



BOARD POLICY COMMITTEE

December 9, 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 December 9, 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/87490032931>
- Meeting ID: 874 9003 2931
- Password: 481022
- 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: 874 9003 2931
 - Password: 481022
- 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

December 9, 2020

1:30 p.m.

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
1. <u>Call To Order, and Roll Call</u>	(Chambers)	
Roster of Committee Members (<i>Attachment</i>)		Pg 5
2. <u>Comments by Chair</u>	(Chambers)	
3. <u>Public Comment</u>	(Chambers)	
<i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>		
4. <u>Consent Calendar</u>	(Chambers)	
A. Approval of Minutes from the October 14, 2020 meeting (<i>Attachment</i>)		Pg 7
5. <u>Action Calendar</u>		
A. Mid-Year 2020-21 Work Plan, Budget and General Reserve Review (<i>Attachment</i>)	(Sandkulla)	Pg 21
<u>Issue:</u> What resources are needed to address new work items and potential significant scope increases that are critical to ensuring reliable supply of high-quality water at a fair price?		
<u>Information to Committee:</u> Staff memo and oral report.		
<u>Committee Action Requested:</u> Comments and feedback.		
B. Professional Services Contract Amendment with Woodard & Curran, Inc. to Provide as Needed Specialized Water Resources Services (<i>Attachment</i>)	(Francis)	Pg 37
<u>Issue:</u> What additional consultant resources are needed support ongoing conservation related work plan items?		
<u>Information to Committee:</u> Staff memo and oral report.		
<u>Committee Action Requested:</u> Comments and feedback.		
6. <u>Reports and Discussion</u>		
A. BAWSCA's Pension Liability Funded Status Update (<i>Attachment</i>)	(Tang)	Pg 41
<u>Issue:</u> What is BAWSCA's current pension liability funded status and what pension liability funding contribution can be considered as part of the FY 2021-22 Operating Budget?		
<u>Information to Committee:</u> Staff memo and oral report		
<u>Committee Action Requested:</u> Comments and feedback		

7. Reports

(Sandkulla)

- A. Water Supply and Demand Update
- B. Bay Delta Plan/FERC Update
- C. Review of FY 2021-22 Work Plan and Operating Budget Preparation Process
- D. CEO's Letter (*Attachment*)
- E. Board Policy Committee Calendar (*Attachment*)
- F. Correspondence Packet ([Under Separate Cover](#))

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8. Closed Session

(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).

9. Report from Closed Session

(Schutte)

10. Comments by Committee Members

(Chambers)

11. Adjournment to the Next Meeting

(Chambers)

Unless otherwise noticed:

February 10, 2021 at 1:30pm in the 1st Floor Conference room of the BAWSCA office building, at 155 Bovet Rd., San Mateo

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

2020 Committee Roster:

Thomas Chambers, Westborough Water District (Chair)

Alison Cormack, City of Palo Alto (Vice Chair)

Steve Jordan, Purissima Hills Water District

Rob Kuta, California Water Service Co.

Gustav Larsson, City of Sunnyvale (BAWSCA Vice Chair)

Al Mendall, City of Hayward

Barbara Pierce, City of Redwood City (BAWSCA Chair)

Sepi Wood, City of Brisbane

Tom Zigterman, Stanford University

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

October 14, 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 general procedures for conducting the meeting virtually. He reminded the Committee that all actions by the committee will be done by roll call vote.
3. **Public Comments:** Peter Drekmeier spoke on recent reports published by the Pacific Institute on the state's per capita demand reductions and demand projections. He stated that the Pacific Institute's report indicates the region's efficient use of water and successful conservation efforts. He also commented on a recently released study by a consultant for the National Marine Fishery Service that critiqued the fishery models used by MID and TID for the FERC proceedings. He noted that there are opportunities for the region to restore the environment without threatening water supply.
4. **Consent Calendar:** Approval of Minutes from the August 12, 2020 meeting.

Director Wood made a motion, seconded by Director Larsson, that the minutes of the June August 12, 2020 Board Policy Committee meeting be approved.

The motion carried unanimously by roll call vote.

5. **Action Calendar:**

- A. **Tier 2 Drought Implementation Plan Extension:** CEO/General Manager, Nicole Sandkulla, reminded the Committee that drought shortage allocations on the San Francisco Regional Water System (SFRWS) are governed by two plans. The first is the Tier 1 Plan, which allocates water between the SFPUC retail customers and the wholesale customers collectively.

The second is the Tier 2 Plan, which allocates water among the wholesale customers. As required by the 2009 WSA, the Tier 2 Plan was adopted by the governing bodies of each BAWSCA member agency in the winter/spring of 2011.

Both plans apply during system-wide shortages on the SFRWS of 20% or less. Shortages above 20% requires a process in which the wholesale customers meet and confer with San Francisco on modifications to the allocation plans that may be necessary.

The SFPUC, in accordance with the WSA Section 3.11.c.3, will honor Tier 2 Plan allocations among the Wholesale Customers provided by BAWSCA or unanimously agreed to by the wholesale customers.

Ms. Sandkulla explained that the decision as to how the supply is allocated among the wholesale customers is strictly made by the agencies. The SFPUC is not a party to that decision. In the event that the wholesale customers do not unanimously adopt a plan, the BAWSCA Board can provide direction to the SFPUC. This is a specific role that is called out for the BAWSCA Board in the WSA.

In the 2009 WSA, the Tier 2 Plan term originally expired in December 31, 2018, consistent with the timing of SFPUC's anticipated 2018 decision related to the contractual status of San Jose and Santa Clara. Ms. Sandkulla reminded the Committee that in the most recent WSA amendment, SFPUC's 2018 decision was extended to 2028.

The WSA enables the BAWSCA Board to extend the Tier 2 plan by adopting the existing plan with a revised end date. The Board approved a 1-year extension in May 2018 to extend the plan until December 31, 2019, and took another action in November 2019 to extend the plan through December 31, 2020.

In 2019, BAWSCA held three workshops with the Water Management Representatives (WMR), a group comprised of representatives appointed by their respective BAWSCA member agency, to review the need to update the Tier 2 Plan or to extend the existing plan. The workshops reviewed the current plan's history and policy principles, analyzed the projected allocations to each member agencies for past and future drought scenarios, and evaluated potential modifications to the present plan and associated potential allocations.

As a result of the workshops, the WMR came to a consensus that the Tier 2 Plan continues to meet the policy principles upon which the plan is based, and that the policy principles remain appropriate. They supported an annual review of the Tier 2 Plan to evaluate its continued effectiveness, which supports a yearly review of the Plan as opposed to a multi-year. Furthermore, the WMR were interested in additional information on the process for water transfers between agencies in preparing for potential Tier 2 Plan implementation. This interest was reflective of the water transfer that was completed in 2017 between East Palo Alto and Mountain View, and the subsequent transfer between Palo Alto and East Palo Alto in 2018, which the agencies saw valuable in the consideration of developing a new plan.

The WMR supported a one-year extension of the existing Plan and BAWSCA did commit to an annual review of the Plan with the WMR. BAWSCA presented the results of the 2019 workshops to the Board and the BPC, and in November 2019, the Board adopted the second extension of the existing plan that expires on December 31, 2020.

The WMR reviewed the existing Tier 2 Plan at its October 2020 meeting and agreed that it continues to meet the policy principles upon which the plan is based, the policy principles remain appropriate, and a one-year extension is beneficial and appropriate. The WMR expect that the appropriate time to consider updating the Tier 2 Plan would be once the State guidance on water efficiency targets is provided.

Ms. Sandkulla reported that it is anticipated that the draft State guidance will become available in fall 2021, and the final guidance in summer 2022. This timeline builds the anticipated schedule for when BAWSCA and the member agencies can expect to begin work on updating the Tier 2 Plan.

The WMR are not opposed to a one-year extension of the existing Tier 2 Plan now and the possibility of another extension in the subsequent fiscal year based on the State's schedule for releasing its water efficiency targets.

BAWSCA's recommendation is to adopt Resolution 2020-03 which extends the Tier 2 Plan drought allocation methodology for calendar year January 1, 2021 through December 31, 2021.

In response to Director Mendall, Ms. Sandkulla explained that the Board may legally be able to make an extension for more than 1-year, but noted that the WMRs appreciate an annual action by the Board because it affirms and allows the review of the Tier 2 Plan at both the staff and policy level.

Director Jordan asked what happens if there is no unanimity among the agencies and if the existing Tier 2 Plan is not extended.

Ms. Sandkulla explained that the requirement for a unanimous agreement among all member agencies is for when a new Tier 2 Plan is being adopted or if the extension of the existing Plan is being considered by each member agency separately. At this time, action by the BAWSCA Board is sufficient to extend the existing Tier 2 Plan by one-year.

Legal Counsel, Allison Schutte, further explained that the WSA required that the first Tier 2 Plan be unanimously approved by each member agency. However, there are processes included in the WSA that provides options in case unanimity among the member agencies does not happen. One is the ability for the BAWSCA Board to develop a method and transmit it to the SFPUC for implementation. Another is for the SFPUC to unilaterally develop its own method for implementation in the absence of the member agencies' unanimous vote, or direction from the BAWSCA Board.

Ms. Schutte noted that after the 2009 negotiation of the WSA, the member agencies, for the 2nd time in history, did come to an agreement on how to allocate water during system-wide shortages, and approved the existing Tier 2 Plan in 2011. That plan, however, expired in December 31, 2018 and needs to be re-evaluated by the member agencies. Until the agencies are ready to update it and instead of each member agencies independently considering the extension of the Tier 2 Plan every year, BAWSCA is exercising the option for the Board to approve the one-year extension with the member agencies' consent via the annual review and workshops held with the WMR. This method allows the BAWSCA Board to provide direction to SFPUC, which would otherwise make a unilateral decision in the absence of the member agencies' unanimous vote.

Director Chambers called upon each Committee member to allow them to state their comments and ask their questions.

Director Zigterman prefers a multi-year renewal, but understands the annual approach. He asked what prevents BAWSCA and the members agencies from updating the Tier 2 Plan sooner.

Ms. Sandkulla explained that as an outcome from the most recent drought, the State passed legislation, Making Water Conservation a California Way of Life, which requires the State to develop water efficiency targets for normal year use and indications about drought applications. That information is critical to understanding where and what the State expectations are for efficient water use and droughts, and will be helpful to BAWSCA and the member agencies in developing a robust Tier 2 Plan that is consistent with the State's objectives.

