

BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

June 12, 2019
1:30 p.m.

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

AGENDA

| <u>Agenda Item</u> | <u>Presenter</u> | <u>Page#</u> |
|---|--------------------|--------------|
| 1. <u>Call to Order, and Roll Call</u> Roster of Committee members (<i>Attachment</i>) | (Chambers) | <i>Pg 3</i> |
| 2. <u>Comments by Chair</u> | (Chambers) | |
| 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> | (Chambers) | |
| 4. <u>Consent Calendar</u> A. Approval of Minutes from the April 10, 2019 meeting (<i>Attachment</i>) | (Chambers) | <i>Pg 5</i> |
| 5. <u>Action Calendar</u> A. Authorization to negotiate and enter into an Agreement for an Asset Management Audit. (<i>Attachment</i>) <u>Issue:</u> What actions are needed to initiate the Asset Management Audit? <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> That the Committee recommend Board approval of the proposed action. | (Johnson) | <i>Pg 19</i> |
| B. Authorization to negotiate and enter into an Agreement with the Regional Water Authority (RWA) to partner in their implementation of a Regional Smart Controller Program. (<i>Attachment</i>) <u>Issue:</u> What resources are needed to implement the Regional Smart Controller Program? <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> That the Committee recommend Board approval of the proposed action. | (Johnson) | <i>Pg 25</i> |
| 6. <u>Reports</u> A. Water Supply Update B. Bay Delta Plan | (Sandkulla) | |

- C. CEO Evaluation Procedure (Pierce)
- D. CEO Letter (*Attachment*) Pg 33
- E. Board Policy Committee Calendar (*Attachment*) Pg 37
- F. Correspondence Packet ([Under Separate Cover](#))

7. Closed Session

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

8. Comments by Committee Members (Chambers)

9. Adjournment to the next meeting:

August 14, 2019 at 1:30pm in the 1st floor conference room of the BAWSCA office building, at 155 Bovet Road, San Mateo.

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Directions to BAWSCA

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

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



BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Committee Roster:

Tom Zigterman, Stanford University (Chair)

Thomas Chambers, Westborough Water District (Vice Chair)

Alison Cormack, City of Palo Alto

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 Wood, City of Brisbane

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

**April 10, 2019 – 1:30 p.m.
BAWSCA Offices – 155 Bovet Rd., San Mateo – 1st Floor Conference Room**

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| MINUTES |
|----------------|

1. **Call to Order:** Committee Chair, Tom Zigterman, called the meeting to order at 1:30 pm. A list of Committee members who were present (7), absent (1) and other attendees is attached.

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

2. **Public Comments:** There were no comments from the public.
3. **Consent Calendar:** Approval of Minutes from the April February 13, 2019 meeting.

Director Larsson made a motion, seconded by Director Chambers, that the minutes of the February 13, 2019 Board Policy Committee meeting be approved with the corrections provided by Director Cormack; misspelling of “re-assess” on the last sentence of the second paragraph on page 4 of the minutes.

The motion carried unanimously by roll call vote.

4. **Comments by Committee Chair:** There were no comments from Committee Chair Zigterman.
5. **Action Calendar:**
 - A. **Proposed Fiscal Year 2019-20 Work Plan and Operating Budget:** Ms. Sandkulla reported that the proposed work plan and operating budget is what was presented to the Board at its May 21st meeting. She noted a bullet point that she added in her presentation that speaks to a major component of BAWSCA’s work plan, which is continuing its critical role in managing the 2009 water supply agreement. It is work that falls in the background of the agency’s functions but is critically important.

The proposed operating budget is \$4,569,750. It includes the new Water Resources Specialist position and a not-to-exceed budget of \$10K for Art Jensen’s as-needed special counsel service moving forward. Ms. Sandkulla explained that Mr. Jensen’s consulting services after his retirement counseled BAWSCA as it worked through the asset allocation component of the WSA amendments, during which she was able to obtain guidance from his institutional knowledge of both BAWSCA and the SFPUC. Ms. Sandkulla anticipates having critical questions that would require the same level of historical knowledge, and she would like to have a budget to address those needs.

Ms. Sandkulla presented the allocation of the budget between agency operational expenses and BAWSCA’s three goals of reliable, high-quality water supply at a fair price. The majority of the budget is applied to work on ensuring water supply

reliability. A small portion of the budget is applied to water quality because it is the SFPUC that is obligated to meet the water quality requirements on the supply it delivers. The critical work is on SFPUC's side of the turnouts. BAWSCA's role in water quality involves monitoring SFPUC's compliance reports and facilitating communication between the SFPUC and the wholesale customers.

The funding alternatives remain the same as what was presented to the Board in March. The Board indicated its preference to alternative #2, which is a combination of a 3% assessment increase, a transfer of funds from the General Reserve and the 2009 WSA Balancing Account.

In response to the Board's request to obtain feedback from the Water Management Representatives (WMR) about the work plan, the operating budget and the funding plan, Ms. Sandkulla reported her discussion with the group at its meeting on April 4th.

She emphasized the critical role the WMRs have as the liaison between BAWSCA and its appointing agency, as the technical resource for each Board member, and; as a group, an advisory body to the BAWSCA CEO/General Manager.

The WMR is formed at the direction of the BAWSCA CEO/General Manager. City and District Managers of each member agency are specifically asked for a primary staff contact to represent their agency with BAWSCA. While the WMR is copied on all Board and BPC materials, it is not a policy body. It is however, a critical source for BAWSCA's understanding of each agencies' needs. They are also a technical resource for each Board member to align the technical perspectives with policy perspectives, especially for robust topics such as the Los Vaqueros Expansion (LVE) project.

Overall the WMR had no comments on the work plan, and no specific comments "for" or "against" the proposed operating budget or funding plan. A few representatives questioned the need for additional staffing and associated long-term commitment. Ms. Sandkulla responded to the comments by explaining the board's interests in maintaining the work plan.

The WMR did emphasize caution on the use of the Balancing Account as it is used primarily for rate stabilization.

Chair Zigterman opened the floor for committee member questions and comments.

Director Pierce asked the CEO to go over with the Committee, prior to entertaining a motion for this item, the uses included in the 2009 WSA for the Balancing Account.

Committee discussions ensued on the Balancing Account.

Director Kuta thanked the CEO and Legal Counsel for the memo on the Balancing Account in response to his request for more information. He stated his concern over the absence of calculations that identifies the amounts attributable to each Wholesale Customer.

Ms. Sandkulla explained that water rates are set by the SFPUC Finance Department based on projected sales. The source of the funds in the Balancing Account is from wholesale water revenue that was paid in excess of what was projected in sales. Projected sales used for rate setting is not estimated at the individual agency level. It is estimated for the region as a whole, and is based upon trends established by the SFPUC Finance Department.

Ms. Sandkulla further explained that the Wholesale Revenue Requirement represents the wholesale share of the SFPUC's total actual costs in a given fiscal year. The wholesale rates are based on an estimate of total sales as a group, and it is not related in any way to the member agencies' contract amount, or supply guarantee.

Director Kuta noted that he understands the intent and purpose of the Balancing Account as well as its value. However, given the high balance of over \$60 million versus the 10% of annual revenue requirement, he is curious to know how much of the funds in the Balancing Account pertain to individual agencies. He asked if there would be interest from the Committee to tighten the process to identify the amount on an individual agency basis.

Director Wood stated that she has a similar method in her projections that she refers to as "variations in projections". She sees the Balancing Account as a way to address variations in projections that is cumulative.

Ms. Sandkulla stated that the Balancing Account is variations in projections to actual costs and actual sales that is trued up once a year. There is no readily available way to correctly project sales and to relate that to what the finance group would want to do in San Francisco to project for sales. To go back, and to individually track that, would be a herculean effort.

Director Chambers added that if it were tracked and managed individually, it would be really hard to utilize the money in the Balancing Account for rate stabilization, which is really what the main purpose has been of the Balancing Account. Whether there is overpayment or underpayment in a particular year, Director Chambers stated his preference for stable rates over individual calculations of funds in the Balancing Account.

