BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

August 12, 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 August 12, 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:

Participating via Video Conference:

- Click on the link to Join the meeting, https://us02web.zoom.us/j/82524015245
- Meeting ID: 825 2401 5245
- Password: 410367
- The web browser client will download automatically when you start or join your first Zoom meeting. It is also available for manual download here.

OR,

Participating via Telephone:

- Dial **888 788 0099** US Toll-free US Toll-free
    - Meeting ID **825 2401 5245**
    - Password **410367**
- To Mute or UnMute, Press *6.
- To Raise Hand, Press *9.
- The Presentation will be available prior to the meeting at www.bawsca.org.

In the event of technical malfunction on Zoom, the meeting will be conducted via the Call-In #.

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BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

August 12, 2020
1:30 p.m.

AGENDA

Agenda Item	Presenter	Page#
1. Call To Order, and Roll Call	**(Chambers)**	*Pg 5*
Roster of Committee Members *(Attachment)*		
2. Comments by Chair	**(Chambers)**	
3. Public Comment	**(Chambers)**	
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.		
4. Consent Calendar	**(Chambers)**	
A. Approval of Minutes from the June 10, 2020 meeting *(Attachment)*		*Pg 7*
5. Action Calendar		
A. Establishing a Policy Relating to Water Supply Agreement Balancing Account	**(Sandkulla/Tang)**	*Pg 25*
Issue: What prudent governance measure should be established by the Board to justify the allocation of the positive balance in the Balancing Account?		
Information to Committee: Staff memo and oral report.		
Committee Action Requested: Approval of the recommended Board action.		
B. Proposed Use of Balancing Account to Prepay the Remaining Unpaid Existing Asset Balance (WSA Section 5.03C) as of September. 30, 2020	**(Sandkulla/Tang)**	*Pg 31*
Issue: Should the Board take action to pay off an outstanding regional asset balance owed by the Wholesale Customers using funds from the Balancing Account and in accordance with the Balancing Account Use policy?		
Information to Committee: Staff memo and oral report.		
Committee Action Requested: Approval of the recommended Board action.		
C. Los Vaqueros Reservoir Expansion Project – Multi-Party Agreement Amendment #2	**(Sandkulla/Francis)**	*Pg 37*
Issue: How should BAWSCA continue its involvement in the Los Vaqueros Expansion Project including consideration of authorizing the CEO to enter into Amendment #2 to the LVE Multi-Party Agreement?		
Information to Committee: Staff memo and oral report.		
Committee Action Requested: Approval of the recommended Board action.		

6. **<u>Reports</u>** **(Sandkulla)**

A. Water Supply Conditions

B. Bay Delta Plan Update

C. FERC Update

D. CEO's Letter *(Attachment)* *Pg 63*

E. Board Policy Committee Calendar *(Attachment)* *Pg 65*

F. Correspondence Packet *(Under Separate Cover)*

7. **<u>Closed Session</u>** **(Schutte)**

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

B. **Conference with Legal Counsel – Existing Litigation pursuant to** Paragraph (1) of subdivision (d) of Government Code Section 54956.9 State Water Board Cases (Sacramento County Superior Court Case No. 5013).

8. **<u>Comments by Committee Members</u>** **(Chambers)**

9. **<u>Adjournment to the Next Meeting</u>** **(Chambers)**

Unless otherwise noticed:
October 14, 2020 at 1:30pm in the 1st Floor Conference room of the BAWSCA office building, at 155 Bovet Rd., San Mateo

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 bawsca@bawsca.org or submitted by phone at 650-349-3000. Requests will be granted whenever possible and resolved in favor of accessibility.

BAWSCA
Bay Area Water Supply & Conservation Agency

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

June 10, 2020 – 1:30 p.m.

Zoom Video Conference

DUE TO COVID-19, THIS MEETING WAS 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.

MINUTES

1. **Call to Order:** Committee Chair, Tom Chambers, called the meeting to order at 1:30 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 welcomed members of the Committee and reviewed the ground rules to best conduct the meeting virtually. He noted that all actions by the committee will be done by roll call vote.

3. **Public Comments:** Peter Drekmeier, representing Tuolumne River Trust, identified himself on the phone. He noted that the US Environmental Protection Agency issued a new rule that would remove the State's authority to issue water quality certification for different projects. He urged BAWSCA to look for a compromise to oppose environmental rollbacks and ensure a reliable water supply as well as greater protection for the Tuolumne River and the Bay Delta. He referenced a letter he sent to the SFPUC offering suggestions. He will forward a copy to the Committee in hopes to have a dialogue.

   Paul Sethy, Board member of Alameda County Water District (ACWD), identified himself on the phone. He had no public comments, but requested information on the SFPUC Budget and 10-year CIP.

4. **Consent Calendar:** Approval of Minutes from the April 8, 2020 meeting.

   Director Wood made a motion, seconded by Director Pierce, that the minutes of the April 8, 2020 Board Policy Committee meeting be approved.

   The motion carried unanimously by roll call vote.

5. **Action Calendar:**

   A. Establishing a Policy Relating to Water Supply Agreement Balancing Account: BAWSCA Finance Manager, Christina Tang, explained that in accordance with the Amended and Restated Water Supply Agreement (WSA) between the City and County of San Francisco and the Wholesale Customers, at the end of each fiscal year, the SFPUC calculates the actual costs attributable to the Wholesale Customers based on the actual costs for operating the regional water system and the actual amount of water used by the Wholesale Customers. This actual cost attributable to the Wholesale Customers is known as the Wholesale Revenue Requirement (WRR). The difference between the WRR and the amount billed to the Wholesale Customers is posted to the Balancing Account as a credit to or as a charge to the Wholesale Customers.

The Balancing Account serves a critical rate stabilization role in the wholesale rate setting process. The WSA requires the SFPUC to take into consideration the Balancing Account in establishing the wholesale rate setting whether it is positive or negative. To avoid fluctuating increases and decreases in wholesale rates, the entire balance need not be applied to the subsequent fiscal year, and may be prorated over multiple years.

If a positive balance is maintained for three successive years and represents 10% or more of the WRR for the most recent fiscal year, the WSA provides that BAWSCA may direct the SFPUC to apply the positive balance to one or more of the purposes set forth in Section 6.05.B.2.a of the WSA.

Ms. Tang reported that the current level of the Balancing Account as of June 30, 2019 is $64M. SFPUC's current plan is to use the entire positive balance over the next 4 years to moderate wholesale rate increases.

Section 6.05.B.2.a of the WSA provides six specific purposes, a through f, for which the positive balance in the Balancing Account may be applied if the criteria is met. Ms. Tang spoke on the three purposes that are most relevant to the member agencies. She explained that item f, continued retention for future rate stabilization purposes, is a default application in which the SFPUC will continue to retain the balance for rate stabilization in the absence of direction from BAWSCA.

Item c, prepayment of the existing asset balance under Section 5.03, is currently being evaluated. Ms. Tang referenced that BAWSCA's 2013 bonds were issued to prepay the remaining capital debt for the regional assets placed in service before June 30, 2009. The prepaid debt did not include the construction-work-in-progress paid from the SFPUC's revenue funded appropriations made prior to June 30, 2009 but were completed after that date. As of June 30, 2020, the remaining unpaid principal balance is about $4.3M and is scheduled to be paid off in 4 years with interest at 4%.

Item d, BAWSCA administered water conservation of water supply projects, was used for the first time in 2019 when the BAWSCA Board authorized the use of a portion of the Balancing Account to fund the Regional Water Demand and Conservation Projections Study and the Los Vaqueros Expansion Project Study. At that time, the Board requested a policy on future use of the Balancing Account if there was consideration of the use of the Balancing Account at a future date. .

In response to that request, legal counsel prepared a resolution for the Board's consideration to establish a policy on the use of the Balancing Account. The proposed resolution guides the Board in any future decision related to the allocation of the positive balance in accordance to the WSA, and requires written findings to demonstrate that the use of the Balancing Account funds for the identified purpose is in the best interest of the Wholesale Customers and their water customers.

The recommendation is for the Committee to recommend Board adoption of Resolution 2020-02 to establish a Balancing Account Policy.

Members of the Committee were pleased with the flexibility and structure of the proposed resolution. Chair Chambers called upon each Committee member to capture their questions and comments.

Director Cormack inquired about the origin of BAWSCA's approach on the proposed resolution, and whether there are other agencies that have a similar process. Additionally, she asked what the written findings will look like.

Legal Counsel, Allison Schutte, explained that the proposed resolution is based on the WSA, which has directions for how the Balancing Account could be utilized. The default option for the use of the Balancing Account is for rate stabilization, however there are other uses clearly stated in the WSA. Those uses are stated in the proposed resolution as items a through d.

Financial components under the WSA were analyzed to determine what variables can be considered to be funded by the excess fund in the Balancing Account.

Ms. Schutte noted that the balance in the Balancing Account has been both negative and positive over the years. Since 2001, there has only been a few years where it met the critical test of having a positive balance for three successive years that is 10% or more of the most recent wholesale revenue requirement. In the last couple of years, the Balancing Account has met that criteria, and therefore the use of the Balancing Account has become a relevant topic for conversation.

The five considerations, items a through e, set forth in the proposed resolution are written in the WSA and are most relevant for the BAWSCA Board to consider if the Balancing Account is to be used for purposes other than for rate stabilization.

The reason why the considerations in the proposed resolution were made a procedural item, as opposed to a value (or pre-prioritized)-based item, was because over the decades, priorities for the Wholesale Customers can vary year to year. For best practices, the process is designed to be transparent on what the Board considers when it makes a recommendation.

Ms. Schutte elaborated on the five considerations, re-iterating that the wholesale customers have been very interested in utilizing the Balancing Account for rate stabilization. SFPUC's projections are to fully utilize the Balancing Account over the next 4 years, which is in line with the wholesale customers' interests expressed to date.

Item b, wholesale revenue coverage reserve, a funding mechanism for big capital projects, is a consideration that will require conversations with the SFPUC.

Item c, payment of unpaid asset balance(s) under Section 5.03 of the WSA, is a consideration for use of the Balancing Account funds at this time because paying the existing asset balance for construction work in progress was not included in the 2013 bond issuance for prepayment because the amount was not finalized at that time.

Item d, funding requirements and sources for water conservation or water supply projects is another vehicle for funding such purposes in addition to the Water Management Charge which is authorized in the WSA in section 3.06.

Item e provides the Board flexibility in considering the agency's priorities in the next couple of decades.

The written findings will include a statement of the Board's inent to use all or a portion of the Balancing Account for a specific purpose that falls under the five considerations stated in the proposed resolution. There would be detailed analysis that would present evaluation of rate projections for the next 5 years, considerations of the relevant factors, and information based on discussions with designated Water Management Representatives (WMRs) and the Board. It would also have an analysis on the use of the Balancing Account versus the Water Management Charge, and a justification of why one is being utilized over the other.

Director Jordan questioned how the use of the funds from the Balancing Account will be accounted for. If it were to be used for a subscription program, would it be reflected as a grant that would reduce the cost of the program to agencies participating?

Ms. Sandkulla stated that the funds would become part of BAWSCA's budget and financial portfolio which are reported on during the course of the fiscal year. As an example, Ms. Sandkulla referred to the use of the Balancing Account in May 2019. The Board made a determination, as part of the adoption of its work plan and operating budget for FY 2019-20, that it would use $805,000 of the Balancing Account to fund, specifically, the Water Demand and Conservation Projection Study and the LVE Project Study. As part of the BAWSCA's work plan and operating budget, the projects' progression against expenditures are reported to the Board. Ms. Sandkulla noted that while it is not required, at the end of the fiscal year, BAWSCA will be sending the SFPUC a report on the use of the $805,000 and what it was used for.

If the Board chooses to use a portion of the Balancing Account to fund a subscription conservation program, then the funds will be reported to reflect that. However, Ms. Sandkulla stated that she anticipates the use of the Balancing Account towards a BAWSCA wide purpose in which the Board would view the Balancing Account as the most appropriate way to fund a project.

Director Kuta expressed concerns with the current excess funds in the Balancing Account and asked a series of clarifying questions regarding the WSA as it relates to the proposed resolution.

He asked whether the SFPUC wholesale water rates and anticipated water deliveries to the agencies in any given water year are built into the WRR.

Ms. Tang responded yes, and explained that the SFPUC's rate projections provided to the wholesale customers in the annual wholesale rate notice each year are based on the SFPUC's own projections of water sales, and takes into consideration the demand projections provided by the member agencies in Spring for the remainder of the current fiscal year as well as the subsequent fiscal year.

Director Kuta referenced the criteria in the WSA that speaks to a balance of 10% or more of the wholesale revenue requirement that is maintained in three successive years. While he understands circumstances may contribute to the increase in the Balancing Account, the current balance is approaching 30%. It appears that the SFPUC has control over the process of maintaining the Balancing Account since it develops the plan for use of funds for rate stabilization purposes.

The proposed resolution speaks to how the Board can consider utilizing the excess funds. Director Kuta questions whether the Board should consider a cap to the Balancing Account in future efforts.

Additionally, if the Board considers item e in the proposed resolution, and the SFPUC already has designs for using the Balancing Account for rate stabilization, what is the impact of that combined activity?

Legal Counsel, Allison Schutte explained that the money in the Balancing Account belongs to the Wholesale Customers. It is not in San Francisco's balance sheet, nor does it help San Francisco with debt service coverage or with rating agencies.

The SFPUC's design to utilize the Balancing Account in their rate projections are for planning purposes only. The Wholesale Customers can choose to provide direction to SFPUC on what the Balancing Account should be used for, outside of rate stabilization, as long as the use is within the uses allowed in the WSA.

The SFPUC sets a rate for the year based on estimated costs and estimated sales. Except for those who have a minimum purchase requirement, agencies pay for the water they use. At the end of the fiscal year, Christina works with the SFPUC Finance department through the "true-up" process to ensure that all of the costs charged to the Wholesale Customers are appropriate.

Ms. Schutte added that the 2013-2015 drought is one of the contributing reasons for the increased balance in the Balancing Account as it caused the SFPUC to be very conservative with their sales estimates. It is unusual in the history of BAWSCA and SFPUC's relationship to have such a large Balancing Account.

Ms. Sandkulla added that the SFPUC consults BAWSCA about how to use the Balancing Account through her, as the CEO/General Manager for BAWSCA. However, it requires an action by the Board to approve what direction is given to SFPUC on how to utilize a portion or all of the Balancing Account. The default use, independent of the BAWSCA Board's direction, is for rate stabilization.

In a situation where BAWSCA contemplates use of the Balancing Account on items a through e in the proposed resolution, Director Kuta asked if the Board's choice to allocate the positive balance in the Balancing Account will come subsequent to SFPUC's wholesale rate setting process and plan for use of the Balancing Account?

What happens when BAWSCA decides to spend most of the Balancing Account on a project that is to the BAWSCA region's benefit, but SFPUC already has designs on applying these excess funds for rate stabilization?

