

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

JANUARY 16, 2020

6:30 P.M.

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

Oak Room

(Directions on Page 2)

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page</u>
1. Call to Order/Roll Call/Salute to Flag	(Pierce)	
2. Special Order of Business – Election of Officers for Calendar Year 2020 <i>(Attachment)</i> <ul style="list-style-type: none">• Election of Chair• Election of Vice Chair <i>(The terms of the new Chair and Vice-Chair commence at the end of the meeting at which they are elected)</i>	(Pierce)	<i>Pg 3</i>
3. Break for the San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting	(Pierce)	
4. Reconvene following San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting	(Pierce)	
5. Comments by the Chair	(Pierce)	
6. Comments Board Policy Committee Report <i>(Attachment)</i>	(Chambers)	<i>Pg 5</i>
7. SFPUC Report	(Kelly)	
8. Public Comments <i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(Pierce)	
9. Consent Calendar <i>(Attachments)</i> <ul style="list-style-type: none">A. Approve Minutes of the November 21, 2019 MeetingB. Receive and File Budget Status Report – As of November 30, 2019C. Receive and File Investment Report – as of December 31, 2019D. Receive and File Directors' Reimbursement Report – As of December 31, 2019	(Pierce)	<i>Pg 19</i> <i>Pg 23</i> <i>Pg 25</i> <i>Pg 27</i>
10. Action Calendar <ul style="list-style-type: none">A. Annual Review and Consideration of BAWSCA's Statement of Investment Policy <i>(Attachment)</i> <i>The Board Policy Committee voted unanimously to recommend the proposed Board action.</i>B. Mid-Year 2019-20 Work Plan and Budget Review <i>(Attachment)</i> <i>The Board Policy Committee voted unanimously to recommend the proposed Board action.</i>	(Tang) (Sandkulla)	<i>Pg 29</i> <i>Pg 37</i>

11. Reports

(Sandkulla)

- A. Water Supply Update
- B. Bay Delta Plan - Update
- C. Pilot Water Transfer – Update
- D. CEO Letter (*Attachment*)
- E. Correspondence Packet ([Under Separate Cover](#))
- F. Policy Calendar (*Attachment*)

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12. Closed Session

- A. **Conference with Legal Counsel – Existing Litigation pursuant to** (Schutte)
Paragraph (1) of subdivision (d) of Government Code Section 54956.9
Federal Energy Regulatory Commission Final License Application
Proceedings for Don Pedro Hydroelectric Project, P-2299-082, and La
Grange Hydroelectric Project, P-14581-002.
- B. **Conference with Legal Counsel – Existing Litigation pursuant to** (Schutte)
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).

13. Discussion Item

(Sandkulla)

- A. Fiscal Year 2020-21 Work Plan and Budget Planning Session (*Attachment*)

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14. Directors' Discussion: Comments, Questions and Agenda Requests

(Pierce)

15. Date, Time and Location of Future Meetings (See attached schedule of meetings)

(Pierce)

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16. Adjourn to next meeting scheduled on March 19, 2020

(Pierce)

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

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Election of Officers for Calendar Year 2020**

Summary:

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

Discussion:

The suggested process for electing the chair is as follows:

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

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

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BAWSCA

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MEMORANDUM

TO: BAWSCA Board Members

FROM: Nicole Sandkulla, Chief Executive Officer/General Manager

DATE: January 10, 2020

SUBJECT: Summary of Board Policy Committee meeting held December 11, 2019

1. **Call to Order:** Committee Chair, Tom Zigterman, called the meeting to order at 1:35 pm. A list of Committee members who were present (8), absent (1) and other attendees is attached.

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

2. **Comments by Committee Chair:** Chair Zigterman welcomed members of the Committee. He noted the substantial matters the Committee discussed in October and presented to the Board in November for action. He looks forward to discussing the mid-year budget and work plan review in preparation for the development of the workplan for next fiscal year.
3. **Public Comments:** There were no public comments. Mr. Paul Sethy, Director from Alameda County Water District, introduced himself and stated that he is in attendance as an observing member of the public.
4. **Consent Calendar:** Approval of Minutes from the October 9, 2019 meeting.
Director Cormack made a motion, seconded by Director Wood, that the minutes of the October 9, 2019 Board Policy Committee meeting be approved.

The motion carried unanimously.

5. **Action Calendar:**

- A. **Annual Review and Consideration of BAWSCA's Statement of Investment Policy:** BAWSCA Finance Manager, Christina Tang, reported that annual review and consideration of BAWSCA's Statement of Investment Policy (Policy) is a requirement of the Policy. The last review of the Policy was done in January 2019, which resulted in no changes.

All BAWSCA funds are invested in accordance with the Policy, and BAWSCA's legal counsel has confirmed that the current language in the Policy is consistent with State law. The Policy specifies the permitted investment instruments for the bond proceeds associated with BAWSCA's 2013 bond issuance. Based on BAWSCA's recent review, the current permitted

investments of money market mutual funds, certificate of deposit, and federal securities, are consistent with BAWSCA's risk tolerance and primary investment objectives of safety, liquidity and return. Therefore, no changes in the current policy or the permitted investment instruments are recommended.

Ms. Tang reported that BAWSCA's bond funds are invested in accordance with the Bond indenture and the Investment Policy. As of November 30, 2019, the total bond funds of \$21,044,440 are held by the bond trustee, Bank of New York. Of the total bond funds, \$7.9 million are bond surcharges collected from the member agencies to pay the next semi-annual debt service payment. \$13.1 million are stabilization funds, which serve as a reserve to cover debt service payments in the event of shortfalls in the surcharge revenue from BAWSCA member agencies.

The recent review determined that based on BAWSCA's circumstances and liquidity needs, a 0-5 year laddered portfolio strategy remains an appropriate investment strategy for BAWSCA, as it provides a good balance in meeting the agency's risk tolerance and primary investment objectives of safety, liquidity and yield.

Additionally, with the recent market development, and with the federal reserve reducing interest rates 3 times in the past 12 months, BAWSCA and the investment advisor believe the current investment strategy is appropriate based on the historical record showing that longer maturity strategies provide higher interest rates while protecting against reinvestment rate risks. There is a potential for further decline in short-term interest rates in the next few months.

BAWSCA is still in transition from the prior investment strategy. The transition, or "smooth-out" of the 5-year ladder, is expected to complete in less than 2 years.

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

In response to Director Cormack, Ms. Tang stated that Public Trust Advisors has been BAWSCA's investment advisor since 2014.

Ms. Sandkulla added that Public Trust Advisors was previously a part of Orrick, which was BAWSCA's bond counsel for the bond issuance in 2013. BAWSCA chose to continue using Public Trust Advisors after they separated from Orrick.

Director Cormack asked if the Quarterly Investment Report required by the Investment Policy includes rate of returns.

Ms. Tang explained that the Quarterly Investment Report includes the rate of return on BAWSCA's general funds invested in Local Agency Investment Fund (LAIF). There is a separate quarterly report provided to the Board that focus specifically on the surcharge collection and associated investment activities. This Quarterly Bond Surcharge and Collection Report provides the bond's rate of return on a quarterly basis, with a full year's report in the fourth quarter.

Director Wood asked whether BAWSCA's investment decisions are based on an individual's advice as opposed to an investment company's advice, if there is a plan for considering

service terms in the future, and if there is an investment report that details the distribution and management of the investments.

Ms. Sandkulla stated that Public Trust Advisors provides BAWSCA a team of investment advisors that work with BAWSCA on monitoring securities, investment considerations, and reviewing return options. The same team of advisors worked with BAWSCA under Orrick, BAWSCA's Bond Counsel since 2013. Public Trust Advisors subsequently acquired Orrick's investment advising services, and BAWSCA has continued to work with the same team because of their proven expertise. Additionally, annual review of the Public Trust Advisors' contract has not shown the need to make a change as their fees remain the same and BAWSCA's financial situation remain steady. There is no plan to make a change

Ms. Tang explained that the current investment policy does not require BAWSCA to have an investment committee. The Board authorizes the CEO/General Manager to work with the investment advisor to determine the best option for the agency.

Ms. Sandkulla added that BAWSCA's investment options are limited by the policy according to law. For example, the stabilization funds are all invested in US Securities, and the option for BAWSCA's consideration is on the term of the Security.

Director Mendall asked how BAWSCA pays the investment advisors and bond counsel.

Ms. Tang stated that the Bond Counsel is paid on an hourly basis as needed. Public Trust Advisor is paid a flat charge for the services they provide, which includes the quarterly reviews of BAWSCA's portfolio and consideration of investment options.

In response to Director Kuta, Ms. Sandkulla stated that the \$7.9 million in Bond Surcharges are in a money market because they are collected on a monthly basis to pay associated bond debt service payments every 6 months. Remaining funds are rolled back into the ladder approach. The quarterly bond surcharge collection report provides information on how much is in the money market and how much was earned.

Director Kuta asked how Bank of New York, as BAWSCA's Trustee, manages BAWSCA's funds to comply with the investment policy's cap of \$250,000 in any bank or savings association. Ms. Tang explained that BAWSCA explicitly states how it wants to invest its stabilization fund based on BAWSCA's strategy and in accordance with the investment policy and bond indenture. Bank of New York executes the trade as directed by BAWSCA.

Lastly, Director Kuta asked how BAWSCA's collection rate for the surcharges are in comparison to the 70% that was changed to 80% in 2015.

Ms. Sandkulla reported that BAWSCA has been collecting at a 100% with only a few instances of some agencies missing their payment. Any missed payments are typically trued-up within a quarter and there have been no debt service payment shortfalls.

Director Larsson made a motion, seconded by Director Cormack, that the Board Policy Committee recommend Board re-affirmation of the current Statement of Investment Policy.

Further comments prior to voting were provided by committee members.

Director Zigterman noted that the once a year discussion of the Policy prompts for some good background information that will be helpful for the Board in January.

Director Mendall suggested showing the long-term return rate on the \$13M Bond Stabilization Fund in a simple 7-year graph to confirm that the efforts of the current investment strategy and diversification are yielding expected results.

Director Cormack suggested that for the Board's reference, the staff report should state that the Bond surcharges are in a money market fund, the stabilization fund is in the reserve, and who the investment advisor is, for the Board's reference.

The motion passed unanimously.

Director Mendall thanked staff for their work on the investment strategy.

6. Report and Discussion:

- A. Mid-Year 2019-20 Work Plan, Budget and General Reserve Review: Ms. Sandkulla reported that BAWSCA's FY 2019-20 work plan is on schedule and on budget. Despite additional efforts by legal to move along the required Board actions on the Pilot Water Transfer in November, the agency work remains on track.

Staff is recommending two changes in the work plan.

The first is delaying the development beyond FY 2019-20 of a new Tier 2 Drought Allocation Plan until further critical information is available. Discussions with the agencies' appointed Water Management Representatives (WMR) identified needs for possible modifications to the plan, but the lack of information from the state about conservation requirements, as well as results from BAWSCA's demand study, points to no clear alternatives to the current plan.

The WMR reached consensus to delay the effort until more critical information becomes available, with the emphasis that it remains an important issue that needs to be addressed as soon as possible.

Ms. Sandkulla explained that while considerations for the Tier 2 is tied to the Voluntary Agreement (VA) associated with the Bay Delta Plan, it is more tied to the information from the State's "Making Conservation a California Way of Life", which is the State's long-term water conservation requirement. If the VA is implemented, the region, until new water supplies are developed, would be on a higher level of reduction than all other State requirements.

The second change to the work plan is the expanded effort to protect BAWSCA agencies' water supply interests with the SFPUC. It is an effort to push SFPUC to pursue a more aggressive and active water supply program to secure additional sources of water, with dedicated resources, in order to meet its legal and contractual water supply obligations to BAWSCA agencies.

The effort has been proposed for inclusion in the SFPUC's 10-year CIP currently in development, but given the progress with the State, the VA, and the potential risks to the wholesale customers, BAWSCA is putting increased pressure on the SFPUC to ensure there is a broad suite of water supply projects being analyzed, and a dedicated team to push the projects forward. Ms. Sandkulla has asked the SFPUC to identify a Director for the program

by the end of the calendar year. She stated that the increased effort is consistent with what the Board has previously expressed about the criticality for water supply reliability for the region.

BAWSCA's workplan is based on the agency's goals of ensuring water supply reliability that is of high-quality and at a fair price. Ms. Sandkulla reported on BAWSCA's ongoing efforts for each goal.

There are several components in the work plan under water supply reliability, and the first is BAWSCA's work with SFPUC in ensuring facility reliability. This involves monitoring the WSIP, 10-year CIP, and asset management program. Ms. Sandkulla was pleased to report that BAWSCA was successful in getting SB 699 passed and signed by the Governor to extend the State's oversight of the WSIP as required by AB 1823, as well as the bonding authority of the San Francisco Regional Water System Financing Authority (RFA), should SFPUC need assistance to finance capital improvement projects.

BAWSCA continues to monitor the WSIP with a focus on two outstanding water supply projects: the Alameda Creek Recapture Project in the East Bay, and the Regional Groundwater Storage and Recovery Project in San Mateo County. Both projects provide dry year water supply and are critical to the System. Unfortunately, both are experiencing challenges for completion, and BAWSCA will closely monitor its progress to ensure that changes to the projects are acceptable for the wholesale customers, and that the State is aware of how critical the projects are to the system.

