



BOARD POLICY COMMITTEE

April 8, 2020

1:30 p.m.

DUE TO COVID-19, THIS MEETING WILL BE CONDUCTED AS A TELECONFERENCE PURSUANT TO THE PROVISIONS OF THE GOVERNOR'S EXECUTIVE ORDERS N-25-20 AND N-29-20, WHICH SUSPEND CERTAIN REQUIREMENTS OF THE RALPH M. BROWN ACT. MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON.

The following members of the BAWSCA Board Policy Committee are listed to permit them to appear telephonically at the BPC Meeting on April 8, 2020: Tom Chambers, Alison Cormack, Steve Jordan, Rob Kuta, Gustav Larsson, Al Mendall, Barbara Pierce, Sepi Wood, and Tom Zigterman.

Members of the public wanting to participate in the meeting may do so by calling (888) 788-0099 and entering Meeting ID 386 644 801, when prompted.

Public Comment on Items Not on the Agenda (limit one per person) must be submitted via email 24 hours prior to the meeting's call to order to bawasca@bawasca.org. Public comments on individual agenda items (limit one per person PER AGENDA ITEM) must be submitted (a) via email 24 hours prior to the meeting's call to order to bawasca@bawasca.org, or (b) via the call-in number before the vote on the referenced agenda item. For comments submitted prior to the meeting, please indicate in your email the agenda item to which your comment applies. Comments submitted before the meeting will be provided to the Directors before or during the meeting. Comments submitted after the meeting is called to order will be included in the Meeting Minutes that will be posted online following Board approval at <https://bawasca.org/about/board/agendas>. Although public comments are generally limited to three minutes per person per comment, the Committee Chair shall have the discretion to manage the Public Comment process in a manner that achieves the purpose of public communication and assures the orderly conduct of the meeting.



AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
<p>1. <u>Call To Order, and Roll Call</u> Roster of Committee Members (<i>Attachment</i>)</p>	<p>(Chambers)</p>	<p><i>Pg 5</i></p>
<p>2. <u>Public Comment</u> <i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i></p>	<p>(Chambers)</p>	
<p>3. <u>Consent Calendar</u> A. Approval of Minutes from the February 12, 2020 meeting (<i>Attachment</i>)</p>	<p>(Chambers)</p>	<p><i>Pg 7</i></p>
<p>4. <u>Comments by Chair</u></p>	<p>(Chambers)</p>	
<p>5. <u>Action Items</u> A. Proposed Fiscal Year 2020-21 Work Plan and Operating Budget (<i>Attachment</i>) <u>Issue:</u> What critical results must be achieved in FY 2020-21 to accomplish BAWSCA’s goals and water reliability objectives? <u>Information to Committee:</u> Memorandum presenting proposed FY 2020-21 Work Plan and Operating Budget incorporating comments from the February 13th 2019 BPC meeting. <u>Committee Action Requested:</u> The Committee is asked to recommend a Work Plan, Operating Budget, and Funding Plan for FY 2020-21. Of the four options presented in the staff memo, the CEO recommends that the Committee recommend to the Board either:</p> <ul style="list-style-type: none"> • Option 1: The Proposed Work Plan, Proposed Operating Budget (\$4,130,679), 0% assessment increase, and \$443,900 transfer from General Reserve. Alternative 1 results in an estimated General Reserve at 19% of the Operating Budget; or • Option 4: The Alternative Work Plan, Alternative Operating Budget (\$4,020,679), 0% assessment increase, and \$333,900 transfer from General Reserve. Alternative 2 results in an estimated General Reserve at 20% of the Operating Budget. 	<p>(Sandkulla)</p>	<p><i>Pg 23</i></p>
<p>B. Review and Consideration of Check Signing Policy (<i>Attachment</i>) <u>Issue:</u> What is needed to enable the CEO/General Manager to conduct agency operations without delay? <u>Information to Committee:</u> Memorandum and Oral Report. <u>Committee Action Requested:</u> That the Committee recommend Board approval of:</p>	<p>(Sandkulla)</p>	<p><i>Pg 53</i></p>

1. Rescinding Resolution No. 2006-01 that specifies what individuals are authorized to sign checks;
2. Adopting a replacement Resolution No. 2020-01 that increases the single signature threshold for signing checks from \$2,500 to \$5,000 and adds the authority for the BAWSCA Finance Manager and Water Resources Manager to sign checks in the absence of the CEO and General Manager.

- C. Ratification of Agreement with Droplet Technologies to Implement a Landscape Rebate Online System.

(Sandkulla) Pg 59

Issue: What procedural steps are needed to ratify the Professional service agreement to implement the Landscape Rebate Online System?

Information to Committee: Oral report and memorandum.