While the State is not expected to have draft objectives until fall 2021, BAWSCA hopes to get more information during the development process. Additionally, member agencies will have completed their Urban Water Management Plans by June 2021, and will have demands and anticipated water supply management plans that can provide a good basis of information to begin Tier 2 negotiation. This effort will be in the workplan for FY 2021-22, and most definitely in the FY 2022-23 work plan.

Director Wood was interested in seeing the policy principles in which the Tier 2 Plan was based on, and what, if any, changes to the principles would impact the Plan.

Ms. Sandkulla stated that the policy principles require that drought allocations provide sufficient supply for all member agencies, conservation is not penalized, it serves as a basis for planning, and agencies' other sources are not reallocated.

Ms. Sandkulla noted that the reallocation of other supplies was an issue of conflict with the State during the last drought, and could be an area of focus in the process of developing an updated Tier 2 Plan. Historically, drought allocations are blind to the alternative supplies of agencies that have multiple sources, but the State did not do that during the recent drought. How the member agencies will work as a group with the State on this issue will require working together and will require significant engagement.

Mr. Francis added that the goal of the policy principles is to establish a fair allocation of the supply. The principles were revisited with the WMR and were confirmed as acceptable and appropriate for this extension and, possibly, for when work on updating the existing Tier 2 Plan begins.

If one of the policy requirements is not met, Director Wood asked if that would cause for the WMR's re-evaluation of the Tier 2 Plan.

Ms. Sandkulla explained that the expectation is that the individual member agency would act independently on the new Tier 2 plan that is developed by the WMR as a whole. BAWSCA will rely upon the member agencies to review the policy principles and identify where modifications are needed in updating the Tier 2 Plan. One of the objectives is making sure that the principles are in line with the State expectations and guidelines.

Ms. Sandkulla offered to include the policy principles in the staff memo to the Board for the November meeting. Additionally, as we move through the process of updating the Tier 2 Plan, BAWSCA will provide the Board regular updates on the progress.

Director Pierce agrees with the recommended action and supports staff with the work that can be done while waiting for the State's information.

Director Mendall agrees with Director Zigterman's preference on a multi-year renewal, but understands the annual process. He noted that for now it is an administrative, non-controversial item that remains the same as what has been done in the last 2 years. It will be in 2022 when potential changes are applied that thoughtful considerations by the Board is necessary.

Director Larsson had no further comments on the item.

Director Kuta asked how solid the State's target date is for the draft release, and will BAWSCA be in the position to have the budget for this task when the time comes.

Mr. Francis stated that the date of fall 2021 for the draft guideline is the first specific date released by the State. There is a lot of pressure from other state agencies besides BAWSCA for the information. With potential delays from the State, Mr. Francis anticipates the information by end of 2021 at the latest.

Ms. Sandkulla stated that the FY 2021-22 workplan and operating budget that will be proposed to the Board will include the anticipated staff and legal efforts for this item.

Director Jordan requested clarification that the Tier 2 Plan allocation ignores the alternate sources of agencies with multiple sources. Ms. Sandkulla confirmed.

Director Cormack supports the recommendation. She asked what the timeframe is for the 7-step allocation process if Tier 2 was to be implemented.

Ms. Sandkulla explained that the calculation is done routinely at the end of every fiscal year based on the data received from member agencies.

There were no comments from the public.

With no further discussion, Director Mendall made a motion, seconded by Director Larsson, that the Committee recommend the Board to adopt Resolution 2020-03 adopting the Tier 2 Plan allocation methodology for the year January 1, 2021 through December 31, 2021.

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

- B. Annual Review of BAWSCA's Statement of Investment Policy and Consideration of Proposed Modification to Add New permitted Investment Vehicles: BAWSCA Finance Manager, Christina Tang, noted the error on the recommended action printed on the agenda and stated that the staff memo provides the correct recommendation. She reported that as a result of the annual review of the Investment Policy, staff is proposing the addition of new permitted investment vehicles for the Board's consideration.

The primary objectives of BAWSCA's investment policy are safety, liquidity and yield. The policy was last reviewed by the Board in January 2020, and there were no changes made. Both agency funds and bond funds are invested in accordance with the policy. Ms. Tang noted that, in general, an agency's investment policies govern operating funds, not bond funds. Since BAWSCA includes the bond proceeds rules in its investment policy, the discussions on the rules for agency funds and the rules for the bond funds are separated in the memo. Legal counsel confirmed that the Investment Policy reflects language consistent with current State Law.

Based on the recent review of the agency's primary investment objectives and all investment instruments permitted by the bond indenture, BAWSCA recommends modifying the policy to include US Agency Securities as permitted investment vehicles for the bond proceeds, in addition to the investments currently allowed by the policy.

The current policy specifies three permitted investments for the bond proceeds associated with the Series 2013A and 2013B bonds. They include Money Market Mutual Funds, Certificates of Deposit, and Federal Securities. Ms. Tang explained that although the bond indenture allows for more investment vehicles, BAWSCA chose a limited group of investments in 2013 with the intention of providing the agency the flexibility to consider some or all of the vehicles included in the indenture and gradually expand permitted investments for bond proceeds through policy amendments.

The recent review of all investment vehicles permitted by the indenture determined that US Agency Securities are consistent with the primary objectives of the Investment Policy and the agency's risk tolerance. Additionally, it could potentially increase the portfolio's yield. Under the current market conditions, US Agency Securities provide yield premiums of between 5 and 15 basis points versus comparable Treasury Securities.

Ms. Tang presented the overview of the current investment strategy for the stabilization fund. She noted that while it is not part of the investment policy, it has been evaluated annually during the review of the investment policy.

In response to the COVID-19 pandemic, interest rates across the yield curve declined significantly, reflecting both federal reserve actions and expectations for slowing global growth and recession. Under these circumstances, BAWSCA's long-term strategy is performing well with previously purchased securities now providing fixed yields that are well above currently available interest rates. For example, the Treasury Securities maturing in 2023 were purchased 2 years ago and are currently earning a yield at almost 3%. If the same securities were purchased today, the market yield would only be 0.1%.

As of October 1, 2020, the total amount of bond funds held by the Trustee, Bank of New York, is \$17,664,849. This total is made up of \$4.0M in bond surcharges collected from member agencies to fund the semi-annual debt service payments, and \$13.7M in the stabilization fund, which is a reserve to cover debt service payments in the event of shortfalls in the surcharge collection.

Based on recent evaluation, it was determined that the current 0-5 year ladder portfolio investment strategy remains appropriate in light of the current circumstances. Ms. Tang presented a chart that illustrates the structure for the stabilization fund as of October 5, 2020. The 0-5 year ladder portfolio consists of investments in Treasury Securities maturing in 6-month intervals out to 5 years. This strategy was implemented

in 2018, and is expected to complete re-balancing the ladder in about 6 months. BAWSCA and its investment advisors believe that longer-maturity strategies have historically provided greater investment returns over time and protect the agency against reinvestment rate risks.

The action before the Committee is to recommend Board approval of the proposed modification to the current Statement of Investment Policy by including US Agency Securities as permitted investment vehicles for the bond proceeds.

Director Chambers called upon each Committee member for their comments and their questions.

Director Zigterman noted that flexibility is key given the current circumstances. What the future holds is unknown. He asked if there are any risks associated with this expansion.

Ms. Tang reported that US Agency Securities have low risks in comparison to the no-risk Federal Securities currently allowed in the Investment Policy. However, based on the evaluation, the associated credit risks on US Agency Securities are fairly low and are within the agency's risk tolerance.

Director Wood acknowledged the risks and agreed that it is low. She expressed her support for the recommendation.

Director Pierce appreciates the annual review and consideration of various vehicles. The US Agency Securities have been considered before, and it is the change in the economic conditions that is moving the decision to include them moving forward. She expressed her support for the recommendation.

Director Mendall appreciates the continuing improvement to BAWSCA's investment strategy. He believed it is a good modification and expressed his support for the recommendation.

Director Larsson echoed Director Pierce's comments and appreciates the opportunities to improve BAWSCA's investment strategy as the market changes, while meeting the agency parameters. He stated his support for the recommendation.

Director Kuta asked how will the allocation of funds in this vehicle be determined.

Ms. Tang explained that the Board's decision to include US Agency Securities in the Investment Policy allows BAWSCA to consider, based on market conditions, its use in future re-balancing opportunities. BAWSCA will work with its investment advisor in evaluating interest rate earnings, credit quality and incremental yield in comparison with the Federal Securities.

Ms. Sandkulla added that re-evaluation will take place in April following the bi-annual bond principal payment done in the months of April and October of every year. This would be an action that the BAWSCA CEO/General Manager will make in coordination with BAWSCA's investment advisor. Any action will be reported to the Board in the next quarterly bond surcharge collection report.

Director Jordan asked if the definition of US Agency Securities is limited to the four (4) vehicles provided in the resolution?

Ms. Tang confirmed that the use of US Agency Securities will be limited to the four (4) identified vehicles which were selected because they are well-protected senior agency securities that were identified as appropriate and within BAWSCA's risk tolerance. Ms. Tang added that BAWSCA only considers Treasury Securities with credit ratings of AA+ by Standard and Poor's and Aaa by Moody's. The same level of consideration will be applied to US Agency Securities. Additionally, Ms. Tang explained that BAWSCA will not sell current securities, and will only re-invest the ones that mature to re-balance the current portfolio.

Director Jordan asked whether BAWSCA has or should have a cap on what percentage of the portfolio is downgraded from Treasury to Agency.

Ms. Sandkulla responded that there is no cap written into the current policy.

Director Jordan commented that, to his understanding, this modification would allow for the potential conversion of investments that mature, as long as there's a premium greater than a given threshold, to US Agency Securities. For prudent measures, he inquired if BAWSCA should consider limiting the amount of funds flipped in any given time from treasury to agency, to avoid 100% allocation of funds in agency securities.

Ms. Tang commented that while the Investment Policy does not have a cap, BAWSCA's primary investment objectives are safety and liquidity. BAWSCA will not invest in funds solely for the yield. And with the addition of US Agency Securities, investments will continue to be made in accordance with the policy.

Director Cormack agreed with Director Jordan's suggestion to have a guideline or ranges for what can potentially be in each security. The current economic conditions caution against investing in the housing market. She would be interested in what staff knows about what happened to these securities in the aftermath of the prior recession in 2008, 2009, and 2010.