The WSA Amendments that were signed by each member agency during the first 6 months of FY 2019-20 incorporated BAWSCA's increased involvement with the SFPUC's 10-year CIP development. The goal is to engage BAWSCA in conversations with SFPUC as the CIP is developed, to identify issues in the best interests of the member agencies, and to provide SFPUC comments that can be helpful in the development process. The hope is set into motion the process of collaboration as a natural course, provide the opportunity for early insight and early input.

Director Kuta asked if the budget allocation as part of the 10-year CIP is rigidly set each year of the CIP's 10 year cycle, or if instead the SFPUC is able to add or subtract projects in different years of the overall 10-year planning horizon and adjust program budgets accordingly.

In response to Director Kuta, Ms. Sandkulla stated that SFPUC looks at the overall 10-year horizon. SFPUC allocates dollars in their capital funding which are spent over time. They do not have to re-budget. This year, they looked for unspent funds for re-appropriation. They are going through an assessment of projects to identify which ones are anticipated for the next 10-years, when they are likely to show up, and how they align with the resources they are asking for in the first 2-year cycle of the 10-year CIP.

Ms. Sandkulla further explained that SFPUC's cost allocations between retail and wholesale customers are determined by the WSA. However, BAWSCA's involvement in the development of the 10-year CIP provides the ability to check SFPUC's cost allocation and identify errors early on before it is charged to the wholesale customers.

BAWSCA has had two productive meetings with SFPUC staff. SFPUC staff are expected to present to the Commission in January and BAWSCA will provide comments.

In response to Director Mendall, Ms. Sandkulla reported that the SFPUC now has a regular schedule, as required by the City, to review their 10-year CIP every 2 years and submit their findings to the City. This is a new process that requires SFPUC to review and update the 10-year CIP in alternating 2-year periods.

As part of BAWSCA's effort in monitoring SFPUC's asset management program, BAWSCA is working with West Yost Consulting on an SFPUC Asset Management Program Audit to ensure that the 10-year CIP include the appropriate projects and management efforts. A final report will provide recommendations for how to address potential issues that impact the wholesale customers so that BAWSCA can include the necessary efforts into its future fiscal year work plan. The audit is anticipated for completion in the current fiscal year.

Directors Mendall and Zigterman were pleased with the progress in increasing BAWSCA's level of involvement with SFPUC's 10-year CIP.

Ms. Sandkulla added that one of BAWSCA's concerns during its recent meeting with the SFPUC on the 10-year CIP is the slow progress of some capital projects outside of the WSIP. The SFPUC implemented a large management infrastructure with regional consultants for the implementation of the WSIP. It was slowly off-loaded as the WSIP neared completion. Ms. Sandkulla stated that a similarly large level of management infrastructure needs to be re-established to administer a robust 10-year CIP. This is clearly an issue in which she will comment on at the January Commission meeting. She has made SFPUC General Manager, Harlan Kelly, aware of her upcoming comments.

Lastly, under facility reliability, BAWSCA is performing an initial emergency response review. In comparison to previous years, efforts have been elevated given all the incidences in the past 6-months. BAWSCA will host a brain storm workshop with agency appointed WMRs to identify the agencies' issues, needs, and areas of interests on this topic, so that the appropriate efforts can be included in the FY 2020-21 work plan.

Director Kuta asked if San Francisco is in compliance with America's Water Infrastructure Act requirements, which include a Risk and Resiliency Assessment due March 31st, 2020, and an Emergency Response Plan due 6 months after. The due dates apply to systems that serves over 3300 accounts. Smaller systems have a later deadline. The State requires a one page document signed by an officer confirming compliance.

Nicole stated she will follow up with the SFPUC and reply back to Director Kuta as a follow-up.

Director Zigterman asked about San Francisco's back up power plan for the Regional Water System. Ms. Sandkulla stated that she was involved in SFPUC's discussion of the emergency earthquake and power outages, and is confident that the necessary back up power for the system are in place as they were the requirements of the WSIP. It ensures system reliability and is one of the reasons why SF water is more expensive than other Bay Area systems. Ms. Sandkulla added that one of the advantages of the regional system is that it is mostly gravity fed, and most of the control systems are centered around the treatment plants.

The second component under water supply reliability is BAWSCA's work on its Long-Term Reliable Water Supply Strategy (Strategy). BAWSCA's Water Demand study is on schedule, with results expected by the end of the fiscal year in time to inform upcoming discussions such as Los Vaqueros Expansion Project (LVE).

The Potable Reuse Exploratory Plan (PREP) is moving towards Phase 3. This is a joint effort with Silicon Valley Clean Water, San Francisco, Cal Water, Redwood City, and City of San Mateo to look at advanced treatment of wastewater as a possible purified water supply.

Ongoing developments continue with the Pilot Water Transfer Plan for implementation in January. BAWSCA's collaboration with the Bay Area Regional Reliability (BARR) Partnership received a grant from the US Bureau of Reclamation to look at pilot water transfers for the Bay Area. BAWSCA's pilot water transfer was going to be one of two considerations, but due to the critical timing for the pilot water transfer to happen in January 2020, BAWSCA's pilot water transfer is moving forward separately. However, there are 2 pilot water transfer grant opportunities that are engaged in a larger regional effort which BAWSCA and the SFPUC are considering. The idea behind the grant is consistent with BAWSCA's goal of examining alternative pathways to get water into the service area so that information is acquired for future investment decisions.

BAWSCA held a November workshop on the Los Vaqueros Expansion Project to engage WMRs in a discussion on BAWSCA's participation. Marguerite Patil, Contra Costa Water District Project Manager, provided a presentation on the project along with the local partner agencies including San Francisco, Alameda County Water District, and Valley Water. The discussions were constructive and Ms. Sandkulla anticipates another workshop in the Spring, as well as a future presentation to the Board by Ms. Patil in the most appropriate time.

Ms. Sandkulla noted that the next Board action on the LVE project is expected in FY 2020-21. Mr. Francis will provide further updates on the LVE developments separately under reports.

BAWSCA is continuing to support the work on the San Mateo Plain Groundwater Basin and has been successful in getting the overlying entities to work together. BAWSCA has also been facilitating development of local water supply options, including Palo Alto and Mountain View's recent efforts on recycled water project with Valley Water.

BAWSCA's water supply modeling tool has been extremely helpful in the discussions of the LVE. The modeling tool was created in 2017 to help assess member agencies' and other districts' water use and how it interacts with various water supply sources. The tool will also be instrumental in future discussions of the Tier 2 drought plan.

A third component under water supply reliability is BAWSCA's work on near-term supply reliability which focus on conservation. She noted that conservation is the most efficient way to address potential water supply shortages. BAWSCA is implementing Phase 3 of its approach to help agencies meet the State's "Making Water Conservation a Way of Life". This effort includes the Regional Demand Study which is supporting the agencies in developing their Urban Water Use Objectives based on State guidelines, the Expansion of the Regional Commercial/Industrial/Institutional (CII) Audit Program into a Subscription program, and the implementation of the Regional Source Meter Testing Plan with the SFPUC. Ms. Sandkulla explained that a big part of the source meter testing plan is understanding water loss, which is non-revenue water, and how it can be addressed. The efforts are great examples of

BAWSCA's and the member agencies' collaboration in addressing the issues with new State requirements.

BAWSCA's core conservation programs will include a regional training and certification program called Qualified Water-Efficient Landscaper Program (QWEL) designed to certify landscapers on drought tolerant designs. Two classes have been scheduled; one in Spanish and the other in English. The Landscape Education Program will also be expanded based on the lessons learned from the recent drought. Andree Johnson and Negin Ashoori have been working on the efforts and will provide information on the program launch under Reports.

Director Mendall reported that when Hayward removed the square footage cap for the Lawn Be Gone Program during the drought, commercial and industrial properties removed huge amounts of grass from their landscaping. While it was expensive for Hayward, it was an effective way of encouraging turf removal from landscaping.

In response to Director Wood, Ms. Johnson explained that the QWEL program is administered by the California Water Efficiency Partnership (CalWEP), formerly the California Urban Water Conservation Council. They maintain a list of certified landscapers which is available on CalWEP's website.

The fourth component of water supply reliability is protecting the member agencies' water supply interests in BAWSCA's administration of the 2009 Water Supply Agreement.

As previously reported and acted on by the Board in November, the development of a new Tier 2 Drought Allocation Plan is delayed until critical information from the State, the Bay Delta Plan, and from BAWSCA's Demand Study become available. An anticipated timeframe is FY 2020-21 or 2021-22. Despite some of the member agencies' voiced concerns, particularly by the ones with a higher level cut-backs, it was a unanimous decision by the WMRs to delay the development.

Significant amount of work has been, and will continue to be focused on the SFPUC's water supply program. Ms. Sandkulla noted that the contract amendment that member agencies signed early this fiscal year extended San Francisco's 2018 decisions out to 2028. BAWSCA will continue its efforts on protecting the agencies' water supply and financial interests in the SFPUC's 2028 decisions and Water Management Action Plan (WaterMAP) to ensure that San Francisco is taking the necessary steps to pursue new water supplies needed to meet its contractual Water Supply Level of Service Goals for its wholesale customers. This is a big issue for BAWSCA, and the SFPUC is as concerned about it given the Bay Delta Plan. BAWSCA and SFPUC are working to engage the cities of San Jose and Santa Clara in the conversation as their service from San Francisco is currently interruptible.

BAWSCA remains actively engaged in the Bay Delta Plan proceedings and the FERC process through its partnership with the SFPUC.

BAWSCA's efforts on grants continues to focus on identifying partnership opportunities and on bolstering conservation programs with grant support. BAWSCA submitted a Prop 1 Integrated Regional Water Management grant application to support regional conservation projects. Independently, BAWSCA submitted an application to the WaterNow Alliance Initiative Project Accelerator Program for the redevelopment of BAWSCA's Outdoor Landscape rebate program.

Additionally, BAWSCA supported CCWD in their application for federal funding for the LVE, as well as Silicon Valley Clean Water for their efforts on evaluating treatment technologies for purification of municipal waste-water for non-potable and potable reuse.

BAWSCA's Annual Survey, Annual Water Conservation Report, and Water Conservation Database are annual reports that provide data and therefore are valuable in the analysis of the agencies' water supply projections and conservation.

Ms. Sandkulla explained that the Annual Survey provides aggregated data on agency water use, sales and purchases. It dates back to as far as the late 1980's and has since been developed to include projections for water use and water rates, and agency profile data that are consistent across each member agency and the SFPUC. BAWSCA's Water Conservation Database is where each member agency enters data such as account types, demographics, water use characteristics, and conservation plans.

Both Annual Survey and Conservation reports are done in-house and are posted on BAWSCA's website. They have been helpful in providing the general public and outside agencies a regional picture of the BAWSCA member agencies in a comprehensive and integrated fashion accurately and efficiently.

In response to Director Kuta, Ms. Sandkulla stated that the data collected does not go far into the agencies' retail customer details and thus does not cause any consumer protection concerns or issues.

BAWSCA's work on Water Quality is fairly routine as long as there are no critical issues. BAWSCA and the SFPUC have a Joint Water Quality Committee as required by the WSA. It is Chaired and Co-Chaired alternately per year by an SFPUC staff representative and a BAWSCA representative appointed by the BAWSCA CEO. They meet quarterly to discuss water quarterly issues and has been operating smoothly. BAWSCA plays a role in relaying information to the agencies and ensuring facilitation of necessary notifications and discussions when needed.

Ms. Sandkulla reported that BAWSCA's work under Fair Price involves the annual review of the Wholesale Revenue Requirement (WRR) which entails substantial issues that takes time to negotiate and resolve. Current efforts are on schedule.

In response to Director Mendall, Ms. Tang agreed that there was a spike of issues in the past and stated that the relationship with San Francisco has improved. BAWSCA works closely with the SFPUC finance department and have been able to identify issues early enough to avoid a more complicated reconciliation process.

Ms. Sandkulla added that the 2009 Water Supply Agreement included a major change in how the Wholesale Customers paid for assets. Under the previous contract, wholesale customers paid for assets after construction was completed and they were into service so that the cost was known, and a rate of return was paid by the wholesale customers over time. Because of the magnitude of the WSIP and the financial need for construction and completion, the 2009 WSA was written to allow the SFPUC to charge the wholesale customers for assets during construction. The transfer of the process created some of the more complex issues that have since been resolved. Some of the major issues were related to accounting errors and different interpretation of the WSA language. These issues however, while anticipated to be

narrow moving forward, will unfortunately not go away. They will continue to be addressed in the WRR.

Legal Counsel, Allison Schutte, added that SFPUC's finance team that is currently in place is working with Christina in understanding the WSA so that the process of resolving the issues is productive.

Ms. Sandkulla reported that she has had discussions with SFPUC General Manager, Harlan Kelly, and they concur to work through the issues as opposed to arbitration.

In response to Director Kuta, Ms. Sandkulla stated that BAWSCA has ongoing conversations with the SFPUC on project scope and performance of delivery.