Committee Action Requested: That the Committee recommend the Board ratify the following actions by the CEO:

1. Execution of the agreement with Droplet Technologies to implement a Landscape Rebate Online System; and
2. Offer participation in the Program to interested BAWSCA agencies on a subscription basis

6. Reports

(Sandkulla)

- A. Regional Water System Operation during COVID-19 Order
- B. Water Supply Conditions
- C. CEO's Letter (*Attachment*)
- D. Board Policy Committee Calendar (*Attachment*)

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7. Comments by Committee Members

(Chambers)

8. Adjournment to the next meeting

(Chambers)

Unless otherwise noticed:

June 10, 2020 at 1:30pm in the 1st Floor Conference room of the BAWSCA office building, at 155 Bovet Rd., San Mateo

Public Comment

If you wish to address the Board, please follow the directions at the top of the agenda. If you have anything that you wish distributed to the Board and included for the official record, please include it in your email. Comments that require a response may be deferred for staff reply.

Accessibility for Individuals with Disabilities

Upon request, BAWSCA will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in and provide comments at/related to public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, auxiliary aid, service or alternative format requested at least two days before the meeting. Requests should be emailed to bawasca@bawasca.org or submitted by phone at 650-349-3000. Requests will be granted whenever possible and resolved in favor of accessibility.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

2020 Committee Roster:

Thomas Chambers, Westborough Water District (Chair)

Alison Cormack, City of Palo Alto (Vice Chair)

Steve Jordan, Purissima Hills Water District

Rob Kuta, California Water Service Co.

Gustav Larsson, City of Sunnyvale (BAWSCA Vice Chair)

Al Mendall, City of Hayward

Barbara Pierce, City of Redwood City (BAWSCA Chair)

Sepi Wood, City of Brisbane

Tom Zigterman, Stanford University

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

**February 12, 2020 – 1:30 p.m.
BAWSCA Offices – 155 Bovet Rd., San Mateo – 1st Floor Conference Room**

MINUTES

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 underserved 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.

Respectfully submitted,

Nicole Sandkulla, CEO/General Manager

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Attachments: 1) Attendance Roster

Bay Area Water Supply and Conservation Agency

**Board Policy Committee Meeting
Attendance Roster**

Agency	Director	Feb. 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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Proposed Fiscal Year 2020-21 Work Plan and Operating Budget**

Summary:

This memorandum presents the proposed Fiscal Year (FY) 2020-21 Work Plan and Results to be Achieved, proposed Operating Budget, and proposed Funding Plan. This memorandum also presents an alternative Work Plan and Results to be Achieved, alternative Operating Budget, and alternative Funding Plan. Comments received from the Board at the January 16, 2020 Work Plan and Budget Preparation Planning Session have been reviewed and addressed. The proposed 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 alternative Work Plan reduces efforts in a few areas in an effort to reduce the necessary Operating Budget.

The proposed Work Plan and alternative Work Plan remain 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 proposed Operating Budget is \$4,130,679, which is 9.6% below the approved FY 2019-20 Operating Budget. The proposed Operating Budget represents approximately a 24-cent decrease in annual cost per person in the service area for an estimated cost to the water customer of \$2.26 per person per year. The alternative Operating Budget is \$110k less, or \$4,020,679.

Both the proposed Work Plan and Budget and alternative Work Plan and Budget can be funded with a 0% assessment increase and a modest transfer from the General Reserve. At this time, it is anticipated the FY 2019-20 Operating Budget will be 95% expended at year end. When combined with an estimated transfer of \$100,000 of unspent, post-audit excess funds from FY 2019-20 to the General Reserve in Fall 2020, both recommended alternatives can be funded while maintaining the General Reserve at or near the lower end of the budgetary guidelines.

Recommendation:

The Committee is asked to recommend a Work Plan, Operating Budget, and Funding Plan for FY 2020-21. Of the four options presented in this memo, the CEO recommends that the Committee recommend to the Board either:

- **Option 1: The Proposed Work Plan, Proposed Operating Budget (\$4,130,679), 0% assessment increase, and \$443,900 transfer from General Reserve. Alternative 1 results in an estimated General Reserve at 19% of the Operating Budget; or**
- **Option 4: The Alternative Work Plan, Alternative Operating Budget (\$4,020,679), 0% assessment increase, and \$333,900 transfer from General Reserve. Alternative 2 results in an estimated General Reserve at 20% of the Operating Budget.**

Discussion:

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

PROPOSED FY 2020-21 WORK PLAN:

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

The proposed 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 internship program in collaboration with an outside organization.

Table 1 presents the proposed 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 proposed 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 proposed 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 proposed 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.

The current Memorandum of Agreement between CCWD and the local partner agencies, including BAWSCA, expires on June 30, 2020. At this time, CCWD is proposing a six-month, no cost extension that can be approved by the CEO under her authority. In addition, CCWD is updating its request for funding from local partner agencies for participation in the 12 month period of January 1, 2020 – December 2021 to (1) complete final LVE planning, (2) prepare and form the LVE Joint Powers Authority (JPA), and (3) finalize the water purchase agreements between the JPA and various participating agencies.

The proposed 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 proposed 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 or September 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 May 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: \$28K

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. It is proposed that BAWSCA collaborate with an existing internship program that meets 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 proposed budget assumes BAWSCA collaboration with an existing program in 2020-2021. While hiring an additional single summer intern was also included in the preliminary work plan, this has been deleted in the proposed work plan and budget as it is uncertain at this time when BAWSCA staff will be able to return to working in the physical BAWSCA office due to COVID-19 concerns.