Ms. Sandkulla explained that SFPUC's rate setting for the wholesale customers relative to the Balancing Account is separate and independent of SFPUC's retail rates. SFPUC's rate projections are based on the funds they need to operate the system. If the BAWSCA Board chooses to zero out the Balancing Account by applying funding to items a through e, the SFPUC will raise wholesale rates as needed, despite the zero balance. There is no direct connection between the use or application of the Balancing Account with the political decisions made in San Francisco. In the event that the BAWSCA Board decides to use the Balancing Account for purposes other than rate stabilization, the SFPUC will still establish rates necessary to operate the system, and at the end of the day, wholesale customers are obligated to pay SFPUC for the water they use.

Ms. Schutte added that under the old contract, 1984 Settlement Agreement, the procedure was to zero out the Balancing Account every year. That process was very destabilizing for the wholesale customers, and was negotiated out of the 2009 agreement. The 2009 WSA specifically states that the SFPUC will take into consideration the Balancing Account in establishing the rates, but it need not apply the entire amount to reduce wholesale rates in the immediately ensuing years, rather, it may pro-rate it over 3 years.

Ms. Schutte noted that the language is permissive, and that the SFPUC would be receptive if BAWSCA develops interest in changing the application and use of the Balancing Account.

She added that SFPUC cannot use the Balancing Account to do anything on the retail rate side, or the cost side. The wholesale rate setting is separate from the retail rate setting. However, based on the Wholesale Customers' agreement with San Francisco, the cost to the wholesale and retail customers per unit of water from the regional water system is calculated uniformly. Christina's work on the WRR review process ensures that.

The SFPUC's rate setting projects the revenue that the SFPUC intends to collect from the Wholesale Customers to operate the system for one fiscal year. The rate is either billed fully to the wholesale customers or are offset with application of funds from the Balancing Account. They calculate projected costs and projected revenue, set the wholesale rates, and true-up 2 years later.

Ms. Schutte explained that the WSA is unique among water contracts in the Western US with the inclusion of a Balancing Account. It is not typical to have this type of influence or control over the cost that wholesale customers are obligated to pay. The Wholesale Customers have a guaranteed perpetual supply assurance and the right to know everything that is charged to them to operate the Regional Water System. This is a unique situation that resulted from the successful litigation that BAWSCA's predecessors engaged in 35 years ago.

Director Kuta thanked staff for the thorough answers, and noted that the word "in" was missing on the 2nd page of the proposed resolution.

Director Larsson appreciated Ms. Schutte's explanation of the uniqueness of the Balancing Account in the existing WSA. He characterized the Balancing Account as a shock absorber, and the true up process as the method for confirming the Wholesale Customers' actual cost for SFPUC's production and delivery of water for the year, regardless of what the rates were set at for the pertaining fiscal year. The Wholesale Customers will receive credit applied on the Balancing Account if the projected rates proved to be lower than projected.

He stated his support for the proposed resolution. He is pleased that it is flexible and sets up a process that does not impose values or decisions on future boards. This is important because values and trade-offs change over time, and circumstances cannot be predicted. Having a defined list of what should be considered and how to be transparent is critical. The multi-year planning for wholesale rates is helpful for BAWSCA's budget setting and considerations for use of the funds.

Director Mendall, appreciated Director Kuta's questions and was pleased to clarify that the Balancing Account belongs to, and is controlled by, the Wholesale Customers. He asked about the 2nd Whereas in the proposed resolution that refers to a provision of maintaining a positive balance over three successive years and representing 10% or more of the WRR for the most recent fiscal year. Was that from the agreement with SFPUC or self-imposed by BAWSCA?

Ms. Sandkulla explained that the provision came from the negotiation of the 2009 WSA, which the Wholesale Customers adopted in each of their contracts with San Francisco. The 10% serves as a cushion in case the actual rates are above or below the projection, therefore stabilizing the rates, which is the primary purpose of the Balancing Account.

Director Mendall stated his disagreement with the 3 successive years. If BAWSCA has sufficient funds to pay for a critical one-time project, but has only maintained a positive balance for 2 years, it seems contradictory not to be able to use the Balancing Account to fund the project and prevent the shock of having to raise BAWSCA's rates, because of the restriction in the policy. He suggested the Board's consideration of changing the restriction when the next opportunity to amend the WSA comes along.

Lastly, Director Mendall asked staff to elaborate on the $4.3 M remaining principal balance, and suggested that it be paid off using the Balancing Account to avoid the 4% interest the Wholesale Customers are being charged.

Ms. Tang explained that the $4.3M is the regional assets that were funded by the SFPUC's revenue funded appropriations made prior June 30, 2009, when the 2009 WSA was established. The projects were not completed until 2009 and based on the agreement and negotiations made during the establishment of the 2009 WSA, the member agencies agreed to pay the balance for the regional asset annually. The interest rate of 4% was set as part of the negotiations of the 2009 WSA.

Ms. Sandkulla stated that it appeared logical for the Board to establish a policy prior to pursuing the pay-off of the $4.3 M balance using the Balancing Account. The pay-off could be the first action by the Board under the policy as opposed to combining the 2 actions together.

Director Mendall appreciates the systematic approach, and would support Board action to adopt the proposed policy and the recommendation to pay off the $4.3M balance in the same meeting, or immediately after, to avoid paying further interests.

He appreciated the proposed resolution's combined structure and flexibility that places the use of the Balancing Account at the Board's discretion, with justification. He was content with the proposed policy but disagrees with the restrictions of maintaining a positive balance over a period of 3 years and the 10% of WRR criteria.

Director Pierce asked for clarification on the desire for rate stabilization in the negotiations of the 2009 agreement, and the rationale behind the 3 years. She recalls the Wholesale Customers advocating for rate stabilization to have some predictability.

Ms. Schutte stated that prior to the 2009 WSA, she recalls massive swings in rates where money was given back to the Wholesale Customers, but was very destabilizing. Additionally, there were projections of 37% rate increases at the beginning of the Water System Improvement Program (WSIP). Due to these variabilities, it has been a priority for the Wholesale Customers to moderate the rates. Ms. Schutte elaborated that the rate litigation, preceding the 1984 Settlement Agreement, was initiated due to arbitrary and discriminatory rates levied on the suburban customers by San Francisco. Since then and until today, uniformity and predictability of rates has been a top priority of the member agencies.

Director Pierce appreciates the "build up" in the Balancing Account that "slows things down" in rate increases, as agencies experience swings in revenues given various economic challenges over the years. She likes the flexibility in the proposed policy, and the Board's ability to consider paying off the $4.3 M, if it so chooses. She is in favor of the SFPUC's ability to consider the Balancing Account for the purpose of rate stabilization, and appreciates the clarity in the contractual relationship stated in the WSA.

Director Wood thanked her colleagues for the quality and detail of their questions. She supports the proposed resolution and agrees with the comments made regarding future Board considerations.

She noted that the 3-year restriction for the use of the Balancing Account may be related to the budget cycle given that the 3rd year typically can provide the opportunity for a good comparison between the first year projection the 2nd year actual. Additionally, she believes there is an annual audit of the Balancing Account.

Ms. Tang agreed, and stated that the budget cycle could be one of the factors considered in the establishment of the 3-year restriction. And yes, the WSA requires completion of the Annual Compliance Audit by the SFPUC that includes the calculation of the Wholesale Revenue Requirement as well as the changes in the balance of the Balancing Account. The audit includes costs charged to the Wholesale Customers in accordance with the WSA. Ms. Tang stated that the WSA is very specific on the types of costs that can be included in the WRR. Additionally, per the WSA, SFPUC cannot charge the Wholesale Customers for costs that do not benefit the Wholesale Customers.

Director Zigterman's question was on the flexibility and extent to which the Board can recommend how to bring the balance down. He asked if, instead of using all of the funds in the next 3-4 years, would the Board have the flexibility to take the balance down by 2/3rd, leaving a cushion over the next 3-4 years?

Ms. Sandkulla stated that the Board has the flexibility to provide that direction to SFPUC, and is, in fact, the approach that the SFPUC generally takes. They draw down the Balancing Account over a number of years, typically 3-4 years, depending upon what the anticipated change in expenditure is. If there is a significant Regional Water System expenditure that is anticipated 2 years out, those expenditures are taken into account. That flexibility is retained in the proposed policy.

Director Chambers supports the primary function of the Balancing Account as a rate stabilization tool, as well as the 10% requirement under the WSA. He also expressed his support for paying off the $4.3 M balance in regional assets with the use of the Balancing Account.

He stated that the Committee can choose to make a recommendation for the Board to adopt the proposed resolution as written at the July Board meeting, or further consider changes and bring it to the Board in September. Director Chambers asked if there are further comments from members of the Committee.

Director Cormack suggested consideration of a proactive approach that uses the 2nd Whereas in the proposed resolution as a trigger, so that every time the condition is met, staff can make a recommendation to the Board based on the 5 considerations for the use of the funds in the Balancing Account. It may be a recommendation for no action based on the current circumstance. The process is a way to recognize the

Balancing Account as an asset for expenditures that fall under the five specific considerations.

Secondly, she believes having a high bar of 3 successive years and the 10% of WRR criteria is appropriate since the primary intent for the Balancing Account is rate stabilization. If SFPUC develops a pattern of being unable to project rates accordingly despite the Balancing Account, then she would re-examine the need for changing the 3 year and the 10% criteria. She is not prepared to make a decision on making a change to the WSA at this point.

In support of Director Cormack's idea of a proactive approach, Director Mendall agrees with an annual review of the Balancing Account, but not an annual discussion. He envisions a memo that would provide information to the Board, preferably in January prior to the budget development. It would prompt consideration of the Balancing Account as a financing option should there be an expenditure that falls within the five considerations.

Ms. Sandkulla stated that BAWSCA staff committed to an annual report on the Balancing Account in 2019. The most recent report was provided to the Board in March 2020. Considerations, if any, for the use of the Balancing Account can be incorporated in this annual report.

Director Wood made a motion, seconded by Director Kuta, to revise the proposed resolution and present it at the August BPC meeting for the Committee to recommend Board approval at the September Board meeting.

In the interest of paying off the $4.3 M in regional asset balance with SFPUC, Director Mendall preferred making a recommendation for the Board to approve the proposed resolution at its meeting in July, given that staff makes the one-word revision in the proposed resolution that will be presented to the Board.

Director Larsson noted that an additional revision is the inclusion of language that refers to the use of the Water Management Charge for item d of the five considerations. Given the level of discussion the Committee had, he recommends that the revised resolution be brought back to the Committee for final review.

The Committee voted on the motion to:

1. revise the proposed resolution to fix the minor typo and include language that refers to the use of the Water Management Charge for item d of the five considerations, and;
2. begin the process for paying off the $4.3 M in regional asset balance with SFPUC.

Both items shall be brought back to the Committee in August as 2 separate discussion and action items to recommend to the Board as 2 separate items for approval at the September Board meeting.

The motion carried by roll call vote, 8:1.

5. Special Reports:

A. Los Vaqueros Expansion Project: Mr. Francis noted that the LVE project is being led by CCWD, and is being evaluated by seven partner agencies. BAWSCA is one of the seven partner agencies which also include ACWD, Valley Water, and SFPUC.

There are a total of eight agencies involved. The LVE project entails an expanded surface water reservoir along with other facilities including a proposed Transfer Bethany pipeline and some pumping stations.

Mr. Francis reported that the next decision that the Board will have to consider on the LVE project is anticipated in September 2020, and will include a financial commitment on behalf of the BAWSCA member agencies. Between now and September, BAWSCA will provide regular reports on current and developing project details to help the Board with its decision on the continued funding for the LVE effort. The reports will be provided to the Board in July and September, and to the BPC in August.

BAWSCA and SFPUC have separate objectives for participating in the LVE. BAWSCA's interest supports its Long-Term Reliable Water Supply Strategy (Strategy) that was adopted by the Board in 2010. Part of the Strategy is to ensure member agencies greater water supply reliability during dry years independent of the SFPUC. With the LVE project, BAWSCA can get water supply storage of 10 thousand acre feet (TAF) per year during drought years. The water would be stored at Los Vaqueros reservoir and transported to the BAWSCA region through South Bay Aqueduct (SBA). It would reduce the impact of San Francisco Regional Water System (SF RWS) shortages during dry years.

SFPUC's interest is to meet their current 184mgd supply assurance obligations to the Wholesale Customers during dry years. They are looking at a few different scenarios in their discussions with CCWD, which include between 20TAF and 40TAF of storage, as well as between 10TAF to 20 TAF of water delivery during dry years over a period of 1-2 years.

In FY 2019-20, BAWSCA contributed $350K as a partner agency in the LVE project study. Current efforts continue to include planning and increasing focus on engineering. A new round of partner funding is needed to continue the work efforts that are expected to continue well into 2022.

The proposed new funding request will be split evenly among the 8 partner agencies. In September, partner agencies, including BAWSCA, will be provided with Amendment #2 to the existing multi-party agreement. Amendment #2 will extend the existing multi-party agreement to December 2022 and include an additional funding request.

Mr. Francis was forthright about the lack of critical information that will be available and that the BAWSCA Board will need to make an informed decision in September. While BAWSCA is heavily engaged with CCWD and partner agencies to obtain complete understanding of the benefits and costs of the water, distribution to the BAWSCA region, and the feasibility, cost, and availability of SBA for conveyance and treatment, some of the information will remain outstanding until 2021 or later. BAWSCA staff will do its best to obtain as many details as possible.

CCWD's current funding estimate for Amendment #2 is $6.8 M. Divided among the eight partner agencies provides an $850K cost share. The cost will be billed in four payments in September, November, February, and July to cover project costs through 2021.

In response to BAWSCA's and other partner agencies' concerns, the agreement will have provisions that will allow agencies to withdraw at any time. Financial obligations will be waived after withdrawal from the agreement.

Mr. Francis noted that the four payments between September 2020 and July 2021 may not be equal. Should the board decide to continue participation in the LVE project, BAWSCA is requesting CCWD to evaluate a lower payment amount in the first half of 2020, and a higher amount in 2021. CCWD is currently considering this request and no decision has been made.

BAWSCA's operating budget for FY 2020-21 does not include the $850K cost share to continue participation in LVE. Should the board decide in September to continue participation in LVE, it will have to decide on a funding mechanism. The Board has three funding options which include a special assessment, the Water Management Charge, or use of the Balancing Account.

A key decision component for BAWSCA is the SBA, a facility owned by DWR. It is a necessary facility to convey water from LVE to the BAWSCA region and to the SF Regional Water System. It, however, has significant reliability and capacity issues that impact its ability to support additional use by BAWSCA and the SFPUC as part of LVE. Partner agencies that currently rely on the SBA, and have access to the SBA under an agreement with DWR, share BAWSCA's concerns and have agreed to conduct studies to identify key information needed on the feasibility of SBA to be a part of LVE. Those partner agencies are ACWD, Valley Water and Zone 7.

Mr. Francis spoke on a series of studies being done on the SBA. Results of two studies are anticipated in time for the Board's September 2020 decision. A Conveyance Capacity Evaluation led by Valley Water is scheduled to be completed by July 2020. Since BAWSCA is looking at LVE for storage, it is critical to know how much and when storage capacity would be available for use by BAWSCA. Results of a Geotechnical study on SBA's landslide areas are also expected in July 2020.