Lastly, BAWSCA's work plan includes efforts to preserve the agency's effectiveness by maintaining relationships with legislative and community allies, monitoring environmental interests, and managing the agency professionally and efficiently.

The mid-year review includes the review of the General Reserve to determine if the balance is too high or too low. Ms. Sandkulla reported that the current General Reserve balance of \$1,037,877 is 23% of the operating budget, which is within the agency's General Reserve guidelines. There are no recommended adjustments to the General Reserve balance.

In response to Director Kuta, Ms. Sandkulla reported that the Long-Term Planning Fund was fully utilized in FY 2018-19 to fund the LVE's Year 1 project costs, and the Regional Water Demand and Conservation Projections Study.

Director Wood made a motion, seconded by Director Cormack, that the Committee recommend Board approval of the deletion of item 4b "Develop new Tier 2 Drought Allocation Plan" in the FY 2019-20 Work Plan.

The motion carried unanimously.

Following the vote, public comments were provided by Peter Drekmeier of Tuolumne River Trust.

5. Reports:

- A. Water Supply Update: Ms. Sandkulla reported that SFPUC's most recent reservoir storage report indicates good water supply standing for the region. Local region precipitation and upcountry snowpack was dry in October and November, but improved in December. Developments will continue to be monitored.

BAWSCA is continuing to monitor developments in the region's total water deliveries. Recent analysis shows a 10% decrease in use in October 2019 compared to October 2013.

- B. Pilot Water Transfer Update: Water Resources Manager, Tom Francis, provided an update on the pilot water transfer since the Board's action in November.

BAWSCA's agreements with Amador Water Agency (AWA), East Bay Municipal Utility District (EBMUD), Hayward, and SFPUC have been approved by each agency's governing body. Mr. Francis noted ongoing language refinement on Hayward's agreement are being addressed

with Hayward staff and BAWSCA's legal counsel. The agreements are delicate documents and everyone is working to ensure the language meets everyone's needs.

Work during the month of December includes documentation which involves issuance of a notice of intent to execute the transfer, payment of up-front costs for Hayward and EBMUD, finalization of an operations plan, documentation of water quality information, correspondence with the State Water Resource Control Board regarding Hayward's change in water source, AWA's coordination of their release schedule from its reservoirs, and development of a point of contact list during the transfer.

The first draw of approximately \$100K from the Balancing Account to pay for upfront costs to Hayward and EBMUD will be drawn in December. The 2nd draw will take place at the end of the pilot water transfer to pay for all other costs.

Meetings will be scheduled to go over operational details. Mr. Francis will make himself available to Hayward as needed. Member agencies will be notified when the transfer is activated.

- C. Los Vaqueros Expansion (LVE) Project Update: Mr. Francis reported on the progress of current efforts on the LVE Project.

A third-party financial review of CCWD and EBMUD's proposed cost structure for use of their facilities was recently completed. The review was done by Bartle Wells under a contract administered by Alameda County Water District (ACWD). The review was to confirm consistency between CCWD's and EBMUD's methodologies, and that the methodologies met industry standards. The review found the components of the proposed facility usage fees to be reasonable. However, Bartle Wells recommends alternative methods for consideration. A report of the review is being finalized and will be shared with the Board when it becomes available. BAWSCA will remain engaged with CCWD and EBMUD as they review and consider their next steps.

Selection of legal counsel for Joint Powers Authority (JPA) is nearly complete with interviews of the final two legal candidates scheduled in the week of December 16th.

The JPA formation workgroups, in which BAWSCA is actively a part of, continue to meet on a regular basis.

Discussions are ongoing on the South Bay Aqueduct (SBA) particularly on its reliability to move water from LVE to the regional water system, when it can be used according to DWR, and what the costs are. BAWSCA is engaged in discussions with CCWD as well as with Zone 7, ACWD, and Valley water, the three agencies that receives water from SBA. Mr. Francis noted that the SBA needs repairs with or without the LVE project, and Zone 7, ACWD and Valley Water are pursuing DWR to take greater interest and an active role on the SBA's needs for repairs.

The next potential Board action is expected in June or July 2020. BAWSCA needs to know outstanding information on SBA to be able to make a recommendation, or provide information to the Board, as to whether or not to enter into a JPA and / or to continue to fund LVE participation.

If BAWSCA's participation in the LVE proves to be valuable, anticipated Board actions include consideration of a multi-party funding agreement in June for the amount of \$300K. The funding will be included as part of the proposed FY 2010-21 budget.

A final JPA Package is expected in July that will include a JPA Agreement, Term Sheet, Financial Model, and SBA Conveyance MOU. Mr. Francis noted that joining a JPA is an extensive commitment, therefore, BAWSCA, along with the other agency participants, are pushing CCWD to provide a structured JPA agreement that includes what it takes to join, the values of joining, and the provisions of getting in and/or getting out of the JPA.

If BAWSCA joins the JPA, there will be numerous future service agreements associated with the construction, design, and implementation elements for the project. The service agreements are expected at the end of 2021 in time to continue receiving funding from California Water Commission.

Mr. Francis reported that the November LVE workshop with the WMRs was successful in engaging the BAWSCA member agency staff in the details of the LVE, as well as learning the individual interests of Zone 7, ACWD, and Valley Water in the project.

As more information develops, another workshop with the WMRs will be scheduled in March. BAWSCA will continue to review and work with its member agencies to identify project options for meeting the BAWSCA region's needs for supplemental water supply, and project cost sensitivities. These information will be shared with CCWD.

A similar workshop for the March Board meeting is being considered to provide the opportunity for the Board to hear directly from CCWD.

Director Mendall stated his continued reluctance to commit to a nine-figure expenditure in July given the amount of information that are yet to be known.

Ms. Sandkulla agreed and stated that critical information need to be had prior to future significant decisions. She stated that BAWSCA has indicated to CCWD that without a clear commitment on the ability to use the SBA, BAWSCA will not join the JPA.

CCWD has an interest in resolving the issues with SBA because they want BAWSCA and the SFPUC to participate.

Ms. Sandkulla clarified that the \$300K multi-funding agreement anticipated in June is to keep the technical and legal analysis going. The JPA requires no monetary obligation; however, it needs to be formed to fulfill a governance structure. The significant investment is when BAWSCA signs a service agreement with the JPA. In the meantime, CCWD is working to meet the December 2021 deadline from the State to access the California Water Commission funding of \$500 million. In addition, there is \$250 million from the Federal funding that requires certain agreements to be in place.

Mr. Francis noted that the combined State and Federal funding is significant such that CCWD is working very hard to continue to meet any funding requirements, chief of which will be meeting project deadlines such as JPA formation deadline(s)..

Director Kuta asked if LVE is scalable as far as capacity, and whether LVE is over-subscribed based on interests and not just financial obligations. He stated that for the Sites Reservoir, some of the larger state agencies stayed out until the very end.

Ms. Sandkulla stated that the LVE project will entail one raise only. She stated that the LVE has no large state or federal contractors involved. The biggest agency involved is San Luis Delta Water Authority and their interest is dependent on the cost. BAWSCA's and SFPUC's participation affect that cost because they are the storage partners and others are conveyance or interim storage partners.

- D. Review of FY2020-21 Work Plan and Operating Budget Preparation Process: Ms. Sandkulla reported that the January Board meeting will include a planning session regarding the development of the Work Plan for FY 2020-21 and will discuss challenges that face BAWSCA in the next 40 years. The Chair and the CEO/General Manager look forward to hearing the Board's input.

10. Closed Session: The meeting adjourned to Closed Session at 2:25pm.

11. Report After Closed Session: Legal Counsel, Allison Schutte, reported that no action was taken during Closed Session.

12. Comments by Committee Members:

13. Adjournment: The meeting was adjourned at 3:33 pm. The next meeting is February 12, 2020.

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting Attendance Roster

Agency	Director	Dec. 11, 2019	Oct. 9, 2019	Aug. 14, 2019	Jun. 12, 2019	Apr. 10, 2019	Feb. 13, 2019
Stanford	Zigterman, Tom (Chair)	✓	✓	M T G C A N C E L L E D		✓	✓
Westborough	Chambers, Tom (VChair)	✓	✓		✓	✓	✓
Palo Alto	Alison Cormack	✓	✓		✓	✓	n/a
Foster City	Hindi, Sam		✓		✓		
Cal Water	Kuta, Rob	✓	✓		✓	✓☎	✓
Sunnyvale	Larsson, Gustav	✓	✓		✓	✓	
Hayward	Mendall, Al	✓	✓		✓	✓	✓
Redwood City	Pierce, Barbara	✓	✓		✓	✓	✓
Brisbane	Wood, Sepi	✓			✓	✓	✓

✓: present

☎: Teleconference

December 11, 2019 Meeting Attendance

BAWSCA Staff:

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

Public Attendees:

Peter Drekmeier Tuolumne River Trust
 Paul Sethy Director, ACWD

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

**November 21, 2019 – 6:30 p.m.
Foster City Community Building – 1000 E. Hillsdale Blvd.
Wind Room**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 6:35 pm

BAWSCA Chair, Barbara Pierce, called the meeting to order and led the salute to the flag. Nicole Sandkulla called the roll. Nineteen (19) members of the Board were present at roll call with three on teleconference. Four (4) Directors arrived after roll call. A list of Directors present (23) and absent (3) is attached.

2. Comments by the Chair: Chair Pierce welcomed Youth United for Community Action (YUCA), an East Palo Alto organization who will provide a report of their efforts on water issues in their community, as recommended by Director Moody. BAWSCA's CEO met with YUCA's Executive Director, Ofelia Bello, and discussed potential collaboration with BAWSCA's school education water conservation program.

Secondly, Director Pierce reminded the Board that in 2015, BAWSCA's Long-Term Reliable Water Supply Strategy identified water transfers as a potential way to reduce the impact of future droughts. BAWSCA's Pilot Water Transfer aspires to determine the feasibility and desirability of transfers as part of future drought supply for BAWSCA's constituents. The agenda includes the approval of four agreements and actions to implement the pilot water transfer with Amador Water Agency. Chair Pierce recommends the proposed action and urged the Board to support this critical step for BAWSCA.

Lastly, Chair Pierce thanked Director Irene O'Connell for her years of service to BAWSCA. Director O'Connell will be stepping down as a BAWSCA Board member as her term on the City of San Bruno City Council ends as of January 1st. Director O'Connell is one of BAWSCA's founding Board members who has served for 16 years, as Chair of the BPC in 2010, Vice-Chair of the Board in 2011 and 2012, and as Chair of the Board in 2013 and 2014. Director O'Connell has been a strong and experienced leader committed to the community she has served, and an advocate for the importance of BAWSCA as a regional voice.

3. Board Policy Committee Report: Committee Chair Zigterman reported that the Committee voted unanimously to recommend Board approval of Staff's proposed recommendations on the Tier 2 Plan, Customer Water Meter Accuracy Testing Program, and BAWSCA's Pilot Water Transfer Plan. The Committee's discussion on the items are reflected in the Board Policy Summary Report included in the agenda packet.**4. Public Comments:** Public comments were provided by Dave Warner.**5. Special Report:** Director Larry Moody introduced East Palo Alto's Youth United for Community Action (YUCA), a youth organization that provides an opportunity to lift young people's voices in our community.

YUCA Executive Director, Ofelia Bello, stated that YUCA's work is to empower young people's efforts on both social and environmental justice issues. She introduced two youth members of YUCA who produced YUCA's water video.

Kimberly and Lilia introduced the video to the BAWSCA Board.

6. **SFPUC Report:** Michelle Novotny provided a report on water supply conditions and current water use trends.

7. **Consent Calendar:**

Director Keith made a motion, seconded by Director Chambers, to approve the Minutes of the September 19, 2019 meeting; receive and file the Budget Status Report as of September 30, 2019, the Annual Audit Report for BAWSCA and Compilation Report for BAWUA for FY 2018-19, the Directors' Reimbursement Report and the Investment Report as of September 30, 2019, Authorize Execution of an Agreement with M&M Backflow and Meter Maintenance to Implement a Customer Water Meter Accuracy Testing Program, and Adopt Resolution #2019-02 Approving the Extension of the Tier 2 drought Allocation Plan.

The motion carried unanimously by roll call vote.

8. **Closed Session #1:** The meeting adjourned to Closed Session at 7:05pm
9. **Report After Closed Session:** Legal Counsel, Allison Schutte, reported that no action was taken during Closed Session.
10. **Action Calendar:** BAWSCA's Water Resources Manager, Tom Francis, reported on BAWSCA's Pilot Water Transfer Plan.

Public Comments were provided by Jan Lee, Assistant Director Public Works for the City of Hayward.

Director Wood made a motion, seconded by Director Vella, that the Board, contingent on final Legal Counsel review:

1. **Approve the Pilot Water Transfer Project, determine that the Pilot Water Transfer is exempt from the California Environmental Quality Act (CEQA) under Guidelines sections 15301(b) and 15061, and authorize the CEO/General Manager to file a Notice of Exemption under CEQA;**
2. **Authorize the CEO/General Manager to negotiate and execute the four agreements necessary to implement the Pilot Water Transfer Project, in a form approved by Legal Counsel;**
3. **Authorize the CEO/General Manager to direct SFPUC to transfer up to \$1,200,000 from the 2009 Water Supply Agreement Balancing Account, in accordance with Section 6.05.B.2.a of the 2009 Water Supply Agreement, for water supply projects administered by BAWSCA.**

The motion carried unanimously by roll call vote.