Ms. Sandkulla explained that unlike Treasury Securities, US Agency Securities are not 100% backed by the government. But in the economic downfall in 2008-2010, the Federal Government did step up and backed up Fannie Mae and Freddie Mac. The risk with US Agency Securities is that there is no 100% guarantee, but there is an indication and the continued expectation that the Federal Government will continue to do what they did in last economic recession.

Director Cormack noted the importance of knowing the risks the agency is taking given the historically unusual economic environment. She also pointed out that Standard and Poor's and Moody's did not cover themselves with glory during the last recession in terms of their ratings. While she does not see the need to increase investment yields, she is willing to support the recommendation to the Board. She will look forward to the investment report in terms of what re-balancing takes place after April, and stated that having some guidelines on the amount of investments in each security is beneficial.

Director Jordan commented that he believes Fannie Mae and Freddie Mac were placed into conservatorship, and that preferred stock were issued to relieve debt holders. He

trusts that the investment advisors would have looked into this, but his concern stems from not knowing what to expect, therefore, having some cap could be something the Board can appreciate. He suggested looking at a cap or guideline between now and the Board meeting in November may be valuable.

Director Mendall appreciated the concerns expressed by Directors Jordan and Cormack. He pointed out that even if 100% of the funds that mature in six months are rolled over into US Agency Securities, the total funds would only be 20% invested in US Agency Securities. The Committee could try to set a cap between now and the next Board meeting or wait until the next review of the policy. Looking at the various categories, he would personally allow 100% investment in US Treasuries, CD's and Money Markets. It is really only the US Agency Securities that would require a non-100% cap. However, they are effectively capped at 20% for the next year if the staff recommendation is passed. He suggested that the recommendation can include the desire to come back to the Committee at its next policy review with an official number for a cap. He didn't believe it is necessary to set a limit on how much can be rolled over each year into a particular category because it is the total amount that matters.

Director Chambers added that the investment report should differentiate between Treasury Securities and US Agency Securities to see what the investment advisor recommended and what was done.

Director Wood expressed her concerns with the current housing market conditions, and stated that Director Jordan and Cormack brings up good points of caution. She encouraged staff and the Committee to revisit establishing a guideline for future Board consideration.

Director Zigterman suggested that perhaps members of the Board, after reading the Board Policy Summary report that reflects the Committee's substantial discussion, can provide their further input on this matter for further consideration and discussion before a decision is made in spring 2021.

With no public comments or further discussion, Chair Chambers called for a motion.

Director Mendall made a motion on the recommendation, with one added direction to staff to consider capping the US Agency Securities to 40% of the total funds that could be invested in the US Agency Securities. Director Jordan seconded the motion.

Director Jordan stated that something to give guidance to staff is worthwhile.

Ms. Tang clarified that the direction to cap 40% of the total funds that could be invested in US agency Securities would apply to the stabilization funds or the reserve funds only. The bond surcharges collected each month are for the debt service payments and are invested in the Money Market Fund.

Director Jordan asked if the 40% cap provides the portfolio enough flexibility because it takes a couple of years before 40% of the funds is achieved.

Director Cormack inquired if the maker and seconder of the motion would be amenable to keeping the amount open for staff to make the recommendation.

Directors Mendall and Jordan proposed “a number less than 50%” to provide staff some guideline. Director Cormack agreed.

Director Mendall accepted the friendly amendment to his motion to approve the Board Policy Committee’s recommendation for the Board to approve the proposed modification to the current Statement of Investment Policy by including US Agency Securities as permitted investment vehicles for the bond proceeds, with the addition to direct staff to provide a number less than 50% as a recommended cap for the US Agency Securities.

Director Jordan seconded the friendly amendment to the motion.

The motion passed unanimously with a roll call vote.

Ms. Sandkulla thanked the Committee for the discussion. BAWSCA staff will work with the investment advisor on the recommendation to the Board for consideration at the November Board meeting, as well as information on the experienced risks during the 2008-2010 recession.

6. Reports:

- A. Water Supply Conditions: Ms. Sandkulla reported that current water use data have yet to be published from the State. The BPC meeting dates are typically right on the edge for the release of the data. She hopes to provide data for October at the November Board meeting.
- B. Bay Delta Plan and FERC Update: Negotiations for a voluntary agreement on the Tuolumne River continues under the direction of Governor Newsom who is providing critical leadership in keeping the State Secretaries of Natural Resources and EPA engaged. BAWSCA is maintaining coordination with the SFPUC and other agencies but is not directly involved in the negotiations. BAWSCA and its member agencies continue to support the Bay Delta Plan objectives and remain committed to working with stakeholders to protect water quality in the Bay Delta for humans, fish and other wildlife. BAWSCA will continue to remain focused on a voluntary agreement and continues to support it as the best solution to resolve this critical issue.

The Federal Energy Regulatory Commission released the Final Environmental Impact Statement (FEIS) for New Don Pedro on July 7th 2020, which licenses the projects as proposed by the Districts with some staff modifications and additional measures. BAWSCA is working with the SFPUC in its review and analysis of the document. BAWSCA is particularly looking at the economic and environmental impacts to the BAWSCA service area, and the responses to BAWSCA’s comments as well as comments submitted by the SFPUC and non-governmental organizations. Modesto Irrigation District and Turlock Irrigation District have just recently submitted their comments to FERC on the FEIS. BAWSCA’s submittal of further comments is yet to be determined.

- C. BAWSCA Internship Program Update: Ms. Sandkulla reminded the Committee that in response to the Board’s interest, part of the work plan development for FY 2020-21 was inclusion of an internship program. The goal of developing such a program was to provide an opportunity for underserved college students who are pursuing a technical or

business degree that relate to BAWSCA's efforts to gain experience by working with BAWSCA. Unfortunately, as part of budget and cost control measures during the pandemic, that was removed from the workplan.

Since then, Board members continue to express interest in the program, and specifically, Direct Moody facilitated a connection between BAWSCA and East Side College Preparatory School in East Palo Alto.

Ms. Sandkulla has had several meetings with school Principal, Chris Bischoff, in exploring feasible opportunities for BAWSCA.

East Side Preparatory is a private 6-year institution from middle school to high school for students who will be the first in their families to go to college. It is a true college preparatory school that is funded by donations with all students on full scholarships.

There were 255 students in 2019. 80% of the students are from East Palo Alto and Menlo Park. The remainder of the student body are from other areas in the Bay Area.

The focus of the school is to prepare students from low-income families to attend and succeed in college. 99% of Eastside graduates are accepted in 4-year colleges, and 80% of Eastside's graduates are earning or hold a bachelors degree.

Their success rate is attributed, in part, to the Eastside Alumni Services Team that provides extensive support throughout the student's college career. College coaches maintain a strong connection with alumni and provide academic support and as well as support for how to navigate through the college processes. Career coaches help students in exploring career paths and in gaining professional experience through internships. These services are provided to Eastside alumni for free as part of the school's alumni support program.

Eastside is interested in partnering with BAWSCA on an internship program as part of their alumni support program.

One of the challenges BAWSCA has with internships is identifying the right intern. Eastside will identify candidates from a pool of alumni based on BAWSCA's job description, will assist BAWSCA in the selection of candidates to interview, and provide support for the intern before and during and after the internship.

BAWSCA's estimated cost for a program with Eastside would be \$8K which would pay for the intern salary for an 8-week period. 100% of that cost goes to the intern.

This approach provides a substantial cost reduction in comparison to working with a 3rd party for the administrative tasks that Eastside would provide as part of their alumni support program.

The internship would be a summer internship that could begin in May 2021. Given the schedule, Eastside would like to know by January 2021 if the partnership is feasible for BAWSCA, and would therefore become part of BAWSCA's budget of the current FY 2020-21.

While cost of the internship falls within the CEO/General Manager's spending authority, Ms. Sandkulla wanted a full and complete discussion by the Committee and the Board in November about the opportunity as it is an important issue that Board members have expressed interest in. She looks forward to the Committee's feedback and its interest in bringing this forward to the Board as part of the mid-year budget review for FY 2020-21 in January.

Ms. Sandkulla concluded her reports and welcomed comments and questions.

Public comments were provided by Peter Drekmeier on the Bay Delta Plan. He appreciated the opportunity to speak to the Board last fall and thanked Chair Pierce for enabling that. He encouraged conversation on facts, benefits and a solution, not just on water supply for the area, but the environment.

The Committee was supportive of the internship program, with Directors Wood, Larsson, Jordan, Cormack, Zigterman, and Mendall commenting in favor of the partnership opportunity between Eastside and BAWSCA.

Director Cormack asked if BAWSCA, as a public agency, can create a job specifically for a specific group, or is there a public process that applies and must be complied with.

Ms. Schutte will confirm the process with Hanson Bridgett's Labor and Employment Specialist, who has previously analyzed the approach and was comfortable with the program as written. This can be clarified and will provide further information to the Board as necessary.

Director Mendall encouraged staff to expand and improve the program to include other areas in the future.

10. Closed Session: The Committee adjourned to Closed Session at 2:56pm.

11. Reconvene to Open Session: The Committee reconvened from Closed Session at 3:29 pm. Ms. Schutte reported that no action was taken during Closed Session.

12. Comments by Committee Members: Director Jordan stated his interest in hearing from agencies within the BAWSCA Service are on how they address shared capital expenses between Fire Agencies and Water Districts.

Director Wood expressed support for Director Keith who is running for a seat in the San Mateo Harbor District.

