

BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

February 13, 2019

1:30 p.m.

BAWSCA Offices, 155 Bovet Road, San Mateo, 1st Floor Conference Room
(Directions on page 3)

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
1. <u>Call To Order, and Roll Call</u> Roster of Committee Members (<i>Attachment</i>)	(Zigterman)	Pg 5
2. <u>Comments by BPC Chair</u>	(Zigterman)	
3. <u>Public Comment</u> <i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(Zigterman)	
4. <u>Consent Calendar</u> A. Approval of Minutes from the December 12, 2018 meeting (<i>Attachment</i>)	(Zigterman)	Pg 7
5. <u>Action Calendar</u> A. Amendment to Hanson Bridgett Professional Services Contract <u>Issue:</u> What resources were needed to address the WSA Amendments and the SWRCB Bay Delta Plan Update activities in FY 2018-19? <u>Information to Committee:</u> Oral report and memorandum <u>Committee Action Requested:</u> That the Committee recommend the Board of Directors to 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. 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 <u>Issue:</u> How can BAWSCA further expand its Landscape Education Program as well as provide opportunities for outdoor water use reduction for its member agencies? <u>Information to Committee:</u> Oral report and memorandum <u>Committee Action Requested:</u> That the Committee recommend the Board of Directors to 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	(Sandkulla)	Pg 25
	(Johnson)	Pg 27

2. use \$11,000 from the FY 2018-19 budget to the implement the QWEL program.

6. Reports and Discussion Items

(Sandkulla) Pg 35

- A. Preliminary Fiscal Year 2019-20 Work Plan and Results to be Achieved
(Attachment)

Issue: What critical results must be achieved in FY 2019-20 to accomplish BAWSCA's goals and water reliability objectives?

Information to Committee: Memorandum presenting Preliminary Fiscal Year 2019-20 Work Plan and Results to be Achieved.

Committee Action Requested: 1) Comments and suggestions concerning the preliminary Fiscal Year 2019-20 Work Plan and results to be achieved; 2) Feedback on presented responses from January 17th work plan and budget preparation planning session; and 3) Suggestions concerning presentation of the preliminary Work Plan and Operating Budget to the Board of Directors in March.

- B. Los Vaqueros Expansion (LVE) Project – Review of Water Supply Benefits
(Attachment)

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Issue: What information will prove most helpful to the BAWSCA Board as they work to gain a deeper understanding of the LVE Project; knowledge that when assembled enables the Board to render decision(s) regarding continuing participation?

Information to Committee: Memorandum presenting information regarding BAWSCA's estimated water supply need, as defined in BAWSCA's Long Term Reliable Water Supply Strategy (LTRWSS), plus information developed by Contra Costa Water District regarding the Potential for the LVE Project to meet those needs.

Committee Action Requested: Provide feedback regarding the information presented and further information needed to support future Board discussions and decisions on BAWSCA's potential participation in the LVE project.

7. Reports

(Sandkulla)

- A. Water Supply Update
B. Bay Delta Plan Update
C. CEO/General Manager's Letter (Attachment)
D. Board Policy Committee Calendar (Attachment)
E. Correspondence Packet ([Under Separate Cover](#))

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8. Closed Session

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

(Schutte)

(Schutte)

(Schutte)

9. Comments by Committee Members (Zigterman)
10. Adjournment to the next meeting on April 10, 2019 at 1:30pm in the 1st floor conference room of the BAWSCA office building, at 155 Bovet Road, San Mateo. (Zigterman)

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

*All public records that relate to an open session item of a meeting of the Board Policy Committee that are distributed to a majority of the Committee 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 BAWSCA

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

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Committee Roster:

Tom Zigterman, Stanford University (Chair)

Thomas Chambers, Westborough Water District (Vice Chair)

Sam Hindi, City of Foster City

Rob Kuta, California Water Service Co.