- 11. Reports:** The CEO/General Manager had no additional information to what has been provided on the items under reports.
- 12. Closed Session #2:** The meeting adjourned to Closed Session at 8:01pm
- 13. Report After Closed Session:** Closed Session ended at 8:35pm. Legal Counsel, Allison Schutte, reported that the Board provided direction to the negotiator, and there is no need for negotiations with a Labor Negotiator.
- 14. Action Item Following Closed Session #2:** Chair Pierce reported that the BAWSCA Board of Directors desires to modify the CEO/General Manager's base salary to recognize her sustained performance in delivering results, and to promptly correct disparity in compensation as indicated by the market survey.

Director O'Connell made a motion, seconded by Director Zigterman, that the Board approve the proposed contract amendment to the CEO/General Manager's Employment Agreement, effective on her anniversary date of September 30, 2019, and authorize the transfer of \$25,551 from budgeted contingency to salaries within the adopted FY 2019-20 Operating Budget

- 15. Directors' Discussion: Comments, Questions and Agenda Requests:** Director O'Connell acknowledged the growth that BAWSCA has had during the past 16 years in which she has served as a Board Member. She encouraged the Board to continue its efforts to ensure the region's "...reliable source of high-quality water at a fair price." She stated, "keep the courage that you have shown in all the actions that you have taken", and noted that the member agencies are its own group under BAWSCA. She reminded the Board that BAWSCA represents the member agencies who are customers of the SFPUC, as opposed to partners of the SFPUC; and therefore, operates to protect the interests of the member agencies and their water customers.
- 16. Date, Time and Location of Next Meeting:** The next meeting is scheduled on January 16, 2020 at 6:30pm, in the Oak Room of the San Mateo Main Library.
- 17. Adjournment:** The meeting adjourned at 8:40pm.

Respectfully submitted,

Nicole M. Sandkulla
Chief Executive Officer/General Manager

NMS/le

Attachments: 1) Attendance Roster

Bay Area Water Supply and Conservation Agency

Board of Directors Meeting Attendance Roster

Director	Agency	Nov. 21, 2019	Sept. 19, 2019	July 18, 2019	May 16, 2019	Mar. 21, 2019
Benton, Jay	Hillsborough	✓	✓		✓	
Breault, Randy	Guadalupe	✓	✓		✓	
Chambers, Tom	Westborough	✓	✓	✓	✓	✓
Cormack, Alison	Palo Alto	✓	✓		✓	✓
Davis, Debi	Santa Clara		✓			✓
Hindi, Sam	Foster City	✓	✓			✓
Jordan, Steve	Purissima	✓	✓	✓	✓	✓
Keith, Kirsten	Menlo Park	✓	✓	✓	✓	
Kuta, Rob	Cal Water	✓	✓	✓	✓	✓
Larsson, Gustav	Sunnyvale	✓	✓	✓	✓	✓
Liccardo, Sam	San Jose					
Manalo, Juslyn	Daly City	✓	✓	✓		✓
Matichak, Lisa	Mountain View	✓	✓	✓	✓*	✓*
Mendall, Al	Hayward		✓	✓	✓	✓
Mickelsen, Chris	Coastside	✓		✓		✓
Montano, Carmen	Milpitas	✓	✓	✓	✓	✓
Moody, Larry	East Palo Alto	✓	✓	✓	✓	✓
O'Connell, Irene	San Bruno	✓	✓	✓	✓	✓
O'Mahony, Rosalie	Burlingame	✓	✓	✓	✓	
Piccolotti, Tom	North Coast	✓			✓	✓
Pierce, Barbara	Redwood City	✓	✓	✓	✓	✓
Quigg, Dan	Millbrae	✓	✓		✓	
Vella, Lou	Mid-Peninsula	✓	✓	✓		✓
Weed, John	ACWD	✓	✓	✓	✓	✓
Wood, Sepi	Brisbane	✓	✓	✓	✓	✓
Zigterman, Tom	Stanford	✓	✓	✓	✓	✓

✓ : Present

* : Predecessor

Notes (Nov. 21, 2019 Mtg.)

By Teleconference Randy Breault (within Jurisdiction)
 Lisa Matichak (outside Jurisdiction)
 Dan Quigg (within Jurisdiction)


Bay Area Water Supply & Conservation Agency

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

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: January 7, 2020

SUBJECT: Budget Status Report as of November 30, 2019

This memorandum shows fiscal year budget status for FY 2019-20. It includes major areas of spending, provides an assessment of the overall budget, and summarizes reserve fund balances. This report covers the budget and expenses for BAWSCA. The BAWSCA budget includes necessary resources for the RFA and BAWUA.

Operating Budget Summary:

For the five-month period ending November 30, 2019, 42 percent into the fiscal year, total expenditures were \$1,853,269 or 41 percent of the total budget of \$4,569,750.

Table 1. Operating Budget Summary as of November 30, 2019

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	1,797,550	726,364	40%
Fair Pricing	233,000	72,339	31%
Administration	110,000	87,005	79%
Subtotal	2,140,550	885,708	41%
Administration and General			
Salary & Benefits	2,001,051	808,134	40%
Other Expenses			
BAWSCA	390,500	157,118	40%
BAWUA	1,050	0	0%
Subtotal	4,533,151	1,850,960	41%
Capital Expenses	3,000	0	0%
Budgeted Contingency	31,949	0	0%
Regional Financing Authority	1,650	2,309	140%
Grand Total	4,569,750	1,853,269	41%

Overview:

Overall expenditures for FY 2019-20 are tracking within budget.

Consultants

The \$115,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 23 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 39 percent expended. The Operating Budget allocation of \$799,500 budget for legal counsel was 43 percent expended, however, RFA legal expenses were overbudget due to unforeseen expenses related to director appointments. The \$193,800 budget for water management and conservation-related activities was 16 percent expended.

Administration and Other Expenses

Budgets for salaries and other expenses were each 40 percent expended. At the November 21, 2019 Board Meeting, the Board authorized the transfer of \$25,551 from budgeted contingency to salary and benefits for the CEO/General Manager's salary adjustment. The FY 2019-20 Operating Budget remains the same.

Use of CEO's Discretionary Spending Authority:

In December, the CEO entered into the following agreement under her discretionary spending authority:

- Ricoh USA, Inc. for a 48-month copier lease agreement that begins January 2020. Monthly fees are anticipated to be approximately \$243 a month, equal to the cost of the previous Ricoh agreement.

Use of Reserve and Reserve Fund Balance:

In accordance with the adoption of the FY 2019-20 annual budget in May 2019, the Board approved transferring \$77,971 from the General Reserve to fund the FY 2019-20 budget. The BAWSCA General Reserve balance shown below reflects this transfer.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 09/30/19)	Account Balance (As of 11/30/19)
General Reserve	\$1,115,848	\$1,037,877



Bay Area Water Supply & Conservation Agency

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MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: January 7, 2020

SUBJECT: Investment Report – As of December 31, 2019

In February 2004, the Board originally adopted an investment policy consistent with the Government Code that requires a report on the Agency's investments be provided to the Board. This report presents fund management in compliance with the current investment policy. The required annual review of the investment policy by the Board is scheduled for the January 16, 2020 board meeting.

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

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

<u>09/30/19</u>	<u>12/31/19</u>
\$2,919,788	\$2,736,913

Of the total in the BAWSCA LAIF account as of December 31, 2019, \$1,037,877 represents BAWSCA's General Reserve Fund, equivalent to approximately 23 percent of FY 2019-20 Operating Budget. The remaining amount consists of Subscription Conservation Program funds and unrestricted funds.

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

<u>06/30/19</u>	<u>09/30/19</u>
2.57%	2.45%

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: January 7, 2020

SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending December 31, 2019

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

Table 1 presents the reimbursed expenses for BAWSCA Directors during the quarter ending December 31, 2019.

Table 1. Director Reimbursement Expenses

BAWSCA Director	Expense Amount	Purpose
Barbara Pierce, Chair	\$988	Airfare & Lodging December 2019 – ACWA Conference San Diego, CA

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Annual Review and Consideration of BAWSCA's Statement of Investment Policy**

Summary:

The Board's Investment Policy states the CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting. The previous review occurred on January 17, 2019 and resulted in no changes to the policy. Quarterly investment reports are provided to the Board as required by the policy. The last investment report was provided to the Board on November 21, 2019.

BAWSCA's Investment Policy also specifies permitted investment instruments for the bond proceeds associated with the Revenue Bonds Series 2013A and 2013B and delegates the management and oversight of BAWSCA's investments to the CEO/General Manager. Based on a recent review of the agency's circumstances and liquidity needs, BAWSCA believes the current permitted investment instruments are consistent with the agency's risk tolerances and primary investment objectives. In consideration of the long-term nature of the stabilization fund, BAWSCA has determined that the current 0-5 year ladder maturity investment strategy is appropriate and continues to provide the agency opportunities to pursue higher yields and benefit from longer maturity and higher yielding investments over time.

Legal counsel confirmed that the current Investment Policy reflects language consistent with current State law. A copy of the current policy is attached. No changes to the policy, including the permitted investments for the bond proceeds, are recommended at this time.

Fiscal Impact:

No impact on BAWSCA's annual operating budget.

Board Policy Committee Action:

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

Recommendation:

That the Board re-affirm the current Statement of Investment Policy.

Discussion

The primary objectives of BAWSCA's Investment Policy are safety, liquidity, and return on investment. All BAWSCA funds are invested in accordance with the Investment Policy and the California Government Code. Legal counsel has reviewed the applicable State law and believes that BAWSCA's current Investment Policy reflects language consistent with current State law.

BAWSCA's bond proceeds are invested in accordance with the Bond Indenture and the agency's Investment Policy. The Bond Indenture specifies investments in which BAWSCA is permitted to invest bond proceeds. In November 2012, as part of the establishment of the bond structure, the BAWSCA Board amended the Investment Policy to further restrict allowable investments for bond proceeds to three specific instruments: Federal Securities,

Money Market Mutual Funds, and Certificates of Deposit. As of December 31, 2019, the total balance held by the bond trustee, Bank of New York, was \$23,162,022, which includes: (1) the bond surcharges of \$10,025,350 collected from the member agencies that are currently maintained in the money market fund and will be used to pay the next semi-annual debt service payment, and (2) the stabilization fund of \$13,136,672 invested in U.S. Treasury securities that is a reserve to cover the debt service payments in the event of potential shortfalls in the surcharge revenue received from the BAWSCA agencies.

BAWSCA reviews the investment strategy for the stabilization fund in connection with the agency's circumstances and the market conditions on a regular basis. In November 2019, BAWSCA reviewed the investment strategy again, in consultation with the investment advisor, in light of recent market developments and changes to interest rate policy made by the Federal Reserve. Year-to-date, the Federal Reserve has reduced the Fed Funds rate three times by 25 basis points at each of its July, September, and October FOMC meetings to a current range of between 1.50-1.75 percent. At its October meeting, the Fed appears to have signaled a shift towards a more data dependent approach suggesting it may be nearer to the end of its easing cycle based upon the FOMC's interpretation of currently available data. Against this backdrop, the yield curve has re-steepened but remains extremely flat by historical standards. Historically, the flattening/inverting of the yield curve has preceded periods of economic slowdown and often times declining future interest rates. Accordingly, BAWSCA and its investment advisor believe that the current 0-5 year ladder portfolio strategy remains appropriate as such longer-maturity strategies have historically provided greater investment returns and income while protecting against the reinvestment rate risk associated with potential declines in short term interest rates and earnings.

A summary of the current investment portfolio maturity distribution for BAWSCA's stabilization fund is shown in Figure 1 below. Figure 2 presents a historical comparison of the portfolio book yield for the stabilization fund against the money market fund. No changes to the policy, including the investment strategy for the bond proceeds, are recommended at this time. The CEO/General Manager anticipates another evaluation of the agency's circumstances and the investment strategy during next year's investment policy review. The result of the evaluation will be reported to the Committee and the Board.