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 proposed 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.

Alternative to the Proposed Work Plan and Results to be Achieved: An alternative to the proposed Work Plan is presented here for consideration.

1. Defer implementation of a new internship program (\$28k) and reduce Specific Proposed BAWSCA Work Plan Items and Budget by \$82k. Regarding the internship, it is unclear what impact the current COVID-19 pandemic will have on BAWSCA's ability to collaborate with another entity in implementing an internship program in FY 2020-21. As such, this work plan item can be deferred at this time. In addition, given the SFPUC's important focus on operations during the COVID-19 pandemic, there are several areas of work that BAWSCA has identified that require close coordination with the SFPUC and therefore may be impacted: (1) implementation of the recommendations of BAWSCA's asset management audit of the SF Regional Water System (that is currently draft and under review by the SFPUC) and (2) BAWSCA's coordination with the SFPUC on development and implementation of a Regional Source Meter Testing Plan. Given the current pandemic and anticipated effects on SFPUC's operations in FY 2020-21, there is a strong potential that SFPUC progress on one or both of these areas will be reduced or delayed, and therefore it would make sense for BAWSCA to reduce its planned effort accordingly. At this time, the best option is not yet known and requires further discussion with the SFPUC, however it is clear at this time that the proposed work plan and budget for these tasks can be reduced by \$82k. Further detail will be available by the May board meeting. The combination of these two deferrals to a subsequent year would reduce the overall budget by \$110k, to a total Alternative Operating Budget of \$4,020,679.

Given the current COVID-19 pandemic crisis, this Alternative Work Plan and Operating Budget is also recommended for FY 2020-21. While it represents a reduced work plan, if implemented, this alternative will not impact BAWSCA's ability to deliver critical results in FY 2020-21. This Alternative Work Plan and Operating Budget is included in the funding analysis presented later in this memo.

PROPOSED FY 2020-21 OPERATING BUDGET:

The proposed Operating Budget of \$4,130,679 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 proposed Operating Budget is a result of a variety of changes. The proposed 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 proposed 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 Proposed Operating Budget: Four principles have historically been used by BAWSCA when considering how to fund the proposed 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% expended at year end. Any post-audit excess funds will be transferred to the General Reserve in Fall 2020. For purposes of the funding analysis presented below, it is assumed that \$100,000 of unspent, post-audit excess funds will be available to transfer into 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 funding options are presented below for further discussion. Three options fund the Proposed Work Plan and Operating Budget, and one option would fund the Alternative Work Plan and Operating Budget:

- **Option 1 “Proposed Work Plan with No Assessment Increase”:** No increase in assessments (\$3,686,779) and transfer of \$443,900 from the General Reserve. This alternative results in a General Reserve balance outside of the target range at 19% of the Operating Budget.
- **Option 2 “Proposed Work Plan and Target 20% General Reserve Balance”:** A 1% increase in assessments (\$3,723,648) and transfer of \$407,031 from the General Reserve.
- **Option 3 “Proposed Work Plan and Target 22% General Reserve Balance”:** A 3% increase in assessments (\$3,797,382) and transfer of \$333,297 from the General Reserve.
- **Option 4 “Alternative Work Plan with No Assessment Increase”:** No increase in assessment (\$3,686,779) and transfer of \$333,900 from the General Reserve. This alternative results in a General Reserve balance at 22% of the Alternative Operating Budget.

As a point of reference, funding the proposed Work Plan with assessments alone would require a 12% assessment increase and result in an estimated General Reserve balance of 30% of the Operating Budget.

RECOMMENDED FY 2020-21 WORK PLAN, OPERATING BUDGET AND FUNDING PLAN:

Given the current COVID-19 pandemic crisis and the resulting economic impacts that have already been identified throughout the region, it seems appropriate for BAWSCA to strive for a 0% assessment increase for FY 2020-21 while maintaining a prudent General Reserve balance given the ongoing legal issues facing BAWSCA.

As such, two options presented in Table 6 are recommended for the Committee's consideration and potential recommendation to the Board. Both options fund the critical work in the work plan and maintain no increase in BAWSCA assessments:

- Option 1: Proposed Work Plan, Proposed Operating Budget (\$4,130,679), 0% assessment increase, and \$443,900 transfer from General Reserve. Alternative 1 results in an estimated General Reserve at 19% of the Operating Budget.
- Option 4: Alternative Work Plan, Alternative Operating Budget (\$4,020,679), 0% assessment increase, and \$333,900 transfer from General Reserve. Alternative 4 results in an estimated General Reserve at 20% of the Operating Budget.

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

(Percent of Proposed 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 Proposed FY 2020-21 Work Plan and Operating Budget

RELIABLE SUPPLY

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 proposed Work Plan; however, funding to support payment to CCWD for BAWSCA participation in the next planning phase for LVE is not included in the proposed Operating Budget and will be considered at a later date as part of a separate board action.

FAIR PRICE

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.

HIGH WATER QUALITY

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.