Director Mendall agreed with Director Chambers and stated that the rate stabilization provided by the Balancing Account is of more value for the member agencies than calculating the distribution of the funds for each member agency.

Director Zigterman asked if this is a generally acceptable accounting practice to follow.

Nicole noted that this is the same practice that has been in place for the Balancing Account since the 1984 Settlement Agreement between the wholesale customers and San Francisco, with the exception that it used to be zeroed out at the end of every year. That practice was a problem for the agencies as it resulted in constantly changing wholesale rates, and particularly for the private utilities because they did not have the flexibility of adjusting their rates within their 3-year rate cycle. There was a significant interest from the wholesale customers to create some greater

flexibility on the use of the Balancing Account, and to use the Balancing Account to help with rate stabilization.

As shown in Table 2 of the staff memo, there was money owed to San Francisco between FY 2005-06 to FY 2011-12. That was the result of San Francisco significantly increasing their capital investment and bond funding even before the WSIP was adopted. The WSIP construction started in 2008 and the negative balance started in FY 2005-06. San Francisco allowed those rate increases to go in over time so that the wholesale customers got rate stabilization from the Balancing Account.

Director Kuta noted that the significant jump of \$30 million in the Balancing Account between FY 16-17 and FY 17-18 and the roughly \$36 million in excess of the target 10% of the wholesale revenue requirement would behoove each agency to know how the balance relates to individual agency.

He apologized for not having asked the questions earlier in the process, but he expressed his concerns with the use of the Balancing Account for augmentation of the proposed operating budget for FY 2019-20 as presented.

Ms. Sandkulla stated that a change in the procedure on the accounting within the balancing account would be a significant task that would require an amendment to the WSA.

She stated that as history has shown, the Balancing Account has provided the stability that the agencies were looking for. She encouraged Directors to talk with their agency managers about how the Balancing Account has been in the past, and how it has demonstrated its benefits when a zero percent rate increase was achieved 5-years into the WSIP.

Director Kuta stated that he is not suggesting to change or eliminate the existing language in the WSA around the Balancing Account, but rather to find a way or means to identify the contributions to it on a member agency basis.

Director Larsson commented that the established process of accounting for the Balancing Account in the WSA is not something the Committee or the Board can independently discuss and vote on.

Ms. Sandkulla stated that while she is not familiar with the disciplines of the California Public Utilities Commission (CPUC), it can refer to the 2009 WSA in which the Balancing Account is written. She noted that the WSA has a suite of unique components, including the Balancing Account, to fit the unique needs of San Francisco's wholesale customers, that no other agency may have in a wholesale type contract.

Director Mendall suggested for staff to provide an estimate of how much of the Balancing account is attributable to each member agency based on projections over the last 2-3 years.

Director Larsson stated his reluctance to estimate the attributable portions of the Balancing Account to individual member agencies in absence of an existing policy

framework. He noted that since the WSA allows for the proposed type of expenditure for the Balancing Account, he trusts that this was part of the discussion and consideration when the WSA was established. He stated his support for the use of the Balancing Account for the proposed operating budget.

Director Chambers noted that the allocation based upon consumption is done for the bond allocation, and that those data can be used to identify each agency's usage for a certain fiscal year to calculate how much of the Balancing Account is attributable to each agency. He stated his support for the use of the Balancing Account for the proposed operating budget without having to do the calculations.

Director Cormack stated her support for Alternative 2, if in parallel, a policy is developed for when the Balancing Account is used in the future.

Staff provided additional information in response to Director Kuta's questions.

Christina Tang, BAWSCA Finance Manager, explained that there are different SFPUC documents that indicate the FY 2017-18 year-end balance in the Balancing Account. Table 2 of the staff memo provides the balance from the audited Statement of Changes in the Balancing Account up to FY 2016-17. The balance provided for FY 2017-18 is from the pre-audited Statement of Changes in the Balancing Account. She noted that the SFPUC's presentation provided at the recent annual wholesale customer meeting included an outdated FY 2017-18 year end estimate.

Ms. Sandkulla explained that the application of COLA adjustments based on merit is a 2-step process. Because BAWSCA staff members are not represented by a union, BAWSCA has developed a practice of maintaining competitive salary ranges for approved job classifications. Each year, there is Board consideration of applying COLA to the top end of salary ranges. A salary survey is conducted every 2 years to confirm the salary ranges and to identify any adjustments necessary to the salary range to stay competitive and ensure appropriate budget planning. All salary ranges are approved by the Board.

This process creates the boundaries in which adjustments to the pay of each position can be made by the CEO/General Manager.

With regards to the \$1-\$1.5 million estimated cost for the pilot water transfer, Nicole explained that the proposed FY 2019-20 budget includes only the remaining legal and technical expenses associated for the Pilot Water Transfer effort. It does not include the purchase or the conveyance costs, estimated at \$1-\$1.5 million, of water for the pilot water transfer because the Board has not acted to approve the transfer itself. To date, staff has reported that the pilot water transfer will not be funded through assessments, but through one of two funding alternatives; the Balancing Account or the Water Management Charge with San Francisco.

Board action is currently scheduled to occur in July 2019. A funding plan was going to be presented with the recommended Board action in July, but Ms. Sandkulla offered to bring it to the Board at its May Board meeting for an additional discussion opportunity.

Director Cormack inquired about the 10% increase in employee salaries and benefits, which Ms. Sandkulla identified as a net increase resulting from a pre-Public Employee Pension Reform Act (PEPRA) hire to replace a PEPRA employee. Director Cormack suggested the consideration of fully funding BAWSCA's pension costs as a good fiscal discipline moving forward, and noted the importance of long term efforts for the Board's consideration in future budgets.

With no further comments or discussions, Chair Zigterman opened the floor for a motion.

Director Wood made a motion, seconded by Director Pierce, with the clarification that the use of the Balancing Account is in accordance with the WSA, to recommend that the Committee recommend Board approval of the:

- 1) Proposed FY 2019-20 Work Plan and Results to be Achieved;**
- 2) Proposed Operating Budget of \$4,569,750; and**
- 3) Proposed funding plan of a 3% assessment increase, transfer of \$77,971 from the General Reserve, and transfer of \$805,000 from the 2009 Water Supply Agreement Balancing Account.**

Ms. Sandkulla stated that the Board action in May will include reference to Section 6.05.B.2.a which provides that, "The Wholesale Customers shall, through BAWSCA, direct that the positive balance be applied to one of more of the following purposes:...(d) water conservation or water supply projects administered by or through BAWSCA".

The motion carried 7:1 by roll call vote.

6. Reports and Discussion:

- A. Review of Water Supply Agreement Balancing Account: Ms. Sandkulla explained that the 2009 WSA is unique in the Wholesale Customers' cost sharing arrangement with San Francisco. The entire premise of the contract is that San Francisco's wholesale customers pay only their fair share of costs for the benefits they receive. It is set up that way as an outcome of a financial settlement of a law suit from Palo Alto against San Francisco in the 1980s.

Each May, SFPUC adopts the wholesale water rate. This rate is determined by dividing the wholesale customer's share of regional water system costs by estimated wholesale purchases from the regional water system. The wholesale customers' share of regional costs is determined based on the ration of wholesale customers' estimated use of system compared to retail purchases from the system applied to the estimated costs to operate the regional water system as set through SFPUC's annual budget process. At the end of the year, the SFPUC computes the actual costs attributed to the wholesale customers as a whole. This process is called the calculation of the Wholesale Revenue Requirement (WRR) which is defined under the WSA.

The difference between the WRR and the amounts billed to the wholesale customers is applied to the Balancing Account. Funds are added to the Balancing Account if too much is paid, and a deduction to the Balancing Account is made if less is paid.

