

BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

February 12, 2020

1:30 p.m.

BAWSCA Offices, 155 Bovet Road, San Mateo, 1st Floor Conference Room

(Directions on page 3)

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
1. <u>Call To Order, and Roll Call</u> Roster of Committee Members (<i>Attachment</i>)	(Chambers)	Pg 5
2. <u>Comments by BPC Chair</u>	(Chambers)	
3. <u>Public Comment</u> <i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(Chambers)	
4. <u>Consent Calendar</u> A. Approval of Minutes from the December 11, 2019 meeting (<i>Attachment</i>)	(Chambers)	Pg 7
5. <u>Action Calendar</u> A. Proposed Fiscal Year 2020-21 Bond Surcharges (<i>Attachment</i>) <u>Issue:</u> How much will the surcharges be for FY 2020-21? <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> That the Committee recommend Board approval of the proposed FY 2020-21 bond surcharges as presented in the staff memorandum.	(Tang)	Pg 23
B. Authorization to enter into an Agreement with the Selected Contractor to Implement a Landscape Rebate Online System. <u>Issue:</u> How can BAWSCA further expand its Landscape Education Program as well as provide opportunities for outdoor water use reduction for its member agencies? <u>Information to Committee:</u> Oral report and memorandum. <u>Committee Action Requested:</u> That the Committee recommend the Board of Directors to authorize the CEO/General Manager to: 1. Negotiate and execute a contract with the selected contractor(s), subject to legal counsel review, to implement the Landscape Rebate Online System; and 2. Offer participation in the Program to interested BAWSCA agencies on a subscription basis.	(Ashoori)	Pg 29

6. Reports and Discussion Items**(Sandkulla)**

- A. Evaluation of Potential Refunding of the Agency's Revenue Bond Series 2013A Pg 33
(Attachment)
Issue: Are current market conditions beneficial enough for BAWSCA to consider refunding the bonds in this year?
Information to Committee: Oral report and memorandum.
Committee Action Requested: This item is for information only. No Committee action is requested.
- B. Preliminary Fiscal Year 2020-21 Work Plan and Results to be Achieved Pg 37
(Attachment)
Issue: What critical results must be achieved in FY 2020-21 to accomplish BAWSCA's goals and water reliability objectives?
Information to Committee: Memorandum presenting Preliminary Fiscal Year 2020-21 Work Plan and Results to be Achieved.
Committee Action Requested: 1) Comments and suggestions concerning the preliminary Fiscal Year 2020-21 Work Plan and results to be achieved; 2) Feedback on presented responses from January 16th work plan and budget preparation planning session; and 3) Suggestions concerning presentation of the preliminary Work Plan and Operating Budget to the Board of Directors in March.

7. Reports**(Sandkulla)**

- A. Water Supply Update
- B. Los Vaqueros Expansion Project Update *(Attachment)* Pg 55
- C. Bay Delta Plan Update
- D. Wholesale Revenue Requirement *(Attachment)* Pg 59
- E. CEO/General Manager's Letter *(Attachment)* Pg 63
- F. Board Policy Committee Calendar *(Attachment)* Pg 67
- G. Correspondence Packet *(Under Separate Cover)*

8. Closed Session

- A. **Conference with Legal Counsel – Existing Litigation pursuant to** **(Schutte)**
 Paragraph (1) of subdivision (d) of Government Code Section 54956.9
Federal Energy Regulatory Commission Final License Application Proceedings for Don Pedro Hydroelectric Project, P-2299-082, and La Grange Hydroelectric Project, P-14581-002.
- B. **Conference with Legal Counsel – Existing Litigation pursuant to** **(Schutte)**
 Paragraph (1) of subdivision (d) of Government Code Section 54956.9 *San Joaquin Tributaries Authority, et al. v. California State Water Resources Control Board (Tuolumne County Superior Court Case No. CV62094).*

9. Comments by Committee Members**(Chambers)**

- 10. Adjournment to the next meeting on April 8, 2020 at 1:30pm in the 1st floor** **(Chambers)**
conference room of the BAWSCA office building, at 155 Bovet Road, San Mateo.

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Directions to BAWSCA

From 101: Take Hwy.92 Westbound towards Half Moon Bay. Exit at El Camino Northbound (move into the far left Lane) Left at the 1st stop light which is Bovet Road (Chase Building will be at the corner of Bovet and El Camino). Proceed West on Bovet Road past 24 Hour Fitness to two tall buildings to your left. Turn left into the driveway between the two buildings and left again at the end of the driveway to the "Visitor" parking spaces in front of the parking structure.

From 92: Exit at El Camino Northbound and follow the same directions shown above.

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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**

**December 11, 2019 – 1:30 p.m.
BAWSCA Offices – 155 Bovet Rd., San Mateo – 1st Floor Conference Room**

MINUTES

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

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

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

Director Cormack made a motion, seconded by Director Wood, that the minutes of the October 9, 2019 Board Policy Committee meeting be approved.

The motion carried unanimously.

5. **Action Calendar:**

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

All BAWSCA funds are invested in accordance with the Policy, and BAWSCA's legal counsel has confirmed that the current language in the Policy is consistent with State law. The Policy specifies the permitted investment instruments for the bond proceeds associated with BAWSCA's 2013 bond issuance. Based on BAWSCA's recent review, the current permitted investments of money market mutual funds, certificate of deposit, and federal securities, are consistent with BAWSCA's risk tolerance and primary investment objectives of safety, liquidity and return. Therefore, no changes in the current policy or the permitted investment instruments are recommended.

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

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

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

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

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

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

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

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

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

Director Wood asked whether BAWSCA's investment decisions are based on an individual's advice as opposed to an investment company's advice, if there is a plan for considering service terms in the future, and if there is an investment report that details the distribution and management of the investments.

Ms. Sandkulla stated that Public Trust Advisors provides BAWSCA a team of investment advisors that work with BAWSCA on monitoring securities, investment considerations, and reviewing return options. The same team of advisors worked

with BAWSCA under Orrick, BAWSCA's Bond Counsel since 2013. Public Trust Advisors subsequently acquired Orrick's investment advising services, and BAWSCA has continued to work with the same team because of their proven expertise. Additionally, annual review of the Public Trust Advisors' contract has not shown the need to make a change as their fees remain the same and BAWSCA's financial situation remain steady. There is no plan to make a change

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

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

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

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

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

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

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

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

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

Further comments prior to voting were provided by committee members.

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

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

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

The motion passed unanimously.

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

6. Report and Discussion:

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

Staff is recommending two changes in the work plan.

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

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

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

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

The effort has been proposed for inclusion in the SFPUC's 10-year CIP currently in development, but given the progress with the State, the VA, and the potential risks to the wholesale customers, BAWSCA is putting increased pressure on the SFPUC to

ensure there is a broad suite of water supply projects being analyzed, and a dedicated team to push the projects forward. Ms. Sandkulla has asked the SFPUC to identify a Director for the program by the end of the calendar year. She stated that the increased effort is consistent with what the Board has previously expressed about the criticality for water supply reliability for the region.

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

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

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

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

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

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

Ms. Sandkulla further explained that SFPUC's cost allocations between retail and wholesale customers are determined by the WSA. However, BAWSCA's

involvement in the development of the 10-year CIP provides the ability to check SFPUC's cost allocation and identify errors early on before it is charged to the wholesale customers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BAWSCA's water supply modeling tool has been extremely helpful in the discussions of the LVE. The modeling tool was created in 2017 to help assess member

agencies' and other districts' water use and how it interacts with various water supply sources. The tool will also be instrumental in future discussions of the Tier 2 drought plan.

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

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

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

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

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

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

Significant amount of work has been, and will continue to be focused on the SFPUC's water supply program. Ms. Sandkulla noted that the contract amendment that member agencies signed early this fiscal year extended San Francisco's 2018 decisions out to 2028. BAWSCA will continue its efforts on protecting the agencies'

water supply and financial interests in the SFPUC's 2028 decisions and Water Management Action Plan (WaterMAP) to ensure that San Francisco is taking the necessary steps to pursue new water supplies needed to meet its contractual Water Supply Level of Service Goals for its wholesale customers. This is a big issue for BAWSCA, and the SFPUC is as concerned about it given the Bay Delta Plan. BAWSCA and SFPUC are working to engage the cities of San Jose and Santa Clara in the conversation as their service from San Francisco is currently interruptible.