AGENCY EFFICIENCY

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 proposed 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 proposed 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 proposed 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 proposed 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 12-month period running from December 2020 – December 2021. Work performed during that period will include: (1) complete final LVE planning, (2) prepare and form the LVE Joint Powers Authority (JPA), and (3) finalize the water purchase agreements between the JPA and various participating agencies.</p> <p>The proposed 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 Proposed Operating Budget does not include monies needed to fund BAWSCA’s share of participation costs.</p> <p>It is anticipated that the Board will consider BAWSCA’s participation in the next phase of LVE at its July or September 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	\$10K	\$10K	\$15k	Thru FY 2022-23 \$10k-\$50k per year. CEQA scheduled to start	BAWSCA is a current partner in the PREP project, which is in the early planning stage. No

Plan (PREP)				in fall 2023; costs to participate would expand at that time.	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. Proposed FY 2020-21 Operating Budget by Major Expenditure Category

Cost Category	Approved FY 2019-20 Budget (\$) (as of 11/30/19)	Proposed 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	1,997,354	78,303
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	2,502,754	111,203
Total Operating Expenses	4,532,101	4,067,104	(464,997)
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	4,130,679	(439,071)

Table 6. Analysis of Funding Options

	FY 2019-20	FY 2020-21			
Fund Source	Adopted Funding Plan	Option 1* Proposed Work Plan & 0% Assessment Increase	Option 2 Proposed Work Plan & 1% Assessment Increase	Option 3 Proposed Work Plan & 3% Assessment Increase	Option 4* Alternative Work Plan & 0% Assessment Increase
Assessments	\$3,686,779	\$3,686,779	\$3,723,648	\$3,797,382	\$3,686,779
Transfer from General Reserve	\$77,971	\$443,900	\$407,031	\$333,297	\$333,900
Transfer from Balancing Account	\$805,000	\$0	\$0	\$0	\$0
Total Available Operating Funds/Operating Budget	\$4,569,750	\$4,130,679	\$4,130,679	\$4,130,679	\$4,020,679
Potential End of Year Transfer to General Reserve	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Estimated Year-End Reserves	\$1,137,877	\$793,977	\$830,846	\$904,580	\$903,977
% of Budget	25%	19%	20%	22%	22%
Assessment to Budget Ratio	81%	89%	90%	92%	92%

**Either Option 1 and Option 4 are recommended for adoption*

APPENDICES

Appendices A through J present additional detail about the proposed 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: Proposed Budget for the Bay Area Water Users Association (BAWUA)

The proposed 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 proposed FY 2020-21 Operating Budget.

Appendix D: Proposed 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 proposed 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 proposed 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	\$2.26 (proposed)	\$6.77 (proposed)

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.

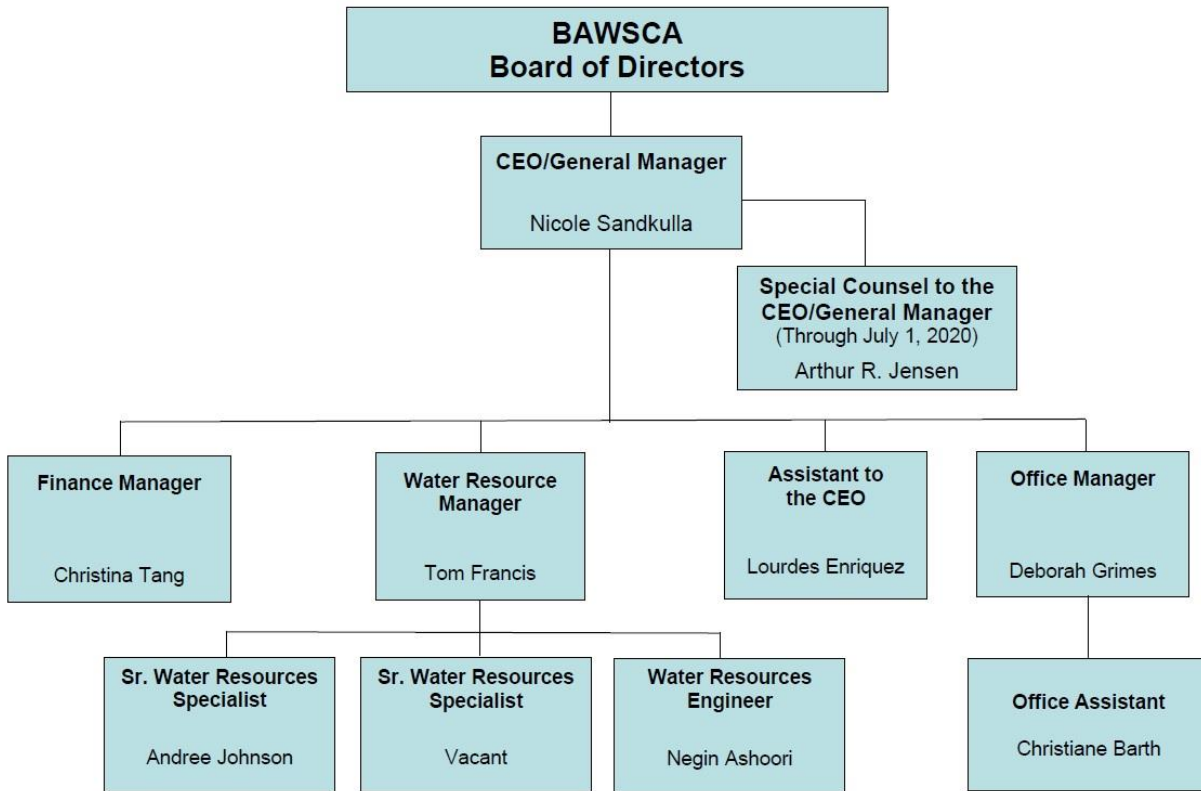
Note that the savings shown in Table H-1 do not include the ongoing savings resulted from any specific year's settlement. For example, the revised 525 Golden Gate operating and capital cost allocation methodology as a result of the FY11-12 and FY12-13 settlements generates an ongoing WRR savings to the 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><i>in light of identified potential areas of risk</i></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><i>Support member agencies in their efforts to ensure system reliability during an emergency.</i></u>	<u><i>X</i></u>	<u><i>X</i></u>	<u><i>X</i></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><i>X</i></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><i>Promote emergency resiliency of the SF RWS to protect interests of water customers.</i></u>	<u><i>X</i></u>	<u><i>X</i></u>	<u><i>X</i></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><i>and amendment as necessary</i></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><i>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.</i></u>		X	<u><i>X</i></u>
Management of BAWSCA's revenue bonds, <u><i>including consideration of refinancing</i></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.