One of the reasons for the current positive balance in the Balancing Account is due to San Francisco's financial department's estimates of how low wholesale customers' water use was going to be during the drought. As a result, wholesale water rates were calculated higher and the SFPUC collected excess revenue. With the drought over, wholesale customer purchases have slightly increased, but San Francisco's sales projection remains low. Ms. Sandkulla noted that the Demand Study will help provide a better sense of what is occurring in the region's water usage to inform rates moving forward.

The WSA establishes the rules for the Balancing Account including the application of credits and debits, reporting, and calculations. It also authorizes the review and audit by BAWSCA.

Ms. Sandkulla explained that the WSA does not target 10% of the WRR, but provides specific applications for a positive balance if it is 10% or more in 3 successive years.

There are 6 instances specified in the WSA for the use of the Balancing Account. Two instances – amortization of any remaining negative balance from the ending balancing account under the 1984 agreement, and pre-payment of the existing asset balance under Section 5.03 – have gone away because of the bond issuance. Four specific instances remain including usage for “water conservation or supply projects administered by BAWSCA”.

Ms. Sandkulla noted that BAWSCA was only 6 years old when the WSA was signed. BAWSCA was in the midst of developing the Long-Term Reliable Water Supply Strategy (Strategy), and there was anticipation that BAWSCA may pursue water supply projects. As a result, water conservation or water supply projects administered by BAWSCA were specifically called out as potential use for excess funds.

While BAWSCA or the Board are not a signatory to the WSA, BAWSCA does have defined roles per the WSA. One of BAWSCA's responsibilities is to conduct the annual review of the WRR calculations and the Balancing Account. This audit and review are done by Christina Tang, and over the past 16 years, BAWSCA's reviews have saved member agencies \$43.7 million. The identified credits to the wholesale customers from the WRR reviews are applied to the Balancing Account.

Ms. Sandkulla referenced Section 8.04(c) of the WSA, which provides that “unless otherwise explicitly stated, the administrative authority delegated to BAWSCA may be exercised by the General Manager/CEO of BAWSCA, rather than requiring action by the BAWSCA Board of Directors”. To date, Ms. Sandkulla has exercised administrative functions which involves signing off on the annual audit of the WRR whether it is settled or litigated.

The Committee was presented with the history of the balancing account from FY 2001-2002 through FY 2017-18. Ms. Sandkulla emphasized the member agencies'

preference for rate stabilization and stated that they do not like fluctuations in wholesale rates. Alternatively, the SFPUC does not want to surprise wholesale customers with rate increases, or have rate complaints.

The SFPUC provides a multi-year wholesale water rate projection at least twice a year. The first opportunity is at the contractually required annual meeting between SFPUC and the wholesale customers, which is typically held in February. As part of that meeting, the Finance Director presents SFPUC's financial outlook as well as the 10-year wholesale water rate projections. Additionally, there is an annual rate notice that usually occurs in April, which provides further information on how San Francisco anticipates applying the Balancing Account over the next 5 years for the purpose of rate stabilization.

In discussing the work plan for FY 2019-20 with the Committee and the Board, three large water supply projects have been presented; the Regional Water Demand (\$450K), Los Vaqueros Expansion Project (\$350K), and Pilot Water Transfer (\$1-\$1.5M). These projects are special one-time projects, that would typically be funded through the General Reserve. The 2014 Water Demand Projection was one such project that was funded by the General Reserve in the past. Under current circumstances; however, it is appropriate for the Board to consider funding alternatives for the three projects.

The use of the Water Management Charge is an additional alternative source of funding that the Board can consider. It was used once before to fund the Strategy in 2010 at an expense total of \$1.5 million. The cash flow for this alternative involves San Francisco billing the wholesale customers directly with a specific line item.

Ms. Sandkulla does not anticipate the use of the Balancing Account outside of the three major projects. She expects that further water supply projects that BAWSCA would engage with in the future will have ongoing expenses. Participation in the Los Vaqueros JPA, for example, would have an ongoing cost and would require separate and long-term funding considerations

Director Larsson commented that an additional column on Table 2 that shows the amount of change in the balancing account from year to year would be helpful to clearly show that while there are years where the balance has had a significant increase, there are also years where the balance has gone down significantly. It would also be helpful to extend the table to provide the projections over the next 5 years.

Director Pierce suggested, if possible, to include any explanation as to why the changes in trends are occurring.

The following information were provided in response to Director Kuta's questions.

Legal Counsel, Nicole Witt, explained that there are a couple of different points under the WSA in which BAWSCA gets involved with the use and calculations of the Balancing Account. Section 6.05.B.2.a of the WSA allows the wholesale customers, through BAWSCA, to direct how they might want to handle the excess funds in the Balancing Account. There are six options of which two no longer exists, as previously explained by Ms. Sandkulla. One of the options remains as rate

stabilization, and Section 8.04 of the WSA, addresses BAWSCA's responsibility to audit and review the calculations every year to confirm the actual balance in the balancing account.

The overarching concept is that fundamentally, the Balancing Account is for rate stabilization.—If the balance reaches a certain threshold, 10% or more over three successive years, the wholesale customers, through BAWSCA, can direct the use of the Balancing Account as stated under the WSA.

Ms. Sandkulla clarified that the balance is at the SFPUC's discretion until it reaches the threshold of 10% or more over three successive years.

Additionally, BAWSCA does not have a defined role under the WSA in SFPUC's rate setting. There is, however, a process that takes place in late January, in which the SFPUC asks the wholesale customers for their purchase projections for the current and following fiscal year to inform SFPUC's sales estimate for the current and following fiscal year. The SFPUC is not contractually obligated to do this level of interaction.

Ms. Sandkulla stated that if the Wholesale Customers were not satisfied with SFPUC's rate setting, it would be a matter that would be brought up as part of San Francisco's rate setting process.

Ms. Tang explained that the Wholesale Revenue Coverage Reserve in the WSA represents an additional 25% of the Wholesale Customers' proportional share of SFPUC's net annual debt service payments that are include in wholesale rates each year. The coverage is a promise to hold cash in reserve to fulfill the SFPUC's debt service obligations.

Nicole explained that the \$43.7 million identified through the annual WRR reviews are savings to the wholesale customers, and are not a reconciliation of sales versus deliveries. The \$43.7 million represents reductions in WRR as a result of BAWSCA's reviews. The WRR review is a cost auditing function and application of the contract, in which costs that have been inappropriately applied to the wholesale customers are recovered through BAWSCA's efforts.

BAWSCA does not monitor SFPUC's cost of service. Ms. Sandkulla explained that BAWSCA does not yet have an active role in auditing the SFPUC's overhead, administrative, or operational costs. But, it has been BAWSCA's major focus in its efforts to monitor the SFPUC's WSIP, and now the CIP. A major component of BAWSCA's oversight is making sure that SFPUC's capital projects are the appropriate projects that the wholesale customers benefit from.

Additional comments from the committee members included the following.

Director Mendall suggested adding a column in Table 2 that shows the changes in the balance of the Balancing Account in percentages. He is comfortable with the use of the Balancing Account as proposed in the FY 2019-20 operating budget because of its current high balance. But he encourages BAWSCA to remain mindful of the Balancing Account, develop guidelines, and to make it an active decision on whether to draw it down or not. It should not to be on auto pilot.

He noted that it is difficult to gauge whether to draw down the Balancing Account without knowing whether SFPUC's projections are modest or not. If the projections are significant, it is obvious to maintain the balance for rate stabilization. But if the projections are modest, then drawing down the balancing account provides some consideration.

Ms. Sandkulla reported that San Francisco's finance department, which does the sales projections for the rate-setting, have projected a slight decrease in both retail and wholesale purchases moving forward. Ms. Sandkulla has discussed this matter with the WMRs and they are comfortable with the calculation for this year. They want to engage with San Francisco in early December 2019 when more information on water use trends from this current year is available for further analysis. For now, there is potential that the wholesale customers will be owed again, making the balance in the balancing account increase.

In addition, Ms. Sandkulla reported that there are unknowns potential increases in San Francisco's CIP that are coming from what may be required of existing dams in response to the spillway modifications from the Division of Safety of Dams (DSOD). This issue could significantly increase the CIP and depending upon timing, could require San Francisco to aggressively implement a project, in which the Balancing Account would come into play. Ms. Sandkulla stated that this is not in the CIP yet, but can be anticipated.