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

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

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

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

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

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

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

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

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

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

Ms. Sandkulla added that the 2009 Water Supply Agreement included a major change in how the Wholesale Customers paid for assets. Under the previous contract, wholesale customers paid for assets after construction was completed and they were into service so that the cost was known, and a rate of return was paid by the wholesale customers over time. Because of the magnitude of the WSIP and the financial need for construction and completion, the 2009 WSA was written to allow the SFPUC to charge the wholesale customers for assets during construction. The transfer of the process created some of the more complex issues that have since been resolved. Some of the major issues were related to accounting errors and different interpretation of the WSA language. These issues however, while anticipated to be narrow moving forward, will unfortunately not go away. They will continue to be addressed in the WRR.

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

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

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

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

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

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

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

The motion carried unanimously.

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

7. Reports:

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

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

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

BAWSCA's agreements with Amador Water Agency (AWA), East Bay Municipal Utility District (EBMUD), Hayward, and SFPUC have been approved by each agency's governing body. Mr. Francis noted ongoing language refinement on Hayward's agreement are being addressed with Hayward staff and BAWSCA's legal counsel. The agreements are delicate documents and everyone is working to ensure the language meets everyone's needs.

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

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

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

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

A third-party financial review of CCWD and EBMUD's proposed cost structure for use of their facilities was recently completed. The review was done by Bartle Wells under a contract administered by Alameda County Water District (ACWD). The review was to confirm consistency between CCWD's and EBMUD's methodologies, and that the methodologies met industry standards. The review found the components of the proposed facility usage fees to be reasonable. However, Bartle

Wells recommends alternative methods for consideration. A report of the review is being finalized and will be shared with the Board when it becomes available. BAWSCA will remain engaged with CCWD and EBMUD as they review and consider their next steps.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. **Closed Session:** The meeting adjourned to Closed Session at 2:25pm.
9. **Report After Closed Session:** Legal Counsel, Allison Schutte, reported that no action was taken during Closed Session.
10. **Comments by Committee Members:** There were no further comments from Committee Members.

8. **Adjournment:** The meeting was adjourned at 3:33 pm. The next meeting is February 12, 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	Dec. 11, 2019	Oct. 9, 2019	Aug. 14, 2019	Jun. 12, 2019	Apr. 10, 2019	Feb. 13, 2019
Stanford	Zigterman, Tom (Chair)	✓	✓	M T G C A N C E L L E D		✓	✓
Westborough	Chambers, Tom (VChair)	✓	✓		✓	✓	✓
Palo Alto	Alison Cormack	✓	✓		✓	✓	n/a
Foster City	Hindi, Sam		✓		✓		
Cal Water	Kuta, Rob	✓	✓		✓	✓☎	✓
Sunnyvale	Larsson, Gustav	✓	✓		✓	✓	
Hayward	Mendall, Al	✓	✓		✓	✓	✓
Redwood City	Pierce, Barbara	✓	✓		✓	✓	✓
Brisbane	Wood, Sepi	✓			✓	✓	✓

✓: present

☎: Teleconference

December 11, 2019 Meeting Attendance

BAWSCA Staff:

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

Public Attendees:

Peter Drekmeier Tuolumne River Trust
 Paul Sethy Director, ACWD

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

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

Summary:

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

Recommendation:

That the Committee recommend Board approval of the proposed FY 2020-21 bond surcharges as presented in this memorandum.

Discussion:

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

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

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

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

Table 1. Proposed BAWSCA FY2020-21 Bond Surcharges

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

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

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

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

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

Background:

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

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

Calculating the "True Up" Adjustment

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

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

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

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

One of the key drought response actions included in the adopted BAWSCA FY 2019-20 Work Plan is redevelopment of BAWSCA's existing Lawn Be Gone! Program in order to increase participation. The goal of the project is to provide BAWSCA and its member agencies a more effective and user-friendly system for the implementation and tracking of its landscape rebate programs. On January 10, 2020, BAWSCA issued a Request for Proposals (RFP) for outside consultant services to redevelop BAWSCA's existing Landscape Rebate Online System (Rebate System). The RFP was sent to eight consulting firms with known experience in online rebate systems and was also posted on the BAWSCA web site. Proposals are due on February 10, 2020 and will be reviewed by a panel consisting of BAWSCA staff, BAWSCA agency representatives, and an outside expert. It is anticipated that a final contractor recommendation will be provided to the Board as part of its consideration of recommended action in March.

Fiscal Impact:

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

Individual agency setup and annual maintenance costs for the Rebate System will be funded by BAWSCA member agencies participating in BAWSCA rebate programs. It is anticipated that these costs will be offset by the cost savings recognized from a reduction in administrative costs associated with rebate application data entry and tracking.

A final non-to-exceed budget for the System will be provided at the March Board meeting, after proposal review has been completed and the contractor recommendation has been determined.

Recommendation:

That the Board Policy Committee recommend the Board authorize the CEO/General Manager to:

- 1) Negotiate and execute a contract with the selected contractor(s), subject to legal counsel review, to implement the Landscape Rebate Online System; and**

- 2) Offer participation in the Program to interested BAWSCA agencies on a subscription basis.**

In addition, the Board Policy Committee is also asked to provide input to the CEO/General Manager on what additional information might be useful to the Board for its consideration in March.

Discussion:

Over the last few years the number of customer enrollments in the Lawn Be Gone! program and Rain Barrel rebate program at BAWSCA have been decreasing. BAWSCA seeks to redevelop the program to increase participation, improve customer experience, and reduce the administrative burden on participating water agencies. Several concepts are being evaluated for accomplishing these goals, including:

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

BAWSCA and its member agencies are seeking to develop, implement, and maintain a cloud-based Landscape Rebate Online System to streamline the rebate application process for BAWSCA's landscape rebate programs. The Rebate System will be used by all BAWSCA member agencies that participate in BAWSCA's Lawn Be Gone or Rain Barrel Rebate Program. BAWSCA and its member agencies are seeking to implement a new Rebate System to: 1) improve and simplify the application process for customers and 2) enhance the efficiency of BAWSCA and member agency staff in the administration, tracking, and implementation of conservation programs.

In order to effectively serve our water agencies and their customers, BAWSCA is seeking to establish:

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

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

The Rebate System will be used by all BAWSCA member agencies that participate in BAWSCA's Rain Barrel and Lawn Be Gone! programs (approximately 15 member agencies). The system would replace and expand the functions of BAWSCA's current Rebate Center. The Lawn Be Gone and Rain Barrel rebate programs will continue to be implemented as a Subscription Program, funded by the individual agencies that elect to participate.

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

Contractor Selection Process

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

After BAWSCA receives proposals, a selection panel consisting of BAWSCA staff, BAWSCA agency representative, and an outside expert will review and score the proposals. It is anticipated that a final contractor will be identified as part of the Board action in March, if recommended by the Board Policy Committee.

Scope of Work

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

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

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

Schedule

BAWSCA anticipates commencing work in March 2020. Work will be completed by June 30, 2020.

An estimated schedule is provided in Table A.

