficult for the agencies to deal with. Alternatively, the 2009 WSA now allows a positive balance to remain in the Balancing Account at the end of every fiscal year to help attenuate wholesale rate changes. This has served the wholesale customers well.

To date, the Balancing Account has accumulated a positive balance of roughly \$60 million. Ms. Sandkulla presented the language of Section 6.05 (B)(2)(a) of the 2009 WSA that describes the use of the Balancing Account for water conservation or water supply projects administered by or through BAWSCA.

The use of the Balancing Account is something the Board can consider to utilize for the Pilot Water Transfer implementation. This funding option was discussed with the Water Management Representatives at its meeting on February 7th. The group was receptive given the high balance in the account, and because it was a preferred alternative to otherwise significantly increasing BAWSCA assessments.

In response to Director Wood, Ms. Sandkulla explained that the Balancing Account is a single account for the wholesale customers as a whole.

Ms. Sandkulla stated that the 2 funding mechanisms would be included in her recommendation to the Board when the Board considers authorizing implementation of the transfer. This consideration is anticipated to occur in July 2019.

BAWSCA's efforts in addressing near-term water supply solutions focus on ongoing efforts with water conservation. The work plan includes implementation of Phase 3 of BAWSCA's Making Conservation a Way of Life which includes development of 2 programs; the Commercial and Industrial Audit subscription program, and the Regional Source Meter Testing plan with the SFPUC. BAWSCA will continue to represent member agencies in regional and State-level conversations related to conservation, as well as in supporting core conservation and subscription programs. Ms. Sandkulla reported that in prioritizing the value of various conservation efforts that benefit the region, the High Efficiency Toilet (HET) Rebate Program is one that is being reviewed by the agencies to phase out.

BAWSCA will continue to protect the agencies' water supply interests by continuing to work with the SFPUC on its WaterMAP, and in closely monitoring developments in the Bay Delta Water Quality Control Plan and FERC relicensing process. She was pleased to report that there are no further litigation expenses anticipated for Restore Hetch Hetchy. But BAWSCA will continue to watch for any developments on that effort.

Ms. Sandkulla explicitly noted that the development of a new Tier 2 drought allocation plan is not included in the FY 2019-20 work plan, and reported that a second temporary extension to the existing plan will be recommended to the Board. Development of a new Tier 2 plan will be deferred to FY 2020-21.

As previously mentioned, Ms. Sandkulla reported that all water resources staff are in excess of a full-time equivalent, with one at over 165%. In the course of developing the proposed preliminary workplan, it became evident that there are insufficient resources available to perform all the work identified under water supply reliability. The current consultant-to-staff ratio is at the maximum, and adding consultant resources is not feasible.

Ms. Sandkulla explained that unlike the QWEL program, development of a new Tier 2 plan must be staff driven. While it is critical to complete a new Tier 2 plan, staff time is already committed to the Water Demand Study, Pilot Water Transfer, LVE Project, and Audit of SFPUC's Asset Management Practices, which are also critical efforts that could have negative impacts if not pursued now.

Additionally, Ms. Sandkulla noted that results from the Demand Study would inform the development of a new Tier 2 Plan; therefore, postponing it to FY 2020-21 makes the most sense.

Under Water Quality, BAWSCA will maintain its ongoing efforts by continuing its increased participation in the Joint Water Quality Committee with the SFPUC, and staying connected with the member agencies to relay information about water quality. Ms. Sandkulla stated that it is a "great year" when water quality does not show up as an issue.

Under Fair Price, Ms. Sandkulla was pleased to report completion of the necessary amendments to the WSA that were identified as results that needed to be achieved in FY 2018-19. The four recommended amendments to the WSA developed into seven, which were all successfully negotiated with the SFPUC, and are in the process of being adopted by each member agency. BAWSCA will continue to administer the WSA to protect the financial interests of the member agencies, and the bonds that pay-off capital debt owed to San Francisco.

Ms. Sandkulla reported that the Operating Budget will reflect increasing activities in the implementation of the Strategy. The Strategy was initiated in 2009 as a result of the agencies' interests in pursuing next-level planning studies for alternative water supplies, which has led us to the Pilot Water Transfer, the Demand Study, and LVE.

Development of the Operating Budget will assume availability of the Balancing Account to fund the water purchase and wheeling costs for the Pilot Water Transfer, consider the level of effort needed to address the Phase 1 Bay Delta Plan and FERC Relicensing process, and reflect the end of year spending and its impact on the General Reserve balance.

Ms. Sandkulla asked the Committee for its feedback which she will incorporate in her presentation of the preliminary work plan and operating budget to the Board in March.

The Committee will have another opportunity to provide comments and feedback at its meeting in April. The Board will be presented with a proposed work plan and operating budget at its meeting in May.

Director Mendall provided several comments.

He asked if the wildfire component can be folded into the 10-year CIP as it relates to the protection of the infrastructure. He appreciated that the audit of the SFPUC's asset management practices is in the FY 2019-20 work plan, but expressed some concerns that it will become consultant-driven with staff being at a maximum workload. He cautioned against that possibility and encouraged the effort to be staff-driven so that staff can have the benefit of gaining institutional knowledge from the effort.

Additionally, Director Mendall asked if the Balancing Account is in an interest-bearing account that accrues to the wholesale customers.

Finally, he stated that the preliminary work plan is substantial. While it is not a criticism, he feels that BAWSCA does not have the staffing to complete all the work without something potentially being overlooked. The draft preliminary workplan, as it is presented, does not have room for unexpected issues that may require significant attention from both the water resources and legal team.

Director Mendall suggested that there should be consideration for the addition of a new staff member. While he can anticipate some resistance from the Board, he feels that the LVE project alone is a huge undertaking that requires additional resources. The project is a huge investment that he would expect the Board to demand follow-up work as well as high-level of confidence and data from staff before the Board can act on a level of commitment with LVE.

He referred to the CEO/General Manager stating that BAWSCA is entering a new phase in implementing the Strategy. Director Mendall stated that perhaps the Board ought to direct the CEO/General Manager to review and report whether the current staffing has the capacity to achieve the next level of efforts to implement the Strategy.

In response to Director Mendall's questions and comments, Ms. Sandkulla explained that her expectation on the audit of SFPUC's asset management practices is to have outside expertise to educate BAWSCA of what an asset management should look like, and merge that knowledge with BAWSCA staff's expertise of the regional system and SFPUC's

practices. She confirmed that the Balancing Account is in an interest-bearing account that accrues to the wholesale customers.

Director Chambers asked about the \$1.6 million cost that will be taken from the balancing account to pay for the transfer water. He asked what happens when the water enters the SFRWS and is sold to the BAWSCA member agencies. Would the money go back to the balancing account?

Water Resources Manager, Tom Francis, explained that the \$1.6 cost estimate pays for the water purchased from Amador Valley Water Agency, and for wheeling the water through EBMUD and Hayward systems. Mr. Francis explained that wheeling the water involves pumping and treating the supply as it goes through the EBMUD distribution system. Once the transfer water reaches the Hayward intertie, Hayward will need to perform pressure and water quality monitoring. All that work adds up to the water transfer cost estimate.

Mr. Francis stated that as agreements are finalized, a detailed cost report will be provided to the Board, as well as the timing of payments. He anticipates several draws from the Balancing Account during FY 2019-20, as the billing for the transfer water purchase will be separate from the billing for the wheeling costs.

Ms. Sandkulla explained that any surplus funds owed to the Wholesale Customers at the end of the year are credited to the Balancing Account.

Director Zigterman agreed with Director Mendall's comments about consideration of additional staffing. He stated that the level of work has increased over the years and will continue to do so. He asked the CEO/General Manager what her expectations were with the preliminary workplan and current staffing.

Ms. Sandkulla stated that she felt strongly about the need for additional staffing to successfully complete the workplan. However, she is also respectful of the choices the Board has to make. Allowing the Committee to review and process the draft preliminary workplan was the best way to facilitate that question. She highly recommends getting additional staff, and appreciates the Committee's acknowledgement of the need. The workload is not expected to decrease, and the level of work will be more complex as BAWSCA moves towards what has been a long-term interest of this agency; finding alternative supplies.

Ms. Sandkulla added that developing staff to be as effective as it has been in managing the workload, takes a few years. It is timely and beneficial for the agency to get additional staffing now as the agency transitions into that next level of efforts.

Director Mendall stated that the Board will want justification for the additional staff and suggested for the CEO/General Manager to provide the anticipated workplan over the next couple of years to demonstrate that the increase in work is not short-lived.

Director Pierce added that it would be helpful to clearly identify the value gained by the agency from the additional staff, and what would be lost if tasks are deferred. The additional financing will be difficult to swallow; therefore, it is important to be clear and up-front that additional staffing is to complete the critical work on behalf of the member agencies.

Director Kuta commented that several of the goals referred to the word “participate”, which is a hard word to gauge the meaning of, relative to the level of work involved. While he agrees with reviewing the bandwidth of the existing staff for contingency planning, he suggested prioritizing tasks and getting the Board to a level of understand about what tasks will be dropped if and when other tasks require more resources.

In response to several questions asked by Director Kuta, Ms. Sandkulla provided the following information:

The “Water Marketing Strategy” under BARR will begin this fiscal year and continue for a few years. It is driven by the Bureau of Reclamation with the grant funding. The grant agreement is in place, and the consultant, Brown and Caldwell, is selected. A kick off meeting is scheduled to develop a 3-year workplan, with the first year focusing on meeting with stakeholders and developing a road map. It is not expected to be a high-level effort unless BAWSCA decides to receive grant money for the pilot water transfer. The grant will require NEPA compliance which can impact the transfer schedule, therefore staff is further analyzing the benefits of receiving grant funding for the pilot water transfer.

The transfer water that the BAWSCA service area will get from the LVE project will go through the South Bay Aqueduct and treated at either Santa Clara’s Penitencia Water Treatment Plant, or it will go through ACWD’s system

Participation in the LVE project studies during FY 2018-19 is estimated at \$227.6K. There is also a cost share of \$127K for BAWSCA’s participation in the LVE studies during FY 2019-20. The Board authorized participation in the next phase of LVE studies at its January 2019 meeting for a total cost of up to \$355K.

BAWSCA’s audit of the SFPUC’s Asset Management Program for the Regional Water System acquires BAWSCA the knowledge of whether the SFPUC’s practices are thorough or not. With that knowledge, BAWSCA can develop the necessary plan to address matters of concern. Similar to the efforts of pursuing AB 1823, BAWSCA advocates for what the water customers with the knowledge of the reality to base its assertion on. BAWSCA’s oversight of the SFPUC’s WSIP, and SFPUC’s implementation of the WSIP, was successful because both agencies’ efforts were based on the fact that the system will fail if it is not rebuilt. That type of factual information is how change for the better can be achieved. The goal of the audit is to find out the state of the system, obtain the facts, and address the outstanding issues.

There are the targeted projects for evaluating potential water supply projects using BAWSCA’s new regional water system and supply reliability modeling tool. Ms. Sandkulla reported that initial modeling work for the LVE and the potable reuse projects have been done this current fiscal year. Further modeling for other projects will be done in FY 2019-20.

Director Kuta asked Nicole to provide the Board, at the March Board meeting, the average cost of the staffing that BAWSCA would need.

With no further comments, the Committee unanimously agreed to direct the CEO/General Manager to pursue additional Water Resources staffing as part of the preliminary work plan and operating budget recommendation to the Board at its March meeting.

- B. Los Vaqueros Expansion (LVE) Project – Review of Water Supply Benefits: As previously reported at the January Board meeting, Sr. Water Resources Analyst, Andree Johnson, reminded the Committee that there will be substantial information on the LVE project that will be reported over the course of the fiscal year, as well as several policy decisions that the BAWSCA Board will have to consider in the next several months leading up to the big decision in November 2019 on whether BAWSCA should join the Joint Powers Authority, and continue as a project partner on the LVE Project.

The LVE project will be a standing item on both the BPC and the Board agenda over the next several months to provide both groups the opportunity to dive into the specific elements of the project, provide preliminary feedback, as well as give staff directions to analyze issues of concern, so that all the necessary information is obtained for the Board to make an informed decision in November.

Ms. Johnson presented the water supply benefits of the LVE project to the BAWSCA member agencies, and how the project will impact reliability if it is implemented regionally.

The SFPUC's adopted Level Of Service (LOS) goal allows for a systemwide shortage on the Regional Water System of up to 20% during drought. When the Strategy was developed, it identified a dry year water supply need of up to 48 thousand acre feet (TAF) per year during a systemwide shortage of up to 20%. Ms. Johnson explained that because of how water is allocated between SF retail customers and SF wholesale customers during a shortage, a 20% shortage on the regional system equates to an average of a 26% shortage for the BAWSCA agencies. With this information, BAWSCA sees the LVE project as a supplemental dry year water supply source.

Based on modeling that was done for the Strategy using projected demands up to 2040, it is estimated that shortages would occur in a total of 8 years over the 91-year hydrologic record with future projected demands. Of the 8 shortage years, there would be a 10% systemwide shortage, which equates to a 15% shortage for the BAWSCA agencies in 7 years. There would be a 20% systemwide shortage that equates to a 26% shortage for BAWSCA agencies in 1 year.

Ms. Johnson reported that if BAWSCA participates in the LVE project, BAWSCA can call upon supplemental supplies from Los Vaqueros during the shortfall years.

BAWSCA requested Contra Costa Water District (CCWD) to model the potential for BAWSCA to obtain 10 TAF per year from Los Vaqueros during the shortfall years. The results of the modeling indicated that in 5 of 8 years, based on the historical record where a shortfall would occur, BAWSCA could receive 10 TAF, or close to it, from the project. In one year, there would be approximately 4 TAF available. In two years, there would be no supply available specifically because BAWSCA's water would have been drawn down from a prior shortage year.

Ms. Johnson explained that without the LVE project, BAWSCA would have 7 years of a 15% water shortage, and 1 year of a 26% water shortage over the 91-year record. The LVE project would reduce water shortage by 5% in most years, reducing a 15% shortage down to 10%, and a 26% shortage down to a 21%. There would still be a period of 2 years where no supply will be available from the project.

The modeling is all based on the industries' best available knowledge of demands and hydrology. There are uncertainties that would impact BAWSCA's needs for the supplies and potential costs; some of which will be further developed over the course of the project. Some will remain unknown.

Those factors include water demands, climate change and regulatory actions.

Ms. Johnson noted that the current modeling is based on water demand projections completed in 2014. Preliminary results of the new demand study will provide updated information in time to inform the Board before it makes a decision to join the JPA. If results of the demand study shows demands higher than projected, more water will be needed. If demands show lower than projected, less water will be needed.

The modeling is also based on a 91-year historical hydrology. Ms. Johnson noted that while forecast patterns are based on historical data, they will not be identical with the past. The SFPUC is conducting a risk analysis on climate change, which BAWSCA hopes will bring preliminary results prior to the Board's JPA decision.

Finally, State regulatory actions on the Bay Delta Plan and FERC relicensing process will impact future water supply availability and may introduce State drought response actions or additional long-term conservation requirements that can potentially bring down demands in the future.

The Committee was asked for feedback on the information presented and whether there are additional key questions that should be pursued to provide the Board information it needs to make a decision in November.

BAWSCA's key questions include; What level of service do the BAWSCA agencies want to provide their customers in dry years?

Ms. Johnson explained that when the Strategy was developed, SFPUC's 20% LOS goals during dry years was not seen as sufficient. With the recent drought experience, the question remains as to whether the SFPUC's 20% LOS goal is acceptable, or do the agencies continue to want an increased supply reliability through development of new supplemental supplies? If so, how much are agencies willing to pay for increased reliability in dry years? How does the LVE project cost and supply benefits compare to other dry year water supply options?

Committee discussions ensued.

Director Mendall asked how BAWSCA would obtain and use the supply from LVE. He assumed that BAWSCA would fill Los Vaqueros with supply during wet years, and drain it once for a drought period. Ms. Johnson explained that over the course of a drought, there may be some periods that are not as dry, and provide the opportunity to replenish supply. BAWSCA's use of the water supply stored will depend on the actual drought hydrology.

Ms. Sandkulla added that a good example scenario is if the 2014 drought continued until now; in 2019. Last year's wet year would have been an anomaly. Supplies would have been replenished, and the level of cutbacks could be different. It is not unusual for a drought period to have a wet year in the middle.