Director Cormack shares Director Mendall's concerns with the magnitude of the current balance, and reiterated her preference for having a robust policy guideline for when the Balancing Account is used in the future. She noted that the proposed amount to augment the operating budget is 1.3% of the Balancing Account. There are 2 components in the current balance; the principal and the interest. She highlighted that the Balancing Account's interest rate of 1% has earned that amount over time, and that only a small portion of the principal will be withdrawn.

Director Chambers noted that an alternative to drawing down the Balancing Account is to lobby against San Francisco's 0% rate change. Staff can consider adding a column in table 2 to show the percent of San Francisco's rate change.

In response to Director Wood's question, Ms. Sandkulla stated that the rate calculations are not influenced by San Francisco's economic factors, and reiterated that the structure of the WSA is that wholesale customers pay only for the benefits they receive.

Ms. Sandkulla noted that her recommendation to use the Balancing Account instead of the Water Management Charge as a funding alternative for the water supply projects is because the amount being targeted is a small percent of the whole Balancing Account. She emphasized that member agencies want their rates stable because fluctuations can be difficult for water suppliers.

Director Pierce commented that the member agencies' stipulation for rate stabilization was made clear during discussions when the SFPUC was looking into raising rates by 30%.

Director Zigterman noted that the post-drought rebound and the water supply challenges, real or not, are creating the perfect opportunity to move forward with the water supply reliability efforts using the financial resources available. He suggested including this report in the May board agenda

- B. Los Vaqueros Expansion (LVE) Project – Update: Sr. Water Resources Specialist, Andree Johnson, reported that Contra Costa Water District (CCWD) has made a schedule change in the LVE project which provides project partners more time in completing the next phase of work to make a decision on whether to join the Joint Powers Authority. Based on the length of time used to negotiate the cost-share agreement among the project partners for the current phase of work, and the associated delays in the technical work needed to inform the JPA decision, CCWD adjusted the schedule to provide an additional year.

The decision to join the JPA is moved to the mid-2020. It can come sooner if the work goes smoothly and all necessary information to form a JPA becomes available in mid-2020.

Ms. Johnson reported that proceeding more quickly provides financial benefits because of the Prop 1 funding that has been granted for the project. Prop 1 is anticipated to cover approximately half of the project cost. However, it is not inflation adjusted, therefore, the project would receive more value from the grant money if work can begin sooner than later.

Additionally, CCWD can potentially lose Prop 1 funding if the JPA is not formed by mid-2020; therefore making mid-2020 as the drop-dead deadline for forming the JPA.

Based on CCWD's schedule changes, BAWSCA has adjusted the schedule for Board discussions and review of the technical information and policy decisions for the project over the next 18 months.

Ms. Johnson reported that information about BAWSCA's ability to use the South Bay Aqueduct to move water from Los Vaqueros to the BAWSCA agencies will be presented to the Board at its meeting in July 2019.

BAWSCA anticipates to hold a technical workshop in Fall 2019 to review available information and initiate discussions that will help inform agencies and the Board about what project structure will be most effective for BAWSCA agencies; regional structure or subscription structure. Information from the workshop will be presented to, and discussed with, the Board at its November 2019 meeting.

BAWSCA hopes to provide a complete cost estimate on both the LVE project itself and the conveyance at the January 2020 Board meeting. The preliminary terms for the JPA structure is anticipated to be available by the March Board meeting, and results of the work effort under the current cost share agreement by the July Board Meeting. These pieces of information would set the board up for decision making on whether to proceed as a JPA partner in November 2020.

BAWSCA continues its efforts to obtain project cost estimates. CCWD has provided the cost estimates for the LVE project itself, the water supply, and the new project

facilities. The missing piece is the cost of conveyance. There are three major cost components for the conveyance; use of the South Bay Aqueduct (SBA), the San Francisco Regional Water System (SF RWS), and the Milpitas Intertie and associated wheeling costs with Santa Clara Valley Water District (SCVWD)

CCWD has been provided BAWSCA with the preliminary analysis on the available capacity to move water through the SBA. BAWSCA is working with Hazen and Sawyer, the consultant hired to complete BAWSCA's regional reliability model, to evaluate the use of SBA at the times BAWSCA would need supply.

BAWSCA has prepared an initial analysis on the cost for delivering water from LVE through SF RWS. This information will be shared with the Board when the full analysis is complete.

BAWSCA is scheduled to meet with SCVWD on April 12th to begin discussions on the use of the Milpitas Intertie.

Monthly discussions are ongoing with BAWSCA's WMR. Ms. Johnson reported that the WMRs were appreciative of the clarification of their role as technical resources for their respective Board member about the LVE project and the project's impacts and values to the member agencies. Feedback received from the WMRs at its April 4th meeting were consistent with BAWSCA's and the Board's expectations of the LVE. They share the Board's desire to get as complete cost information as possible, as soon as possible, to inform the discussions and decision points of the project.

The WMRs were highly supportive of a workshop to review the technical details on the project, and expressed interest in clarifying the roles of the overlapping agencies participating in the LVE.

Because BAWSCA, SCVWD, SFPUC and ACWD are all independent LVE partners, there is interest from the WMRs to understand each agencies' interest in the project, whether the interests are complimentary, contradictory, or redundant, and how the overlapping participation impacts the costs.

As part of the overall efforts to learn as much about the LVE as possible, BAWSCA asked the WMR to stay informed on the project through the monthly discussions at WMR meetings and staff reports, so they are prepared to discuss the project with their respective Board member, as well as to provide their technical insights that can support policy level decisions. They were also asked to consider and be prepared to respond to questions of what their agency's interests are in supplemental supplies during shortage, and what their cost sensitivities are for those supplemental supplies.

There were no questions or comments from members of the Committee.

Director Zigterman asked for the workshop be held so that information from it can be available to the BPC at its meeting in October.

7. Reports:

- A. Water Supply Update: Ms. Sandkulla reported that water supply conditions are good. Calaveras is at 69% of capacity. While it may not fill, DSOD has released all restrictions on the storage.
- B. Bay Delta Plan Update: . Ms. Sandkulla reported that on February 13, 2019 BAWSCA moved to intervene in the lawsuit filed by San Joaquin Tributaries Authority, including San Francisco, in Tuolumne County. Since then, other lawsuits have been filed, including one by SCVWD. The most recent one was filed on March 28, 2019 by the US Justice Department and the US Department of the Interior for civil actions against the State Water Resources Control Board (SWRCB) for failing to comply with CEQA.

BAWSCA's intervention was granted with no comments or oppositions.

The Voluntary Settlement Agreement discussions continue. BAWSCA stays engaged with the SFPUC who is directly and actively involved in the discussions. The Governor's appointed Secretaries for the Natural Resources and CAL EPA are directing the negotiations, and have set June 30th as the deadline for resolving the critical path items. The SWRCB may consider VSA's as early as December 1, 2019.

8. **Closed Session:** The meeting adjourned to Closed Session at 3:05pm
9. **Open Session:** The meeting convened to Open Session at 3:19pm. Legal Counsel, Nicole Witt, reported that no action was taken during Closed Session.
10. **Comments by Committee Members:** Director Zigterman thanked the members for their questions and encouraged members to reach out to the CEO/General Manager regarding any concerns they may have.
11. **Adjournment:** The meeting was adjourned at 3:38 pm. The next meeting is June 12, 2019.