Table A: Project Schedule

Milestone	Date
Release of RFP	January 10, 2020
Proposal Due Date	February 10, 2020
Applicant Interviews (<i>tentative, if needed</i>)	February 18, 2020
Contractor Selection	
Committee Consideration	February 12, 2020
Board Consideration	March 19, 2020
Notify Proposers of Results of RFP	February 24, 2020
Begin Design of Systems	March 23, 2020
Complete Design of Systems	June 1, 2020
Staff Training on Systems	June 15, 2020
New Systems to Go Live	June 30, 2020

Alternatives Considered:

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

- Alternative #1: Support the Recommended Action. An immediate start on the project will provide BAWSCA and its member agencies with a more effective means of administering water conservation activities. The Program will support BAWSCA agencies in increasing their rebate distribution in order to conserve water. **This alternative is recommended.**
- Alternative #2: Delay Action Until Contractor Selection Process is Complete. The BAWSCA Board Policy Committee can delay action on this item until April 2020, when a final contractor recommendation is available for the Committee's review. This alternative would delay the Program start by at least two months, and the rebate online system would likely not be available to Participating agencies for the beginning of the Fiscal Year. *This alternative is not recommended.*
- Alternative #3: Do Not Move Forward with the Recommended Project and Schedule. BAWSCA can choose not to move forward with the Project and to keep the existing rebate processing system. *This alternative is not recommended.*

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Agenda Title: **Evaluation of Potential Refunding of BAWSCA's
Revenue Bond Series 2013 A**

Summary:

This memorandum presents the findings of a recent evaluation of potential refunding of the BAWSCA's 2013 revenue bonds. The agency's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued in par amount of \$335.8 million at a blended interest rate of 3.14% to prepay the remaining capital cost recovery payments that the BAWSCA member agencies owed San Francisco as of June 30, 2013. The bond transaction and the prepayment program were anticipated to generate approximately \$62.3 million in net present value savings over the term of the bonds.

In light of recent market developments and changes to interest rate policy made by the Federal Reserve, BAWSCA requested the agency's financial advisor, KNN Public Finance, to perform a refunding analysis on the agency's Series 2013A Bonds in November 2019. The objective of the evaluation is to determine whether a taxable bond refunding at this time would save the member agencies money.

Based on the results of the analysis, while the agency estimates a moderate amount of potential savings (assuming current market conditions) of issuing taxable advance refunding bonds in early 2020, we do not believe that the level of savings at this time warrants forgoing the potential for much greater savings from a tax-exempt refunding near the time of the call date of April 1, 2023.

Fiscal Impact:

No impact on BAWSCA's annual operating budget.

Recommendation:

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

Discussion:

When BAWSCA issued the Revenue Bond Series 2013A and Series 2013B (Taxable), based on the recommendations from the bond counsel, the financial advisor, and the affected purveyor (California Water Service Company), the agency structured the Series 2013B taxable bonds as effectively non-callable in order to achieve lower interest rates and ultimately greater savings to their customers. Therefore, the recent refunding analysis is only practically applicable to the callable portion of Series 2013A tax-exempt bonds in the par amount of \$163.8 million that can be redeemed starting on April 1, 2023.

Under the 2017 Federal Tax Act, BAWSCA's Series 2013A tax-exempt bonds are not allowed to be advance refunded as tax-exempt until January 1, 2023 (90 days prior to April 1, 2023 upon which the Series 2013A bonds will be redeemed), but can be advance refunded with taxable bonds any time before January 1, 2023.

Table 1 provides a summary of the refunding analysis performed by BAWSCA's financial advisor based on three scenarios. The findings are summarized below.

- Scenario 1 illustrates a taxable refunding issued in June 2020, assuming current interest rates. The estimated net present value savings are about \$15.1 million or 9.2% of the refunded bonds in the par amount of \$163.8 million.
- Scenario 2 illustrates a tax-exempt refunding in January 2023, again assuming current interest rates. The estimated net present value savings are about \$31.0 million or 18.9% of the refunded bonds.
- Scenario 3 illustrates that interest rates would need to rise 1.75% before the wholesale customers would be worse off by waiting until 2023 to refund the bonds.

While the agency estimates a moderate amount of potential savings of issuing taxable advance refunding bonds in early 2020, the level of savings at this time are not high enough to withstand the risk of potential adverse market changes before the refunding is completed, which would require significant resources by BAWSCA and its member agencies. For BAWSCA, the bond issuance authorization process is longer than in most other public agencies given the need to get approval from all member agencies. In addition to that, there are three primary reasons why the agency believes that there will be potential greater savings near the time of the call date (April 1, 2023) for Series 2013A:

1. In general, tax-exempt bonds result in a much lower interest rate than taxable bonds based on the same market conditions.
2. The refunding bonds have a shorter term when issued near the call date rather than 3 years prior. In most markets, shorter-term bonds results in slightly lower interest rates and ultimately greater savings to the member agencies.
3. Issuing in advance of the call date entails an additional cost of funding the interest payments through the call date whereby the investment earnings on refunding bond proceeds are lower than the borrowing cost of the refunding bonds. This factor, referred to as "negative arbitrage," can significantly reduce the savings generated by a refunding. This cost will largely go away in the refunding bonds issued no earlier than 90 days prior to the call date since the period of time from the issuance of the refunding bonds to the early redemption of the old bonds is less than 90 days.

In summary, based on this recent bond refunding evaluation, BAWSCA and its financial advisor believe it would be best to continue monitoring the market and update the refunding analysis as time goes on while the cost of the negative arbitrage diminishes gradually.

As the next step, BAWSCA can consider working with bond counsel and legal counsel to start a refunding authorization process for the Series 2013A bonds with the BAWSCA agencies so the future concern regarding the risk of potential adverse market change before the refunding is completed will be reduced.

Attachment: Table 1 "Summary of Refunding Analysis for BAWSCA Revenue Bonds Series 2013A"

Table 1. Summary of Refunding Analysis for BAWSCA Revenue Bonds Series 2013A

Scenarios:	1	2	3
	Savings for 3 Refunding Scenarios		
	Taxable Refunding in Early 2020	Tax-Exempt Refunding in Early 2023	Tax-Exempt Refunding +175 bps
Est. NPV Savings:	\$15,073,125	\$30,959,155	\$15,823,335
% of \$163,790,000	9.2%	18.9%	9.7%
	Annual Future Value (FV) Savings		
2020	\$432,471	-	-
2021	1,300,608	-	-
2022	1,296,985	-	-
2023	1,299,086	2,397,431	1,228,142
2024	1,298,176	3,371,600	1,725,500
2025	1,299,886	3,373,550	1,724,450
2026	1,299,828	3,371,850	1,721,500
2027	1,301,428	3,370,700	1,725,150
2028	1,297,408	3,373,900	1,724,050
2029	1,301,559	3,372,950	1,722,300
2030	1,299,234	3,371,750	1,722,300
2031	1,297,495	3,374,350	1,723,100
2032	1,298,029	3,374,600	1,723,750
2033	1,298,121	3,371,500	1,723,250
2034	1,297,382	3,374,000	1,725,500
Total FV Savings	\$18,617,691	\$39,498,181	\$20,188,992
	Additional Comparisons		
All-in True Interest Cost	2.46%	1.23%	2.94%
Avg Life Refunding Bonds	9 yrs.	6.5 yrs.	6.7 yrs.
Sources/Uses			
Refunding Par	\$181,370,000	\$141,115,000	\$156,190,000
Premium	-	25,808,044	11,375,319
Rate Stabilization Fund (RSF)	9,261,263	9,261,263	9,261,263
Total Sources	\$190,631,263	\$176,184,306	\$176,826,581
Escrow Fund Deposit	\$180,894,088	\$167,187,439	\$167,187,439
RSF Deposit	8,547,171	7,996,784	8,581,429
Issuance Costs/Discount	1,190,003	1,000,083	1,057,713
Total Uses	\$190,631,262	\$176,184,306	\$176,826,581
Notes:			
- All three scenarios reflect the current market conditions and assumptions as of 2/3/2020.			
- The refunding bonds of \$163,790,000 represent the amount (callable portion) of Series 2013A that mature on 4/1/2023.			
- The callable 2013A bonds are redeemed on the 4/1/2023 first call date in all scenarios.			
- All present value figures are discounted to 6/1/2020 at 2.378%.			

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

This memorandum presents the preliminary Fiscal Year 2020-21 Work Plan and results to be achieved. Comments received from the Board at the January 16, 2019 Work Plan and Budget Preparation Planning Session have been reviewed and addressed. The preliminary Work Plan includes the CEO's recommendations for addressing comments received during the Budget Planning Session. As was discussed with the Board in January, this memorandum does not present a preliminary Operating Budget. Initial operating budget considerations will be included in the staff presentation. The Board will be presented with a preliminary Work Plan and Operating Budget at its March meeting.