Director Mendall commented that it remains difficult to get a handle on the potential cost against the benefit, and therefore it is hard to determine his level of support for the effort. For example, would BAWSCA pay \$10million up front so that once every 20 years there would be a 20% cutback instead of 26%? Or is it \$1million so that every five years it is another level?

Director Kuta stated that there should be an economies of scale. How much is it for 10 TAF, 15 TAF, 20TAF.

Director Wood commented that it would be helpful for staff to explain the project in detail, including the equivalent of TAF for the service area, to help new Board members understand its magnitude.

Director Chambers agreed and suggested adding the conversion of TAF to mgd.

Director Pierce suggested having a framework of what the BAWSCA service area was asked to cut back during the last drought, and what that might have been moderated to with the LVE.

Ms. Sandkulla stated having supplemental supplies during the last drought would not have mattered because of the regulatory factors. The State would have ordered the same cutback statewide. While the State has indicated it will not do that again, the potential for having the same scenario is a serious question for agencies to consider in the future. Regional agencies, including ACWD and SCVWD, have adjusted their drought targets as a result of the State's action during the last drought.

Director Chambers noted that the Bay Delta Plan and global warming can have significant impact to snowpack and decreased storage supplies. These factors have no historical data to help forecast the future.

Director Mendall stated his concern for potential higher cutbacks of 30% to 40% in the future as a result of global warming and state regulations.

In response, Ms. Sandkulla noted that the SFPUC is obligated to supply up to 184mgd and an LOS goal of no more than 20% during a systemwide shortage. BAWSCA and the member agencies need to hold the SFPUC to these obligations and push for it to invest in efforts to meet its responsibilities. Ms. Sandkulla emphasized that supplemental supplies will be very expensive water, which makes holding the SFPUC to their LOS goals even more important.

She referred to Mr. Ritchie's presentation to the Board at its January meeting, where he talked about making changes to the 10-year CIP to include more funding for regional water supply planning efforts specific to examining LVE, brackish desal, and enlarged Calaveras among others. This is in response to BAWSCA's push for their obligation to the wholesale customers.

Director Mendall commented that perhaps rather than pushing the member agencies to invest, push the SFPUC instead to invest in projects like the LVE to ensure that the <20% LOS goals for systemwide cutback is a reliable guarantee.

Ms. Sandkulla stated that such an approach would represent a change from BAWSCA's current policy and, therefore, would be a critical policy consideration that will be part of the Board discussion in the coming months.

Director Zigterman clearly expressed his support for the LVE project. He strongly believes water supply storage is critical. BAWSCA should push for this effort and get as much out of it as possible. While BAWSCA should thoughtfully analyze its cost-effectiveness, as well as push the SFPUC to invest in the effort, he believes BAWSCA should not wait for, or rely on SFPUC's actions. The unknown factors of global warming and the Bay Delta Plan make having storage even more critical. The water needs a place to go when flows are high.

Ms. Sandkulla stated that the SFPUC is, indeed, looking at the LVE project, and BAWSCA needs to keep it front and center in their efforts.

Director Kuta commented that a primary concern would be how BAWSCA will raise the capital needed to pay for the effort. It would be helpful to know the funding opportunities.

Director Mendall asked if funding would be a one-time \$10 million transfer from the balancing account, or is it something more?

Legal Counsel, Allison Schutte, explained that if a JPA is formed, the agencies that sign up will be joining into a financing plan, at a minimum of \$500 million. But it will not be an up-front cost. It will be part of a financing plan over a multi-year period at a good interest rate.

Ms. Sandkulla re-stated that the LVE project and the various elements that goes with the effort will be the topic of conversation on the agenda in the next several months for the BPC, the Board, as well as the Water Management Representatives. It will be discussed in detail accordingly; technically with the WMR's, and at a policy level with the Committee and the Board to evaluate and become educated about the pieces of information needed to make an informed decision when the time comes.

In response to Director Kuta, Ms. Johnson explained that the Board's decision to join the JPA, if it so chooses, is not a commitment to ultimately participate and purchase water from the project. It is a decision on the initial governance structure for the project. After the JPA is formed, the JPA would establish purchase agreements with each of the entities looking to purchase water or storage from the project. BAWSCA can choose to join the JPA and, as the project develops, decide on a subscription structure.

Mr. Francis reported that BAWSCA and the SFPUC holds regular meetings to discuss the project and stated that the SFPUC shares the same concerns BAWSCA has on the costs and supply reliability. Efforts are ongoing in evaluating a joint or separate interests.

7. Reports:

Water Supply Update: Ms. Sandkulla reported that water supply conditions are good. Total Tuolumne storage is at 87% of maximum, and Calaveras is continuing to fill in accordance to Division of Safety of Dams (DSOD) regulations. While precipitation at Hetch Hetchy is slightly above median, snowpack is well above median. Future weather forecast includes substantial precipitation in the state, regional, as well as local levels.

Total system deliveries, including both San Francisco retail and wholesale customers, continues to trend below 2018 and pre-drought year of 2013. Total potable water use in the BAWSCA service area is 20% less in December 2018, than in December 2013; continuing persistent pattern of low water use.

In response to Director Kuta, Ms. Sandkulla reported that the SFPUC is looking at demands against temperature patterns.

- A. **Bay Delta Plan Update:** Ms. Sandkulla reminded the Committee that the State Water Resource Control Board (SWRCB) acted in December to adopt the Bay Delta Plan and gave direction to Staff to work with the Natural Resources Agencies to complete development of the Voluntary Settlement Agreement (VSA) including the Tuolumne River, by March 1st. The VSA is to be incorporated as an alternative for a future, comprehensive Bay Delta Plan for the entire Delta watershed for consideration by the State Board as early as December 2019.

Newly elected Governor Newsom recently appointed Wade Crowfoot as Secretary of Natural Resources, and Jared Blumenfeld as Secretary of Cal EPA, to lead the negotiations and to further clarify settlement agreement details. The two Secretaries are regularly meeting with a stakeholder group that has been expanded to include some environmental organizations. BAWSCA has not been invited.

The official terms of the VSA were made public last week, and were provided to the wholesale customers as a document, as well as to interested environmental organizations. Natural Resources and Cal EPA need to complete a full analysis of the VSA for water supply impacts and environmental benefits.

Ms. Sandkulla hopes to provide further information to the Board at its March meeting.

8. **Closed Session:** The meeting adjourned to Closed Session at 3:07pm
9. **Open Session:** The meeting convened to Open Session at 3:33pm. Legal Counsel, Allison Schutte reported that no action was taken during Closed Session.

5. **Action Calendar:**

- A. **Amendment to Hanson Bridgett Professional Services Contract:** Ms. Sandkulla reported that the current contract limit for legal services is \$669,000. There is a need to amend the contract to increase the “not to exceed” budget by \$150,000. The increase will fund the necessary work associated with the WSA amendments, which was underbudgeted, and the Bay Delta Plan, which had a higher level of legal activity than anticipated.

Funding of the \$150,000 would come from a transfer from the General Reserve (\$50,000), budgeted contingency (\$57,500), and anticipated unspent funds from FY 2018-19 (\$42,500). Ms. Sandkulla noted that because it is too early in the fiscal year, she is cautious to allocate a higher amount from anticipated unspent funds.

Director Wood made a motion, seconded by Director Chambers, that the Committee recommend to the Board of Directors to authorize the CEO/General Manager to:

- **Amend the professional services contract with Hanson Bridget by \$150,000 for a total not to exceed amount of \$819,000;**
- **To transfer \$50,000 from the General Reserve to the Operating Fund to fund a portion of this contract increase; and**
- **To use \$57,500 from budgeted contingency to fund a portion of this contract increase.**

In response to Director Kuta, Ms. Sandkulla stated that the unspent funds associated with other financial and technical consultant contracts refers to the audit of SFPUC's asset management practices that was deferred to FY 2019-20 during the mid-year workplan review.

Director Mendall commented that the need for the increase is understandable given all the activities that required, and continues to require, legal attention. He hopes it does not set a new baseline.

Ms. Sandkulla noted that the budget for legal counsel has gone up and gone back down in the past. The last time it occurred was during the 2009 WSA process in which critical results needed to be achieved.

The motion carried unanimously.

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 April 10, 2019.

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting Attendance Roster

Agency	Director	Feb. 13, 2019	Dec. 12, 2018	Oct. 10, 2018	Aug. 8, 2018	Jun. 13, 2018	Apr. 11, 2018
Stanford	Zigterman, Tom (Chair)	✓	✓	✓	M T G C A N C E L L E D	✓	✓
Westborough	Chambers, Tom (VChair)	✓	n/a	n/a		n/a	n/a
Foster City	Hindi, Sam		n/a	n/a		n/a	n/a
Cal Water	Kuta, Rob	✓		✓		✓	✓
Sunnyvale	Larsson, Gustav		✓	✓		✓	
Hayward	Mendall, Al	✓	✓	✓		✓	✓
Redwood City	Pierce, Barbara	✓	✓			✓	✓
Brisbane	Wood, Sepi	✓	n/a	n/a		n/a	n/a

✓: present

February 13th Meeting Attendance

BAWSCA Staff:

Nicole Sandkulla CEO/General Manager
Tom Francis Water Resources Manager
Andree Johnson Sr. Water Resources Specialist
Christina Tang Finance Manager
Lourdes Enriquez Assistant to the CEO/General Manager
Deborah Grimes Office Manager
Allison Schutte Legal Counsel, Hanson Bridgett, LLP
Nathan Metcalf Legal Counsel, Hanson Bridgett, LLP
Bud Wendell Strategic Counsel

Public Attendees:

Paul Sethy ACWD, Director
Michelle Novotny San Francisco Public Utilities Commission

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

**January 17, 2019 – 6:30 p.m.
Foster City Community Building, Foster City CA**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 6:00 pm

BAWSCA Chair, Al Mendall, called the meeting to order and led the salute to the flag. Nicole Sandkulla called the roll. Seventeen (17) members of the Board were present. A list of Directors present (17) and absent (9) is attached.

2. Special Order of Business: Election of Officers for Calendar Year 2019.

Chair Mendall called for nominations for the position of Chair of the BAWSCA Board. Director Quigg nominated Barbara Pierce for Chair. Director Breault seconded the nomination.

Director O'Connell made a motion, seconded by Director Quigg, to close the nominations. The motion carried.

The Board unanimously voted to elect Barbara Pierce as Chair of the Bay Area Water Supply and Conservation Agency Board of Directors for calendar year 2019 to commence at the adjournment of the meeting at which she was elected.

Chair Mendall called for nominations for the position of Vice-Chair. Director Wood nominated Gustav Larsson as Vice-Chair of the Board. Director Pierce seconded the nomination.

Director O'Mahony made a motion, seconded by Director Breault, to close the nominations. The motion carried.

The Board unanimously voted to elect Gustav Larsson as Vice-Chair of the Bay Area Water Supply and Conservation Agency Board of Directors for calendar year 2019 to commence at the adjournment of the meeting at which he was elected.

3. The meeting adjourned at 6:04 pm to convene the San Francisco Bay Area Regional Water System Financing Authority Board of Directors meeting.**4. The meeting reconvened at 6:08 pm****5. Comments by the Chair:** Chair Mendall announced Director Anderson's retirement from the BAWSCA Board and thanked him for the service and valuable contributions he provided BAWSCA. He welcomed Foster City Mayor, Sam Hindi, to the BAWSCA Board.

Director Mendall expressed his appreciation for the robust discussions and decisiveness of the BAWSCA Board regarding the legal and strategic matters that confronts the region's water users. He reminded the Board that BAWSCA, under

State law, is responsible for protecting the water interests of the water users served by BAWSCA's 26 member agencies. He stated that the Bay Delta Plan, FERC process, and Restore Hetch Hetchy have been, and will continue to be critical issues along with Mountain Tunnel, Los Vaqueros Expansion project, and regional demand. The Board must remain focused on continuing to set policies, priorities, and budgets that enable BAWSCA staff to achieve BAWSCA's goals.

Over the past 15 years, BAWSCA has strived to deliver results for its member agencies and its water users. Director Mendall reported that, with time permitting, the CEO will show a short video highlighting those results. He encouraged members of the Board to share the video with their colleagues and agency staff members to become informed, if not be reminded of, the work BAWSCA does.

Finally, Director Mendall thanked the Board for the opportunity to serve as Chair.

- 6. Board Policy Committee (BPC) Report:** Director Larsson reported the discussions and actions taken by the Board Policy Committee at its meeting on December 12, 2018. They are reflected in the BPC summary report included in the packet.

- 7. SFPUC Report:** Assistant General Manager for Water Enterprise, Steve Ritchie, provided a report on Water Supply Conditions and an update on the Bay Delta Plan.

In the interest of time and to stay on topic, Chair Mendall moved Agenda Item 12B, CEO Report on Bay Delta Plan Phase 1, to follow SFPUC's report. Ms. Sandkulla provided her report to the Board.

- 8. Public Comments:** Public comments on Agenda Item #7 were provided by Peter Drekmeier and Dave Warner.

- 9. Closed Session:** The meeting adjourned to Closed Session at 6:46pm

10. Report from Closed Session:

The meeting reconvened to Open Session at 7:40pm

Legal Counsel, Allison Schutte, reported that the Board took action and provided direction to the Legal Counsel.

11. Consent Calendar:

Director O'Connell made a motion, seconded by Director Benton, to approve the Minutes of the November 15, 2018 meeting, receive and file the Budget Status Report as of November 30, 2018, the Investment Report as of December 31, 2018, Directors' Reimbursement Report as of November 30 2018, approve the proposed FY 2019-20 Bond Surcharges, and re-affirm BAWSCA's Statement of Investment Policy.

The motion carried unanimously.

12. Action Calendar:

- A. Mid-Year 2017-18 Work Plan and Budget Review and Management of the General Reserve**

Director Pierce made a motion, seconded by Director Schmid, that the Board authorize 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

The motion carried unanimously.

- B. Authorization of CEO to Enter into a Contract with Maddaus Water Management to Develop a Regional Water Demand and Conservation Projections Study

Director Pierce made a motion, seconded by Director Vella, that the Board authorize the CEO to:

1. 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.

The motion carried unanimously.

- C. Los Vaqueros Expansion Project MOU

Director Wood made a motion, seconded by Director Pierce, that the Board authorize the:

1. 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.

The motions carried unanimously.

13. Reports:

Ms. Sandkulla reported on the member agencies' current water use as of November 2018, which is 8% less than the pre-drought year of 2013.

14. Budget Planning Session:

Ms. Sandkulla reported that BAWSCA's annual budget development process always begins with the assessment of long-term critical issues and major challenges that look out 20-30 years ahead. The long-term perspective identifies the results that need to be achieved and the associated timeline to form the basis of the work plan and budget for the upcoming fiscal year.

The work plan is built around BAWSCA's goals of ensuring a reliable supply of high-quality water at a fair price. Ms. Sandkulla identified the critical tasks under each category, and presented the schedule of the work plan and budget development for the Board's consideration in May.

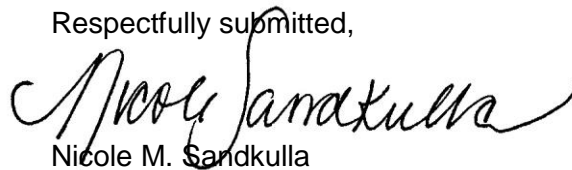
Comments received from the Board will be addressed by the CEO and presented to the Board Policy Committee for discussion at its February meeting. Feedback from the BPC will be presented at the March Board meeting for discussion. A proposed work plan and budget will be presented to the BPC at its meeting in April for discussion, and to the Board in May for adoption.

15. Directors' Discussion: Comments, Questions and Agenda Requests: Director Mendall stated that he has asked the CEO/General Manager to look at possible options on improving Board meeting attendance. He noted the new format of the attendance sheet that is included in the minutes. He encouraged members of the Board to provide suggestions.

16. Date, Time and Location of Next Meeting: The next meeting is scheduled on March 21, 2019 at 6:30pm, in the Oak Room, of the San Mateo Main Library.