Respectfully submitted,

Nicole Sandkulla, CEO/General Manager

NS/le

Attachments: 1) Attendance Roster

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting

April 10, 2019

Attendance Roster

| Agency | Director | Apr. 10, 2019 | Feb. 13, 2019 | Dec. 12, 2018 | Oct. 10, 2018 | Aug. 8, 2018 | Jun. 13, 2018 | Apr. 11, 2018 |
|--------------|------------------------|------------------|------------------|------------------|------------------|----------------------|------------------|------------------|
| Stanford | Zigterman, Tom (Chair) | ✓ | ✓ | ✓ | ✓ | MTG CANCELLED | ✓ | ✓ |
| Westborough | Chambers, Tom (VChair) | ✓ | ✓ | n/a | n/a | | n/a | n/a |
| Palo Alto | Alison Cormack | ✓ | n/a | | | | | |
| Foster City | Hindi, Sam | | | n/a | n/a | | n/a | n/a |
| Cal Water | Kuta, Rob | ✓☎ | ✓ | | ✓ | | ✓ | ✓ |
| Sunnyvale | Larsson, Gustav | ✓ | | ✓ | ✓ | | ✓ | |
| Hayward | Mendall, Al | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Redwood City | Pierce, Barbara | ✓ | ✓ | ✓ | | | ✓ | ✓ |
| Brisbane | Wood, Sepi | ✓ | ✓ | n/a | n/a | | n/a | n/a |

✓: present

☎ : Teleconference

April 10th Meeting Attendance**BAWSCA Staff:**

Nicole Sandkulla CEO/General Manager
Tom Francis Water Resources 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
Nathan Metcalf Legal Counsel, Hanson Bridgett, LLP
Nicole Witt Legal Counsel, Hanson Bridgett, LLP
Bud Wendell Strategic Counsel

Public Attendees:

Paul Sethy ACWD, Director
Leonard Ash ACWD
Karla Dailey Palo Alto
Michelle Novotny San Francisco Public Utilities Commission

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Authorization to Enter into a Contract with West Yost Associates to Conduct an SFPUC Asset Management Program Audit**

Summary:

The BAWSCA FY 2019-20 Adopted Work Plan includes the initiation of an audit of the SFPUC's asset management practices for the San Francisco Regional Water System (SF RWS). The Asset Management Program Audit (Audit) Phase 1, to be completed in FY 2019-20, includes the review and documentation of the existing SF RWS asset management program in place at the SFPUC. Phase 1 will provide a report with details of SFPUC's current asset management program, a summary of the data and technology systems in use by SFPUC, and an assessment of which asset management processes, plans, and systems warrant further evaluation.

A Request for Proposals (RFP) for the Audit was released on May 3, 2019, proposals were due on May 31, 2019, and consultant interviews, if needed, are to be held on June 11, 2019. Although nine consultants were made aware of the RFP, only one proposal was received. A selection panel consisting of BAWSCA staff as well as two outside panelists with asset management expertise reviewed and scored the proposal. Based on the results of the proposal review, the selection panel recommended that BAWSCA award the contract to West Yost Associates.

Fiscal Impact:

Phase 1 of the Audit, to be completed in FY 2019-20, has a proposed budget of \$55,000. Funding of \$55,000 for this effort was included in the FY 2019-20 Operating Budget.

It is anticipated that the Plan will be a multi-year effort and that the work completed in Phase 1 will inform the budget needs for FY 2020-21 and subsequent years.

Recommendation:

That the Board Policy Committee:

- 1) Recommend the Board authorize the CEO/General Manager to negotiate and execute an agreement with a West Yost Associates, subject to legal counsel review, to complete the Asset Management Program Audit; and**
- 2) Provide input to the CEO/General Manager on what additional information, if any, might be useful to the Board for its consideration in July.**

Discussion:

The BAWSCA FY 2019-20 Adopted Work Plan includes the initiation of an audit of the SFPUC's asset management practices. Phase 1 of the Audit, to be completed in FY 2019-20, includes the review and documentation of the existing SF RWS asset management program in place at the SFPUC. Per Section 3.10c of the 2009 WSA, San Francisco is required 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.

Phase 2 of the Audit may be considered by the BAWSCA Board as a separate action for completion in FY 2020-21. Phase 2 may include a gap assessment, identification and

prioritization of recommended improvements to the SFPUC asset management program, and preparation of a letter-style report to SFPUC documenting the Phase 2 findings and recommended actions.

Consultant Selection Process

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

BAWSCA released the RFP for Phase 1 on May 3, 2019. The RFP was sent to nine firms and was publicly advertised on the BAWSCA website. Proposals were due back on May 31, 2019. A panel consisting of BAWSCA staff and two outside panelists with asset management expertise reviewed the one proposal received.

The proposal was evaluated based on the following criteria:

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

The panel concluded that the proposal submitted by West Yost is sufficiently detailed and appropriate to demonstrate that the firm possesses the necessary expertise to complete the Audit within the proposed timeframe to meet BAWSCA's needs. Based on its evaluation of the written proposal, the panel unanimously recommended contract award to West Yost Associates, subject to successful final negotiations that may be necessary.

Scope of Work

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

- **Data Collection and Review:** Contractor will review existing documentation on the SFPUC asset management program, which may include reports, web information, spreadsheet documentation, system specifications or manuals, and/or other information. Contractor will prepare a list of information needed in order to thoroughly understand and document the SFPUC asset management program.
- **Interview SFPUC Staff and Review Systems:** Contractor will conduct interviews and perform asset management process reviews with key SFPUC staff and will document the existing SFPUC water enterprise asset management program.
- **Prepare Report:** Contractor will prepare a document that summarizes the existing asset management program in place at the SFPUC. That document will include details of the current asset management program, a summary of the data and technology systems in use by SFPUC, and an assessment of which asset management processes, plans, and systems warrant further evaluation.
- **Project Management:** Consultant will provide day to day administration of the project and will periodically meet with BAWSCA to discuss Project goals, progress, and outcomes.

- Optional Year 2 Services: Following completion of the aforementioned tasks in FY 2019-20, BAWSCA, at its sole discretion, may opt to engage the Contractor for Year 2 of the Asset Management Audit. These services may include a gap assessment, identification and prioritization of recommended improvements in the SFPUC asset management operational practices, and preparation of a letter to SFPUC documenting recommended actions.

Schedule

BAWSCA anticipates commencing work in July 2019 and proposes the following overall schedule to ensure that key information is available in time for the development of the BAWSCA FY 2020-21 Work Plan.

| Milestone | Proposed Completion Date |
|---|---------------------------------|
| Work commences | July 2019 |
| Document review complete and topic list provided to SFPUC | September 2019 |
| Interviews begin | October 2019 |
| Interviews complete | January 2020 |
| Draft report provided to BAWSCA for review | March 2020 |
| Draft report provided to SFPUC for review | April 2020 |
| Final report complete | May 2020 |

Alternatives Considered:

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

- Alternative #1: Support the Recommended Actions. The Asset Management Program Audit was a key task included in the FY 2019-20 Work Plan. The proposal received by West Yost Associates demonstrated that the firm possesses the necessary expertise to complete the Audit within the proposed timeframe. Award of the contract to West Yost Associates will support completion of the Asset Management Program Audit Phase 1 activities in FY 2019-20 as originally anticipated.
- Alternative #2: Re-issue Request for Proposals in July 2019. The BAWSCA Board can choose to re-issue the RFP and seek additional proposals. This alternative would delay the Audit start by at least two months, which would pose a significant challenge in completing the work in FY 2019-20. In addition, it is unclear that a re-issue of the RFP would result in any additional proposals. Informal feedback from consultants that chose not to propose indicate a concern with a potential future conflict with the SFPUC. **This alternative is not recommended.**

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**Attachment A
DRAFT Scope of Work: “Asset Management Program Audit - Phase 1”**

BAWSCA seeks to conduct an audit of the SFPUC Asset Management Program. Phase 1 of the audit, to be conducted in FY 2019-20, will focus on documenting existing SFPUC asset management program and practices (Project). BAWSCA intends to enter into a one-year contract with the Contractor. Phase 2, anticipated to be conducted in FY 2020-21 under separate agreement, will include a standards assessment and gap analysis.

