



NOTICE OF CANCELLATION of the BOARD OF DIRECTORS MEETING

In accordance with the Governor's Executive Order in regards to concerns with COVID-19 and maintaining public health and safety,

The regular meeting of the BAWSCA Board of Directors scheduled for **MARCH 19, 2020** at 6:30 p.m. in the Oak Room of San Mateo Main Library, 55 West 3rd Ave., San Mateo is **CANCELLED.**

The Agenda and Materials that were prepared for this meeting but are not being used are available for information at www.bawsca.org

For questions regarding this cancellation, please call the BAWSCA office at (650) 349-3000.

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

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

(Directions on Page 2)

**Thursday, March 19, 2020
6:30 P.M.**

**THIS MEETING IS CANCELLED
AGENDA and MATERIALS ARE BEING DISTRIBUTED FOR INFORMATION
DISTRIBUTION PURPOSES ONLY**

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page</u>
1. Call to Order/Roll Call/Salute to Flag	(Pierce)	
2. Comments by the Chair	(Pierce)	
3. Board Policy Committee Report <i>(Attachment)</i>	(Chambers)	<i>Pg 3</i>
4. SFPUC Report	(Ritchie/Miller)	
5. Special Report <ul style="list-style-type: none">Los Vaqueros Expansion Project	(Patil)	
6. Public Comments <p><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></p>	(Pierce)	
7. Consent Calendar <i>(Attachments)</i>	(Pierce)	
A. Approve Minutes of the January 16, 2020 Meeting		<i>Pg 19</i>
B. Receive and File Budget Status Report – As of January 31, 2020		<i>Pg 25</i>
C. Receive and File Bond Surcharge Collection, Account Balance and Payment Report – As of December 31, 2019		<i>Pg 27</i>
D. Proposed Fiscal Year 2020-21 Bond Surcharges <p><i>The Board Policy Committee voted unanimously to recommend the proposed Board action.</i></p>		<i>Pg 29</i>
E. Authorization to Enter into an Agreement with a Selected Contractor to Implement a Landscape Rebate Online System. <p><i>The Board Policy Committee voted unanimously to recommend the proposed Board action.</i></p>		<i>Pg 35</i>
8. Reports and Discussions	(Sandkulla)	
A. Preliminary Fiscal Year 2020-21 Work Plan and Results to be Achieved <i>(Attachment)</i>		<i>Pg 39</i>

9. Reports

(Sandkulla)

- A. Water Use Update
- B. Bay Delta Plan - Update
- C. Annual Water Supply Agreement Balancing Account Update (*Attachment*) Pg 67
- D. CEO/General Manager's Letter (*Attachment*) Pg 73
- E. Board Policy Calendar (*Attachment*) Pg 79
- F. Correspondence Packet ([Under Separate Cover](#))

10. 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).*

11. Report After Closed Session

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

13. Date, Time and Location of Future Meetings (Pierce) Pg 81 (See attached schedule of meetings)

14. Adjourn to next meeting scheduled for May 21, 2020 at 6:30pm (Pierce) in the Oak Room of San Mateo Main Library, 55 W. 3rd Avenue

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

All public records that relate to an open session item of a meeting of the BAWSCA Board that are distributed to a majority of the Board less than 72 hours before the meeting, excluding records that are exempt from disclosure pursuant to the California Public Records Act, will be available for inspection at **BAWSCA, 155 Bovet Road, Suite 650, San Mateo, CA 94402** at the same time that those records are distributed or made available to a majority of the Committee.

Directions to San Mateo Main Library San Mateo – 55 W. 3rd Avenue

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

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

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 Members

FROM: Nicole Sandkulla, Chief Executive Officer/General Manager

DATE: March 13, 2020

SUBJECT: Summary of Board Policy Committee meeting held February 12, 2020

1. **Call to Order:** Committee Chair, Tom Chambers, called the meeting to order at 1:32 pm. A list of Committee members who were present (9), absent (0) and other attendees is attached.

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

2. **Comments by Committee Chair:** Committee Chair Chambers noted the two action items and two financial reports on the agenda, including the review of a potential refunding of BAWSCA's revenue bond series 2013A, and the preliminary work plan and results to be achieved in FY 2020-21.

Committee Chair Chambers also noted an increase in the current balancing account as a result of the \$7 million Ms. Tang identified through BAWSCA's review of the FY 2015-16 Wholesale Revenue Requirement.

3. **Public Comments:** There were no public comments.
4. **Consent Calendar:** Approval of Minutes from the December 11, 2019 meeting.
Director Wood made a motion, seconded by Director Zigterman, that the minutes of the December 11, 2019 Board Policy Committee meeting be approved.

The motion carried with one abstention.

Item #6A, Evaluation of Potential Refunding of the BAWSCA's Revenue Bond Series 2013A, was moved to precede Agenda Item 5, Action Calendar.

6. **Reports and Discussion:**

- A. **Evaluation of Potential Refunding of the Agency's Revenue Bond Series 2013A:** BAWSCA Finance Manager, Christina Tang, introduced Dan Cox from KNN Public Finance, BAWSCA's Financial Advisor. As Financial Advisor, Mr. Cox assists BAWSCA with administration of the 2013 bond issuance, including the analysis of the potential for bond refunding.

In November 2019, with the historically low interest rates, BAWSCA requested KNN to evaluate the potential for refunding BAWSCA's revenue bond series 2013A and 2013B.

Ms. Tang provided an overview of BAWSCA's bond issuance back in February 2013. BAWSCA issued series 2013A and 2013B tax exempt bond in a total par amount of \$335.8 million. The effective interest rate was 3.14% which accounts for the interest rates on the bonds, issuance costs, and premium paid by the investors. The proceeds of the bond were used to pre-pay the capital debt that the member agencies owed San Francisco. The net present value savings of the bond issuance shared by the member agencies is \$62.3 million over the term of the bonds. Based on the establishment of the 2013 bonds, the bond team deemed it appropriate to make bond series 2013B taxable, effectively non-callable, to achieve lower interest rates which would provide greater savings to the member agencies.

Ms. Tang reported that the current refunding potential is only applicable to the callable portion of bond series 2013A, in par amount of 163.8 million that mature on April 1, 2023. Under the 2017 federal tax law, BAWSCA's callable portion of the bonds can be advanced refunded as taxable bonds before January 1, 2023, or as tax-exempt after January 1, 2023.

The refunding analysis presents three scenarios under current market conditions, for refunding bond series 2013A in par amount of \$163.8 million.

Scenario 1 illustrates a taxable refunding in June 2020, which would provide an estimated net present value savings of \$15.1 million or 9.2% of the refunded bonds.

Scenario 2 presents a tax-exempt refunding in January 2023 which would provide an estimated net present value savings of \$31 million, or 18.9% of the refunded bonds.

Scenario 3 indicates an approximate break-even point. The interest rate would have to rise more than 1.75% before the wholesale customers would be worse off by waiting until 2023. For example, if by January 1, 2023 the interest rates increase by only 1%, BAWSCA would generate more savings in 2023 based on tax-exempt bonds, than by refunding under current conditions.

While the agency estimates a moderate amount of potential savings based on a taxable refunding in 2020, the level of savings at this time are not high enough to justify the risk of potential adverse market change before the refunding is completed, given the need to get issuance authorization from all BAWSCA agencies.

The interest rate assumption was 2.40% based on taxable refunding in 2020, and 1.23% based on a tax-exempt refunding in 2023.

Ms. Tang presented the three primary reasons why BAWSCA and KNN recommends refunding in 2023 for greater potential savings. In general, tax-exempt bonds result in a much lower interest rates than taxable bonds based on the same market conditions. The refunding bonds have a shorter term when issued near the call date as opposed to three years prior. Shorter term bonds generally have lower interest rates that can provide greater savings to the member agencies. Lastly, there is a "negative arbitrage" when the investment earnings on refunding bond proceeds are lower than the borrowing cost of the refunding bonds.

It is recommended that BAWSCA continue to monitor the market and update the analysis as the market conditions change.

As a next step, BAWSCA can consider working with bond counsel and legal counsel to begin the approval process required with each member agency to authorize BAWSCA to refund the bonds. This saves time and reduces the risk of potential for a change to adverse market conditions before the refunding is completed.

Director Mendall brought up the notion of using the balancing account to pay down some of the debt, and effectively take the interest rate on that portion down to zero. What kind of savings would that generate, and would it be worth it to call a portion of the bonds sooner rather than in 2023 to gain that full 3.14% savings.

Ms. Sandkulla stated that staff can analyze that notion. She added that BAWSCA is currently having conversations with the Water Management Representatives (WMR) on wholesale water rates and the SFPUC's current projections for the use of the balancing account. She reminded the Committee that the balancing account's primary purpose is for rate stabilization. Currently, the SFPUC is projecting to spend down the balancing account to zero to absorb the wholesale customer's increased cost in capital funding and keeping the wholesale water rates flat for the next 3 years. The SFPUC has a spending plan that was reported to the WMR's, and the feedback from the WMRs is positive on using the balance in the balancing account to maintain a zero rate increase.

Director Mendall stated that paying down the debt and interest seems to have greater potential to save water customers money than simply using the balancing account to offset wholesale water rate increases.

As requested by Director Mendall, staff will look into whether the balancing account can be used for paying a portion of the debt, and identify what savings can be generated, for example, for every \$10 million used from the balancing account to pay down a portion of the debt.

Mr. Cox clarified that whether BAWSCA uses the balancing account to pay down the debt or refinances the debt, the tax-exempt bonds cannot be called sooner than April 2023.

Ms. Sandkulla explained that Board action is not required for BAWSCA to begin the approval process needed from each member agency to grant BAWSCA the authority to refund the bonds. Once each member agency approves refunding of the bonds, the Board could then act to authorize BAWSCA to take action on the bond refunding.

Ms. Sandkulla anticipates including this action item for the member agencies, along with a separate action on a potential contract amendment, in the FY 2020-21 work plan.

5. Action Calendar:

- A. Proposed Fiscal Year 2020-2021 Bond Surcharges: Ms. Tang reported that the calculation of bond surcharges according to BAWSCA's Revenue Bond Indenture is an annual process that BAWSCA does to meet the financial obligation associated with the 2013 revenue bonds. The bond surcharges are a fixed amount for each agency used to pay for the debt service

payments, cover expenses incurred with administration of the bonds, and replenish the stabilization fund as necessary.

The proposed bond surcharges for each agency was provided in the staff report. Ms. Tang reported that the calculation methodology of the bond surcharges remains the same as last year, and that review of the stabilization fund requires no replenishment.

Assuming SFPUC's projected wholesale customer consumption of 127mgd, the total surcharge for FY 2020-21 is \$24,685,116, equivalent to \$0.40/ccf or \$174/AF. This total surcharge is approximately \$13,000 less than the current year's.

Director Mendall made a motion, seconded by Director Larsson, that the Board Policy Committee recommend Board approval of the proposed FY 2020-21 bond surcharges as presented in the staff report.

The motion carried unanimously.

- B. Authorization to enter into an Agreement with the Selected Contractor to Implement a Landscape Rebate Online System: Water Resources Engineer, Negin Ashoori, reported that part of BAWSCA's adopted FY 2019-20 work plan is to revamp the Landscape Rebate Program with an Online Rebate System (Rebate System) to increase program participation. The key elements of the Rebate System are to streamline the application process enabling customers to apply for one or multiple rebate programs; automate customer communication capabilities to allow faster responses to customer inquiries; and provide increased resources to assist customers in their landscape projects such as educational videos or landscape design templates. These changes are based on input received from customers as well as participating agencies.

BAWSCA issued a Request for Proposal (RFP) on January 10th. Four proposals were received and will be evaluated by a review panel consisting of BAWSCA Staff, participating member agencies and C/CAG, as an outside agency reviewer.

The funding structure for the Rebate System will be consistent with BAWSCA's subscription program model, where initial development costs is funded by BAWSCA, and participating agencies will pay for individual setup and annual maintenance costs, as well as BAWSCA administration costs.

A final contractor recommendation with a not-to-exceed budget for the system will be presented to the Board for consideration at the March Board meeting. Funding for this effort is included in BAWSCA's adopted FY 2019-20 budget.

Director Jordan noted that the Valley Water administers a similar program for agencies in Santa Clara County, and asked what the costs of the BAWSCA program is to non-participating member agencies.

Ms. Sandkulla explained that the initial development costs for subscription programs are funded by the BAWSCA budget since member agency participation is not yet known until the program is set up. The typical development cost is between \$20K - \$30K. Further costs specific to the needs of participating agencies are paid for by those agencies.

Ms. Johnson added that the Valley Water's program is very similar to BAWSCA's, and member agencies in the Santa Clara County historically do not participate in BAWSCA's program.

Director Cormack asked why participation has decreased and whether there are known metrics that can help identify progress.

Ms. Johnson stated that the decrease in program participation, which many other agencies throughout the Bay Area are seeing, can be attributed to drought fatigue. She added that BAWSCA's demand study is looking at each agency's historical participation rates and water savings assumptions to help agencies develop their short-term and long-term goals for program participation in their respective service areas.

Additional comments from committee members included the clarification of whether permits are required, whether higher rebate potential creates an incentive for customers to replace their lawns, and if there is a correlation between the wholesale sales since 2013 and the drop off in the conservation program.

Ms. Sandkulla stated that the trends in conservation and demands presents interesting questions on the relationship between them. The demand study and the 2018-19 BAWSCA Annual Water Conservation Report will provide information that can assist in answering these queries.

Director Cormack made a motion, seconded by Director Mendall, that the Board Policy Committee recommend the Board authorize the CEO/General Manager to:

- 1. Negotiate and execute a contract with the selected contractor(s), subject to legal counsel review, to implement the Landscape Rebate Online System; and**
- 2. Offer participation in the Program to interested BAWSCA agencies on a subscription basis.**

The motion carried unanimously.

6. Report and Discussion:

- B. Preliminary Fiscal Year 2020-21 Work Plan and Results to be Achieved: Ms. Sandkulla reported that the preliminary work plan aligns with BAWSCA's legislated authority and the agency's three goals of ensuring a reliable supply of high-quality water at a fair price. Table 1 in the staff memo presents the preliminary work plan activities as they meet those goals, and Table 2 presents activities that are not included in the work plan. The preliminary work plan also takes a long-term outlook and addresses the critical issues that faces BAWSCA in the next 30 years.

Ms. Sandkulla noted the specific areas of work which will have expanded activities in FY 2020-21. They include implementation of recommendations from BAWSCA's audit of the SFPUC's asset management program for the Regional Water System, participation in the Los Vaqueros Expansion (LVE) project, implementation of 3-4 conservation programs recommended by BAWSCA's demand study, and implementation of a new diversity internship program.

Eight of the comments received from the Board during the January budget planning session are addressed in the preliminary work plan for FY 2020-21, and into subsequent fiscal years, depending on the tasks' development.

In response to the comment that is not already reflected in the work plan; *consideration of allowing 2-3 Board members to attend the ACWA conference*, Ms. Sandkulla referenced Resolution 2006-02 "Reimbursement of director's expenses" which clarifies that Board member attendance at conferences are not an authorized activity. The Board chair attends the ACWA conference as the voting representative for BAWSCA on ACWA/JPIA and as BAWSCA's ACWA Board member. The CEO/General Manager is the alternate voting representative in the absence of the Chair. While there are a few allowable exceptions, the policy is restrictive and is in line with regional agency policies. Allowing additional Board members, outside of the Chair, to attend the ACWA conference will require an amendment in the policy.

Ms. Sandkulla discussed the activities in the work plan under each major component; water supply reliability, high quality and fair price.

BAWSCA's oversight of the SFPUC's operation of the Regional Water System (RWS) is a critical part of ensuring water supply reliability for the region. The Water System Improvement Program (WSIP) and recently adopted 10-year CIP both have a combined cost of \$1.9 billion and; therefore, is a significant effort to oversee on behalf of BAWSCA's member agencies.

A new area of focus on the RWS is SFPUC's emergency response program. BAWSCA held a workshop with the WMRs to identify what member agencies need from BAWSCA in this area of work. Because member agencies are currently focused on their own infrastructure emergency response and reliability resilience analysis to comply with America's Water Infrastructure Act (AWIA), the WMR's indicated that it was best to allow the agencies to complete their individual analysis as required by AWIA. In the meantime, Ms. Sandkulla reported that the work plan includes staff time to coordinate emergency exercises with the SFPUC and Valley Water on behalf of the member agencies. Until BAWSCA can re-evaluate the needs of the member agencies in the Fall of 2020, the work plan will not allocate consultant time for emergency response planning. Adjustments will be made according to developments that arise.

Another critical piece in BAWSCA's efforts to monitor the SFPUC's operation of the RWS in FY 2020-21 is implementing the recommendations from BAWSCA's audit of SFPUC's Asset Management Program. This work supports BAWSCA's efforts to increase oversight on the 10-year CIP. Ms. Sandkulla emphasized that an asset management program ultimately identifies what is included in a CIP and, therefore, needs to be well-administered.

The audit is scheduled to be completed in June 2020. Preliminary findings and recommendations will be presented to the Committee at its April meeting. Feedback on the final report will be requested from the expert panel that selected the consultant, West Yost, to perform the audit. The preliminary work plan anticipates consultant support for the next steps at an estimated cost of \$82K.

Director Jordan noted that the effort provides a greater pay off than the allocated dollars.