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

Respectfully submitted,



Nicole M. Sandkulla
Chief Executive Officer/General Manager

NMS/le

Attachments: 1) Attendance Roster

Bay Area Water Supply and Conservation Agency

Board of Directors Meeting Attendance Roster

Director	Agency	Jan. 17 2019	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	✓	✓	✓				✓
Chambers, Tom	Westborough	✓	✓	✓	✓	✓	✓	✓
Hindi, Sam	Foster City	✓	na	na	na	na	na	na
Kasperzak, Mike	Mountain View		✓			✓	✓	
Keith, Kirsten	Menlo Park				✓	✓	✓	✓
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	✓	✓		✓		✓	✓
Wood, Sepi	Brisbane	✓	✓	✓	✓	✓	✓	✓
Schmid, Greg	Palo Alto	✓	✓		✓	✓	✓	✓
Tran, Rich	Milpitas							
Vella, Lou	Mid-Peninsula	✓		✓	✓	✓	✓	✓
Weed, John	ACWD	✓	✓	✓	✓		✓	✓
Zigterman, Tom	Stanford		✓	✓	✓	✓	✓	✓
VACANT	Santa Clara		✓		✓	✓	✓	✓

✓ : Present

(This page was intentionally left blank)


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: March 8, 2019

SUBJECT: Budget Status Report as of January 31, 2019

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 seven-month period ending January 31, 2019, 58 percent into the fiscal year, total expenditures were \$2,309,916 or 55 percent of the total budget of \$4,228,585.

Table 1. Operating Budget Summary as of January 31, 2019

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	1,703,580	811,508	48%
Fair Pricing	301,000	142,877	47%
Administration	110,000	73,752	67%
Subtotal	2,114,580	1,028,137	49%
Administration and General			
Salary & Benefits	1,673,955	1,079,879	65%
Other Expenses			
BAWSCA	376,850	201,438	53%
BAWUA	1,050	0	0%
Subtotal	4,166,435	2,309,454	55%
Capital Expenses	3,000	0	0%
Budgeted Contingency	57,500	0	0%
Regional Financing Authority	1,650	462	28%
Grand Total	4,228,585	2,309,916	55%

Overview:

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

Consultants

The \$130,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 40 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 65 percent expended. The Operating Budget allocation of \$669,000 for legal counsel was 95 percent expended. The \$490,200 budget for water management and conservation-related activities was 24 percent expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 65% and 53% percent expended respectively.

Use of CEO's Discretionary Spending Authority:

No use of CEO discretionary spending authority occurred during this period.

Use of Reserve and Reserve Fund Balance:

Unspent funds at the end of FY 2017-18 were \$253,892. The BAWSCA reserve balance as of January 31, 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. At its January 2019 meeting, the Board authorized transfers from the General Reserve of \$177,500 for the Los Vaqueros Expansion Project and \$150,000 for the Regional Water Demand and Conservation Projections Study. Both transfers are also reflected below.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 11/30/18)	Account Balance (As of 01/31/19)
General Reserve (Including Long- Term Planning Fund)	\$1,493,348	\$1,165,848



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: Christina Tang, Finance Manager

DATE: March 8, 2019

**SUBJECT: Bond Surcharge Collection, Account Balance and Payment Report
as of December 31, 2018**

BAWSCA's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued to prepay the remaining capital cost recovery payments that the BAWSCA agencies owed San Francisco as of June 30, 2013, when the payments were paid off. The bond transaction and the prepayment program was anticipated to 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.

Bond Surcharge Collections

BAWSCA collects the bond surcharge from member agencies through the SFPUC as a separate item on SFPUC's monthly water bills to agencies. The bond surcharge payments are used to make debt service payments on BAWSCA's revenue bonds.

All surcharges billed for the months from October to December 2018 have been collected. Table 1 below presents a summary of financial transactions related to BAWSCA's Bond Series 2013A and 2013B for the three months.

Table 1: Summary of Surcharges Remitted to Trustee for Quarter Ending 12/31/2018

<u>Month</u>	<u>Amount Billed</u>	<u>Amount Remitted to Trustee</u>
October 2017	\$2,057,198	\$2,057,198
November 2017	\$2,057,198	\$2,057,198
December 2017	<u>\$2,057,198</u>	<u>\$2,057,198</u>
Total	\$6,171,594	\$6,171,594

Bond Surcharge Account Balances

All surcharge payments are deposited with the Bank of New York, the Trustee who manages BAWSCA's accounts and administers debt service payments.

BAWSCA's account balances at the Bank of New York and the account activities in the past quarter are shown in Table 2 below.

Table 2: Bank of New York Bond Trustee Account Activity for Quarter Ending 12/31/2018

	34,581,905	Account Market Value as of 9/30/2018
<i>plus:</i>	<i>5,764,959</i>	<i>Surcharge Collected in October 2018 through December 2018</i>
<i>plus:</i>	<i>151,534</i>	<i>Money Market Fund Interest, Security Coupons/Accrued Interest Received</i>
<i>plus:</i>	<i>107,484</i>	<i>Change in Market Value of Held Treasury Bonds</i>
<i>minus:</i>	<i>18,402,535</i>	<i>Debt service payment to bondholders</i>
<i>minus:</i>	<i>872,539</i>	<i>Principal for Treasury bonds purchased</i>
<i>minus:</i>	<i>2,142</i>	<i>Accrued interest for Treasury bonds purchased</i>
<i>plus:</i>	<i>889,219</i>	<i>Market Value of Purchased Bonds</i>
<i>minus:</i>	<u><i>11,513</i></u>	<u><i>Reimbursement to BAWSCA for bond administration expenses</i></u>
	22,206,371	Account Market Value as of 12/31/2018

There are two ways interest is earned by BAWSCA on the collected surcharge payments and balances held in the stabilization funds. First, interest is automatically earned on the account balance in the Bank of New York Bond Trustee money market account. Second, BAWSCA has the ability to invest the collected surcharge payments by purchasing U.S. Treasury securities, possibly earning a higher rate of return than the money market account.

Based upon an evaluation of the available yields, it was determined that BAWSCA would realize a moderate earnings benefit by purchasing U.S. Treasury securities instead of staying invested in the money market account. Following further evaluation, BAWSCA determined that a strategy that involved both a rolling and a laddered security structure provided the Agency with the most appropriate balance of safety, liquidity, and yield. Consequently, this investment strategy was implemented in October 2015.

With the Investment Advisor's assistance, BAWSCA re-evaluated the investment strategy in April 2018 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 the transition to a 0-5 year laddered portfolio strategy. In November 2018, BAWSCA evaluated the credit quality, market price risk, and liquidity characteristics of all investment instruments permitted by the Bond Indenture. Based on the results of the evaluation, no changes in the investment strategy were made. As of December 31st, the market yield on BAWSCA's revised portfolio strategy was 2.51% compared to 2.24% for the money market fund.

All investment interest earnings are deposited directly in the Trustee account, and will be used to pay for future expenses and debt service of the bonds. Ultimately, all interest earnings are returned to the member agencies through annual savings and through distribution of the Stabilization Fund, including interest, once the bonds are fully paid.

Revenue Bond Series 2013A and Series 2013B Debt Service Payment Status

The recent debt service payment of \$18,402,535 was made on October 1, 2018. It was paid using the bond surcharges collected from the agencies, consistent with the bond indenture. The next debt service payment of \$6,073,900 will be made on April 1, 2019. There are sufficient funds in the Trustee account to make the payment. Debt service payments are made on April 1st and October 1st of each year until 2034.

(This page was intentionally left blank)

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Authorization to Enter into a Memorandum of Understanding with Solano County Water Agency for Implementation of the Regional Bay Area Qualified Water Efficient Landscaper Training Program**

Summary:

BAWSCA seeks to enter into a Memorandum of Understanding (MOU) with Solano County Water Agency (SCWA) to implement the Regional Bay Area Qualified Water Efficient Landscaper Training Program (QWEL) in the BAWSCA service area. QWEL provides landscape professionals with classroom and hands-on training on topics related to water-efficient landscape installation and management. The goal of the program is to increase landscape professionals' awareness and compliance with local water-use restrictions and reducing long-term landscape water use through wider adoption of proper care, irrigation management and other maintenance practices.

Several water agencies in the Bay Area have identified a need for QWEL and a desire to implement the program as a regional partnership. SCWA will serve as the administrative lead for the Regional Bay Area QWEL program and will execute the contract with the selected contractor, California Water Efficiency Partnership (CalWEP). SCWA intends to execute the contract with CalWEP by March 2019 and enter into the MOU with the participating water agencies shortly thereafter. The MOU will have a term of 2 years. Each participating agency will be required to sponsor a minimum of one QWEL training per year during the MOU term.

BAWSCA's FY 2018-19 Work Plan included a \$30,000 budget for associated expenditures to expand its Landscape Education Program through the development of online videos and training materials. It is recommended that QWEL be implemented in lieu of these planned activities and that a portion of the budget for the online videos and trainings be used to implement a QWEL training in FY 2018-19.

Fiscal Impact:

The BAWSCA FY 2018-19 budget includes \$30,000 to expand the Landscape Education Program by developing videos and online training materials. It is recommended that \$11,000 of this budget be utilized for implementing the QWEL program, including up-front costs and implementation of one training in FY 2018-19. In addition, the MOU will require BAWSCA to hold at least one additional training in FY 2019-20 or FY 2020-21, with an estimated cost of \$10,000. These future trainings can be funded as part of BAWSCA's Landscape Education Program.

Board Policy Committee Action:

The Committee voted unanimously to recommend the proposed Board action.

Recommendation:

That the Board of Directors authorize the CEO/General Manager to:

- 1) negotiate and execute a Memorandum of Understanding with Solano County Water Agency to implement the Qualified Water Efficient Landscaper Training Program; and**
- 2) use \$11,000 from the FY 2018-19 budget to the implement the QWEL program.**

Discussion:

QWEL Program Background

QWEL is a U.S. Environmental Protection Agency (EPA) WaterSense certified program which was developed by the Sonoma-Marín Saving Water Partnership. QWEL provides training to landscape professionals, designers, architects, and others with twenty hours of classroom and hands-on training on principles of proper plant selection, irrigation system design, maintenance, programming, operation, and troubleshooting. In addition to 20 hours of classroom and hands-on training, the program provides a certification test in order for participants to receive a QWEL-certified professional designation.

The Regional Bay Area QWEL Program will expand implementation of this existing program to the greater Bay Area region. Regional objectives for QWEL include: (1) increasing landscape professionals' awareness of and compliance with local water-use restrictions, and (2) reducing long-term landscape water use through wider adoption of proper care, irrigation management and other maintenance practices for water-efficient landscapes.

SCWA is serving as the administrative lead for QWEL and intends to execute a contract with the top-ranked proposer, California Water Efficiency Partnership (CalWEP), for implementation of the program. Other participating agencies include ACWD, City of Napa, Contra Costa Water District, East Bay Municipal Utility District, Santa Clara Valley Water District, San Francisco Public Utilities Commission, Sonoma County Water Agency, and Zone 7 Water Agency.

Selection Process

SCWA issued a Request for Proposals for the Regional Bay Area QWEL Program in August 2018. Through this competitive procurement process, the California Water Efficiency Partnership (CalWEP) has been selected to implement the program. SCWA, in coordination with the participating agencies, has negotiated the contract with CalWEP and reached agreement on a program scope of work and pricing structure.

Scope of Work

The Scope of Work, as included in the Draft MOU, is provided in Attachment A. The key tasks to be completed by CalWEP (the contractor) include:

- **Logistics:** Contractor will provide overall training coordination including venue selection and coordination, class setup and materials, and coordination with participating agency.
- **Training Administration:** Contractor will implement classes as requested by participating agencies as well as the certification process. Contractor will achieve an average QWEL certification rate of 70% -75% of enrolled participants per contract period.
- **Continuing Education Units (CEU) Administration:** Contractor will support and track QWEL graduate's CEUs, notify students when QWEL certification will expire, and maintain online database of QWEL certified professionals.
- **Marketing and Outreach:** Contractor will develop regional marketing plan as well as sub-plans for each participating agency. Contractor will employ marketing strategies identified in marketing plan to promote participation in the program.
- **Reporting:** Contractor will prepare monthly reports and invoices as well as semi-annual progress reports.

Schedule

Implementation of the QWEL program will commence when SCWA has executed the contract with CalWEP and at least 5 agencies have signed the MOU with SCWA. These milestones are expected to be complete in March 2019. Implementation will occur over a two-year period. Each participating agency will be required to hold a minimum of one training per year.

Pricing

Participating agencies will pay the following costs for QWEL:

- Initial payment of \$3,000 to support program development. This payment will be credited towards the participating agency's first training fee.
- One-time inventory and insurance fees of \$790.
- Annual fee of \$50 - \$500 based upon the number of certified professionals.
- QWEL class fee of \$9,500 (\$6,500 for the first training after \$3,000 credit) for each 20-hour training, which includes up to 40 participants.
- QWEL class materials fee of \$20 per participant. This fee may be passed along to the participants in the QWEL program training rather than paid by participating agencies.

Background:

BAWSCA's existing Landscape Education Program provides classes and hands-on trainings on a variety of topics related to water-efficient landscaping. These classes, offered to all water customers in the service area since FY 2005/06, are targeted towards non-professionals, in particular homeowners seeking to implement their own landscape improvements.

BAWSCA's FY 2018-19 Work Plan anticipated expanding the Landscape Education Program through the development of online videos and training materials and included a \$30,000 budget for associated expenditures. It is recommended that QWEL be implemented in lieu of these planned activities and that a portion of the budget for the online videos and trainings be used to implement a QWEL training in FY 2018-19. The QWEL program would provide in-depth training to landscape professionals to support long-term reductions in water use among residential and non-residential sites that are managed by landscape professionals.

Alternatives Considered:

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

- Alternative #1: Support the Recommended Actions. Implementation of the QWEL program is anticipated to provide long-term outdoor water use reduction by increasing landscape professionals' awareness and compliance with water-efficient landscape practices.
- 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 not allow enable BAWSCA to hold a QWEL training in Spring 2019 or recognize the associated water saving benefits during the high water use summer months of 2019. **This alternative is not recommended.**
- Alternative #3: BAWSCA to not Implement the QWEL Program: While a valid alternative, BAWSCA does not recommend this option. The QWEL program addresses "Making Conservation a California Way of Life" requirements for reducing outdoor water use. The program provides an alternative approach to meeting the BAWSCA Work Plan objective of expanding the Landscape Education Program. **This alternative is not recommended.**

(This page intentionally left blank)

**Attachment A
DRAFT Scope of Work: Regional Qualified Water Efficient Landscaper (QWEL) Training
Program**

Professional Certifying Organization (PCO) shall perform the following tasks:

1. Logistics
 - a. Venue selection and management of venue including set up and clean up
 - i. Work with each Participating Agency's (PA) Project Manager in their service area
 - ii. Venues shall be determined by service area distribution
 - iii. Venue is subject to PAs approval
 - iv. Low or no-cost venue sites will be given preference.
 - v. Venue preparation including delivery of refreshments and meals to the appropriate facility for applicable English and Spanish class series. No refreshments or meals shall be provided to Affiliate class series.
 - b. Provide class resources including computer, projector and the materials listed below in sufficient number to accommodate the class size:
 - i. Catch can kit with a minimum of 24 cans, including gauges for spray and rotors, and measuring wheel or tape
 - ii. Soil probes
 - iii. Irrigation valves to disassemble
 - iv. Irrigation controller panels powered by 9V batteries
 - v. Jar sedimentation soil tests
 - vi. Samples to pass around:
 1. Water meters
 2. Different types of irrigation valves
 3. Spray bodies
 4. Drip equipment
 5. Controller sensors
 6. Smart controllers
 - c. Per each PAs request, provide printed materials, which shall, at a minimum, include the QWEL reference manual. PAs' other educational materials may also be distributed to participants.
 - d. Instructor recruitment
 - i. Secure QWEL instructors as needed per QWEL Policies and Procedures.
 - ii. Recruit and assign work to highly qualified instructors based on instructional needs.
 - e. PA coordination and regional plan development
 - i. Identify each PA's goals, objectives, target market, and collaboration preferences.
 - ii. Develop a regional plan to establish program metrics, training schedule, and clarify reference manual choice (i.e. California or customized Bay Area version).
 - iii. Use survey and web conference meetings to optimize efficiency and outcomes.