Additional studies and work efforts led by DWR include an asset management and vulnerability study that will identify substantial long-range information on what is needed to upgrade the system, as well as a feasibility study on long-term reliability improvements to determine what, how, and who pays for the system repairs. Results of the asset management and vulnerability study, however, will not be available until September 2021, and the feasibility study will not be completed until February 2022. Mr. Francis added that assuming all repairs can be done and afforded, structural and operational improvements can take up to 5 years to complete.

Mr. Francis emphasized that SBA's accessibility, capacity and reliability are critical information to BAWSCA's participation in the LVE. It is BAWSCA's goal to gain full understanding of those issues, however, some of the critical information will remain outstanding until, at least, September 2021.

BAWSCA is continuing to meet with the partner agencies, particularly with CCWD and DWR, to encourage ongoing evaluation and analysis of the LVE and SBA. All entities understand how critical it is to address the outstanding issues to make an informed decision.

BAWSCA will continue to provide the Board with as much information as possible. Information that will continue to develop will focus on the water supply benefits, costs for the LVE and associated facilities, updates on outstanding issues, and review of the schedule and decision-making process.

Paul Sethy, ACWD Board Member, provided comments as a member of the public. He clarified that he is not speaking on behalf of ACWD or its Board of Directors. First, he noted that there are some BAWSCA member agencies, such as ACWD, that are already investors in the preliminary studies and payments on the future engineering efforts for LVE. He cautioned against duplicate payments. Second, ACWD, DWR, Zone 7 and Valley Water have expressed interest in supporting the costs for repairing SBA, which can be estimated to be up to $1B. The agencies are willing to support costs through rate payers because it is the vital link to the Bay Area. Third, he noted that ACWD has an existing treatment facility where water from LVE can be processed. With technological updates, that facility along with ACWD's existing interties can treat and distribute water to the city of Hayward and BAWSCA member agencies in the South Bay. He offers the information for the BAWSCA Board's consideration. Lastly, he encouraged the BAWSCA Board and member agencies to evaluate whether BAWSCA member agencies are already included in the project since the SFPUC is already a partner and hence investments they would be making will benefit BAWSCA.

Chair Chambers called upon each Committee member to ask their questions and state their comments.

Director Cormack asked for a succinct explanation of the incremental value to BAWSCA if the SFPUC participates in the LVE, how the costs will be allocated, and whether the timelines between the completion of LVE are in parallel with the timeline for addressing the capacity and reliability concerns with SBA.

Mr. Francis explained that in a drought situation where there are limited supplies from the Tuolumne River, the SFPUC in the future, with projects such as LVE, could bring in alternate supplies from non-Tuolumne sources so that wholesale customers will not need to ration greater than 20%. SFPUC's studies have shown that alternative water supply sources are needed for SFPUC to reduce rationing levels during drought. LVE, along with other sources, can be used to address SFPUC's drought year water need.

Assuming that BAWSCA participates in the LVE as a regional project that benefits all 26 member agencies, a mathematical formula (the Tier 2 Formula), which allocates supplies among the member agencies during drought, would be used to apportion available supply by member agency. That additional supply would then be used to further augment an agency's water supply from the SF RWS during a drought and lessen the need to ration.

Mr. Francis noted that the LVE will be governed by a Joint Powers Authority (JPA), which BAWSCA and all partner agencies will pay into annually to cover the project's operational and maintenance costs as well as pay off the bonds used to finance the project's construction. BAWSCA would also need to pay the cost for water and transmission when it obtains supply from LVE. In both situations, the costs will be distributed among the member agencies.

Ms. Sandkulla further explained that in a dry year, when SFPUC declares a shortage, the WSA provides Wholesale Customers an allocation defined by the Tier 2 formula. Every member agency has a slightly different cutback based on the formula. Currently, SFPUC is short dry year supplies because of instream flow requirements. The water supply from LVE will help SFPUC meet their contractual obligations and drought supply commitment to the Wholesale Customers. If BAWSCA moves forward with LVE under a regional program, the water from LVE would be in addition to SFPUC supplies, and every agency under the Tier 2 formula will get a slightly greater allocation during a dry year. There will be slightly less reductions in the need for rationing for the agencies and yet every agency will end up paying their share for participating in the LVE and the water delivered.

Ms. Sandkulla elaborated that if not all member agencies want to move forward with LVE, participation in the project can be administered similar to BAWSCA's subscription conservation program. This, however, is a serious question. As previously mentioned, there are operational costs whether or not supply from LVE is used. Costs will be significantly higher in a subscription format. BAWSCA would have to determine what is viable for BAWSCA to manage this level of subscription program.

Regarding the timeline between LVE and SBA, it is anticipated that the schedules would be in parallel assuming all LVE studies are completed and structures built within a period of 10 years. Mr. Francis noted that the current focus is to determine accessibility to, and the costs of SBA, to assist the Board in making a decision. Further uncertainties associate with the potential to use the SBA are hoped to be answered when CCWD develops a more formal process and presents service agreements (which are akin to contracts) to the partner agencies in 2021.

Director Jordan noted that the BAWSCA seems to be asking for the lowest storage volume from LVE and asked if there are considerations for pro-rating Multi-Party Amendment #2 funding request among the eight partner agencies based on the amount of water used, and whether BAWSCA will be required to contribute to SBA's repair program.

Mr. Francis reported that pro-rating is not being considered for Amendment #2. Perhaps next year when the JPA financing is contemplated. He reminded the Committee that BAWSCA is asking for storage in the reservoir, which is not the same ask of other partner agencies. The cost will be based on the use of the facility and further what portions / components of the facilities are being used. BAWSCA may not be seen as the smallest partner once those factors are considered.

Ms. Sandkulla stated that contributing to the SBA repair program should be anticipated.

Director Kuta asked about the financial implications when a partner agency withdraws, and whether there has been analysis done on what agencies might withdraw or how many agency withdrawals would dissolve the project.

Ms. Sandkulla added that the provision for agency withdrawal is included in the existing Multi-Party Agreement, however the dollar amount was smaller and there were more agencies involved. CCWD will need to provide a definite plan at this level of costs.

Ms. Sandkulla is not aware if CCWD had performed an analysis to determine if there was a limit to how many agencies could withdraw before the project becomes infeasible to move forward with. She noted that BAWSCA has asked CCWD for an analysis of the implications of BAWSCA and SFPUC withdrawal from the project. No result has been provided yet.

Director Kuta further asked about conveyance and treatment of water from the SBA, and whether partner agencies of SBA have expressed interest in increasing its capacity to accommodate the BAWSCA region.

Mr. Francis explained that San Francisco has existing facilities that can be utilized to transfer and treat water from the SBA to the regional water system. They are looking to upgrade those facilities and BAWSCA is working with SFPUC on that effort. A second option is to bring water through Valley Water facilities, specifically through the Milpitas Intertie. Additional opportunities also exist with ACWD.

The costs for the conveyance, treatment and distribution of the water with these options will be factored in the cost estimate that will be presented to the Board in July. Additional cost information that will be provided in July will include CCWD's annual costs to store BAWSCA's water and the variable cost for CCWD to move BAWSCA's water into the SBA.

DWR and the partner agencies of SBA have expressed willingness to collaborate. The partner agencies of SBA are highly interested in seeing SBA repaired and having BAWSCA as partners on the effort has promoted the need for urgency with DWR.

Ms. Sandkulla added that the interests to address SBA stem from the regional issues, and BAWSCA brings a benefit to the LVE project moving forward. More parties on the table reduce costs and increase regional support for projects.

Director Larsson commented that as part of future presentations to the Board, he would be interested in seeing a cost range to better understand which parts of the estimates are fairly firm and which are soft estimates. Additionally, what are the risks and sensitivities of those costs, and what costs are susceptible to cost escalations. A critical consideration for the Board is whether participation is a regional or a subscription program. If it is a subscription program, he was concerned with how BAWSCA would manage the program at a larger level, what organizational risks would there be, and how Board decisions will be made if it only benefits a subset of the member agencies.

Director Mendall stated that while he supports investigating the project, he remains skeptical of BAWSCA's participation due to the high cost of it versus the likely benefits of the overall project. He is hesitant to support LVE as a regional program, and would consider it as a subscription program with a subset of agencies willing to fund it.

Director Pierce commented that it is too early to gauge BAWSCA's direction on Amendment #2 given the numerous unknowns and the substantial costs. She was concerned with the need for SFPUC to look at alternative sources to fill a drought gap that they were able to fill in the past to meet their contractual obligations. Hence, she appreciates BAWSCA's efforts to investigate alternative sources for additional drought year supplies for the member agencies. However, the current costs estimates are concerning.

While it might be premature, she encouraged staff to consider a plan should BAWSCA withdraw and SFPUC moves forward.

Director Wood agrees with the comments made by members of the Committee. She appreciated staff's efforts in providing as much information as possible.

Director Zigterman echoes the concerns expressed by his colleagues. He would be interested in BAWSCA having further discussions with SFPUC about their intent as the information develops and the projects progresses.

6. Reports:

A. Water Supply Conditions: As of the end of May, SFPUC's total system storage was at 90% of maximum, which is slightly higher than the normal percent of maximum. This reflects the fact that there is snow anticipated to come in as runoff. San Francisco is holding more water for storage. Indications are SFPUC will be able to fill all reservoirs except for the Water Bank. They believe total storage will be about 100 TAF short. But given the current hydrology this is a good result for this year.

Hetch Hetchy precipitation in late May added to the system's water supply and reduced fire risks. Ms. Sandkulla pointed out that it is a dry year, although not as dry as the record dry year of 1977.

Current snowpack conditions are already at a downward trend in June compared to some years when snowpack remain and runoff continue through July and August. This is why the SFPUC is keeping Hetch Hetchy reservoir higher than normal.

Water available to the city is currently at 170 TAF, compared to the 321 TAF required for the entire system to fill. The wet year of 2019 provided San Francisco 1676 TAF.

BAWSCA continues to closely monitor the regional water system total deliveries. There were interesting combination of events with the warm weather in February which spiked water use above the 2013 pre-drought years, followed by the shelter in place beginning mid-march. Current water use is above the drought-low of 2015, but remains below pre-drought of 2013. The 5-year average shows calendar 2020 to be slightly above it, and highlights the peak experienced during the month of February.

B. Bay Delta Plan: Ms. Sandkulla was pleased to report that Governor Newsom continues his leadership on the Bay Delta Plan, and expressed his support for the voluntary agreements in an article published by Cal Matters in February. He has continued to direct both the Secretaries of Natural Resources and California EPA to remain engaged in this matter.

Ms. Sandkulla's letter to the Governor, dated June 2, 2020, asks for his further leadership and spoke on the Tuolumne River Voluntary Agreement (TRVA) put forth by the SFPUC and the Irrigations Districts, and supported by BAWSCA. The TRVA is ready for the State Water Resources Control Board's (SWRCB) environmental review, and the SFPUC and irrigations districts are prepared with the funding needed to implement the plan as soon as it is possible.

C. SFPUC Budget and 10-year CIP – Update: The SFPUC adopted its 2-year budget and 10year CIP in January and forwarded it to the Mayor for adoption by the Board of Supervisors (BOS). BAWSCA was actively engaged in the review of the 10-Year CIP and supported the projects within the program in accordance with the WSA amendment.

Unfortunately, shelter-in-place occurred before the BOS acted. Given the anticipated reduced revenues throughout the City, Mayor Breed directed all city departments to 1) move forward with interim budgets beginning July through August based on the current fiscal year's adopted budget with no new programs, 2) bring back a FY 2020-21 budget, and 3) a FY 2021-22 budget in accordance with guidelines and based upon the different requirements within the various departments.

Ms. Sandkulla reported that SFPUC's interim budget for the water enterprise is a continuation of the FY 2019-20 budget with no new programs. There are no anticipated issues with the Regional Water System.

Ms. Sandkulla explained that SFPUC's capital budget in FY 2020-21 is based on drawing down prior appropriations that were still on the books. Additionally, with the wholesale rates adopted, the SFPUC can manage the impacts on the water enterprise with modest changes, none of which will have an effect on the CIP.

The FY 2020-21 Budget will be considered by the Commission on July 14th, with a final approval by the Mayor on October 1st. BAWSCA will review any changes proposed by the SFPUC, but discussions with Mr. Ritchie indicates no significant impacts on the water enterprise.

D. CEO Evaluation Procedure: Director Pierce reported that she has initiated the annual CEO evaluation process. She noted that last year's review brought up a few items for review including having a multi-year contract, continuation of and guidelines for a performance bonus, and additional factors for consideration in a compensation package. An Ad Hoc Committee comprised of Directors Zigterman, Cormack, Vella, and Larsson will evaluate these matters. The goal is to have evaluation materials to the Board in late July/early August for a Closed Session discussion at the September Board Meeting.

She thanked Directors Kuta and Mendall for their involvement in last year's evaluation process. Members of the Committee were asked to provide their insights on the process.

10. Closed Session: The Committee adjourned to Closed Session at 3:55pm.

11. Reconvene to Open Session: The Committee reconvened from Closed Session at 4:08pm. Ms. Schutte reported that no action was taken during Closed Session.

12. Comments by Committee Members: There were no further comments from members of the Committee.

13. Adjournment: The meeting was adjourned at 4:09 pm. The next meeting is August 12th 2020.

Respectfully submitted,

Nicole Sandkulla, CEO/General Manager

NS/le
Attachments: 1) Attendance Roster

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting
Attendance Roster

Agency	Director	Jun. 10, 2020	Apr. 8, 2020	Feb. 12, 2020	Dec. 11, 2019	Oct. 9, 2019	Aug. 14, 2019
Westborough	Chambers, Tom (Chair)	✓	✓	✓	✓	✓	**MTG CANCELLED**
Palo Alto	Cormack, Alison (V Chair)	✓	✓	✓	✓	✓	
Purissima	Jordan, Steve	✓	✓	✓	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

June 10, 2020 Meeting Attendance (*Via Zoom in compliance with Gov. Order #29-20 due to COVID-19* **)**

BAWSCA Staff:

Nicole Sandkulla	CEO/General Manager
Tom Francis	Water Resources Manager
Negin Ashoori	Water Resources Engineer
Kyle Ramey	Water Resources Specialist
Christina Tang	Finance Manager
Lourdes Enriquez	Assistant to the CEO/General Manager
Deborah Grimes	Office Manager
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP
Nathan Metcalf	Legal Counsel, Hanson Bridgett, LLP
Bud Wendell	Strategic Communications

Public Attendees:

Paul Sethy	ACWD
Lisa Bilir	Palo Alto
Peter Drekmeier	Tuolumne River Trust
Michelle Novotny	SFPUC
Jenny Gain	Brown and Caldwell

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Establishing a Policy Relating to Water Supply Agreement Balancing Account**

Summary:

This action item was previously presented to the Committee during the June 10, 2020 BPC meeting. The Committee has directed the staff to revise the proposed Resolution to fix a minor typo and include language that refers to the use of the Water Management Charge for item (d) of the five considerations, and begin the process for paying off the remaining unpaid existing asset balance relating to WSA Section 5.03.C. This staff memo presents the revised proposed Resolution, and the proposed prepayment will be presented in the next agenda item #5B.