Ms. Sandkulla agreed and stated that the better informed BAWSCA is, the better position it is in ensuring that two-thirds of the member agencies' money pays for their best interest.

Director Mendall noted that it is the agency's core function.

Implementation of the Long-Term Reliable Water Supply Strategy (Strategy) is also a critical piece in ensuring water supply reliability. Ms. Sandkulla presented a list of efforts that looks at long-term water supply solutions and put emphasis on BAWSCA's work with the Bay Area Regional Reliability (BARR) Water Marketing Strategy and the Los Vaqueros Expansion Project.

BAWSCA has been part of the partnership between Bay Area agencies, under BARR, that received federal grant funding for two pilot water transfers. The first pilot water transfer is with Contra Costa Water District (CCWD) and Valley Water which examines storage potential at Los Vaqueros. BAWSCA, ACWD, and SFPUC are now joining together on a project which will entail an extensive table-top exercise that will walk through the operations, legal, and water quality requirements of a potential water transfer. The exercise will not move water. The goal is to identify the challenges of a transfer, what works, what does not, and where the red flags are.

The LVE continues to make progress on critical tasks. Ms. Sandkulla reported that an outside legal counsel has been hired for the JPA formation, which is a significant legal step for the effort. Partnering agencies will form a JPA, and those that want to buy water will have a service agreement with the JPA.

An independent review was conducted on the "use fees" proposed by CCWD and East Bay Municipal Utilities District (EBMUD) for the use of their existing facilities. The recommended modifications from the independent review are now being evaluated and considered by CCWD and EBMUD.

Conversations has been initiated with the Department of Water Resources (DWR) about the conditions of the South Bay Aqueduct (SBA). Ms. Sandkulla reported that she participated in a meeting with the DWR to discuss concerns with the current conditions of the South Bay Aqueduct and its significant impact to, not only LVE, but to the region it serves. The hope is that DWR will take an active role in addressing the reliability of SBA. Ms. Sandkulla explained that the SBA's current condition is the issue on whether it will be a viable alternative for the LVE. What DWR is going to do about SBA's overall reliability within its current and future capacity is a critical outstanding issue to inform BAWSCA's participation in the LVE.

Marguerite Patil, Assistant General Manager for CCWD and Project Manager for the LVE has been invited to provide an update at the March Board meeting.

Ms. Sandkulla reported that BAWSCA's current cost-share agreement for the LVE is funded through June 2020 with the current year's budget. There needs to be an additional bridge funding for an 18-month period in which the formation of the JPA and all necessary purchase agreements will be put in place. CCWD has indicated they are likely to ask partner agencies to commit to the next cost-share agreement, in the amount of \$430 K, for that next 18-month term.

Ms. Sandkulla stated that she has made it clear with CCWD and other partner agencies that BAWSCA cannot commit at this time to continuing on as a partner given the major uncertainty associated with SBA usage. BAWSCA may remove itself before or after the JPA is formed, and before any service agreement is signed. CCWD is aware of the implications if BAWSCA and/or SFPUC, two major users for this project, choose not to participate. The conversations are ongoing, as will the negotiations for cost implications if BAWSCA and/or SFPUC withdraw from the project.

As a best estimate, Ms. Sandkulla allocated a 12-month cost in the FY 2020-21 budget. She anticipates refining it based on further developments between now and the budget adoption in May. This preliminary allocation includes BAWSCA's share for the LVE costs and funding for legal, as well as technical support for water supply modeling to help with further analysis on the project's technical feasibility.

Ms. Sandkulla clarified that joining the JPA does not require BAWSCA to participate in the project. The participation in buying water is through a sales purchase contract, as well as the cost of building a dam. What CCWD is currently asking for is for partner agencies to act before the end of the fiscal year (June 30, 2020) to a cost-share agreement in the amount of \$333 K, which goes in effect July 1, 2020. Ms. Sandkulla stated that the Board can adopt the budget in May to include this cost, and have further discussions in July concerning approval of use of these funds..

Director Mendall expressed his increasing skepticism to participate in the LVE project because of the cost and projected payoffs. The project provides a reduction in drought cut back from 20% to 15%, one time during drought period with a cost of an estimated 7,8, or 9 figures. He is curious about the cost implications for withdrawing, and anticipates it to be zero. He also stated that if BAWSCA takes a step that would result in subsequent cost if BAWSCA decides to withdraw, that cost implication needs to be made absolutely clear before the Board takes that step. He encouraged other Board members to express their uncertainties, if any, as the project is further discussed in the coming months, to determine how to move forward with the project, and avoid further costs to the agency if it will withdraw in the end.

Director Chambers expressed his concern with cost allocations.

Director Cormack questioned BAWSCA's and SFPUC's dual participation.

Ms. Sandkulla explained that the SFPUC's interest in LVE is part of a future water supply project to allow SFPUC to meet its obligations to provide a reliable 184 mgd to its wholesale customers. BAWSCA's interest is for greater water supply reliability, independent of the SFPUC, primarily in a drought.

BAWSCA is working with the WMRs to determine how critical additional drought reliability is for their agencies. The most recent drought, for a variety of reasons, seems to have changed the agencies' desire for increased drought reliability. Initial response suggests their readiness to respond and achieve any SFPUC cutback, or their preparedness to address cutbacks independently. BAWSCA will continue to push for additional member agency feedback to inform the Board with its consideration of the LVE.

Director Zigterman noted that having engagement in the planning stages is beneficial. However, BAWSCA will have to address the cost benefits at some point, and determine how far into the project should BAWSCA participate. While further information is yet to develop, he believes that storage is the answer. But the subsequent question is, which storage.

Director Kuta noted that given Director Zigterman's comment, it is therefore critical to keep track of alternative projects.

Implementation of the Strategy to ensure reliable water supply also includes near-term solutions which involves BAWSCA's efforts on conservation programs, demand reduction and engagement. The biggest effort for FY 2020-21 is implementing new conservation programs that come out of the demand study.

BAWSCA's current conservation program was developed through prior reiterations of this exact process. The 2002 demand study supported BAWSCA's first few conservation programs, and the 2007 demand study further developed the program to what it is today. Conducting a demand study provides an opportunity to review demands and projections, identify where conservation needs are, and develop locally tailored conservation programs most beneficial for the region.

BAWSCA's core conservation programs are funded through BAWSCA's operating budget and offer regional benefits to the member agencies and their customers. The program includes a suite of conservation efforts such as free water efficient landscaping classes offered in the Spring and Fall, native garden tours, water loss evaluation and knowledge workgroup, and the Water Conservation Database (WCDB), which collects conservation data including customer water use data that relates to conservation efforts.

BAWSCA's subscription programs are paid for by the participating member agencies. They include three outdoor rebate programs, large landscape audits, home water use reports, and school education programs, to name a few.

BAWSCA and its member agencies are reviewing existing and potential new conservation programs as part of the current demand study. BAWSCA has engaged an outside stakeholder group to go through the review process of potential new programs. Specific programs will be selected with member agencies in April when the preliminary results of the demand study become available. Programs are anticipated to include a combination of 3 to 4 new subscription and core that will support agencies in meeting the upcoming long-term water conservation requirements.

A preliminary estimated cost for the effort is \$57K, which will be refined as needed before the May budget adoption.

Director Cormack encouraged staff to consider developing conservation materials that can be used for NextDoor as a way to reach people who would not seek information on the web. For instance, the QWEL program.

Director Zigterman suggested that metering technology advancement as part of water conservation would be helpful to measure daily usage that are low-flow.

Ensuring water supply reliability also involves BAWSCA's work on the administration of the Water Supply Agreement (WSA) to protect the member agencies' interests and ensuring that SFPUC meets its contractual obligations to the wholesale customers.

BAWSCA is working on a potential contract amendment that proposes permissive language to allow a member agency with a minimum purchase requirement to transfer that minimum requirement with a paired Interim Supply Guarantee (ISG) to another permanent wholesale customer. This effort facilitates transfers of water allocations. BAWSCA has been working with the agencies for the past 1 ½ years in developing contract language with the hope of moving the efforts forward in FY 2020-21.

Additionally, BAWSCA will increase focus on the SFPUC's 10-year CIP, which includes larger water supply programs essential for making its required 2028 decision under the WSA, to protect member agencies' water supply and financial interests.

The work plan will continue to include efforts on the Bay Delta Water Quality Control Plan and the FERC relicensing process, pursuit of grant opportunities with regional partners to support implementation of the strategy, and completion of reports and tracking of water supply and conservation activities.

BAWSCA's efforts in the area of Water Quality will continue to support the member agencies' engagement with the Joint SFPUC/BAWSCA Water Quality Committee, distribution of critical information efficiently, and looking into how emergency response efforts can merge in this area.

Ensuring fair price involves BAWSCA's administration of the financial piece of the WSA and addressing the financial matters delegated to BAWSCA under the contract. This includes each year's Wholesale Revenue Requirement (WRR) audit, in which BAWSCA reviews San Francisco's charges to the member agencies. The WRR process ensures that the charges are appropriate and accurate, and provide the benefits that the member agencies pay for. Administration of the 2013 bond issuance also falls under BAWSCA's efforts of ensuring fair price

Lastly, BAWSCA maintains agency effectiveness by staying connected with its allies and environmental interest groups, and managing agency activities professionally and efficiently.

As suggested by Director Moody and several Board members, the FY 2020-21 work plan will include the initiation of a new paid internship program. BAWSCA's previous internships provided experience and fostered connections, but were unpaid. This internship will be paid, and the goal is to offer minority/disadvantaged students, pursuing a technical or business degree, gain experience by working to support BAWSCA's water resources or finance departments.

BAWSCA is considering two options at this time. The first option is to collaborate with an existing program called "Year Up", which involves a 6-month course training, and a 6-month internship beginning in January or July. The program provides under-served young adults with hands-on skill development within the 12-month period. The cost is approximately \$26 K.

Another option is to engage with individuals who have reached out to BAWSCA individually for internship opportunities. The individuals are well-qualified candidates from Tufts University and MIT. This option can potentially be implemented sooner and cost less.

Ms. Sandkulla stated that a consideration is to move forward with individual applicants with an internship for this summer, and commit to the “Year Up” moving forward. She welcomed the Committee’s feedback.

Director Mendall stated his appreciation for staff’s effort to investigate the opportunities, his support for pursuing both programs, and his willingness to invest, as appropriate, in this effort.

Director Cormack supported the effort and believed it is appropriate for BAWSCA to work with people to establish their careers.

Director Pierce suggested looking at groups that work with students to guide them through college and direct them towards career opportunities.

Ms. Sandkulla reported that the work plan includes an estimated cost of \$18K - \$30K for this effort.

Overall, the operating budget will continue to reflect implementation of the Strategy and BAWSCA’s oversight of the Regional Water System’s reliability. While it remains a critical issue, the Bay Delta Plan and FERC process will not require as significant legal time/expense as it did last fiscal year.

A forecast of the year-end spending, year-end reserve balance, and use of the general reserve to fund the FY 2020-21 operating budget will be presented at the March Board meeting along with a preliminary operating budget and funding options.

Ms. Sandkulla noted that FY 2019-20 budget required a 3% assessment increase and funding from the balancing account and general reserve. While the FY 2020-21 budget is anticipated to be less than FY 2019-20, it can be anticipated that funding for next year’s budget will require more than just assessment increases.

Feedback from the Committee will be incorporated into the preliminary work plan and budget presentation to the Board in March. A proposed work plan and operating budget will be brought back to the Committee for further review and discussion in April, for the Board’s consideration and action in May.

Committee discussions ensued on items in the preliminary workplan.

Director Wood proposed that the Board consider expanding BAWSCA’s travel expense policy to allow 1-2 Board members to attend the ACWA conference. Other boards have travel expenses that allow directors outside of the Chair and Vice Chair to attend conferences for educational experience, particularly if directors are brought into the Chair or Vice Chair positions.

Committee Chair Chambers stated that because ACWA is a large expense, he sees it appropriate for the local agencies to cover the expenses of their local directors, who are on the BAWSCA Board, to attend the ACWA or other conferences. Paying for the attendance of

additional Board members, outside of the Chair, would impose the costs to the member agencies. He supports the current policy as it is written.

Director Pierce added that the ACWA conference provides information more applicable to local agencies. Additionally, BAWSCA Board members attending the conference can cause a confusion on whether they are representing BAWSCA or their local agency. BAWSCA, which is a regional body for the 26 member agencies, is best represented by its CEO/General Manager and staff. She was open to hearing others' perspectives.

Director Jordan stated that the ACWA conference, specifically, is an automatic travel expense for Board members of Purissima Hills Water District (PHWD). However, it is rare that more than one PHWD Director attends. For other meetings and conferences outside of PHWD's district dealings, reimbursement is not automatic and would require a Board vote.

The Committee agreed to leave the policy unchanged.

In response to Director Mendall's comment on the potential impact of LVE to the FY 2020-21 operating budget and assessments, Ms. Sandkulla noted that for FY 2019-20, the Board authorized the use of the Balancing Account to fund LVE activities. She anticipates the same for FY 2020-21, but noted that Director Cormack requested a policy for future use of the Balancing Account. Such a policy will be provided to the BPC for discussion, and the Board prior to any recommended use of the Balancing Account.

Director Larsson asked what the obstacles are to making BARR's pilot water transfer table top discussion an actual transfer that moves water.

Ms. Sandkulla explained that the biggest challenge is hydrology. Current conditions are very dry, and ACWD's willingness to participate in a water transfer that moves water during a dry period is unlikely for practical and policy reasons.

Ms. Sandkulla added that one of the biggest lessons learned from BAWSCA's pilot water transfer effort, is that agencies that own and operate the facilities need to be the biggest advocate for the effort. Regardless of how much BAWSCA wants a particular outcome, BAWSCA has to take the lead from San Francisco and ACWD on this particular pilot water transfer.

ACWD will not move water with the current hydrology. San Francisco believes that a table-top discussion can review the various options for a water transfer and apply the different "what if" scenarios.

BAWSCA believes that the table-top discussion can provide another piece in a very large puzzle, but it must have all the experts involved, which includes legal counsel, technical operators, and water quality experts. Ms. Sandkulla stated that BAWSCA can help force the different discussion topics from its recent experience with the challenges and successes of BAWSCA's pilot water transfer attempt.

Director Mendall commented that the overall workplan and budget outlook is very good.

5. Reports:

- A. Water Supply Update: Ms. Sandkulla reported that the SFRWS is currently in a very good water storage situation. Total system storage is at 85% of maximum.

However, current conditions remain dry, with local and up county precipitation and snowpack levels being low.

Current water available to the SFRWS is very low. To put it in perspective, Ms. Sandkulla stated that in 2014, there was 22 TAF available to SFRWS. To fill the system storage, 321 TAF was needed.

For the current condition, Ms. Sandkulla referred to her recent conversation with Steve Ritchie, SFPUC Assistant General Manager for Water Enterprise, who stated that while he is confident that San Francisco reservoirs will be full or will be close to it, water bank is less likely to fill unless precipitation starts to pick up. Ms. Sandkulla reported that future forecast continues to have low precipitation and above normal temperatures.

Total deliveries continue to be below the pre-drought years of 2013 and 2015. Ms. Sandkulla stated that current warm weather and dry conditions may change that.

Total use by BAWSCA agencies for the month of December is 19% less than it was in December 2013. She noted that the years 2016, 2018, 2019 all line up for total water use. It brings up the question of what agencies are purchasing water from San Francisco versus alternative supplies. Trends in the coming months will be interesting to see.

- B. Los Vaqueros Expansion Project Update: The packet included a memo for the committee. Comments received from the Committee during its discussion of the preliminary work plan and budget will be incorporated in the materials for the Board in March.
- C. Bay Delta Plan Update: Ms. Sandkulla reported that a recent OpEd piece in CalMatters by Governor Newsom represented his critical leadership in keeping the momentum behind the voluntary agreement discussions.

The State Secretaries for Natural Resources and Environmental Protection Agency remain actively engaged with ongoing conversations between operators of the State and Federal projects.

BAWSCA continues to coordinate with the SFPUC and stakeholders to keep engaged. Ms. Sandkulla reported that she is part of Mayor Breed's Bay Delta Task Force roundtable discussions. BAWSCA remains focused on the voluntary agreement as the best solution to resolve the critical issue.

- D. Wholesale Revenue Requirement: Ms. Tang reported that BAWSCA conducts an audit of SFPUC's calculations of the annual Wholesale Revenue Requirement and changes in the Balancing Account in each year. The 2-year delay on the settlement for the FY 2015-16 review was due to the time and effort needed to resolve a few issues reserved from the agreement made in 2018.

BAWSCA' review of the FY 2015-16 WRR resulted in a total savings of \$7,079,780 to the Wholesale Customers, and an additional future savings of approximately \$1.4 million each

year, plus interest, through FY 2039-40. Ms. Tang presented a table summarizing the types of adjustments resulting from BAWSCA audit.

There were no questions from the Committee. The Committee expressed its appreciation for Ms. Tang's work.

10. **Closed Session**: The meeting adjourned to Closed Session at 3:26pm.
11. **Report After Closed Session**: Legal Counsel, Allison Schutte, reported that no action was taken during Closed Session. Closed session ended at 3:36pm
12. **Comments by Committee Members**: There were no comments from Committee members.
13. **Adjournment**: The meeting was adjourned at 3:37 pm. The next meeting is April 8, 2020.