Through Phase 1 of the audit, the following information on the SFPUC Asset Management Program shall be documented:

- Asset registry processes.
- Information technology capabilities to support asset management.
- Processes for determining asset criticality and risk.
- Processes for operations and maintenance improvements.
- Processes for assessing asset condition and remaining useful life.
- Processes for forecasting future financial requirements for asset repair and renewal.
- Level of service goals.
- Linkage(s) of asset management to strategic plans, capital improvement programs, etc.

Phase 1 shall include the following Tasks 1 – 4 below. In addition, following completion of Tasks 1 – 4, BAWSCA, at its sole discretion, may opt to engage the Contractor for Year 2 of the Asset Management Audit (Task 5 below).

Task 1 - Project Management

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

Consultant will periodically meet with BAWSCA project manager and management, either via phone or in person, to discuss Project goals, progress, and outcomes.

Task 2 – Review Existing Documentation and Prepare Topic List

Contractor will review existing documentation on the SFPUC asset management program, which may include reports, web information, spreadsheet documentation, system specifications or manuals, and/or other information.

Contractor will prepare a list of information needed in order to thoroughly understand and document the SFPUC asset management program. The list is anticipated to be broad enough to covers all probable components of an active, robust asset management plan that can be expected to be in place at a large water utility. BAWSCA envisions that that broad list is likely to align with the items mentioned under Section 4 of this proposal.

The goal of developing and providing this list is to gather as much needed information as is made available by the SFPUC in advance of conducting in-person interviews and site visits. Consultant will provide the list to the SFPUC project liaison to support identification of appropriate SFPUC staff members to engage in data collection and follow-up interviews.

Task 3 – Interview SFPUC Staff and Review Systems

Contractor will conduct interviews and perform asset management process reviews with key SFPUC staff. Interviews may include a combination of telephone interviews, written questionnaires, in-person interviews, and workforce shadowing. Interviews may also include in-person review(s) of SFPUC computer systems applicable to the asset management program.

It is anticipated that consultant staff will coordinate directly with SFPUC to schedule interviews; however, BAWSCA staff may accompany Contractor to some interviews.

Contractor will document the existing SFPUC water enterprise asset management program. It is anticipated that these this task will be completed through a combination of interviews with key staff, review of existing documentation, and in-person review of existing systems.

Task 4 – Prepare Report

Contractor will prepare a document that summarizes the existing asset management program in place at the SFPUC. That document will include, at a minimum:

- a) Discussion detailing current asset management objectives, policies, goals, business processes, roles and responsibilities, performance reporting, regulatory compliance, and service commitments.
- b) A summary of data and technology systems in use by the SFPUC (including both computer systems and manual/paper systems) to support asset management activities, including systems that are currently in production, being deployed, or in planning/design stage.
- c) Write-up identifying those asset management processes, plans, information systems, and operational activities that warrant further evaluation.

Contractor shall prepare two drafts of the report, including a first draft for BAWSCA review and a second draft for SFPUC review, as well as a final report. Contractor shall provide 10 printed copies of the final report as well as an electronic copy.

Task 5 – Optional Year 2 Services

Following completion of Tasks 1 – 4, BAWSCA, at its sole discretion, may opt to engage the Contractor for Year 2 of the Asset Management Audit. Year 2 services are anticipated to include the following tasks:

- Identify gaps in asset management processes, plans, information systems, and operational activities.
- Identify and prioritize opportunities for improvements in the SFPUC asset management practices.
- Identify specific actions required to achieve asset management improvements.
- Develop a letter to SFPUC documenting the specific opportunities for improvement and recommended actions.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Authorization to Enter into a Memorandum of Understanding with Regional Water Authority to Implement a Regional Smart Controller Program**

Summary:

BAWSCA is seeking to partner with the Regional Water Authority (RWA) to implement a Regional Smart Controller Program (Program). The Program, which would be implemented as a new Subscription Program as part of the BAWSCA Regional Water Conservation Program, will offer the residential water customer a rebate for a smart controller purchase along with installation support services. The goal of the Program is to improve water use efficiency in single-family households through the management of outdoor water use.

The Program will be managed by RWA, a joint powers authority representing two dozen water providers and affiliates in the greater Sacramento region. BAWSCA and RWA desire to partner on this effort to increase the economy of scale for the program and provide cost savings for the participating agencies. The Program will initially be implemented in FY 2019-20, with an opportunity to extend further into future years as desired by RWA and BAWSCA.

Through a competitive procurement led by RWA, Rachio was selected to implement the Program. On May 22nd, the RWA Executive Committee approved the consultant selection. To participate in the program, BAWSCA would enter into a Memorandum of Understanding (MOU) with RWA.

Fiscal Impact:

The Regional Smart Controller Program will be offered on a subscription basis, and only those agencies that elect to participate in the program will pay the cost of the selected outside service provider.

Recommendation:

That the Board Policy Committee:

- 1) Recommend the Board authorize the CEO/General Manager to negotiate and execute a Memorandum of Understanding with Regional Water Authority, subject to legal counsel review, to implement the Regional Smart Controller Program; and**
- 2) Provide input to the CEO/General Manager on what additional information might be useful to the Board for its consideration in July.**

Discussion:

The BAWSCA FY 2019-20 Adopted Work Plan includes the implementation of an expanded outdoor landscaping rebate program with a new smart irrigation controller rebate and installation component. Smart controllers are weather-based irrigation controllers that use current weather data to properly adapt irrigation schedules. Consistent with the Work Plan, BAWSCA is seeking to partner with the RWA to implement a Regional Smart Controller Program. The Program, which would be implemented as a new Subscription Program as part of the BAWSCA Regional Water Conservation Program, will provide the residential water customer a rebate for the purchase of a smart controller along with installation support services.

The goal of the Program is to improve water use efficiency in single-family households through the management of outdoor water use. The Program is anticipated to support BAWSCA agencies in complying with the new urban water use objective mandated by the State under AB 1668 and SB 606.

Consultant Selection Process

RWA issued a Request for Qualifications (RFQ) for the Program on April 11, 2019. The RFQ was sent to sixteen consulting firms with known experience in smart controller equipment and programs and was also posted on the RWA web site. Proposals were due on May 9, 2019. BAWSCA staff and legal counsel participated in the RFQ development, and BAWSCA staff served on the consultant selection panel.

Only one response to the RFP was received from Rachio (submitted in partnership with their subcontractor, Valley Soil). After the review and scoring of the proposal, the review panel unanimously recommended Rachio as the consultant for this program to the RWA Executive Committee. Rachio demonstrated a past history of similar projects in California, industry standard landscape/irrigation staff qualifications, a robust customer service and marketing package, and a reasonable fee schedule.

Scope of Work

The Scope of Work, as included in the RFQ, is included in Attachment A. The program has four main tasks:

1. Provide Program design and administration framework, including an online platform to facilitate RWA's Program oversight and management.
2. Provide marketing, online sign up platform, customer assistance, and training and installation services necessary to implement a "turnkey" multiagency smart controller program.
3. Develop and provide Program evaluation metrics.
4. Provide Program status and completion reports.

Schedule

BAWSCA anticipates that implementation of the Program will begin in September 2019 and be offered to interested BAWSCA member agencies as a subscription conservation program through June 30, 2020. This timeline may be adjusted depending on the length of time required to negotiate and execute the MOU with RWA. If mutually desired by BAWSCA and RWA, the program could be extended for additional years.