2. Training Administration

- a. Contractor shall offer the first English QWEL class series no sooner than month three of the contract period to account for a 90-day mobilization period immediately following formal notice to proceed. Scheduling shall take into account seasonal blackout periods.
- b. Any request by a PA to host a class prior to the third month of the contract period will require additional coordination and will be considered an extended service subject to labor rates as indicated in Exhibit B Rate of Compensation.
- c. Maintain status as Professional Certifying Organization (PCO) for QWEL throughout the contract period.
- d. Manage enrollment for trainings with an approximate minimum of 20, and an approximate maximum of 40 participants per class, including managing a waitlist. PAs can override minimum and maximum after discussion with Contractor. Classes shall not exceed more than 60 participants. An additional per student fee shall apply for classes with more than 40 participants as specified in Exhibit B Rate of Compensation under Class Series Fees.
 - i. Qwel.net will be used to manage enrollment, participant results reporting, CEU tracking, and global e-mail communications.
- e. Host between 10 and 30 trainings throughout the PAs service areas during contract period
- f. Deliver two Train-the-Trainer class series. Additional Train-the-Trainer class series will be delivered as needed per discussion with the PAs as an Extended Services option at the labor rates indicated in Exhibit B Rate of Compensation.
- g. Delivery of QWEL curriculum through contracted instructors that have the following applicable language fluency, including technical language related to irrigation and water efficiency:
 - i. English
 - ii. Spanish
- h. Spanish classes shall be delivered following completion of the Spanish translation of the most recent QWEL curriculum. The anticipated completion date for Spanish translation is Spring 2019.
- i. Administer exams through appropriate proctors per QWEL Policies and Procedures.
- j. Achieve an average QWEL certification rate of 70% -75% of enrolled participants per contract period.
 - i. For each QWEL class series that does not achieve an average 50% pass rate, and at the request of the PA, Contractor shall perform a post-class evaluation and document findings in a memo as an Extended Services option subject to rates as indicated in Exhibit B Rate of Compensation.
- k. Facilitate the grading and delivery of QWEL certification by U.S. mail and electronically.
- l. Utilize an online payment mechanism to collect participant fees to offset program costs, as applicable within PAs service area.

- m. Send out post-training survey to graduates for feedback on material and instructor
 - n. Deliver survey results to applicable PAs.
3. Continuing Education Units (“CEU”) Administration
- a. Support and track graduate’s CEUs. Notify students when QWEL certification will expire.
 - i. Include messaging in communications beginning fall 2019.
 - ii. CEU credits will be largely managed by the certified individuals through their qwel.net pro login accounts. Contractor shall send reminders about upcoming deadlines.
 - b. Administer graduate database through QWEL website including:
 - i. Posting upcoming QWEL classes
 - ii. Entering exam grades
 - iii. Updating graduate profiles
 - c. Achieve a recertification goal of 60% of graduates within contract period. QWEL certified professional are required to submit two (2) hours of CEUs (continuing education units) each calendar year to maintain their certification.
 - d. Act as main point of contact for graduates about logging in, changing passwords, certification distribution, and any questions graduates may have.
4. Marketing and Outreach
- a. Marketing for individual classes and regionally for all PAs.
 - b. Develop regional marketing plan with PA sub-plans.
 - i. Strategies to be included:
 - 1. email, outreach and related content development
 - 2. regional content development for PAs’, trade allies’ and PA’s social media, websites and media releases.
 - 3. One (1) two-sided flyer per PA is included with three (3) revisions. Additional work beyond three revisions shall be billed at the applicable hourly rates per personnel classification as referenced in Exhibit B Rate of Compensation.
 - ii. Paid advertising is not included in the cost proposal. However, it is an Extended Services option subject to Contractor labor rates and additional fees.
 - c. Employ marketing strategies identified in marketing plan.
 - d. Contact information on marketing materials shall be Contractor.
 - e. All marketing must be approved by PAs prior to release. To efficiently facilitate such approval, Contractor shall develop and implement a process that includes PA Project Manager or other designated representative.

5. Reporting

- a. Contractor shall employ administrative and reporting tools meeting QWEL and WaterSense requirements.
- b. Prepare a variety of reports, as outlined below:

Report Type	Items to be included within Report
Semi-Annual Report (Results per class)	<ul style="list-style-type: none">- Dates of completed class- Address of class venue- Language class was offered in- Number of attendees registered- Number of actual attendees- Number of exams completed- % of participants that passed exam- Dates of pending classes- List of organization each attendee is from- List of cities where each attendee works (if applicable)- Marketing strategies employed and anticipated- Survey results from participants
Prior to a class	<ul style="list-style-type: none">- Number of participants registered- Number of participants on a waitlist (if applicable)
Final Report (due upon contract end)	<ul style="list-style-type: none">- Summary narrative of all previous semi-annual reports- Concluding thoughts on the successes and challenges of administering the program
On-Request	Any metrics as listed above and forthcoming

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Los Vaqueros Expansion Project – Review of Water Supply Benefits**

Summary:

This memorandum outlines the potential water supply benefits to BAWSCA from the Los Vaqueros Expansion (LVE) Project; outstanding questions to be addressed related to water supply benefits; preliminary cost estimates for BAWSCA; potential project participation structures for BAWSCA agencies; and considerations for BAWSCA in evaluating its future Project participation. As mentioned at the January Board meeting, continuing discussion of the LVE Project is anticipated at each Board and Policy Committee meeting in 2019. These discussions are intended to provide the Board with information and opportunities to consider key policy items on the project before deciding whether to join the Joint Powers Authority (JPA) in November 2019.

Recommendation:

This item is for discussion purposes only. It is requested that the Board provide feedback on (1) the presentation of this information and (2) the additional information needed to support future Board decisions on the policy questions identified below.

Board Policy Committee Feedback:

At the February 13th BPC meeting, the Committee provided the following feedback on additional information needed to support future Board decisions on the LVE policy questions, some of which are addressed in this memo:

- Additional information needed on potential costs and benefits as well as potential economies of scale for different levels of investment in storage capacity.
- Conversion of water supply volumes from acre-feet to million gallons per day (MGD) would be helpful.
- Comparison needed of what the BAWSCA service area was asked to cut back during the last drought and how these cutbacks might have been moderated with LVE supplies.
- Additional information needed on the financing structure.

Discussion:

Water Supply Need

BAWSCA's interest in the LVE Project is to identify the potential dry year water supplies available to BAWSCA that would increase drought year water supply reliability for the region. BAWSCA's Long Term Reliable Water Supply Strategy Phase II Final (Strategy Report, February 2015) identified an upper range dry year water supply shortfall of up to 48 thousand acre-feet (TAF) during a 20% shortage on the SF RWS. ¹The LVE Project is being evaluated as a dry year water supply to partially address this shortfall.

BAWSCA's Strategy Report evaluated projected water supply shortfalls in 2040 based upon the SF RWS historical hydrology and the projected water supply shortfalls to the member agencies that would exist in each year assuming 2040 supplies and demands as described in BAWSCA's

¹ BAWSCA Long Term Reliable Water Supply Strategy Phase II Final Report, Section 2

Strategy Report. Specifically, the Strategy Report identified that a water supply shortfall for the member agencies would exist in 8 out of the 91 years of historical record. Of those 8 years, there would be a 10% system-wide shortage in 7 years and a 20% system-wide shortage in 1 year. Therefore, the BAWSCA agencies would desire supplemental supplies from LVE in 8 of 91 years (e.g., 1931, 1961, 1977, 1988, 1990, 1991, and 1992).

BAWSCA is considering 10 TAF of LVE supplies to reduce the need for water use reductions in drought years. In a 10% SF RWS system-wide shortage, an additional 10 TAF of supply would reduce the overall water supply shortfall on the SF RWS for the wholesale customers from 15% to 10%. In a 20% SF RWS system-wide shortage, an additional 10 TAF of supply would reduce the overall water supply shortfall on the SF RWS for the wholesale customers from 26% to 21%, as shown in Figure 2.

Potential Water Supply Benefits

Using the demand and reliability information from BAWSCA's Strategy Report, CCWD subsequently modeled potential deliveries from LVE to BAWSCA in each of these 8 years for which water supplies would be requested, accounting for both available water supplies and available capacity in the Project and other facilities to deliver those supplies to BAWSCA. CCWD's modeling results, shown in the bar chart provided as Figure 1, indicate that the LVE Project could provide BAWSCA with 10 TAF (8.9 MGD) in three of the eight years (specifically years 1931, 1977 and 1992), nearly meet BAWSCA's 10 TAF request in two of the eight years (years 1961 and 1988), partially provide water in one of the 8 years (year 1990), and not be able to address any of BAWSCA's water need in two of the eight years (years 1989 and 1991).

Figure 1. Modeling Results for Potential BAWSCA Deliveries from LVE in Water Supply Shortfall Years

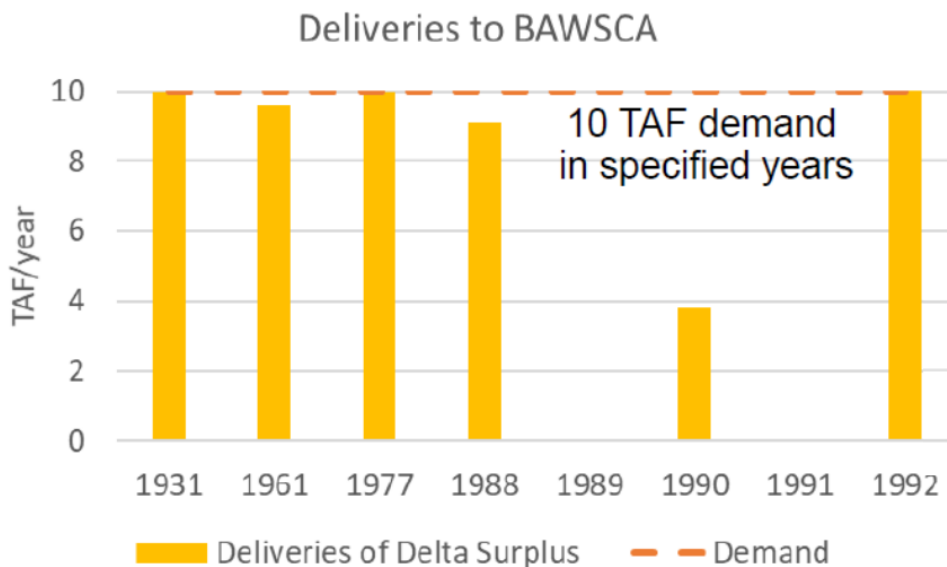
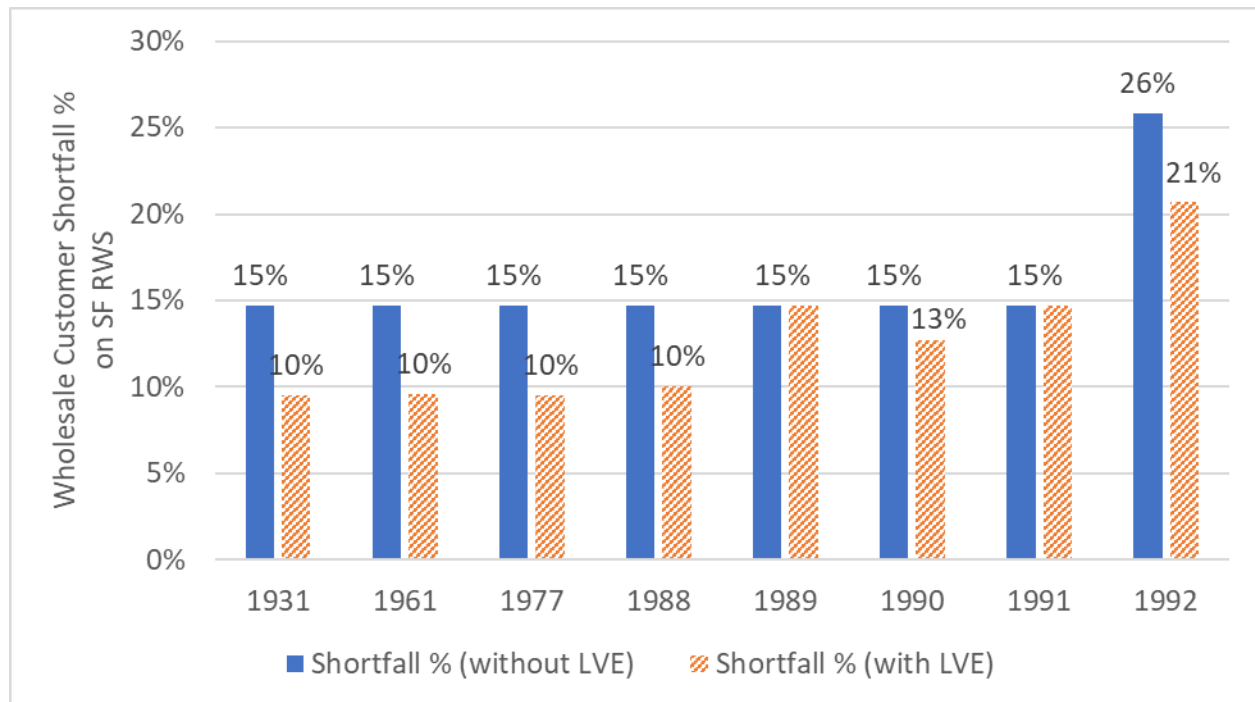


Figure 2. Modeling Results for BAWSCA Water Supplies Shortages with and without LVE



Risks

Analysis of BAWSCA's water supply need and the benefits to BAWSCA from LVE is based on the current available planning information; however, future "unknowns" could either increase or decrease the need for LVE supplies. These include:

- **Water Demands.** Changes to water demands could impact the frequency and amount of supplemental dry year water supplies needed. In addition, further reductions in per capita water use could reduce BAWSCA agencies' ability to achieve significant water use reductions in future shortages. BAWSCA is currently completing its Regional Demand and Conservation Projections Study to re-evaluate its water demands through 2045. Preliminary results are anticipated to be available prior to the Board's decision on whether to join the JPA.
- **Climate Change.** Water shortages have been identified based upon the 91-year historical hydrology. Future hydrology could differ from historical hydrology due to climate change. In addition, the SFPUC is studying the impacts of climate change on the reliability of their water supply. The first phase of that work effort is estimated to be completed in FY 2020-21
- **Regulatory Actions.** Regulatory actions could impact both the availability of existing water supply in dry years and long-term water demand patterns.

As a part of the approved FY 2018-19 Work Plan, BAWSCA is using its Regional Reliability Model, which was developed in FY 2017-18 as a Strategy project, to further investigate the potential reliability benefits of the LVE Project and perform a sensitivity analysis on the need for LVE supplies given the factors identified above.

Preliminary Water Supply Cost Estimates

Table 1 shares the preliminary draft cost estimates (as of February 2019) for BAWSCA's participation in LVE based upon the estimated participation level for each current LVE project partner. These costs are presented in 2018 dollars. On a per-acre foot of water supply delivered basis, BAWSCA's costs are high relative to other project partners because BAWSCA would utilize its LVE supply infrequently (in dry years only). Therefore, BAWSCA's infrastructure costs are high relative to its average annual water deliveries. These cost estimates are preliminary in nature and will change as the LVE project partners modify their participation levels.

Table 1 includes only estimated costs associated with the new facilities for the LVE Project, the use of CCWD and EBMUD existing facilities, and the water supplied from CCWD's Delta surplus supplies. It does not include costs associated with the conveyance of water from LV to the BAWSCA agencies through the South Bay Aqueduct or the financial impact associated with increased use of the SF RWS.

Table 1. Preliminary Draft LVE Cost Estimates for BAWSCA

Cost Component	Annual Cost (2018\$)
Annual Infrastructure Costs	\$1,524,719
Annual Water Costs	\$32,843
BAWSCA Total Annual Payment	\$1,557,562
BAWSCA Average Annual Deliveries (AF)	629
BAWSCA Cost Per AF Delivered	\$2,477

Note: Does not include South Bay Aqueduct conveyance costs or financial impacts of increased use of SF RWS.

Potential Project Participation Structure for BAWSCA Agencies

A key consideration in BAWSCA's LVE participation is how the water supply benefits and associated costs would be allocated among the BAWSCA agencies. The two primary alternatives are:

- Implement as a Regional Project (Regional Option): Water supply benefits would be allocated among all BAWSCA agencies. For example, during a dry year when BAWSCA receives deliveries from LVE, LVE supplies could be added to the BAWSCA overall SF RWS allocation from the Tier 1 allocation plan and be made available to individual agencies using the Tier 2 Plan. LVE costs would be allocated to each agency based on its proportionate share of overall water from the SF RWS and LVE
- Offer as a Subscription Program (Subscription Option): Each BAWSCA agency would decide whether it had an interest in participating in the LVE project. Those agencies that opted to participate would receive water supply benefits and pay associated costs.