Bay Area Water Supply and Conservation Agency

**Board Policy Committee Meeting
Attendance Roster**

Agency	Director	Feb. 12, 2020	Dec. 11, 2019	Oct. 9, 2019	Aug. 14, 2019	Jun. 12, 2019	Apr. 10, 2019
Westborough	Chambers, Tom (Chair)	✓	✓	✓	M T G C A N C E L L E D	✓	✓
Palo Alto	Cormack, Alison (V Chair)	✓	✓	✓		✓	✓
Purissima	Jordan, Steve	✓	n/a	n/a		n/a	n/a
Cal Water	Kuta, Rob	✓	✓	✓		✓	✓☎
Sunnyvale	Larsson, Gustav	✓	✓	✓		✓	✓
Hayward	Mendall, Al	✓	✓	✓		✓	✓
Redwood City	Pierce, Barbara	✓	✓	✓		✓	✓
Brisbane	Wood, Sepi	✓	✓			✓	✓
Stanford	Zigterman, Tom	✓	✓	✓			✓

✓: present

☎: Teleconference

February 12, 2020 Meeting Attendance

BAWSCA Staff:

Nicole Sandkulla CEO/General Manager
Tom Francis Water Resources Manager
Andree Johnson Sr. Water Resources Specialist
Negin Ashoori Water Resources Engineer
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:

Michelle Novotny SFPUC

(This page was intentionally left blank)

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

**January 16, 2020 – 6:30 p.m.
Foster City Community Building – 1000 E. Hillsdale Blvd.
Wind Room**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 6:30 pm

BAWSCA Chair, Barbara Pierce, called the meeting to order and led the salute to the flag. Nicole Sandkulla called the roll. Seventeen (17) members of the Board were present at roll call. Two (2) Directors arrived after roll call. A list of Directors present (19) and absent (6) is attached.

2. Special Order of Business: Election of Officers for Calendar Year 2020.

Chair Pierce called for nominations for the position of Chair of the BAWSCA Board. Director Wood nominated Barbara Pierce for Chair. Director Benton seconded the nomination.

Director Wood made a motion, seconded by Director Chambers, to close the nominations. The motion carried.

The Board unanimously voted to elect Barbara Pierce as Chair of the Bay Area Water Supply and Conservation Agency Board of Directors for calendar year 2020, to commence at the adjournment of the meeting at which she was elected.

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

Director Quigg made a motion, seconded by Director Chambers, to close the nominations. The motion carried.

The Board unanimously voted to elect Gustav Larsson as Vice-Chair of the Bay Area Water Supply and Conservation Agency Board of Directors for calendar year 2020 to commence at the adjournment of the meeting at which he was elected.

3. The meeting adjourned at 6:35 pm to convene the San Francisco Bay Area Regional Water System Financing Authority Board of Directors meeting.**4. The meeting reconvened at 6:40 pm****5. Comments by the Chair:**

Chair Pierce put emphasis on the CEO's presentation of BAWSCA's mid-year progress towards achieving the critical results for FY 2019-20, as well as a budget planning session for the development of the work plan and budget for FY 2020-2021. The Board will also be updated on the developments of the pilot water transfer.

Lastly, Chair Pierce noted the opportunity she had, as BAWSCA Chair, to attend the ACWA conference in December, and sit in on a meeting of the Los Vaqueros

Expansion Project partner agencies. She appreciated the dynamics of the different agency partners as they considered the challenges of the LVE.

6. Board Policy Committee Report:

Committee Vice-Chair Chambers reported that the Committee voted unanimously to recommend Board approval of the items presented in the Action Calendar. The Committee's discussion on the items are reflected in the Board Policy Summary Report included in the agenda packet.

7. SFPUC Report:

Steve Ritchie, Assistant General Manager for Water Enterprise, reported that Katie Miller will replace Dan Wade as Director of Capital Improvement Projects. Dan Wade served the SFPUC for 12 years and will be working for an outside consulting firm. Katie Miller has been with the SFPUC since 1996 and has over 20 years combined experience with the Water Enterprise, Water Quality Division, Infrastructure, and Distribution.

Mr. Ritchie reported on water supply conditions and total system deliveries to date.

8. Public Comments: There were no comments from the public.

9. Consent Calendar:

Director Keith made a motion, seconded by Director Chambers, to approve the Minutes of the November 21, 2019 meeting; receive and file the Budget Status Report as of November 30, 2019, the Investment Report and the Directors' Reimbursement Report as of December 31, 2019.

The motion carried unanimously.

10. Action Calendar:

- A. Annual Review and Consideration of BAWSCA's Statement of Investment Policy.

Director Mendall made a motion, seconded by Director Vella, that the Board re-affirm the current Statement of Investment Policy.

The motion carried unanimously.

- B. Mid-Year 2019-20 Work Plan and Budget Review.

Ms. Sandkulla noted the change in the proposed action that was presented and recommended to the Board Policy Committee at its meeting in December. She reported that the proposed Board action includes the stopping of the execution of the Pilot Water Transfer with Hayward as of January 16, 2020.

She explained that the Hayward City Council and the BAWSCA Board approved the pilot with the understanding that any risk to the Hayward Water System would be mitigated, in part, by BAWSCA purchasing a limited-term insurance policy up to \$10 million to cover potential damage. After initial indications that such insurance would be available from BAWSCA's risk-management authority,

BAWSCA learned that this insurance is not currently available due to recent statewide and nationwide catastrophic events. BAWSCA and Hayward are unable to resolve the issue before the completion of the Hetch Hetchy supply-system shutdown.

Ms. Sandkulla noted, and Board members concurred, that the multi-year process that was put towards the Pilot Water Transfer Plan proves valuable to future considerations of water transfers. There were countless and critical lessons learned from all aspects including negotiating agreements, water rights, water quality, and system risks.

Director Wood made a motion, seconded by Director Benton, that the Board approve the deletion of item 4b “Develop new Tier 2 Drought Allocation Plan” in the FY 2019-20 Work Plan and the stopping of the execution of the Pilot Water Transfer with Hayward as of January 16, 2020.

The motion carried unanimously.

- 11. Reports:** The CEO/General Manager reported that the total potable water use in November is 6% less than November 2018, which continues to show no sign of a rebound from the drought. The Demand Study is analyzing population growth and water use as well as various scenarios in the service area.

Efforts on the Bay Delta Plan are ongoing. Secretaries of State are continuing their negotiations, and BAWSCA is engaged through the SFPUC.

BAWSCA's Pilot Water Transfer could not be executed, but the experience and work completed will produce a report that will detail the knowledge gained to serve as a solid planning document for future transfers. BAWSCA will engage all expert and agency partners involved in the effort. BAWSCA will continue to pursue alternatives.

- 12. Closed Session:** The meeting adjourned to Closed Session at 7:49pm

- 13. Report After Closed Session:** Closed Session ended at 8:11pm. Legal Counsel, Allison Schutte, reported that no action was taken during Closed Session.

- 14. Fiscal Year 2020-21 Work Plan and Budget Planning Session:** Board members provided their input to the CEO/General Manager for the development of FY 2020-21 work plan and budget.

- 15. Directors' Discussion: Comments, Questions and Agenda Requests:** Director Larsson reported that Felicia Marcus will be the speaker at Sunnyvale's sustainability speaker series on January 29th in the City Council Chambers.

Director Jordan requested an update on staff's refinancing analysis of BAWSCA's 2013 bond series.

- 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	Jan. 16, 2020	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	✓	✓	✓	✓	✓	✓
VACANT	San Bruno	vacant	✓*	✓*	✓*	✓*	✓*
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

(This page was intentionally left blank)


Bay Area Water Supply & Conservation Agency

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

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: March 10, 2020

SUBJECT: Budget Status Report as of January 31, 2020

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 seven-month period ending January 31, 2020, 58 percent into the fiscal year, total expenditures were \$2,569,517 or 56 percent of the total budget of \$4,569,750.

Table 1. Operating Budget Summary as of January 31, 2020

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	1,797,550	973,627	54%
Fair Pricing	233,000	106,547	46%
Administration	110,000	104,161	95%
Subtotal	2,140,550	1,184,335	55%
Administration and General			
Salary & Benefits	2,001,051	1,158,334	58%
Other Expenses			
BAWSCA	390,500	224,419	57%
BAWUA	1,050	0	0%
Subtotal	4,533,151	2,567,088	57%
Capital Expenses	3,000	0	0%
Budgeted Contingency	31,949	0	0%
Regional Financing Authority	1,650	2,429	147%
Grand Total	4,569,750	2,569,517	56%

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 41 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 66 percent expended. The Operating Budget allocation of \$799,500 budget for legal counsel was 61 percent expended. The \$193,800 budget for water management and conservation-related activities was 29 percent expended. As noted in the January 7, 2020 budget status report, RFA legal expenses are overbudget due to unforeseen expenses related to director appointment activity in 2019.

Administration and Other Expenses

Budgets for salaries and other expenses were 58 and 57 percent expended respectively.

Use of CEO's Discretionary Spending Authority:

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

- A contract amendment in the amount of \$5,930 for Water Systems Optimization, Inc. for additional professional services related to water loss management, specifically a review of SFPUC's meter accuracy testing practices at wholesale customer turnouts.

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 11/30/19)	Account Balance (As of 01/31/20)
General Reserve	\$1,037,877	\$1,037,877



Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Christina Tang, Finance Manager

DATE: March 6, 2020

**SUBJECT: Bond Surcharge Collection, Account Balance and Payment Report
as of December 31, 2019**

BAWSCA's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued to prepay the remaining capital cost recovery payments that the BAWSCA agencies owed San Francisco as of June 30, 2013, when the payments were paid off. The bond transaction and the prepayment program was anticipated to generate approximately \$62.3 million in net present value savings over the term of the bonds, or about 17% of the \$356.1 million in principal prepaid from bond proceeds to San Francisco at the end of February 2013.

Bond Surcharge Collections

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

All monthly surcharges billed from October to December 2019 have been collected. Table 1 below presents a summary of financial transactions related to BAWSCA's Bond Series 2013A and 2013B for the three months.

Table 1: Summary of Surcharges Remitted to Trustee for Quarter Ending 12/31/2019

<u>Month</u>	<u>Amount Billed</u>	<u>Amount Remitted to Trustee</u>
October 2019	\$2,058,158	\$2,058,158
November 2019	\$2,058,158	\$2,058,158
December 2019	<u>\$2,058,158</u>	<u>\$2,058,158</u>
Total	\$6,174,474	\$6,174,474

Bond Surcharge Account Balances

All surcharge payments are deposited with the Bank of New York, the Trustee who manages BAWSCA's accounts and administers debt service payments. BAWSCA's account balances at the Bank of New York and the account activities in the past quarter are shown in Table 2 below.

Table 2: Bank of New York Bond Trustee Account Activity for Quarter Ending 12/31/2019

	35,478,780	Account Market Value as of 9/30/2019
<i>plus:</i>	6,262,810	<i>Surcharge Collected in October 2019 through December 2019</i>
<i>plus:</i>	51,873	<i>Money Market Fund Interest, Security Coupons/Accrued Interest Received</i>
<i>plus:</i>	(793,718)	<i>Change in Market Value of Held Treasury Bonds</i>
<i>minus:</i>	18,598,900	<i>Debt service payment to bondholders</i>
<i>minus:</i>	1,829,441	<i>Principal for Treasury bonds purchased</i>
<i>minus:</i>	699	<i>Accrued interest for Treasury bonds purchased</i>
<i>plus:</i>	<u>2,591,318</u>	<u><i>Market Value of Purchased Bonds</i></u>
	23,162,022	Account Market Value as of 12/31/2019

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

Based upon an evaluation of the available yields, it was determined that BAWSCA would realize a moderate earnings benefit by purchasing U.S. Treasury securities instead of staying invested in the money market account. Following further evaluation, BAWSCA determined that a strategy that involved both a rolling and a laddered security structure provided the Agency with the most appropriate balance of safety, liquidity, and yield. Consequently, this investment strategy was implemented in October 2015. With the Investment Advisor's assistance, BAWSCA re-evaluated the investment strategy in April 2018 and determined that a modest extension of portfolio maturity was appropriate to pursue higher yields while still satisfying the primary objectives of safety and liquidity. Following the April debt service payment, BAWSCA began the transition to a 0-5 year laddered portfolio strategy. In November 2019, BAWSCA reviewed the investment strategy again in light of recent market developments and changes to interest rate policy made by the Federal Reserve. BAWSCA and its investment advisor believe that the current 0-5 year laddered 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. As of December 31st, the market yield on BAWSCA's revised portfolio strategy was 1.64% compared to 1.50% for the money market fund.

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

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

The recent debt service payment of \$18,598,900 was made on October 1, 2019. It was paid using the bond surcharges collected from the agencies, consistent with the bond indenture. The next debt service payment of \$5,861,887 will be made on April 1, 2020. There are sufficient funds in the Trustee account to make the payment. Debt service payments are made on April 1st and October 1st of each year until 2034.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Proposed Fiscal Year 2020-21 Bond Surcharges**

Summary:

This memorandum presents the proposed bond surcharge for each BAWSCA agency for FY 2020-21 that would take effect on July 1, 2020. This surcharge setting conforms to BAWSCA's Revenue Bond Indenture (Indenture) for the Series 2013A and 2013B revenue bonds.

Board Policy Committee Action:

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

Recommendation:

That the Board approve the proposed FY 2020-21 bond surcharges as presented in this memorandum.

Discussion:

The bond surcharge for each BAWSCA agency is a fixed amount each fiscal year as adopted by the Board to ensure collection of necessary revenue to pay that year's obligated debt service as defined in the Indenture.

The annual surcharges for FY 2020-21 are calculated by multiplying the obligated debt service in 2021 by each agency's percentage of total wholesale customer purchases in FY 2018-19 and adding a "true up" adjustment for the FY 2018-19 surcharges. This "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2018-19 and to reimburse BAWSCA for some expenses incurred in FY 2018-19 in connection with the bond administration that were paid through BAWSCA's FY 2018-19 Operating Budget.

Per the Indenture, the Rate Stabilization Fund at the Trustee has been reviewed and no replenishment amount is determined necessary at this time. One-twelfth of the annual surcharge, or the monthly surcharge, will be included in the first water bill from San Francisco sent to the BAWSCA agencies each month.

The proposed FY 2020-21 bond surcharge for each BAWSCA agency is shown in Table 1. Table 2 shows how the "true up" adjustment for each BAWSCA agency is determined and included in the proposed FY 2020-21 surcharge amount. Table 3 indicates how much the capital recovery payment cost would be in FY 2018-19 (column A) if BAWSCA did not issue the bonds in 2013 to prepay the capital debt that the agencies owed to San Francisco per the Water Supply Agreement. The actual savings to each agency in FY 2018-19 (column E) are calculated accordingly.

Background:

As of June 30, 2009, the Wholesale Customers agreed to repay San Francisco \$370 million for existing capital assets on the expiration of the 1984 Agreement. The payments represent an amortization at an interest rate of 5.13% over the 25-year term of the agreement. The 2009 Water Supply Agreement also states: "The Wholesale Customers, acting through BAWSCA, may prepay the remaining unpaid existing assets principal balance, in whole or in part, at any time without penalty or early payment premium."

BAWSCA's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued to prepay the capital debt that the agencies owed San Francisco. The bond transaction and the prepayment program will generate approximately \$62.3 million in net present value savings over the term of the bonds, or about 17% of the \$356.1 million in principal prepaid from bond proceeds to San Francisco at the end of February 2013.

BAWSCA has been collecting the bond surcharge from member agencies since July 2013 through the SFPUC as a separate item on SFPUC's monthly water bills to member agencies. FY 2020-21 will be the eighth year for BAWSCA to collect the bond surcharge payments that are used to make debt service payments on BAWSCA's revenue bonds.

Calculating the "True Up" Adjustment

Consistent with the Indenture, the FY 2020-21 bond surcharge setting includes a "true up" adjustment included in the calculation. This "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2018-19 and to reimburse BAWSCA for some expenses incurred in FY 2018-19 in connection with the bond administration that were paid through BAWSCA's FY 2018-19 Operating Budget. Those expenses include the fees to Bank of New York for its Trustee services and the costs of legal, financial advisor, investment advisor, and arbitrage rebate consultant. A "true up" adjustment is anticipated every year as part of the calculation of the Annual Bond Surcharge.

The annual surcharges collected from the BAWSCA agencies in FY 2018-19 were calculated by multiplying the obligated debt service in 2019 by each agency's percentage of total wholesale customer purchases in FY 2016-17. FY 2016-17 purchases were used as a surrogate for FY 2018-19 purchases, which were not known when the FY 2018-19 bond surcharges were adopted.

Now that the actual wholesale customer purchases for FY 2018-19 and the actual expenses incurred in FY 2018-19 in connection with the bond administration are available, the actual surcharges for FY 2018-19 are calculated again by multiplying a sum of the obligated debt service in 2019 and the actual expenses incurred in FY 2018-19 by each agency's percentage of total wholesale customer purchases in FY 2018-19. The difference between the surcharges that were actually collected in FY 2018-19, which were based on the surrogate purchase values, and the actual surcharges for FY 2018-19, which are based on actual FY 2017-18 purchases, are one component of the "true up" adjustments to be included in the annual surcharge setting for FY 2020-21.