Alternatives Considered:

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

- **Alternative #1: Support the Recommended Actions.** The Program will support reductions in outdoor water use. Through partnership with RWA, BAWSCA is able to leverage economies of scale, in particular for project initiation costs, to implement the Program cost-effectively for the BAWSCA agencies. Near-term implementation of the program will support the BAWSCA agencies in complying with State long-term water use efficiency requirements.
- **Alternative #2: Seek to Implement a Program Separate from RWS.** The BAWSCA Board can opt to decline the partnership opportunity with RWA and to seek to implement

the Program directly. This alternative would delay the Program start by at least two months and would likely result in higher costs to the BAWSCA agencies for program initiation. **This alternative is not recommended.**

**Attachment A
DRAFT Scope of Services: Regional Smart Controller Program**

| | |
|----------------------------------|--|
| <p>Nature of Services</p> | <p><u>Program Description:</u> The Regional Water Authority (RWA) is seeking support for the implementation of a Regional Smart Controller Program (Program). Situated in the central valley of California, the Sacramento region’s residential outdoor water use is estimated to be between 50-60% of a household’s total use. The goal of the Program is to convert higher water use households to more water efficient households through the installation of smart controllers to manage outdoor water use. The Program timeline is June 2019-March 2020 with an opportunity to extend further into 2020 and beyond, pending RWA approval and available funding. Currently funding for the Program is \$110,000. There may be additional opportunities to expand the Program into other parts of northern California, in partnership with RWA, pending partner water agency approval and available funding. For this Program, smart controller is defined as a weather-based irrigation controller that uses current weather data to properly adapt irrigation schedules.</p> <p>RWA is seeking responses from Consultants that can perform the following tasks. Tasks may be modified throughout the Program time period on the approval of both RWA and the selected Consultant.</p> <p>TASK 1. Program Design and Administrative Framework</p> <p>Program Design: Consultant will work with RWA staff to design a Smart Controller Program that will fit the needs of RWA and its member water agencies. Design includes the selection of smart controllers to be offered through the Program, associated customer costs (if any) and customer target audience.</p> <ul style="list-style-type: none"> • Smart controllers distributed through the Program must be certified by the United States Environmental Protection Agency (USEPA)’s WaterSense Program (www.epa.gov/watersense/irrigation-controllers). Other controller features must include an optional associated mobile phone application, ability to program customized irrigation zones and watering days and a noninvasive installation process. Some participating agencies may choose to add in additional irrigation related devices such as high efficiency sprinkler nozzles to compliment the controller and increase water savings. All products distributed/installed through this Program must be WaterSense labeled, if applicable. Estimated cost per controller is required in Attachment C. • RWA is open to considering a variety of customer cost scenarios including 100% RWA funded and cost share (customer and RWA funded) options, with the understanding the RWA has a limited budget. RWA encourages the submitting Consultants to propose Program funding ideas based on previous experience/observations, customer satisfaction ratings and |
|----------------------------------|--|

customer participation research. Proposal should also include a Program design option that allows for different customer cost scenarios among participating cities and water providers for continued participation of RWA agencies beyond the initial \$110,000 funding and for additional participation from potential multiregional partners. For example, controllers may be partially funded for some service areas and entirely funded for others.

- Consultant will work with RWA to define and identify the ideal **customer target audience** in the region. RWA prefers to focus on high water use customers. Definitions of high water use customers may vary between participating RWA member water agencies and partnering agencies.

Administrative Framework: Consultant must provide RWA with a web-based online platform to provide information on the number of active controllers in the region, irrigation schedules, and respective water agency for each controller location. Exact location and customer data is not needed. The platform will be used by RWA to provide monthly Program updates to water agency members and will be included in any related reports. Ideally summary information would be easily downloadable from the online platform in excel or PDF format.

TASK 2. Customer Focus

Marketing: Consultant will work with RWA staff and member agencies to refine customer target audience and provide a marketing plan to reach the identified audience. The marketing plan will include a variety of direct and digital marketing strategies to promote customer installation of smart controllers and may include email and social media campaigns, neighborhood based groups and/or referral programs. Consideration will also be given for those customers that may not have access to digital resources or prefer more traditional outreach methods like flyers and postcards. Marketing efforts should reflect available Program budget.

Customer Assistance: Consultant will provide a service telephone number to field customer questions regarding the Program. This telephone number will be included on all printed and digital outreach materials. Customer inquiries to the phone line will be returned within 24 hours. The telephone number will remain active for the full duration of the Program unless agreed otherwise by RWA and Consultant.

Customer Eligibility: Consultant will work with RWA to develop an online customer sign up portal/website to confirm customer eligibility according to RWA Program rules and regulations. Eligibility requirements have not been determined yet but may include location/address, account number verification, approved landscape irrigation audit, and/or water use thresholds.

Product Warranty: Consultant will provide a minimum of one year product warranty for all smart controllers and other devices distributed or installed through the Program. Warranty may be a manufacturer’s warranty. Information about the warranty will be provided to the customers upon delivery/installation of the smart controller and/or other devices.

Participation/Sign Up: Consultant must provide an online customer sign up portal/website for the Program. Portal must be able to verify customer information, allow customer to select products for purchase/rebate, accept customer payments (as needed), allow for customer sign up for optional installation services, and provide some level of customer support with Program questions. Portal must be user and mobile friendly. Customer interface portal should allow for clear delineation of program options available based on customer’s address and/or water agency.

Installation: Consultant will acquire, train, and manage installation professionals that will perform work in RWA member service areas for the duration of the Program. Through the online platform, customers will have the option to receive a controller (and potentially other devices) via mail and customers can also select to have the controller installed for a fee. Consultant may also provide an option for customers to have an on-site irrigation system audit. Fee for controller installation and/or irrigation audit may be partially paid by RWA/participating water agency or may be solely paid by the customer desiring such services. Fee structure for installation and irrigation audit may vary by city or water provider. Consultant is solely responsible for all liability from installations on customers’ properties and will develop and collect liability forms from all customers choosing installation services. Consultant will confirm that installation professionals have the required training and licensing to perform installations for controller and additional devices. Consultant will track and submit data to RWA listing customers that participated in installation services. Estimated fee per installation is required in Attachment C.

Training: Consultant will design and provide two in-person customer training sessions throughout the Program timeframe. The training sessions serve two purposes: 1) to provide customers with additional information about operating and maintaining their smart controller; and 2) to provide water agency staff additional information on how to assist customers with questions about smart controllers over time. Sessions will be held in geographically diverse, publicly accessible locations in the region in partnership with RWA and member water agencies. Consultant will also provide an online training session (webinar or similar format) that can be accessed by customers, RWA, and partner agencies outside of the training sessions in perpetuity. Consultant will also provide an educational handout with every smart controller distributed through the Program. Content of the handout will be approved by both Consultant and RWA.

| | |
|---|--|
| | <p>TASK 3. Evaluation Metrics</p> <p>Consultant will provide options for tracking and evaluating Program participation for the entire regional Program as well as by individual participating water agency. Metrics may include post installation/participating customer satisfaction survey. Metrics will be approved by RWA Program Manager and will be included in Program Status and Completion Reports (Task 4). Metrics may be changed during the Program timeframe to respond to changing Program needs. Real time online downloadable summary of metrics is preferred.</p> <p>TASK 4. Program Status and Completion Reports</p> <p>Consultant will provide RWA with Program status reports on a quarterly basis and one final completion report at the end of the Program. Reports will include but are not limited to the following: participating water customers information, number and type of controllers and/or irrigation equipment distributed and/or installed, type of controller removed from customer’s residence (if installation services were provided), incurred Program costs, customer complaints (if any), etc. Consultant will work with RWA to define report outline prior to Program start. Report outline may be modified during the Program timeframe to meet unforeseen reporting needs.</p> |
| <p>Program Expansion Opportunities</p> | <p>Several other regional and wholesaler agencies in northern California may be interested in participating in this Program. Consultant should brainstorm and present potential management options in the RFP response to incorporate other regional/wholesaler agencies. RWA would serve as the Program lead for any expansion efforts and the partner agencies would enter into an agreement with RWA to piggyback on the contract resulting from this solicitation. Consultant should incorporate the following considerations into their proposal:</p> <ul style="list-style-type: none"> • How would your company expand the requested RWA services (administrative framework, customer portal, installation services, marketing, etc.) to other agencies? • What services are customizable for other participating agencies? Selection of products? • List benefits from expanding the Program beyond the RWA member service areas. Potential to offer discounts for product and services? • List potential challenges from expanding the Program beyond the RWA member service areas. <p>Potential partners include: BAWSCA and the BAWSCA Member Agencies and Sonoma Water and its contractors.</p> |

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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: June 7, 2019
SUBJECT: Chief Executive Officer/General Manager's Letter

SFPUC Efforts to Meet Water Supply LOS Goals:

In their presentation to the BAWSCA Board on March 21, 2019, SFPUC staff described the need for alternative supplies to address known shortfalls. Recognized shortfalls include the loss of supply to comply with existing and pending instream flow obligations on the San Mateo Creek, Alameda Creek, and Tuolumne River. SFPUC noted that select BAWSCA agencies had or were close to exceeding their Individual Supply Guarantees and as such desired more water. Further, SFPUC has yet to identify supplemental sources that enable the City of San Jose and the City of Santa Clara to be made permanent customers.