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

Recommendation:

That the Committee provide:

- 1. Comments and suggestions concerning the preliminary Fiscal Year 2020-21 Work Plan and results to be achieved;**
- 2. Feedback on presented results from January 16, 2020 Work Plan and Budget Planning Session; and,**
- 3. Suggestions concerning presentation of the preliminary Work Plan and Operating Budget to the Board of Directors in March.**

Discussion:

Preliminary Work Plan:

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

The preliminary FY 2020-21 Work Plan includes the following major efforts:

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

- Administer BAWSCA's bonds; and
- Initiate a new 3 to 6-month diversity internship program.

Table 1 presents the preliminary FY 2020-21 Work Plan and major results to be achieved. The activities are grouped according to the agency goals they support.

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

New or Significantly Re-scoped Activities for FY 2020-21:

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

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

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

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

**Participate in Los Vaqueros Expansion (LVE) Project Studies
Estimated FY 2020-21 Cost: \$430K**

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

Participation in the LVE Project continues to be a viable project opportunity for BAWSCA to provide dry years supplies to member agencies in support of goals identified in BAWSCA's Long Term Water Supply Strategy (Strategy) as adopted by the BAWSCA

Board in 2015. Specifically, BAWSCA is evaluating the project as a means to provide up to 10,000 acre-feet per year of water supply in dry years to improve reliability.

The preliminary FY 2020-21 budget includes \$315K, which would be BAWSCA's share of the final planning costs for LVE, as well as a budget allowance for legal counsel and technical (hydrologic modeling) support as needed. Those monies are intended to cover BAWSCA's share of costs through to the formation of a LVE Joint Powers Authority (JPA).

It is currently anticipated that the Board will consider participation in this final planning work for LVE and authorization for this expenditure at its May 21, 2020 meeting. In FY 2020-21, and as referenced above, it is anticipated that the project partners will need to form the LVE JPA. Participation in the JPA is not included in the preliminary FY 2020-21 Workplan at this time.

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

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

**Implement a New Diversity Internship Program
Estimated FY 2020-21 Cost: \$18K**

Initiate a 3 to 6-month internship program to provide an opportunity for minority/disadvantaged college students pursuing a technical or business degree to gain valuable experience working to support BAWSCA's water resources or finance departments. BAWSCA is investigating opportunities to collaborate with existing internship programs (e.g. ReNUWIt Diversity and Inclusion Program) that meet these objectives as a way of reducing overall administrative burden and expanding overall success. An intern can be accommodated within the existing BAWSCA office layout and without significant office-set up costs. The current estimated cost assumes a 6-month internship.

Results of January 16, 2020 Work Plan and Budget Preparation Planning Session:

During BAWSCA's January 17, 2020 meeting, the Work Plan and Budget Preparation Planning Session was held with the Board as part of its regular meeting agenda. The focus of the

planning session was to receive input from Board members on possible work plan items for the coming fiscal year. Table 3 presents the detailed comments provided by Board members during the planning session and the staff response that was subsequently prepared. These comments and responses are reflected in the preliminary FY 2020-21 Work Plan and results to be achieved.

Background:

BAWSCA's Work Plan development process begins by reviewing and updating the major activities and long-term future challenges. These long-term activities require coordinated action by BAWSCA and its member agencies to ensure a reliable supply of high-quality water at a fair price.

Table 4 lists these activities updated as part of the FY 2020-21 preliminary Work Plan development through 2050. In each case, the results identified in Table 4 will take the form of agreements, legislation, or other legally enforceable work products. Development of these documents will result from skilled negotiations based on rigorous investigations of impacts and alternatives, costs, cost allocation, and other matters.

Attachment: Board Resolution 2006-02 Adopting Policy on Reimbursement of Directors' Expenses

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

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

RELIABLE WATER SUPPLY

1. Facility Reliability: Monitor the SFPUC's WSIP, 10-Year CIP, Asset Management Program, and Emergency Response

- a. Monitor WSIP scope, cost, and schedule as San Francisco continues an aggressive construction schedule through to completion. Press the SFPUC and the city's political leadership to meet the adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests. Track WSIP projects designated as critical drought water supply components to verify they've been completed in such a fashion that they can meet their intended Level of Service (LOS) goals.
- b. Review and monitor SFPUC's Regional 10-Year Capital Improvement Program to ensure that identified projects and programs meet the needs of the BAWSCA member agencies in a cost-effective and appropriate manner.
- c. Review and monitor SFPUC's Asset Management Program to ensure long-term protection of system assets, *including performing tasks or deeper reviews identified in the audit of SFPUC's asset management practices per WSA Section 3.10.c. to be completed in FY 2019-20.*
- d. *Implement select Emergency Response projects as identified by member agencies as a follow-up to BAWSCA's Emergency Response Workshop as held in FY 2019-20.*

2. Long-Term Supply Solutions: Implement the Long-Term Reliable Water Supply Strategy to Ensure a Reliable, High Quality Supply of Water is Available Where and When Needed

- a. Complete Potable Reuse Exploratory Plan Phase 3 pre-feasibility study with SFPUC and Silicon Valley Clean Water and plan for next phase of work.
- b. *Participate in development of Bay Area Regional Reliability Phase 2 Water Marketing Strategy in partnership with other Bay Area water agencies & promote implementation of a potential Pilot Water Transfer that involves a partnership between BAWSCA, ACWD, and SFPUC as a component of the Phase 2 work effort.*
- c. Participate in CCWD's Los Vaqueros Expansion Project Studies to evaluate BAWSCA's interest and ensure key information is available to support upcoming decisions.
- d. Promote the continued sustainable use of San Mateo Plain Groundwater Basin for long-term water supply reliability, including providing support for San Mateo County and agencies' efforts to secure compliance with the California Statewide Groundwater Elevation Monitoring (CASGEM) Program.
- e. Facilitate development of other local water supply options including monitoring/tracking member agency efforts.
- f. Provide necessary data & assistance to support BAWSCA agency development of state required Urban Water Management Plans.
- g. Participate with SFPUC and ACWD in their evaluation of a potential potable reuse water supply project with Union Sanitary District.
- h. *Identify and begin to evaluate the steps BAWSCA should undertake to update its Long-Term Water Supply Strategy.*

3. Near-term Supply Solutions: Water Conservation and Drought Response

- a. Represent member agency interests in regional and statewide discussions on the development of and compliance with California's "Making Water Conservation a Way of Life" requirements.
- b. Provide regional coordination to support member agency Advanced Metering Infrastructure (AMI) implementation and data management, including hosting a regional symposium in Spring 2021

c. Implement 3 to 4 new subscription conservation programs as identified in the BAWSCA Regional Water Demand and Conservation Projections Study to be completed in Spring 2020.

- d. Implement BAWSCA's core water conservation programs, including the Qualified Water Efficient Landscape (QWEL) program.
- e. Implement BAWSCA's subscription conservation rebate programs that benefit, and are paid for by, participating member agencies, including school education programs and ***an expanded Outdoor Landscaping Rebate Program with a new weather-based irrigation controller rebate and installation subscription program.***
- f. Implement a BAWSCA's Water Loss Management Program to support agencies with SB 555 compliance, including the Regional Loss Evaluation and Knowledge (LEAK) Workgroup and Water Loss Management Subscription Program.
- g. Represent agencies in regional and State-level discussions related to water conservation-related regulations.

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

- a. Adopt temporary extension of existing Tier 2 drought allocation plan that expires Dec. 2020
- b. Forward for adoption, if acceptable to the Agencies and SFPUC, an amendment to the Water Supply Agreement related to a paired transfer of an agency's minimum purchase requirement and Individual Supply Guarantee.
- c. Protect members' water supply and financial interests in the SFPUC's required 2028 decisions.
- d. ***Protect members' 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.***

5. Protect Members' Interests in a Reliable Water Supply

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

6. Pursue Grant Opportunities Independently and in Coordination with Regional Efforts

- a. Pursue and use grant funds for water conservation programs and for regional supply projects and programs, ***including Prop 1 Integrated Regional Water Management conservation grant.***
- b. Pursue, with regional partners, grant funding to support studies that aim to improve regional water supply reliability, such as possible future BARR Phase 3 efforts.
- c. Investigate potential for grant funds to support the implementation of the Strategy.