The second component of the "true up" adjustment is inclusion of \$11,058 of actual expenses incurred by BAWSCA in FY 2018-19 in connection with the bond administration, which represents 0.04% of the annual debt service of the bonds in 2021. In addition, pursuant to the Prepayment and Collection Agreement between BAWSCA and San Francisco, BAWSCA shall reimburse San Francisco for specific expenses incurred for compliance with tax-exempt regulations. BAWSCA didn't receive any relevant bill from San Francisco in FY 2018-19. A "true up" adjustment for FY 2020-21 will be included in the surcharge setting for FY 2022-23.

Table 1. Proposed BAWSCA FY2020-21 Bond Surcharges

Agency	Annual Bond Surcharge	Monthly Bond Surcharge	Agency	Annual Bond Surcharge	Monthly Bond Surcharge
Alameda County WD	\$1,701,072	\$141,756	Mid Pen WD	\$488,544	\$40,712
Brisbane Water	\$87,432	\$7,286	Millbrae	\$366,312	\$30,526
Burlingame	\$683,964	\$56,997	Milpitas	\$993,732	\$82,811
Coastside County WD	\$226,620	\$18,885	Mountain View	\$1,397,748	\$116,479
CWS - Bear Gulch	\$1,942,128	\$161,844	North Coast WD	\$431,172	\$35,931
CWS - Mid Peninsula	\$2,350,524	\$195,877	Palo Alto	\$1,806,144	\$150,512
CWS - South SF	\$902,328	\$75,194	Purissima Hills WD	\$335,376	\$27,948
Daly City	\$604,716	\$50,393	Redwood City	\$1,545,972	\$128,831
East Palo Alto WD	\$280,200	\$23,350	San Bruno	\$180,408	\$15,034
Estero Municipal ID	\$773,712	\$64,476	San Jose (North)	\$820,416	\$68,368
Guadalupe Valley	\$54,288	\$4,524	Santa Clara	\$762,384	\$63,532
Hayward	\$2,772,684	\$231,057	Stanford University	\$260,100	\$21,675
Hillsborough	\$418,020	\$34,835	Sunnyvale	\$1,729,776	\$144,148
Menlo Park	\$612,396	\$51,033	Westborough WD	\$156,948	\$13,079
Total				\$24,685,116	\$2,057,093

**Table 2. Impact of FY 2018-19 True-up Adjustment on
FY 2020-21 Proposed Surcharges**

Agency	FY 2018-19			FY 2020-21	
	Surcharge Collected (Based on FY 2016-17 Purchase)	Surcharge Obligation (Based on FY 2018-19 Purchase)	Difference: True-up Amount	Surcharge To Be Collected (Based on FY 2018-19 Purchase)	Proposed Surcharge Incl. True-up Amount for FY 2018-19
Alameda County WD	\$1,330,129	\$1,515,904	\$185,775	\$1,515,302	\$1,701,072
Brisbane Water	\$73,161	\$80,311	\$7,150	\$80,279	\$87,432
Burlingame	\$690,615	\$687,427	(\$3,188)	\$687,154	\$683,964
Coastside County WD	\$229,443	\$228,077	(\$1,366)	\$227,986	\$226,620
CWS - Bear Gulch	\$1,794,139	\$1,868,504	\$74,365	\$1,867,762	\$1,942,128
CWS - Mid Peninsula	\$2,442,916	\$2,397,195	(\$45,721)	\$2,396,243	\$2,350,524
CWS - South SF	\$949,744	\$926,218	(\$23,526)	\$925,850	\$902,328
Daly City	\$814,581	\$709,789	(\$104,792)	\$709,507	\$604,716
East Palo Alto WD	\$321,584	\$300,951	(\$20,633)	\$300,831	\$280,200
Estero Municipal ID	\$818,141	\$796,087	(\$22,054)	\$795,771	\$773,712
Guadalupe Valley	\$51,634	\$52,974	\$1,339	\$52,953	\$54,288
Hayward	\$2,748,684	\$2,761,232	\$12,547	\$2,760,135	\$2,772,684
Hillsborough	\$492,658	\$455,427	(\$37,231)	\$455,246	\$418,020
Menlo Park	\$507,450	\$560,032	\$52,582	\$559,809	\$612,396
Mid Pen WD	\$497,262	\$493,003	(\$4,259)	\$492,807	\$488,544
Millbrae	\$402,005	\$384,232	(\$17,773)	\$384,079	\$366,312
Milpitas	\$1,033,239	\$1,013,685	(\$19,554)	\$1,013,283	\$993,732
Mountain View	\$1,476,721	\$1,437,519	(\$39,203)	\$1,436,948	\$1,397,748
North Coast WD	\$472,141	\$451,744	(\$20,397)	\$451,564	\$431,172
Palo Alto	\$1,917,732	\$1,862,309	(\$55,422)	\$1,861,570	\$1,806,144
Purissima Hills WD	\$297,057	\$316,277	\$19,220	\$316,151	\$335,376
Redwood City	\$1,647,244	\$1,596,928	(\$50,316)	\$1,596,294	\$1,545,972
San Bruno	\$158,134	\$169,303	\$11,169	\$169,236	\$180,408
San Jose (North)	\$882,849	\$851,804	(\$31,044)	\$851,466	\$820,416
Santa Clara	\$428,361	\$595,493	\$167,132	\$595,257	\$762,384
Stanford University	\$304,159	\$282,184	(\$21,975)	\$282,072	\$260,100
Sunnyvale	\$1,735,463	\$1,732,965	(\$2,498)	\$1,732,277	\$1,729,776
Westborough WD	<u>\$155,554</u>	<u>\$156,285</u>	<u>\$731</u>	<u>\$156,223</u>	<u>\$156,948</u>
Totals	\$24,672,800	\$24,683,858	\$11,058	\$24,674,055	\$24,685,116

**Table 3. Actual Savings to Each Agency for FY 2018-19 Resulting from
BAWSCA 2013A and 2013B Bond Issuance**

Agency	FY 2018-19				
	SFPUC Capital Recovery Payment	Annual Surcharge Collected in FY 2018-19	True-ups To Be Collected or Refunded in FY 20-21	BAWSCA Annual Surcharge Plus True-ups	Actual Savings
	A	B	C	D = B + C	E = A - D
Alameda County WD	\$1,731,840	\$1,330,129	\$185,775	\$1,515,904	\$215,936
Brisbane Water	\$91,751	\$73,161	\$7,150	\$80,311	\$11,440
Burlingame	\$785,349	\$690,615	(\$3,188)	\$687,427	\$97,922
Coastside County WD	\$260,566	\$229,443	(\$1,366)	\$228,077	\$32,489
CWS - Bear Gulch	\$2,134,667	\$1,794,139	\$74,365	\$1,868,504	\$266,163
CWS - Mid Peninsula	\$2,738,668	\$2,442,916	(\$45,721)	\$2,397,195	\$341,473
CWS - South SF	\$1,058,155	\$949,744	(\$23,526)	\$926,218	\$131,937
Daly City	\$810,897	\$814,581	(\$104,792)	\$709,789	\$101,107
East Palo Alto WD	\$343,821	\$321,584	(\$20,633)	\$300,951	\$42,870
Estero Municipal ID	\$909,488	\$818,141	(\$22,054)	\$796,087	\$113,400
Guadalupe Valley	\$60,520	\$51,634	\$1,339	\$52,974	\$7,546
Hayward	\$3,154,561	\$2,748,684	\$12,547	\$2,761,232	\$393,329
Hillsborough	\$520,301	\$492,658	(\$37,231)	\$455,427	\$64,874
Menlo Park	\$639,807	\$507,450	\$52,582	\$560,032	\$79,775
Mid Pen WD	\$563,229	\$497,262	(\$4,259)	\$493,003	\$70,227
Millbrae	\$438,965	\$402,005	(\$17,773)	\$384,232	\$54,733
Milpitas	\$1,158,082	\$1,033,239	(\$19,554)	\$1,013,685	\$144,396
Mountain View	\$1,642,289	\$1,476,721	(\$39,203)	\$1,437,519	\$204,770
North Coast WD	\$516,093	\$472,141	(\$20,397)	\$451,744	\$64,350
Palo Alto	\$2,127,590	\$1,917,732	(\$55,422)	\$1,862,309	\$265,280
Purissima Hills WD	\$361,329	\$297,057	\$19,220	\$316,277	\$45,053
Redwood City	\$1,824,405	\$1,647,244	(\$50,316)	\$1,596,928	\$227,478
San Bruno	\$193,419	\$158,134	\$11,169	\$169,303	\$24,117
San Jose (North)	\$973,141	\$882,849	(\$31,044)	\$851,804	\$121,337
Santa Clara	\$680,320	\$428,361	\$167,132	\$595,493	\$84,826
Stanford University	\$322,380	\$304,159	(\$21,975)	\$282,184	\$40,196
Sunnyvale	\$1,979,821	\$1,735,463	(\$2,498)	\$1,732,965	\$246,856
Westborough WD	\$178,547	\$155,554	\$731	\$156,285	\$22,262
Totals	\$28,200,000	\$24,672,800	\$11,058	\$24,683,858	\$3,516,142

(This page was intentionally left blank)

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Authorization to Enter into an Agreement with the Selected Contractor to Implement a Landscape Rebate Online System**

Summary:

One of the key drought response actions included in the adopted BAWSCA FY 2019-20 Work Plan is redevelopment of BAWSCA's existing Lawn Be Gone! Program in order to increase participation. The goal of the project is to provide BAWSCA and its member agencies a more effective and user-friendly system for the implementation and tracking of its landscape rebate programs. On January 10, 2020, BAWSCA issued a Request for Proposals (RFP) for outside consultant services to redevelop BAWSCA's existing Landscape Rebate Online System (Rebate System). The RFP was sent to eight consulting firms with known experience in online rebate systems and was also posted on the BAWSCA web site. Proposals were due on February 10, 2020. Four proposals were received and were reviewed by a panel consisting of BAWSCA staff, BAWSCA agency representatives, and an outside expert. The review panel unanimously recommended that BAWSCA contract with Droplet Technologies, Inc. to develop and implement the Rebate System.

Fiscal Impact:

The proposed budget for BAWSCA system development and onboarding is \$1,500 for FY 2019-20. The redevelopment of the BAWSCA Landscape Rebate System is included in BAWSCA's adopted FY 2019-2020 Work Plan and there are available funds in the 2019-2020 budget to complete the project. For reference, the budget amount for development of BAWSCA's existing system to track rebates was \$30,000. Consistent with other new subscription programs, BAWSCA will fund the initial program setup costs given that the Rebate System will provide long-term benefits to BAWSCA member agencies, and participation among individual agencies may vary from year to year.

Board Policy Committee Action:

The Committee voted unanimously to recommend approval of contracting with the selected contractor to implement the Rebate System. At the time of the Committee meeting, proposal review was still in process and a final contractor recommendation and not-to-exceed budget were not yet available. The proposed action has been updated to reflect the contractor recommendation and associated budget.

Recommendation:

That the Board authorize the CEO/General Manager to:

- 1) Negotiate and execute a contract with Droplet Technologies, Inc., subject to legal counsel review, to implement the Landscape Rebate Online System at a cost not to exceed \$1,500 for FY 2019-20; and**
- 2) Offer participation in the Program to interested BAWSCA agencies on a subscription basis.**

Discussion:

Over the last few years the number of customer enrollments in the Lawn Be Gone! program and Rain Barrel rebate program at BAWSCA have been decreasing. BAWSCA seeks to redevelop

the program to increase participation, improve customer experience, and reduce the administrative burden on participating water agencies. Several concepts are being evaluated for accomplishing these goals, including:

- **Integrate the rain barrel rebate program into the lawn replacement program.** Direct incorporation of BAWSCA's rain barrel rebate into the lawn replacement program provides a multi-pronged approach to maximize water conservation and prevent stormwater pollution. BAWSCA is additionally collaborating with the City/County Association of Governments of San Mateo County (C/CAG) to consider options to further incentivize stormwater 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, increasing the impact of the existing siloed rebate programs.
- **Develop a new online toolkit to assist customer participation.** Feedback from customers and agencies on the current program indicates that an online toolkit would be useful during the lawn replacement process. The toolkit would include acceptable plant lists, video tutorials, landscape designs, and other online resources for participants to make it easier for them to apply for rebates, develop a plan for a water resilient landscape and to educate customers on ways to use water more efficiently.

The Rebate System will be used by all BAWSCA member agencies that participate in BAWSCA's Lawn Be Gone or Rain Barrel Rebate Program (approximately 15 member agencies). In order to effectively serve our water agencies and their customers, the new rebate system will provide:

- 1) An online "stackable" rebate platform which allows customers to apply for multiple rebates (e.g. Lawn Be Gone rebates and rainwater capture rebates) in a single application.
- 2) The necessary processing tools and services to validate and approve/reject rebates.
- 3) A database to secure and track rebate data.

The rebate database will also allow program partners to check the status of rebates in their respective service areas, view details of issued rebates, and track the general progress of the program in their service areas.

The system would replace and expand the functions of BAWSCA's current Rebate Center. The Lawn Be Gone and Rain Barrel rebate programs will continue to be implemented as a Subscription Program, funded by the individual agencies that elect to participate.

BAWSCA also plans to expand its conservation programs in FY 2020-2021 and subsequent years. If new rebate programs are added, the system developed by the Contractor will be easily expandable to incorporate these new programs into the Rebate System as they are launched.

Contractor Selection Process

BAWSCA issued a Request for Proposals (RFP) for the Program on January 10, 2020. The RFP was sent to eight consulting firms with known experience in rebate online systems. Proposals were due on February 10, 2020. Four proposals were received.

A selection panel consisting of BAWSCA staff, BAWSCA agency representative, and an outside expert reviewed and scored the proposals. The panel unanimously recommended that BAWSCA contract with Droplet Technologies, Inc. to develop and implement the Rebate System.

Scope of Work

The overall task for the awarded Contractor is to support the development and deployment of the stackable Rebate System by creating and maintaining an online rebate platform and database that will allow easy flow of information from customers to BAWSCA and its partner agencies. The scope of work for this includes:

- Online Rebate Program website interface
- Online rebate application development and maintenance
 - Necessary processing tools and services to validate and approve/reject rebates for the Rainwater Capture and Lawn Be Gone! programs
 - Create platform that will allow customers to search for resources (e.g., plants, products, and templates that qualify for rebates).
- Rebate program master database development and maintenance to secure and track rebate data, including rebate approval/denial and rebate payment information, so BAWSCA can export data to complete grant reporting and invoicing requirements for its monetary grants
- Rebate verification
- Call center development
- Manual on system use
- Training
- Ongoing maintenance and support services

Cost Structure

The cost structure shown in Table A includes one-time development and onboarding costs as well as monthly maintenance costs for BAWSCA and each participating member agency, which will begin in July 2020 once the system goes live.

Table A: Rebate System Costs

	Development/ Onboarding Costs (\$)	Monthly Hosting and Maintenance Costs
BAWSCA	\$1,500	\$1,200 per month
Participating Member Agencies	\$150 per agency	\$75 per month per agency

Consistent with BAWSCA's subscription program structure, BAWSCA will fund the initial \$1,500 development and onboarding costs. Participating BAWSCA agencies will pay their respective costs for onboarding and monthly hosting and maintenance as well as a portion of the BAWSCA monthly hosting and maintenance costs.

Overall, it is anticipated that these costs will be offset by the cost savings recognized from a reduction in administrative costs associated with rebate application data entry and tracking.

Schedule

The schedule for this project is shown in Table B below and is designed to allow for the program to "go live" on July 1, 2020.

Table B: Project Schedule

Milestone	Date
Release of RFP	January 10, 2020
Proposal Due Date	February 10, 2020
Contractor Selection	
Committee Consideration	February 12, 2020
Board Consideration	March 19, 2020
Begin Design of Systems	March 23, 2020
Complete Design of Systems	June 1, 2020
Staff Training on Systems	June 15, 2020
New Systems to Go Live	June 30, 2020

Alternatives Considered:

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

- Alternative #1: Support the Recommended Action. An immediate start on the project will provide BAWSCA and its member agencies with a more effective means of administering water conservation activities. The Program will support BAWSCA agencies in increasing their rebate distribution in order to conserve water. **This alternative is recommended.**
- Alternative #2: Do Not Move Forward with the Recommended Project and Schedule. BAWSCA can choose not to move forward with the Project and to keep the existing rebate processing system. *This alternative is not recommended.*

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Preliminary Fiscal Year 2020-21 Work Plan and Results to be Achieved**

Summary:

This memorandum presents the preliminary Fiscal Year (FY) 2020-21 Work Plan and results to be achieved. Comments received from the Board at the January 16, 2020 Work Plan and Budget Preparation Planning Session have been reviewed and addressed. The preliminary Work Plan includes the CEO's recommendations for addressing comments received during the Budget Planning Session and input received from the Committee in February.