Gustav Larsson, City of Sunnyvale (BAWSCA Vice Chair)

Al Mendall, City of Hayward

Barbara Pierce, City of Redwood City (BAWSCA Chair)

Sepi Richardson Wood, City of Brisbane

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

**December 12, 2018 – 1:30 p.m.
BAWSCA Offices – 155 Bovet Rd., San Mateo – 1st Floor Conference Room**

MINUTES

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

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

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

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

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

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

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

5. **Action Calendar:**

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

The methodology used for the calculations are the same from last year. The FY 2019-20 total surcharge of \$24,697,896 is equivalent to \$0.39/Ccf or \$170/AF, assuming projected wholesale water consumption from the San Francisco Regional Water System (SFRWS) of 130 mgd. Ms. Tang noted that based on FY 2018-19 first quarter actual sales, water consumption is on target.

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

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

becomes available. This will be included in the surcharge setting process for FY 2021-22.

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

The motion passed unanimously.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The motion passed unanimously.

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

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

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

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

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

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

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

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

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

BAWSCA is recommending the use of the General Reserve and the Long-Term Planning Fund for the Demand Study as well as the Los Vaqueros Expansion (LVE) Project next phase Memorandum of Understanding (MOU), which is the next item that will be presented to the Committee for discussion.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The motion passed unanimously.

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

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

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

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

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

The amount of the new cost share will be based on the number of project partners. The exact cost for each partner will be determined when the number of project partners confirm their commitment to continue on to the next phase. CCWD has received indication that some agencies may prefer to take part in the project through their membership with San Luis Delta Mendota Water Authority (SLDMA) as the single partner entity.

If the current number of partners continue to participate, CCWD estimates the cost for each partner agency in the \$202,000 range. With the consolidation of some agencies under one, the cost estimate increases in the \$354,000 range.

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

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

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

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

First is an independent audit of CCWD's and EBMUD's proposed costs for the use of their locally owned facilities that would be required as part of the project. Alameda County Water District (ACWD) has indicated a willingness to conduct this independent audit on their proposed user fees to ensure the fees are equitable. The second is discussions with the Santa Clara Valley Water District (SCVWD), ACWD, Zone 7, and

City of Milpitas for the potential use of the South Bay Aqueduct and the Milpitas intertie to move water from Los Vaqueros reservoir to the BAWSCA agencies. The third is discussions with the SFPUC about their interests in the project to further assess independent or joint participation in the future.

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

Similar to the Demand Study, the LVE project is a multi-year project with the anticipation that half of the expenditures will occur in FY 2019-20. The Committee and the Board will have the opportunity to consider alternative funding mechanisms during the FY 2019-20 budget planning process.

The recommendation is for the Committee to recommend Board authorization of the CEO/General Manager to enter into an MOU with CCWD, subject to legal counsel review, for an amount not to exceed \$354,129 for completion of the final planning stage of the LVE Project.

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

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

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

Ms. Sandkulla agreed and noted that this project and other similar water supply development projects may be leading BAWSCA to more fully take on the role that was specified in the legislation that formed BAWSCA; "...a multicounty agency authorized to plan for and acquire supplemental water supplies...on a regional basis." While it was not an obligation, the legislative language gave BAWSCA the authority and the

right to step into this position to serve the water supply interests of the region. This scenario was anticipated, and it could change BAWSCA's role.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additionally, the project cost is as cost-effective as anything else at this level of knowledge.

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

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

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

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

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

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

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

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

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

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

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

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

Director Kasperzak made a motion, seconded by Director Pierce, that the Committee recommend the Board to authorize the CEO/General Manager to enter into an MOU with CCWD, subject to legal counsel review, for an amount not to exceed \$354,129 for completion of the final planning stage of the LVE project.

The motion passed unanimously.