Pursuant to Section 6.05.B.1 of the Amended and Restated Water Supply Agreement between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County, and Santa Clara County (WSA), at the close of each fiscal year, the difference between the amount billed to the Wholesale Customers for that fiscal year and the actual Wholesale Revenue Requirement (WRR) for that fiscal year is charged to, or credited to, the Balancing Account, as appropriate. The WSA provides that if the Balancing Account maintains a positive balance for three successive years and represents 10 percent or more of the WRR for the most recent fiscal year, the Board may direct the San Francisco Public Utilities Commission (SFPUC) to apply the positive balance to one or more of the purposes set forth in Section 6.05.B.2.a of the WSA.

The Balancing Account serves a critical rate stabilization role for the wholesale water rates charged by SFPUC to the Wholesale Customers. In the absence of a direction from BAWSCA, the SFPUC will continue to retain the balance for rate stabilization. In the event that BAWSCA chooses to direct application of a positive balance in the Balancing Account, it is a prudent governance measure to require the Board to make written findings justifying the allocation of the positive balance.

The attached Resolution No. 2020-02 has been prepared by legal counsel for consideration by the Board setting forth a policy that would guide any future action by the Board in justifying the allocation of the positive balance in the Balancing Account.

Fiscal Impact:

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

Recommendation:

That the Committee recommend Board approval of Resolution No. 2020-02 establishing a Balancing Account policy.

Discussion:

Legal counsel has prepared the attached Resolution No. 2020-02 which requires the Board to make written findings justifying the allocation of the positive balance consistent with the considerations set forth in the WSA.

Background:

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

The WSA addresses the Balancing Account in the following ways: 1) establishes the process for operating the Balancing Account and applying positive and negative amounts as part of the wholesale rate setting process, 2) provides for inclusion of the Balancing Account in SFPUC's annual report on the Wholesale Revenue Requirement, 3) specifies what will be included in the Balancing Account calculation and what interest the Wholesale Customers are entitled to, and 4) authorizes audit and review of the Balancing Account.

Under Section 6.05.B.2.a of the WSA, a positive balance in the Balancing Account, which represents 10% or more of the WRR for the most recent fiscal year and is maintained for three successive years, may be used for the Wholesale Customer's preferred application of the balance, exercised through BAWSCA, for six purposes: "(a) transfer to the Wholesale Revenue Coverage Reserve, (b) amortization of any remaining negative balance from the ending Balancing Account under the 1984 Agreement, (c) prepayment of the existing asset balance under Section 5.03, (d) water conservation or water supply projects administered by or through BAWSCA, (e) immediate reduction of wholesale rates, or (f) continued retention for future rate stabilization purposes." As a note, item (b) above is no longer applicable since the 1984 Balancing Account has been zeroed out and item (c) above is only partially applicable since the unpaid principal relating to the net book value of regional assets completed and included in Construction-Work-In-Progress (CWIP) as of June 30, 2009 was paid through the 2013 BAWSCA bond issue.[1]

BAWSCA staff currently provides an annual report to the Board on the status of the Balancing Account in March of each year.

Prior to making a determination about the use of Balancing Account funds, the Board must adopt written findings, included in the attached Resolution, that reasonably demonstrate that applying all or a portion of the positive balance to the selected purpose(s) is in the best interests of the Wholesale Customers and ultimately, the water customers. These findings include:

a) Projected annual Wholesale Rates for the next five fiscal years;
b) Wholesale Revenue Coverage Reserve;
c) Existing unpaid asset balance(s) under Section 5.03 of the WSA;

[1] There remains unpaid principal relating to the assets described in WSA Section 5.03C (projects paid from the SFPUC revenue-funded appropriations made prior to July 1, 2009 but completed after July 1, 2009). As of September 30, 2020, the remaining unpaid principal balance will be $4.030,664. The annual payments of $1,159,259, with Water and HHWP combined, will be made as part of the WRR from FY 2020-21 through 2023-24 to pay the remaining balance with interest at 4%. The balances and scheduled payments are shown on Schedule K-5 of the amended WSA. All or a portion of the unpaid balance may be prepaid by the Wholesale Customers per Section 5.03C.

d) Funding requirements and sources for water conservation or water supply projects administered by the Agency and an analysis comparing the use of the Balancing Account funds compared to implementing a Water Management Charge per WSA Section 3.06.A; and

e) Any other factor(s) the Board of Directors determines compels application of all or part of the positive balance to a purpose specified in 6.05.B.2.a of the WSA.

In response to the directions provided by the Committee during the last BPC meeting, BAWSCA's legal counsel has added a reference language about comparing the use of the Balancing Account funds to finance water conservation or water supply projects to using the Water Management Charge option for item (d) above in the proposed Resolution No. 2020-02.

WSA Section 3.06.A states that "In order to support the continuation and expansion of water conservation programs, water recycling, and development of alternative supplies within the Wholesale Customers' service areas, the SFPUC will, if requested by BAWSCA, include the Water Management Charge in water bills sent to Wholesale Customers." This Charge is added to the RWS bills that the SFPUC sends to Wholesale Customers, collected by the SFPUC and then shared with BAWSCA according to procedures in the WSA.

The Water Management Charge option was last used in 2012 to collect revenues to fund the development of the Long Term Reliable Water Supply Strategy. In addition, the positive balance in the Balancing Account has also been used in recent years to fund a water supply project. On July 1, 2019, BAWSCA requested the SFPUC to transfer $805,000 from the Balancing Account to BAWSCA as the funding source for the Los Vaqueros Expansion Project Study and the completion of the Regional Water Demand and Conservation Projections Study included in the BAWSCA FY 2019-20 Operating Budget approved by the Board on May 16, 2019. That action represented the first time BAWSCA directed the transfer of a positive balance in the Balancing Account per the WSA. At that time, the Board requested that a policy be brought forth in the future for Board consideration related to the Balancing Account.

Attachment:

1. Resolution No. 2020-02

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BAY AREA WATER SUPPLY & CONSERVATION AGENCY

RESOLUTION NO. 2020-02

ESTABLISHING A BALANCING ACCOUNT POLICY

WHEREAS, pursuant to Section 6.05.B.1 of the Amended and Restated Water Supply Agreement between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County, and Santa Clara County (WSA), at the close of each fiscal year, the difference between the amount billed to the Wholesale Customers for that fiscal year and the actual Wholesale Revenue Requirement for that fiscal year is charged to, or credited to, the Balancing Account, as appropriate; and

WHEREAS, if the Balancing Account maintains a positive balance for three successive years and represents 10 percent or more of the Wholesale Revenue Requirement for the most recent fiscal year, the Board of Directors of the Bay Area Water Supply and Conservation Agency (Agency) may direct the San Francisco Public Utilities Commission (SFPUC) to apply the positive balance to one or more of the purposes set forth in Section 6.05.B.2.a of the WSA; and

WHEREAS, Section 6.05.B.2.a provides the following purposes to which a positive balance may be applied: "(a) transfer to the Wholesale Revenue Coverage Reserve, (b) amortization of any remaining negative balance from the ending balancing account under the 1984 Agreement, (c) prepayment of the existing asset balance under Section 5.03, (d) water conservation or water supply projects administered by or through BAWSCA, (e) immediate reduction of wholesale rates, or (f) continued retention for future rate stabilization purposes"; and

WHEREAS, in the absence of a direction from the Agency, the SFPUC will continue to retain the balance for rate stabilization; and

WHEREAS, in the event the Agency chooses to direct application of a positive balance in the Balancing Account, it is a prudent governance measure to require the Board of Directors to make written findings justifying the allocation of the positive balance.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Bay Area Water Supply and Conservation Agency as follows:

1. In advance of taking action to apply all or a portion of the positive balance of the Balancing Account in accordance with Section 6.05.B.2.a of the WSA, the Board of Directors must adopt findings to support such action.

2. The Board must make written findings that reasonably demonstrate that applying all or a portion of the positive balance to the selected purpose(s) is in the best interests of the Wholesale Customers and the ultimate water customers taking into consideration the following considerations set forth in the WSA:

    a) Projected annual Wholesale Rates for the next five fiscal years;
    b) Wholesale Revenue Coverage Reserve;

c) Existing unpaid asset balance(s) under Section 5.03 of the WSA;
d) Funding requirements and sources for water conservation or water supply projects administered by the Agency and an analysis comparing the use of the Balancing Account funds compared to implementing a Water Management Charge per WSA Section 3.06.A; and
e) Any other factor(s) the Board of Directors determines compels application of all or part of the positive balance to a purpose specified in 6.05.B.2.a of the WSA.

The findings must be in writing, address consideration of the factors stated above, and be adopted by the Board of Directors at a regular meeting.

PASSED AND ADOPTED, this ___ day of _____ 2020 by the following vote:

AYES:

NOES:

ABSENT:

____
Chair, Board of Directors

ATTEST:

____
Secretary

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Proposed Use of Balancing Account to Prepay the Remaining Unpaid Existing Asset Balance (WSA Section 5.03.C) as of September 30, 2020**

Summary:

This memorandum presents the written findings required by BAWSCA's Balancing Account Policy, which will be considered for adoption by the Board on September 17, 2020, to support the proposed use of Water Supply Agreement (WSA) Balancing Account to prepay the remaining unpaid existing asset balance relating to the WSA Section 5.03.C. As of September 30, 2020, the remaining unpaid principal balance of the projects paid from the SFPUC revenue-funded appropriations made prior to July 1, 2009, but completed after that date, will be $4,030,664, which is scheduled to be paid off by June 30, 2024 with interest at 4%. These remaining unpaid existing asset balances and scheduled payments are shown on Schedule K-5 of the WSA. The scheduled payments are referred as K-5 payments in this report.

In May 2020, the projected Balancing Account balance as of June 30, 2020 was $77.2 million as a credit to the Wholesale Customers. The actual June 30, 2020 closing balance of the Balancing Account will not be known until after the FY 2019-20 WRR compliance audit and BAWSCA's WRR review process is completed. Based on the SFPUC's five-year wholesale rate projections provided as part of its annual wholesale rate notice in May 2020, the entirety of this positive balance was projected to be used for rate stabilization over the next four years, which would, all else being equal, result in no wholesale rate increases in the next 2 years and lower rate increases in the subsequent two years than would otherwise be the case if the Balancing Account credit is not applied to wholesale rates.

Based on the findings presented below, the proposed use of Balancing Account on the Section 5.03.C prepayment is determined appropriate and in the best interests of the Wholesale Customers and the ultimate water customers. The proposed prepayment as of September 30, 2020 would result in a total estimated present value savings of approximately $175,000 to the Wholesale Customers.

Fiscal Impact:

This item has no impact on BAWSCA's annual operating budget. If the proposed prepayment is approved by the Board, the balance in the Balancing Account will be reduced by $4,030,664 and the K-5 payments for the FY 2020-21 Wholesale Revenue Requirement (WRR) would be reduced from $1,159,259 to $289,815. Thereafter, the annual K-5 payments would be zero. The net savings to the Wholesale Customers is estimated to be approximately $175,000 on a present value basis.

Recommendation:

That the Committee recommend Board approval of the proposed use of Balancing Account to prepay the remaining unpaid existing asset balance under WSA Section 5.03.C as of September 30, 2020.

Discussion:

Under Section 6.05.B.2.a of the WSA, a positive balance in the Balancing Account that is maintained for three successive years and represents 10% or more of the WRR for the most recent fiscal year may be used for the Wholesale Customers' preferred application of the balance, exercised through BAWSCA, for six purposes: "(a) transfer to the Wholesale Revenue Coverage Reserve, (b) amortization of any remaining negative balance from the ending Balancing Account under the 1984 Agreement, (c) prepayment of the existing asset balance under Section 5.03, (d) water conservation or water supply projects administered by or through BAWSCA, (e) immediate reduction of wholesale rates, or (f) continued retention for future rate stabilization purposes."

The criteria allowing the Wholesale Customers to direct the use of a positive balance was previously met a few years ago. Due to the uncertainties related to the drought conditions from FY 2014-15 through FY 2016-17 and the BAWSCA agencies' historical desire for rate stabilization where possible, the continued retention of a positive balance in the Balancing Account for future rate stabilization purposes as indicated in option (f) above was determined appropriate at that time. During this time, all investment interest earnings at an average interest rate of approximately 2% remained in the Balancing Account. On July 1, 2019, BAWSCA requested a transfer of $805,000 from the Balancing Account to fund the Los Vaqueros Expansion Project Study and the completion of the Regional Water Demand and Conservation Projections Study per BAWSCA's FY 2019-20 Operating Budget approved by the Board. This transfer is contemplated in option (d) above.

Analysis of this use of Balancing Account Funds per draft Balancing Account Policy (Res. 2020-02)

The proposed Balancing Account Policy requires analysis of the following factors for use of the Balancing Account:

1. Projected annual Wholesale Rates for the next five fiscal years;
2. Wholesale Revenue Coverage Reserve;
3. Existing unpaid asset balance(s) under Section 5.03 of the WSA ;
4. Funding requirements and sources for water conservation or water supply projects administered by the Agency and an analysis comparing the use of the Balancing Account funds compared to implementing a Water Management Charge per WSA Section 3.06.A; and
5. Any other factor(s) the Board of Directors determines compels application of all or part of the positive balance to a purpose specified in 6.05.B.2.a of the WSA.

These factors are analyzed below.

<u>Consideration of Use of Balancing Account Fund to Pre-Pay Existing Asset Balance Owed to SF</u>
First, we analyzed the third factor in the Policy listed above. As the Balancing Account balance owed to the Wholesale Customers continues to grow, BAWSCA believes it is appropriate at this time to consider using the positive balance in the Balancing Account to prepay the remaining unpaid existing asset balance under Section 5.03.C, which is a permitted use of the funds per Section 6.05.B.2.a. In 2013, BAWSCA issued revenue bonds to prepay the unpaid principal relating to the net book value of regional assets completed and included in Construction-Work-In-Progress (CWIP) as of June 30, 2009. The principal balance prepaid by the bonds did not include the unpaid principal for CWIP expenses related to assets paid for by SFPUC revenue funded appropriations made prior to June 30, 2009 but completed after that date. As of September 30, 2020, the remaining unpaid existing asset balance under WSA Section 5.03.C will be $4,030,664 and it is scheduled to be paid off by June 30, 2024 with interest at 4%.

If the proposed prepayment is approved by the Board and implemented as BAWSCA currently contemplates, the balance in the Balancing Account will be reduced by $4,030,664 and the K-5 payments for the FY 2020-21 WRR would be reduced from $1,159,259 to $289,815. Thereafter, the annual K-5 payments would be zero. The FY 2020-21 reduction in K-5 payments would be reflected in the final WRR and the difference between the scheduled and final payments for FY 2020-21 would become part of a Balancing Account adjustment once the FY 2020-21 WRR is finalized. The net savings to the Wholesale Customers is estimated to be approximately $300,000 through FY 2023-24, which is roughly $175,000 on a present value basis, assuming a present value discount rate of 1.5%. Table 1 below shows the existing unpaid asset balances under WSA Section 5.03.C and the estimated savings resulting from the proposed prepayment.

Next, we analyzed the use of this prepayment on the projected annual Wholesale Rates for the next five fiscal years, the first factor in the Policy. This prepayment would not have a discernible impact on wholesale rates given the small amounts of savings relative to the total WRR in a given year. Since the SFPUC currently plans to keep wholesale rates flat through FY 2022-23, the impact of the reduced Balancing Account credit and the reduced/eliminated K-5 payments will be realized in FY 2023-24, all else equal. Though there is a net future value savings of roughly $300,000, that amount does not have a significant wholesale rate impact as it will result in a per unit savings of less than $0.01 per hundred cubic feet of water (Ccf).