Figure 1: Stabilization Fund Investment Portfolio Maturity Distribution as of 12/31/2019

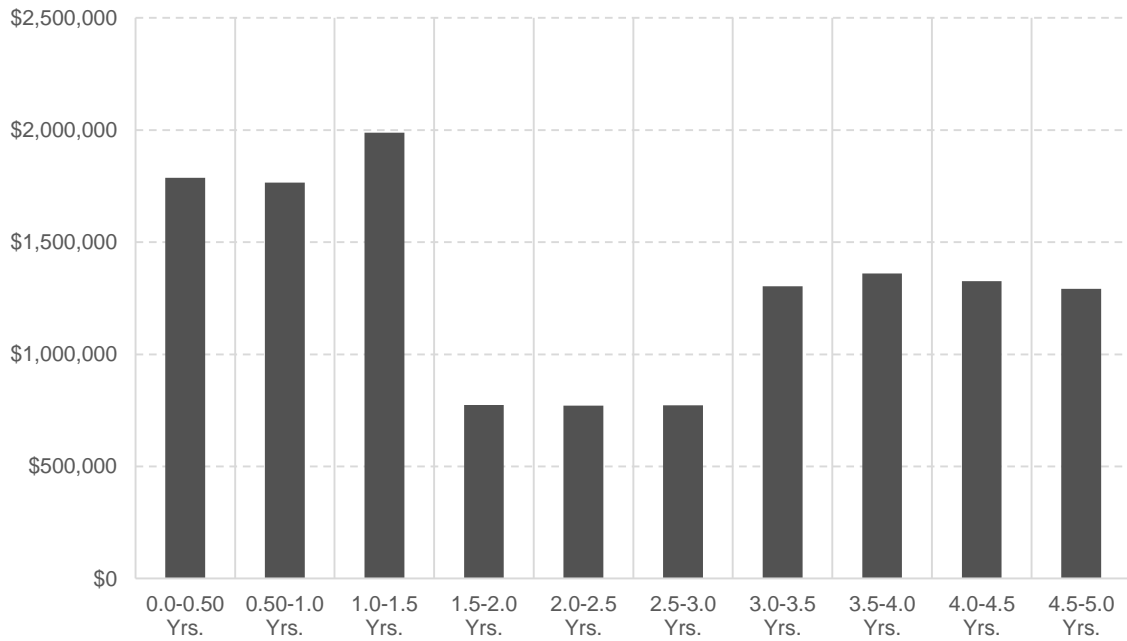
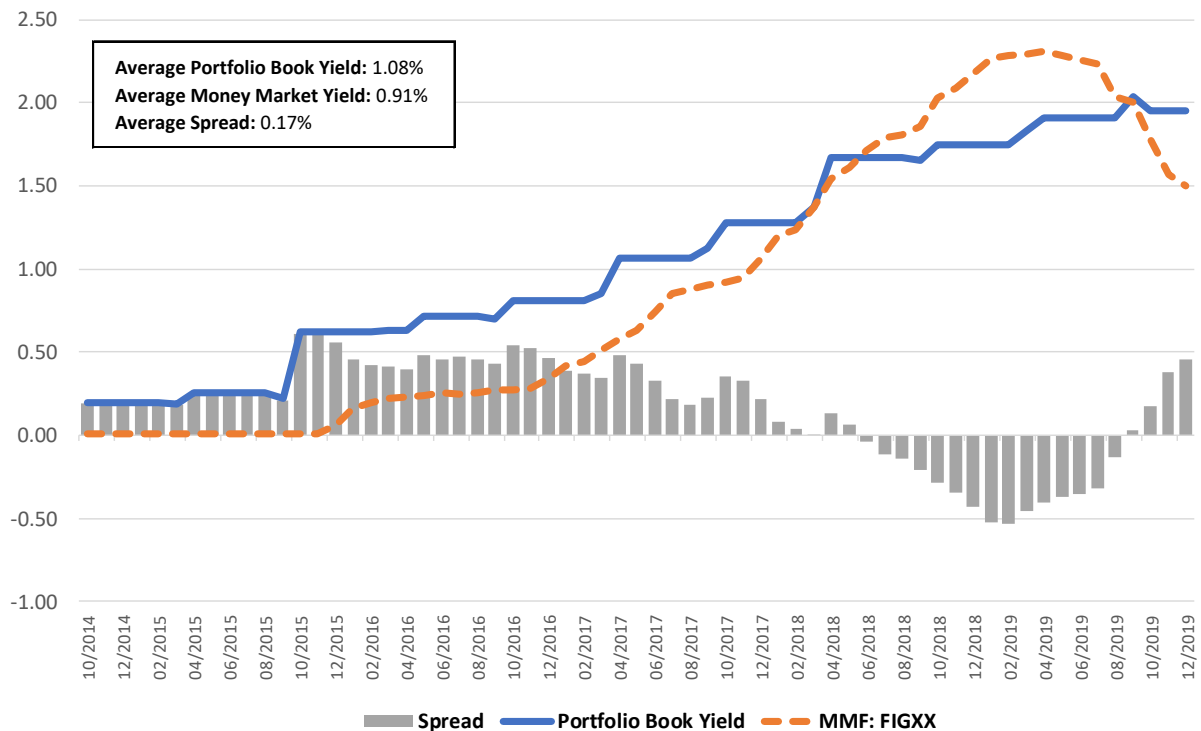


Figure 2: Stabilization Fund Investment Portfolio Yield Comparison as of 12/31/2019



Results of Prior Evaluations of Investment Strategy with Investment Advisor's Assistance

In July 2013, BAWSCA implemented an investment strategy that assumed 70% of the necessary bond surcharge revenues are collected on time and available for scheduled debt service payments. Therefore, 30% of the necessary debt service payment must be accessible to the bond trustee through the stabilization fund to supplement bond surcharge revenues. The stabilization fund was invested by purchasing US Treasury Securities (a subset of Federal Securities as defined in the Investment Policy) with 6 month or one-year maturities coinciding with the debt service payment dates.

In September 2015, the annual on-time surcharges collection assumption was changed from 70% to 80% based on BAWSCA's experience in collecting bond surcharge revenues. BAWSCA also implemented an investment strategy that involved both a 6-month rolling and a 0-3 year ladder security structure designed to provide the agency an appropriate balance of safety, liquidity and yield.

In October 2017, BAWSCA reviewed the investment strategy again to determine whether a change in the agency's circumstances, surcharge revenue experience, or market conditions may justify a change in the investment strategy to better align the agency's objectives and risk tolerance. Due to a limited history of bond surcharge payment collection from the member agencies and a then recent delay in surcharge deposits to the Trustee due to the SFPUC's wire transfer error and agreement misinterpretation, no changes were made to the investment strategy at that time.

In April 2018, BAWSCA re-evaluated the investment strategy and determined that a modest extension of portfolio maturity was appropriate to pursue higher yields while still satisfying the primary objectives of safety and liquidity. Following the April debt service payment, BAWSCA began to transition to a 0-5 year ladder portfolio strategy without an on-time surcharge collection assumption. It was anticipated to take about 3 years to smooth out the ladder.

In November 2018, BAWSCA evaluated the credit quality, market price risk, and liquidity characteristics of all investment instruments permitted by the Bond Indenture. As a result, BAWSCA determined that only the State of California's Local Agency Investment Fund (LAIF) and the Commercial Paper (CP) are considered available to BAWSCA as alternative options, in addition to the three specific investment vehicles allowed by the Investment Policy. Both LAIF and CP are short-term investment vehicles with a term to maturity of less than 270 days. BAWSCA's 0-5 year ladder portfolio strategy consists of US Treasury Securities maturing in 6-month intervals out to a final maturity of 5 years. Per BAWSCA's investment advisor, longer-term portfolios have historically outperformed LAIF as evidenced by the average annual returns over the preceding 20 years. Any CP that may be appropriate for the shortest maturity in BAWSCA's portfolio strategy would have supply constraints due to the Securities and Exchange Commission's 4(2) exemption. Based on the results of the evaluation, no changes in the investment strategy to include investment in LAIF or CP are anticipated at that time.

Attachment:

1. Statement of Investment Policy

BAY AREA WATER SUPPLY & CONSERVATION AGENCY
STATEMENT OF INVESTMENT POLICY

Adopted February 19, 2004

Amended by the Board, July 15, 2010

Amended by the Board, July 21, 2011

Amended by the Board, November 15, 2012

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

STATEMENT OF INVESTMENT POLICY

1. Introduction

The investment policies and practices of the Bay Area Water Supply & Conservation Agency (BAWSCA) are based on state law and prudent money management. All funds will be invested in accordance with the Agency's Investment Policy and the California Government Code.

2. Scope

This policy applies to all funds and investment activities under the direction of the Agency, including funds held in the name of the Bay Area Water Users Association (BAWUA), a California nonprofit corporation of which the Agency is the sole member.

3. Prudence

The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency.

Investments shall be made with the judgment and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived, and in accordance with the provisions of Government Code Section 53600 et seq.

4. Objectives

The primary objectives, in priority order, of the Agency's investment activities shall be:

A. Safety. Safety of principal is the foremost objective of the investment program. The Agency's funds shall be invested in a manner that seeks to ensure preservation of capital.

B. Liquidity. The Agency's investments will remain sufficiently liquid to enable the Agency to meet its cash flow requirements.

C. Return on Investment. The Agency's investments shall be designed with the objective of attaining a market rate of return consistent with the constraints imposed by its safety and liquidity objectives.

5. Delegation of Authority

The management and oversight responsibility for investments is hereby delegated to the CEO/General Manager who shall monitor and review all investments for consistency with this Investment Policy.

6. Investment of Funds

A. Permitted Investments and Depositories

(i) Agency funds may be deposited only in state or national banks and state or federal savings associations with offices in California that meet the requirements and conditions of the Government Code, as it may be amended from time to time.

(ii) Funds not deposited in banks or savings associations shall be invested in the Local Agency Investment Fund administered by the Treasurer of the State of California, in accordance with Government Code Section 16429.1.

B. Other Limitations

(i) The maximum amount of funds deposited with any bank or savings association shall be \$250,000; provided that if funds are each separately insured by the Federal Deposit Insurance Corporation ("FDIC"), the General Manager may maintain separate accounts for the Agency and for BAWUA (to a maximum of \$250,000 for each entity) at one bank or savings association. The temporary increase from \$100,000 to \$250,000 in the standard maximum deposit insurance amount has been permanently extended by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

(ii) Investment maturities shall be based on a review of cash flow forecasts and shall be scheduled so as to allow the Agency to meet all projected obligations. The maturity of any certificate of deposit shall not exceed 12 months.

7. Investment of Bond Proceeds

Permitted Investments and Depositories. Pursuant to Government Code section 53601(m), a local agency may invest bond proceeds "in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance of those bonds." Typically, a local agency will specify in its investment policy that the investment of bond proceeds is out of the scope of the investment policy because permitted investments are specified in the bond indenture.

Instead, BAWSCA has determined that it would like to at least temporarily use its Investment Policy to restrict the vehicles permitted for the investment of bond proceeds to more conservative investments than are permitted by the Revenue Bond Indenture, dated January 1, 2013, by and between BAWSCA and the Trustee (the "Indenture"). This gives BAWSCA the flexibility to, through amendments to future Investment Policies, gradually expand permitted investments for bond proceeds to include some or all of the investment vehicles permitted in the Indenture. As

such, notwithstanding language allowing a broader range of investment vehicles in the Indenture, bond proceeds may be invested only in the following instruments:

(i) “Federal Securities” meaning direct and general obligations of the United States of America, or those which are fully and unconditionally guaranteed as to timely payment of principal and interest by the same;

(ii) “Money Market Mutual Funds” meaning funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor’s of “AAAm-G” or “AAAm” and, if rated by Moody’s, having a rating by Moody’s of “Aaa,” including money market funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund or for which the Trustee or any of its affiliates serve as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee; and

(iii) “Certificates of Deposit” (including those placed by third parties pursuant to an agreement between the Agency and the Trustee), trust funds, trust accounts, overnight bank deposits, interest bearing money market accounts, time deposits, savings accounts, deposit accounts, bankers’ acceptances or money market deposits which are fully insured by the Federal Deposit Insurance Corporation, including those of the Trustee or its affiliates.

8. Reporting Requirements

The CEO/General Manager shall provide the Board a quarterly investment report, which shall include the information specified in Government Code Section 53646.

9. Annual Review of Investment Policy

The CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Mid-Year 2019-20 Work Plan, Budget and General Reserve Review**

Summary:

A review of the FY 2019-20 Work Plan has been performed, with the results presented in the attached Table 1. To ensure continued access to a reliable supply of high-quality water at a fair price, efforts on two items in the adopted FY 2019-20 Work Plan are recommended for adjustment. The proposed modifications delays the development of a new Tier 2 Drought Allocation Plan until further notice. This deferral is proposed based on feedback from the member agencies that further work at this time is not useful given the outstanding necessary information from the State and results of BAWSCA's Demand Study.

Separately, there has been a significant expansion of BAWSCA efforts related to ensuring that the SFPUC meets its long-term water supply obligations to the member agencies, including meeting its adopted Water Supply Level of Service Goals. While no change to the adopted Work Plan is necessary to support this critical work at this time, this expanded effort is presented as part of this mid-year review given its importance to BAWSCA's overall Work Plan.

For all other Work Plan items, expenses are tracking within the currently approved Operating Budget for FY 2019-20 of \$4,569,750.

This memorandum presents: (1) the proposed modifications to the FY 2019-20 Work Plan, (2) a discussion of the potential budget implications, and (3) a discussion of management of the General Reserve.

Fiscal Impact:

No changes to the Operating Budget are necessary or recommended at this time.

Board Policy Committee Action:

At its December 11, 2019 meeting, the Committee recommended the Board approve the proposed revisions to the FY 2019-20 Work Plan

Recommendation:

That the Board approve the deletion of item 4b "Develop new Tier 2 Drought Allocation Plan" in the FY 2019-20 Work Plan, for deferral in the work plan of subsequent fiscal year.