6. Report and Discussion:

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

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

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

BAWSCA is on track in monitoring the SFPUC's progress in the WSIP, 10-year CIP and Asset Management Program. In January, Ms. Sandkulla and Strategic Counsel, Bud Wendell will pursue extension of the State oversight on the WSIP as well as the Regional Financing Authority (RFA) through legislative actions. Ms. Sandkulla

reported that with the SFPUC's adoption of the WSA amendments at its December 11, 2018 meeting, BAWSCA's oversight of the 10-year CIP is now a part of the WSA. BAWSCA continues to focus on SFPUC's progress on the repairs of Mountain Tunnel and the Moccasin Reservoir.

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

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

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

Protecting the member agencies' water supply interests in the administration of the WSA has been BAWSCA's major focus for the past several months. Ms. Sandkulla reminded the Committee that the Board extended the Tier 2 drought allocation plan until December 31, 2019. Another extension may be required this fiscal year and staff will begin to work with the agencies in January 2019. As part of the WSA amendments recently adopted by the SFPUC, the Tier 1 issue was addressed, and SFPUC's 2018 decisions are extended another 10-years.

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

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

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

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

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

The budget for Legal Counsel is 57% expended through October. It is tracking high, but that was anticipated given the extended work over the Summer and Fall associated with water supply reliability threats. Ms. Sandkulla will work closely with Legal Counsel to monitor legal activities and expenditures, and noted that a potential

contract amendment may be brought forward in Spring 2019. All other work plan expenses are within budget.

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

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

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

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

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

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

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

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

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

In response to Director Schmid, Ms. Sandkulla explained two funding alternatives that BAWSCA can use instead of the Long-Term Planning Fund. One is the Water

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

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

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

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

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

1. Scope Reduction/Delay:

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

2. Scope Addition:

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

The motion passed unanimously.

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

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

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

Respectfully submitted,

Nicole Sandkulla, CEO/General Manager

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Attachments: 1) Attendance Roster

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
Hillsborough	Benton, Jay	n/a	✓		M T G C A N C E L L E D	✓	✓
Guadalupe	Breault, Randy	n/a	✓	✓		✓	✓
Stanford	Zigterman, Tom (Chair)		✓	✓		✓	✓
Westborough	Chambers, Tom (VChair)		n/a	n/a		n/a	n/a
Foster City	Hindi, Sam		n/a	n/a		n/a	n/a
Mountain View	Kasperzak, Mike	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
Palo Alto	Schmid, Greg	n/a	✓	✓		✓	✓

✓: present

December 12th Meeting Attendance

BAWSCA Staff:

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

Public Attendees:

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE 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.

Recommendation:

That the Board Policy Committee recommend the Board of Directors to 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.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE 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.

Recommendation:

That the Board Policy Committee recommend 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 Alameda County Water District, 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.
- **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.

Background:

BAWSCA 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 primarily 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.**

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**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 POLICY COMMITTEE MEETING

Agenda Title: **Preliminary Fiscal Year 2019-20 Work Plan and Results to be Achieved**

Summary:

This memorandum presents the preliminary Fiscal Year 2019-20 Work Plan and results to be achieved. Comments received from the Board at the January 17, 2019 Work Plan and Budget Preparation 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. As was discussed with the Board in January, this memorandum does not present a preliminary Operating Budget. Initial operating budget considerations will be included in the staff presentation. The Board will be presented with a preliminary Work Plan and Operating Budget at its March meeting.

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; continuation of activities to support BAWSCA member agency efforts to meet new State of California "Making Water Conservation a Way of Life" requirements; participation in the State Water Resources Control Board (SWRCB) Bay Delta Water Quality Control Plan Update to ensure member agency interests are represented; participation as an intervenor on FERC proceedings associated with the licensing of New Don Pedro Reservoir; and increased oversight of the SFPUC's capital improvement program and Regional Water System asset management program, including initiation of an audit of SFPUC's asset management practices.