7. Adjournment: The meeting was adjourned at 3:33 pm. The next meeting is December 9, 2020

Respectfully submitted,

Nicole Sandkulla, CEO/General Manager

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Attachments: 1) Attendance Roster

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting Attendance Roster

Agency	Director	Oct. 14, 2020	Aug. 12, 2020	Jun. 10, 2020	Apr. 8, 2020	Feb. 12, 2020	Dec. 11, 2019
Westborough	Chambers, Tom (Chair)	✓	✓	✓	✓	✓	✓
Palo Alto	Cormack, Alison (V Chair)	✓	✓	✓	✓	✓	✓
Purissima	Jordan, Steve	✓	✓	✓	✓	✓	n/a
Cal Water	Kuta, Rob	✓	✓	✓	✓	✓	✓
Sunnyvale	Larsson, Gustav	✓	✓	✓	✓	✓	✓
Hayward	Mendall, Al	✓	✓	✓	✓	✓	✓
Redwood City	Pierce, Barbara	✓	✓	✓	✓	✓	✓
Brisbane	Wood, Sepi	✓	✓	✓	✓	✓	✓
Stanford	Zigterman, Tom	✓	✓	✓	✓	✓	✓

✓: present

☎: Teleconference

Oct. 14, 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
Danielle McPherson	Sr., Water Resources Engineer
Kyle Ramey	Water Resources Specialist
Christina Tang	Finance Manager
Lourdes Enriquez	Assistant to the CEO/General Manager
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP
Nathan Metcalf	Legal Counsel, Hanson Bridgett, LLP
Bud Wendell	Strategic Communications

Public Attendees:

Leonard Ash	ACWD
Paul Sethy	ACWD
Karla Daily	Palo Alto
Alison Kastama	SFPUC
Peter Drekmeier	Tuolumne River Trust
Gordon Thubb	Self

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Mid-Year 2020-21 Work Plan, Budget and General Reserve Review**

Summary:

A review of the FY 2020-21 Work Plan has been performed, with the results presented in the attached Table 1. To ensure continued access to a reliable supply of high-quality water at a fair price, efforts on two items in the adopted FY 2020-21 Work Plan are recommended for adjustment. The proposed modifications are: (1) delay the completion of the Potable Reuse Exploratory Plan (PREP) Phase 3 pre-feasibility study until FY 2021-22 due to a delay in starting Phase 3 this fiscal year, and (2) reduce the number of new subscription conservation programs to be implemented from potentially four to two total in light of increased level of work and coordination necessary for certain new conservation programs.

Separately, the level of effort associated with three important Work Plan areas has been greater than anticipated for the first six month this fiscal year: the Bay Delta Plan, the New Don Pedro FERC proceeding, and negotiation of a new amendment to the Water Supply Agreement related to water transfers. This greater than anticipated effort has resulted in higher than projected expenditures for legal counsel support to date. No budget modification is recommended at this time to address this issue; however, the CEO and Legal Counsel will continue to actively manage and monitor this issue and report to the Board as necessary.

For all other Work Plan items, expenses are tracking within the currently approved Operating Budget for FY 2020-21 of \$4,020,679.

This memorandum presents: (1) the proposed modifications to the FY 2020-21 Work Plan, (2) a discussion of the potential budget implications, and (3) a discussion on the management of the General Reserve.

Fiscal Impact:

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

Recommendation:

That the Committee recommend Board approval of the modification of Work Plan Item 2a “PREP Phase 3” and Item 3c “Implement New Subscription Programs” in the FY 2020-21 Work Plan.

Prior Board Approved Work Plan and Budget Actions for FY 2020-21:

On May 21,2020, the Board approved the following:

1. Proposed FY 2020-21 Work Plan and Results to be Achieved;
2. Proposed Operating Budget of \$4,020,679; and
3. Proposed funding plan of a 0% assessment increase, transfer of \$333,900 from the General Reserve.

Discussion:

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

Implementation of the Work Plan is on schedule as of December 3, 2020. Two changes to the Work Plan are proposed below. Following the Work Plan review, a budget review was performed, which confirmed that the FY 2020-21 Work Plan can be completed within the approved budget.

Proposed FY 2020-21 Work Plan Modifications and Budget Implications

Table 1 presents the Board-approved Work Plan for FY 2020-21 modified to show recommended revisions to the Work Plan. Explanations for the two recommended revisions are discussed below.

1. **Scope Change: Delay completion of PREP Phase 3 Pre-Feasibility Study to FY 2021-22.** Work Plan Item 2a. PREP Phase 2 was complete in FY 2019-20 with the project participants expressing interest in continuing a new Phase 3 consisting of additional pre-feasibility evaluation. While scoping for Phase 3 was initiated in FY 2019-20, completion of the Phase 3 Memorandum of Agreement and development of the Phase 3 Scope of Work is just now being finalized by all project participants. As a result, the overall schedule for Phase 3 is delayed, with Phase 3 not expected to be complete until December 31, 2022.
2. **Scope Change: Reduce planned implementation of new subscription conservation programs from 4 to 2.** Work Plan Item 3c. BAWSCA continues to make significant progress in implementing new subscription conservation programs this fiscal year as identified in the Regional Water Demand and Conservation Projections Study, which was completed in June 2020. The development of two new programs – the Residential Self Audit Tool and the Irrigation Hardware Rebates Program – are on track for implementation in July 2021. Two additional programs are under development but will not be ready for implementation this fiscal year. The Landscape Area Measurements Program is experiencing development delays given delays from the State in clarifying their program requirements. The Leak Detection and Certification Program is an entirely new program, not being implemented elsewhere in the State or nation. This complex program, while potentially very valuable to BAWSCA's overall goals for water conservation, will require multiple partners to implement. BAWSCA is currently identifying potential consultants to assist in scoping this work and developing a road map for implementation.

Capacity to Accommodate Potential or Unanticipated Issues

This year has been unlike any other given the unknowns of a global pandemic and the continuing offsite work approach taken by the entire office, as well as staff vacancies. So far, these challenges have been accommodated within the adopted budget and with the adopted Work Plan with the proposed modifications. As always, if further potential or unanticipated issues arise during Spring 2021, they will be brought to the attention of the Committee and the Board with recommendations to further reallocate and/or augment existing resources, if necessary.

Budget Modifications Needed to Complete Work Expected During FY 2020-21:

A preliminary budget review has been performed as part of this mid-year review and no budget modifications are proposed as part of this action. For all Work Plan items, expenses, with the exception of legal counsel, are tracking within the currently approved Operating Budget for FY 2020-21 of \$4,020,679.

For legal counsel, the level of effort associated with three important Work Plan areas has been greater than anticipated for the first six months this fiscal year: the Bay Delta Plan, the New Don Pedro FERC proceeding, and negotiation of a new amendment to the Water Supply Agreement related to water transfers. This greater than anticipated effort has resulted in higher than projected expenditures for legal counsel support to date. No budget modification is recommended at this time to address this issue; however the CEO and Legal Counsel will continue to actively manage and monitor this issue and report to the Board as necessary.

Review and Management of General Reserve:

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

The current General Reserve balance of \$1,139,243 reflects the approved withdrawal and transfer of \$333,900 to BAWSCA's Operating Fund to fund the FY 2020-21 approved budget, and the deposit of \$435,266 of FY 2019-20 unspent funds. This level of General Reserve represents 28% of the approved Operating Budget, which is within the current guideline on the General Reserve balance for budgetary purposes of 20% to 35% of the annual operating expense.





Based on results of the FY 2020-21 mid-year Work Plan and budget review, no changes to the General Reserve are requested at this time. Given that the current level of General Reserve is within the budgetary guidelines, no actions on the management of General Reserve are recommended at this time.

Attachment:




1. Table 1. Work Plan and Results to be Achieved in FY 2020-21: Progress and Proposed Changes
2. Table 2. Historical Annual Assessments and Year-End Reserves

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Table 1: Status of Results Delivered by BAWSCA in FY 2020-21 Compared to Adopted FY 2020-21 Work Plan(Potential Changes to Adopted Work Plan Identified in Underlined, Blue, Italic Font)(Mid-Year Status Shown in 1st Column:  Needs Attention  Experiencing Delay  Complete/On Track  Extraordinary Result)

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	STATUS of FY 2020-21 RESULTS DELIVERED TO DATE
	RELIABLE WATER SUPPLY	
	1. <u>Facility Reliability: Monitor the SFPUC's WSIP, 10-Year CIP, and Asset Management Program</u>	
	a. Monitor WSIP scope, cost, and schedule as San Francisco continues an aggressive construction schedule through to completion. Press the SFPUC and the city's political leadership to meet the adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests. Work with the legislature to extend State oversight of WSIP and RFA.	<ul style="list-style-type: none"> • Ongoing review of Quarterly Reports and regular meetings with SFPUC to address issues and concerns. • Current focus on Alameda Creek Recapture Project EIR recirculation, Regional Groundwater Storage and Recovery Project.
	b. Review and monitor SFPUC's Regional 10-Year Capital Improvement Program to ensure that identified projects and programs meet the needs of the BAWSCA member agencies in a cost-effective and appropriate manner.	<ul style="list-style-type: none"> • Current focus on implementing BAWSCA's formal role in CIP oversight as authorized through recently adopted WSA amendments. • Ongoing review of Quarterly Reports and regular meetings with SFPUC to address issues and concerns. • Completed review of Annual CIP Reports prepared for Hetch-Hetchy and for the Water Enterprise as required by the WSA.
	c. Review and monitor SFPUC's Asset Management Program to ensure long-term protection of system assets, including performing tasks or deeper reviews identified in the audit of SFPUC's asset management practices per WSA Section 3.10.c. to be completed in FY 2019-20.	<ul style="list-style-type: none"> • Completed review of SFPUC's response to BAWSCA's audit of the SFPUC's Asset Management Program and following up as appropriate. • Completed review of SFPUC's proposed Asset Management Policy, providing input and comments. Commission will consider proposed Policy in December 2020.
	a. Promote increased emergency response coordination between member agencies, SFPUC, Valley Water and others.	<ul style="list-style-type: none"> • Coordination with the SFPUC as needed to prepare and provide Member Agencies with documentation to include in their respective Emergency Response Plans (ERPs) • Coordination with the SFPUC as related to an emergency response workshop with member agencies held on October 22nd where Emergency Response Plan preparation was discussed.