Prior Board Approved Work Plan and Budget Actions for FY 2019-20:

On May 16, 2019, the Board approved the following:

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 \$805,000 from the 2009 Water Supply Agreement Balancing Account.

Discussion:

The mid-year review included (1) examining progress toward completing the Work Plan as adopted, (2) considering anticipated work that should be performed during the balance of this fiscal year, and (3) reviewing any new Work Plan items.

Implementation of the Work Plan is on schedule as of December 5, 2019. One change to the Work Plan is proposed below. Following the Work Plan review, a budget review was performed, which confirmed that the FY 2019-20 Work Plan can be completed within the approved budget.

Proposed FY 2019-20 Work Plan Modifications and Budget Implications

Table 1 presents the Board-approved Work Plan for FY 2019-20 modified to show recommended revisions to the Work Plan. Explanations for the one recommended revision and the area of major expansion of work effort are discussed below.

1. **Scope Modification: Delay development of a new Tier 2 Drought Allocation Plan until further notice.** Work Plan item 4a. The purpose of this task was to develop a new Tier 2 Drought Allocation Plan that aligns with the “Making Conservation a Way of Life” state requirements. BAWSCA has worked closely with the Water Management Representatives to review the current Tier 2 Plan and consider alternatives at this time given that the State has not yet provided the necessary information related to the “Making Conservation a Way of Life” requirements. Given the current status of the Tier 2 Plan and the lack of information from the State, the Water Management Representatives expressed support for the delay of this work plan item until future notice and information from the State.
2. **Scope Expansion: Protect members’ water supply interests to ensure that the SFPUC meets its adopted Water Supply Level of Service Goals.** Work Plan item 4d. In Summer 2019, the SFPUC provided information to the member agencies identifying the potential significant impact to water supply reliability from the potential implementation of the adopted Bay Delta Water Quality Control Plan. Since that time, BAWSCA has significantly increased its efforts to ensure that the SFPUC is increasing its planning work to pursue new water supplies necessary to meet the SFPUC’s existing water supply obligations including the 184 mgd Supply Assurance and limiting drought reductions to no more than 20% system wide. To date, these efforts have already resulted in SFPUC increasing staff and consultant resources for this work. In addition, it is anticipated that the upcoming 10-year Capital Improvement Program, to be considered by the Commission beginning in January 2020, will include more resources to address this issue as well as a schedule for results.

Capacity to Accommodate Potential or Unanticipated Issues

As always, if potential or unanticipated issues arise during Spring 2020, they will be brought to the attention of the Committee and the Board with recommendations to further reallocate and/or augment existing resources, if necessary. In December, BAWSCA staff member, Adrienne Carr, was hired by North Coast County Water District as its new General Manager. Recruitment has already been initiated, however it is anticipated that this vacancy may take several months to fill. This staff absence can be accommodated at this time with some allocation of work load and the proposed deletion of the negotiation of a new Tier 2 Drought Allocation Plan in the FY 2019-20 work plan.

Budget Modifications Needed to Complete Work Expected During FY 2019-20:

A preliminary budget review has been performed as part of this mid-year review and no budget modifications are proposed as part of this action. For all Work Plan items and Legal Counsel , expenses are tracking within the currently approved Operating Budget for FY 2019-20 of \$4,569,750.

Review and Management of General Reserve:

BAWSCA's General Reserve Policy states the CEO/General Manager shall evaluate the General Reserve balance as part of each year's mid-year budget review. Based on the review, if the General Reserve balance is estimated to fall outside the guidelines established by the policy, the budget shall include a prudent and practical schedule for restoring the reserve balance to be within those guidelines. The attached Table 2 presents the history of BAWSCA's assessments, operating budget, and General Reserve balance.

The current General Reserve balance of \$1,037,877 reflects the approved withdrawal and transfer of \$77,971 to BAWSCA's Operating Fund to fund the FY 2019-20 approved budget as authorized by the Board in May 2019. This level of General Reserve represents 23% of the approved Operating Budget, which is within the current guideline on the General Reserve balance for budgetary purposes of 20% to 35% of the annual operating expense.

Based on results of the FY 2019-20 mid-year work plan and budget review, no changes to the General Reserve are requested at this time. Given that the current level of General Reserve is within the budgetary guidelines, no actions on the management of General Reserve are recommended at this time.






Attachment:








1. Table 1. Work Plan and Results to be Achieved in FY 2019-20: Progress and Proposed Changes
2. Table 2. Historical Annual Assessments and Year-End Reserves







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Table 1. FY 2019-20 Work Plan and Results to Be Achieved; Progress and Proposed Changes
(Progress and Proposed Changes Shown in 3RD Column)

(Mid-Year Status Shown in 1st Column:  Needs Attention  Experiencing Delay  Complete/On Track  Extraordinary Result)

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	FY 2019-20 RESULTS DELIVERED TO DATE
	RELIABLE WATER SUPPLY	
	1. <u>Facility Reliability: Monitor the SFPUC's WSIP, 10-Year CIP, and Asset Management Program</u>	
	a. Monitor WSIP scope, cost, and schedule as San Francisco continues an aggressive construction schedule through to completion. Press the SFPUC and the city's political leadership to meet the adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests. Work with the legislature to extend State oversight of WSIP and RFA.	<ul style="list-style-type: none"> • Ongoing review of Quarterly Reports and regular meetings with SFPUC to address issues and concerns. • Current focus on Alameda Creek Recapture Project EIR recirculation, Regional Groundwater Storage and Recovery Project. • AB 699 (Hill) signed into law in September 2019 extended State oversight of WSIP and RFA bonding authority.
	b. Review and monitor SFPUC's Regional 10-Year Capital Improvement Program to ensure that identified projects and programs meet the needs of the BAWSCA member agencies in a cost-effective and appropriate manner.	<ul style="list-style-type: none"> • Current focus on SFPUC's update to 10-Year CIP, including BAWSCA's formal role in CIP oversight included in adopted WSA amendments.
	c. Review and monitor SFPUC's Asset Management Program to ensure long-term protection of system assets, including performing an audit of SFPUC's asset management practices per WSA Section 3.10.c.	<ul style="list-style-type: none"> • Consultant has been hired and begun work. Audit will be complete in early Spring 2020 and will include recommendations for next steps for consideration in FY 2020-21 Work Plan.
	d. Perform an Initial Emergency Response Review for the San Francisco Regional Water System.	<ul style="list-style-type: none"> • BAWSCA will be hosting a brainstorm workshop with the Water Management Representatives in early 2020 to identify areas of interest and possible options for consideration in FY 2020-21.
	2. <u>Long-Term Supply Solutions: Implement the Long-Term Reliable Water Supply Strategy to Ensure a Reliable, High Quality Supply of Water is Available Where and When Needed</u>	
	a. Complete Regional Water Demand and Conservation Projections Study.	<ul style="list-style-type: none"> • Study will be complete by June 2020.

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	FY 2019-20 RESULTS DELIVERED TO DATE
	b. Complete Potable Reuse Exploratory Plan (PREP) Phase 2 pre-feasibility study with SFPUC, Cal Water, City of Redwood City, City of San Mateo, and Silicon Valley Clean Water and plan for next phase of work. Engage with advocacy groups to access technical, legislative, and legal information to support these studies.	<ul style="list-style-type: none"> • PREP Phase 2 complete. • Partners developing scope for Phase 3 for consideration in FY 2020-21.
	c. Implement Pilot Water Transfer in winter FY 2019-20.	<ul style="list-style-type: none"> • On schedule for January 2020 execution.
	d. Participate in development of Bay Area Regional Reliability (BARR) Phase 2 (Water Marketing Strategy) in partnership with other Bay Area water agencies & promote implementation of BAWSCA's Pilot Water Transfer as a component of the Phase 2 work effort.	<ul style="list-style-type: none"> • BAWSCA's Pilot Water Transfer is moving forward separate from BARR given BAWSCA's current schedule. • Discussions continue about other potential partnership opportunities including other pilot water transfers.
	e. Participate in CCWD's Los Vaqueros Expansion Project Studies to evaluate BAWSCA's interest and ensure key information is available to support upcoming decisions.	<ul style="list-style-type: none"> • BAWSCA continues to be an active participant in the LVE effort. A workshop was held with the Water Management Representatives in November. • An updated agreement with CCWD for the next phase of work is anticipated to be presented to the BAWSCA Board for consideration by end of FY 2019-20.
	f. Promote the continued sustainable use of San Mateo Plain Groundwater Basin for long-term water supply reliability.	<ul style="list-style-type: none"> • In September, San Mateo County launched a project to establish a California Statewide Groundwater Elevation Monitoring (CASGEM) plan and to begin initial monitoring of the San Mateo Plain Groundwater Basin. BAWSCA has strongly advocated CASGEM for this groundwater basin and this role for the County.
	g. Facilitate development of other local water supply options including monitoring/tracking member agency efforts.	<ul style="list-style-type: none"> • BAWSCA continues to work with its member agencies to support their efforts to develop local supplies. • BAWSCA has provided assistance to Palo Alto and Mountain View in conjunction with their recently adopted recycled water project with Valley Water.
	h. Complete water supply reliability model scenario studies to evaluate proposed drought supply projects, potential impacts of regulatory decisions or changing conditions, and incorporate Tier 2 proposal(s) into model.	<ul style="list-style-type: none"> • BAWSCA's modelling tool is being used to support BAWSCA's LVE evaluation and negotiations. • A modeling workshop was held with the Water Management Representatives on October 29th. • No modeling of Tier 2 proposals will be done this fiscal year given the recommendation from the Water Management

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	FY 2019-20 RESULTS DELIVERED TO DATE
		Representatives to postpone the redevelopment of the Tier 2 Plan.
	3. <u>Near-term Supply Solutions: Water Conservation and Drought Response</u>	
  	<p>a. Implement Phase 3 of BAWSCA's "Making Water Conservation a Way of Life" work plan:</p> <ul style="list-style-type: none"> Estimate Urban Water Use Objective for each agency through Regional Demand Study Expand implementation of the Regional Commercial/Industrial/Institutional (CII) Audit Subscription Program. Facilitate and implementation of a Regional Source Meter Testing Plan with the SFPUC. 	<ul style="list-style-type: none"> BAWSCA is actively participating in State workgroups for development of the urban water use objectives. Estimates for efficient water use being developed through the Demand Study will need to be refined in FY 2021-22 when additional information from the State becomes available. BAWSCA is working with its consultant (Maddaus Water Management) and Moulton Niguel Water District (MNWD) to finalize a scope and proposed contract for this expanded program with implementation anticipated before the end of FY 2019-20. BAWSCA has obtained documentation of SFPUC's meter testing practices as well as meter accuracy test results for wholesale meters. Consultant review of SFPUC's meter testing practices to be complete in early 2020.
	b. Represent agencies in regional and State-level discussions related to water conservation-related regulations.	<ul style="list-style-type: none"> BAWSCA staff was appointed to the State workgroup for implementation of the water conservation regulations, has led formation of a Bay Area workgroup to jointly represent Bay Area agency interests related to the regulations, and participates in ACWA workgroups on conservation and water loss regulations.
	c. Administer, implement, and expand core water conservation programs that benefit all customers, including BAWSCA participation in a in a region-wide training and certification effort titled the "Qualified Water Efficient Landscaper Program" (QWEL), designed to train and certify landscapers regarding drought tolerate designs.	<ul style="list-style-type: none"> Two QWEL class series are scheduled in early 2020, including a Spanish class beginning February 20th in Redwood City and an English class beginning March 18th in Belmont at Mid-Peninsula Water District.
	d. Administer and expand subscription conservation rebate programs that benefit, and are paid for by, participating	<ul style="list-style-type: none"> All planned subscription conservation programs being implemented.