Recommendation:

That the Committee provide:

- 1. Comments and suggestions concerning the preliminary Fiscal Year 2019-20 Work Plan and results to be achieved;**
- 2. Feedback on presented results from January 17, 2019 Work Plan and Budget Planning Session; and,**
- 3. Suggestions concerning presentation of the preliminary Work Plan and Operating Budget to the Board of Directors in March.**

Discussion:

Preliminary Work Plan:

Next year's Work Plan addresses all of the forward-looking issues discussed with the Board Policy Committee in December and with the Board in January except development of a new Tier 2 Drought Allocation Plan, which is discussed further below.

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 Phase 2 pre-feasibility studies for two potential purified water projects in partnership with SFPUC, Silicon Valley Clean Water, Santa Clara Valley Water District and others. Engage with advocacy groups (e.g., WaterReuse) to access and exchange critical technical, legislative, and legal information to support these studies.
 - Finalize pilot water transfer agreements with EBMUD, Hayward, and others to implement BAWSCA's Pilot Water Transfer in FY 2019-20.
 - Participate in development of the Bay Area Regional Reliability Partnership (BARR) Bay Area Regional Water Market (Exchange/Transfer) Program, with 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 a new weather-based irrigation controller direct installation program
- 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 New 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 items 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 Re-scoped Activities for FY 2019-20:

There are four 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. 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).

**3. 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, under specified criteria, which currently exist, the WSA states that the “Wholesale Customer 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.

**4. 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 the Strategy implementation.

Critical Activities Not Included in Preliminary Work Plan Due to Work Load Constraints

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.

When completing this process for the FY 2019-20 Work Plan, it showed 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. In this situation, it is necessary to either access more resources (either staff or consultant resources) or reduce the work plan. At this time, it is not possible to achieve the necessary results with the addition of more consultant resources due the already high number of consultant contracts being managed by staff.

To more closely balance the staff work load with the preliminary Work Plan, the following activity is not included in the preliminary Work:

**1. Develop New Tier 2 Drought Allocation Plan
Estimated FY 2019-20 Cost: \$100K**

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.

Delaying this task to FY 2020-21 would allow critical information developed by the Demand Study to be used in developing a new Tier 2 Plan. 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. However, performing this work in FY 2019-20 is no guarantee that it will be completed in 1 year given that all agencies must agree and adopt the Plan.

In addition, staff is working with the member agencies to identify potential modifications to BAWSCA's current water conservation programs including:

- Elimination of the High Efficiency Toilet Rebate Program: California plumbing code now allows for only high-efficiency toilets to be sold in California. As a result of this change, offering rebates for purchases of high-efficiency toilets no longer represents a cost-effective conservation program. Discontinuation of this program will enable increased focus on conservation measures that offer greater water savings potential.
- Combining BAWSCA's several landscape conservation program offerings into single program administered by a single consultant; this is anticipated to provide more administrative assistance services to the Member Agencies and increase overall cost-effectiveness and program participation.

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.

Background:

BAWSCA's Work Plan development process begins by reviewing and updating the major activities and long-term future challenges. These long-term activities require coordinated action by BAWSCA and its member agencies to ensure a reliable supply of high quality water at a fair price.

Table 4 lists these activities updated as part of the FY 2019-20 preliminary Work Plan development. In each case, the results identified in Table 4 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 1. Preliminary FY 2019-20 Work Plan and Results to Be Achieved (draft)*(New/Expanded items shown in blue italic font)***RELIABLE WATER SUPPLY****1. Facility Reliability: Monitor the SFPUC's WSIP, 10-Year CIP, and Asset Management Program**

- a. Monitor WSIP scope, cost, and schedule as San Francisco continues an aggressive construction schedule through to completion. Press the SFPUC and the city's political leadership to meet the adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests. Work with the legislature to extend State oversight of WSIP 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.*

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 if 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.

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 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 subscription conservation rebate programs that benefit, and are paid for by, participating member agencies, including a new Weather Based Irrigation Controller rebate and installation subscription program.

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.