And then, we analyzed the historical and projected Wholesale Coverage Reserve that are included in Table 2 below, the second factor in the Policy. We believe that this proposed prepayment would result in no changes to the current or projected Wholesale Coverage Reserve. In addition, Table 2 also presents the historical balance and the next five years' projections of the Balancing Account, the annual WRR amounts, and the annual wholesale rates.

Finally, the fourth factor in the Policy, related to funding water supply projects or water conservation with either the Balancing Account or a Water Management Charge, does not present a challenge to using the positive balance in the Balancing Account for this proposed prepayment. Compared to the total balance of the Balancing Account, this is a small reduction in the total balance that will remain available for rate stabilization or for funding other water supply or conservation projects as the Board desires. It does appear there are other outstanding issues for consideration at this time.

The Balancing Account Policy, which is scheduled to be considered for approval by BAWSCA Board on September 17, 2020, requires the Board to take into consideration the information included in Table 1 and Table 2 below before approving any proposed use of the positive balance in the Balancing Account.

<u>Conclusion</u>
Based on the analysis of all factors in the Policy and a review of the information provided in Tables 1 and 2, BAWSCA believes that the proposed use of Balancing Account for the Section 5.03.C prepayment is determined appropriate and in the best interests of the Wholesale Customers and ultimately, the water customers. The proposed prepayment on September 30, 2020 would result in a total estimated present value savings of about $175,000 to the Wholesale Customers.

Table 1. Estimated Present Value Savings of Prepaying Remaining Unpaid Asset Balances (WSA Section 5.03.C)

Remaining WSA 5.03C Balance as of 9/30/2020:			$ 4,030,664	
		Original	Revised	Prepayment
FYE 6/30		K-5 Payments	K-5 Payments	Savings
2021		$ 1,159,259	$ 289,615	$ 869,644
2022		$ 1,159,259	$ -	$ 1,159,259
2023		$ 1,159,259	$ -	$ 1,159,259
2024		$ 1,159,259	$ -	$ 1,159,259
Total K-5 Payments		$ 4,637,035	$ 289,615	$ 4,347,420
Plus: Principal Paid 9/30/2020:		$ -	$ 4,030,664	$ (4,030,664)
Total Payments		$ 4,637,035	$ 4,320,279	$ 316,756
Present Value of Total Payments[1]:		$ 4,497,429	$ 4,317,864	$ 179,565
% of PV Savings[2]:				4.5%
(1) Assumes present value discount rate of 1.5%				
(2) As a percent of the unpaid balance				

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

Fiscal Year	Ending Balance of Balancing Account (BA)	$ Change from Prior Year	Annual Wholesale Revenue Requirement (WRR)	$ Change from Prior Year	BA as % of WRR	Ending Balance of WR Coverage Reserve	$ Change from Prior Year	Wholesale Water Rate ($/Ccf)	% Change from Prior Year
2001-02	$9,354,685		$75,812,199		12.3%	N/A		$0.88	
2002-03	$2,880,837	($6,473,848)	$82,301,597	$6,489,398	3.5%	N/A	N/A	$0.88	0.0%
2003-04	$11,895,158	$9,014,321	$92,804,851	$10,503,254	12.8%	N/A	N/A	$1.10	25.0%
2004-05	$7,272,068	($4,623,090)	$99,930,037	$7,125,186	7.3%	N/A	N/A	$1.13	2.7%
2005-06	($8,964,718)	($16,236,786)	$101,822,169	$1,892,132	-8.8%	N/A	N/A	$1.02	-9.7%
2006-07	($12,881,853)	($3,917,135)	$110,902,794	$9,080,625	-11.6%	N/A	N/A	$1.22	19.6%
2007-08	($20,625,889)	($7,744,036)	$118,672,955	$7,770,161	-17.4%	N/A	N/A	$1.30	6.6%
2008-09	($21,860,867)	($1,234,978)	$123,388,788	$4,715,833	-17.7%	N/A	N/A	$1.43	10.0%
2009-10	($15,194,740)	$6,666,127	$131,367,056	$7,978,268	-11.6%	$4,488,233	$4,488,233	$1.65	15.4%
2010-11	($26,313,110)	($11,118,370)	$137,655,168	$6,288,112	-19.1%	$7,916,419	$3,428,186	$1.90	15.2%
2011-12	($7,823,759)	$18,489,351	$160,529,498	$22,874,330	-4.9%	$11,339,776	$3,423,357	$2.63	38.4%
2012-13	$27,349,579	$35,173,338	$172,405,401	$11,875,903	15.9%	$13,763,579	$2,423,803	$2.93	11.4%
2013-14	$27,033,814	($315,765)	$179,693,746	$7,288,345	15.0%	$19,083,979	$5,320,400	$2.45	-16.4%
2014-15	$27,253,857	$220,043	$195,098,156	$15,404,410	14.0%	$27,842,873	$8,758,894	$2.93	19.6%
2015-16	$15,712,070	($11,541,787)	$214,208,639	$19,110,483	7.3%	$28,899,345	$1,056,472	$3.75	28.0%
2016-17	$40,417,740	$24,705,670	$209,059,370	($5,149,269)	19.3%	$28,974,681	$75,336	$4.10	9.3%
2017-18	$59,781,812	$19,364,072	$241,372,995	$32,313,625	24.8%	$33,730,188	$4,755,507	$4.10	0.0%
2018-19*	$63,919,350	$4,137,538	$251,162,196	$9,789,201	25.4%	$39,490,528	$5,760,340	$4.10	0.0%
2019-20*	$77,171,771	$13,252,421	$259,307,111	$8,144,915	29.8%	$35,131,555	($4,358,973)	$4.10	0.0%
2020-21*	$65,914,698	($11,257,073)	$272,224,181	$12,917,070	24.2%	$37,562,766	$2,431,211	$4.10	0.0%
2021-22*	$49,382,320	($16,532,378)	$280,564,001	$8,339,820	17.6%	$39,155,753	$1,592,987	$4.10	0.0%
2022-23*	$13,063,797	($36,318,523)	$297,546,890	$16,982,889	4.4%	$41,899,275	$2,743,522	$4.10	0.0%
2023-24*	($176,448)	($13,240,245)	$311,941,137	$14,394,247	-0.1%	$44,605,367	$2,706,092	$4.72	15.1%
2024-25*	($1,600,000)	($1,423,552)	$328,141,216	$16,200,079	-0.5%	$47,709,894	$3,104,527	$5.24	11.0%

Data Source: Audited Statement of Changes in the Balancing Account for the fiscal years through 2017-18. *Data for the fiscal years 2018-19 through 2024-25 are the SFPUC projections provided in the SFPUC's wholesale rate notice for 2020-21.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Los Vaqueros Reservoir Expansion Project – Multi-Party Agreement Amendment #2**

Summary:

At the September 17, 2020 Board meeting, BAWSCA will consider whether to enter into the Los Vaqueros Reservoir Expansion Project (LVE) – Multi-Party Agreement (MPA) Amendment #2, which would secure BAWSCA's participation in LVE as a Local Agency Partner (LAP) through the formation of the Joint Powers Authority (JPA) and drafting of water supply service agreements. A comprehensive update was provided at the July 16, 2020 Board meeting in anticipation of this upcoming decision.

To date, BAWSCA's participation in LVE has been to evaluate the project as a means to provide up to 10 thousand acre-feet (TAF) per year of water supply in dry years that would be in addition to what is provided via the San Francisco Regional Water System (SF RWS) and thus would reduce overall drought cutbacks to the member agencies. Through discussions at Board and Board Policy Committee meetings, BAWSCA has concluded that the identified benefits from BAWSCA's continued participation in LVE do not support continued agency participation given the outstanding questions about costs, access and reliability of LVE water to meet BAWSCA's overall objectives. This sentiment mirrors that of the Water Management Representatives (WMRs). A subscription program was considered to allow BAWSCA to remain involved on behalf of interested agencies. However, because so few agencies would participate, this option was determined to not be feasible.

The San Francisco Public Utilities Commission (SFPUC) is exploring LVE to meet several water supply needs and BAWSCA believes that the SFPUC intends to enter into Amendment #2. Current language in the draft Amendment states that BAWSCA may participate in whole or in part, in the development of the Project, either as a Local Agency Partner or through the SFPUC in the event that BAWSCA is no longer a Local Agency Partner and that no other party will object to such participation. This continued involvement in LVE is important given the SFPUC's anticipated continuation of investigation of LVE to meet its existing contractual and legal obligations to the Wholesale Customers.

BAWSCA strongly supports LVE as an important regional water supply project for several reasons, including, but not limited to, the significant level of State and Federal grant funding received, broad support among partner agencies and environmental groups, the role this project may play in future reliability of the Regional Water System, and that once completed, LVE will provide new storage and water conveyance facilities within the greater Bay Area region, increasing overall regional reliability for emergency and other purposes. For these reasons, it is recommended that BAWSCA withdraw from LVE as an LAP but remain engaged in LVE given the SFPUC's anticipated participation, and urge the SFPUC to remain engaged to meet identified goals in the SFPUC's long term water supply planning.

Fiscal Impact:

If the Board moves forward with the recommended action and does not enter into Amendment #2, this item will have no impact on BAWSCA's adopted budget. If the Board enters into Amendment #2, BAWSCA's fiscal obligation is summarized below.

Three cost share options have been provided in the draft Amendment #2 given uncertainty about how many agencies will enter into the Amendment. At this time, all seven other agencies are expected to enter into Amendment #2.

Table 1. Multi-Party Agreement Amendment #2 Invoice Schedule and Budget

	8 Agencies	7 Agencies	6 Agencies
Total Cost Per Agency	$760,246	$868,852	$1,013,661

Recommendation:

That the Committee recommend the Board of Directors:

- not enter into Amendment #2 to the Multi-Party Cost Share Agreement for LVE Planning,
- strongly urge the SFPUC to remain engaged in LVE as a means to increase water supply reliability and implement its Alternative Water Supply Initiative, which is an update to its 2016 WaterMAP effort, and
- support BAWSCA's continued participation in the development of LVE, to the extent possible, despite no longer being a LAP.

Discussion:

At the July 16, 2020 Board meeting, staff provided a comprehensive update on the status and upcoming actions for LVE because the current schedule requires BAWSCA to consider MPA Amendment #2 by the end of September 2020. Amendment #2 will determine whether BAWSCA remains in LVE as an LAP with fiscal obligations or withdraws from the project. Board discussion and sentiment at the July meeting on the subject of LVE indicated that the identified benefits from BAWSCA's continued participation in LVE do not support continued full agency participation given the outstanding questions about costs, access through the South Bay Aqueduct (SBA) and reliability of LVE water to meet BAWSCA's overall objectives. This sentiment is mirrored by the WMRs, which the Board has sought feedback from to help inform its decision.

While there is not overwhelming support among the member agencies specifically for BAWSCA's continued participation in LVE as an LAP, there is broad support for LVE as a regional supply project and recognition that the potential benefits are of interest to certain member agencies. For this reason, two options for BAWSCA's continued participation have been considered. First, the Board expressed interest at the July 16, 2020 Board meeting for a subscription program that would allow BAWSCA to remain engaged in LVE as an LAP on behalf of a small subset of interested member agencies – the premise being that only interested member agencies would pay for BAWSCA's participation. Second, BAWSCA could withdraw from the project as an LAP but support and work with the SFPUC as it continues participation in the development of LVE as part of its long-term water supply planning. BAWSCA's coordination with the SFPUC is consistent with past practice on other projects, and is consistent with the Water Supply Agreement (WSA).

Subscription Program: BAWSCA has extensive experience developing and managing subscription programs for various water conservation programs and, in theory, a similar model could be used for LVE. However, LVE is dissimilar to other subscription programs BAWSCA administers in several ways. Conservation subscription programs are developed with the understanding that there will be broad participation and that resources used to implement the suite of programs are relatively evenly spread among member agencies. Conversely, BAWSCA's participation in LVE as an LAP will require significant staff and legal support to the benefit of a few participating agencies. A subscription program for LVE would take several months to design as there are many outstanding questions, such as how decisions would be made and whether the entire Board would have voting authority, how costs would be allocated, whether other member agencies could join later after outstanding questions are resolved, to name a few. In addition, it is not clear that the interests of member agencies in LVE are consistent with the drought year supply benefits from LVE that BAWSCA has requested to date. With a decision on Amendment #2 needed by the end of September 2020, there is not enough time to resolve these issues. For these reasons, a subscription program is not feasible and not recommended.

Coordinate BAWSCA Participation with the SFPUC: The SFPUC is considering LVE as part of its necessary planning to meet its existing contractual and legal obligations to its Wholesale Customers, which include these two water supply needs: (1) increase reliability to meet Level of Service (LOS) goals and limit rationing to no more than 20% systemwide in dry years; and (2) provide supply that enables making San Jose and Santa Clara permanent customers. The SFPUC will likely remain engaged in LVE and has funding allocated to explore new water supplies in its 10-year Capital Improvement Plan. The SFPUC provides updates to the Commission and BAWSCA through Quarterly Alternative Water Supply Planning Reports.

The current draft Amendment #2 (Attachment 1) states that BAWSCA may participate in whole or in part, in the development of the Project, either as an LAP or through the SFPUC in the event that BAWSCA is no longer an LAP. BAWSCA is still in conversations with the SFPUC to finalize the specific language. Regardless of whether the Board chooses to enter into Amendment #2, the recommended action anticipates BAWSCA remaining engaged in LVE to meet the agency's core mission of ensuring the region's reliable supply of high-quality water at a fair price.

The SFPUC's Participation in LVE

BAWSCA strongly supports LVE and recommends that the SFPUC continue to pursue the water supply and storage benefits for several reasons. LVE has secured significant State and Federal grant funding to assist in overall project cost reduction. To date, the project partners have secured $453M in State grants and continues work to secure additional funding through Federal appropriations bills. The Final Environmental Impact Statement has been completed and the effects of the project are well understood. LVE has broad support among LAPs, local stakeholders, and environmental organizations. Once completed, LVE will provide new storage and water conveyance facilities within the greater Bay Area region, increasing overall regional reliability for emergency and other purposes. All of these factors have contributed to the tremendous amount of momentum behind the project. The current construction schedule will have all facilities built and online by 2030. This is considerably sooner than any other new water supply project currently being considered by the SFPUC.

The SFPUC's participation in LVE is an important project in the agency's efforts to meet its LOS goals, improve reliability and to potentially make San Jose and Santa Clara permanent customers. To that end, BAWSCA proposes to remain closely engaged in the LVE effort.

Amendment #2 Scope of Work

Amendment #2 extends the terms of the agreement through December 31, 2021 and provides funding to form the JPA that will govern the project, develop draft service agreements, make substantial progress on permits and agreements necessary to receive full funding from the

California Water Commission, and complete preliminary design on early implementation facilities. Attachment 2 provides the Amendment #2 draft Scope of Work.

