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

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 20011-12. 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. <u>Los Vaqueros Expansion (LVE) Project – Update:</u> 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

Nicole Sandkulla, CEO/General Manager

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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
Adrianne 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