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	FY 2019-20 RESULTS DELIVERED TO DATE
	member agencies, including an expanded Outdoor Landscaping Rebate Program with a stormwater retention feature and a new weather-based irrigation controller rebate and installation subscription program.	<ul style="list-style-type: none"> New weather-based irrigation controller program to launch in early 2020. Outdoor Landscaping Rebate Program under re-development for launch in July 2020. RFP to be released in early January.
	4. <u>Take Actions to Protect Members' Water Supply Interests in the Administration of the 2009 Water Supply Agreement</u>	
✓	a. Adopt temporary extension of existing Tier 2 drought allocation plan that expires Dec. 2019.	<ul style="list-style-type: none"> Board action on November 21, 2019 extended expiration to Dec. 2020
! ●	b. Develop new Tier 2 Drought Allocation Plan that aligns with the "Making Conservation a Way of Life" requirements.	<ul style="list-style-type: none"> <i>Proposed modification; Progress delayed until further notice, based upon unanimous feedback from the Water Management Representatives and pending further information from State and completion of Demand Study.</i>
✓	c. Protect members' water supply and financial interests in the SFPUC's 2028 decisions and Water Mgmt. Action Plan (WaterMAP).	<ul style="list-style-type: none"> BAWSCA is actively engaged with San Jose and Santa Clara in discussions related to their current SF contractual status and potential options moving forward. BAWSCA is also pressing SFPUC to properly staff and manage the work associated with developing new supplies, including potential supplies necessary to make San Jose and Santa Clara permanent customers.
!	d. Protect members' water supply interests to ensure that the SFPUC meets its adopted Water Supply Level of Service Goals.	<ul style="list-style-type: none"> <i>Significant expansion in effort though no change in work plan required.</i> <i>BAWSCA has strongly advocated the creation of a new water supply program by the SFPUC that would include the appointment of a high-level staff executive, adoption of a budget and program schedule, and regular reporting to the Commission on the program, to protect BAWSCA member agencies and their customers from severe water shortages.</i> <i>At its June 25 and August 27 meetings, Ms. Sandkulla spoke to the Commission, strongly urging it to address the current water supply challenge.</i> <i>In October, Steve Ritchie, SFPUC Assistance General Manager for Water, presented a water supply planning</i>

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	FY 2019-20 RESULTS DELIVERED TO DATE
		<p><i>update to the Commission in which current detail about the projects being evaluated, the water supply planning organization structure, reporting schedule, and current capital project timelines were provided.</i></p> <ul style="list-style-type: none"> • <i>As of December 2019, General Manager Kelly has appointed the new program director (Paula Kehoe) and reallocated funding for several new staff positions and new water supply funding is anticipated to be proposed in the upcoming 10-Year CIP.</i>
	5. <u>Protect Members' Interests in a Reliable Water Supply</u>	
✓	a. Participate in SWRCB Bay Delta Plan Update to ensure member agency interests are represented.	<ul style="list-style-type: none"> • BAWSCA actively engaged in State Board proceedings including monitoring settlement discussions and other SWRCB activity.
✓	b. Participate in the Don Pedro Project/La Grange Project FERC licensing process, via legal intervention, to protect customers' long-term interests in Tuolumne River water supplies.	<ul style="list-style-type: none"> • BAWSCA remains engaged in the FERC relicensing efforts and will comment on Draft EIS/EIR when circulated.
	6. <u>Pursue Grant Opportunities Independently and in Coordination with Regional Efforts</u>	
✓	a. Pursue and use grant funds for water conservation programs and for regional supply projects and programs.	<ul style="list-style-type: none"> • BAWSCA has submitted a Proposition 1 Integrated Regional Water Management grant application, in partnership with other Bay Area water agencies, for Regional Water Conservation projects. • BAWSCA has submitted an application to the WaterNow Alliance Initiative Project Accelerator Program that would provide financial support for the redevelopment of BAWSCA's Outdoor Landscaping Rebate Program.
✓	b. Pursue, with regional partners, grant funding to support studies that aim to improve regional water supply reliability, such as possible future BARR Phase 3 effort(s).	<ul style="list-style-type: none"> • BAWSCA has supported Contra Costa Water District's application for federal grant funds for the LVE project. • BAWSCA has supported Silicon Valley Clean Water's application for WaterSMART Title XVI Water Recycling Grant monies that would be used to evaluate treatment technologies for the purification of municipal wastewater for non-potable and potable reuse
✓	c. Investigate potential for grant funds to support the	<ul style="list-style-type: none"> • Ongoing

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	FY 2019-20 RESULTS DELIVERED TO DATE
	implementation of the Strategy.	
	7. <u>Reporting and Tracking of Water Supply and Conservation Activities</u>	
✓	a. Complete BAWSCA FY 2018-19 Annual Survey.	<ul style="list-style-type: none"> On schedule for publication by Spring 2020.
✓	b. Complete BAWSCA FY 2018-19 Annual Water Conservation Report.	<ul style="list-style-type: none"> On schedule for publication by Spring 2020.
✓	c. In partnership with member agencies, operate and maintain BAWSCA's Water Conservation Database.	<ul style="list-style-type: none"> Ongoing
HIGH QUALITY WATER		
	8. <u>Support Member Agencies in Receiving Reliable Communication of Water Quality Issues</u>	
✓	a. Coordinate member agency participation in Joint Water Quality Committee to ensure it addresses Wholesale Customer needs.	<ul style="list-style-type: none"> In July, BAWSCA coordinated the transition to a new BAWSCA appointed Co-Chair for the Joint Water Quality Committee.
✓	b. Relay important water quality information (notices as received from SFPUC) to BAWSCA member agencies when made aware of changes that have the potential to impact water quality (e.g., taste, odor, blending, etc.).	<ul style="list-style-type: none"> BAWSCA worked with the SFPUC to provide updated information to the member agencies and the public related to fluoride in drinking water in response to concerns raised in a 2019 Journal of American Medical Association article.
✓	c. Review and act on, if necessary, State legislation affecting water quality regulations.	<ul style="list-style-type: none"> Ongoing
FAIR PRICE		
	9. <u>Perform Matters that Members Delegated to BAWSCA in the Water Supply Agreement</u>	
✓	a. Administer the Water Supply Agreement with SF to protect the financial interests of member agencies.	<ul style="list-style-type: none"> Continued negotiations with the SFPUC towards a resolution of six wholesale revenue requirement (WRR) related issues from FY 2015-16 and FY 2016-17. Continued discussions on a new contract amendment related to minimum purchase and ISG transfers. In January 2020, BAWSCA started its review of SFPUC's FY 2017-18 WRR in a total of \$241 million to ensure correct asset classification and cost allocation.

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	FY 2019-20 RESULTS DELIVERED TO DATE
✓	b. Administer bonds issued by BAWSCA to retire capital debt owed to San Francisco.	<ul style="list-style-type: none"> Continued administration of monthly bond surcharge collection from member agencies of approximately \$2 million. Ongoing effort to ensure timely semi-annual debt service payments and continuing disclosure to the Municipal Securities Rulemaking Board. Prepared Quarterly Bond Surcharge Collection Report for FY ending June 30, 2019, which presents the status of surcharge collection and the account balance at the Trustee. Ongoing management of \$28 million of total investment portfolio in accordance with the Bond Indenture and the agency's investment policy. In November 2019, BAWSCA reviewed the investment strategy for the stabilization fund of \$13 million and confirmed that the current strategy provides the agency with the most appropriate balance of safety, liquidity and yield.
AGENCY EFFECTIVENESS		
	10. <u>Maintain Community Allies and Contacts with Environmental Interests</u>	
✓	a. Maintain close relationships with BAWSCA's local legislators and allies, and activate them if necessary, to safeguard the health, safety, and economic well-being of residents and communities.	<ul style="list-style-type: none"> Significant communication with elected officials to support passage of SB 699 (Hill). Continued communication with elected officials and others related to the potential negative impact of the SWRCB's Bay Delta Plan on BAWSCA's member agencies. In August, Ms. Sandkulla provided a presentation to the SAMCEDA (San Mateo County Economic Development Association) Policy Committee on BAWSCA and major projects/programs that have the potential to impact San Mateo County water interests. In November, SAMCEDA published an article written by Ms. Sandkulla addressing the importance of a reliable water supply for a life, health community, and a thriving economy.
✓	b. Maintain a dialogue with responsible environmental and other groups, who will participate in the permitting and approval process for efforts to maintain system reliability.	<ul style="list-style-type: none"> Ongoing

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	FY 2019-20 RESULTS DELIVERED TO DATE
✓	c. Maintain effective communications with member agencies, customers, & others to achieve results and support goals.	<ul style="list-style-type: none"> Ms. Sandkulla is actively participating in a Bay Delta Roundtable Discussion being hosted by San Francisco Mayor, London Breed.
✓	d. In conjunction with San Francisco, conduct or co-sponsor tours of the water system for selected participants.	<ul style="list-style-type: none"> Tour of Peninsula Watershed held in October 2019. BAWSCA will schedule a tour of Hetch Hetchy in June for Board Members and others.
✓	11. <u>Manage the Activities of the Agency Professionally and Efficiently</u>	<ul style="list-style-type: none"> BAWSCA's 2018-29 Annual Audit Report was published in November 2019 with results demonstrating that BAWSCA and BAWUA are meeting the requirements for sound financial management.

Table. 2 Historical Annual Assessments and Year-End Reserves

Fiscal Year	Assessments	Year-End Reserves	Operating Budget	Reserve as a % of Budget
2003-04	\$1,668,550	\$276,480	\$1,821,350	15%
2004-05	\$1,641,995	\$246,882	\$1,838,490	13%
2005-06	\$1,953,998	\$240,000	\$2,099,975	11%
2006-07	\$2,117,904	\$654,000	\$2,291,904	29%
2007-08	\$2,117,904	\$691,474	\$2,508,967	28%
2008-09	\$2,309,000	\$507,474	\$2,763,196	18%
2009-10	\$2,517,000	\$407,192	\$2,766,945	15%
2010-11	\$2,517,000	\$653,763	\$2,680,394	24%
2011-12	\$2,517,000	\$916,897	\$2,619,705	35%
2012-13	\$2,517,000	\$985,897	\$2,780,504	35%
2013-14	\$2,516,812	\$521,897	\$3,280,189	16%
2014-15	\$2,642,653	\$225,461	\$2,939,286	8%
2015-16	\$3,276,889	\$776,620	\$3,201,679	24%
2016-17	\$3,440,734	\$1,202,592	\$3,468,008	35%
2017-18	\$3,543,957	\$1,561,144	\$3,704,572	42%
2018-19	\$3,579,397	\$1,115,848	\$4,278,585	26%
2019-20	\$3,686,779	\$1,037,877*	\$4,569,750	23%

**Preliminary projection is same as the reserve balance as of November 30, 2019*

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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: January 10, 2020
SUBJECT: Chief Executive Officer/General Manager's Letter

Bay Area Regional Reliability – Shared Water Access Program (BARR-SWAP):

In the spring of 2019, the BARR effort continued to move forward into a subsequent stage, specifically the development of a Water Marketing Strategy. The Water Marketing Strategy effort is funded in part by remaining monies from prior agency contributions coupled with a \$400,000 grant from the U.S. Department of Interior, Bureau of Reclamations (Bureau).

In November 2019, the Bay Area Shared Water Access Program Technical Memorandum (TM) 1 was completed. TM 1 introduces a reproducible approach for evaluating potential transfers and exchanges as part of the Bay Area Shared Water Access Program (SWAP). In addition, it memorializes the process of developing and vetting an initial portfolio of potential water transfers and exchanges for pilot testing in 2020.

On December 9th, BARR partners met to discuss which two of the four possible pilot transfers should be pursued under this effort. Two pilots were selected for further consideration: Pilot 1a, which involves an exchange between ACWD and BAWSCA/SFPUC, and Pilot 2a, which involves a Contra Costa Water District (CCWD) and Valley Water storage exchange of CVP water. Parties involved in these specific pilots are currently meeting to discuss details, respective roles, and cost allocations. It is anticipated that the GMs will meet again in early February to determine next steps and recommendations to their respective boards for participation. Selected pilots would move forward to implementation in 2020.

Los Vaqueros Expansion (LVE):

BAWSCA continues to work with Contra Costa Water District (CCWD) and the other Los Vaqueros Expansion (LVE) partner agencies in the evaluation of the project benefits and costs.

At the December 4th General Managers briefing, the results of a financial review conducted by Alameda County Water District (ACWD) on behalf of the partners were presented. The review considered the proposed system usage fees developed by CCWD and EBMUD for use of their respective existing facilities that are proposed to be included in the operation of LVE. The report found that both CCWD and EBMUD made efforts to develop wheeling charges that were fair to both the local agency partners and to their own ratepayers. However, the report also found that certain components of the proposed wheeling charges from both EBMUD and CCWD could be more equitable if derived using a different approach. The parties are reviewing the findings and will discuss next steps in early 2020.

CCWD has also been working with each of the partner agencies to identify a new, independent legal counsel that would represent the combined interests of the parties moving forward. The legal workgroup unanimously selected Jim Ciampa and his firm, Lagerlof, Senecal, Gosney & Krause, as the JPA formation counsel. Contracting with the selected firm will be complete in January 2020, at which point efforts to create the JPA agreement will begin in earnest. BAWSCA's legal counsel participated in the legal workgroup that selected the JPA formation counsel and will continue an active role in the negotiation of the JPA agreements.

BAWSCA continues to work with CCWD and the LVE partner agencies on the refinement of possible operational plans to convey LVE water to the BAWSCA service area, including ability to move water through the South Bay Aqueduct (SBA) and to provide the necessary treatment. On December 9th, the General Managers of the SBA contractors (ACWD, Valley Water, and Zone 7) met with BAWSCA, SFPUC, and CCWD to discuss BAWSCA and SFPUC potential use of the SBA. Valley Water, on behalf of the SBA contractors, has contracted with Brown & Caldwell to evaluate whether capacity in the SBA can be made available during times when BAWSCA and the SFPUC would take delivery of water from LVE. In addition, a meeting between the SBA contractors, BAWSCA, and the SFPUC with DWR has been scheduled to discuss the LVE Project and next steps to make necessary reliability improvements to the SBA facilities.