A preliminary analysis of the benefits and challenges of each potential project structure is provided below.

Regional Option:

Implementing as a regional project would provide dry-year water supply benefits to all BAWSCA agencies. In addition, this option would provide autonomy for BAWSCA to make decisions on LVE Project participation and, on an ongoing basis, on management of these dry year supplies. This option would potentially enable BAWSCA member agencies to achieve a higher level of dry-year reliability than offered by SFPUC.

Table 2 illustrates the potential dry year water supply benefits to the BAWSCA agencies if a Regional model for the LVE Project were implemented. Specifically, Table 2 shows the total water supply available to BAWSCA in a 20% system-wide shortage in 2040 for (1) SF RWS Tier 1 allocation only and (2) SF RWS Tier 1 allocation plus 10 TAF (8.93 MGD) of BAWSCA LVE supply. Through this comparison, it can be seen that the LVE Project would reduce the BAWSCA overall average cutback from 26% to 21%.

Table 2. BAWSCA Available Supplies in 20% System-Wide Shortage

	Tier 1 Allocation	Tier 1 Allocation and LVE Supplies
Water Supplies Available to BAWSCA Agencies (MGD)	127.3	136.2
BAWSCA Overall Average Cutback %	26%	21%

Note: Based on Tier 1 calculations for projected demands in FY 2040-41 from SFPUC UWMP, incorporating Tier 1 plan changes from 2018 Water Supply Agreement amendments.

Implementing LVE as a regional project would require BAWSCA to assume an expanded role in water supply and operations for its member agencies. This expanded role is consistent with BAWSCA's enabling legislation and the stated intent of the legislature in enabling the formation of BAWSCA. For example, through its enabling legislation, BAWSCA has the authority to acquire water and make it available to other agencies on a wholesale basis, finance projects, and build facilities jointly with other local public agencies or on its own to carry out the agency's purposes. However, BAWSCA has not yet served as a water supplier. The implication of this change, including any potential cost impacts from having direct BAWSCA participation in the LVE Project as compared to participation through SFPUC, would need to be examined and considered as part of this analysis and decision making.

Subscription Option:

Implementing LVE as a subscription program to the BAWSCA member agencies would enable only those agencies that desire supplemental dry-year water supply to participate in the project and bear the cost of the supply. This option would allow for each agency to select its desired amount of dry year water supply and would avoid duplication of costs for those agencies that may participate in the LVE Project individually, or via another wholesaler (e.g., ACWD and the SCVWD agencies), as well as for those agencies that have other means to meet their dry-year level of service goals.

A Subscription option would require substantially more decision-making by each BAWSCA agency than a Regional option. Some level of financial commitment by interested BAWSCA agencies may be required as early as late 2019. In addition, complex details, such as delivery mechanisms and priorities among the participating BAWSCA agencies, cost allocations, and circumstances under which to call on LVE supplies, would need to be determined among BAWSCA and the participating agencies. The role of BAWSCA, independent from its agencies, as part of LVE moving forward would also need to be reconsidered.

Near-Term Project Participation Costs

CCWD's Early Funding Agreement for Proposition 1 (Prop 1) funding includes \$13.65 million to fund 50% of the estimated \$27.3 million in costs to complete the planning, permitting, and environmental costs necessary to prepare the project for construction. In addition to the cost share already approved by the LVE Project Partners, it is anticipated that LVE Project partners will collectively need to contribute up to an additional \$10.75M through December 2022 to match the Prop 1 cost share. With 10 local agency partners, the maximum cost share request to BAWSCA would be \$1.075M total from FY 2020-21 to FY 2022-23 (an average of \$358K per fiscal year). It is estimated that the actual cost share request will be smaller as continued contribution of services from the Bureau of Reclamation would reduce the required financial commitments to the LVE partner agencies. It is anticipated that a larger financial commitment from Local Agency Partners would be required beginning in 2023.

CCWD is currently preparing a funding schedule which will be shared with the LVE Project partners in the Spring. This information will be shared with the BAWSCA Board as it becomes available.

Policy Considerations

BAWSCA staff is working to provide the Board as much information on factors impacting LVE Project decisions to support the Board's decision-making. In determining preferences for BAWSCA's LVE Project participation, the Board may consider:

- What level of service, in terms of the need for water use reductions, do the BAWSCA agencies desire to provide to customers in dry years?
- How sensitive are agencies to the cost of this increased reliability?
- How much are agencies willing to pay for increased reliability in dry years?
- How do the LVE Project costs and water supply benefits compare to other dry year water supply options?

Background:

At its January 19, 2019 meeting, the BAWSCA Board authorized the CEO to enter into an MOU with Contra Costa Water District (CCWD) for completion of the final planning stage of the Los Vaqueros Expansion (LVE) Project. Work to be completed under this agreement will provide information to support the BAWSCA Board's decision on whether to continue as an LVE project partner by joining the JPA to be formed in late 2019.

It is anticipated that the BAWSCA Board will need to consider action to join the JPA for the LVE Project in November 2019. Presentation and discussions on key technical and policy decision points related to BAWSCA's continued project participation are anticipated for upcoming BAWSCA Board meetings based upon the schedule provided in Table 3.

Table 3. Preliminary Schedule of BAWSCA Board LVE Discussions

Meeting Date	Anticipated Discussion Items
March 2019	<ul style="list-style-type: none">• Water Supply Benefits to BAWSCA from LVE• 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, costs to BAWSCA, and cost allocations among BAWSCA agencies
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">• Recommended 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

(This page was intentionally left blank)

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Preliminary Fiscal Year 2019-20 Work Plan and Operating Budget**

Summary:

This memorandum presents the preliminary Fiscal Year 2019-20 Work Plan and Results to be Achieved, preliminary Operating Budget, and preliminary considerations for funding the Operating Budget. Comments received from the Board at the January 17, 2019 Planning Session have been reviewed and addressed. The preliminary Work Plan includes the CEO's recommendations for addressing comments received during the Budget Planning Session, and feedback provided by the Board Policy Committee (Committee) in February.

The preliminary Work Plan remains aligned with BAWSCA's legislated authority and its three goals: a reliable supply of high quality water at a fair price. Major work areas include increased activity in implementing the recommended Long-Term Reliable Water Supply Strategy (Strategy) actions with completion of new regional water demand projections, participation in Los Vaqueros Expansion Project and implementation of the pilot water transfer; development of a new Tier 2 drought allocation plan among the BAWSCA agencies; activities to support BAWSCA member agency efforts to meet the "Making Water Conservation a Way of Life" requirements; participation in the State Water Resources Control Board (SWRCB) Bay Delta Water Quality Control Plan Update to ensure member agency interests are represented; participation as an intervenor on FERC proceedings for Don Pedro Reservoir; increased oversight of the SFPUC's capital improvement program and Regional Water System (RWS) asset management program, including initiation of an audit of SFPUC's asset management practices; and completion of an initial Emergency Response Review for the RWS.

The preliminary FY 2019-20 Operating Budget is \$4,569,750, which is 8.1% above the current FY 2018-19 Operating Budget. The preliminary Operating Budget represents approximately a 16 cent increase in annual cost per person in the service area for an estimated cost to the water customer of \$2.50 per person per year. Considerations for funding the preliminary Operating Budget are presented below for further discussion.

Board Policy Committee Action:

This item was presented to the Committee for discussion. The Committee provided feedback on individual preliminary Work Plan items and results including a discussion of the identified workload constraints and possible options to ensure that critical results are delivered for the water customers.

The Committee unanimously directed the CEO to modify the preliminary Work Plan to include a new water resources staff position and to reflect that position in the preliminary Operating Budget to be presented to the Board in March.

Recommendation:

That the Board provide comments and suggestions concerning the:

- 1. Preliminary FY 2019-20 Work Plan and Results to be Achieved; and,**
- 2. Preliminary Operating Budget of \$4,569,750;**
- 3. Preliminary considerations and alternatives for funding the Operating Budget.**

Discussion:

Preliminary Work Plan:

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

The preliminary FY 2019-20 Work Plan includes the following major efforts:

- Oversight of the SFPUC's WSIP, 10-Year Capital Improvement Program (CIP), and Regional Water System Asset Management Program, including the following actions:
 - Participate in SFPUC's development of its Water Enterprise 2020-2029 CIP
 - Secure legislative extension of State oversight on WSIP through program completion.
 - Initiate an audit of the SFPUC's asset management practices per Section 3.10c of the 2009 Water Supply Agreement.
- Implement BAWSCA's Strategy, as documented in the Strategy Phase 2 Final Report, including the following actions:
 - Complete Potable Reuse Exploratory Plan Phase 2 pre-feasibility study with SFPUC and Silicon Valley Clean Water and plan for next phase of work. Engage with advocacy groups to access technical, legislative, and legal information to support these studies.
 - Finalize pilot water transfer agreements with EBMUD, Hayward, and others to implement BAWSCA's pilot water transfer in FY 2019-20.
 - Participate in development of the Bay Area Regional Reliability Partnership (BARR) Bay Area Regional Water Market (Exchange/Transfer) Program, with possible inclusion of BAWSCA's pilot water transfer.
 - Participate in Los Vaqueros Expansion studies to inform upcoming project decisions.
 - Promote the continued sustainable use of San Mateo Plain Groundwater Basin (Basin) for long-term water supply reliability through the Groundwater Reliability Partnership and other multi-party efforts.
- Evaluate potential water supply projects using BAWSCA's new regional water system and supply reliability modeling tool;
- Support BAWSCA member agency efforts to meet the new State of California "Making Water Conservation a Way of Life" requirements, including the following actions:
 - Facilitate development of regional source meter testing plan.
 - Implement a Water Loss Control Subscription Program.
 - Expand implementation of Regional/Commercial/Industrial Audit Program.
 - Implement an expanded Outdoor Landscaping Rebate Program with a new Weather Based Irrigation Controller rebate and installation subscription program.
 - Implement the Qualified Water Efficient Landscaper (QWEL) program to train and certify drought-smart/water efficient landscapers.
 - Implement regional conservation programs to support member agencies and their customers.

- Take actions to protect member agencies' water supply interests in administration of the 2009 WSA;
- Participate in the SWRCB's Bay Delta Water Quality Control Plan Update to ensure member agency interests are represented;
- Participate in the Don Pedro and La Grange FERC proceedings to protect regional water supplies;
- Administer the 2009 Water Supply Agreement (WSA); and
- Administer BAWSCA's bonds.

Table 1 presents the preliminary FY 2019-20 Work Plan and major results to be achieved. The activities are grouped according to the agency goals they support.

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

New or Significantly Rescoped Activities for FY 2019-20:

There are six new, significantly rescoped, or expanded activities included in the preliminary FY 2019-20 Work Plan. In each case, these activities relate directly to ensuring water supply reliability for the customers served by the BAWSCA member agencies.

1. Initiate Audit of SFPUC's Asset Management Program for the Regional Water System (RWS)

Estimated FY 2019-20 Cost: \$55k

This task was originally planned for FY 2018-19 but has been postponed for reconsideration in FY 2019-20. Through this task, BAWSCA would perform an audit of the SFPUC's asset management program for the RWS. The 2009 Water Supply Agreement (WSA) anticipated this issue and requires San Francisco to cooperate with such an audit, consider findings and recommendations of such an audit, and provide written response within 90 days after receipt of final audit report. A scope has been developed for this effort and a Request for Proposals prepared. Outside consultant services will be used to perform this audit with support and management provided by BAWSCA staff.

2. Develop New Tier 2 Drought Allocation Plan

Estimated FY 2019-20 Cost: \$10K

The allocation of water supply from the Regional Water System among the BAWSCA agencies is determined by the Tier 2 Drought Allocation Plan. On May 17, 2018, the BAWSCA Board of Directors extended the expiration of the Plan by one year from December 31, 2018 to December 31, 2019. The BAWSCA Board has the authority to continue to adopt 1-year extensions of the current Tier 2 Plan until a new plan is developed and agreed to by the member agencies.

Member agencies have expressed a significant desire for a new Tier 2 Plan to be negotiated and adopted as soon as possible to support their Urban Water Management Plans, which are due July 2021. Performing this work in FY 2019-20 is no guarantee that it will be completed in one year given that all agencies must agree and adopt the Plan.

3. Complete Regional Water Demand and Conservation Projections Study (Demand Study)

Estimated FY 2019-20 Cost: \$300K

The Board authorized this 2-year effort at its January 17, 2019 meeting for implementation beginning in FY 2018-19 and completion by June 2020 for a total budget of \$450K. 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).

4. Implement Pilot Water Transfer in Winter FY 2019-20

Estimated FY 2019-20 Cost: \$60K funded via Operating Budget for legal and environmental consulting support; funding for remaining cost of water transfer, including purchase of water (estimated at up to \$1,669K) will be recommended as a transfer from 2009 Water Supply Agreement (WSA) Balancing Account

In 2012, BAWSCA initiated efforts to study a possible pilot water transfer. BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy) Phase II Final Report (February 2015) included execution of a pilot water transfer with East Bay Municipal Utility District (EBMUD) as a recommended action. Planning work was halted in 2015 due to conflicts associated with the historic drought. Significant progress has been made in FY 2018-19 and completion of the necessary agreements to execute this transfer is anticipated with potential BAWSCA Board actions in July and September 2019.

If approved, the pilot water transfer would be executed in winter 2019-20. At this time, the preliminary estimated cost of the pilot transfer is between \$930K and \$1,729K for 1,000 acre-feet of water. This cost is not proposed to be included in the BAWSCA Operating Budget to be funded by annual assessments. Rather, funding the pilot water transfer via the existing Balancing Account between SF and its Wholesale Customers established in the WSA will be recommended. Specifically, the WSA states that the "Wholesale Customers shall, through BAWSCA, direct that positive balance to be applied to one or more of the following.....(d) water conservation or water supply projects administered by or through BAWSCA." (WSA, Section 6.05.B.2.a). As of 6/30/18, the balance in the Balancing Account was \$62.1M.

5. Participate in Los Vaqueros Expansion (LVE) Project Studies

Estimated FY 2019-20 Cost: \$227.6K

The Board authorized BAWSCA's participation in the upcoming phase of the LVE Project at its January 17, 2019 meeting. This next phase of work begins in FY 2018-19 and will be completed in FY 2019-20 for a total budget of up to \$355K. Estimated FY 2019-20 costs include legal support for necessary agreements and other legal issues.

The LVE Project has the potential to provide dry year water supplies for BAWSCA to accomplish the Strategy goals. Specifically, 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 Strategy implementation.

6. Complete Initial Emergency Response Review for San Francisco Regional Water System

Estimated FY 2019-20 Cost: \$35k

Based on feedback from the Committee, the Preliminary FY 2019-20 Work Plan includes a task to complete an initial emergency response review for San Francisco Regional Water System. The scope of this work is still being developed yet is anticipated to look at the means and methods used to respond to emergency situations such as wildfire, unplanned system outages, etc. Input and feedback from individual member agencies gained by engaging with BAWSCA's Water Management Representatives will be used to help inform the study scope. The proposed budget anticipates a modest amount of effort in year 1 that will inform future years' activity.

Initial Work Plan Identified Work Load Constraints That Were Discussed With Committee:

BAWSCA's Work Plan development process begins by reviewing and updating the major activities and long-term future challenges through 2050. From that, the critical results that need to be achieved in the upcoming fiscal year are identified, and a "bottom up" estimate of staff hours and consultant resources needed to complete those critical results are identified. These hours are totaled for all staff and used to understand workload and resources necessary. This process is effective for BAWSCA because the activities and associated workload vary significantly each year depending upon the specific results needed.

The initial development of the FY 2019-20 Work Plan identified that all water resources staff members were allocated hours in excess of a full time equivalent employee (FTE) and one staff member was allocated at 165% of a FTE. The need to access more resources (either staff or consultant resources) or reduce the Work Plan was discussed with the Committee.

Following a discussion of the potential impact on the Work Plan, the Committee provided unanimous direction to the CEO to include the addition of a new water resources staff member for BAWSCA as part of the Preliminary Operating Budget and to reflect that staff member availability as part of the Preliminary Work Plan.