7. Reporting and Tracking of Water Supply and Conservation Activities

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

HIGH QUALITY WATER

8. Support Member Agencies in Receiving Reliable Communication of Water Quality Issues

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

FAIR PRICE

9. Perform Matters that Members Delegated to BAWSCA in the Water Supply Agreement

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

AGENCY EFFECTIVENESS

10. Maintain Community Allies and Contacts with Environmental Interests

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

11. Manage the Activities of the Agency Professionally and Efficiently

- a. *Initiate a 3 to 6-month internship program to provide an opportunity for minority/disadvantaged college students pursuing a technical or business degree to gain valuable experience working to support BAWSCA's water resources or finance departments.*

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

<p>RELIABLE SUPPLY</p> <ol style="list-style-type: none"> 1. Engage in extended or complex applications for State or Federal grant funds. Application for water conservation grants will continue to be made through or with the Bay Area Water Agency Coalition, the California Urban Water Conservation Council, or other agencies. 2. Introduce major new legislation or supporting/opposing legislation initiated by others including legislation related to the Bay-Delta and California Water Fix. If needed, the agency could support major legislative efforts by redistributing resources, using the contingency budget, or accessing the general reserve, subject to prior Board approval. 3. Initiate new, unanticipated litigation or support/oppose new, unanticipated litigation initiated by others. If needed, the agency could support major litigation efforts by redistributing resources, using the contingency budget, or accessing the general reserve, subject to prior Board approval. 4. Negotiate a new Tier 2 Drought Allocatio Plan among the BAWSCA agencies.
<p>FAIR PRICE</p> <ol style="list-style-type: none"> 5. Develop alternative wholesale rate structures that the SFPUC might consider. Actions will be limited to facilitating communication with SFPUC, development of goals and objectives relevant to Wholesale Customers, and addressing the potential relationship to alternative retail rate structures member agencies might consider to stabilize water rates and water revenues. 6. Arbitrate issues related to the 2009 Water Supply Agreement.
<p>HIGH WATER QUALITY</p> <ol style="list-style-type: none"> 7. Perform technical studies of water quality or San Francisco's treatment of the water it delivers to the BAWSCA agencies. 8. Advocate changes to water quality regulations or the manner in which San Francisco treats water for drinking and other purposes.
<p>AGENCY EFFICIENCY</p> <ol style="list-style-type: none"> 9. Add resources to support additional Board, Board committee, or technical committee meetings. 10. Conduct tours of member agency facilities to acquaint Board members with potential supply projects and their neighboring jurisdictions, other than tours done in coordination with San Francisco.

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

#	Board Member	Board Member Comment/Questions	Staff Response
1	Benton	Do we have the option to extend the existing Water Supply Agreement (WSA)? What is its term?	The WSA agreement has an initial term of 25 terms with initial expiration on June 3034. The WSA also provides for two extensions of 5 years each.
2	Jordan	Requested that an analysis of potential refinancing of BAWSCA's 2013 bonds be included in next year's workplan due to current low interest rates.	An analysis of potential refinancing of BAWSCA's 2013 bonds will be presented to the Board at its next meeting in time to inform the FY 2020-21 workplan if desired by the Board.
3	Kuta	Given the Bay Delta Plan's potential impacts on SFPUC's LOS goals, and as we approach 2034, is BAWSCA preparing for a notion that SFPUC's LOS goals will change and any impact on the Supply Assurance?	The wholesale customers' Supply Assurance of 184 mgd is a perpetual obligation on San Francisco while the level of service (LOS) goals are a matter of contract and policy. SFPUC's current water supply planning work is directly focused on actions that it must take to ensure that it meets the Supply Assurance and its existing legal and contractual obligations, including meeting the LOS goals. The preliminary FY 2021-22 Work Plan includes BAWSCA's active engagement with the SFPUC on its expanded long-term alternative water supply planning program.
4	Mendall	System reliability during emergencies and emergency resilience are two new items in the work plan. It is difficult to see BAWSCA's role in this. He'll need to understand why BAWSCA should take these tasks on.	The FY 2019-20 Work Plan includes a task for BAWSCA to perform an Initial Emergency Response Review for RWS. For this review, BAWSCA will be hosting a brainstorm workshop with the agency Water Management Representatives on February 6, 2020. A key result from the workshop will be areas of interest and possible options that the agencies would like BAWSCA to consider in FY 2020-21. The preliminary FY 2020-21 Work Plan presented to the Board in March will be informed by the results of this workshop and speak to the additional value that might be provided by any recommended BAWSCA action.

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

Table 4: Future Challenges Facing BAWSCA, Member Agencies, and Their Customers (Preliminary FY 2020-2021)
(Changes Shown in Blue Underlined Italic Font)

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

RESOLUTION NO. 2006-02

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

ADOPTING POLICY ON REIMBURSEMENT OF DIRECTORS' EXPENSES

WHEREAS, Water Code Section 81339 provides that BAWSCA directors may be reimbursed for actual, necessary and reasonable expenses incurred in the performance of duties performed at the request of the board; and

WHEREAS, Government Code Section 53232.2 provides that, if a local agency reimburses members of its legislative body for actual and necessary expenses incurred in the performance of official duties, the agency's governing board shall adopt a written policy, in a public meeting, specifying the types of activities that qualify for reimbursement; and

WHEREAS, the board of directors recognizes that effective and efficient conduct of the Agency's business requires directors from time to time to incur expenses for travel, meals, lodging, tuition, and ancillary costs which should, in fairness, be reimbursed by the Agency; and

WHEREAS, the board of directors is also mindful of the need to conserve Agency resources and keep expenses within community standards for public officials.

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

1. The "Policy on Reimbursement of Expenses Incurred by Members of Board of Directors" attached hereto is adopted.

**POLICY ON REIMBURSEMENT OF EXPENSES
INCURRED BY MEMBERS OF BOARD OF DIRECTORS**

1. Background

Water Code Section 81339 provides that directors may be reimbursed for actual, necessary and reasonable expenses incurred in the performance of duties performed at the request of the board.

Government Code Section 53232.2 provides that if a local agency reimburses members of its legislative body for actual and necessary expenses incurred in the performance of official duties, then the agency's governing board shall adopt a written policy, in a public meeting, specifying the types of activities that qualify for reimbursement of expenses such as those related to travel, meals, and lodging.

2. Authorized Activities

A. The following types of activities are deemed to be official duties performed at the request of the board of directors, and expenses necessarily and reasonably incurred in connection with them are eligible for reimbursement, provided that the other provisions of this policy are met:

- Attendance at a meeting of the BAWSCA board of directors;
- Attendance at a meeting of a committee of the BAWSCA board to which the director has been appointed;
- Attendance at a meeting of a multi-agency organization (such as the CSDA Local Government Risk Management Authority) to which the director has been appointed as BAWSCA's representative;
- Attendance by the Chair or Vice Chair at a meeting held or sponsored by the San Francisco Public Utilities Commission, the California Department of Water Resources, the California Seismic Safety Commission, the California Department of Health Services, the Santa

Clara Valley Water District, a committee of the State Legislature, an agency that is a member of BAWSCA, or with a consultant or consultants under contract to BAWSCA, that in the judgment of the Chair or Vice Chair requires representation by the leadership of the BAWSCA board of directors;

- Attendance at any of the meetings identified above by any director at the specific request of the Chair or Vice Chair;
- Attendance at or participation in an event providing training in ethics required by California law, including Government Code Section 53234 *et seq.*
- Attendance at or participation in an event that the Chair (or, in the absence or unavailability of the Chair, the Vice-Chair) determines should have a representative of the Agency board of directors in attendance;

B. All other expenditures require prior approval by the Agency's board of directors.

C. Examples of expenses which the Agency will not reimburse include:

- The personal portion of any trip;
- Family expenses, including those of partners, spouses or children when accompanying a director on Agency-related business;
- Entertainment expenses, including theatre, movies, sporting events;
- Non-mileage personal automobile expenses, including repairs, traffic citations, insurance or gasoline;
- Purchase of alcoholic beverages.