The preliminary Work Plan remains aligned with BAWSCA's legislated authority and its three goals: a reliable supply of high-quality water at a fair price. Major work areas include implementing the recommended actions from BAWSCA's audit of the SFPUC's asset management program; participation in the Los Vaqueros Expansion (LVE) Project; implementation of BAWSCA's core and subscription conservation program including development of 3 to 4 new programs identified in the Regional Water Demand and Conservation Projections Study (Demand Study); participation in the State Water Resources Control Board (SWRCB) Bay Delta Water Quality Control Plan Update to ensure member agency interests are represented; participation as an intervenor on FERC proceedings associated with the licensing of New Don Pedro Reservoir; taking action necessary to ensure that the SFPUC meets its legal and contractual water supply reliability obligations to its Wholesale Customers including development of a new water supply program; managing financial obligations associated with BAWSCA's bonds; administration of the Water Supply Agreement with San Francisco to protect financial interests of the member agencies; and initiation of a new BAWSCA internship program.

The preliminary Operating Budget is \$4,146,911, which is 9% below the approved FY 2019-20 Operating Budget. The preliminary Operating Budget represents approximately a 23-cent decrease in annual cost per person in the service area for an estimated cost to the water customer of \$2.27 per person per year. Considerations for funding the preliminary Operating Budget are presented below for further discussion.

Board Policy Committee Action:

This item was presented to the Committee for discussion. No action by the Committee was taken. The Committee provided feedback on individual preliminary work plan items and results.

Recommendation:

That the Board provide comments and suggestions concerning the:

- 1. Preliminary FY 2020-21 Work Plan and Results to be Achieved;**
- 2. Preliminary Operating Budget of \$4,146,911; and,**
- 3. Preliminary considerations and alternatives for funding the Operating Budget.**

Discussion:

The discussion below presents a preliminary Work Plan and Operating Budget for FY 2020-21 as well as a discussion of alternatives for funding the operating budget.

PRELIMINARY FY 2020-21 WORK PLAN:

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

The preliminary Work Plan includes the following major efforts:

- Oversight of the SFPUC's WSIP, 10-Year Capital Improvement Program (CIP), and Regional Water System (RWS) Asset Management Program, including the following:
 - Implement recommendations from BAWSCA's audit of the SFPUC's asset management practices.
- Implement BAWSCA's Strategy, as documented in the Strategy Phase 2 Final Report, including the following actions:
 - Complete Phase 3 pre-feasibility studies for the Potable Reuse Exploratory Plan, a potential purified water project in partnership with SFPUC, Silicon Valley Clean Water and others. Engage with advocacy groups (e.g., WaterReuse) to access and exchange critical technical, legislative, and legal information to support these studies.
 - Participate in development of the Bay Area Regional Reliability Partnership (BARR) Bay Area Regional Water Market (Exchange/Transfer) Program, with inclusion of a pilot water transfer that includes ACWD, BAWSCA and SFPUC.
 - Participate in Los Vaqueros Expansion studies to inform upcoming project decisions.
 - Promote the continued sustainable use of San Mateo Plain Groundwater Basin (Basin) for long-term water supply reliability through the Groundwater Reliability Partnership and other multi-party efforts.
 - Identify and begin to evaluate the steps BAWSCA should undertake to update the Strategy.
- Represent member agency interests in regional and statewide discussions related to the new State of California "Making Water Conservation a Way of Life" long-term conservation requirements;
- Provide regional coordination to support member agency Advanced Metering Infrastructure (AMI) implementation;
- Implement 3 to 4 new subscription conservation programs identified through BAWSCA's Demand Study;
- Implement regional core and subscription conservation programs to support member agencies and their customers;
- Take actions to protect member agencies' water supply interests in administration of the 2009 WSA including the following:
 - Support adoption, as acceptable to parties, of an amendment to the Water Supply Agreement related to a combined paired of an agency's minimum purchase requirement and Individual Supply Guarantee.
 - Ensure that the SFPUC meets its legal and contractual obligations for water supply from the RWS considering ongoing risks.
- Participate in the SWRCB's Bay Delta Water Quality Control Plan Update to ensure member agency interests are represented;
- Participate in the New Don Pedro and La Grange FERC proceedings to protect regional

water supplies;

- Administer the 2009 Water Supply Agreement (WSA);
- Administer BAWSCA's bonds; and
- Initiate a new 3 to 6-month internship program.

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

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

New or Significantly Re-scoped Activities for FY 2020-21: There are four new, significantly rescoped, or expanded activities included in the preliminary Work Plan. In each case, these activities relate directly to ensuring water supply reliability for the customers served by the BAWSCA member agencies.

**Implement Recommendations from FY 2019-20 Audit of SFPUC's Asset Management Program for the San Francisco Regional Water System (RWS)
Estimated FY 2020-21 Cost: \$82K**

The adopted FY 2019-20 Workplan includes an audit of SFPUC's asset management system. This audit is ongoing and will be completed by June 2020. The audit findings will include recommended follow-up work for FY 2020-21. Given that the audit analysis is not yet complete, an estimated cost of \$82k is included in the preliminary Operating Budget. Potential activities in FY 2020-21 will be related to comparison of SFPUC's asset management system and practices against proposed best practices that are utilized by other agencies and development of recommendations for consideration by the SFPUC.

BAWSCA's FY 2019-20 audit of the SFPUC's asset management system includes a review of the existing asset documentation and registry practices, information technology capabilities to support asset management, procedures in place to assess and incorporate risk of failure, measures used to address the need for routine maintenance, condition assessment practices, asset replacement and upgrade strategies, approach to factor in level of service goals, and reference to asset management practices in other documents and plans prepared for the San Francisco Regional Water System.

**Participate in Los Vaqueros Expansion (LVE) Project Studies
Estimated FY 2020-21 Cost: \$115K**

Los Vaqueros Reservoir is an existing off-stream reservoir in Contra Costa County that provides water quality, drought emergency supply, and non-drought emergency water supply benefits to CCWD customers. In February of 2017, BAWSCA entered into a Memorandum of Understanding with CCWD formalizing BAWSCA's potential interest in a share of future Los Vaqueros storage and willingness to participate in the work effort. In January 2019, the BAWSCA Board authorized the CEO to enter into a cost share agreement with CCWD for \$315,000 to fund the planning work for the LVE Project through June 2020.

Participation in the LVE Project continues to be a viable project opportunity for BAWSCA to provide dry years supplies to member agencies in support of goals identified in BAWSCA's Long Term Water Supply Strategy (Strategy) as adopted by the BAWSCA Board in 2015. Specifically, BAWSCA is evaluating the project as a means to provide up to 10,000 acre-feet per year of water supply in dry years to improve reliability. At the same time, BAWSCA and the SFPUC have significant concerns regarding the ability to use the South Bay Aqueduct to convey any water from the LVE project and therefore, there are significant concerns regarding any water supply benefit that might be available to BAWSCA and its member agencies from LVE.

CCWD is currently updating its request for funding from local partner agencies for participation in the next 18 month period of July 2020 – December 2021 to (1) complete final LVE planning by December 2020, (2) prepare and form the LVE Joint Powers Authority (JPA) before June 2021, and (3) finalize the water purchase agreements between the JPA and various participating agencies by December 2021.

The preliminary Work Plan and Operating Budget reflects BAWSCA's continued participation in staff level planning work for LVE and includes funding for outside legal and technical expertise (e.g., water supply modeling) support as needed. Given the uncertainty regarding the costs to CCWD, the preliminary Operating Budget does not include funding for BAWSCA's share of costs to CCWD for continued participation beyond July 1, 2020.

It is anticipated that the Board will consider BAWSCA's participation in the next phase of LVE at its July 2020 meeting. At that time, alternatives for funding BAWSCA payment to CCWD will be presented and will include use of the 2009 WSA Balancing Account and use of the Water Management Charge as provided for under the 2009 WSA.

**Implement 3 to 4 New Conservation Programs Recommended from BAWSCA's Regional Water Demand and Conservation Projections Study (Demand Study)
Estimated FY 2020-21 Cost: \$57K**

The adopted FY 2019-20 Workplan includes completion of BAWSCA's Demand Study. This study, which is ongoing and will be complete by June 2020, will identify new water conservation programs to support the BAWSCA agencies in meeting their water conservation goals. In FY 2020-21, BAWSCA will expand its Regional Water Conservation Program through implementation of 3 to 4 of the new conservation programs identified in the Demand Study. The specific programs will be selected in coordination with the BAWSCA agencies in April 2020, when the preliminary results of the Demand Study will be available. Conservation programs to be implemented may include a combination of Core Programs, implemented by BAWSCA regionally for the benefit of all agencies, and Subscription Programs, implemented by BAWSCA and funded by the individual agencies that opt to participate. The new programs will support the agencies in meeting the upcoming AB 1668 and SB 606 long-term water conservation requirements.

Implement a New Internship Program
Estimated FY 2020-21 Cost: \$44K

Initiate an internship program to provide an opportunity for under-served college students pursuing a technical or business degree to gain valuable experience working to support BAWSCA's water resources or finance departments. BAWSCA is investigating opportunities to collaborate with existing internship programs that meet these objectives as a way of reducing overall administrative burden and expanding overall success. An intern can be accommodated within the existing BAWSCA office layout and without significant office-set up costs. The current estimated cost assumes BAWSCA collaboration with an existing program in 2020-2021 as well as the hiring of a single intern in summer 2020.

Results of January 16, 2020 Work Plan and Budget Preparation Planning Session: During BAWSCA's January 16, 2020 meeting, the Work Plan and Budget Preparation Planning Session was held with the Board as part of its regular meeting agenda. The focus of the planning session was to receive input from Board members on possible work plan items for the coming fiscal year. Table 3 presents the detailed comments provided by Board members during the planning session and the staff response that was subsequently prepared. These comments and responses are reflected in the preliminary Work Plan and results to be achieved.

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

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

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

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

This information is provided to assist the Board in its deliberation of both the current funding plan for FY 2020-21 and beyond.

Alternatives to the Preliminary Work Plan and Results to be Achieved: An alternative to the preliminary Work Plan is to not include BAWSCA's participation in the LVE project given the uncertainty. This alternative is not included at this time given that such a decision would be premature and without complete information that will be available as part of the Board's decision in July 2020 for the agency's continued participation. If in July, the Board decides to not move forward with BAWSCA's direct participation, it is possible that SFPUC will continue its participation and BAWSCA will decide to remain involved at some level in the LVE project.

PRELIMINARY FY 2020-21 OPERATING BUDGET:

The preliminary Operating Budget of \$4,146,911 presented in Table 4 reflects the funding necessary to achieve the full Work Plan and includes an estimated pre-funding contribution for Other Post-Employment Benefits (OPEB). This is included as a separate line item to highlight its inclusion in this eighth year of funding.

Explanation and Alternatives for Salaries and Benefits: The increase for salaries and benefits of \$94,535 shown in the preliminary Operating Budget is a result of a variety of changes. The preliminary Operating Budget also includes the following for all employees except the CEO:

- \$31,404 for a COLA adjustment to existing FY 2019-20 salary
- \$17,575 merit allowance separate from COLA adjustment

A Cost of Living Allowance (COLA) adjustment of 3.01% to the top step of salaries is consistent with the December value for the Consumer Price Index for Urban Wage Earners and Clerical Workers in the San Francisco-Oakland-San Jose area. COLA increases for employees are not automatic, but can be granted by the CEO on the basis of merit. The history of salary and benefit adjustments for BAWSCA is presented in Appendix B to this memo.

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

Consistent with practice over the past two years, a budget allowance of \$23,100 for a potential merit increase for the CEO has been included in the preliminary Operating Budget. For budgeting purposes, this amount is consistent with the merit increase budgeted for the CEO since FY 2017-18.

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

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

The adopted FY 2019-20 funding plan included a 3% increase in assessments to \$3,686,779, transfer of \$77,971 from the General Reserve, and transfer of \$805,000 from the 2009 Water Supply Agreement Balancing Account, thereby enabling the General Reserve to remain within the budgetary guidelines established by the Board. BAWSCA's General Reserve Policy identifies a range of 20% to 35% of the budget year's operating expense as a budgetary guideline for the General Reserve balance.

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

At this time, it is estimated that the FY 2019-20 Operating Budget will be 95-98% expended at year end. Any post-audit excess funds will be transferred to the General Reserve in Fall 2020.

As of November 30, 2019, the General Reserve balance is \$1,037,877, or 23% of the FY 2019-20 Operating Budget.

Four alternatives for funding the preliminary Operating Budget are presented below for further discussion with Board at the March meeting:

- **Alternative 1 “No Assessment Increase”:** No increase in assessments (\$3,686,779) and transfer of \$460,132 from the General Reserve. This alternative results in a General Reserve balance outside of the target range at 16% of the Operating Budget.
- **Alternative 2 “Target 20% General Reserve Balance”:** A 4.1% increase in assessments (\$3,838,416) and transfer of \$308,495 from the General Reserve.
- **Alternative 3 “Target 25% General Reserve Balance”:** A 9.7% increase in assessments (\$4,045,762) and transfer of \$101,149 from the General Reserve.
- **Alternative 4 “Fully Fund with Assessments”:** A 12.5% increase in assessments to fully fund the preliminary FY 2020-21 Operating Budget of \$4,146,911. This alternative leaves an estimated General Reserve balance of 27% of the Operating Budget.

Feedback from the Board on the funding alternatives presented, including additional alternatives the Board would like to be evaluated, is requested.

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

Table 1. Preliminary FY 2020-21 Work Plan and Results to Be Achieved

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

RELIABLE WATER SUPPLY

- (6.7%) 1. **Facility Reliability: Monitor the SFPUC's WSIP, 10-Year CIP, Asset Management Program, and Emergency Response**
- 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. Track WSIP projects designated as critical drought water supply components to verify they've been completed in such a fashion that they can meet their intended Level of Service (LOS) goals.
 - b. Review and monitor SFPUC's Regional 10-Year Capital Improvement Program to ensure that identified projects and programs meet the needs of the BAWSCA member agencies in a cost-effective and appropriate manner.
 - c. Review and monitor SFPUC's Asset Management Program to ensure long-term protection of system assets, *including performing tasks or deeper reviews identified in the audit of SFPUC's asset management practices per WSA Section 3.10.c. to be completed in FY 2019-20.*
 - d. Promote increased emergency response coordination between member agencies, SFPUC, Valley Water and others.
- (11.2%) 2. **Long-Term Supply Solutions: Implement the Long-Term Reliable Water Supply Strategy to Ensure a Reliable, High Quality Supply of Water is Available Where and When Needed**
- a. Complete Potable Reuse Exploratory Plan Phase 3 pre-feasibility study with SFPUC and Silicon Valley Clean Water and plan for next phase of work.
 - b. *Participate in development of Bay Area Regional Reliability Phase 2 Water Marketing Strategy in partnership with other Bay Area water agencies & promote implementation of a potential Pilot Water Transfer that involves a partnership between BAWSCA, ACWD, and SFPUC as a component of the Phase 2 work effort.*
 - c. Participate in CCWD's Los Vaqueros Expansion Project Studies to evaluate BAWSCA's interest and ensure key information is available to support upcoming decisions.
 - d. Promote the continued sustainable use of San Mateo Plain Groundwater Basin for long-term water supply reliability, including providing support for San Mateo County and member agencies' efforts to secure compliance with the California Statewide Groundwater Elevation Monitoring (CASGEM) Program.
 - e. Facilitate development of other local water supply options including monitoring/tracking member agency efforts.
 - f. Provide necessary data & assistance to support member agencies' development of state required Urban Water Management Plans.
 - g. Participate with SFPUC and ACWD in their evaluation of a potential potable reuse water supply project with Union Sanitary District.
 - h. *Identify and begin to evaluate the steps BAWSCA should undertake to update its Long-Term Water Supply Strategy.*

(13.1%) 3. Near-term Supply Solutions: Water Conservation and Drought Response

- a. Represent member agency interests in regional and statewide discussions on the development of and compliance with California's "Making Water Conservation a Way of Life" requirements.
- b. Provide regional coordination to support member agency Advanced Metering Infrastructure (AMI) implementation and data management, including hosting a regional symposium in Spring 2021.
- c. Implement 3 to 4 new subscription conservation programs as identified in the BAWSCA Regional Water Demand and Conservation Projections Study to be completed in Spring 2020.*
- d. Implement BAWSCA's core water conservation programs, including the Qualified Water Efficient Landscape (QWEL) program.
- e. Implement BAWSCA's subscription conservation rebate programs that benefit, and are paid for by, participating member agencies, including school education programs and *an expanded Outdoor Landscaping Rebate Program with a new weather-based irrigation controller rebate and installation subscription program.*
- f. Implement BAWSCA's Water Loss Management Program to support member agencies with SB 555 compliance, including the Regional Loss Evaluation and Knowledge (LEAK) Workgroup and Water Loss Management Subscription Program.
- g. Represent member agencies in regional and State-level discussions related to water conservation-related regulations.

(6.6%) 4. Take Actions to Protect Members' Water Supply Interests in the Administration of the Water Supply Agreement (WSA)

- a. Adopt temporary extension of existing Tier 2 drought allocation plan that expires Dec. 2020.
- b. Forward for adoption, if acceptable to the member agencies and SFPUC, an amendment to the Water Supply Agreement related to a paired transfer of an agency's minimum purchase requirement and Individual Supply Guarantee.
- c. Protect members agencies' water supply and financial interests in the SFPUC's required 2028 decisions.
- d. Protect member agencies' water supply interests to ensure that the SFPUC meets its legal and contractual obligations for water supply from the Regional Water System in light of ongoing risks.*

(7.9%) 5. Protect Member Agencies' Interests in a Reliable Water Supply

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

(0.1%) 6. Pursue Grant Opportunities Independently and in Coordination with Regional Efforts

- a. Pursue and use grant funds for water conservation programs and for regional supply projects and programs, *including Prop 1 Integrated Regional Water Management conservation grant.*
- 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 efforts.
- c. Investigate potential for grant funds to support the implementation of the Strategy.