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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	To fund budget	\$409,965	\$407,192	15%	7	WCIP Yr. 1 implementation, 2009 WSA Admin Yr. 1, Transition from old Contract, WSIP legislation
							\$105,000	WCIP					
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	Pilot Transfer		\$985,897	35%	7	Bond investigation, Demand Projections, Pilot Water Transfer, 2009
							\$65,000	Demand Study					
2013-2014	\$2,516,812	0%	\$3,280,188	17.97%	93.24%		\$300,000	Demand Study		\$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
							\$98,000	OPEB FY 13-14					
							\$66,000	Technical support					
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	\$776,620	24%	8	1st year Strategy implementation thru Operating Budget, 2014 Settlement
									\$352,378 ⁽¹⁾				
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	To fund budget	\$0	\$1,115,848	26%	8	RHH litigation, Bay-Delta Plan, FERC to participate in LVE Project and to fund Demand Study
							\$177,500	Los Vaqueros					
							\$150,000	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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: Change to Approved Signatures for BAWSCA and BAWUA Bank Accounts

Summary:

The Board is asked to rescind Resolution No. 2006-01 and to adopt Resolution No. 2020-01. Resolution No. 2020-01 would increase the single signature threshold for signing checks from \$2,500 to \$5,000 and authorizes the Finance Manager (previously referred to as the Sr. Admin Analyst) and Water Resources Manager to sign checks in the absence of the CEO and General Manager.

Fiscal Impact:

None

Recommendation:

That the Committee recommend Board approval of:

- a. Rescinding Resolution No. 2006-01 that specifies what individuals are authorized to sign checks;**
- b. Adopting a replacement Resolution No. 2020-01 that increases the single signature threshold for signing checks from \$2,500 to \$5,000 and adds the authority for the BAWSCA Finance Manager and Water Resources Manager to sign checks in the absence of the CEO and General Manager.**

Discussion:

The current policy identifies two different levels of signature authority, with checks less than \$2,500 only requiring one authorized signature and checks of \$2,500 or more requiring two signatures, one of which shall be that of a director.

The currently authorized signers for BAWSCA's checking account are the CEO and General Manager, the Senior Admin Analyst (as position that has been replaced by the Finance Manager), the Board Chair, Vice-Chair, and the three directors from agencies located closest to the BAWSCA office (Foster City, Millbrae, & Burlingame). For medical, business travel, vacation or other reasons, the CEO and General Manager may not always be available to sign checks. In addition, the recent pandemic has highlighted the potential difficulty in securing a second director signature for checks.

To ensure that payments are not unduly delayed, two changes are proposed:

1. An increase in the single signature threshold for signing checks from \$2,500 to \$5,000; and
2. The addition of the Water Resources Manager as an approved signer in the absence of the CEO and General Manager.

A third change updating the title of the Senior Admin Analyst to Finance Manager is also proposed.

Attachment:

1. Draft Resolution 2020-01 showing changes to Resolution 2006-01.
2. A clean copy of Resolution 2020-01.

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RESOLUTION NO. ~~2020-0106-01~~

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

AUTHORIZING SIGNATURES FOR BANK ACCOUNTS

OF BAWSCA AND BAWUA

WHEREAS the Bay Area Water Supply and Conservation Agency (BAWSCA) and the Bay Area Water Users Association (BAWUA), of which BAWSCA is the sole member, have established deposit accounts with Borel Bank and Trust Company in San Mateo and may establish accounts at other institutions in the future;

RESOLVED that the following persons shall have signature authority for accounts of BAWSCA and BAWUA as described below;

BAWSCA Chair
BAWSCA Vice-Chair
BAWSCA CEO and General Manager
or BAWSCA Finance Manager
BAWSCA Water Resources
Manager~~Sr. Admin Analyst~~
Director from City of Foster City
Director from City of Burlingame
Director from City of Millbrae

- 1) To deposit funds of the Agency in such accounts and to endorse checks, drafts, and other investments of deposit;
- 2) To sign checks, drafts or other orders for the payment of money, provided that any check, draft or order in the amount of ~~\$2,500.00~~ or more shall require two signatures, one of which shall be that of a director.