Amendment #2 Costs
Attachment 3 details cost allocation depending on the number of agencies that enter into the Amendment. Invoices will be divided evenly and have been scheduled to ensure cash flow for critical path items. Should BAWSCA enter into Amendment #2, CCWD will submit an invoice for payment within 30 days. If agencies withdraw or join the MPA before the second, third or fourth invoice, costs will be redistributed and resolved in the future invoices.

South Bay Aqueduct
The SBA is required for BAWSCA and the SFPUC to take deliveries of LVE water. However, the SBA has deteriorated over time and significant repair work is needed. Valley Water has completed the SBA Capacity Study and is currently reviewing study findings with DWR. DWR owns and operates the SBA and retains final authority to determine whether there is available capacity to meet the SFPUC and BAWSCA needs. BAWSCA expects to receive a final copy of the SBA Capacity Study in advance of the September 17, 2020 Board meeting.

DWR is conducting a separate SBA Condition Assessment to determine what repair work is necessary to improve the overall condition of the SBA. This study is expected to conclude in September 2021. It is unclear if any preliminary information will be available from that study prior to the Board's decision, currently scheduled for the September 17, 2020 Board Meeting.

LVE Costs for BAWSCA for Potential Participation
BAWSCA provided the Board with cost estimates for various components necessary to access LVE water, including storage, wheeling and treating. These estimates were also shared with each of the relevant agencies with request to provide feedback on whether the estimates are within a reasonable ballpark. BAWSCA has not received additional feedback from those agencies since the July 16, 2020 Board meeting. It is anticipated that CCWD will provide clarification for cost information that can be shared at the September 17, 2020 Board meeting.

Alternatives to Recommended Action:

BAWSCA has examined three alternatives to the recommended action, all of which are discussed in detail above and summarized here:

1. Approve signing Amendment #2 and continue as a participating agency in LVE: This is not recommended given the uncertainty of costs, reliability, and overall benefits of LVE to meet BAWSCA's goals for this project.
2. Offer participation in LVE to interested member agencies on a subscription basis: This is not recommended given the significant staff, technical, and legal support necessary to offer this program to a small number of member agencies. In addition, it is uncertain that member agencies would be interested in participating in this manner given the overall costs.
3. Coordinate BAWSCA participation in LVE with the SFPUC: This alternative is included in the recommended action to enable ongoing participation by BAWSCA in LVE.

Background:

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. The original reservoir was completed in 1998. The first expansion of Los Vaqueros was completed in 2012, increasing storage capacity from 100 TAF to 160 TAF of water.

In 2016, CCWD reached out to other local water agencies, including the SFPUC and BAWSCA, to determine if there was interest in a portion of the new storage that would be created as part of LVE. Interested agencies were asked to enter into agreements formalizing their respective participation in studies and environmental documentation and to provide a financial contribution toward the cost of the associated work effort. For FY 2018-19 thru FY 2019-20, BAWSCA's cost share in LVE work was $354,129. Prior to 2018, BAWSCA was a participant with its cost share funded through the SF RWS costs paid by the Wholesale Customers to San Francisco pursuant to the WSA.

The potential partners in LVE initially included 14 "primary" water agency partners. The list has shortened over time as agencies have dropped out for various reasons. The current list of partners includes the Contra Costa Water District (CCWD), the Reservoir's owner and operator, and seven other current partner agencies, including East Bay Municipal Utility District, Grasslands Water District, SFPUC, San Luis Delta Mendota Water Authority, Santa Clara Valley Water Agency (Valley Water), and Zone 7 Water Agency.

BAWSCA's initial interest in LVE included both dry year supplies and increased normal year supplies for the member agencies that might want or need them, including San Jose and Santa Clara, who are not permanent SFPUC customers. Since then, BAWSCA's LVE Project interest shifted to dry year supplies as it became clear that additional normal year supplies were needed for only a limited number of agencies. Additional normal year supplies for those agencies would be pursued by those agencies with separate support from BAWSCA. Most recently, BAWSCA was evaluating LVE as a means to provide up to 10 thousand acre-feet (TAF) per year of water supply in dry years that would be in addition to what is provided via the SF RWS and thus would reduce drought cutbacks to the member agencies. Participation in LVE studies was a key recommended action identified in BAWSCA's Long-Term Reliable Water Supply Strategy.

Member agencies have historically expressed interest in identifying new water supplies to offset water shortfalls from the SF RWS during dry years. However, in the worst year of the most recent drought (2015), BAWSCA's member agencies reduced overall water use by 27% below 2013 demand levels. Due to that experience, coupled with their increased emphasis on water conservation overall, member agencies have expressed less concern about their individual communities and water customers' ability to achieve necessary cutbacks.

Critical information regarding the cost and reliability of the project remains unknown and some information will not be available in advance of the critical decision points. Five main categories with critical information pieces that remain unknown were detailed in the July 16, 2020 Board meeting. These included: (1) BAWSCA's water supply needs; (2) potential water supply benefits to BAWSCA from LVE project; (3) member agency interest in additional dry year supply; (4) SBA reliability considerations; and (5) costs to access stored water in LVE.

Attachments:

1. Amendment No. 2 Multi-Party Agreement DRAFT
2. Amendment No. 2 - Exhibit A2 - Scope of Work Multiparty Amendment DRAFT
3. Amendment No. 2 - Exhibit B2 - Budget Cost Share for Multiparty Amendment DRAFT

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Amendment No. 2 to the
Cost Share Agreement for
Los Vaqueros Reservoir Expansion Project Planning

The Cost Share Agreement for Los Vaqueros Reservoir Expansion Project Planning between Contra Costa Water District (CCWD) and Alameda County Flood Control and Water Conservation District, Zone 7 (Zone 7); Alameda County Water District (ACWD); Bay Area Water Supply & Conservation Agency (BAWSCA); East Bay Municipal Utility District (EBMUD); Grassland Water District (GWD); San Francisco Public Utilities Commission (SFPUC); San Luis & Delta-Mendota Water Authority (SLDMWA); and Santa Clara Valley Water District (Valley Water) (collectively, "Local Agency Partners"), dated April 30, 2019 and amended on June 22, 2020 (referred to hereafter as the "Agreement"), shall hereby be amended by this Amendment No. 2. The Agreement, together with Amendment No. 1 and this Amendment No. 2, may be referenced hereafter as the "Agreement as amended".

<u>RECITALS</u>

WHEREAS, Contra Costa Water District and the Local Agency Partners (collectively, "Parties") entered into the Agreement dated April 30, 2019, to provide for the cost-sharing of the funding requirements for the planning of the Los Vaqueros Reservoir Expansion Project ("Project"); and

WHEREAS, pursuant to Sections 5 and 17 of the Agreement, the Agreement was amended on June 22, 2020 to extend the term of the Agreement to December 31, 2020; and

WHEREAS**,** on April 30, 2020 CCWD and the City of Brentwood entered into a Memorandum of Understanding (Brentwood/CCWD MOU) regarding the City's potential service form Los Vaqueros and CCWD is participating in coordination with and on behalf of the City of Brentwood through the Brentwood/CCWD MOU; and

WHEREAS, on April 29, 2019 CCWD and ACWD entered into a letter agreement to procure services to complete the independent review of the proposed usage fees developed by CCWD and EBMUD; and

WHEREAS, ACWD entered into a contract with Bartle Wells Associates to complete the independent review of the proposed usage fees;

WHERAS, on December 30, 2019 Bartle Wells Associates provided the Parties with the final report of the evaluation of the proposed usage fees; and

WHEREAS, on May 13, 2020 CCWD's Board of Directors approved the Project and certified the Final Supplement to the Final Environmental Impact Statement/ Environmental Impact Report; and

WHEREAS, on May 22, 2020 the Notice of Determination for the Los Vaqueros Reservoir Expansion Project was filed with the state clearinghouse; and

WHEREAS, the Final Federal Feasibility Report has been completed by Reclamation; and

WHEREAS, the 2020 federal budget included $2.155 million to fund Reclamation's work to advance pre-construction activities for the Project; and

WHEREAS, a legal workgroup was formed consisting of counsel from each of the Parties; the legal workgroup unanimously selected Joint Powers Authority (JPA) Formation Counsel; and

WHEREAS, on May 18, 2020 the first draft of the Joint Exercise of Powers Agreement was provided to the legal workgroup; and

WHEREAS, draft biological assessments were provided to Reclamation to support re-initiation of consultation with U.S. Fish and Wildlife Service and National Marine Fisheries Service under Section 7 of the Endangered Species Act; and

WHEREAS, on May 21, 2020 the Technical Review Board and representatives from the Division of Safety of Dams reviewed the 50% design of the Los Vaqueros dam raise; and

WHEREAS, on May 26, 2016 CCWD entered into a funding agreement with the California Department of Water Resources (DWR) for the Canal Replacement Project and amended that agreement to fund preliminary design evaluations of Pumping Plant No. 1 Replacement; and

WHEREAS, CCWD competitively selected an engineering consultant and entered into a professional services agreement to prepare preliminary design evaluations of Pumping Plant No. 1 Replacement in support of permitting efforts; and

WHEREAS, CCWD and the South Bay Aqueduct Contractors, that currently hold contracts with DWR for supply from the State Water Project and conveyance of these supplies through the South Bay Aqueduct, have initiated discussions with DWR to address potential changes to water rights, Delta operations, and other agreements necessary to implement the Project; and

WHEREAS, the South Bay Aqueduct is currently a critical conveyance facility for the South Bay Aqueduct Contractors and has been proposed as the primary conveyance facility for delivering supplies from the Project to BAWSCA's and the SFPUC's Service Areas; and

WHEREAS, DWR is conducting a condition assessment of the South Bay Aqueduct in coordination with the South Bay Aqueduct Contractors; and

WHEREAS, the South Bay Aqueduct Contractors have procured a consultant to evaluate potential capacity in the South Bay Aqueduct available for BAWSCA and the SFPUC; and

WHEREAS, DWR, as the owner and operator of the South Bay Aqueduct, has the authority to approve the conveyance of non-State Water Project water supplies through the South Bay Aqueduct for use by BAWSCA and the SFPUC; and

WHEREAS, time is of the essence in terms of the completion of both the South Bay Aqueduct condition assessment and capacity study and the development of additional agreements with DWR as necessary in order for the South Bay Aqueduct Contractors, BAWSCA, and the SFPUC to be provided with the necessary information and assurances to further evaluate the benefits and costs of participation in the Project; and

WHEREAS, the California Water Commission (CWC) and CCWD have amended the Early Funding Agreement to increase the cap on State reimbursements from $13.65 million to $22.95 million;

WHEREAS, Parties have paid a total of $2,833,036 to date in addition to in-kind services to support work in the Agreement; and

WHEREAS, the Parties wish to again amend the Agreement to further extend the term and to fund additional planning activities necessary to proceed to a final award hearing and secure a final funding award from the CWC; and

NOW, THEREFORE, the Parties agree that the above recitals are incorporated in and made part of the Agreement, and, pursuant to Section 17 of the Agreement, do hereby amend the Agreement as amended as follows:

1. Section 1 (Purpose)
   In addition to purposes a through h, as provided for in the Agreement, the following purposes and additional paragraphs shall be included in the Agreement as amended.

   i) permits, approvals, certifications, and agreements as required by the CWC to proceed to a final award hearing and secure a final funding award;
   j) design of the Los Vaqueros dam to the 90% level and advancement of design work on other Project facilities; and
   k) draft service agreements;

   Purposes a and b, as provided for in the Agreement, have been achieved and do not require additional funding.

   Work to achieve Purposes c, d, e, f, g, h, i, j, and k will be advanced under the Agreement as amended. Work completed by the Consultant Team and CCWD staff to achieve these Purposes will be partially funded by this Amendment No. 2 to the Agreement.

   A detailed scope of work and budget for activities funded by this Amendment No.2 are included in Exhibit A-2 and Exhibit B-2, respectively, which are attached hereto and incorporated herein as if fully set forth in this Amendment No. 2 to the Agreement.

2. Section 2 (Roles & Responsibilities)
   In addition to the existing roles and responsibilities described in the Agreement, the following additional roles and responsibilities shall be included the Agreement as amended.

   2.1 Contra Costa Water District Responsibilities
   a-l) as described in the Agreement; and
   m) will submit permits applications for construction and operations of Project facilities including but not limited to: Transfer-Bethany Pipeline, Los Vaqueros Dam Raise,

Pumping Plant No. 1 Replacement, Neroly Highlift Pump Station, Transfer Facility, Delta-Transfer Pipeline; and

n) will advance the design of Project facilities including but not limited to Los Vaqueros Dam Raise, Pumping Plant No. 1 Replacement, Transfer-Bethany Pipeline, and Neroly Highlift Pump Station; and
o) will enter into coordinated operations agreements with Reclamation and DWR; and
p) will file change petitions as appropriate on water rights held by CCWD, if deemed necessary and appropriate; and
q) will work cooperatively with DWR and Reclamation to modify their water rights to the extent necessary; and
r) will execute contracts for administration of public benefits with the California Department of Fish and Wildlife (CDFW) and DWR; and
s) will enter into a cost share agreement with Reclamation; and
t) will work cooperatively with the South Bay Aqueduct Contractors to secure conveyance agreements with DWR to convey water from the Project through the South Bay Aqueduct; and
u) will work cooperatively with EBMUD to develop and execute a Memorandum of Understanding for the potential provision of water during Project construction; and
v) will complete an operational risk and reliability assessment; and
w) will enter into an agreement with the City of Brentwood to continue its participation in the development of the Project; coordinate with Brentwood and seek their timely input, review and feedback as described in this Agreement; and provide for Brentwood's participation in negotiations, meetings, conference calls, webinars, and committees. No other party will object to such participation.

2.2 East Bay Municipal Utility District Responsibilities

a-k) as described in the Agreement; and
l) will obtain permits for facilities that will be funded in part by the CWC (Walnut Creek VFD, Mokelumne Relining); and
m) will work cooperatively with CCWD to develop and execute a Memorandum of Understanding for the potential provision of water during Project construction; and
n) will file change petitions on water rights held by EBMUD if deemed necessary and appropriate by EBMUD.

2.6 South Bay Aqueduct Contractors Responsibilities

a-d) as described in the Agreement; and
e) will work cooperatively with CCWD to secure conveyance agreements with DWR to convey water from the Project through the South Bay Aqueduct; and
f) will provide results of the South Bay Aqueduct condition assessment and capacity study to BAWSCA and the SFPUC.

2.8 Joint responsibilities

a-b) as described in the Agreement; and
c) CCWD and all Local Agency Partners will work cooperatively to secure federal funding.

The following Section 2.9 shall be added in its entirety to Section 2 of the Agreement as amended:

Under revision by BAWSCA and SFPUC

2.9. San Francisco Public Utilities Commission Responsibilities

In addition to the joint responsibilities and the responsibilities of a Local Agency Partner, the SFPUC, may:

a) coordinate with BAWSCA and seek its timely input, review and feedback as described in this Agreement.

b) enter into a separate agreement with BAWSCA to formalize its participation in coordination with the SFPUC in the further development of the Project.

c) Both the SFPUC and BAWSCA can provide for BAWSCA's participation, in whole or in part in the development of the Project. Participation may include but is not limited to participating in negotiations, meetings, conference calls, webinars, and committees. No other party will object to such participation.