Preliminary Work Plan and Budget Includes Addition of New Water Resources Staff:

At the direction of the Committee and in response to the identified work load constraints, the Preliminary Work Plan and Budget includes the addition of a new junior-level water resources specialist staff position.

With this new staff member, two of the major rescope tasks (discussed above) were added back into the Work Plan:

- Develop a new Tier 2 Drought Plan; rescope to be completed by staff as opposed to securing outside consultant support services; and
- Complete initial Emergency Response Review of the Regional Water System.

The new staff member is anticipated to provide assistance in all water resources Work Plan areas. The addition of the new staff member has resulted in more appropriate work loads allocations for the three existing water resources staff members.

The Preliminary Operating Budget includes a budget of \$141,883 for salary and benefits for the new staff member with a salary of \$115,000 based on BAWSCA's current job description for a Water Resources Specialist with 3-5 years experience.

Results of January 17, 2019 Work Plan and Budget Preparation Planning Session:

During BAWSCA's January 17, 2019 meeting, the Work Plan and Budget Preparation Planning Session was held with the Board as part of its regular meeting agenda. The focus of the planning session was to receive input from Board members on possible Work Plan items for the coming fiscal year. Table 3 presents the detailed comments provided by Board members during the planning session and the staff response that was subsequently prepared. These comments and responses are reflected in the preliminary FY 2019-20 Work Plan and Results to be Achieved.

Anticipated Future Work Plan Changes and Potential Future Large Cost Project Expenditures:

During the February 13th Committee meeting, staff was requested to identify anticipated work plan changes for the next decade as well as prepare for the Board a list of potential future large cost project expenditures or budget items, as a means of assisting the Board in its deliberation of both the current funding plan for FY 2019-20 and beyond.

Looking forward for the next 10 years, major areas of increased focus for BAWSCA will be:

- Implementation of Strategy recommendations including water supply projects such as participation in LVE and design and implementation of a potable reuse project;
- Overseeing SFPUC's implementation of water supply projects to meet their existing level of service requirements, including projects necessary to address Bay Delta Plan impacts;
- Updating BAWSCA's Long-Term Reliable Water Supply Strategy, which was last initiated in 2009;
- Overseeing SFPUC's increasing 10-Year CIP, consistent with recently adopted WSA amendments and BAWSCA's new oversight role;
- Ongoing assessment of SFPUC's asset management program, to ensure that SFPUC continues to maintain the assets it is responsible for to ensure reliable water supply; and
- Increasing involvement in emergency response preparedness.

Table 4 presents a rough estimate for the outside consultant or other expenses associated with future large cost project expenditures or budget items. Increased staff or legal counsel time is not reflected in Table 4 at this time.

Alternatives to the Proposed Work Plan and Results to be Achieved:

The major alternative to the proposed Work Plan is to not include the addition of a new staff member, which would require the following Work Plan items to be deleted or reduced:

- Delete development of a new Tier 2 Drought Plan;
- Delete completion of initial Emergency Response Review of the Regional Water System;
- Reduce level of effort related to monitoring SFPUC's asset management practices.
- Delete changes and any expansion to BAWSCA's landscape education program;
- Delete expansion of BAWSCA's outdoor landscaping rebate program; and
- Delete potential participation with SFPUC and ACWD on their potable reuse efforts with Union Sanitary District.

This alternative is not recommended as several results that are critically important to the water customers and BAWSCA's member agencies would not be completed.

Proposed FY 2019-20 Operating Budget:

The proposed Operating Budget of \$4,569,750 presented in Table 5 reflects the funding necessary to achieve the full Work Plan and includes estimated costs to fund the Annual Required Contribution (ARC) for Other Post-Employment Benefits (OPEB). This is included as a separate line item to highlight its inclusion in this fifth year of funding.

Explanation and Alternatives for Salaries and Benefits: The increase for salaries and benefits of \$301,545 shown in the proposed budget is a result of a variety of changes. The largest of these changes is the addition of the proposed new staff member, for a budgeted cost of \$141,883. The other changes include increases in retirement contributions, health benefit costs and salary adjustments. The proposed Operating Budget also includes the following for all employees except the CEO:

- \$37,858 for a COLA adjustment to existing FY 2018-19 top step salary; and
- \$4,664 merit allowance separate from COLA adjustment.

A Cost of Living Allowance (COLA) adjustment of 4.398% to the top step of salaries is consistent with the December value for the Consumer Price Index for Urban Wage Earners and Clerical Workers in the San Francisco-Oakland-San Jose area. COLA increases for employees are not automatic, but can be granted by the CEO on the basis of merit. The history of salary and benefit adjustments for BAWSCA is presented in Appendix B to this memo.

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

Consistent with practice over the past two years, a budget allowance of \$21,683 for a potential merit increase for the CEO has been included in the proposed Operating Budget. For budgeting purposes, this amount is consistent with the merit increase budgeted for the CEO in FY 2018-19.

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

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

The adopted FY 2018-19 funding plan increased assessments to \$3,579,397 (a 1% increase) and used \$649,188 from the General Reserve to fund the current FY 2018-19 Operating Budget.

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

At this time, it is estimated that the FY 2018-19 Operating Budget will be 95% expended at year end, or an estimated unspent budget of \$211k at the end of the fiscal year (note: this analysis includes an assumption that the Board authorizes the recommended increase to legal counsel's budget at its March 21, 2019 meeting). Any post-audit excess funds will be transferred to the General Reserve in Fall 2019.

As of January 31, 2019, the General Reserve balance is within the 20-35% budgetary guideline at \$1,165,848, or 28% of the FY 2019-20 Operating Budget. The Board will be considering a recommended increase to legal counsel's budget at its March 21, 2019 meeting that will include a recommended transfer of \$50,000 from the General Reserve to fund a portion of this budget increase. If this budget amendment is approved, the General Reserve will be reduced to \$1,115,848, or 26% of the FY 2019-20 Operating Budget.

Given the ongoing legal issues facing BAWSCA next fiscal year and beyond, use of the General Reserve to fund a portion of the Operating Budget should be considered very carefully.

Funding Alternatives Presented for Discussion Purposes: Four alternatives for funding the preliminary FY 2019-20 Operating Budget have been analyzed. Three of the funding alternatives rely on a transfer of \$805K from the WSA Balancing Account to pay for the approved LVE Project and Updated Regional Water Demand Study, previously approved by the Board:

- Alternative 1: No assessment increase, transfer of \$805K from WSA Balancing Account, and a transfer of \$185,353 from BAWSCA's General Reserve.
- Alternative 2: 3% assessment increase, transfer of \$805K from the WSA Balancing Account, and a transfer of \$77,971 from BAWSCA's General Reserve.
- Alternative 3: 5% assessment increase and transfer of \$805K from WSA Balancing Account; no transfer from BAWSCA's General Reserve.
- Alternative 4: 27.7% assessment increase; no transfer from WSA Balancing Account or BAWSCA's General Reserve.

The \$805K would cover the costs associated with two water supply projects approved by the Board at its January 2019 meeting: participation in Los Vaqueros Expansion Project (total 2 year cost up to \$355K) and development of a Regional Water Demand and Conservation Projections Study (total 2 year cost of \$450K). These projects and associated expenses are anticipated to occur in FY 2018-19 and FY 2019-20.

Table 6 presents the analysis of these alternative funding options.

Table 1. Preliminary FY 2019-20 Work Plan and Results to Be Achieved

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

RELIABLE WATER SUPPLY

- 8.0%** **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 and RFA.
 - b. Review and monitor SFPUC's Regional 10-Year Capital Improvement Program to ensure that identified projects and programs meet the needs of the BAWSCA member agencies in a cost-effective and appropriate manner.
 - c. Review and monitor SFPUC's Asset Management Program to ensure long-term protection of system assets, including *performing an audit of SFPUC's asset management practices per WSA Section 3.10.c.*
 - d. *Perform an Initial Emergency Response Review for the San Francisco Regional Water System.*
- 22.2%** **2. Long-Term Supply Solutions: Implement the Long-Term Reliable Water Supply Strategy to Ensure a Reliable, High Quality Supply of Water is Available Where and When Needed**
- a. *Complete Regional Water Demand and Conservation Projections Study.*
 - b. Complete Potable Reuse Exploratory Plan Phase 2 pre-feasibility study with SFPUC and Silicon Valley Clean Water and plan for next phase of work. Engage with advocacy groups to access technical, legislative, and legal information to support these studies.
 - c. *Implement Pilot Water Transfer in winter FY 2019-20.*
 - d. 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.
 - e. *Participate in CCWD's Los Vaqueros Expansion Project Studies to evaluate BAWSCA's interest and ensure key information is available to support upcoming decisions.*
 - f. Promote the continued sustainable use of San Mateo Plain Groundwater Basin for long-term water supply reliability.
 - g. Facilitate development of other local water supply options including monitoring/tracking member agency efforts.
 - h. Complete water supply reliability model scenario studies to evaluate proposed drought supply projects, potential impacts of regulatory decisions or changing conditions, and incorporate Tier 2 proposal(s) into model.
- 8.7%** **3. Near-term Supply Solutions: Water Conservation and Drought Response**
- a. Implement Phase 3 of BAWSCA's "Making Water Conservation a Way of Life" work plan:
 - Estimate Urban Water Use Objective for each agency through Regional Demand Study
 - Expand implementation of the Regional Commercial/Industrial/Institutional (CII) Audit Subscription Program.
 - Facilitate development and implementation of a Regional Source Meter Testing Plan with the SFPUC.
 - b. Represent agencies in regional and State-level discussions related to water conservation-related regulations.
 - c. Administer, implement, and expand core water conservation programs that benefit all customers, including BAWSCA participation in a in a region-wide training and certification effort titled the "Qualified Water Efficient Landscaper Program" (QWEL), designed to train and certify landscapers regarding drought tolerate designs.
 - d. Administer and expand subscription conservation rebate programs that benefit, and are paid for by, participating member agencies, including *an expanded Outdoor Landscaping Rebate Program with a new weather based irrigation controller rebate and installation subscription program.*
- 7.8%** **4. Take Actions to Protect Members' Water Supply Interests in the Administration of the 2009 Water Supply Agreement**
- a. Adopt temporary extension of existing Tier 2 drought allocation plan that expires Dec. 2019.

- b. *Develop new Tier 2 Drought Allocation Plan that aligns with the “Making Conservation a Way of Life” requirements.*
- c. Protect members’ water supply and financial interests in the SFPUC’s 2028 decisions and Water Mgmt. Action Plan (WaterMAP).
- d. Protect members’ water supply interests to ensure that the SFPUC meets its adopted Water Supply Level of Service Goals.

12.0% 5. Protect Members’ Interests in a Reliable Water Supply

- a. Participate in SWRCB Bay Delta Plan Update to ensure member agency interests are represented.
- b. Participate in the Don Pedro Project/La Grange Project FERC licensing process, via legal intervention, to protect customers’ long-term interests in Tuolumne River water supplies.

0.2% 6. Pursue Grant Opportunities Independently and in Coordination with Regional Efforts

- a. Pursue and use grant funds for water conservation programs and for regional supply projects and programs.
- b. Pursue, with regional partners, grant funding to support studies that aim to improve regional water supply reliability, such as possible future BARR Phase 3 effort(s).
- c. Investigate potential for grant funds to support the implementation of the Strategy.

0.6% 7. Reporting and Tracking of Water Supply and Conservation Activities

- a. Complete BAWSCA FY 2018-19 Annual Survey.
- b. Complete BAWSCA FY 2018-19 Annual Water Conservation Report.
- c. In partnership with member agencies, operate and maintain BAWSCA’s Water Conservation Database.

HIGH QUALITY WATER

0.9% 8. Support Member Agencies in Receiving Reliable Communication of Water Quality Issues

- a. Coordinate member agency participation in Joint Water Quality Committee to ensure it addresses Wholesale Customer needs.
- b. Relay important water quality information (notices as received from SFPUC) to BAWSCA member agencies when made aware of changes that have the potential to impact water quality (e.g., taste, odor, blending, etc.).
- c. Review and act on, if necessary, State legislation affecting water quality regulations.

FAIR PRICE

9.3% 9. Perform Matters that Members Delegated to BAWSCA in the Water Supply Agreement

- a. Administer the Water Supply Agreement with SF to protect the financial interests of member agencies.
- b. Administer bonds issued by BAWSCA to retire capital debt owed to San Francisco.

AGENCY EFFECTIVENESS

3.7% 10. Maintain Community Allies and Contacts with Environmental Interests

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

15.4% 11. Manage the Activities of the Agency Professionally and Efficiently

Table 2: Activities Not Included in Proposed Work Plan and Operating Budget for FY 2019-20

<p>RELIABLE SUPPLY</p> <ol style="list-style-type: none">1. Engage in extended or complex applications for State or Federal grant funds. Application for water conservation grants will continue to be made through or with the Bay Area Water Agency Coalition, the California Urban Water Conservation Council, or other agencies.2. Introduce major new legislation or supporting/opposing legislation initiated by others including legislation related to the Bay-Delta and California Water Fix. If needed, the agency could support major legislative efforts by redistributing resources, using the contingency budget, or accessing the general reserve, subject to prior Board approval.3. Initiate new, unanticipated litigation or support/oppose new, unanticipated litigation initiated by others. If needed, the agency could support major litigation efforts by redistributing resources, using the contingency budget, or accessing the general reserve, subject to prior Board approval.4. Implementation of a BAWSCA Pilot Water Transfer is included in the FY 2019-20 Work Plan however <u>funding the pilot water transfer is not included in the Proposed Operating Budget</u> at this time and will be considered at a later time as part of the project approval.
<p>FAIR PRICE</p> <ol style="list-style-type: none">5. Develop alternative wholesale rate structures that the SFPUC might consider. Actions will be limited to facilitating communication with SFPUC, development of goals and objectives relevant to Wholesale Customers, and addressing the potential relationship to alternative retail rate structures member agencies might consider to stabilize water rates and water revenues.6. Arbitrate issues related to the 2009 Water Supply Agreement.
<p>HIGH WATER QUALITY</p> <ol style="list-style-type: none">7. Perform technical studies of water quality or San Francisco's treatment of the water it delivers to the BAWSCA agencies.8. Advocate changes to water quality regulations or the manner in which San Francisco treats water for drinking and other purposes.
<p>AGENCY EFFICIENCY</p> <ol style="list-style-type: none">9. Add resources to support additional Board, Board committee, or technical committee meetings.10. Conduct tours of member agency facilities to acquaint Board members with potential supply projects and their neighboring jurisdictions, <u>other than tours done in coordination with San Francisco.</u>

Table 3. FY 2019-20 Work Plan and Budget Planning Session – Comments and Suggested Work Plan Items for Further Consideration
(Questions presented in alphabetical order by Board Member)

#	Board Member	Board Member Comment	Staff Response
1	Kuta	Has BAWSCA considered a risk assessment/review of emergency situations like wildfire and emergency readiness with regard to the Regional Water System?	Based on feedback from the Committee, the preliminary FY 2019-20 Work Plan was modified to include a task to complete an initial emergency response review for San Francisco Regional Water System. The scope of this work is still being developed and will involve input from the member agencies via the Water Management Representatives.
2	Mendall	Encourage Board and CEO to focus on agency priorities given the magnitude of current issues.	Agreed. As part of the FY 2019-20 the Work Plan and budget development process, the CEO will identify the challenges anticipated in balancing work load and priorities for input from the Board.
3	Mendall	Important that BAWSCA not lose sight of the importance of SFPUC CIP and that BAWSCA move forward with audit of SFPUC's asset management practices for the Regional Water System.	Oversight of SFPUC's CIP remains a critical task for BAWSCA including implementation of SFPUC's new contractual obligations to formally engage with BAWSCA on its 10-year CIP development. The preliminary FY 2019-20 Work Plan currently includes an audit of the SFPUC's asset management practices for the Regional Water System.
4	O'Connell	Encourage Board & CEO to continue efforts to build & maintain relationships with legislators; look for opportunities to build relationships with others.	Agreed and included in the preliminary FY 2019-20 Work Plan. BAWSCA's CEO actively maintains existing relationships with our allies, including our legislative contingent. In addition, the CEO pursues building new relationships with potential allies and other elected officials.
5	Pierce	Encourage CEO to make Board aware of information on opportunities for member agencies to share water as part of the discussion of sources of additional water supply and water needs of member agencies.	Agreed. This work is included in the preliminary Work Plan as it directly relates to the technical and policy level decisions that must be made by BAWSCA this year with regard to future involvement in the Los Vaqueros Expansion Project and other potential water supply projects, either independently or jointly with another water agency. Through the new Regional Demand Study which will be complete in FY 2019-20, BAWSCA and its member agencies will have an updated analysis of water needs through 2045.
6	Pierce	Encourage CEO to look for opportunities to build relationships with others.	Agreed and included in the preliminary Work Plan to support identified results.