The SFPUC has identified and initiated early planning on various projects that could be implemented to address the identified water supply shortfall. A list of nine possible projects was shared with the BAWSCA Board at the above referenced meeting. Included were two recycled water projects, three purified (potable reuse) water projects, two reservoir expansions, one permanent water transfer, and one desalination project. Many of the projects involve many partners and thus depend on other entities in addition to SFPUC.

BAWSCA continues to press SFPUC to show more progress in developing alternative supplies to address the known water supply shortfalls. This topic will likely be visited often in the coming years, particularly as BAWSCA service area demand grows and shortfalls become more acute.

SFPUC Capital Improvement Program – Update:

Moccasin Reservoir:

As detailed in SFPUC's May 21, 2019 Hetch Hetchy CIP Quarterly Report, various emergency repairs and interim improvements were required at Moccasin Reservoir to address the damage that occurred from the March 2018 storm event to facilities associated with the Moccasin and Priest reservoirs.

In early 2019, SFPUC's work focused on the repair of the auxiliary spillway and other items required by the California Division of Safety of Dams (DSOD) for refilling the reservoir. Dam safety related construction work has been completed, and in late March 2019, DSOD approved refilling Moccasin Reservoir.

The construction of the Moccasin upstream debris barrier and downstream flood control berm is ongoing and is expected to continue through fall 2019. SFPUC also plans to lower Moccasin Reservoir levels in August and September 2019 to facilitate both the installation of the in-reservoir debris boom and the work associated with Gate 3 replacement and automation.

A California Disaster Assistance Act (CDAA) grant from the California Governor's Office of Emergency Services (Cal OES) has been received by SFPUC and will reimburse a portion of the costs of damage repair. SFPUC staff continues to work with Cal OES representatives to determine applicable scope and costs that will be covered under the CDAA grant.

In addition to the 2018 March Storm Event Emergency Repairs and Interim Improvements project summarized above, SFPUC staff will initiate a project for long-term improvements to the Moccasin Reservoir facilities, including the Moccasin Lower Dam, Moccasin Upper Diversion Dam, and other appurtenant facilities. The SFPUC is planning to propose this work for inclusion in the Water Enterprise 10-year CIP as part of the capital planning process to be initiated in fall 2019.

Mountain Tunnel:

As detailed in SFPUC's May 21, 2019 Hetch Hetchy CIP Quarterly Report, work was substantially completed on Mountain Tunnel Interim Repairs by the close of the 3rd quarter (March 31, 2019). Work performed in the winter of 2018/19 included a 60-day shutdown of the tunnel. During this shutdown, tunnel repairs that had commenced during earlier shutdowns in 2017 and 2018 (e.g., contact grouting, invert paving, and smoothing work) were completed. Final construction completion is anticipated in June 2019. The total budget adopted for interim repairs total \$23.5 million, the bulk of which will be spent on final completion.

Long-term work associated with Mountain Tunnel, which includes several components such as access road improvements and the construction of a downstream flow control structure, is in the final design and permitting stage. SFPUC's environmental consultant completed administrative drafts of the Mitigated Negative Declaration under the California Environmental Quality Act (CEQA) and the Environmental Assessment (EA) under the National Environmental Policy Act (NEPA) and is now incorporating comments from San Francisco's Planning Department. SFPUC's design consultant has incorporated comments from staff, a Technical Advisory Panel (TAP), and other team members into the 95% design package. That package is currently under review by SFPUC staff and the TAP. Aside from working to complete the design, the team is developing a bid strategy, a list of major construction risks, a cost estimate, and a project schedule. The current estimated cost for long-term work is budgeted at \$238.22 million. The project is scheduled for final completion in December 2026.

Conservation Legislation Implementation Update:

On May 20th, the Department of Water Resources (DWR) held an "Urban Overview Meeting" regarding the implementation of the 2018 Water Conservation Legislation (AB 1668 and SB 606). The meeting included updates on the State's work efforts to implement the legislation as well as information on the formation of the technical workgroups to address specific elements of the legislation.

The six new workgroups to be formed include: 1) wholesale water loss; 2) water use studies; 3) standards, methodologies, and performance measures; 4) urban water management guidebook; 5) annual water supply and demand assessment; and 6) data streamlining.

Individuals or agencies that are interested in participating in the workgroups can apply to DWR by June 14th. BAWSCA has applied to participate in a workgroup and is also coordinating with the BAWSCA agencies, Valley Water, and SFPUC to encourage regional participation in each workgroup.

It is anticipated that workgroups will convene in Summer 2019 and will continue work through early 2021. Per the legislation, DWR is required to provide recommendations to the State Water Resources Control Board (SWRCB) on standards for outdoor water use and performance measures for CII water use by October 1, 2021. The SWRCB is required to adopt the final long-term standards by June 30, 2022.

SB 699 - Update

BAWSCA is working with Senator Hill on legislation, SB 699, to extend state oversight of the SFPUC's Water System Improvement Program from January 1, 2022 to January 1, 2026 and extend the bonding authority of the Regional Financing Authority (RFA) from December 31, 2020 to December 31, 2030. On May 20th, SB 699 passed the Senate floor with a unanimous vote.

SB 699 has now been moved over to the Assembly and has been referred to the Assembly Committee on Local Government. BAWSCA is working closely with Senator Hill to support the bill in the Assembly and to secure the necessary affirmative votes for passage.

BAWSCA Employment Opportunities:

Water Resources Engineer/Specialist

In conjunction with the adoption of the proposed FY 2019-20 Work Plan and Operating Budget, the BAWSCA Board approved a new water resources staff position. BAWSCA has initiated the recruitment process, including additional targeted outreach aimed at encouraging a diverse applicant pool.

As detailed in the employment ad, the Water Resources Engineer/Specialist will be called upon to support BAWSCA's technical and policy-level water resources work and participate along with other BAWSCA staff in the implementation of BAWSCA's Work Plan. He/she will play an integral role in BAWSCA's water conservation efforts and in BAWSCA's efforts to oversee SFPUC's water supply planning, operation and maintenance activities associated with the San Francisco Regional Water System. He/she will also assist the Water Resources Manager in the review of SFPUC's Capital Improvement Plan (CIP) and the tracking of SFPUC's progress in implementing the CIP.

BAWSCA anticipates conducting interviews in July and a final hiring decision by early August.

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Board Policy Committee Policy Calendar Through November 2019

| Meeting Date | Purpose | Issue or Topic |
|----------------|--|---|
| June 2019 | D&A D&A D&A R&D | Discussion and possible action on CEO Performance Evaluation Procedure Authorization of Consultant Agreement for an Asset Management Audit Authorization of Consultant Agreement for a Regional Smart Controller Program Discussion of Bay Delta Plan |
| August 2019 | D&A D&A D&A D&A R&D | CEO/General Manager Evaluation Review of Agency Personnel Handbook Resolution Approving Temporary Appointment of A. Jensen as Special Counsel to the CEO/General Manager Consideration of Agreements Related to BAWSCA's Pilot Water Transfer; CEQA Determination; Financing Approval Review of CERBT Fund Update |
| September 2019 | D&A D&A R&D R&D R&D R&D | Annual Review and Consideration of BAWSCA's Statement of Investment Policy Review and Consideration of BAWSCA's General Reserve Policy BAWSCA's Regional Water Supply Model – Analyses Update LVE Update & Feedback from Agency Workshop Demand Study Update Tier 2 Update |