(0.9%) 7. Reporting and Tracking of Water Supply and Conservation Activities

- a. Complete BAWSCA FY 2019-20 Annual Survey.
- b. Complete BAWSCA FY 2019-20 Annual Water Conservation Report.
- c. In partnership with member agencies, operate and maintain BAWSCA's Water Conservation Database.

HIGH QUALITY WATER

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

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

FAIR PRICE

(11.2%) 9. Perform Matters that Members Delegated to BAWSCA in the Water Supply Agreement

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

AGENCY EFFECTIVENESS

(6.8%) 10. Maintain Community Allies and Contacts with Environmental Interests

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

(18.3%) 11. Manage the Activities of the Agency Professionally and Efficiently

- a. **Initiate an internship program to provide an opportunity for under-served college students pursuing a technical or business degree to gain valuable experience working to support BAWSCA's water resources or finance departments.***

Table 2: Activities Not Included in Preliminary FY 2020-21 Work Plan and Operating Budget

<p>RELIABLE SUPPLY</p> <ol style="list-style-type: none"> 1. Engage in extended or complex applications for State or Federal grant funds. Application for water conservation grants will continue to be made through or with the Bay Area Water Agency Coalition, the California Urban Water Conservation Council, or other agencies. 2. Introduce major new legislation or supporting/opposing legislation initiated by others including legislation related to the Bay-Delta and California Water Fix. If needed, the agency could support major legislative efforts by redistributing resources, using the contingency budget, or accessing the general reserve, subject to prior Board approval. 3. Initiate new, unanticipated litigation or support/oppose new, unanticipated litigation initiated by others. If needed, the agency could support major litigation efforts by redistributing resources, using the contingency budget, or accessing the general reserve, subject to prior Board approval. 4. Negotiate a new Tier 2 Drought Allocation Plan among the BAWSCA agencies. 5. BAWSCA's continued participation in LVE is included in the preliminary Work Plan; however, funding to support payment to CCWD for BAWSCA participation in the next planning phase for LVE is not included in the preliminary Operating Budget and will be considered at a later date as part of a separate board action.
<p>FAIR PRICE</p> <ol style="list-style-type: none"> 6. Develop alternative wholesale rate structures that the SFPUC might consider. Actions will be limited to facilitating communication with SFPUC, development of goals and objectives relevant to Wholesale Customers, and addressing the potential relationship to alternative retail rate structures member agencies might consider to stabilize water rates and water revenues. 7. Arbitrate issues related to the 2009 Water Supply Agreement.
<p>HIGH WATER QUALITY</p> <ol style="list-style-type: none"> 8. Perform technical studies of water quality or San Francisco's treatment of the water it delivers to the BAWSCA agencies. 9. Advocate changes to water quality regulations or the manner in which San Francisco treats water for drinking and other purposes.
<p>AGENCY EFFICIENCY</p> <ol style="list-style-type: none"> 10. Add resources to support additional Board, Board committee, or technical committee meetings. 11. Conduct tours of member agency facilities to acquaint Board members with potential supply projects and their neighboring jurisdictions, other than tours done in coordination with San Francisco.

Table 3. FY 2020-21 Work Plan and Budget Planning Session – Comments and Suggested Work Plan Items for Further Consideration
(Questions Presented in Alphabetical Order by Board Member)

#	Board Member	Board Member Comment/Questions	Staff Response
1	Benton	Do we have the option to extend the existing Water Supply Agreement (WSA)? What is its term?	The WSA agreement has an initial term of 25 terms with initial expiration on June 3034. The WSA also provides for two extensions of 5 years each.
2	Jordan	Requested that an analysis of potential refinancing of BAWSCA's 2013 bonds be included in next year's workplan due to current low interest rates.	An analysis of potential refinancing of BAWSCA's 2013 bonds will be presented to the Board at its next meeting in time to inform the FY 2020-21 workplan if desired by the Board.
3	Kuta	Given the Bay Delta Plan's potential impacts on SFPUC's LOS goals, and as we approach 2034, is BAWSCA preparing for a notion that SFPUC's LOS goals will change and any impact on the Supply Assurance?	<p>The wholesale customers' Supply Assurance of 184 mgd is a perpetual obligation on San Francisco while the level of service (LOS) goals are a matter of contract and policy. SFPUC's current water supply planning work is directly focused on actions that it must take to ensure that it meets the Supply Assurance and its existing legal and contractual obligations, including meeting the LOS goals.</p> <p>The preliminary FY 2020-21 Work Plan includes BAWSCA's active engagement with the SFPUC on its expanded long-term alternative water supply planning program.</p>
4	Mendall	System reliability during emergencies and emergency resilience are two new items in the work plan. It is difficult to see BAWSCA's role in this. He'll need to understand why BAWSCA should take these tasks on.	<p>The FY 2019-20 Work Plan includes a task for BAWSCA to perform an Initial Emergency Response Review for RWS. For this review, BAWSCA will be hosting a brainstorm workshop with the agency Water Management Representatives on February 6, 2020. A key result from the workshop will be areas of interest and possible options that the agencies would like BAWSCA to consider in FY 2020-21.</p> <p>Feedback from the February workshop indicated minimal desire from the member agencies for a significantly increased level of activity by BAWSCA at this time related to emergency response. Specifically, there was little interest in BAWSCA securing outside consulting services to performs any new tasks. Rather, the member agencies requested that BAWSCA staff increase their efforts to promote and coordinate existing emergency response activities of the SFPUC, Valley Water, and others that impact the member agencies. The member agencies asked that this be</p>

#	Board Member	Board Member Comment/Questions	Staff Response
			reconsidered in subsequent fiscal years.
5	Moody	Engage strategy to create more diversity in staff. Create more internship programs.	BAWSCA's recruitment protocol has been modified in FY 2019-20 to support increased diversity. The preliminary FY 2020-21 Work Plan includes a proposal for a new internship program.
6	O'Mahony	What is the status on San Jose and Santa Clara's interruptible service?	San Jose and Santa Clara contracts with San Francisco remain temporary, interruptible customers. Per the WSA, SFPUC must make a decision regarding their contractual status by December 2028. The SFPUC's new water supply recently initiated program titled "New Water Supply Planning" has one task focused on addressing the San Jose and Santa Clara's contract status.
7	Pierce	Glad to see BAWSCA's expanded work on SFPUC's efforts on water supply reliability, and continued involvement in the 10-year CIP.	Comment noted. BAWSCA's increased efforts with SFPUC on water supply reliability and the 10-year CIP are included in the preliminary FY 2020-21 Work Plan.
8	Weed	Re-look at water that is not being used and see where it can be used. It will reduce costs. Consider investing in the purchase of N3 Cattle Co. Property.	The preliminary FY 2020-21 Work Plan includes BAWSCA's continued participation in several potable reuse projects. The SFPUC is considering investing in the purchase of N3 cattle ranch as part of its long-time work on watershed protection.
9	Wood	Consideration of allowing 2-3 regular Board members to attend ACWA conferences.	In 2006, the Board adopted resolution 2006-02, its policy on reimbursement of directors' expenses. Consistent with the policy, Board member attendance at conferences, including ACWA, is not an authorized activity with a few allowable exceptions. To date, there has not been interest by other members of the Board to expand the list of authorized activities.

Table 4. Potential Future Large Efforts

Project Name	Cost Updates				Discussion
	FY 2018-19 (Actual)	FY 2019-20 (Budget)	FY 2020-21 (Budget)	FY 2021-22 & Beyond	
Los Vaqueros Expansion (LVE)	\$177.6K	\$177.6K (approved, Jan. 2019)	\$115K	With a decision to participate in the project, costs will increase significantly for construction and operations	<p>CCWD is currently updating its request for funding from local partner agencies who wish to continue participating in the project. Funds will cover the costs anticipated to be incurred over an 18 month period running from July 2020 – December 2021. Work performed during that period will include: (1) complete final LVE planning by December 2020, (2) prepare and form the LVE Joint Powers Authority (JPA) before June 2021, and (3) finalize the water purchase agreements between the JPA and various participating agencies by December 2021.</p> <p>The preliminary Work Plan and Operating Budget reflects BAWSCA's continued participation in staff level planning work for LVE plus funding for outside legal and technical expertise. Given the uncertainty regarding the dollar amount of the upcoming funding request by CCWD, the Preliminary Operating Budget does not include monies needed to fund BAWSCA's share of participation costs.</p> <p>CCWD will require those agencies that wish to continue to participate beyond July 1, 2020 to commit to the forthcoming funding request. It is anticipated that the Board will consider BAWSCA's participation in the next phase of LVE at its July 2020 meeting. At that time, alternatives for funding BAWSCA payment to CCWD will be presented and will include use of the 2009 WSA Balancing Account, use of the Water Management Charge as provided for under the 2009 WSA, or some combination of both.</p>

Potable Reuse Exploratory Plan (PREP)	\$10K	\$10K	\$15k	Thru FY 2022-23 \$10k-\$50k per year. CEQA scheduled to start in fall 2023; costs to participate would expand at that time.	BAWSCA is a current partner in the PREP project, which is in the early planning stage. No decision has been made by BAWSCA regarding participating beyond the current effort.
Update Long Term Reliable Water Supply Strategy (Strategy)	n/a	n/a	n/a	\$1.5-\$2.5M; estimated based on \$2.2M cost for initial Strategy development	BAWSCA initiated its first regional long-term planning effort in 2009. It would be appropriate for BAWSCA to update the Strategy in the 2020-2025 time period given updated conditions including demands, supply reliability, regulatory and climate change impacts, etc.

Table 5. Preliminary FY 2020-21 Operating Budget by Major Expenditure Category

Cost Category	Approved FY 2019-20 Budget (\$) (as of 11/30/19)	Preliminary FY 2020-21 Budget (\$)	Change from FY 2019-20 Budget (\$)
Consultants/ Direct Expenditures			
Reliability	1,797,550	1,196,850	(600,700)
Fair Pricing	233,000	239,500	6,500
Administration	110,000	128,000	18,000
<i>Subtotal Consultants</i>	2,140,550	1,564,350	(576,200)
Administration			
Employee Salaries & Benefits	1,919,051	2,013,586	94,535
Other Post-Emp. Benefits (net)	82,000	78,000	(4,000)
Operational Expenses	390,500	427,400	36,900
<i>Subtotal Administration</i>	2,391,551	2,518,986	127,435
Total Operating Expenses	4,532,101	4,083,336	(448,765)
Capital Expenses	3,000	3,000	0
Budgeted Contingency	31,949	57,500	25,551
Regional Financing Authority	1,650	2,025	375
Bay Area Water Users Assn.	1,050	1,050	0
Grand Total Operating Budget	4,569,750	4,146,911	(422,839)

Table 6. Analysis of Alternative Funding Options

	FY 2019-20	FY 2020-21			
Fund Source	Adopted Funding Plan	Alt. 1 0% Assesment Increase	Alt. 2 4.1% Assssment Increase	Alt. 3 9.7% Assessment Increase	Alt. 4 12.5% Assessment Increase
Assessments	\$3,686,779	\$3,686,779	\$3,838,416	\$4,045,762	\$4,146,911
Transfer from General Reserve	\$77,971	\$460,132	\$308,495	\$101,149	\$0
Transfer from Balancing Account	\$805,000	\$0	\$0	\$0	\$0
Total Available Operating Funds/Operating Budget	\$4,569,750	\$4,146,911	\$4,146,911	\$4,146,911	\$4,146,911
Potential End of Year Transfer to General Reserve	\$100,000				
Estimated Year- End Reserves	\$1,137,877	\$677,745	\$829,382	\$1,036,728	\$1,137,877
% of Budget	25%	16%	20%	25%	27%
Assessment to Budget Ratio	81%	89%	93%	98%	100%

APPENDICES

Appendices A through J present additional detail about the preliminary FY 2020-21 Work Plan and Operating Budget.

Appendix A: Uses of Professional Services

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

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

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

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

Appendix B: History of Salary and Benefits Adjustments

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

- FY 2009-10: There was no COLA adjustment. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2010-11: The Board approved a 3.01 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2011-12: The Operating Budget included no adjustment to the salary for any employee for COLA, merit, or any other reasons.
- FY 2012-13: The Board approved a 3.10 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2013-14: The Board approved a 2.312 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2014-15: The Board approved a 2.60 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2015-16: The Board approved a 2.09 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2016-17: The Board approved a 3.15 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2017-18: The Board approved a 3.025 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2018-19: The Board approved a 3.084 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2019-20: The Board approved a 4.398 percent COLA increase to the top step for staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.

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

The preliminary FY 2020-21 budget for BAWUA is \$1,050 and includes legal counsel support and a small operations budget allowance. This budget amount appears as a separate line item in the BAWSCA budget and is included in the BAWSCA preliminary FY 2020-21 Operating Budget.

Appendix D: Preliminary Budget for the Regional Financing Authority (RFA) Budget

The BAWSCA Board of Directors has continued to agree to fund nominal administrative costs for the RFA, at least until it becomes more actively involved and required significant resources. Assuming a continued low level of activity in FY 2020-21, the preliminary RFA budget is \$2,025. This budget amount includes legal counsel support and a small operations budget allowance. This budget amount appears as a separate line item in the BAWSCA budget and is included in the BAWSCA preliminary FY 2020-21 Operating Budget. The RFA will formally consider and adopt this budget in January 2021.

Appendix E: Funding for Subscription Conservation Programs

As in prior years, a portion of operating expenses would be reimbursed by agencies that participate in BAWSCA's subscription water conservation programs. The staff time to be devoted to those programs during FY 2020-21 is estimated to be 1,283 hours. Agencies participating in subscription programs pay for associated consultant support and direct expenses. As in prior years, those consultant costs and direct expenses are not included in the Operating Budget.

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

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

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

Fiscal Year and Program Name	Direct Program Cost - Reimbursed	BAWSCA Staff Cost - Reimbursed	BAWSCA Admin. Cost - Reimbursed
2014-15			
EarthCapades	\$53,380	\$1,980	
HET		\$9,066	\$319
Large Landscape Audit	\$92,521	\$1,332	
Lawn Be Gone		\$6,340	
Water Wise Ed. Kits	\$95,346	\$2,599	
Washing Machine Rebate	\$308,313	\$4,667	\$104
Watersense Giveaways	\$8,893		
Rain Barrel Rebate	\$22,164		
Total	\$580,617	\$25,984	\$423
2015-16			
EarthCapades	\$64,575	\$2,360	
Free Sprinkler Nozzles	\$2,988		
HET		\$9,965	\$300
Large Landscape Audit	\$99,808	\$1,332	
Lawn Be Gone		\$3,380	
Lawn Be Gone Inspections	\$7,704		
Water Wise Ed. Kits	\$101,701	\$2,393	
Washing Machine Rebate	\$157,945	\$ 4,546	\$1,170
Watersense Giveaways	\$10,930		
WaterSmart Reports	\$209,380		
Rain Barrel Rebate	\$11,144		
Total	\$666,175	\$23,976	\$1,470

Fiscal Year and Program Name	Direct Program Cost - Reimbursed	BAWSCA Staff Cost - Reimbursed	BAWSCA Admin. Cost - Reimbursed
2016-17			
EarthCapades	\$61,345	\$2,120	
Free Sprinkler Nozzles	\$7,585		
HET		\$6,340	\$300
Large Landscape Audit	\$94,260	\$1,184	
Lawn Be Gone		\$1,860	
Lawn Be Gone Inspections	\$2,858		
Water Wise Ed. Kits	\$104,716	\$1,860	
Washing Machine Rebate	\$114,530	\$1,900	\$1,055
Watersense Giveaways	\$20,886		
WaterSmart Reports	\$313,128		
Rain Barrel Rebate	\$2,300		
Total	\$660,263	\$13,144	\$1,355
2017-18			
EarthCapades	\$61,435	\$2,260	
Free Sprinkler Nozzles	\$1,577		
HET		\$4,055	\$13
Large Landscape Audit	\$85,793	\$1,184	
Lawn Be Gone		\$1,380	\$14
Lawn Be Gone Inspections	\$2,284		
Water Wise Ed. Kits	\$98,229.89	\$2,295	
Watersense Giveaways	\$10,734		
WaterSmart Reports	\$298,405		
Rain Barrel Rebate	\$3,395		
Total	\$561,853	\$11,174	\$27
FY 2018-19			
EarthCapades	\$66,500	\$2,480	
Free Sprinkler Nozzles	\$364		
HET		\$2,495	
Large Landscape Audit	\$94,900	\$1,184	
Lawn Be Gone		\$1,200	
Lawn Be Gone Inspections	\$2,420		
Water Wise Ed. Kits	\$75,483	\$1,946	
Watersense Giveaways	\$5,672		
WaterSmart Reports	\$288,081		
Rain Barrel Rebate	\$757		
Water Loss Program	\$128,403		
Total	\$662,580	\$9,305	\$0

Appendix G: Value for the Cost

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

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

Fiscal Year	Est. Annual Cost Per Person	Est. Annual Cost Per Household
2010-11	\$1.64	\$4.93
2011-12	\$1.53	\$4.60
2012-13	\$1.52	\$4.56
2013-14	\$1.82	\$5.47
2014-15	\$1.70	\$5.11
2015-16	\$1.84	\$5.51
2016-17	\$1.96	\$5.88
2017-18	\$2.08	\$6.24
2018-19	\$2.34	\$7.02
2019-20	\$2.50	\$7.51
2020-21	\$2.27 (preliminary)	\$6.80 (preliminary)

Appendix H: Savings Resulting from BAWSCA's Annual Wholesale Revenue Requirement (WRR) Review

Pursuant to Section 8.04 of the Water Supply Agreement, the Wholesale Customers delegated authority to BAWSCA to conduct the annual review of SFPUC's calculation of the Wholesale Revenue Requirement (WRR) and the Balancing Account. Table H-1 provides the annual financial impact to the Wholesale Customers resulting from BAWSCA's annual comprehensive review. Over the past 16 years, BAWSCA's reviews have resulted in a total of \$44.5 million savings to the Wholesale Customers. This total includes the savings resulting from resolution on the issues discovered by BAWSCA prior to the WSA 7.06 process and savings from settlements during the formal 7.06 process.