#	Board Member	Board Member Comment	Staff Response
7	Schmidt	Provide greater clarifications of the relationship between the 184 mgd Supply Assurance and the requirements of the State's "Making Water Conservation a Way of Life" requirements.	BAWSCA's Regional Demand Study will provide a technical analysis of the actions that must be taken to achieve the water efficiency required by the BAWSCA member agencies as part of "Making Water Conservation a Way of Life." The 184 mgd Supply Assurance is the quantity of water that San Francisco is obligated to supply to the Wholesale Customers in perpetuity and it is not tied to or restricted by the State's water efficiency requirements.

Table 4. Potential Future Large Efforts

Project Name	Cost Updates (For FY 2018-19 and Beyond)			Discussion
	FY 2018-19 (Actual/Budgeted)	FY 2019-20 (Projected)	FY 2020-21 & Beyond	
Regional Demand Projections Update	\$150K	\$300K	NA, effort will be complete	In January 2019, the Board authorized the Demand Study for a 2-year total cost of \$450K and completion in June 2020.
Implement Pilot Water Transfer	Staff and legal time	\$1-\$1.5M	NA, effort will be complete	BAWSCA anticipates implementing a pilot water transfer in FY 2019-2020. For FY 2019-20; the CEO will recommend funding this task via a transfer from the Wholesale Customer Balancing Account with SFPUC, as provided by the 2009 Water Supply Agreement.
Los Vaqueros Expansion (LVE)	\$177.6K	\$177.6K (approved, Jan. 2019) Up to \$350K for next phase	With a decision to participate in the project, costs will increase significantly for design, construction and operations	In January 2019, the Board authorized BAWSCA participation in the next planning phase for the LVE Project for up to \$355K through calendar year 2019 (costs split between FY 2018-19 and FY 2019-20). The next phase is anticipated to begin in calendar year 2020 with an estimated cost of \$350K.
Potable Reuse Exploratory Plan (PREP) Phase 3	\$10K	\$10K	Thru FY 2022-23 \$10k-\$50k CEQA scheduled to start in fall 2023; costs to participate would expand	BAWSCA is a current partner in the PREP project, which is in the early planning stage. No decision has been made by BAWSCA regarding participating beyond the current effort.
Update Long Term Reliable Water Supply Strategy (Strategy)	n/a	n/a	\$1.5-\$2.5M; estimated based on \$2.2M cost for initial Strategy development	BAWSCA initiated its first regional long-term planning effort in 2009. It would be appropriate for BAWSCA to update the Strategy in the 2020-2025 time period given updated conditions including demands, supply reliability, regulatory and climate change impacts, etc.

Table 5. Preliminary FY 2019-20 Operating Budget by Major Expenditure Category

Cost Category	Approved FY 2018-19 Budget (\$)	Preliminary FY 2019-20 Budget (\$)	Change from FY 2018-19 Budget (\$)
Consultants/ Direct Expenditures			
Reliability	1,703,580	1,797,550	93,970
Fair Pricing	301,000	233,000	(68,000)
Administration	110,000	110,000	-
<i>Subtotal Consultants</i>	2,114,580	2,140,550	25,970
Administration			
Employee Salaries & Benefits	1,591,580	1,893,500	301,920
Other Post-Emp. Benefits (net)	82,375	82,000	(375)
Operational Expenses	376,850	390,500	13,650
<i>Subtotal Administration</i>	2,050,805	2,366,000	315,195
Total Operating Expenses	4,165,385	4,506,500	341,165
Capital Expenses	3,000	3,000	-
Budgeted Contingency	57,500	57,500	-
Regional Financing Authority	1,650	1,650	-
Bay Area Water Users Assn.	1,050	1,050	-
Grand Total Operating Budget	4,228,585	4,569,750	341,165

Table 6. Analysis of Alternative Funding Options

	FY 2018-19*	FY 2019-20			
Fund Source	Adopted Funding Plan	Alt. 1 0% Assessment Increase	Alt. 2 3% Increase	Alt. 3 5.2% Increase	Alt. 4 27.7% Increase
Assessments	\$3,579,397	\$3,579,397	\$3,686,779	\$3,764,750	\$4,569,750
Transfer from General Reserve	\$649,188	\$185,353	\$77,971	\$0	\$0
Transfer from Balancing Account	\$0	\$805,000	\$805,000	\$805,000	\$0
Total Available Operating Funds/Operating Budget	\$4,228,585	\$4,569,750	\$4,569,750	\$4,569,750	\$4,569,750
Potential End of Year Transfer to General Reserve	\$0				
Estimated Year-End Reserves	\$1,165,848	\$980,495	\$1,087,877	\$1,165,848	\$1,165,848
% of Budget	28%	21%	24%	26%	26%
Assessment to Budget Ratio	85%	78%	81%	82%	100%

*For FY 2018-19, these value reflect the changes adopted by the Board in January 2019.

APPENDICES

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

Appendix A: Uses of Professional Services

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

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

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

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

Appendix B: History of Salary and Benefits Adjustments

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

- FY 2009-10: There was no COLA adjustment. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2010-11: The Board approved a 3.01 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2011-12: The Operating Budget included no adjustment to the salary for any employee for COLA, merit or any other reasons.
- FY 2012-13: The Board approved a 3.10 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2013-14: The Board approved a 2.312 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2014-15: The Board approved a 2.60 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2015-16: The Board approved a 2.09 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2016-17: The Board approved a 3.15 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2017-18: The Board approved a 3.025 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2018-19: The Board approved a 3.084 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.

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

The preliminary FY 2019-20 budget for BAWUA is \$1,050 and includes legal counsel support and a small operations budget allowance. This budget amount appears as a separate line item in the BAWSCA budget and is included in the BAWSCA preliminary FY 2019-20 Operating Budget.

Appendix D: Proposed Budget for the Regional Financing Authority Budget

The BAWSCA Board of Directors has continued to agree to fund nominal administrative costs for the Regional Financing Authority (RFA), at least until it becomes more actively involved and required significant resources. Assuming a continued low level of activity in FY 2019-20, the preliminary RFA budget is \$1,650. This budget amount includes legal counsel support and a small operations budget allowance. This budget amount appears as a separate line item in the BAWSCA budget and is included in the BAWSCA preliminary FY 2019-20 Operating Budget. The RFA will formally consider and adopt this budget in January 2020.

Appendix E: Funding for Subscription Conservation Programs

As in prior years, a portion of operating expenses would be reimbursed by agencies that participate in BAWSCA's subscription water conservation programs. The staff time to be devoted to those programs during FY 2019-20 is estimated to be 948 hours. Agencies participating in subscription programs pay for associated consultant support and direct expenses. As in prior years, those consultant costs and direct expenses are not included in the Operating Budget.

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

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

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

Fiscal Year and Program Name	Direct Program Cost - Reimbursed	BAWSCA Staff Cost - Reimbursed	BAWSCA Admin. Cost - Reimbursed
2013-14			
EarthCapades	\$61,325	\$2,120	
HET		\$6,785	\$300
Large Landscape Audit	\$85,996	\$1,184	
Lawn Be Gone		\$2,420	
Water Wise Ed. Kits	\$89,864	\$2,668	
Washing Machine Rebate	\$325,775	\$9,964	\$1,104
Total	\$562,960	\$25,141	\$1,405
2014-15			
EarthCapades	\$53,380	\$1,980	
HET		\$9,066	\$319
Large Landscape Audit	\$92,521	\$1,332	
Lawn Be Gone		\$6,340	
Water Wise Ed. Kits	\$95,346	\$2,599	
Washing Machine Rebate	\$308,313	\$4,667	\$104
Watersense Giveaways	\$8,893		
Rain Barrel Rebate	\$22,164		
Total	\$580,617	\$25,984	\$423

March 21, 2019 – Agenda Item #7B

Fiscal Year and Program Name	Direct Program Cost - Reimbursed	BAWSCA Staff Cost - Reimbursed	BAWSCA Admin. Cost - Reimbursed
2015-16			
EarthCapades	\$64,575	\$2,360	
Free Sprinkler Nozzles	\$2,988		
HET		\$9,965	\$300
Large Landscape Audit	\$99,808	\$1,332	
Lawn Be Gone		\$3,380	
Lawn Be Gone Inspections	\$7,704		
Water Wise Ed. Kits	\$101,701	\$2,393	
Washing Machine Rebate	\$157,945	\$ 4,546	\$1,170
Watersense Giveaways	\$10,930		
WaterSmart Reports	\$209,380		
Rain Barrel Rebate	\$11,144		
Total	\$666,175	\$23,976	\$1,470
2016-17			
EarthCapades	\$61,345	\$2,120	
Free Sprinkler Nozzles	\$7,585		
HET		\$6,340	\$300
Large Landscape Audit	\$94,260	\$1,184	
Lawn Be Gone		\$1,860	
Lawn Be Gone Inspections	\$2,858		
Water Wise Ed. Kits	\$104,716	\$1,860	
Washing Machine Rebate	\$114,530	\$1,900	\$1,055
Watersense Giveaways	\$20,886		
WaterSmart Reports	\$313,128		
Rain Barrel Rebate	\$2,300		
Total	\$660,263	\$13,144	\$1,355
2017-18			
EarthCapades	\$61,435	\$2,260	
Free Sprinkler Nozzles	\$1,577		
HET		\$4,055	\$13
Large Landscape Audit	\$85,793	\$1,184	
Lawn Be Gone		\$1,380	\$14
Lawn Be Gone Inspections	\$2,284		
Water Wise Ed. Kits	\$98,229.89	\$2,295	
Watersense Giveaways	\$10,734		
WaterSmart Reports	\$298,405		
Rain Barrel Rebate	\$3,395		
Total	\$561,853	\$11,174	\$27

Appendix G: Value for the Cost

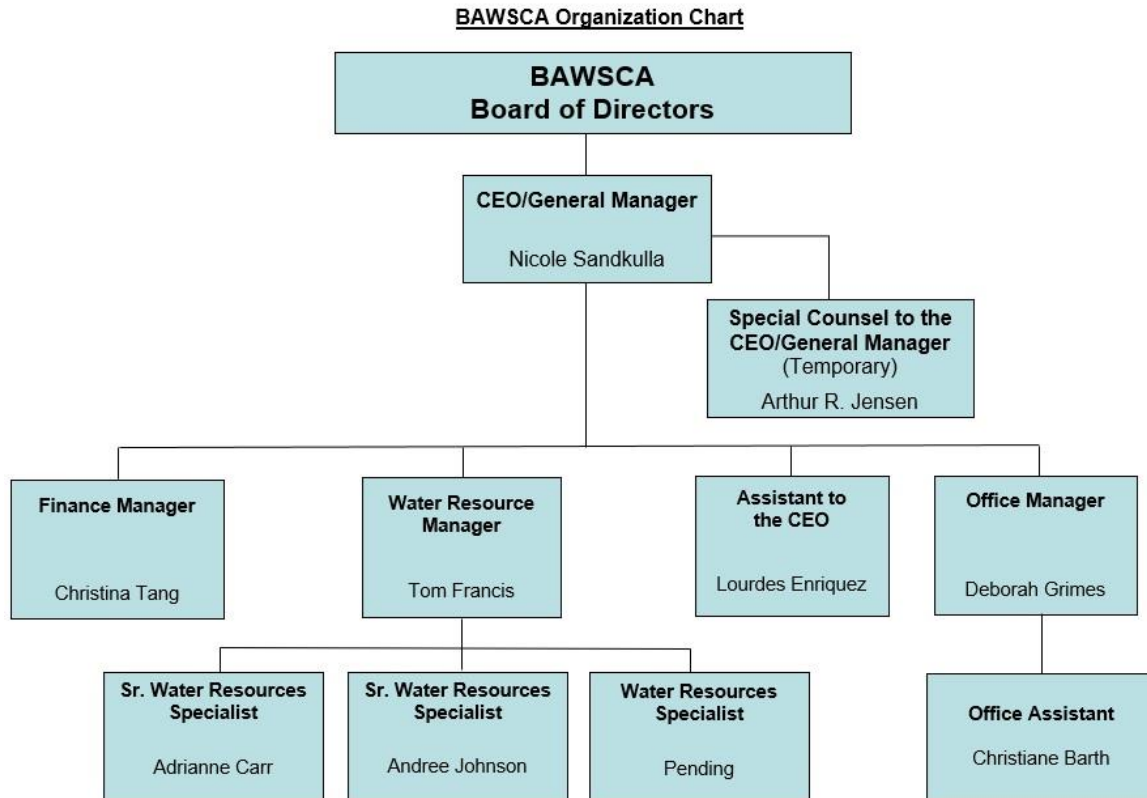
The formula for BAWSCA assessments results in equivalent cost per gallon throughout BAWSCA's members. All BAWSCA costs are ultimately passed on to water customers through the water rates of the local city, district, or private utility. Table G-1 below provides the estimate annual cost per person and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

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

Fiscal Year	Est. Annual Cost Per Person	Est. Annual Cost Per Household
2010-11	\$1.64	\$4.93
2011-12	\$1.53	\$4.60
2012-13	\$1.52	\$4.56
2013-14	\$1.82	\$5.47
2014-15	\$1.70	\$5.11
2015-16	\$1.84	\$5.51
2016-17	\$1.96	\$5.88
2017-18	\$2.08	\$6.24
2018-19	\$2.34	\$7.02
2019-20	\$2.50 (preliminary)	\$7.51 (preliminary)

Appendix H: Current Organization and Staffing

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



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

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

Table I-1 lists these activities as they were updated as part of the FY 2019-20 proposed Work Plan development. In each case, the results identified in Table I-1 will take the form of agreements, legislation, or other legally enforceable work products. Development of these documents will result from skilled negotiations based on rigorous investigations of impacts and alternatives, costs, cost allocation, and other matters.