BAWSCA CEO and General Manager
BAWSCA Finance Manager~~Sr. Admin Analyst~~

- 1) To transfer funds between accounts as may be necessary or desired for investment purposes.

RESOLVED that the CEO and General Manager is authorized to complete each depository bank's customary blank signature card forms in order to conveniently exercise the authority granted by this resolution, and any resolutions printed on those forms shall be deemed adopted as part of this resolution.

RESOLVED FURTHER that Resolution No. 200~~64-012~~ is rescinded.

PASSED AND ADOPTED this 19th day of May~~January~~, 2020~~06~~ by the following vote:

AYES: Directors

NOES:

ABSENT:

Chair, Board of Directors

ATTEST:

| [CEO and](#) General Manager and Secretary

RESOLUTION NO. 2020-01

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

AUTHORIZING SIGNATURES FOR BANK ACCOUNTS

OF BAWSCA AND BAWUA

WHEREAS the Bay Area Water Supply and Conservation Agency (BAWSCA) and the Bay Area Water Users Association (BAWUA), of which BAWSCA is the sole member, have established deposit accounts with Borel Bank and Trust Company in San Mateo and may establish accounts at other institutions in the future.

RESOLVED that the following persons shall have signature authority for accounts of BAWSCA and BAWUA as described below;

BAWSCA Chair BAWSCA Vice-Chair BAWSCA CEO and General Manager or BAWSCA Finance Manager BAWSCA Water Resources Manager Director from City of Foster City Director from City of Burlingame Director from City of Millbrae		1) To deposit funds of the Agency in such accounts and to endorse checks, drafts, and other investments of deposit; 2) To sign checks, drafts or other orders for the payment of money, provided that any check, draft or order in the amount of \$5000.00 or more shall require two signatures, one of which shall be that of a director.
BAWSCA CEO and General Manager BAWSCA Finance Manager		1) To transfer funds between accounts as may be necessary or desired for investment purposes.

RESOLVED that the CEO and General Manager is authorized to complete each depository bank’s customary blank signature card forms in order to conveniently exercise the authority granted by this resolution, and any resolutions printed on those forms shall be deemed adopted as part of this resolution.

RESOLVED FURTHER that Resolution No. 2006-01 is rescinded.

PASSED AND ADOPTED this ___th day of May, 2020 by the following vote:

AYES:

NOES:

ABSENT:

Chair, Board of Directors

ATTEST:
CEO and General Manager and Secretary

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Ratification of Agreement with Droplet Technologies to Implement a Landscape Rebate Online System**

Summary:

BAWSCA has contracted with Droplet Technologies to redevelop BAWSCA's existing Landscape Rebate Online System (Rebate System). 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.

The Board Policy Committee initially recommended approval of the Rebate System, prior to selection of a contractor, at the February meeting. Due to the cancellation of the March Board Meeting, in compliance with EO N29-20 on COVID-19 concerns, the CEO/General Manager signed the contract under her authority. The purpose of this item is to ratify the agreement signed by the CEO and allow for implementation of the Online Rebate System to interested BAWSCA agencies as a subscription program.

Fiscal Impact:

A final budget for BAWSCA to complete the Rebate System is \$1,500 for FY 2019-2020. 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 FY 2019-2020 budget to complete the project. 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.

Individual agency setup and annual maintenance costs for the Rebate System will be funded by BAWSCA member agencies participating in BAWSCA rebate programs. The Program will be offered on a subscription basis, and only those agencies that elect to participate in the program will pay the cost of the selected outside service provider as well as budgeted BAWSCA staff time. The program fee once it begins in July 2020 would be a one-time cost of \$150 in addition to a monthly cost of \$75 per month for each participating member agency. 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.

Recommendation:

That the Board Policy Committee recommend the Board ratify the following actions by the CEO:

- 1) Execution of the agreement with Droplet Technologies to implement a Landscape Rebate Online System; 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.

BAWSCA has entered in an agreement with Droplet Technologies to develop, implement, and maintain a cloud-based Landscape Rebate Online System to streamline the rebate application process for BAWSCA's landscape rebate programs. The Rebate System will be used by all BAWSCA member agencies that participate in BAWSCA's Lawn Be Gone or Rain Barrel Rebate Program.

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 Droplet Technologies 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.

After BAWSCA received proposals, a selection panel consisting of BAWSCA staff, BAWSCA agency representative, and an outside expert reviewed and scored the proposals. The final contractor was identified to be Droplet Technologies.

Scope of Work

The overall task for Droplet Technologies is to support the 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

BAWSCA desires to implement a single modular system in order to (1) simplify administration for both BAWSCA and member agency staff and (2) facilitate future system expansion to include additional capabilities for use by all BAWSCA agencies as described in further detail below.