3. Cost Control Guidelines

To conserve Agency resources and to keep expenses within community standards for public officials, reimbursement of expenses will be limited to amounts within the following guidelines:

A. Travel

- Airfare: Air travel should be by coach class via the most direct route.
- Automobile: Automobile mileage is reimbursed at the Internal Revenue Service rate contained in the most recent edition of IRS Publication 463. Tolls and parking are reimbursed at cost.
- Car Rental: Rental rates that are equal to or less than those available through the State of California Department of General Services website (www.catravelsmart.com) are considered reasonable for purposes of reimbursement.

B. Lodging

Lodging will be reimbursed when travel on Agency business reasonably requires an overnight stay.

- Conferences: If lodging is in connection with a conference, lodging expenses must not exceed the group rate published by the conference sponsor if such rates are available at the time the reservation is made.
- Other: Directors must request government rates when available. A list of hotels offering government rates is available at www.catravelsmart.com. Rates equal to or less than government rates are considered reasonable for reimbursement. In the event that government rates are not available at a particular time or in the particular area, rates that do not exceed \$150 per night are considered reasonable. This amount will be annually adjusted to reflect changes in Consumer Price Index, All Urban Consumers, for the San Jose-San Francisco-Oakland Metropolitan Area published by the U.S. Department of Labor, Bureau of Labor Statistics.

C. Meals

Meal expenses, including tips, will be reimbursed up to the following amounts:

Breakfast: \$12

Lunch: \$18

Dinner \$35

These amounts will also be adjusted annually by the CPI index identified above.

4. Expense Reimbursement Forms

All expense reimbursement requests must be submitted to the General Manager on an expense report form provided by the Agency. Receipts documenting each expense in excess of \$10 must accompany the report. Directors must submit their expense reports within 30 days after the expenses are incurred. All expenses are subject to verification.

5. Reports to Board of Directors

Each director requesting reimbursement of expenses shall, at the following BAWSCA board meeting, briefly report on meetings and other events attended at Agency expense. If more than one director attended a meeting or event, a joint report may be made.

6. Reporting of Expenses and Reimbursement

All Agency expenditures are public records subject to disclosure under the Public Records Act. In addition, the Agency is required to compile a quarterly report showing the amount of expenses reimbursed to each director during the preceding three months and make this report available during a public meeting.

2. The activities described in Section 2 of the attached Policy shall also constitute "services rendered as a member of the board at the request of the board" for purposes of Ordinance No. 2004-01, providing for compensation of members of the board of directors pursuant to Water Code Sections 81339 and 20201.

PASSED AND ADOPTED this 16 day of March, 2006 by the following vote:

AYES: Beecham, Claire, Fannon, Fergusson, Gage, Goff, Guzzetta
Hershman, Mickelsen, O'Connell, O'Mahony, Piccolotti, Reynolds,
NOES: Risch, Seidel, Vella, Weed, Wykoff
NONE

ABSENT: Breault, Bologoff, Cooper, Craig, Kolstad, Kasperzak, Livengood,
Reed, Tissier, Woods.



President, Board of Directors

ATTEST:



Secretary of the Board

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Los Vaqueros Expansion Project – Review of Water Supply Benefits**

Summary:

This memorandum provides an update on Los Vaqueros Expansion Project (LVE) work activities and next steps. In April 2019, BAWSCA, Contra Costa Water District (CCWD), and the 8 additional Local Agency Partners (LAPs) executed the Multi-Party Cost Share Agreement to fund ongoing planning work for the LVE Project through June 2020. Work efforts being performed under this agreement, as well as additional BAWSCA staff activities, will support the BAWSCA Board's decision on whether to participate in the LVE Project. Some of the key tasks include: selection of outside special counsel to assist in the development of a new long-term governance structure (envisioned as a Joint Powers Authority [JPA]); completion of the Final Federal Feasibility Report and other efforts to obtain federal funding; an initial draft term sheet outlining potential terms related to the financing and long-term governance of the Project; an independent financial review of the proposed facility usage fees; and continued evaluation of conveyance options and associated costs for LVE deliveries to BAWSCA.

Key upcoming BAWSCA Board decisions on LVE in FY 2020-21 include (1) consideration of an amendment to the cost share agreement to fund continued project development through mid-2021 and (2) consideration of membership in the LVE JPA.

Recommendation:

This item is for information purposes only. At the March Board of Directors Meeting, CCWD will give a presentation on LVE Project activities.

Status of Current Work Plan Activities:

Overall, LVE work plan activities are on schedule, and it is anticipated that the key tasks to support JPA formation will be complete by late 2020. Status updates for major work efforts are provided below.

Term Sheet

An initial draft of the term sheet for operation and use of the project was provided in August, and BAWSCA and the other LAPs have reviewed the document and provided initial comments. The term sheet is an overview outlining the various agreements and key contract terms that will be necessary to form the JPA to implement the Project. Based on the comments received, ten work groups have been formed to work through specific issues in each area. The ten work groups include: JPA formation, facilities, cost allocation, service agreements, state and federal agreements, legal and financial provisions, water marketplace and refilling Los Vaqueros, emergency operations, usage fees, and the South Bay Aqueduct. BAWSCA and its legal counsel are participating in all of these work groups.

A series of work group meetings to advance the term sheet and the JPA agreement have begun and will continue through spring of 2020. BAWSCA staff is actively participating in the work groups. Based on discussions with the LAPs, CCWD believes that JPA formation continues to be on track for December 2020. It is anticipated that the “go/no go” decision on JPA

membership will be brought to the BAWSCA Board in November 2020. The decision to join the JPA is not a final commitment to participate in LVE, and the JPA will provide offramps for those agencies that opt out of the project. BAWSCA's final participation decision and associated financial commitment would be the execution of a service agreement with the JPA in late 2021.

Selection of Outside Special Counsel

A workgroup consisting of legal representatives from each of the LAPs, including BAWSCA's legal counsel, recently selected outside special counsel who will be responsible for drafting a long-term governance agreement to form the LVE JPA. Through a competitive procurement process, the legal workgroup unanimously selected Jim Ciampa and his firm, Lagerlof, LLP. Counsel is under contract on behalf of the LAPs until the JPA is formed.

Independent Review of Proposed Usage Fees

Alameda County Water District (ACWD), on behalf of all the LAPs, led the independent review of the usage fees developed by the CCWD and East Bay Municipal Utilities District (EBMUD) for use of existing facilities for the LVE project. Bartle Wells Associates was contracted to complete the review. The final report was released in December and included a review of Proposition 26 and wheeling rates, an evaluation of the proposed usage fees, a survey of other wheeling rates, and concepts for alternative usage fee methods. The report will serve as the starting point for the usage fees work group, which is scheduled to meet in March. CCWD is currently revising its proposed usage fees based on the recommendations and will provide the updated proposal to the LAPs prior to the March work group.

Federal Feasibility Report

The Final Federal Feasibility Report is undergoing the final stages of review and approval by the federal agencies. The report has been reviewed by the Office of Management and Budget (OMB) and is in the process of being transmitted to the Department of Interior for next steps in the authorization process under the Water Infrastructure Improvements for the Nation (WIIN) Act. After the determination of feasibility is complete, the Final Feasibility Report and the Final Supplement to the Final Environmental Impact Statement (FEIS)/ Environmental Impact Report (FEIR) will be publicly released.

In December 2019, a total of \$2.155 million for the Project was included in the approved FY20 federal budget under the WIIN Act. Following completion of the Final Federal Feasibility Report, this funding will support the Bureau of Reclamation's (Reclamation's) effort to initiate consultations with federal permitting agencies, develop inter-agency agreements, and advance the engineering design and/or geotechnical investigation of key facilities.

South Bay Aqueduct Usage Discussions

The General Managers of the SBA contractors (ACWD, Zone 7, and Valley Water) and BAWSCA, SFPUC, and CCWD met in December to discuss next steps for evaluating potential use of the SBA for LVE deliveries to BAWSCA and SFPUC. The GMs, including BAWSCA's CEO, subsequently met with DWR management in January to discuss the plan for making necessary repairs to the SBA facilities and facilitating BAWSCA and SFPUC use of the SBA. DWR management expressed initial support for the approach proposed by the SBA contractors and committed to continue the discussions. Concurrently, Valley Water, on behalf of the SBA contractors, hired a consultant to evaluate available capacity in the SBA for wheeling to BAWSCA and SFPUC considering the current operational restrictions.