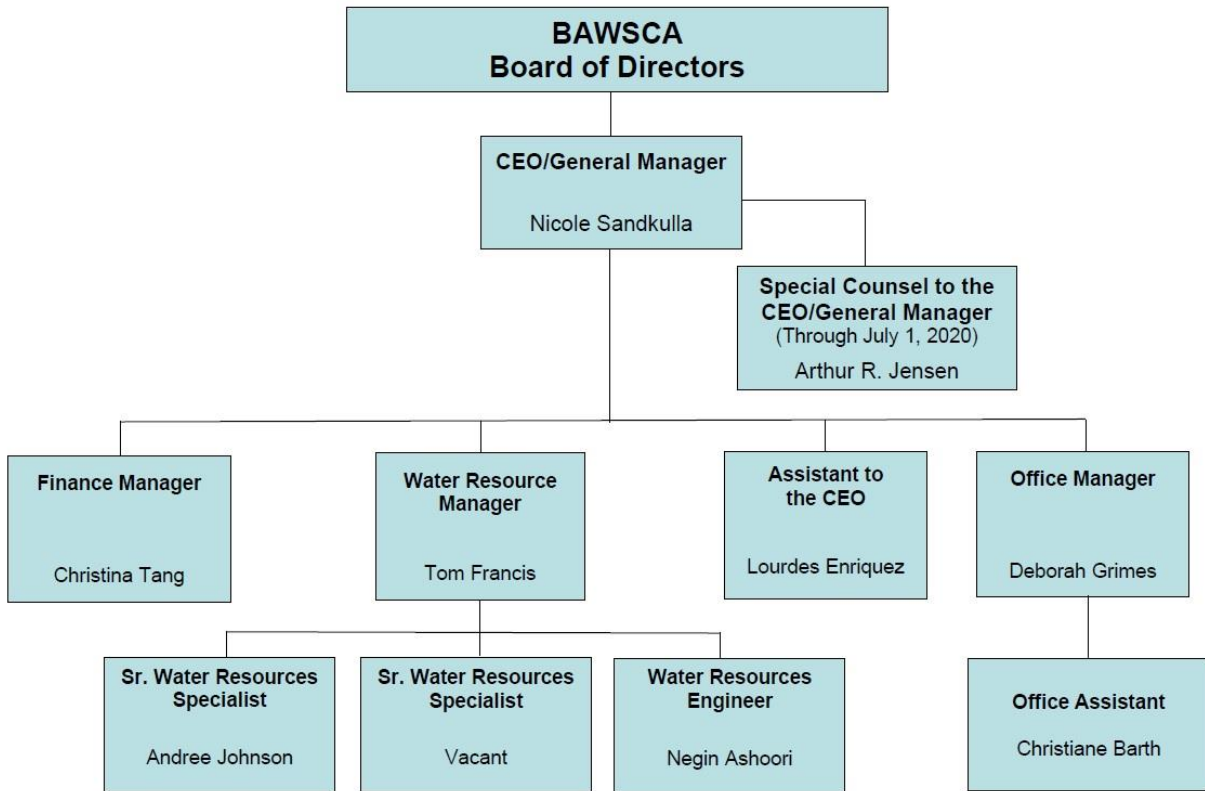
Note that the savings shown in Table H-1 do not include the ongoing savings resulted from any specific year's settlement. For example, the revised 525 Golden Gate operating and capital cost allocation methodology as a result of the FY11-12 and FY12-13 settlements generates an ongoing WRR savings to the Wholesale Customers in an approximate amount of \$400,000 each year from FY13-14 until various final debt service payment dates, and the approximate annual savings of \$1.4 million plus interest as part of the debt service allocation through FY39-40 resulting from the FY15-16 settlement .

Table H-1. Savings to Wholesale Customers Resulting from BAWSCA's Annual Wholesale Revenue Requirement Review

Fiscal Year	Savings to Wholesale Customers
2001-02	\$698,095
2002-03	\$1,568,857
2003-04	\$476,825
2004-05	\$5,726,908
2005-06	\$1,229,604
2006-07	\$718,267
2007-08	\$1,917,328
2008-09	\$461,670
2009-10	\$1,635,005
2010-11	\$893,914
2011-12	\$5,352,720
2012-13	\$739,965
2013-14	\$102,952
2014-15	\$11,903,057
2015-16	\$7,079,780
2016-17	\$3,987,471
Total	\$44,492,418

Appendix I: Current Organization and Staffing

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



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

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

Table J-1 lists these activities as they were updated as part of the FY 2020-21 Work Plan development. In each case, the results identified in Table J-1 will take the form of agreements, legislation, or other legally enforceable work products. Development of these documents will result from skilled negotiations based on rigorous investigations of impacts and alternatives, costs, cost allocation, and other matters.

Table J-1: Future Challenges Facing BAWSCA, Member Agencies, and Their Customers (Preliminary FY 2020-2021)
(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	

Appendix K: Historical BAWSCA Operating Budgets and Assessments

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

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

- In FY 2008-09, the approved budget was 10% higher than the previous year; issues included: increased conservation efforts, new contract with SF, and WSIP oversight.
- In FY 2013-14, the approved budget was 18% higher than the previous year; issues included: long-term water supply reliability, administration of bonds to accelerate paying off capital debt to save significant money for member agencies; administration of the Water Supply Agreement; an unexpected threat from Mountain Tunnel; and monitoring the SFPUC's Capital Improvement Plan and its Asset Management Program.
- FY 2018-19, the approved budget was 14.14% higher than the previous year; issues included: Restore Hetch Hetchy litigation, Bay Delta Plan, FERC, participation in Los Vaqueros Expansion planning studies. and BAWSCA's Demand Study.

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

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

Fiscal year	Assessments	% Change	Budget	% Change	% of Budget Spent	Transfers from WSA Balance Account	Transfers from Reserve	Notes on Transfers from Reserve & WSA Balance Account	Unspent Funds Transfer to Reserve	Year-End Reserve Balance	Reserve as a % of Budget	# of Full Time Authorized Staff	Major New/Increased Work Plan Focus
2003-2004	\$1,668,550	22%	\$1,821,350									6	Operated under BAWUA budget
2004-2005	\$1,641,995	-2%	\$1,838,490	0.94%	80.99%				\$240,000			6	1st BAWSCA Budget Est.
2005-2006	\$1,953,998	19%	\$2,099,975	14.22%	79.36%				\$414,000	\$240,000	11%	7	WSIP Oversight, 2009 WSA neg.
2006-2007	\$2,117,904	8%	\$2,291,904	9.14%	81.85%				\$428,474	\$654,000	29%	7	2009 WSA negotiations
2007-2008	\$2,117,904	0%	\$2,508,967	9.47%	89.54%		\$391,000	To fund budget	\$270,000	\$691,474	28%	7	2009 WSA Negotiations, WSIP PEIR
2008-2009	\$2,309,000	9%	\$2,763,196	10.13%	95.31%		\$349,000	To fund budget	\$149,718	\$507,474	18%	7	WSIP PEIR, 2009 WSA, develop WCIP
2009-2010	\$2,517,000	9%	\$2,766,945	0.14%	84.79%		\$250,000 \$105,000	To fund budget WCIP	\$409,965	\$407,192	15%	7	WCIP Yr. 1 implementation, 2009 WSA Admin Yr. 1, Transition from old Contract, WSIP legislation
2010-2011	\$2,517,000	0%	\$2,680,394	-3.13%	83.26%		\$163,394	To fund budget	\$435,324	\$653,763	24%	7	WCIP Yr. 2, 2009 WSA (Strategy funded thru Water Mgmt. Charge)
2011-2012	\$2,517,000	0%	\$2,619,705	-2.26%	87.28%		\$172,190	Assessment refund	\$264,000	\$916,897	35%	7	WCIP Yr 3
2012-2013	\$2,517,000	0%	\$2,780,504	6.14%	93.53%		\$130,000 \$65,000	Pilot Transfer Demand Study		\$985,897	35%	7	Bond investigation, Demand Projections, Pilot Water Transfer, 2009 WSA
2013-2014	\$2,516,812	0%	\$3,280,188	17.97%	93.24%		\$300,000 \$98,000 \$66,000	Demand Study OPEB FY 13-14 Technical support		\$521,897	16%	8	1st year bond administration, funding one-time cost of OPEB, Regional Water Demand Projections, pilot water transfer, WSIP legislation, new water resources staff position authorized
2014-2015	\$2,642,653	5%	\$2,939,286	-10.39%	93.42%		\$296,436	To fund budget	\$198,781	\$225,461	8%	8	Net increase for OPEB, 10yr CIP oversight, increase legal support for Strategy, WSIP legislation
2015-2016	\$3,276,889	24%	\$3,201,679	8.93%	88.34%				\$453,246 \$352,378 ⁽¹⁾	\$776,620	24%	8	1st year Strategy implementation thru Operating Budget, 2014 Settlement Agmt.
2016-2017	\$3,440,734	5%	\$3,468,008	8.32%	84.60%		\$27,274	To fund budget	\$519,167	\$1,202,592	35%	8	RHH litigation, 2014 Settlement Agmt, 2018 decisions, WaterMAP
2017-2018	\$3,543,957	3%	\$3,704,572	6.82%	90.00%		\$160,615	To fund budget	\$253,892	\$1,561,144	42%	8	RHH litigation, Bay-Delta Plan, FERC
2018-2019	\$3,579,397	1%	\$4,228,585	14.14%			\$321,688 \$177,500 \$150,000	To fund budget Los Vaqueros Demand Study	\$0	\$1,115,848	26%	8	RHH litigation, Bay-Delta Plan, FERC to participate in LVE Project and to fund Demand Study
2019-2020	\$3,686,779	3%	\$4,569,750	8.00%	93.40%	\$805,000	\$77,971	To fund budget		\$1,037,877	23%	9	Fund LVE participation, Demand Study, FERC, Bay Delta

Footnotes

(1) Remaining unspent Strategy development funds transferred to General Reserve in 2015-16

3/12/2020

(This page was intentionally left blank)

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: Annual Water Supply Agreement Balancing Account Update

Summary:

Pursuant to Section 8.04 of the Water Supply Agreement between the City and County of San Francisco and Wholesale Customers (WSA), the Wholesale Customers delegated authority to BAWSCA to conduct the annual review of SFPUC's calculation of the Wholesale Revenue Requirement (WRR) and the Balancing Account. Over the past 16 years, BAWSCA's reviews have resulted in a total of \$44.5 million in savings to the Wholesale Customers. The final year-end calculation of the Balancing Account is the result of the comprehensive evaluation of the Wholesale Revenue Requirement.

The current level of the Balancing Account is \$64.0 million. The estimated year-end balance as of 6/30/2020 is \$75.0 million, however, the SFPUC plans to use the entirety of this positive balance over the next five years to stabilize rates. The Balancing Account serves a critical rate stabilization role for the wholesale water rate charged by SFPUC to the Wholesale Customers.

Based on the SFPUC's current five-year wholesale rate projections and input from the member agencies through the appointed water management representatives, BAWSCA has expressed support for the SFPUC's proposal to retain the positive balance for use in forestalling future rate increases.

Fiscal Impact:

This item has no impact on BAWSCA's annual operating budget.

Recommendation:

This item is for informational purposes only. No Board action is requested at this time.

Discussion:

At the end of each Fiscal Year, SFPUC computes the actual costs attributable to the Wholesale Customers as the amount of the WRR, based on actual costs to operate the Regional Water System and actual amounts of water used by the Wholesale and Retail Customers. If there is a difference between the WRR and the actual amounts billed to the Wholesale Customers, the difference, positive or negative, is posted to the Balancing Account. The Balancing Account represents excess (or deficient) Wholesale Customer rate revenue received by SFPUC and is not segregated by Wholesale Customer. Although the balancing account is currently positive, it was negative seven out of nine years from 2002 through 2011.

BAWSCA's Annual Review of Wholesale Revenue Requirement and the Balancing Account

The WSA delegates to BAWSCA the authority to conduct an annual review of SFPUC's calculation of the WRR and the Balancing Account. Table 1 provides the annual financial impact to the Wholesale Customers resulting from BAWSCA's annual comprehensive review.

Use of the Balancing Account for SFPUC Wholesale Water Rate Stabilization

Per the WSA, the SFPUC is required to take into account any positive balance in the Balancing Account in establishing wholesale rates, but the SFPUC need not apply the entire positive balance in the subsequent fiscal year. Instead, the SFPUC may prorate it over three years to avoid undesirable fluctuations (increases and decreases) in the wholesale rates.

Historically, the Balancing Account has been used for rate stabilization. On February 20, 2020, at the SFPUC's Annual Meeting with the Wholesale Customers, the SFPUC Chief Financial Officer presented the projected five-year SFPUC wholesale water rate estimate based on the following transfers from the Balancing Account for the next five years for long-term rate stability purposes:

<u>Fiscal Year</u>	<u>Projected Wholesale Water Rate</u>	<u>Projected Use of Balancing Account</u>
FY 2020-21	\$4.10/Ccf	\$10.4 million
FY 2021-22	\$4.10/Ccf	\$18.8 million
FY 2022-23	\$4.39/Ccf	\$20.6 million
FY 2023-24	\$4.73/Ccf	\$14.5 million
FY 2024-25	\$5.05/Ccf	\$13.6 million

At this time, the SFPUC is projecting to completely draw down the Balancing Account in the next five years. Table 2 presents the yearly ending balance in the Balancing Account compared to the annual WRR over time.

The analysis of options and recommendation of uses for a long-term positive balance in the Balancing Account is consistent with BAWSCA's role in implementing the WSA and reviewing and evaluating the WRR. WSA Section 8.04.C provides that "unless otherwise explicitly stated, the administrative authority delegated to BAWSCA may be exercised by the General Manager/CEO of BAWSCA, rather than requiring action by the BAWSCA Board of Directors."

Other Specified Uses of the Balancing Account

Under Section 6.05.B.2.a of the WSA, a positive balance in the Balancing Account, which represents 10% or more of the WRR for the most recent fiscal year and is maintained for three successive years, may be used for the wholesale customer's preferred application of the balance, exercised through BAWSCA, for six purposes: (a) transfer to the Wholesale Revenue Coverage Reserve, (b) amortization of any remaining negative balance from the ending Balancing Account under the 1984 Agreement, (c) prepayment of the existing asset balance under Section 5.03, (d) water conservation or water supply projects administered by or through BAWSCA, (e) immediate reduction of wholesale rates, or (f) continued retention for future rate stabilization purposes. As a note, items (b) and (c) above are no longer applicable since: (b) the 1984 Balancing Account has been zeroed out and (c) the net book value of existing regional assets under the 1984 Agreement was paid off to San Francisco through the 2013 BAWSCA bond issue.

On July 1, 2019, BAWSCA requested the SFPUC to transfer \$805,000 from the Balancing Account to BAWSCA as the funding source for the Los Vaqueros Expansion Project Study and the completion of the Regional Water Demand and Conservation Projections Study included in the BAWSCA FY 2019-20 Operating Budget approved by the Board on May 16, 2019. That action represented the first time BAWSCA directed the transfer of excess balancing account funds per the WSA. In a future Board meeting, BAWSCA will be providing the Board with a policy for considering of transfers from the Balancing Account in the future.

At the February 12, 2020, a Director requested BAWSCA evaluate using a portion of the positive Balancing Account to pay down the remaining BAWSCA revenue bonds (Series 2013A and 2013B). It is not certain at this time that early payment of outstanding bonds is within parameters of the WSA language 6.05.B.2.a.(c) "the prepayment of the existing asset balance under Section 5.03," since the bond issuance achieved this prepayment. However, BAWSCA is currently working with its financial advisor to determine whether it's more cost effective to pay down the outstanding bonds or potentially refunding it in 2023. A memo with the results of the evaluation will be represented to the BPC in April, along with a draft policy for considering of transfers from the Balancing Account in the future

Conclusion:

Based on the SFPUC's current five-year wholesale rate projections and input from the member agencies through the appointed water management representatives, BAWSCA has expressed support for the SFPUC's proposal to retain the positive balance for use in forestalling future rate increases.