Schedule

BAWSCA has commenced work in March 2020. Work will be completed by June 30, 2020.

An estimated schedule is provided in Table A.

Table A: Project Schedule

Milestone	Date
Release of RFP	January 10, 2020
Proposal Due Date	February 10, 2020
Applicant Interviews (<i>tentative, if needed</i>)	February 18, 2020
Contractor Selection	
Committee Consideration	February 12, 2020
Board Consideration	March 19, 2020
Notify Proposers of Results of RFP	February 24, 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

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: April 3, 2020
SUBJECT: Chief Executive Officer/General Manager's Letter

Los Vaqueros Expansion (LVE) Project

Contra Costa Water District (CCWD) held a meeting of the Local Agency Partner (LAP) General Managers on March 25th to discuss the proposed approach on an amendment to the current Multi-Party Agreement (MPA) for the LVE Project. The amendment is needed to fund continued work on the LVE Project through formation of the Joint Powers Authority (JPA) and preparation of service agreements.

In light of the COVID-19 crisis, CCWD is proposing two separate amendments to the MPA. Amendment #1 would simply extend the existing agreement through December 31, 2020 with no other changes to the agreement terms and no additional cost share. This amendment would keep the agreement active while allowing for additional time for the LAPs to reach consensus on Amendment #2, which would extend the MPA through December 31, 2021 and would include a revised scope of work and an additional cost-share. Amendment #2 would fund work activities such as: JPA formation; preparation of service agreements; substantial progress and permits and agreements necessary to secure full funding from the California Water Commission (CWC); progress on resolving the South Bay Aqueduct conveyance issues and other issues identified by LAPs; preliminary design on early implementation; and other critical path items as required.

CCWD has outlined two scenarios for Amendment #2 and has requested that each LAP provide feedback on its preferred approach by early April. Scenario 1 would maintain the current fast track schedule for the project, which aims to hold the CWC Final Award Hearing for the Proposition 1 funding by January 1, 2022 and to begin construction in 2023. Scenario 2 would reduce 2020 cash flow, in particular, limiting costs prior to JPA formation and focusing on top priority, critical path activities only. This would result in a 12-month delay to the project schedule, with the final CWC Final Award Hearing to be held by January 1, 2023 and construction to begin in 2024. The total cost for Amendment #2 work efforts is currently estimated at \$8.9 million for Scenario 1 or \$6.8 million for Scenario 2. The cost split among the LAPs is to be determined.

BAWSCA has shared with CCWD and the other LAPs that SBA conveyance is a critical issue that must be resolved before BAWSCA can consider significant additional investments in the LVE Project. BAWSCA has requested that CCWD consider a funding approach that limits expenditures for BAWSCA until the question of whether BAWSCA would be able to use the SBA for conveyance of LVE Project water is sufficiently answered. CCWD and the SBA contractors are taking steps toward resolving this issue through meetings with DWR and initiation of an SBA capacity study.

BAWSCA is arranging a presentation for Board members from CCWD management on the LVE Project. The presentation will be held in April via webinar. More information will be provided in mid-April.

SFPUC Water System Improvement Program (WSIP) Notice of Change

On March 13, 2020, the San Francisco Public Utilities Commission (SFPUC) notified the Bay Area Water Supply and Conservation Agency (BAWSCA) that it would be considering proposed changes to the Water System Improvement Program (WSIP) in accordance with the Wholesale Regional Water System Security and Reliability Act (AB 1823, Water Code Section 73500 et seq.). Formally, this process being undertaken by the SFPUC is termed a Notice of Change (NOC).

The NOC process requires that SFPUC hold a hearing before the SFPUC Commission. That hearing is proposed to take place during the Commission's regularly scheduled April 14, 2020 meeting. Assuming that the Commission adopts the WSIP changes, they are forwarded to State of California's Joint Legislative Audit Committee (JLAC), Seismic Safety Commission (CSSC), and the SWRCB's Division of Drinking Water (DDW).

BAWSCA has reviewed the NOC and supporting documents. SFPUC proposes to extend the overall WSIP completion date from December 20, 2021 to June 30, 2023. Within WSIP, the schedule for five projects has been extended. No cost or scope changes are proposed.

A conference call with SFPUC staff is scheduled to take place on Wednesday April 8, 2020 where BAWSCA staff will be briefed by the SFPUC on the contents of the NOC. BAWSCA will use that opportunity to pose questions regarding portions of the NOC that we are either concerned about or that we seek additional details on.

BAWSCA will submit formal written comments to the SFPUC for inclusion in the meeting materials for the Commission's public hearing. BAWSCA's written comments will also be shared with the State (JLAC, CSSC, and DDW).

BAWSCA Conservation Program Updates

Landscape Education Program:

Due to COVID-19, BAWSCA has cancelled all in-person landscape classes and workshops through May 1st. Registrants and instructors were notified about the cancellation.

BAWSCA is currently working on alternative ways to deliver landscape classes virtually. On April 8th, BAWSCA and the City of Millbrae have organized an online "Water-Efficient Organic Edible Gardening" class. The class covers ways to reduce water needs for seasonal vegetable gardening and how to incorporate organic maintenance techniques. Additional online landscape classes will be scheduled in the coming month.