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

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	STATUS of FY 2020-21 RESULTS DELIVERED TO DATE
	2. <u>Long-Term Supply Solutions: Implement the Long-Term Reliable Water Supply Strategy to Ensure a Reliable, High Quality Supply of Water is Available Where and When Needed</u>	
	<p>a. Complete Potable Reuse Exploratory Plan Phase 3 pre-feasibility study with SFPUC and Silicon Valley Clean Water and plan for next phase of work.</p> <p><u>Proposed Work Plan Modification: Continue development of the Potable Reuse Exploratory Plan Phase 3 Study for completion in FY 2021-22.</u></p>	<ul style="list-style-type: none"> The project Memorandum of Understanding (MOU) has been amended to add new Phase 3 scope of work and is currently being authorized by all participating agencies. Phase 3 will focus on the PREP project's technical operational impacts to the SFPUC's Crystal Springs Reservoir and direct potable reuse alternatives. <u>The overall schedule for Phase 3 is delayed, with Phase 3 not expected to be complete until December 31, 2022.</u>
	b. Participate in development of Bay Area Regional Reliability Phase 2 Water Marketing Strategy in partnership with other Bay Area water agencies & promote implementation of a potential Pilot Water Transfer that involves a partnership between BAWSCA, ACWD, and SFPUC as a component of the Phase 2 work effort.	<ul style="list-style-type: none"> BAWSCA continues to participate in monthly meetings with the BARR project partners. Current work is focused on data gathering with the bulk of the work anticipated to begin in January 2021 when the project partners will dive into the details of financial impacts, operational logistics, water quality issues, whether contractual amendments are necessary, and to develop executable agreements that can be used as templates for future real water transfers. BAWSCA is leading the financial evaluation to assess wheeling and treatment costs and other financial impacts. Recurring monthly meetings are scheduled to begin in early December.
	c. Participate in CCWD's Los Vaqueros Expansion Project Studies to evaluate BAWSCA's interest and ensure key information is available to support upcoming decisions.	<ul style="list-style-type: none"> BAWSCA has completed its evaluation of participation in LVE as a Local Agency Partner (LAP) and presented findings to the Board. In September 2020, the BAWSCA Board decided to (1) end participation in LVE as an LAP, (2) maintain engagement in LVE through the SFPUC, and (3) encourage the SFPUC to remain in the project as an LAP. BAWSCA staff remains engaged in LVE matters including SFPUC's potential participation in the project, the issues related to the South Bay Aqueduct capacity, and development of the Joint Powers Authority agreement.






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

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	STATUS of FY 2020-21 RESULTS DELIVERED TO DATE
	d. Promote the continued sustainable use of San Mateo Plain Groundwater Basin for long-term water supply reliability, including providing support for San Mateo County and member agencies' efforts to secure compliance with the California Statewide Groundwater Elevation Monitoring (CASGEM) Program.	<ul style="list-style-type: none"> BAWSCA has been engaged with the County of San Mateo on its development of a CASGEM Plan in which the County is designated the CASGEM entity. In 2020, the Plan was written, reviewed by participant BAWSCA Member Agencies, and submitted to the State of California Department of Water Resources and is currently awaiting approval. The County of San Mateo is collecting water level data every six months and uploading that information to the State's CASGEM database.
	e. Facilitate development of other local water supply options including monitoring/tracking member agency efforts.	<ul style="list-style-type: none"> Ongoing.
	f. Provide necessary data & assistance to support member agencies' development of state required Urban Water Management Plans.	<ul style="list-style-type: none"> BAWSCA continues to provide updates to the Member Agencies on the 2020 UWMPs and coordination efforts with the SFPUC including providing "common language" for use by the Member Agencies from both BAWSCA and SFPUC by January 1, 2021. In October, one BAWSCA staff member moderated and presented on a webinar about new requirements for UWMPs in partnership with Maddaus Water Management and WaterNow Alliance, a CA based nonprofit. All member agencies were invited, and many attended the webinar. On October 20, BAWSCA held a workshop on the 2020 UWMPs for Member Agencies, providing information from both BAWSCA and SFPUC for use by Member Agencies in 2020 UWMP development.
	g. Participate with SFPUC and ACWD in their evaluation of a potential potable reuse water supply project with Union Sanitary District.	<ul style="list-style-type: none"> BAWSCA has reviewed completed technical reports as prepared for the early stages of the feasibility analysis for the proposed potable reuse project and will continue to track the project's progress against the identified schedule assuming it advances to the planning stage. .
	h. Identify and begin to evaluate the steps BAWSCA should undertake to update its Long-Term Water Supply Strategy.	<ul style="list-style-type: none"> The start of this effort has been delayed but will commence with upcoming FY 2021-22 budget preparation process.





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

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	STATUS of FY 2020-21 RESULTS DELIVERED TO DATE
	3. <u>Near-term Supply Solutions: Water Conservation and Drought Response</u>	
	a. Represent member agency interests in regional and statewide discussions on the development of and compliance with California's "Making Water Conservation a Way of Life" requirements	<ul style="list-style-type: none"> BAWSCA staff participates in DWR Workgroup meetings to stay up to date on DWR's progress and methodologies used to make decisions on the efficiency targets.
	b. Provide regional coordination to support member agency Advanced Metering Infrastructure (AMI) implementation and data management, including hosting a regional symposium in Spring 2021.	<ul style="list-style-type: none"> Planning on schedule. AMI Workshop details to be discussed with Member Agencies in December.
 	<p>c. Implement 3 to 4 new subscription conservation programs as identified in the BAWSCA Regional Water Demand and Conservation Projections Study to be completed in Spring 2020.</p> <p><u><i>Proposed Work Plan Modification: Implement 2 new subscription conservation programs as identified in the BAWSCA Regional Water Demand and Conservation Projections Study completed in Spring 2020 and continue development of 1-2 more new programs for future possible implementation.</i></u></p>	<ul style="list-style-type: none"> <u>Residential Self Audit Tool</u>: On schedule to be implemented by July 2021. BAWSCA is currently conducting interviews with water agencies who host similar programs. <u>Irrigation Hardware Rebates</u>: On schedule to be implemented by July 2021. BAWSCA is conducting interviews with water agencies who host similar programs. Rebate and program structure will be determined soon. BAWSCA to ask for member agency input once program structure options have been identified. <u>Landscape Area Measurements Program</u>: <u><i>Implementation of this program is experiencing delays given delays from the State in clarifying program requirements and is not anticipated to be completed until at least Fall 2021.</i></u> BAWSCA hosted a technical demonstration for the Member Agencies with Eagle Aerial WaterView in October to highlight the software and answer agency specific questions regarding DWR's Irrigated Vegetation Project. <u>Leak Detection & Certification Program</u>: <u><i>Development of this program is experiencing delays and will not be ready for implementation this fiscal year.</i></u> This program would be an entirely new program that does not exist elsewhere in the state or nation. It is complex and requires multiple partners to implement. BAWSCA is currently identifying potential consultants to create a scope of work and road map to implementation.
	d. Implement BAWSCA's core water conservation programs, including the Qualified Water Efficient Landscape (QWEL) program.	<ul style="list-style-type: none"> Online instruction (due to COVID-19) was offered in October and November 2020 and another series is upcoming in December 2020.








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

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	STATUS of FY 2020-21 RESULTS DELIVERED TO DATE
	e. Implement BAWSCA's subscription conservation rebate programs that benefit, and are paid for by, participating member agencies, including school education programs and an expanded Outdoor Landscaping Rebate Program with a new weather-based irrigation controller rebate and installation subscription program.	<ul style="list-style-type: none"> Rain Garden rebate expansion to the Lawn Be Gone! Program was launched in October 2020. To support BAWSCA's Lawn Be Gone! Program, a new "Ask A Master Gardener – Lawn Be Gone! Training" was piloted in November 2020. Additional workshops will be offered as part of BAWSCA's Landscape Education Program. All other planned subscription programs being implemented.
	f. Implement BAWSCA's Water Loss Management Program to support member agencies with SB 555 compliance, including the Regional Loss Evaluation and Knowledge (LEAK) Workgroup and Water Loss Management Subscription Program.	<ul style="list-style-type: none"> LEAK Workgroup: Ongoing coordination with BAWSCA's Water Resources Committee. Water Loss Management Program: Ongoing. Seventeen member agencies are currently participating in this program. Customer Meter Testing: Ongoing. Five member agencies are currently participating in this program.
	g. Represent member agencies in regional and State-level discussions related to water conservation-related regulations.	<ul style="list-style-type: none"> BAWSCA staff participates in DWR Workgroup meetings related to the efficiency legislation (SB 606/AB 1668).
	4. <u>Take Actions to Protect Members' Water Supply Interests in the Administration of the 2009 WSA</u>	
	a. Adopt temporary extension of existing Tier 2 drought allocation plan that expires Dec. 2020.	<ul style="list-style-type: none"> Board action on November 19, 2020 extended expiration to December 2021.
	b. Forward for adoption, if acceptable to the member agencies and SFPUC, an amendment to the Water Supply Agreement related to a paired transfer of an agency's minimum purchase requirement and Individual Supply Guarantee.	<ul style="list-style-type: none"> The WSA amendment negotiations are complete, with Member Agencies and SFPUC satisfied with resulting language. Proposed amendment and supporting materials for adoption will be transmitted to Member Agencies by December 31, 2020. BAWSCA staff will provide an update on the final proposed language to the member agencies' WMRs, executive management, and legal counsel at the December WMR meeting. The SFPUC is expected to consider adopting the WSA amendment in January 2021. Member Agencies' governing bodies will consider adoption beginning in February 2021 following SFPUC action.




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

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	STATUS of FY 2020-21 RESULTS DELIVERED TO DATE
	c. Protect members' water supply and financial interests in the SFPUC's 2028 decisions.	<ul style="list-style-type: none"> BAWSCA meets regularly with the SFPUC to review and discuss status of progress in developing alternative water supplies, including review of Quarterly Reports, as well as specific meetings related to specific projects as appropriate. BAWSCA continues to monitor water supply planning progress toward goal of ensuring SFPUC meets its water supply reliability obligations. BAWSCA has established, and participates in, monthly meetings between the SFPUC, San Jose, and Santa Clara to facilitate ongoing discussions about, and provide transparency into, SFPUC's water supply planning efforts to make San Jose and Santa Clara permanent customers. Valley Water has attended one of these monthly meetings and shared updates on their local water supply planning efforts as they relate to San Jose and Santa Clara.
	d. Protect member agencies' water supply interests to ensure that the SFPUC meets its legal and contractual obligations for water supply from the Regional Water System in light of ongoing risks.	<ul style="list-style-type: none"> BAWSCA successfully secured SFPUC's development of a new water supply program (their "Alternative Water Supply Planning effort"), including funding allocation, and regular Quarterly Reports on this program to the Commission as a means of highlighting the SFPUC's overall effort. BAWSCA continues to monitor water supply planning progress toward goal of ensuring SFPUC meets its water supply reliability obligations.
	5. <u>Protect Members' Interests in a Reliable Water Supply</u>	
	a. Participate in SWRCB Bay Delta Plan Update to ensure member agency interests are represented, including ongoing legal intervention.	<ul style="list-style-type: none"> BAWSCA is actively engaged in State Board proceedings including ongoing legal intervention, monitoring settlement discussions and other SWRCB activity.
	b. Participate in the Don Pedro Project/La Grange Project FERC licensing process to protect customers' long-term interests in Tuolumne River water supplies, including ongoing legal intervention.	<ul style="list-style-type: none"> BAWSCA is actively engaged in the FERC relicensing efforts including ongoing legal intervention.