5. Protect Members' Interests in a Reliable Water Supply

- a. Participate in the Restore Hetch Hetchy litigation in which BAWSCA is a named party.
- b. Participate in SWRCB Bay Delta Plan Update to ensure member agency interests are represented.
- c. Participate in the Don Pedro Project/La Grange Project FERC licensing process, via legal intervention, to protect customers' long-term interests in Tuolumne River water supplies.

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.

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

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. 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

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.

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?	At this time, the preliminary FY 2019-20 Work Plan does not include a task to develop a regional emergency resiliency plan. As the owner and operator of the Regional Water System, the SFPUC has the primary responsibility for risk assessment and emergency readiness for the water system. The Commission recently adopted the “San Francisco Public Utilities Commission Wildfire Mitigation Plan” (December 2018) as required by State law. Based on this comment from Director Kuta, the CEO has reached out to SFPUC AGM Steve Ritchie and requested he speak on this topic as part of a future SFPUC report to the BAWSCA Board.
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 and CEO to continue efforts to build and maintain relationships with legislators and 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.
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 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
Management of BAWSCA's revenue bonds in accordance with Bond Indenture and other applicable laws to ensure accountability and ultimately to reduce overall cost to regional water customers (thru 2034).	X	X	
Extension or renegotiation of the Water Supply Agreement before it expires in 2034.		X	

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE 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; 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 Committee provide feedback on (1) the presentation of this information and (2) the additional information needed to support Board discussions and future decisions on the policy questions identified below.

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 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 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).

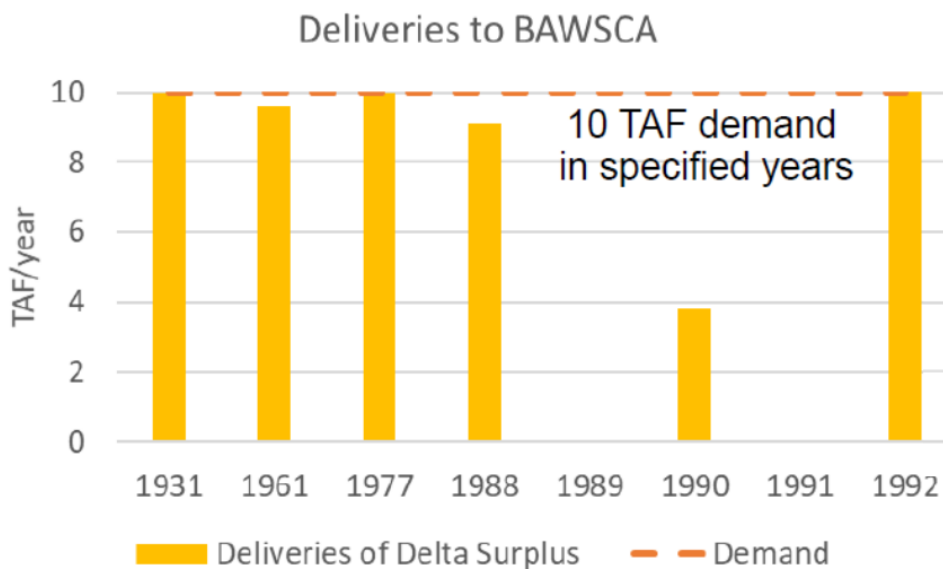
BAWSCA is considering 10 thousand acre-feet (TAF) of LVE supplies to reduce the need for water use reductions in drought years. In a 10% SF RWS system-wide shortage, an additional 10 TAF of supply would reduce the overall water supply shortfall on the SF RWS for the wholesale customers from 14% to 9%. 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 20%

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



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. 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.

Policy Considerations

BAWSCA staff is working to provide 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 decisions points related to BAWSCA’s continued project participation are anticipated for upcoming BAWSCA Board meetings based upon the scheduled provided in Table 4.