Additionally, BAWSCA's two Qualified Water Efficient Landscaper (QWEL) spring classes have been postponed. The trainings, which were to be offered in partnership with Mid-Peninsula Water District and Redwood City, will likely be rescheduled for Fall 2020, pending new developments in the COVID-19 response actions.

School Education Program:

Due to the closure of California schools, teachers are working together to find and implement educational, age-appropriate, and engaging on-line content for their students. The need for these resources will be ongoing, as Governor Newsom announced that school campuses may be closed through the remainder of this school year.

The BAWSCA EarthCapades Program provides educational school assembly performances that combine age-appropriate state science standards with circus skills, juggling, music, storytelling, comedy, and audience participation to teach environmental awareness, water science and conservation. To continue to educate students in a remote learning environment, EarthCapades has developed an online program that will offer a blend of live and recorded Water Education content to contracted schools as a Virtual Assembly Program. The initial online performance is scheduled for April 9th for schools in Mountain View and Menlo Park and will present a webinar style version of their award-winning “H2O Show”. Additional virtual performances are scheduled for schools in Daly City, Coastside, Burlingame, Redwood City and Millbrae in the next two months.

The Franklin Energy WaterWise Program provides kits containing home water audit instructions and home efficiency devices which students take home, install and share with family members. Students work on subjects required by state learning standards to understand and appreciate the value of natural resources in everyday life. To enable the program to continue during the school closures, Franklin Energy has adjusted the program to allow for kits to be mailed directly to teachers or district warehouses and distributed to students at drop sites. The program will continue to be offered to interested teachers at eligible schools and will not result in additional costs to participating BAWSCA agencies.

New Smart Controller Rebate Program:

BAWSCA's newest conservation program, the Regional Smart Controller Program, launched on March 23rd. The Program provides eligible single-family households discounted pricing and instant rebates on the purchase of the Rachio 3 smart irrigation controller. Customer cost is \$100 plus tax compared to the full price of \$279.99. Currently, six BAWSCA agencies have enrolled in the Program. Other interested agencies may enroll in the Program on a rolling basis.

During the first week of the Program, which was considered a “soft launch” with only 2 agencies conducting marketing, 25 customers purchased controllers through the Program. This early level of interest is a promising start to the Program and may reflect a heightened interest in gardening and home improvement during the shelter-in-place period.

Update on BAWSCA's Evaluation of Potential Refunding of BAWSCA's 2013A Bonds

Due to the further interest rate reductions made by the Fed in March, BAWSCA recently asked its financial advisor, KNN Public Finance, to update its bond refunding analysis that was presented to the BPC in February 2020. KNN has responded that there is no need to update the refunding analysis at this time because the potential savings based on a taxable refunding now would be lower compared to the last analysis. Per KNN, the Fed funds rate and short-term Treasuries interest rates are lower but rates of everything else, including taxable municipal bonds, have gone up as investors are mostly selling all asset classes and hoarding cash. The lower short-term Treasuries rate means the cost of funding the escrow is higher. With higher borrowing rates, pursuing the refunding would make less sense now than before. Most new issuance pricings on the market have been put on hold. Although the bond markets are starting

to stabilize a bit lately, the conclusion of KNN's refunding analysis remains the same. Rates/yields in the taxable municipal bond market are higher now than they were in early February. Consequently, an updated analysis would have lower savings relative to the early February analysis.

Status of FY 2017-18 Wholesale Revenue Requirement Review

Pursuant to Section 7.06A of the 2009 Water Supply Agreement, BAWSCA conducted its review of SFPUC's calculation of the annual Wholesale Revenue Requirement (WRR) and the changes in the balancing account for FY 2017-18, which was submitted by the SFPUC to BAWSCA on February 4, 2020.

As a result of the WRR review, BAWSCA sent some questions and concerns to the SFPUC on April 3, 2020. BAWSCA is waiting for the SFPUC's response, which typically takes several months. The deadline for both parties to enter into a settlement agreement or for the wholesale customers to file a demand for arbitration on any unsolved issues for FY 2017-18 is February 3, 2021. Typically, BAWSCA and the SFPUC can resolve any concerns through a detailed settlement agreement before the deadline.

Board Policy Committee Policy Calendar Through November 2020

Meeting Date	Purpose	Issue or Topic
April 2020	D&A D&A R	Consideration of Proposed FY 2020-21 Work Plan and Budget Consideration of Changes to Approved Signatures for Bank Accounts Review of Water Supply Conditions
June 2020	D&A R&D R&D	Review of Agency Personnel Handbook Audit of SFPUC’s Asset Management Program Update on Long-Term Reliable Water Supply Strategy Implementation
August 2020	D&A D&A R&D R&D	Discussion and Possible Action on CEO/General Manager Evaluation Procedure Consideration of Action to Extend Current Tier 2 Drought Plan OPEB Report Demand Study Findings
October 2020	D&A D&A	Annual Review and Consideration of BAWSCA’s Statement of Investment Policy Review and Consideration of BAWSCA’s General Reserve Policy