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

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	STATUS of FY 2020-21 RESULTS DELIVERED TO DATE
	6. <u>Pursue Grant Opportunities Independently and in Coordination with Regional Efforts</u>	
	a. Pursue and use grant funds for water conservation programs and for regional supply projects and programs, including Prop 1 Integrated Regional Water Management conservation grant.	<ul style="list-style-type: none"> BAWSCA was awarded \$382,477 from the Prop 1 grant fund in June 2020 for Regional Water Conservation Programs and administers the grant program on behalf of the member agencies. BAWSCA will continue to look for new grant funding opportunities. BAWSCA submitted two letters of support for two member agencies applying for the Bureau of Reclamation's WaterSmart grant program.
	b. Pursue, with regional partners, grant funding to support studies that aim to improve regional water supply reliability, such as possible future BARR Phase 3 efforts.	<ul style="list-style-type: none"> Ongoing.
	c. Investigate potential for grant funds to support the implementation of the Strategy.	<ul style="list-style-type: none"> Ongoing.
	7. <u>Reporting and Tracking of Water Supply and Conservation Activities</u>	
	a. Complete BAWSCA FY 2019-20 Annual Survey.	<ul style="list-style-type: none"> All agencies have submitted data to BAWSCA's Water Conservation Database for use in Annual Survey. Data will be reviewed in December 2020.
	b. Complete BAWSCA FY 2019-20 Annual Water Conservation Report.	<ul style="list-style-type: none"> On schedule.
	c. In partnership with member agencies, operate and maintain BAWSCA's Water Conservation Database.	<ul style="list-style-type: none"> Ongoing.
	HIGH QUALITY WATER	
	8. <u>Support Member Agencies in Receiving Reliable Communication of Water Quality Issues</u>	
	a. Coordinate member agency participation in Joint Water Quality Committee to ensure it addresses Wholesale Customer needs	<ul style="list-style-type: none"> In Summer and Fall 2020, BAWSCA worked closely with Joint Water Quality Committee Chair to bring an important water quality issue to SFPUC's attention and ensure response to Member Agency satisfaction.

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

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	STATUS of FY 2020-21 RESULTS DELIVERED TO DATE
	b. Relay important water quality information (notices as received from SFPUC) to BAWSCA member agencies when made aware of changes that have the potential to impact water quality (e.g., taste, odor, blending, etc.).	<ul style="list-style-type: none"> In Summer and Fall 2020, BAWSCA coordinated with Joint Water Quality Committee Chair to gather necessary water quality data from member agencies and SFPUC to investigate important water quality issue.
	c. Review and act on, if necessary, State legislation affecting water quality regulations.	<ul style="list-style-type: none"> Ongoing.
	FAIR PRICE	
	9. <u>Perform Matters that Members Delegated to BAWSCA in the WSA</u>	
	a. Administer the WSA with SF to protect the financial interests of member agencies.	<ul style="list-style-type: none"> Currently reviewing the SFPUC's calculation of the annual Wholesale Revenue Requirement and changes in the Balancing Account for FY 2018-19. This review is expected to be completed by December 20, 2020. Ongoing effort to ensure that SFPUC meets its financial reporting obligations required by the WSA. Continued working with the SFPUC on the implementation of the WSA amendments adopted in 2018 that include the asset classification and changes made in the methodology for calculating the wholesale revenue-funded capital fund balance. Established a Balancing Account Policy that would guide any future action by the Board in justifying the allocation of the positive balance in the Balancing Account in September 2020. Provided the Board the status of the Balancing Account and the written findings required by the Balancing Account Policy to support the proposed use of Balancing Account on the WSA Section 5.03.C prepayment as of September 30, 2020. BAWSCA Board approved the proposed prepayment in September 2020. The estimated net savings to the wholesale customers are approximately \$175,000 on a present value basis.

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

STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	STATUS of FY 2020-21 RESULTS DELIVERED TO DATE
	b. Administer bonds issued by BAWSCA to retire capital debt owed to San Francisco.	<ul style="list-style-type: none"> • Ongoing administration of bond surcharge collection from Member Agencies each month and proper fund allocation at the Trustee according to the Bond Indenture to ensure sufficient fund for on-time debt service payments. • Performed account reconciliation based on the SFPUC's surcharge collection report and Trustee's account statements at the end of each month. • Ongoing maintenance of proper records to ensure on time annual continuing disclosure filing to the Municipal Securities Rulemaking Board. • Prepared Quarterly Bond Surcharge Collection Report for the Board that presents the status of surcharge collection and the account balance at the Trustee. • Complied with tax requirements to preserve the tax-exempt status of the 2013A bonds. • Re-evaluated all investment instruments permitted by the Bond Indenture during the annual investment policy review in October 2020. Based on the findings, staff recommended the inclusion of U.S. Agency Securities as permitted investments for the bond proceeds in the investment policy with a sector allocation limit not to exceed 40% of total stabilization fund market value at the time of purchase. Board approved the recommended modification on November 19, 2020. • Reviewed the investment strategy for the bond proceeds during the annual investment policy review in November 2020 and determined that the current 0-5 year laddered portfolio strategy remains appropriate. • Continued effort on monitoring the market and updating the refunding analysis for the agency's 2013A bonds as time goes on while the cost of the negative arbitrage diminishes gradually.

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






STATUS	BAWSCA OBJECTIVE & FY 2019-20 WORK PLAN ITEM	STATUS of FY 2020-21 RESULTS DELIVERED TO DATE
	AGENCY EFFECTIVENESS	
	10. <u>Maintain Community Allies and Contacts with Environmental Interests</u>	
	a. Maintain close relationships with BAWSCA's local legislators and allies, and activate them if necessary, to safeguard the health, safety, and economic well-being of residents and communities.	<ul style="list-style-type: none"> Continued communication with elected officials and others on matters related to the potential negative impact of the SWRCB's Bay delta Plan on BAWSCA's member agencies.
	b. Maintain a dialogue with responsible environmental and other groups, who will participate in the permitting and approval process for efforts to maintain system reliability.	<ul style="list-style-type: none"> BAWSCA staff participated on a state-wide webinar on new UWMP requirements. The webinar was hosted by a local environmental group active in DWR's development of efficiency targets as part of SB 606/AB 1668. Other relevant stakeholders on the webinar included DWR staff, a prominent water management consulting firm, the SFPUC, and UC Davis. BAWSCA engaged and shared insights/experience with the Pacific Institute, a prominent CA environmental organization, for their project to establish best practices and facilitate multi-organizational conservation rebate programs (a.k.a. "stackable" rebates).
	c. Maintain effective communications with member agencies, customers, & others to achieve results and support goals.	<ul style="list-style-type: none"> Ongoing.
	d. In conjunction with San Francisco, conduct or co-sponsor tours of the water system for selected participants.	<ul style="list-style-type: none"> SFPUC has cancelled all in-person tours due to COVID-19. SFPUC has offered a virtual tour via Zoom that was made available to Board Members and the public.
	11. <u>Manage the Activities of the Agency Professionally and Efficiently</u>	<ul style="list-style-type: none"> BAWSCA's 2019-20 Annual Audit Report was published in November 2020 with results demonstrating that BAWSCA and BAWUA are meeting the requirements for sound financial management. Completed annual Other Post-Employment Benefits Trust review with Board at its November 19, 2020 meeting. Provided Board with a review of BAWSCA's CalPERS Fund status and will work with Board to consider a policy related to alternatives for unfunded liability.

Table. 2 Historical Annual Assessments and Year-End Reserves

Fiscal Year	Assessments	Year-End Reserves	Operating Budget	Reserve as a % of Budget
2003-04	\$1,668,550	\$276,480	\$1,821,350	15%
2004-05	\$1,641,995	\$246,882	\$1,838,490	13%
2005-06	\$1,953,998	\$240,000	\$2,099,975	11%
2006-07	\$2,117,904	\$654,000	\$2,291,904	29%
2007-08	\$2,117,904	\$691,474	\$2,508,967	28%
2008-09	\$2,309,000	\$507,474	\$2,763,196	18%
2009-10	\$2,517,000	\$407,192	\$2,766,945	15%
2010-11	\$2,517,000	\$653,763	\$2,680,394	24%
2011-12	\$2,517,000	\$916,897	\$2,619,705	35%
2012-13	\$2,517,000	\$985,897	\$2,780,504	35%
2013-14	\$2,516,812	\$521,897	\$3,280,189	16%
2014-15	\$2,642,653	\$225,461	\$2,939,286	8%
2015-16	\$3,276,889	\$776,620	\$3,201,679	24%
2016-17	\$3,440,734	\$1,202,592	\$3,468,008	35%
2017-18	\$3,543,957	\$1,561,144	\$3,704,572	42%
2018-19	\$3,579,397	\$1,115,848	\$4,278,585	26%
2019-20	\$3,686,779	\$1,037,877	\$4,569,750	23%
2020-21	\$3,686,779	\$1,139,243*	\$4,020,679	28%

**Preliminary projection is same as the reserve balance as of November 30, 2020*

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Professional Services Contract Amendment with Woodard & Curran, Inc. to Provide as Needed Specialized Water Resources Services**

Summary:

This item requests authorization for the CEO/General Manager to negotiate and execute a contract amendment with Woodard & Curran, Inc. (Woodard & Curran) to provide specialized water resources services for FY 2020-21. These resources are needed to continue the support provided to address the vacancy caused by the departure of Andree Johnson and Negin Ashoori's temporary maternity leave. The needed professional services would be provided by Andree Johnson through her new employer, Woodard & Curran.

The recommended action will provide critical resources necessary to complete activities associated with the adopted FY 2020-21 Work Plan during the continued transition and training period for BAWSCA's new staff hired in June 2020 to address Ms. Johnson's position vacancy, a second technical staff departure in FY 2019-20, and the maternity leave of a third technical BAWSCA staff member. For FY 202-21, the CEO entered into an initial \$25,000 contract with Woodard & Curran under her discretionary authority in order to avoid delays and interruption of work already in progress.