Table I-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	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	

Appendix J: Historical BAWSCA Operating Budgets and Assessments

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

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

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

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

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

Fiscal year	Assessments	% Change	Budget	% Change	% of Budget Spent	Transfers from Reserve	Notes on Transfers from Reserve	Unspent Funds Transfer to Reserve	Year-End Reserve Balance	Reserve as a % of Budget	# of Full Time Authorized Staff	Major New/Increased Work Plan Focus
2003-2004	\$1,668,550	22%	\$1,821,350								6	Operated under BAWUA budget
2004-2005	\$1,641,995	-2%	\$1,838,490	0.94%	80.99%			\$240,000			6	1st BAWSCA Budget Est.
2005-2006	\$1,953,998	19%	\$2,099,975	14.22%	79.36%			\$414,000	\$240,000	11%	7	WSIP Oversight, 2009 WSA neg.
2006-2007	\$2,117,904	8%	\$2,291,904	9.14%	81.85%			\$428,474	\$654,000	29%	7	2009 WSA negotiations
2007-2008	\$2,117,904	0%	\$2,508,967	9.47%	89.54%	\$391,000	To fund budget	\$270,000	\$691,474	28%	7	2009 WSA Negotiations, WSIP PEIR
2008-2009	\$2,309,000	9%	\$2,763,196	10.13%	95.31%	\$349,000	To fund budget	\$149,718	\$507,474	18%	7	WSIP PEIR, 2009 WSA, develop WCIP
2009-2010	\$2,517,000	9%	\$2,766,945	0.14%	84.79%	\$250,000	To fund budget	\$409,965	\$407,192	15%	7	WCIP Yr. 1 implementation, 2009 WSA
						\$105,000	WCIP					Admin Yr. 1, Transition from old Contract, WSIP legislation
2010-2011	\$2,517,000	0%	\$2,680,394	-3.13%	83.26%	\$163,394	To fund budget	\$435,324	\$653,763	24%	7	WCIP Yr. 2, 2009 WSA (Strategy funded thru Water Mgmt. Charge)
2011-2012	\$2,517,000	0%	\$2,619,705	-2.26%	87.28%	\$172,190	Assessment refund	\$264,000	\$916,897	35%	7	WCIP Yr 3
2012-2013	\$2,517,000	0%	\$2,780,504	6.14%	93.53%	\$130,000	Pilot Transfer		\$985,897	35%	7	Bond investigation, Demand Projections, Pilot Water Transfer, 2009 WSA
						\$65,000	Demand Study					
2013-2014	\$2,516,812	0%	\$3,280,188	17.97%	93.24%	\$300,000	Demand Study		\$521,897	16%	8	1st year bond administration, funding one-time cost of OPEB, Regional Water
						\$98,000	OPEB FY 13-14					Demand Projections, Pilot Water
						\$66,000	Technical support					Transfer, WSIP legislation, new water resources staff position authorized
2014-2015	\$2,642,653	5%	\$2,939,286	-10.39%	93.42%	\$296,436	To fund budget	\$198,781	\$225,461	8%		Net increase for OPEB, 10yr CIP oversight, increase legal support for Strategy, WSIP legislation
2015-2016	\$3,276,889	24%	\$3,201,679	8.93%	88.34%			\$453,246	\$776,620	24%	8	1st year Strategy implementation thru Operating Budget, 2014 Settlement Agmt.
								\$352,378 ⁽¹⁾				
2016-2017	\$3,440,734	5%	\$3,468,008	8.32%	84.60%	\$27,274	To fund budget	\$519,167	\$1,202,592	35%	8	RHH litigation, 2014 Settlement Agmt, 2018 decision, WaterMAP
2017-2018	\$3,543,957	3%	\$3,704,572	6.82%	90.00%	\$160,615	To fund budget	\$253,892	\$1,561,144	42%	8	RHH litigation, Bay Delta Plan, FERC
2018-2019	\$3,579,397	1%	\$4,228,585	14.14%		\$321,688	To fund budget		\$1,115,848 (estimated)	28%	8	RHH litigation, Bay Delta Plan, FERC to participate in LVE Project and to fund Demand Study
						\$177,500	Los Vaqueros					
						\$150,000	Demand Study					
Footnotes												
(1) Remaining unspent Strategy development funds transferred to General Reserve in 2015-16												

(This page was intentionally left blank)

BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: March 15, 2019
SUBJECT: Chief Executive Officer/General Manager's Letter

Water System Improvement Program – Update

As of December 31, 2018, WSIP regional projects are 96.6% complete. The forecasted total WSIP cost (regional and local projects) is \$4,787.8M. Five regional projects with a total value of \$1,016M are in construction and 42 projects with a total value of \$2,699M are in close-out or have been completed. Only one regional project remains in pre-construction, the Alameda Creek Recapture Project. Details regarding the status of three projects of interest are provided below.

Calaveras Dam Replacement

Overall progress on the Calaveras Dam Replacement is reported at 96.5% complete, as of the end of the 2nd quarter of FY 2018-19. Dam embankment placement activities were completed ahead of schedule. The California Division of Safety of Dams (DSOD) provided certification that the dam may now be used to impound water, a major project milestone. Completion of all work on the Dam is anticipated for the summer of 2019.

Regional Groundwater Storage and Recovery

The goal of the Regional Groundwater Storage and Recovery (RGSR) project is to provide up to 7.2 million gallons per day (mgd) of dry year water supply over a 7.5-year drought period. Phase 1 of the project installed thirteen (13) deep groundwater wells which are predicted to produce approximately 6.2 mgd of dry year supply over the 7.5 year design drought. Work on the Phase 1 effort is near complete, reported at 97.6% for the 2nd quarter of FY 2017-18. Work has started on the Phase 2 effort, which calls for the installation of up to three (3) test wells, to complete the South San Francisco Main well and pipeline, and to complete misc. Phase 1 scope items that were moved to Phase 2 (i.e., chemical system monitoring, sampling, and chemical storage at various sites, and close-out testing to verify the project is functioning as designed).

Due to the time required to complete the Phase 2 work effort coupled with challenges associated with well siting and treatment plant requirements encountered during the Phase 1 work effort, the progress on the Regional Groundwater Storage and Recovery construction has been delayed significantly. The SFPUC reports that the overall % complete on the Project (Phase 1 and Phase 2 combined) is 76.3% and it is unclear exactly if the Phase 2 test wells will be able to provide the necessary additional 1 mgd as necessary to meet the project objectives. Further, the SFPUC has yet to make the test wells permanent. The

SFPUC has stated that the project completion date is November 2021, which coincides with the substantial completion of Phase 1 and Phase 2 as currently scoped.

Alameda Creek Recapture

The Alameda Creek Recapture project continues to experience significant delays. During the 2nd quarter, the project team continued to work on completing a recirculated Draft EIR for the project. The schedule for re-circulation is unknown at this time. The project schedule will be re-evaluated once the re-circulated draft EIR is published. In the meantime, several meetings have been held with regulatory authorities and interest groups about the project and ongoing issues.

Regional Water System: Update on Necessary Work at Other System Dams

In the wake of the Lake Oroville spillways incident, the California Division of Safety of Dams (DSOD) has put in place more extensive requirements related to their regulatory oversight of dams within the State. DSOD's jurisdictional control depends on whether the reservoir / embankment structure poses a loss of life risk in the event that a dam failure or overtopping event occurred. Those new requirements were put into place beginning in 2018. SFPUC has 18 dams that are under DSOD's jurisdiction that are subject to the new requirements. The majority of these dams, though not all, are associated with Regional Water System facilities.

As required by DSOD, SFPUC must perform spillway condition assessments at each of its 18 regulated dams. To date, the SFPUC has completed those assessments at four dams (Cherry Dam, O'Shaughnessy Dam, Turner Dam, and San Andreas Dam) and has submitted those assessments to DSOD. SFPUC anticipates that follow-up work will be required at each of those four dams. SFPUC anticipates that further work will be required at many of the other dams to bring them into compliance with DSOD.

In addition to condition assessments, SFPUC is also required to develop updated Emergency Action Plans and inundation maps to identify risks and responses in the event of a dam failure.

As part of BAWSCA's involvement in the development of SFPUC's upcoming 10-year CIP (FY 2020-2029), BAWSCA will have an opportunity to learn more about what the probable budget and schedule will be for this dam and dam related work. Initial estimates place the cost of this work in the mid-hundreds of million dollars range.

Status of FY 2017-18 & FY 2016-17 Wholesale Revenue Requirement Reviews

Pursuant to Section 7.02 of the 2009 Water Supply Agreement (WSA), the SFPUC provided the Wholesale Revenue Requirement (WRR) calculations and the required reports for FY 2017-18 to BAWSCA and the compliance auditor on February 15, 2019. BAWSCA will perform its review of SFPUC's calculation of the annual WRR and the changes in the balancing account for FY 2017-18 after the compliance audit is completed.

As a result of its WRR review for FY 2016-17, BAWSCA sent some questions and concerns to the SFPUC on May 30, 2018. BAWSCA has received SFPUC's response to the majority of the questions. The deadline for both parties to enter into a settlement agreement or for the wholesale customers to file a demand for arbitration on any unsolved issues for FY 2016-17 is March 29, 2019. Typically, BAWSCA and the SFPUC can resolve any concerns through a detailed settlement agreement before the deadline.

Water Supply Agreement (WSA) Amendments – Update

Status of Amendments Adoption

Eighteen BAWSCA agencies have approved the WSA amendments to date. The remaining agencies are on track and scheduled for necessary action. The WSA requires approval by two-thirds of the agencies by number and 75% by quantity of water delivered by the Regional Water System to become effective. Later this month, BAWSCA will begin collecting the necessary signatures from all the BAWSCA agencies and will coordinate a final distribution of a fully executed Amended and Restated Water Supply Agreement.

Next Steps for Asset Classification Settlement

One of the proposed WSA amendments successfully addresses an outstanding asset classification allocation issue. With the passage of the amendment, steps will need to be taken to close out this issue. The SFPUC will provide BAWSCA with a breakdown and accounting of all capital costs and operating expenses related to the assets shown on Attachment R-3 of the 2018 WSA amendment incurred in FY 2009-10 through FY 2018-19. The costs will be allocated to the wholesale customers based on the classifications shown on Attachment R-3, compared to the cost allocation included in the wholesale revenue requirement calculations in the past ten years. Any differences, with interest, will be included in the opening balance of the Balancing Account as part of the Compliance Audit Report as of June 30, 2019.

Pilot Water Transfer - Update

BAWSCA continues to make progress on completing the necessary agreements for the pilot water transfer. BAWSCA's agreement to purchase water from Amador Water Agency is in final negotiations and near complete. BAWSCA has met individually with the City of Hayward, SFPUC and East Bay Municipal Utility District staff to make progress on development of the other necessary agreements. Agreements are anticipated to be finalized in summer 2019. It is expected that the pilot would take place to coincide with a planned shutdown of SFPUC's Hetch Hetchy system during November 2019 or February-March 2020. The current schedule anticipates Board consideration of execution of certain agreements related to the pilot water transfer in July 2019.

Hetch Hetchy Tour for BAWSCA Board Members: June 19 and June 20, 2019

The SFPUC will host a Hetch Hetchy Tour for BAWSCA Board of Directors and Water Management Representatives on **June 19 – June 20th, 2019**.

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

Tour highlights and logistics include:

- Behind-the-scenes look at some of the system's key facilities, such as Calaveras Dam, Moccasin Powerhouse, and Hetch Hetchy Reservoir.
- A private tour bus that departs at 8:00am from the BAWSCA offices, 155 Bovet Rd, San Mateo, and returns to the same location at approximately 5:30pm on June 20th.
- Lodging overnight at Hetch Hetchy Reservoir in one of three SFPUC cabins.
- All food and transportation will be provided.

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

(This page was intentionally left blank)

Board Of Directors

Policy Calendar Through July 2019

Meeting Date	Purpose	Issue or Topic
March 2019	D&A D&A R&D R&D R	Consideration of Amendment to Legal Counsel Services Agreement Consideration of Qualified Water Efficient Landscaper (QWEL) Program Los Vaqueros Expansion Project Presentation of Preliminary FY 2019-20 Work Plan and Budget Review of Water Supply Forecast
May 2019	D&A D&A R	Consideration of Proposed FY 2019-20 Work Plan and Budget Consideration of Annual Consultant Contracts Review of Water Supply Forecast
July 2019	D&A D&A R	Review of Agency Personnel Handbook Consideration of Execution of Certain Agreements Related to BAWSCA's Pilot Water Transfer Update on BAWSCA's Regional Water Supply Modeling Tool Development
September 2019	D&A C&A	CEO/General Manager Evaluation Resolution Approving Temporary Appointment of A. Jensen as Sepcail Counsel to the CEO/General Manager

(This page was intentionally left blank)

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Amendment to Hanson Bridgett Professional Services Contract**

Summary:

Activities associated with completing the seven WSA amendments and addressing the State Water Resources Control Board Bay Delta Plan Update has required more legal resources to date than originally budgeted and requires additional use of legal counsel services for the remainder of FY 2018-19. As a result, the contract with Hanson Bridgett must be amended to avoid disruption of necessary work to achieve critical results for FY 2018-19. A budget amendment for an additional \$150,000 is recommended to fund necessary work through June 2019 for a revised not to exceed total budget of \$819,000.

Fiscal Impact

This recommended budget increase would be funded using three sources; a \$50,000 transfer from the General Reserve; budgeted contingency of \$57,500 from the FY 2018-19 Operating Budget, of which none has been expended to date; and unspent funds associated with other financial and technical consultant contracts that are not anticipated to be fully expended this fiscal year. The current General Reserve balance is \$1,165,840. A transfer of \$50,000 from the General Reserve would leave a balance of \$1,115,840, or 26% of the current FY 2018-19 Operating Budget of \$4,228,585.

Board Policy Committee Action:

The Committee voted unanimously to recommend the proposed Board action.

Recommendation:

That the Board of Directors authorize the CEO/General Manager to:

- 1. amend the professional services contract with Hanson Bridgett by \$150,000 for a total not to exceed amount of \$819,000;**
- 2. to transfer \$50,000 from the General Reserve to the Operating Fund to fund a portion of this contract increase; and**
- 3. to use \$57,500 from budgeted contingency to fund a portion of this contract increase.**

Discussion:

Expenses associated with completing the seven WSA amendments are significantly more than budgeted due to the number of amendments increasing from three (as was originally budgeted) to seven. The increase in the number of amendments resulted from SFPUC's overall positive response to negotiating the items of interest to BAWSCA and the SFPUC's identification of other items that they wanted to negotiate as well. Additional funds are also needed due to the higher than budgeted activity level associated with the Bay Delta Plan and protecting the interests of the member agencies and their water customers. Table 1 presents the historical budget information for BAWSCA legal counsel with notations included to identify the reasons for significant budget increases and decreases.

(This page was intentionally left blank)

Table 1. Historical Budget Information for BAWSCA Legal Counsel (Hanson Bridgett)

Hanson Bridgett	Original Contract	Year End Contract	Actual Year End Expense	Budget vs. Expenses	Notes
FY 05-06	\$335,000	\$395,000	\$297,848	75%	Jan. 2006-additional \$60k from contingency; no change to op. budget
FY 06-07	\$469,000	\$469,000	\$365,062	78%	
FY 07-08	\$665,000	\$665,000	\$583,120	88%	
FY 08-09	\$644,500	\$817,000	\$817,776	100%	May 2009-additional \$172.5k reallocated from other expense categories; no change to op. budget (Finalize WSA negotiation)
FY 09-10	\$311,000	\$419,000	\$333,169	80%	Jan. 2010-additional \$108k reallocated from other expense categories; no change to op. budget (Strategy contract)
FY 10-11	\$366,000	\$366,000	\$318,667	87%	
FY 11-12	\$390,000	\$415,000	\$414,430	100%	May 2012-additional \$25k reallocated from contingency; no change to op. budget
FY 12-13	\$451,000	\$569,000	\$558,120	98%	Sept. 2012-additional \$58k reallocated from General Reserve; increase op. budget (Pilot water transfer)
					May 2013-additional \$60k reallocated from other expense categories, including contingency; no change to op. budget
FY 13-14	\$496,000	\$601,000	\$600,983	100%	April/May 2014-additional \$105k reallocated from other expense categories, including contingency; no change to op. budget (CEO and staff transition)
FY 14-15	\$524,000	\$624,000	\$588,715	94%	May 2015-additional \$100k from other expense categories, including contingency; no change to op. budget (WSA administration)
FY 15-16	\$586,500	\$586,500	\$556,148	95%	
FY 16-17	\$651,000	\$726,000	\$627,874	86%	May 2017-additional \$75,000 - \$57,000 from contingency & \$17,500 from Terry Roberts; no change to op. budget (WSA administration, HH litigation)
FY 17-18	\$669,000	\$669,000	\$605,442	90%	
FY 18-19	\$669,000	\$819,000	n/a	n/a	Proposed Mar. 2019-additional \$150k; \$57.5k from contingency, \$50.k from General Reserve, \$42.5k from other unspent funds; \$50k added to operating budget

(This page was intentionally left blank)

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

Meeting Schedule through July 2020

Schedule for BAWSCA Board Meetings (Meetings are held from approx. 6:30 – 8:45 p.m.)	
<u>Date</u>	<u>Location</u>
Thursday – May 16, 2019	Oak Room, San Mateo Main Library
Thursday – July 18, 2019	Oak Room, San Mateo Main Library
Thursday – September 19, 2019	Wind Room, Foster City Community Building (Venue for Month of September Meetings until 2022)
Thursday – November 21, 2019	Oak Room, San Mateo Main Library
Thursday – January 16, 2020	Oak Room, San Mateo Main Library
Thursday – March 19, 2020	Oak Room, San Mateo Main Library
Thursday – May 21, 2020	Oak Room, San Mateo Main Library
Thursday – July 16, 2020	Oak Room, San Mateo Main Library

Schedule for RFA Board Meetings (Meeting time will be announced)	
<u>Date</u>	<u>Location</u>
Thursday – January 16, 2020	Oak Room, San Mateo Main Library

Schedule for BAWSCA Board Policy Committee Meetings (Meetings held from 1:30-4:00 p.m.)	
<u>Date</u>	<u>Location</u>
Wednesday – April 10, 2019	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – June 12, 2019	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – August 14 2019	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – October 9, 2019	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – December 11, 2019	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – February 12, 2010	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – April 8, 2020	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – June 10, 2020	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.