The ability to access the SBA for LVE deliveries remains a critical issue for BAWSCA in its evaluation of the LVE Project. BAWSCA is working closely with CCWD and the SBA contractors to determine whether the SBA can provide a reliable delivery mechanism.

Schedule and Milestones:

To satisfy the requirements of the Prop 1 funding, the LVE Project must demonstrate that 75% of the non-state cost share has been secured by December 2021. CCWD and the LAPs anticipate that this requirement will be met through formation of the JPA, securing of the federal cost share, and draft service agreements with the LAPs. To meet these requirements, JPA formation is scheduled to be complete in December 2020. The JPA will then execute service agreements setting forth terms of service and payment between each LAP and the LVE JPA by December 2021. These executed service agreements will represent the proof of local cost share required for the California Water Commission Prop 1 award hearing in December 2021.

After formation of the JPA, JPA members may still opt out of participation in LVE. The JPA structure will include offramps for agencies that ultimately do not enter into a service agreement.

To support funding of LVE Project planning activities through July 2021, an amendment to the 2018 cost-share agreement is anticipated. The cost-share agreement amendment will be brought to the BAWSCA Board for consideration in the May timeframe.

<u>Action</u>	<u>Date</u>
CCWD Presentation to BAWSC Board	March 19, 2020
Board Consideration of Multi-Party Cost Share Agreement Amendment	May 2020
BAWSCA Board Consideration of JPA Membership	November 2020
LVE Project JPA Formation	December 2020
Executed Service Agreements with LAPs	December 2021
CWC Prop 1 Award Hearing	December 2021

Background:

Los Vaqueros Reservoir is an existing off-stream reservoir in Contra Costa County that provides water quality, drought emergency supply, and non-drought emergency water supply benefits to CCWD customers. The original reservoir was completed in 1998, and the first expansion of Los Vaqueros was completed in 2012.

In February of 2017, BAWSCA entered into an MOU with CCWD formalizing BAWSCA's potential interest in a share of future Los Vaqueros storage and willingness to participate in the work effort. In January 2019, the BAWSCA Board authorized the CEO to enter into a cost share agreement with CCWD for \$315,000 to fund the completion of planning work for the LVE Project.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

Agenda Title: Results of FY 2015-16 Wholesale Revenue Requirement Review

Summary:

Pursuant to Section 7.06A of the 2009 Water Supply Agreement (WSA), BAWSCA conducts its review of SFPUC's calculation of the annual Wholesale Revenue Requirement (WRR) and the changes in the Balancing Account in each year. On March 8, 2018, the parties reached an agreement pertaining to BAWSCA's concerns related to SFPUC costs allocated to Wholesale Customers in FY 2015-16, except for three issues that were documented in a tolling agreement. Due to the complexity of the reserved issues, the tolling agreements for FY 2015-16 were extended eight times between the parties.

As a result of investigations and discussions between the staff of the SFPUC and BAWSCA, the parties reached another agreement on January 31, 2020 resolving two of the three reserved issues from FY 2015-16, while continuing to discuss the last outstanding issue as part of the FY 2017-18 WRR review process that just started earlier this week.

The total adjustments made associated with the FY 2015-16 WRR review resulted in a total savings of \$7,079,780 to the Wholesale Customers as of June 30, 2019, with the additional approximately \$1.4 million, plus interest, to be saved through FY 2039-40.

Fiscal Impact:

The immediate adjustments shown above are reflect in the Balancing Account on different time scales:

- \$3,989,123 has been reflected in the opening balance as of June 30, 2016;
- \$146,018 has been applied to the opening balance as of June 30, 2017; and
- \$2,944,639 will be applied to the opening balance as of June 30, 2019.

Recommendation:

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

Discussion:

Pursuant to Section 7.06A of the 2009 WSA, BAWSCA performed its review of SFPUC's calculations associated with the FY 2015-16 WRR and the changes in the Balancing Account. BAWSCA's review was assisted by its financial advisor, KNN Public Finance, and legal counsel, Hanson Bridgett.

In July 2016, BAWSCA raised a question to the SFPUC as to the proper wholesale proportional annual use for calculating the WRR for FY 2014-15 when minimum purchase requirements were waived during the drought. As a result of early investigations and discussions that occurred between SFPUC and BAWSCA staff, the difference between the requirements and the actual water sales are not included in the final proportional annual use calculation for the years when the minimum purchase requirement waivers were in place. This adjustment represents a reduction in the FY 2015-16 WRR, or savings to the wholesale customers, of \$3,989,123.

On March 8, 2018, the parties reached an agreement pertaining to BAWSCA's concerns, except for three reserved issues, through a formal 7.06 process. This first agreement resulted in a credit of \$146,018 owed to the wholesale customers.

On January 31, 2020, the parties reached another agreement as to resolve two of the three reserved issues, while continuing to discuss the remaining issue, work order fund salaries and direct salary charges to other City departments, for possible resolution as part of the FY 2017-18 WRR review. The recent agreement resulted in an additional credit of \$2,944,639 owed to the wholesale customers. In the course of evaluating SFPUC's proposal, BAWSCA discovered a total amount of \$3,376,032 being double counted. This adjustment would save the wholesale customers of additional approximately \$1.4 million, plus interest, as part of the debt service allocation through FY 2039-40.

The adjustments resulting from BAWSCA's review of the FY 2015-16 WRR as of January 31, 2020 are summarized in Table 1. BAWSCA will report the result of the one outstanding issue to the Board as part of the FY 2017-18 WRR review update.

Attachment: Table 1 "Summary of Adjustments Resulting from BAWSCA's FY 2015-16 WRR Review"

ATTACHMENT

Table 1. Summary of Adjustments Resulting from BAWSCA's FY 2015-16 WRR Review

	Type of Adjustment	Descriptions	Due from (to) Wholesale Customers
1	Interpretation of WRR	At BAWSCA's identification in 2016, the imputed water sales are excluded from the Proportional Annual Use calculation due to the minimum purchase requirement waiver in place during the drought, resulting in a reduction in the WRR.	(\$3,989,123)
2	Accounting error	SFPUC's retail revenue received from the emergency water delivery to Skylonda Mutual Water Company based on a wheeling agreement was erroneously included as wholesale revenue. This correction resulted in an increase in the WRR.	\$14,250
3	Cost allocation error	Two Community Benefits program projects were classified incorrectly. Based on the allocation method to reflect direct Enterprise-funded projects as Enterprise expenses, this reclassification resulted in a reduction in the WRR.	(\$159,296)
4	Discrepancies in application of subsidies	Build America Bonds (BABs) interest subsidy payment discrepancies were caused by SFPUC's inconsistent allocation methods. A one-time true up adjustment resulted in a credit to the wholesale customers in the Balancing Account.	(\$2,135,194)
5	Interpretation of WRR & Accounting error	While the parties agree that the SFPUC may use the proceeds of Indebtedness to pay for the WSIP Financing Costs based on a debt service payment true-up process, BAWSCA has identified a portion of the financing costs the SFPUC intended to include in the debt service calculations being double counted.	
		5.1 The combination of the new methodology for WSIP Financing Costs incorporated in the annual debt service allocation and the exclusion of the double counted financing costs resulted in a credit to the balancing account.	(\$717,048)
		Interest on items 2-3	(\$972)
		Interest on items 4-5.1	(\$92,397)
Total adjustments applied to the Balancing Account by June 30, 2019			(\$7,079,780)
		5.2 The discovery of the double counted costs results in additional adjustments, plus interest, as part of the debt service allocation through FY 2039-40.	(1,474,068)
Future savings plus interest			(\$1,474,068)

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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: February 7, 2020
SUBJECT: Chief Executive Officer/General Manager's Letter

Status of Wholesale Revenue Requirement Reviews for FY 2016-17 through FY 2018-19

On March 29, 2019, BAWSCA reached an agreement with the SFPUC related to its costs allocated to Wholesale Customers in FY 2016-17, except for two issues. The results from the March 2019 agreement was reported to the Board on May 16, 2019. Recently, the parties reached another agreement on January 31, 2020 as to resolve the two reserved issues based on the investigations and discussions between the staff of the SFPUC and BAWSCA. The second agreement resulted in no changes in the balancing account.