The recommended action would increase the current contract not to exceed amount by an additional \$25,000 for a total contract amount of \$50,000. No change to the scope of work or the contract term is necessary. The scope of work is provided as Exhibit A.

Fiscal Impact:

The need for this outside resource was unanticipated during the FY 2020-21 budget development process. The initial \$25,000 contract was funded using reallocated monies budgeted for proposed BAWSCA conservation work efforts in the FY 2020-21 budget. The proposed amendment for an additional \$25,000 for FY 2020-21 can be funded through an additional reallocation of monies available from BAWSCA's conservation program budget or, if needed, monies reallocated from BAWSCA's operating budget. Conservation program monies are available by reducing the budget allocated for select consultants and reallocating those funds to the Woodard & Curran contract. Operating budget monies can be made available from reduced staff costs that have resulted due to salary savings during this fiscal year, although the preference is to shift conservation program budgeted funds.

Recommendation:

That the Committee recommend the Board authorize the CEO/General Manager to negotiate and execute a contract amendment with Woodard & Curran that would increase the total not-to-exceed amount to \$50,000 for as-needed specialized water resources services for FY 2020-21.

Discussion:

In May 2020, the Board adopted the FY 2020-21 Work Plan and Operating Budget, which was based on the assumption of the continued availability of existing staff resources: two Senior Water Resources Specialists and a new Water Resources Specialist.

In May of 2020, Ms. Andree Johnson provided BAWSCA with notice that she would be taking a position as a Project Manager at Woodard & Curran. As a result, one Senior Water Resources Specialist position was vacated in early June 2020. A replacement was hired and has since been integrated into BAWSCA's work efforts. In addition, BAWSCA was aware that the second Senior Water Resources Specialist would be taking a maternity leave in Fall 2020.

In order to achieve BAWSCA's critical planned results for FY 2020-21 and to assist in the transition and training of replacement staff, the CEO determined that the best way to meet BAWSCA's near-term resource needs would be to hire Ms. Johnson through her new firm, Woodard & Curran, on a temporary and part-time basis.

The CEO entered into a \$25,000 contract with Woodard & Curran under her signature authority to provide the needed resources. At this time, the existing \$25,000 budget has been nearly fully expended. The Board would need to approve a contract amendment to provide continued access to Ms. Johnson's expertise during the remainder of FY 2020-21.

Ms. Johnson's services would be used to provide assistance to BAWSCA's new staff tasked with performing key work efforts, many of which were previously delegated to her and that are critical to BAWSCA's adopted results to be achieved. Primarily, her assistance will focus on providing advice and guidance as needed to help implement BAWSCA's award winning conservation program. Ms. Johnson's assistance to BAWSCA will be limited to not-to-exceed 10% of her billable time.

Ms. Johnson is a talented individual with unique knowledge of BAWSCA's goals, programs and member agencies. With her experience and knowledge, Ms. Johnson is able to provide the necessary support in an efficient and cost-effective manner.

Alternatives:

Two alternatives to the recommended action have been examined and are not recommended.

The first alternative would be to not secure assistance during the remainder of FY 2020-21. This is not recommended as it would require a modification of the adopted Work Plan and would result in reducing or delaying implementation of BAWSCA conservation programs, assistance provided to Member Agencies regarding implementation of BAWSCA conservation programs, and assistance provided by BAWSCA to Member Agencies as they develop their respective Urban Water Management Plans.

The second alternative would be to secure alternative outside consultant resources. This alternative is not recommended as Ms. Johnson's experience at BAWSCA enables her to provide the most cost-effective and efficient resources to BAWSCA during this transition period.

EXHIBIT A

Scope of Services

**Between the Bay Area Water Supply and Conservation Agency (BAWSCA) and Woodard
& Curran, Inc. (Consultant)**

Purpose:

To provide specialized services to BAWSCA related to water conservation program management and water resources planning.

Work to be Performed:

At the direction of Nicole Sandkulla and/or Thomas Francis, Andree Johnson will provide support as requested on the BAWSCA programs and projects described below.

Water Conservation Program Support:

It is anticipated that assistance may be requested to augment BAWSCA staff work on a number of existing BAWSCA conservation programs. Possible work assistance requests could include, but will not be limited to:

- Assistance to BAWSCA staff with the coordination of education classes (Landscape education classes, school education classes, etc.)
- Helping BAWSCA with implementation of the "Qualified Water Efficient Landscaper" (QWEL) program
- Helping to craft updates to the GardenSoft WaterWise Gardening Website
- Coordination with California Water Efficiency Partnership (CalWEP) matters of interest to BAWSCA
- Assistance on the utilization of BAWSCA's Water Conservation Database (WCDB) system operation, maintenance, and as-needed updates
- Assistance as requested on BAWSCA's preparation of an Annual Water Conservation Report for FY 2019-20
- Assistance on BAWSCA's proposed Landscape Audit Program
- Assistance to BAWSCA on the management of water conservation rebate programs
- Assistance to BAWSCA on work associated with the WaterSmart Water Use Reports Program
- Advice regarding the WaterSense Fixtures Bulk Purchase effort
- Assistance to BAWSCA on the Water Loss Management Subscription Program

- Assistance to BAWSCA on the implementation of a Regional Commercial/Industrial Audit Subscription Program
- Assistance to BAWSCA on the implementation of the Rachio weather-based irrigation controller rebate program with RWA
- Assistance to BAWSCA on the implementation irrigation controller installation and outdoor water audit program
- Assistance to BAWSCA on the implementation of the Droplet Technologies program management database
- Other assistance as may be requested in support of BAWSCA's ongoing water conservation program efforts

Water Resources Program Support:

- Assistance as may be needed to complete the BAWSCA Regional Water Demand and Conservation Projections Project
- Assistance as may be requested regarding Urban Water Management Plan coordination activities between BAWSCA, BAWSCA Member Agencies, and the SFPUC, including the potential preparation of Water Supply Deficiency Analyses
- Assistance as may be needed related to BAWSCA's Asset Management Audit(s) of the San Francisco Regional Water System
- Support as related to calculating Tier 2 water supply allotments for BAWSCA member agencies in various drought scenarios
- Other support or assistance as may be requested over the term of the contract related to ongoing BAWSCA water resources projects and programs

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **BAWSCA's Pension Liability Funded Status Update**

Summary:

A staff memo on this topic was previously provided to the BAWSCA Board in November. Based on feedback from the Board that further discussion was needed, this item is being presented again as a special discussion item. More information on each of the voluntary additional pension funding options is included in this memo. Feedback from the BPC is requested, including a discussion of the next steps desired in light of FY 2021-22 Operating Budget preparation starting in a few months.

BAWSCA offers its employees and retirees a defined pension benefit plan that is managed and administered by California Public Employees' Retirement System (CalPERS), a State of California Pension Trust Program. In response to a Board Member request, this memo presents a status of BAWSCA's CalPERS pension plan fund, including current funding level, and provides a comparison of BAWSCA's liability funded ratio to that of the member agencies. As of June 30, 2019, BAWSCA's Funded Ratio of its CalPERS pension plan is 80.8% and the total Unfunded Accrued Liability (UAL) is \$740,356, which is scheduled to be paid off by June 30, 2038 based on the current amortization schedule.

Fiscal Impact:

BAWSCA's FY 2020-21 Operating Budget includes the CalPERS required employer contributions of \$215,697, which represents 5.4% of the annual budget of \$4,020,679.

Recommendation:

This item is for informational purposes only. Feedback from the BPC on the possible options and next steps is requested at this time.

Discussion:

CalPERS retirement benefits are based on a formula, rather than contributions and earnings to a savings plan. Retirement formulas vary based on classifications of the employees (e.g., miscellaneous, safety, or industrial). BAWSCA only participates in the pension plan for miscellaneous employees. Every year, CalPERS provides BAWSCA an actuarial valuation report that includes the latest pension trust plan funded status and the minimum required employer contributions for the next fiscal year. The minimum required employer contributions represent the sum of the Normal Cost (expressed as a percentage of total active payroll) plus the amortization of the Unfunded Accrued Liability. The information from the actuarial valuation report as of June 30, 2019 will be used in FY 2021-22 operating budget preparation process.

BAWSCA's CalPERS Pension Plan Funded Status

The measure of funded status is an assessment of the sufficiency of plan assets to cover future employer contributions. The Present Value of Projected Benefits (PVB) represents the total value of all future pension liabilities for current and former employees. The Entry Age Normal Accrued Liability (AL) is the future pension liabilities for service that has already been earned. The Unfunded Accrued Liability (UAL) represents the liabilities for service that has been earned but not funded. BAWSCA's latest pension plan funded status is summarized below in Table 1.

BAWSCA also compared its pension liability funded ratio with the member agencies' CalPERS pension miscellaneous plans. The results are shown in Table 2.

Voluntary Additional Pension Funding Options

In light of the rise and volatility of CalPERS pension costs, many public agencies have voluntarily chosen to set aside or contribute additional pension funding to address their long-term pension liabilities. At this time, BAWSCA is aware of three options currently available.

Option 1: Additional Discretionary Payments of UAL to CalPERS

CalPERS allows employers to make additional discretionary payments (ADPs) at any time and in any amount. These optional payments serve to reduce the Unfunded Accrued Liability (UAL) and future required contributions and can result in significant long-term savings. Employers can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue. Making such an ADP during a fiscal year does not require an ADP be made in any future year, nor does it change the remaining amortization period of any portion of unfunded liability.

Per CalPERS actuarial valuation report as of June 30, 2019, BAWSCA's minimum required employer contribution towards the UAL for FY 2021-22 is \$68,648, and the UAL is expected to be paid off in 18 years. As an alternative to BAWSCA's current 30 year funding target, Table 3 below presents four different funding targets, ranging from 5 to 20 years, and the associated estimated FY 2021-22 employer contributions, including different levels of ADPs.

Option 2: Re-amortized Annual UAL Contributions to CalPERS

CalPERS also allows employers to pay off the UAL more quickly than required based on alternative "fresh start" amortization schedules. The latest actuarial valuation report includes two sample schedules.