**Table 1. Savings to Wholesale Customers Resulting from
BAWSCA's Annual Wholesale Revenue Requirement Review**

Fiscal Year	Savings to Wholesale Customers
2001-02	\$698,095
2002-03	\$1,568,857
2003-04	\$476,825
2004-05	\$5,726,908
2005-06	\$1,229,604
2006-07	\$718,267
2007-08	\$1,917,328
2008-09	\$461,670
2009-10	\$1,635,005
2010-11	\$893,914
2011-12	\$5,352,720
2012-13	\$739,965
2013-14	\$102,952
2014-15	\$11,903,057
2015-16	\$7,079,780
2016-17	\$3,987,471
Total	\$44,492,418

Table 2. Balancing Account Year End Balance vs. Annual Wholesale Revenue Requirement

Fiscal Year	Ending Balance of Balancing Account (BA)	\$ Change from Prior Year	Annual Wholesale Revenue Requirement (WRR)	\$ Change from Prior Year	BA as % of WRR	Wholesale Water Rate (\$/Ccf)	% Change from Prior Year
2001-02	\$9,354,685		\$75,812,199		12.3%	\$0.88	
2002-03	\$2,880,837	(\$6,473,848)	\$82,301,597	\$6,489,398	3.5%	\$0.88	0.0%
2003-04	\$11,895,158	\$9,014,321	\$92,804,851	\$10,503,254	12.8%	\$1.10	25.0%
2004-05	\$7,272,068	(\$4,623,090)	\$99,930,037	\$7,125,186	7.3%	\$1.13	2.7%
2005-06	(\$8,964,718)	(\$16,236,786)	\$101,822,169	\$1,892,132	-8.8%	\$1.02	-9.7%
2006-07	(\$12,881,853)	(\$3,917,135)	\$110,902,794	\$9,080,625	-11.6%	\$1.22	19.6%
2007-08	(\$20,625,889)	(\$7,744,036)	\$118,672,955	\$7,770,161	-17.4%	\$1.30	6.6%
2008-09	(\$21,860,867)	(\$1,234,978)	\$123,388,788	\$4,715,833	-17.7%	\$1.43	10.0%
2009-10	(\$15,194,740)	\$6,666,127	\$131,367,056	\$7,978,268	-11.6%	\$1.65	15.4%
2010-11	(\$26,313,110)	(\$11,118,370)	\$137,655,168	\$6,288,112	-19.1%	\$1.90	15.2%
2011-12	(\$7,823,759)	\$18,489,351	\$160,529,498	\$22,874,330	-4.9%	\$2.63	38.4%
2012-13	\$27,349,579	\$35,173,338	\$172,405,401	\$11,875,903	15.9%	\$2.93	11.4%
2013-14	\$27,033,814	(\$315,765)	\$179,693,746	\$7,288,345	15.0%	\$2.45	-16.4%
2014-15	\$27,253,857	\$220,043	\$195,098,156	\$15,404,410	14.0%	\$2.93	19.6%
2015-16	\$15,712,070	(\$11,541,787)	\$214,208,639	\$19,110,483	7.3%	\$3.75	28.0%
2016-17	\$40,417,740	\$24,705,670	\$209,059,370	(\$5,149,269)	19.3%	\$4.10	9.3%
2017-18	\$59,781,812	\$19,364,072	\$241,372,995	\$32,313,625	24.8%	\$4.10	0.0%
2018-19*	\$64,000,000	\$4,218,188	\$251,100,000	\$9,727,005	25.5%	\$4.10	0.0%
2019-20*	\$75,000,000	\$11,000,000	\$258,700,000	\$7,600,000	29.0%	\$4.10	0.0%
2020-21*	\$66,700,000	(\$8,300,000)	\$270,800,000	\$12,100,000	24.6%	\$4.10	0.0%
2021-22*	\$49,400,000	(\$17,300,000)	\$278,600,000	\$7,800,000	17.7%	\$4.10	0.0%
2022-23*	\$28,700,000	(\$20,700,000)	\$295,900,000	\$17,300,000	9.7%	\$4.39	7.1%
2023-24*	\$13,300,000	(\$15,400,000)	\$310,200,000	\$14,300,000	4.3%	\$4.73	7.7%
2024-25*	(\$1,600,000)	(\$14,900,000)	\$326,300,000	\$16,100,000	-0.5%	\$5.05	6.8%

Data Source: Audited Statement of Changes in the Balancing Account for the fiscal years through 2017-18. *Data for the fiscal years 2018-19 through 2024-25 are the SFPUC projections provided at the 2020 annual wholesale customer meeting.

(This page was intentionally left blank)

BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: March 13, 2020
SUBJECT: Chief Executive Officer/General Manager's Letter

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"). In the fall of 2019, the SFPUC began updating its 10-Year CIP in anticipation of Commission adoption in early 2020.

As required by the recently adopted modifications to the 2009 Water Supply Agreement (WSA), BAWSCA now had a greater opportunity to provide input into the 10-year CIP during its preparation. More specifically, the SFPUC was required to meet with BAWSCA staff during the CIP preparation to share key information including specific projects, budget, schedule and priority ranking details. BAWSCA reviewed the information provided, asked questions, and provided feedback during this period. The WSA requires that BAWSCA input be considered by the SFPUC as it finalizes its proposed CIP.

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

In January 2020, the SFPUC held four budget workshops with the Commission to present the preliminary budget proposals for all SFPUC enterprises. BAWSCA participated in the workshops associated with the areas of BAWSCA's focus.

BAWSCA provided comments to the Commission at its January 23, 2020 budget workshop and the February 11, 2020 Commission meeting at which time the CIP was being considered for adoption. Copies of those statements are attached. Overall, BAWSCA expressed support for the CIP, noting that it was robust and included 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. BAWSCA also reiterated that while it would not oppose funding for a future phase of the Regional Groundwater Storage and Recovery Project (RGSRP) through the 10-year CIP budget, as opposed to funding via the WSIP budget as would otherwise be expected, BAWSCA does expect the RGSRP to be completed as part of WSIP and that BAWSCA will not view the WSIP complete unless all the projects that are considered part of WSIP, which includes the RGSRP, are complete.

The 10-year CIP that was adopted by the Commission on February 11, 2020 includes \$1.024B in funding for Hetch Hetchy Water and \$1.023B for the Regional portion of the Water Enterprise over the 10-year cycle. The CIP has now been forwarded to the San Francisco Mayor's office for incorporation into the budget for the City and County of San Francisco. The City's combined budget document will be brought to their Board of Supervisors for adoption and approval in June of 2020.

BAWSCA Working with Member Agencies to Consider Potential Contract Amendment Allowing Transfers of Minimum Purchase Requirements

While not part of the Package of Water Supply Agreement (WSA) Amendments that was passed by BAWSCA member agencies and the SFPUC in 2019, there was a recognition at that time that several of the Wholesale Customers with minimum purchase requirements might be interested in transferring water within their respective Individual Supply Guarantee (ISG) to another Wholesale Customer, if doing so would also reduce their minimum purchase requirements. Four BAWSCA Member Agencies currently have contracts with the SFPUC that contain minimum purchase requirements (ACWD, and the Cities of Milpitas, Mountain View and Sunnyvale).

In the fall of 2019, BAWSCA further engaged the Water Management Representatives on this topic. Together with the Water Management Representatives, BAWSCA has developed a proposal for a WSA contract amendment that would allow for the transfer of a paired Minimum Purchase Guarantee amount and ISG amount between two permanent Wholesale Customers in a way that would not result in a negative financial impact, over the short or long term, to the SF retail customers or those member agencies that are not parties to the transfer. In January, BAWSCA shared further specifics on this proposed contract amendment with the SFPUC and is awaiting feedback.

Once this feedback is received from the SFPUC, BAWSCA will work with the Water Management Representatives to consider next steps, including potential adoption by the Member Agencies and SFPUC.

BAWSCA Demand Study Update

The Regional Water Demand and Conservation Savings Projections Study (Demand Study) is on schedule for completion in June of 2020. Key tasks completed to date include:

1) preparation of pre-conservation demand projections through 2045 for each BAWSCA agency; (2) identification of conservation measures options to be evaluated by the model; and (3) a stakeholder workshop to obtain feedback from outside organizations on conservation measure options.

The project team is currently working with each BAWSCA member agency to identify which conservation measure to incorporate into the individual demand models. Those possible measures will then be incorporated into the demand models produced for each member agency. In addition, BAWSCA and its consultant are preparing for a second conservation workgroup workshop, which will be conducted in late March, where additional discussion will take place regarding conservation measures and the associated assumptions that need to be made regarding their impacts on water demand.

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

The Bay Area's largest water agencies are working together to develop regional solutions to improve water supply reliability in the Bay Area. The Bay Area Regional Reliability (BARR) Partners include Alameda County Water District, Bay Area Water Supply and Conservation Agency, Contra Costa Water District, East Bay Municipal Utility District, Marin Municipal Water District, San Francisco Public Utilities Commission, Santa Clara Valley Water District, and Zone 7 Water Agency.

As detailed in previous BAWSCA Board updates, the BARR effort is now developing a Water Marketing Strategy, called the Bay Area Shared Water Access Program (SWAP), with the help of \$400K in funding from the U.S. Department of Interior, Bureau of Reclamations (Bureau).

Representatives from SFPUC, ACWD and BAWSCA have been in discussions for several months regarding a potential pilot water transfer that could be conducted through the BARR SWAP effort. Those discussions have led to a proposal to conduct a "paper study", as opposed to an actual physical transfer or exchange of water. The concept of a paper study has been initially accepted by the other BARR partner agencies.

This paper study would research and document through a "desktop simulation exercise" a fictitious transfer of a large volume of stored water sourced from Los Vaqueros Reservoir (current size estimate = 20,000 AF) to ACWD, SFPUC and BAWSCA via the South Bay Aqueduct to: a) ACWD as an in-lieu exchange (4,000 AF), and b) San Antonio Reservoir (16,000 AF) for the benefit of SFPUC and BAWSCA. The transfer will consider two delivery schedules: a) single year drought and b) all years.

As a desktop simulation exercise, this paper study would involve various groups within the partner agencies (planning, operations, modeling, water quality, legal, management). Because it's a desktop exercise, it can be bolder (from a size and scope perspective) than a physical transfer. The work is proposed to start in Summer 2020 and completed by 2021 to inform the BARR effort.

America's Water Infrastructure Act

America's Water Infrastructure Act of 2018 (AWIA) is a federal law that provides for water infrastructure improvements throughout the country. AWIA became law on October 23, 2018. Section 2013 of AWIA includes newly enacted requirements for community water systems serving more than 3,300 people. These utilities must: conduct a Risk and Resilience Assessment (RRA); prepare or revise an Emergency Response Plan (ERP); submit a certification letter upon completion to the U.S. Environmental Protection Agency (U.S. EPA) for each (RRA and ERP); review, update, revise as necessary and submit a recertification for both at least every 5 years thereafter; and maintain records (keep copies of RRA and ERP and any updates) for 5 years after certification submittal.

AWA compliance deadlines vary by the number of customers served. Large agencies with populations greater than 100,000 must submit their "risk and resilience" portions of their AWIA paperwork by March 31, 2020. Smaller agencies have several more months to work on their submittals.

BAWSCA has assisted in linking large BAWSCA member agencies to the individuals at the SFPUC who are preparing the AWIA paperwork for the San Francisco Regional Water System (SF RWS). Collaboration between the member agencies and SFPUC is focused on developing common language to clearly detail how the risk and resiliency of the SF RWS relates to each member agencies' risk and resiliency documentation.

On February 28, 2020, SFPUC provided initial language to support those large member agencies. Comments to the language are being provided by those agencies directly to the SFPUC with the intent to have agreeable common language in place by the March 31, 2020 filing deadline.

Smart Controller Program Launch

BAWSCA's new Regional Smart Controller Program that will provide instant rebates to residential water customers for the purchase of smart irrigation controllers is tentatively scheduled to begin in early April 2020. 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 was initially delayed due to challenges in the contract negotiations between RWA and Rachio, the selected contractor. Contract negotiations were completed in January, and the Program is now ready to launch as soon as the vendor obtains the necessary insurance coverage to satisfy the contract requirements. Currently, five BAWSCA agencies have enrolled in program.

Initially, BAWSCA sought to provide installation services for the controllers in addition to the rebates. However, there have been some concerns regarding liability associated with agency-funded installation on customer properties. BAWSCA and legal counsel are evaluating options to mitigate that risk and will add the installation support services in FY 2020-21 if deemed feasible.

Qualified Water Efficient Landscaper (QWEL) Program

BAWSCA is sponsoring two Qualified Water Efficient Landscaper (QWEL) classes in the next couple months. QWEL is a U.S. Environmental Protection Agency (EPA) WaterSense certified program which was developed by the Sonoma-Marín Saving Water Partnership. QWEL provides training to landscape professionals, designers, architects, and others with twenty hours of classroom and hands-on training on principles of proper plant selection, irrigation system design, maintenance, programming, operation, and troubleshooting. In addition to the 4-weeks of classroom and hands-on training, the program provides a certification test in order for participants to receive a QWEL-certified professional designation.

The QWEL workshop series in English will start on March 18th at Mid-Peninsula Water District and has over 30 people registered. The second QWEL workshop series in Spanish will start on April 1st in Redwood City. Regional objectives for QWEL include: (1) increasing landscape professionals' awareness of and compliance with local water-use restrictions, and (2) reducing long-term landscape water use through wider adoption of proper care, irrigation management and other maintenance practices for water-efficient landscapes.

Bay Area Integrated Regional Water Management Plan (IRWM) and Disadvantaged Communities (DAC)

BAWSCA along with other regional water agencies has been participating for many years on the implementation of the Bay Area Integrated Regional Water Management (IRWM) Plan. Under that umbrella, BAWSCA has been successful in securing grant funding to support its water

conservation programs. A component of the IRWM effort is to seek ways to positively impact disadvantaged communities within the Bay region.

To further those efforts, the Environmental Justice Coalition for Water (EJCW) was selected to manage programs targeted towards disadvantaged communities with an intent to identify project and program opportunities available through the IRWM Program and to assist these communities in capturing state funding available through the IRWM Program. EJCW performed a Disadvantaged Communities Needs Assessment and conducted significant outreach efforts over the past two years

On February 13, 2020, Bay Area IRWM Coordinating Committee hosted a Disadvantaged Communities Needs Assessment Findings Workshop. This public workshop was used to discuss findings from needs assessments conducted by outreach partner organizations throughout the nine Bay Area counties included in the IRWM region and to set regional planning priorities and themes to best respond to the needs of its communities. BAWSCA attended and participated in the workshop. One of the groups that presented, Nuestra Casa, represented the East Palo Alto portion of the BAWSCA service area. Nuestra Casa's presentation focused on the challenges residences have faced in regard to their drinking water supply. Specifically, the portion of East Palo Alto that relies on groundwater wells have contaminant concerns. In their presentation, Nuestra Casa noted their water distribution lines and home water lines need repair, replacement and or upgrades. Nuestra Casa is likely to continue to work with EJCW through the IRWM efforts to identify if there is a possible project that could be implemented and funded via the grant effort.

New BAWSCA Staff Appointment to San Mateo County Resource Management and Climate Protection (RMCP) Committee

The City and County Governments (CCAG) of San Mateo County's Board of Directors unanimously approved the appointment of Tom Francis, BAWSCA Water Resources Manager to serve as the Water Agency Representative on their Resource Management and Climate Projection (RMCP) Committee. Mr. Francis attended his first RMCP meeting in that official capacity on February 19, 2020.

The RMCP meets monthly and addresses a number of issues of importance to BAWSCA member agencies. The RMCP appreciates having a BAWSCA representative serve on the committee, as that linkage to BAWSCA provides them with needed updates regarding the water issues that are facing the region as well as information regarding water-related projects and programs that BAWSCA and its member agencies are working on.

Hetch Hetchy Tour – June 17th and 18th

The SFPUC and BAWSCA will host a Hetch Hetchy Tour for BAWSCA Board of Directors and Water Management Representatives on June 17 and June 18, 2020. An email invitation will be sent out shortly.

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

Tour highlights and logistics include:

- Behind-the-scenes look at some of the system's key facilities, such as Calaveras Dam, Moccasin Powerhouse, and Hetch Hetchy Reservoir.

March 19, 2020 – Agenda Item #9D

- A private tour bus that departs at 8:00am from the BAWSCA offices, 155 Bovet Rd, San Mateo, and returns to the same location at approximately 5:30pm on June 20th.
- Lodging overnight at Hetch Hetchy Reservoir in one of three SFPUC cabins.
- All food and transportation will be provided.

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

Board Policy Committee

Policy Calendar Through November 2020

Meeting Date	Purpose	Issue or Topic
May 2020	D&A D&A R&D R	Consideration of Proposed FY 2020-21 Work Plan and Budget Consideration of Annual Consultant Contracts Los Vaqueros Expansion Project Review of Water Supply Forecast
July 2020	R&D R&D D&A	Audit of SFPUC's Asset Management Program Update on Long-Term Reliable Water Supply Strategy Implementation Review of Agency Personnel Handbook
Sept. 2020	D&A R&D R&D	Consideration of Action to Extend Current Tier 2 Drought Plan OPEB Report Demand Study Findings
Nov. 2020	R&A D&A D&A	CEO/General Manager Evaluation Annual Review and Consideration of BAWSCA's Statement of Investment Policy Review and Consideration of BAWSCA's General Reserve Policy

(This page was intentionally left blank)

**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 – 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 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 – 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.