On February 4, 2020, BAWSCA received the compliance auditor's report on the SFPUC's calculation of the annual Wholesale Revenue Requirement (WRR) and changes in the balancing account for FY 2017-18. Pursuant to Section 7.06 of the 2009 Water Supply Agreement (WSA), BAWSCA will complete its review within 60 days.

In accordance with Section 7.02 of the WSA, the SFPUC provided BAWSCA the required reports and schedules relevant to the calculation of the annual WRR for FY 2018-19 on January 16, 2020. Upon the issuance of the compliance auditor's report, BAWSCA will conduct its review promptly.

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

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

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

Representatives from SFPUC, ACWD and BAWSCA have been in discussions for the past several months regarding a potential pilot water transfer that could be conducted through the BARR SWAP effort. Those discussions have proven helpful in identifying what specific transfer concepts may be of the most benefit to the collective group. Discussions have also identified the challenges associated with selecting an option (or options) that would fit within

the required BARR SWAP timeline. While potential pilot water transfer concepts and cost sharing opportunities have been proposed, further details are needed and agreement has yet to be reached on any single concept or how pilot transfer costs would be divided among the partner agencies. Decisions must be made in the coming weeks by the BARR partners as to which potential transfers to pilot. It remains uncertain at this point in time whether the particular ACWD-BAWSCA-SFPUC pilot will be developed to the level that agencies are comfortable implementing it as part of BARR SWAP.

Demand Study Stakeholder Meeting

On January 31st, BAWSCA hosted the first Stakeholder Workgroup as part of the Regional Water Demand and Conservation Savings Projections Study (Demand Study). Invitations were sent to a diverse group of external stakeholders, including environmental organizations, business groups, regional planning agencies, landscape experts, and others with specific interests or expertise that may be helpful to BAWSCA's efforts. Workgroup participants included representatives from the Pacific Institute, San Mateo County Office of Sustainability, Sustainable Silicon Valley, and a volunteer for the Tuolumne River Trust. The Workgroup provided input on types of conservation activities BAWSCA should evaluate for potential future implementation and on opportunities to improve social equity and expand benefits in conservation program implementation.

BAWSCA is currently developing the suite of up to 25 conservation measures to be included in the individual BAWSCA agency demand models for further evaluation. Input from the Workgroup is being considered in the selection of these conservation measures. The next step in the Demand Study is the modeling of the conservation savings potential for each BAWSCA agency, including program options considering cost-effectiveness, to project conservation savings through 2045. The conservation modeling is expected to be complete by March 2020. A second Stakeholder Workgroup meeting is anticipated in early April to review the modeling results and seek feedback on the implementation of the selected new conservation programs, including ideas for outreach and partnerships.

Emergency Response Workshop

On February 4th, BAWSCA held an Emergency Response Workshop for the BAWSCA agencies. The goal of the workshop was to identify areas of interest for regional coordination for emergency preparedness and response, which was one of the tasks included in BAWSCA's FY 2019-20 Work Plan. Prior to the Workshop, BAWSCA agencies were asked to complete a survey on their individual emergency response efforts and agency interest in various potential options for regional coordination. SFPUC staff also participated in the workshop.

At the workshop, BAWSCA agencies indicated that they are actively working on compliance with the America's Water Infrastructure Act (AWIA). AWIA requires community (drinking) water systems serving more than 3,300 people to develop or update risk assessments and emergency response plans (ERPs). Nearly all BAWSCA agencies will need to submit certifications of the risk assessments by June 2021 and certifications of the ERPs by December 2021. Given these ongoing efforts, the consensus was that it would be beneficial to wait until these assessments have been completed to better understand areas of vulnerability and potential opportunities for regional coordination.

One item of immediate interest was the development and regular update of emergency contact lists for the BAWSCA agencies to support interagency coordination. These efforts will be included in BAWSCA's preliminary FY 2020-21 Work Plan.

Large Meter Testing Workshop

On March 12th, BAWSCA, in partnership with Mid-Peninsula Water District, is hosting a Large Meter Testing Workshop for the BAWSCA agencies. The workshop will provide an overview of large meter testing and maintenance procedures, as well as hands-on training in field testing of two large meters to determine accuracy and revenue loss. The training is offered in conjunction with BAWSCA's Loss Evaluation and Knowledge (LEAK) Workgroup, which provides guidance to the BAWSCA agencies on improving water loss management and complying with State water loss requirements. Regular testing and maintenance of large meters is beneficial for reducing water losses due to meter inaccuracies, which saves money and conserves water.

Qualified Water Efficient Landscaper (QWEL) Program

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

The initial QWEL workshop in English will be held on March 18th at Mid-Peninsula Water District. The second QWEL workshop in Spanish will start on April 1st in Redwood City. Regional objectives for QWEL include: (1) increasing landscape professionals' awareness of and compliance with local water-use restrictions, and (2) reducing long-term landscape water use through wider adoption of proper care, irrigation management and other maintenance practices for water-efficient landscapes. BAWSCA is working with its member agencies and other to promote these workshops.

Large Commercial Audit

BAWSCA has signed a contract with Maddaus Water Management Inc. (MWM) for the second phase of BAWSCA's Commercial, Institutional, and Industrial (CII) Audit Pilot Project. BAWSCA and MWM completed the initial pilot of the CII audit tool in 2018-2019, as part of BAWSCA's "Making Conservation a Way of Life" Strategic Plan Phase 2 work. Consistent with the FY 2019-20 Work Plan, BAWSCA is currently looking to expand and improve the tool in conjunction with a vendor (Save Water Save Money, as a subcontractor for MWM) that specializes in customer self-audit tool development.

BAWSCA's CII Pilot Project has two objectives:

Objective 1: CII Audit Survey Tool Assessment

The purpose of the Pilot Project is to evaluate the potential for the successful implementation of an electronic CII Audit Survey Tool. The Pilot Project will determine the feasibility of incorporating the survey into the commercial platform.

Objective 2: Gain Insight into Water Use of Commercial Customers

The study will provide insight into the current breakdown of indoor water use among business customers within the BAWSCA service area, in particular hotels and offices. With the use of available data, the study will help BAWSCA determine and refine details about the actual water uses of its business community, including which use is greatest

and how to pursue conservation in this area. Information from this study could benefit BAWSCA by allowing refinement of future business efficiency programs.

This phase of BAWSCA's CII Pilot Project will be completed by June 30, 2020.

Recruitment Effort - Update:

Since December 2019, BAWSCA has been working to recruit one technical staff person, either at the staff level or a senior level, to backfill the position of a Senior Water Resources Specialist who resigned from BAWSCA effective earlier that month. BAWSCA targeted several employment websites for posting of the position. Sites included technical organizations, for-profit job boards, and non-profit job boards. Staff made sure to include sites that targeted applicants who identified as minority and/or underrepresented individuals. Applications closed on December 23, 2019.

Unfortunately, only a small number of qualified individuals applied that first round. For this reason, the position was reposted on January 30, 2020 to an expanded list of job posting sites. This current application period is set to close on February 28, 2020.

Assuming a sufficient applicant pool, interviews will be conducted in March 2020 and a hiring decision would be made by late March or early April 2020.

Board Policy Committee

Policy Calendar Through June 2020

Meeting Date	Purpose	Issue or Topic
February 2020	D&A D&A R&D R&D R&D R R	Consideration of BAWSCA Bond Surcharges for FY 2020-21 Consideration of Consultant Contract to Support Lawn Be Gone Revamp Analysis of Potential Refunding of BAWSCA's Revenue Bond Series Presentation of Preliminary FY 2020-21 Work Plan and Budget Los Vaqueros Expansion Update Review of Wholesale Revenue Requirement Review of Water Supply Forecast
April 2020	D&A D&A D&A R	Consideration of Proposed FY 2019-20 Work Plan and Budget Consideration of Annual Consultant Contracts Review of Agency Personnel Handbook Review of Water Supply Forecast
June 2020	R	Update on Long-Term Reliable Water Supply Strategy Implementation