3. Section 3 (Cost & Payment)
Shall be amended such that the following terms shall, as applicable, supplement and/or supersede the corresponding terms in the Agreement in their entirety.

Funds previously provided under the Agreement have been nearly expended. The cost and payment are intended to provide sufficient funding for advancing the completion of the additional Scope of Work as provided for in Exhibit A-2 and Budget provided for in Exhibit B-2.

a) Total costs to fund work hereunder are identified in Exhibit B-2. The CCWD and Local Agency Partners' collective total share of the cost shall not exceed $6,081,967 ("Total Cost Share").

b) Notwithstanding anything to the contrary in the Agreement, CCWD and the Local Agency Partners, excluding GWD, shall be responsible for providing the Total Cost Share in accordance with Exhibit B-2. Timing and quantity of payment for each Local Agency Partner shall not vary from what is put forth in Exhibit B-2 unless CCWD and the Local Agency Partners voluntarily agree to modifications pursuant to Sections 3(d)(iii) and 17 of the Agreement. The Total Cost Share described herein is exclusive of any joint defense or litigation cost share amounts which may be determined in a subsequent written agreement entered into pursuant to Section 9 of the Agreement.

c) The SFPUC's payments as a Local Agency Partner are subject to the fiscal provisions of the San Francisco charter and the budget decisions of its Mayor and Board of Supervisors. No SFPUC funds will be available hereunder until prior written authorization certified by the City's Controller. The Controller cannot authorize payments unless funds have been certified as available in the budget or in a supplemental appropriation. This Agreement shall automatically terminate, without liability to the City, if funds are not properly appropriated by the Mayor and Board of Supervisors or certified by the Controller. The SFPUC's obligations hereunder shall never exceed the amount certified by the Controller for the purpose and period stated in such certification. The SFPUC, its employees and officers are not authorized to request services that are beyond the scope of those expressly described herein, unless a written amendment is approved as required by law.

d) CCWD and the Local Agency Partners will split the Total Cost Share equally over four payments. CCWD will invoice each of the Local Agency Partners for its share of the Total Cost Share detailed in Exhibit B-2.

(i) Four invoices are anticipated according schedule to the list below:

1. Upon execution
2. November 1, 2020
3. March 1, 2021
4. July 1, 2021

(ii) Payment from the Local Agency Partners shall be remitted within thirty (30) days after invoice submittal.

(iii) Funds contributed by the Local Agency Partners shall be committed by CCWD and expended only for work required to further the Purposes of this Agreement.

(iv) If a sufficient number of Parties withdraw before the second, third, or fourth invoice such that the Local Agency Partners' cost shares exceed $1,013,661, each remaining Local Agency Partner, at its sole discretion consistent with Section 3.b of this Agreement, shall determine whether to withdraw from the Agreement. CCWD and the Local Agency Partners who do not choose to withdraw will work together to develop an amendment that substantially conforms to this Agreement. If no mutually agreeable amendment can be developed, the remaining Parties will terminate this Agreement.

(v) If a new Local Agency Partner is added, consistent with Section 12 of this Agreement, before the second invoice, the second invoice for each Local Agency Partner will be adjusted to reflect the cost share of the new partner and the total number of Local Agency Partners.

(vi) If funds remain after work under this Agreement is completed, each Local Agency Partner will determine whether its pro-rata share of the remaining funds shall be returned or contributed to future work consistent with Section 7 of this Agreement. Each Local Agency Partner shall advise CCWD of its determination within 60 days of receiving notice from CCWD of the completion of the work, or the remaining funds shall automatically be contributed towards future work.

(vii) In-kind services may include labor costs and overhead costs for staff who are providing in-kind services for Project activities under this Agreement, including but not limited to data collection, document review, communications, stakeholder outreach, management of third-party consultant contracts, and attending Project meetings. In-kind services will contribute toward the non-State funding match required by the Early Funding Agreement, as it may be amended from time to time. In-kind services, pursuant to Section 2.7(d) of this Agreement, are contributed at the discretion of each Local Agency Partner with no minimum or maximum in-kind contribution limits.

5. Section 5 (Term)

Shall be amended such that the following term shall supersede and replace the corresponding term in the Agreement in its entirety:

This Agreement shall be effective as of the date first written above and shall terminate on the earlier of the completion of the work contemplated herein or December 31, 2021, unless the Term is modified consistent with Section 17 of this Agreement.

8. Section 10 (Early Funding Agreement)

Shall be amended such that the following term shall supersede and replace the corresponding term in the Agreement in its entirety:

Early funding, in the amount of $13.65 million, which is equal to fifty percent of the estimated total planning and permitting costs, was approved by the California Water Commission on July 24, 2018. The Early Funding Agreement was amended on ##, 2020 to increase the total funding available from the California Water Commission from $13.65 million to $22.95 million. The Amendment to the Early Funding Agreement, which is attached hereto in Exhibit E-2, requires a fifty percent (50%) funding match from non-State entities ("Non-Program Cost Share"). The Local Agency Partners hereby agree to cooperate in good faith with CCWD to reasonably assist CCWD in its compliance with the Early Funding Agreement. Without limiting the generality of the foregoing, each Local Agency Partner agrees to provide information and access to records in all forms as may be necessary to facilitate CCWD's compliance with all reporting and audit requirements of the Early Funding Agreement, including but not limited to information necessary to adequately document the Non-Program Cost Share.

9. Section 11 (Federal Funding)

Shall be amended such that the following term shall supersede and replace the corresponding term in the Agreement in its entirety:

Federal appropriations in Federal Fiscal Year 2020 allocated $2.155 million to Reclamation to complete pre-construction activities for the Project. Reclamation recommended $7.845 million for the Project in Federal Fiscal Year 2021. With support from the Local Agency Partners, CCWD is seeking a total of $223 million in federal funding for design, pre-construction, and construction activities through the Water Infrastructure Improvements for the Nation (WIIN) Act or other federal legislation. If federal funding for the Project is appropriated by Congress, Reclamation would receive the requested funding and the funds would support Reclamation's staff and consultant team and the federal permitting process. Reclamation and the CCWD may enter into a funding agreement that would provide funding to CCWD for staff and consultants to complete design and pre-construction activities. Some portion of the federal funds may be directly applied to the scope of work contained in Exhibit A-2. The federal funds could be credited towards any Non-Program Cost Share as required in the Early Funding Agreement as described in Section 10 of this Agreement.

Effective date of Amendment No. 2.

Amendment No. 2, including the financial contribution provisions herein, shall be effective as to CCWD and each Local Agency Partner as of the date of signature by CCWD and each subsequent Local Agency Partner signatory.

This Amendment No. 2 may be executed in counterparts, each of which shall be deemed an original but all of which taken together shall constitute on and the same Amendment No. 2.

Robert Shaver, General Manager Alameda County Water District	Date
Nicole Sandkulla, CEO / General Manager Bay Area Water Supply and Conservation Agency	Date
Stephen J. Welch, General Manager Contra Costa Water District	Date
Clifford Chan, General Manager East Bay Municipal Utility District	Date
Ric Ortega, General Manager Grassland Water District	Date
Harlan L. Kelly, Jr., General Manager San Francisco Public Utilities Commission	Date
Federico Barajas, Executive Director San Luis & Delta-Mendota Water Authority	Date
Rick Callender, Chief Executive Officer Santa Clara Valley Water District	Date
Valerie Pryor, General Manager Zone 7 Water Agency	Date

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Draft Exhibit A-2

Amendment No. 2 Scope of Work

The following tasks describe the work efforts by Contra Costa Water District (CCWD), consultants for the Los Vaqueros Reservoir Expansion (LVE) Project, and the Local Agency Partners (as indicated) under this Amendment No. 2 to the Agreement. References to work efforts by Reclamation are described as appropriate to describe joint work efforts, but are not intended to imply that Reclamation is a party to this Amendment. CCWD will be supported by the consultant and legal services team that are under contract to CCWD and managed by CCWD.

Task 1 Project Management

Task 1.1 CWC Early Funding Agreement Administration

Administer the Early Funding Agreement executed by CCWD and the California Water Commission (CWC), including meeting reporting and invoicing requirements of the Agreement, coordinating with CWC staff as needed to respond to questions and data requests, and managing cost commitments. Provide financial statements and other supporting documentation as requested by the CWC staff pertaining to the Early Funding Agreement.

Pursuant to the Early Funding Agreement, prepare quarterly progress reports detailing work completed in prior quarter in accordance with Water Storage Investment Program (WSIP) requirements. Progress reports will explain the status of the Project and will include the following information: summary of the work completed for the project during the reporting period; activities and milestones achieved; and accomplishments and any problems encountered in the performance of work.

Prepare monthly invoices meeting the invoice content terms of the Early Funding Agreement, including relevant supporting documentation for submittal to the CWC and Reclamation. Coordinate with consultants and Local Agency Partners to prepare and submit sufficient backup documentation to support claimed costs.

Deliverables:

- Invoices and associated backup documentation
- Quarterly Progress Reports (for CWC and Reclamation)

Task 1.2 Project Management Activities

This task includes project management activities performed by CCWD, local agency partners, consultants, and other agencies related to, but not limited to, managing staff, invoicing, budgeting, scheduling, reviewing submittals, meetings and conference calls, and coordinating project activities that are within the objectives of the Project and of this Agreement.

Deliverables:

- Summary updates on project management activities in Quarterly Progress Reports

Task 1.3 Joint Powers Authority Formation

Selection of legal counsel to assist the Local Agency Partners and CCWD in forming a Joint Powers Authority (JPA) was completed previously. Legal counsel will assist in implementing JPA formation through development of a joint powers agreement.

Develop Project term sheet to identify roles of the JPA and Local Agency Partners, as well as outline major terms of existing agreements amongst CCWD and the Local Agency Partners. Based on the Project term sheet, engage special counsel to develop a joint powers agreement. Conduct meetings and workshops as necessary with Local Agency Partners to negotiate terms.

Legal counsel will work with the legal workgroup to develop draft service agreements.

Deliverables:

- Joint selection of special counsel (completed)
- JPA Agreement (in progress)
- Term sheet (in progress)
- Draft services agreements

Task 2 Environmental Planning

Task 2.1 Modeling

Modeling tasks to support preparation of the Final Supplement to the Final EIS/EIR were completed previously. Develop new or modify existing modeling tools so that operations or limitations of the governance structure of the JPA can be evaluated in terms of benefits to partners. Refine the model to track terms and requirements of various water rights. Re-build or refine the Los Vaqueros daily operations model to accommodate partner operations, which may serve as a tracking tool in the future for permit reporting, billing, scheduling deliveries, etc.

Deliverables:

- Revised CalSim Model
- Summaries of modeling results

Task 2.2 Public Outreach

Perform outreach activities to educate and inform the media, elected officials, CCWD ratepayers, communities in the Los Vaqueros area, environmental organizations, and regional and statewide interests about the purpose, objectives, and results of the technical studies.

Respond to routine stakeholder comments. Post responses as appropriate to the CCWD hosted project website at ccwater.com or share with stakeholders in informal meetings.

A public meeting was previously held in Concord to support the CCWD Board of Directors' certification of the Final Supplement, approval of a project, and adoption of CEQA Findings and MMRP.

Deliverables:

- Stakeholder and public involvement program
- Documentation of outreach activities
- Public meeting(s) for Final Supplement to the Final EIS/EIR (completed)
- Public meetings to support Record of Decision if necessary

<u>Task 2.3 Environmental Document and Technical Studies</u>

The U.S. Department of the Interior, Bureau of Reclamation, Region 10 – California-Great Basin (Reclamation) is the lead agency under the National Environmental Policy Act (NEPA) for preparation of the EIS and, in conjunction with CCWD, the lead agency under CEQA. Reclamation and CCWD previously prepared a joint Final EIS/EIR in March 2010 and CCWD completed construction of the first phase of reservoir expansion from 100,000 acre-feet (100 TAF) to 160 TAF in 2012. Reclamation and CCWD previously prepared a joint Supplement to the Final EIS/EIR document to support the second phase of reservoir expansion up to 275 TAF.

The development of the Supplement to the Final EIS/EIR, including the completion of the necessary technical studies in support of this effort culminating with issuance of the Supplement, were previously completed. The studies and data produced adhered to the federal planning and NEPA guidelines, CEQA guidelines, and WSIP guidance. Technical studies were conducted in accordance with the alternatives identified in the Draft Supplement.

All agency meetings and technical workgroup meetings required to support the environmental document and studies are described in Task 1.2 and Task 2.2.

(2.3.1) Post-Draft Supplement Technical Studies and Surveys

This task has been completed.

(2.3.2) Transfer-Bethany Pipeline Alternative Location Evaluation

This task has been completed.

(2.3.3) Final Supplement to the Final EIS/EIR

This task has been completed.

(2.3.4) CEQA Findings and Mitigation Monitoring and Reporting Plan

This task has been completed.

(2.3.5) Record of Decision

It is anticipated that Reclamation will issue a Record of Decision on the Project during the term of this Amendment. CCWD will provide support to Reclamation with any necessary reporting, public meetings, briefings, white papers, and/or presentations.

Deliverables:

- Record of Decision

Task 2.4 Regulatory Permitting

Prepare documentation of environmental regulatory compliance including the Clean Water Act (CWA) Section 404(b)(1), CWA Section 401, the Federal Endangered Species Act (Section 7), the California Endangered Species Act, Section 1602 of the California Fish and Game Code, the National Historic Preservation Act (NHPA Section 106), and the Fish and Wildlife Coordination Act (FWCA). When possible or beneficial, obtain amendments to existing permits and excess compensation land acquired/managed during the Phase 1 expansion. If not possible to amend existing permits, seek new permits. Coordinate with regulatory agencies to confirm when amendments will be appropriate. In support of this task, several key work efforts (described below) will be completed.

Conduct reconnaissance-level biological field surveys of any new project areas (if any) to identify the potential for the presence of sensitive biological resources. Conduct a desktop analysis including a database search of the California Natural Diversity Data Base (CNDDB), California Native Plants Society's Inventory of Rare and Endangered Plants, USFWS species lists, and NMFS species lists in order to determine the potential occurrence of special-status plants, animals, and vegetation communities. Conduct site-specific biotic assessments to identify biological resources that are present or have a high likelihood to occur in the study area, and to assess the likely impacts associated with construction and/or long-term operations of the proposed project on biological resources. The results of the reconnaissance survey and analysis will be used to inform the CEQA/NEPA documentation, regulatory permitting documents, and resource agency review.

Prepare the regulatory permit applications for the proposed project. Attend meetings with regulatory agencies. Develop supporting technical reports, as needed, to support preparation of proposed permit applications. Permit applications and supporting documents to be prepared in support of the project may include: Biological Assessment for Federal Endangered Species Act compliance and Magnuson Stevens Fisheries Conservation and Management Act compliance; Clean Water Act Section 404/Section 10 Individual Permit Application; Clean Water Act Section 401 Clean Water Act Water Quality Certification Application; California Fish and Game Code Section 1602 Streambed Alteration Agreement Application; Section 2081 California Endangered Species Act Incidental Take Permit Application; Fish and Wildlife Coordination Act Report; National Historic Preservation Act Section 106 compliance; and Aquatic Resources Delineation.