Table 4. Preliminary Schedule of BAWSCA Board LVE Discussions

Meeting Date	Anticipated Discussion Items
March 2019	<ul style="list-style-type: none"> • Water Supply Benefits 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

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: February 8, 2019
SUBJECT: Chief Executive Officer/General Manager's Letter

Bay Area Regional Reliability Partnership (BARR) – Update:

The BARR effort continues to move forward into a subsequent stage, specifically the development of a Water Marketing Strategy. Seven of the eight BARR agencies will actively take part in this stage (Marin Municipal Water District will not be participating in this stage of BARR, as they have limited interest in water markets/water transfers or exchanges). The Water Marketing Strategy effort is funded in part by remaining monies from prior agency contributions coupled with a \$400,000 grant from the U.S. Department of Interior, Bureau of Reclamations (Bureau).

EBMUD, acting on behalf of the BARR partners, has prepared an updated Memorandum of Agreement (MOA) to cover this Water Marketing Strategy work. The updated MOA was reviewed and approved for signature by BAWSCA's legal counsel in late January 2019. BAWSCA and the other partner agencies have signed the MOA.

Partner agencies continue to discuss whether the proposed BAWSCA pilot water transfer will be one of several transfers that will be incorporated into this BARR work effort. BAWSCA is working to determine the benefits and drawbacks of incorporating its pilot transfer into BARR. Further details and data to inform this decision will be known in the coming two months.

Advanced Metering Infrastructure (AMI) Assessment and Workshop:

In recent discussions, several BAWSCA member agencies have expressed a desire for BAWSCA to provide assistance with regional purchasing options for AMI infrastructure, software, and consultant services. To investigate this possibility, BAWSCA has contracted with ManageWater Consulting, Inc. to conduct an AMI Survey and Assessment (AMI Assessment). The AMI Assessment, which is being co-sponsored by the Santa Clara Valley Water District (SCVWD), will determine potential areas for regional collaboration on AMI projects.

The results of the AMI Assessment will be presented at an AMI Workshop, co-sponsored by BAWSCA and the SCVWD, on March 27th in Palo Alto. The AMI Workshop will also include agency presentations on lessons learned from AMI Implementation and a roundtable discussion on AMI collaboration opportunities. All BAWSCA agencies are invited to participate in the workshop.

Water Supply Agreement (WSA) Amendments – Agency Adoption Status

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

The goal is for each BAWSCA agency to approve the amendments no later than March 31, 2019. Member agencies are on track to achieve this goal. The BAWSCA Board is not a party to the WSA and therefore, will not act on the proposed amendments.

Proposition 1 Integrated Regional Water Management Grant Funding

In partnership with other regional Bay Area water agencies, BAWSCA is preparing to seek funding for regional water conservation projects through the Proposition 1 (Prop 1) Integrated Regional Water Management (IRWM) grant program. The California Department of Water Resources (DWR) is anticipated to release the proposal solicitation package for the Prop 1 IRWM grant program this month. In total, Prop 1 included \$65M in IRWM grant funding for the San Francisco Bay Area region, a portion of which will be awarded under this 2019 proposal solicitation.

BAWSCA has previously received a total of \$2.4 million from six prior IRWM grant awards. These funds partially reimbursed BAWSCA member agency expenditures for high-efficiency clothes washer rebates, high-efficiency toilet rebates, water-efficient landscaping (“Lawn Be Gone”) rebates, and home water use reports. The proposed Prop 1 regional water conservation application requests funding for several new, innovative programs to support BAWSCA agencies in complying with the “Making Conservation a California Way of Life” requirements, including: Qualified Water Efficient Landscaper trainings; weather-based irrigation controller rebates; AMI and leak detection metering; and home water use reports.

Should BAWSCA receive this grant money, staffing needs for administration of the grant funds will need to be considered in FY 2020-21.

Board Policy Committee

Policy Calendar Through June 2019

Meeting Date	Purpose	Issue or Topic
February 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
April 2019	D&A D&A R	Consideration of Proposed FY 2019-20 Work Plan and Budget Consideration of Annual Consultant Contracts Review of Water Supply Forecast
June 2019	D&A D&A R 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 Review of Water Supply Forecast