Demand Study:

The Regional Water Demand and Conservation Savings Projections Study (Demand Study) continues to be on schedule for completion in May 2020. In early December, Technical Memorandum #2 (TM-2), which documents the pre-conservation demand projections for each BAWSCA agency, was distributed to each agency for its review and signature by January 15th. Concurrently, a survey was provided to each agency to obtain input on which conservation measures agencies would like to consider for managing future water demands. This feedback will support identification of which measures to include in the DSS model for analysis on water savings potential and cost-effectiveness.

BAWSCA has also formed a Stakeholder Workgroup to provide input on the conservation analysis portion of the Demand Study, specifically on which types of conservation activities BAWSCA should evaluate for potential future implementation. The first meeting of the Stakeholder Workgroup has been scheduled for January 30th. Invitations were sent to a diverse group of external stakeholders, including environmental organizations, business groups, regional planning agencies, landscape experts, and others with specific interests or expertise that may be helpful to BAWSCA's efforts. Currently, five stakeholders are confirmed to participate in the Workgroup.

The next step in the Demand Study will be modeling of the conservation savings potential for each BAWSCA agency, including program options considering cost-effectiveness, to project conservation savings through 2045. Up to 25 conservation measures will be included in the DSS model for analysis; these measures will be selected based upon the survey results from the BAWSCA agencies and the input from the Stakeholder Workgroup. The conservation modeling is expected to be complete by March 2020.

Asset Management Study:

BAWSCA's 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.

To date, West Yost has completed the data collection and preliminary review of the information provided by SFPUC. Interviews with key SFPUC staff have been scheduled for January 22nd and 24th. It is anticipated that the project will be completed on schedule, by May 2020, with key results to inform BAWSCA's FY 2020-21 workplan development to be available in March 2020.

SFPUC 10-year CIP:

The SFPUC prepares its long-term capital improvement plan (CIP) every two years. The plan spans a ten-year period, with year 1 being the start of their next fiscal year (hence the title "10-Year CIP"). Now, the SFPUC is updating its 10-Year CIP in anticipation of Commission adoption in February 2020.

As required by the recently adopted modifications to the 2009 Water Supply Agreement (WSA), BAWSCA now has a greater opportunity to have input into the 10-year CIP. More specifically, the SFPUC is required to hold a number of meetings with BAWSCA staff at which times they share information regarding the projects that are contemplated for inclusion in the 10-year CIP including details regarding their budget, schedule and priority ranking. BAWSCA in turn has an opportunity to pose questions regarding those projects and the details shared. BAWSCA input must be considered by the SFPUC.

The SFPUC's 10-Year CIP is for all SFPUC enterprises (Water, Power, and Wastewater). BAWSCA's primary interest is focused on the capital projects in the different categories related to the physical assets of the Regional Water System: Regional Water, Hetch Hetchy Water, and Hetch Hetchy Joint.

The SFPUC is scheduled to hold four budget workshops with the Commission to present its preliminary budget proposals for all SFPUC enterprises. BAWSCA will participate in every workshop, including potentially providing oral and written comments to the Commission. The Commission is scheduled to adopt the 10-Year CIP at its February 11, 2020 regular meeting.

BAWSCA advocates for a robust 10-year CIP that supports necessary long-term investments to ensure that the SFPUC is able to meet its adopted Level of Service Goals for the Regional Water System on a long-term basis.

Lawn Be Gone Program:

BAWSCA formed the Lawn Be Gone (LBG) Revamp Workgroup with participation from various water agencies and the City/County Association of Governments of San Mateo County (C/CAG). BAWSCA's new program is scheduled to launch by July 2020. Two meetings were held on October 28 and November 22, 2019 to discuss ways to increase participation, improve customer experience, and reduce the administrative burden on participating water agencies.

Several concepts were evaluated for accomplishing these new goals, including:

1. **Integrating the rain barrel rebate program into the lawn replacement program for a multi-pronged approach to maximize water conservation and prevent stormwater pollution.** BAWSCA is interested in further collaborating with C/CAG to further incentivize additional measures, such as incorporating rain gardens into lawn replacements or providing revised dollar-per-gallon rebates for rainwater harvesting to

support larger cistern-type systems. This stackable rebate program would allow water customers to pick and choose from several interrelated rebate options.

2. **Developing an online toolkit to assist customers during the lawn replacement process.** The toolkit would include acceptable plant lists, video tutorials, landscape designs, and other online resources to make it easier for participants to apply to multiple rebates, develop a plan for a water resilient landscape, and to educate customers on ways to use water more efficiently.

BAWSCA continues to work closely with water agencies and C/CAG to identify opportunities to expand the program. For example, BAWSCA submitted an application to the WaterNow Alliance Initiative Project Accelerator Program to seek funding (\$25,000) in the implementation of the new stackable rebate program.

BAWSCA released a Request for Proposals (RFP) on January 10, 2020 for upgrades to the LBG online platform and user support of the Water Conservation Database. Proposals will be due February 7, 2020. BAWSCA anticipates that a contract with the recommended consultant will be brought to the Board for approval at its March meeting. The redeveloped LBG program will be offered to BAWSCA member agencies as a Subscription Water Conservation Program, and all BAWSCA member agencies will have the option to participate in the program to provide conservation rebates to their customers.

Regional Smart Controller Program:

BAWSCA's new Regional Smart Controller Program will provide rebates to residential water customers for the purchase and installation of smart irrigation controllers. The Program will be managed by Regional Water Authority (RWA), a joint powers authority representing two dozen water providers and affiliates in the greater Sacramento region. In July 2019, the BAWSCA Board authorized the CEO to enter into a Memorandum of Understanding with RWA for the implementation of the Program. The Program will be offered to the BAWSCA agencies 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.

The Regional Smart Controller Program launch has been delayed due to challenges in the contract negotiations between RWA and Rachio, the selected contractor. Contract negotiations were completed on January 2, 2020, and the contract was approved by the RWA Board of Directors on January 9th. BAWSCA and RWA will finalize the Memorandum of Understanding for BAWSCA participation in the program in January after which Participation Agreements will be provided to the BAWSCA member agencies. The program is now scheduled to launch in March 2020, which will enable BAWSCA agencies to provide controller rebates to their customers in advance of the spring irrigation season.

California Water Resilience Portfolio:

On January 3, 2020, the California Natural Resources Agency (CNRA), California Environmental Protection Agency (CalEPA) and California Department of Food and Agriculture (CDFA) released a draft water resilience portfolio (Draft Portfolio) detailing their recommendations to bolster California's long-term water resiliency and ecosystem health. The draft Portfolio was developed in response to Governor Newsom's April 29, 2019 executive order calling for a portfolio of actions that may be taken to help meet the future water needs of California's fish and wildlife, as well as the millions of people that depend on a reliable water source every day to run their homes, farms and businesses.

There is a wealth of information in the report and its appendices, and BAWSCA is presently reviewing the document. BAWSCA's review will focus on identifying if and how the approaches detailed recognize and promote the importance of a water supply for our members that is sustainable and resilient to the increasing impacts of climate change. BAWSCA also will be reviewing how the State has characterized the Voluntary Agreement efforts currently underway as associated with the SWRCB's update of the Bay-Delta Plan. Once BAWSCA's review is completed, BAWSCA will share the results of that review with the BAWSCA Board, including any possible comment letter to the State. It is anticipated that this document will help guide associated future State legislative efforts and potential bond measures.

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Board of Directors

Policy Calendar Through July 2020

Meeting Date	Purpose	Issue or Topic
January 2020	D&A D&A R	FY 2019-20 Mid-Year Work Plan, Budget, and General Reserve Balance Review Annual Review and Consideration of BAWSCA's Statement of Investment Policy Review of Water Supply Forecast
March 2020	D&A D&A R&D R&D R&D R	Consideration of BAWSCA Bond Surcharges for FY 2020-21 Consideration of Consultant Contract to Support Lawn Be Gone Revamp Presentation of Preliminary FY 2020-21 Work Plan and Budget Los Vaqueros Expansion Update Demand Study Update Review of Water Supply Forecast
May 2020	D&A D&A D&A R&A R	Consideration of Proposed FY 2019-20 Work Plan and Budget Consideration of Annual Consultant Contracts Review of Agency Personnel Handbook Los Vaqueros Expansion Update Review of Water Supply Forecast
July 2020	R R&A	Update on Long-Term Reliable Water Supply Strategy Implementation Los Vaqueros Expansion Update

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Fiscal Year 2020-21 Work Plan and Budget Preparation Planning Session**

Summary:

Each year, the BAWSCA budget is prepared to meet a specific work plan and identified results to be achieved. The development of the preliminary work plan begins by compiling a list of major challenges that BAWSCA, its member agencies, and their water customers will face next fiscal year, and between now and 2050. This long-term perspective helps anticipate and identify the results that must be achieved during FY 2020-21. A preliminary list of challenges as updated for the FY 2020-21 budget process appears in Table 1.

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

Recommendation:

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

Discussion:

The FY 2020-21 Work Plan and Budget development process is being initiated with a Board planning session. The goal of the planning session is to receive Board input on near-, mid- and long-term issues for BAWSCA to consider in developing its FY 2020-21 Work Plan.

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

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

Input received from the Board will be reviewed and addressed by the CEO in developing the Preliminary FY 2020-21 Work Plan and Budget, which will be presented to the BPC in February and the Board in March. Following further Board input, a recommended Work Plan and Budget will be presented to the BPC in April for its review, and presented to the Board for recommended adoption in May.

Attachment: Table 1. Future Challenges Facing BAWSCA, Member Agencies and Their Customers (Preliminary FY 2020-21)

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Table 1: Future Challenges Facing BAWSCA, Member Agencies, and Their Customers (Preliminary FY 2020-2021)
(Proposed Changes Shown in Blue Underlined Italic Font)

BAWSCA Goal and Associated Challenges	FY 2020-21 (Near-Term)	2021-2035 (Mid-Term)	2035-2050 (Long-Term)
Reliable Supply: Ensure Long-Term Water Supply Reliability			
Protection of member agencies' interests in long-term water supply reliability need from the SF RWS and 184 MGD Supply Assurance <u>in light of identified potential areas of risk</u> , including climate change and regulatory challenges.	X	X	X
Protection of BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts.	X	X	X
Reflection of member agencies' long-term water supply needs and investments in regional planning efforts.	X	X	X
<u>Support member agencies in their efforts to ensure system reliability during an emergency.</u>	<u>X</u>	<u>X</u>	<u>X</u>
Representation of member agencies in Federal relicensing of New Don Pedro to protect SF RWS water supply reliability.	X	X	
Representation of member agencies in Bay Delta Plan Update to protect RWS water supply reliability.	X	X	
Meeting the new Statewide "Making Water Conservation a California Way of Life" requirements thru 2035.	X	X	
Protection of member agencies' interests in San Francisco's December 2028 decisions including deciding whether to make San Jose and Santa Clara permanent customers.	X	X	
Development of a new Tier 2 drought allocation plan.		<u>X</u>	
Reliable Supply: Ensure SF RWS Facility Reliability			
Protection of water supply and financial interests of water customers in SFPUC's development and implementation of its 10-Year CIP.	X	X	X
Protection of water supply and financial interests of water customers in SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets.	X	X	X
<u>Promote emergency resiliency of the SF RWS to protect interests of water customers.</u>	<u>X</u>	<u>X</u>	<u>X</u>
Protection of water supply and financial interests of water customers in SFPUC's WSIP implementation.	X	X	
High Quality Supply & Fair Price: Enforce 2009 Water Supply Agreement (WSA)			
Enforcement <u>and amendment as necessary</u> , of the WSA to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting obligations.	X	X	X
Protection of member agencies' water supply reliability interests against threats by outside forces including efforts by others to drain Hetch Hetchy that disregard their interests in reliability, quality and cost.	X	X	X
Protection of water customers interests in ensuring SF maintains its Tuolumne River water rights.	X	X	X
Extension or renegotiation of the WSA before it expires in 2034. <u>The WSA can be extended 2 times, for a period of 5 years each. By December 2031, SFPUC must notify Wholesale Customers of desire to extend contract.</u>		X	<u>X</u>
Management of BAWSCA's revenue bonds, <u>including consideration of refinancing</u> , in accordance with Bond Indenture and other applicable laws to ensure accountability and ultimately to reduce overall cost to regional water customers (thru 2034).	X	X	

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

Meeting Schedule through January 2021

Schedule for BAWSCA Board Meetings (Meetings are held from approx. 6:30 – 8:45 p.m.)	
<u>Date</u>	<u>Location</u>
Thursday – January 16, 2020	Oak Room, San Mateo Main Library
Thursday – March 19, 2020	Oak Room, San Mateo Main Library
Thursday – May 21, 2020	Oak Room, San Mateo Main Library
Thursday – July 16, 2020	Oak Room, San Mateo Main Library
Thursday – September 17, 2020	Wind Room, Foster City Community Building <i>(Venue for Month of September Meetings with few exceptions)</i>
Thursday – November 19, 2020	Oak Room, San Mateo Main Library
Thursday – January 21, 2021	Oak Room, San Mateo Main Library

Schedule for RFA Board Meetings (Meeting time will be announced)	
<u>Date</u>	<u>Location</u>
Thursday – January 16, 2020	Oak Room, San Mateo Main Library
Thursday – January 21, 2021	Oak Room, San Mateo Main Library

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