Deliverables:

- Rare plant surveys and report of results (completed)
- Wetland delineation and mapping, report of results (completed)
- Administrative Draft Supplement to the Final EIS/EIR (completed)
- Final Supplement to the Final EIS/EIR (completed)
- Draft CEQA Findings and MMRP (completed)
- Final CEQA Findings and MMRP (completed)
- Permit applications and supporting technical reports, as applicable

<u>Task 2.5 Water Rights Permitting</u>

Coordinate with Reclamation, the Department of Water Resources (DWR), Local Agency Partners, and the State Water Resources Control Board (State Board) regarding changes to existing water rights. Prepare petitions for change for CCWD's water right permit and assist Reclamation, DWR, and Local Agency Partners with preparation of change petitions as required. File petitions with the State Board, assist State Board staff with drafting orders and permit amendments as required, respond to any protests that may be filed and seek resolution of those protests, prepare for and participate in hearings as required.

Deliverables:

- Change petition on CCWD water right
- Change petition on CVP water rights
- Change petition on DWR water rights
- Change petition on Local Agency Partners' water rights as required

<u>Task 2.6 Land Transactions</u>

Identify and contact the landowners of parcels that will be surveyed for Task 2.3.1, Task 2.3.2. Acquire the appropriate land rights to gain access to the properties. Identify potential mitigation lands as needed for Task 2.4. Determine preliminary appraisal value of potential mitigation lands. Initiate discussions to obtain right-of-way for Transfer-Bethany Pipeline. Acquire options to acquire mitigation lands with the concurrence of the Local Agency Partners.

Deliverables:

- Entry permits and temporary easements on properties needed for technical surveys
- Identification and preliminary appraisal of potential mitigation sites
- Discussions regarding right-of-way for Transfer-Bethany Pipeline

<u>Task 2.7 Final Award Hearing Requirements</u>

A series of agreements will be needed to meet the final award hearing requirements of the California Water Commission. Progress on a number of agreements will commence during the term of this amendment. The agreements necessary to get to the final award hearing may include but are not limited to: operations coordination agreements with Reclamation and the Department of Water

Resources; conveyance agreements with DWR to convey water from the Project through the California Aqueduct and the South Bay Aqueduct; contracts for administration of public benefits; a cost share agreement with Reclamation for pre-construction activities; agreement with DWR for the design and construction of the Transfer-Bethany Pipeline connecting to SWP facilities; agreement with the JPA for design and construction of Project conveyance facilities and the expanded Los Vaqueros Reservoir dam; agreement between CCWD and EMBUD for provision of emergency water supplies during construction.

Deliverables:

- Operations coordination agreement(s) with Reclamation and DWR
- Conveyance agreement(s) with DWR
- Contracts for administration of public benefits
- Cost-share agreement with Reclamation
- Design and construction agreement with DWR
- Design and construction agreement with the JPA
- Emergency water supply during construction agreement with EBMUD

Task 3 Engineering Feasibility

Task 3.1 Financial Evaluation

Perform a financial evaluation that will assess the costs and merits of the Project.

Clean Energy Capital will further develop an excel-based Proforma Financial Model for the Project that incorporates water pricing options and integration with CalSim model. Perform stakeholder meetings and workshops; collect and review stakeholder and local partner comments and inputs to the model. Refine model as additional information arises that may affect the local agency partners, operations, water pricing, or other financial components of the Project. Clean Energy Capital will work directly with Local Agency Partners, as needed, to support each agency's understanding and familiarity with the financial evaluation.

ACWD will retain Bartle Wells Associates, an independent financial consultant, to further support evaluation of the usage fees CCWD and EBMUD have developed for use of their assets and infrastructure. Clean Energy Capital will also be available to support the independent financial review of the usage fees.

Create a Plan of Finance describing the proposed financing structure and assumptions for financing the Project. The Plan of Finance will take into consideration appropriate debt structures, timing, impact on rates, budgeting, credit ratings, tax laws, availability of grants and other State and Federal funding, and assessment of capital market conditions. Evaluate the funding capabilities of a JPA and associated contractual requirements for partners receiving and paying for services.

Deliverables:

- Updated Proforma Financial Model
- Further support for evaluation of Refined Usage Fees (as required)

- Plan of Finance

Task 3.2 Federal Feasibility Study

The Final Federal Feasibility Report was completed in 2020, however it has not been published yet. The Secretary of the Interior and/or Congress may continue to evaluate federal participation in the Project throughout the term of this Amendment.

Additional work may be necessary to secure federal support for the Project and future congressional budget appropriations. CCWD and Local Agency Partners will also provide support to Reclamation with any post-feasibility report requirements as needed.

Deliverables:

- Final Federal Feasibility Study (completed)
- Updated fact sheets for meetings with elected officials
- Updated federal funding and budget requests
- Post-feasibility report support

Task 3.3 Preliminary Design

(3.3.1) Pumping Plant No. 1

Preliminary design technical evaluations are being completed by CCWD as part of CCWD's Canal Replacement Project. Following completion of preliminary design, additional design development and evaluations must be completed in support of permitting and developing inter-agency agreements, including field work, site facility layouts, and development of electrical design sufficient for coordination with the Western Area Power Administration (WAPA) and other design development in order to maintain progress to allow construction consistent with the Project schedule.

Deliverables:

- Pumping Plant No. 1 Preliminary Design Report
- Facility layout drawings
- Electrical System Improvements Plans
- Principles of Agreement with WAPA

(3.3.2) Los Vaqueros Dam

This task includes work efforts related to design of the Los Vaqueros Dam expansion to gain Division of Safety of Dams (DSOD) authorization to construct. Design-related tasks may include, but are not limited to, reporting, investigations, testing, analysis, and surveys; geotechnical investigations and reporting; stability and deformation analysis; design of earthquake ground motions and parameters, spillway, outlet works, new emergency release outlet, tunnel/portal, transfer pipeline connection, and dam instrumentation; constructability review, value engineering, risk analysis, and feasibility studies; DSOD meetings and correspondence; and design of site restoration for the core borrow area. This task includes formation of a Technical Review Board for independent review of the dam consultant's work in accordance with DSOD guidelines.

Deliverables:

- LV Dam 50% (completed), 90% Final Drawings and Specifications
- LV Dam 50% (completed), 90% Final Cost Estimate/Schedule

(3.3.3) Transfer-Bethany Pipeline

CCWD will competitively procure an engineering consultant to continue pipeline alignment evaluations resulting from continued coordination with local resource and transportation agencies. CCWD will work with Contra Costa County Public Works and the Contra Costa Transportation Authority and their ongoing regional transportation planning for the Vasco Road widening and the State Route 239 Connector and will evaluate alignment adjustments as needed. CCWD will work with resource agencies to evaluate implications of alignment modifications and construction methods and associated mitigation and land needs along the alignment south of Vasco road in support of coordination with the East Contra Costa Habitat Conservation Plan and the County. CCWD will coordinate with the Department of Water Resources to review and define design criteria and to develop designs of the turn-in to the California Aqueduct, and will review available geotechnical information and define pipeline corridor within State owned lands. Topographic survey will be completed with up-to-date aerial photography. Preliminary design of the pipeline and turn-in will be developed. CCWD will prepare a geotechnical work plan and initial assessment of land acquisition needs.

Deliverables:

- Alignment Adjustment Evaluations TM
- Transfer-Bethany Pipeline Preliminary Design Report
- Topographic Survey
- Geotechnical Work Plan
- Assessment of Pipeline Land Acquisition Need

(3.3.4) Operation and Reliability Assessment

Complete a risk assessment of CCWD's existing and planned facilities and their operation as a system to confirm appropriate criteria are developed for reliability, redundancy and viability of long-term operations to meet the Project objectives. The assessment will consider the range of operations and future scenarios that consider planned and unplanned shutdowns and other events that might affect performance of the system and the economic implications.

Deliverables:

- CCWD facilities and system operation risk assessment

Draft Exhibit B-2

Budget and Cost Share

The budget for Amendment No. 2 to the Agreement covers three major tasks: project management, environmental planning, and engineering feasibility. The total budget includes projected costs for legal and consulting services, CCWD staff in-kind services, Local Agency Partner in-kind services, and Reclamation expenses. The total cost for the scope of work listed in Exhibit A-2 is $17,832,667 (original MPA total $11,623,400) and is shown in Table 1.

Table 1. Amendment No. 2 to the Multiparty Agreement (MPA) Budget

Task No.	Description	Original MPA	Amendment No. 2	Total
1	Project Management	$1,090,600	$2,302,400	$3,393,000
2	Environmental Planning	$3,777,400	$5,368,967	$9,146,367
3	Engineering Feasibility	$6,755,400	$10,161,300	$16,916,700
	Total	$11,623,400	$17,832,667	$29,456,067

The total cost to complete the scope of work, $17,832,667 will be paid through a combination of in-kind services, contributions from Reclamation (pursuant to 2015 Cost Share Memorandum of Understanding between Reclamation and CCWD), reimbursement from the California Water Commission (CWC), and contributions from CCWD and the Local Agency Partners.

To calculate the amount owed by CCWD and the Local Agency Partners, the total cost is reduced by contribution from the CWC, Reclamation, CCWD in-kind services funded by CCWD, the Local Agency Partner's in-kind services, and the projected carryover of unspent funds from the original MPA. The CWC contribution includes fifty percent (50%) of the total cost, less 10% retention; the total CWC contribution therefore is estimated to be $8,024,700.

The costs remaining after accounting for contributions from CWC, Reclamation, CCWD in-kind services, and Local Agency Partner in-kind services is $6,081,967 as shown in Table 2. This is equal to the Total Cost share defined in Section 3(a) of the Agreement as amended and will be split equally among CCWD and the Local Agency Partners, excluding Grassland Water District which will provide in-kind services only. The ultimate cost per agency depends on the total number of Local Agency Partners that proceed and execute this Amendment. Four equal invoices are proposed over the amended term of the Agreement for CCWD and each Local Agency Partner. Table 3 shows the invoice schedule and the total costs per agency varying by the total number of agencies participating.

Table 2. Amendment No. 2 to the Multiparty Agreement Cost Allocation

Total Projected Costs	$17,832,667
less Reclamation Cost	-$2,155,000
less CCWD in-kind services (portion funded by CCWD)	-$441,000
less partner in-kind services	-$980,000
less projected carryover of unspent funds from original MPA	-$150,000
less projected CWC Invoice payments	-$8,024,700
Remaining Cost Required from Local Agency Partners & CCWD	**$6,081,967**

Table 3. Invoice schedule where each invoice equals 25 percent of total costs per agency

		Invoice #1	Invoice #2	Invoice #3	Invoice #4
	Total Cost Per Agency	**Upon Execution**	**November 2020**	**March 2021**	**July 2021**
8 Agencies	**$760,246**	$190,061	$190,061	$190,061	$190,061
7 Agencies	**$868,852**	$217,213	$217,213	$217,213	$217,213
6 Agencies	**$1,013,661**	$253,415	$253,415	$253,415	$253,415

DRAFT

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: August 7, 2020

SUBJECT: Chief Executive Officer/General Manager's Letter

Water Resilience Portfolio:

In late July, Governor Newsom released the final version of the Water Resilience Portfolio. The Portfolio identifies over 140 state actions to prepare for California's water needs in the future which is in reference to Executive Order N-10-19. Implementation of the state actions will be dependent on priority and feasibility.

The actions in the Water Resilience Portfolio were ordered into four categories:

1. **Maintain and diversify water supplies -** Through greater efficiency of water use, securing groundwater supplies, increasing recycled water and stormwater capture, protecting water quality, and considering the use of desalination.
2. **Protect and enhance natural ecosystems –** To sustain and restore the environmental health of fish, wildlife, and river systems.
3. **Build connections -** To improve physical water infrastructure and integrated water management.
4. **Be prepared -** For climate change impacts, droughts and new flood patterns.

Governor Newsom also directed state agencies to work with a broad range of water agencies and environmental conservation groups to develop voluntary agreements to implement the State Water Resources Control Board's Bay-Delta Water Quality Control Plan. The Water Board is legally required to update this plan to protect fish and wildlife, water quality, and other beneficial uses of water in the Delta and its key watersheds.

BAWSCA will continue to stay informed about the state actions and understand how they can support BAWSCA's future efforts.

Proposition 1 Grant Funding Awarded:

BAWSCA and 10 Bay Area water agencies have been awarded Proposition 1 grant funding to support existing and planned water conservation programs. The grant application was submitted as part of the Bay Area Integrated Regional Water Management Plan efforts.

DWR approved the grant request in the amount of $4,177,875 and provides a 50% cost share for the identified programs. BAWSCA's allocation is $382,477 (9.2%) and will support four existing programs – QWEL trainings, Rachio rebates, Lawn-Be-Gone rebates, and component analysis through the Water Loss Management Program – as well as an additional program – leak detection/smart metering devices – that may be implemented within the grant period.

Graywater Systems Regulations:

BAWSCA recently developed a comprehensive fact sheet concerning the rules and regulations about greywater systems in the Bay Area. The fact sheet goes in depth on permitting requirements, California greywater law, how to design a greywater system, and when a plan review is required from San Mateo County Environmental Health. The fact sheet also provides additional resources for residents who are interested in building their own "Laundry-to-Landscape" system and finding out who currently offers rebates for the installation of those systems. The greywater fact sheet is available on BAWSCA's website in the "Conservation Links" section.

BAWCA Annual Survey:

Each year, BAWSCA conducts an annual survey of its members in order to update key BAWSCA service area information. The Annual Survey for Fiscal Year 2018-2019 was completed in March 2020 and is available on the BAWSCA website at www.bawsca.org/water/supply/survey

Key information presented in the Annual Survey includes:

- An overview of BAWSCA and its Member Agencies
- Past and current purchases from the SF Regional Water System
- Past, current, and projected total water supply by supply source and total water demand
- Current water use by customer class
- Climate data for the service area
- Past, current, and projected service area population
- Past and current per capita
- Residential water bills and wholesale water rates
- Member agency profiles

BAWSCA Annual Water Conservation Report:

BAWSCA recently published is Annual Water Conservation Report for FY 2018-19. The report is available on the BAWSCA website at: www.bawsca.org/water/reliability

The report provides a comprehensive review and analysis of BAWSCA's regional conservation program including customer participation, costs, and resulting savings.

Board Policy Committee Policy Calendar Through October 2020

Meeting Date	Purpose	Issue or Topic
August 2020	D&A D&A D&A	Establishing a Policy Relating to Use of the WSA Balancing Account Consideration of Proposed Use of Balancing Account Los Vaqueros Expansion Project and Potential BAWSCA Participation
October 2020	D&A D&A D&A R	Consideration of Action to Extend Current Tier 2 Drought Plan Annual Review & Consideration of BAWSCA's Statement of Investment Policy Review of Agency Personnel Handbook Review of Regional Demand Study Results
December 2020	D&A D&A	FY 2020-21 Mid-Year Work Plan, Budget, & General Reserve Balance Review Consideration of BAWSCA Bond Surcharges for FY 2021-22
February 2021	R&D R	Presentation of Preliminary FY 2021-22 Work Plan and Budget Review of Water Supply Forecast
April 2021	D&A	Consideration of Proposed FY 2021-22 Work Plan and Budget

Key: R=Report, D = Discussion, S = Study Session, A = Action