If BAWSCA would like the total UAL to be paid off in 15 years, its minimum required employer contribution towards paying down the UAL would be increased to a fixed amount of \$73,594 each year, or 7.2% more than the current year's amortization payment of \$68,648. If BAWSCA would like the UAL to be paid off in 10 years, its annual UAL contribution would be \$95,433, or 39.0% more than the current amortization payment. Table 4 presents future year amortization payments for BAWSCA based on the current amortization schedule and alternative "fresh start" amortization schedules using two sample periods that would both result in interest savings relative to the current amortization schedule.

Option 3: Contributions to Pension Prefunding Trust for Offsetting Future Pension Liability

There are various third-party pension prefunding trust programs available to allow employers setting aside funds that can be used to offset the future growing pension liability. The purpose of the employer's participation in a pension prefunding trust is to enable the employer to set aside and invest additional funds that accumulate interest earnings, that would then be available in the future to offset growing pension liability.

In October 2020, BAWSCA conducted a survey of all member agencies who maintain pension benefit plans under CalPERS. Based on the survey results, nine city governments and one water district have established an IRS Section 115 trust to voluntarily prefund for future required employer pension contributions. Details from this survey are presented in Table 5.

Next Steps

BAWSCA will receive feedback from the BPC on this information and use it as guidance for additional investigation. Guidance for any consideration of additional funding that should be included in the preparation of FY 2021-22 Operating Budget would also be useful at this time.

Table 1. Summary of BAWSCA's Pension Plan Funded Status as of June 30, 2019

Actuarial Calculation	CalPERS "Misc." Plan Value
a. Present Value of Projected Benefits (PVB)	\$5,504,674
b. Entry Age Normal Accrued Liability (AL)	\$3,854,370
c. Market Value of Assets (MVA)	\$3,114,014
d. Unfunded Accrued Liability (UAL) =b-c	\$ 740,356
e. Funded Ratio =c/b	80.8%

Table 2: Member Agencies CalPERS Pension Liability Funded Ratio for Miscellaneous Plans (including PEPRA Misc. but not Safety Employees) as of June 30, 2019

Purissima Hills WD	82.1%	City of Brisbane	72.1%
BAWSCA	80.8%	City of Burlingame	72.1%
Westborough WD	80.3%	Coastside County WD	70.9%
Mid-Peninsula WD	78.4%	City of Sunnyvale	69.6%
City of East Palo Alto	78.2%	City of Foster City	68.6%
City of Daly City	77.3%	City of Millbrae	68.5%
City of San Jose	74.3%	City of Milpitas	68.5%
City of Menlo Park	74.0%	City of Redwood City	67.9%
Town of Hillsborough	73.4%	City of San Bruno	67.0%
ACWD	73.2%	City of Palo Alto	66.1%
City of Mountain View	72.8%	City of Hayward	64.8%
North Coast County WD	72.2%	City of Santa Clara	60.9%

Data source: CalPERS Actuarial Valuation Reports for Miscellaneous Plans as of June 30, 2019

Table 3: Estimated FY 2021-22 Employer Contributions Based on Current 30-Year Funding Target and Alternative Funding Targets

Funding Target	Estimated Normal Cost	Minimum UAL Payment	ADP*	Total UAL Contribution	Estimated Total Contribution
30 years	\$132,874	\$68,648	\$0	\$68,648	\$201,522
20 years	\$132,874	\$68,648	\$2,656	\$71,304	\$204,178
15 years	\$132,874	\$68,648	\$12,980	\$81,628	\$214,502
10 years	\$132,874	\$68,648	\$34,819	\$103,467	\$236,341
5 years	\$132,874	\$68,648	\$102,862	\$171,510	\$304,384

*The ADP amounts are assumed to be made in the middle of the fiscal year. A payment made earlier or later in the fiscal year would have to be less or more than the amount shown to have the same effect on the UAL amortization.

Table 4: Future Year Amortization Payments for Under Current and Alternate Schedules

	<u>Current Amortization</u>		<u>Alternate Schedule</u>			
	<u>Schedule</u>		<u>15 Year Amortization</u>		<u>10 Year Amortization</u>	
Date	Balance	Payment	Balance	Payment	Balance	Payment
6/30/2021	727,422	68,648	693,348	73,594	693,348	95,433
6/30/2022	707,332	72,962	665,756	73,594	643,166	95,433
6/30/2023	681,372	77,451	636,233	73,594	589,470	95,433
6/29/2024	648,952	82,122	604,643	73,594	532,015	95,433
6/29/2025	609,431	84,423	570,842	73,594	470,539	95,433
6/29/2026	564,764	78,404	534,675	73,594	404,760	95,433
6/29/2027	523,196	80,476	495,977	73,594	334,376	95,433
6/28/2028	476,575	82,605	454,569	73,594	259,065	95,433
6/28/2029	424,487	84,792	410,264	73,594	178,483	95,433
6/28/2030	366,491	87,036	362,856	73,594	92,259	95,433
6/28/2031	302,115	89,346	312,131	73,594		
6/27/2032	230,842	91,717	257,854	73,594		
6/27/2033	152,128	94,156	199,778	73,594		
6/27/2034	65,382	19,409	137,636	73,594		
6/27/2035	49,882	19,858	71,145	73,594		
6/26/2036	32,832	16,547				
6/26/2037	18,014	13,039				
6/26/2038	5,787	5,986				

Table 5: Results of Recent BAWSCA Survey of Member Agencies Regarding Voluntary Prefunding Pension Contributions

<u>Agency</u>	Is the agency currently prefunding employer pension contributions through a trust program?	Trust Administrator
Alameda County WD	No	
Brisbane/Guadalupe Valley	Yes	PARS
Burlingame	Yes	PARS
Coastside County WD	No	
Daly City	Yes	PARS
East Palo Alto WD	No	
Estero Municipal ID	No	
Hayward	Yes ¹	CEPPT
Hillsborough	Yes	Keenan
Menlo Park	No	
Mid-Pen WD	Yes	PARS
Millbrae	No	
Milpitas	No ²	
Mountain View	No	
North Coast WD	No	
Palo Alto	Yes	PARS
Purissima Hills WD	No	
Redwood City	Yes	PARS
San Bruno	No	
San Jose	No	
Santa Clara	Yes	PARS
Sunnyvale	Yes	PFM
Westborough WD	No	
Note:		
1. City of Hayward Council approved the establishment of a 115 trust via CEPPT in October 2020. The City has not pre-funded to date but will do moving forward as funds are available.		
2. City of Milpitas is currently in the RFP process for selecting a Section 115 trust administrator.		

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: December 4, 2020
SUBJECT: Chief Executive Officer/General Manager's Letter

Proposed Amendment to the Amended and Restated Water Supply Agreement (WSA) Concerning Minimum Purchase/Individual Supply Guarantee Transfers

In 2018, the BAWSCA agencies and San Francisco adopted a collection of amendments to the 2009 Water Supply Agreement between San Francisco and its Wholesale Customers, resulting in an Amended and Restated Water Supply Agreement (WSA). At that time, the BAWSCA agencies directed BAWSCA and San Francisco to begin discussions to develop an acceptable method by which a Minimum Purchase Wholesale Customer may transfer a portion of its Minimum Purchase and Individual Supply Guarantee. Since that time, BAWSCA has held discussions and workshops with the BAWSCA agencies, particularly with the four customers who have Minimum Purchases (ACWD, Milpitas, Mountain View and Sunnyvale) and San Francisco, analyzed potential options and associated impacts, and prepared a proposed Amendment.

On December 3rd, the BAWSCA agencies, their legal counsels, and BAWSCA staff met and discussed the proposed Amendment, as well as the process for Amendment adoption. The first potential action will be the Commission's consideration of the Amendment in late January 2021, followed by consideration by the governing bodies of the individual BAWSCA agencies. Adoption is anticipated to take several months, during which time, BAWSCA will provide technical and legal support to the BAWSCA agencies.

SFPUC Proposed Asset Management Policy

SFPUC is in the process of developing an Asset Management Policy (Policy) that when implemented will be applied to each of their organization's enterprises, including their Water Enterprise. The policy is intended to guide and facilitate the planning, design, procurement, construction, operation, maintenance and retirement of critical infrastructure. The draft version of the Policy that BAWSCA has reviewed outlines the SFPUC's approach to managing its portfolio of assets in an effort to maximize the lifecycle value of assets while meeting levels of service and performance goals. Topics such as asset risk management, the need for asset registries, and regular asset assessment activities are noted in the Policy.

The need to prepare and implement a Policy was a key recommendation of BAWSCA's audit of the SFPUC's Asset Management Program. The Commission is scheduled to consider the proposed Policy at its December 22, 2020 meeting. BAWSCA will provide written comments to the Commission by December 11th. BAWSCA's initial review indicated that the Policy covers

the topics needed, but that some details need clarification prior to finalizing the Policy. BAWSCA's comment letter will expand on that finding.

Status of Wholesale Revenue Requirement Reviews for FY 2019-20

Pursuant to Section 7.02 of the 2009 Water Supply Agreement (WSA), the SFPUC shall provide the Wholesale Revenue Requirement (WRR) calculation and the required reports for FY 2019-20 to BAWSCA and the compliance auditor on November 30, 2020.

Per a letter notice from the SFPUC Finance department, dated November 25, 2020, there has been a delay in the completion of the SFPUC Financial Statements such that the WRR calculation cannot be completed on time. As a result, the SFPUC provided BAWSCA a draft FY 2019-20 WRR calculation summary and the best information available up to date on November 30, 2020.

The SFPUC currently expects the Audited Financial Statements to be completed in mid-December and has proposed to deliver the final FY 2019-20 WRR calculation within two weeks after the publication of the Audited SFPUC Financial Statements.

Board Policy Committee

Policy Calendar Through June 2021

Meeting Date	Purpose	Issue or Topic
December 2020	D&A R&D R	FY 2020-21 Mid-Year Work Plan, Budget, & General Reserve Balance Review BAWSCA Pension Liability Funded Status Update Review of Water Supply and Demand
February 2021	D&A D&A R&D R	Consideration of BAWSCA Bond Surcharges for FY 2021-22 Review of Agency Personnel Handbook Presentation of Preliminary FY 2021-22 Work Plan and Budget Review of Water Supply Forecast
April 2021	D&A D&A R	Consideration of Proposed FY 2021-22 Work Plan and Budget Consideration of Annual Consultant Contracts Review of Water Supply Forecast
June 2021	R&D	Update on Long-Term Reliable Water Supply Strategy Implementation