

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

April 8, 2020 – 1:30 p.m.

Zoom Video Conference

DUE TO COVID-19, THIS MEETING WAS CONDUCTED AS A TELECONFERENCE PURSUANT TO THE PROVISIONS OF THE GOVERNOR’S EXECUTIVE ORDERS N-25-20 AND N-29-20, WHICH SUSPEND CERTAIN REQUIREMENTS OF THE RALPH M. BROWN ACT.

MINUTES

1. **Call to Order:** Committee Chair, Tom Chambers, called the meeting to order at 1:30 pm. A list of Committee members who were present (9), absent (0) and other attendees is attached.

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

2. **Comments by Committee Chair:** Committee Chair Chambers welcomed members of the Committee and provided ground rules to best conduct the meeting virtually. He noted that all actions by the committee will be done by roll call vote.
3. **Public Comments:** Peter Drekmeier, representing Tuolumne River Trust, identified himself on the phone. He had no public comments.
4. **Consent Calendar:** Approval of Minutes from the February 12, 2020 meeting.

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

The motion carried unanimously by roll call vote.

5. **Action Calendar:**

- A. **Proposed Fiscal Year 2020-2021 Work Plan and Operating Budget:** Ms. Sandkulla reported that the proposed Fiscal Year 2020-21 Work Plan and Operating Budget is aligned with BAWSCA’s legislated authority and three goals of ensuring reliable, high-quality water supply at a fair price.

Ms. Sandkulla noted that the proposed work plan includes one minor change from the preliminary work plan that was presented to the Committee in February. The Summer 2020 internship has been removed because it is unclear whether an additional person can be added to staff in the Summer given the current COVID-19 crisis.

The proposed operating budget is \$4,130,679. It is 9.6% less than the adopted FY 2019-20 budget, with an estimated cost of \$2.26 per person.

The proposed work plan addresses critical issues identified between now and the year 2050, as discussed with the Board in January 2020.

Ms. Sandkulla presented an alternative work plan and operating budget in response to the COVID-19 crisis and its potential impacts on the economy. The alternative work plan and budget will continue to address critical issues but will defer or reduce three specific work plan areas. They include the deferral of the internship program to subsequent fiscal years, deferral or reduced efforts in the implementation of recommendations from BAWSCA's asset management audit of the San Francisco Regional Water System (SFRWS), and the deferral or reduced efforts in BAWSCA's coordination with SFPUC on development and implementation of a Regional Source Meter Testing Plan.

These work plan areas were identified as areas that can be reduced or deferred for several reasons. They are relatively new efforts and their deferral puts no direct negative impact on the member agencies, nor does it decrease the member agencies' expectations of the assistance BAWSCA provides on conservation, and completion of the demand study and of the urban water management plan. Particularly, for the work to implement the recommendations from the audit of SFPUC's asset management and the development of a Regional Meter Testing Plan, there are required actions that need to be coordinated with San Francisco. Given the COVID-19 crisis, the SFPUC will have similar operational and resource issues to address as a result of the pandemic. Where these efforts land on the SFPUC's priorities are unknown to BAWSCA, and further discussions with the SFPUC are needed for a final decision on specific tasks to be completed. However, it is anticipated that the SFPUC will need to defer some of this work as well.

The deferral of all three work areas provide an alternative work plan that reduces the overall operating budget by 110K. The proposed alternative operating budget is \$4,020,679, 12% less than the adopted FY 2019-20 budget with an estimated cost of \$2.20 per person.

Both proposed and alternative work plans include major areas of work that remain the same:

- BAWSCA's role in managing the 2009 Water Supply Agreement to protect the member agencies' financial and water supply interests;
- Administration of BAWSCA 2013 bonds;
- Oversight of SFPUC's WSIP, 10-year CIP, and Asset Management with regards to staff level work;
- Implementation of BAWSCA's Strategy, including Los Vaqueros Expansion (LVE) project studies, Potable Reuse studies, and Bay Area Regional Reliability (BARR) Partnership;
- Implementation of core and subscription conservation programs including 3-4 new programs; and
- Participation in the State Water Board Bay Delta Proceedings and FERC Proceedings to protect regional water supplies.

Both proposed and alternative work plans equally focus on the reliable supply of water, which has historically been the area of work in which staff and consultant time are placed. Ms. Sandkulla presented a side by side comparison of the work plans which shows a consistent distribution of focus among the areas of agency operations and the three goals; supply reliability, high quality, and fair price.

Both proposed and alternative work plans share similarities that provide an operating budget that:

- Is significantly reduced in consultant and direct expenses compared to FY 2019-20. The reductions, 27% in the proposed work plan and 32% in the alternative work plan, are due to decreased support needed from consultant and legal services for the work plan area of reliable supply, which in FY 2019-20, included funding for the Demand Study, BAWSCA's Pilot Water Transfer Plan, and cost share for the LVE studies;
- Has total Administrative Expenses increased by less than 5%;
- Fully funds the estimated OPEB Annual Required Contribution, as practiced in the past 6-8 years;
- Includes a budget allowance for COLA adjustment to top step salary, and merit increases for salary adjustment;
- Has a budget allowance for potential CEO merit increase, consistent with prior direction received from the Board; and
- Includes no allowance for Art Jensen, as anticipated.

Ms. Sandkulla presented the funding considerations that were developed based on BAWSCA's funding principles and the current General Reserve balance of \$1,137,877, which is 25% of the current operating budget and is within the 20%-35% budgetary guideline.

Ms. Sandkulla emphasized the importance of maintaining the General Reserve as funding resources are considered for next year's operating budget given the ongoing issues associated with the Bay Delta and Restore Hetch Hetchy legal challenges.

Ms. Sandkulla reported that review of the FY 2019-20 expenditures, following the shelter-in-place order due to COVID-19, identified savings from staff vacancy that will not be filled until June, and reduced conservation program costs due to cancelled landscape classes because of the pandemic. As a result, there are fewer expenditures than otherwise planned, and it is estimated that \$100K will be available to transfer to the General Reserve at the end of the fiscal year.

Four options to fund the proposed and alternative work plan and budget were presented for the Committee's consideration. Options 1, 2 and 3 included a 0%, 1%, and 3% assessment increase for the proposed work plan and operating budget. The options provide a projected general reserve balance of 19%, 20%, and 22%. Option 4 presented a 0% assessment increase for the alternative work plan and operating budget with a resulting projected general reserve balance of 22%.

The options require consideration of what assessment increase and general reserve balance the Board would like to have.

Ms. Sandkulla recommends the Committee's consideration of Options 1 and 4.

Option 1 funds the proposed work plan and operating budget and provides a 0% assessment increase, a transfer from the general reserve of \$444,900, and a general reserve balance of 19% of the operating budget, which is slightly below the budgetary guideline of 20%-35%.

Option 4 funds the alternative work plan and operating budget and provides a 0% assessment increase, a transfer from the general reserve of \$333,900, and a general reserve balance of 22%, which is within the 20%-35% budgetary guideline.

Both options 1 and 4 put BAWSCA in a good position to continue meeting its obligations to the member agencies while keeping a tight budget. Ms. Sandkulla stated that while she normally does not make a funding recommendation, she felt that it was important to endorse the work plan, operating budget, and funding plan that she believes is in the member agencies' best interests given the current situation.

Chair Chambers called upon each Committee member to capture their comments.

Vice Chair Cormack commended the CEO for developing an operating budget that provides a 0% increase in assessments. She stated that the reduction in the budget and in the cost per person is appropriate given the current situation. She supports option #4 based on principle #2; which is "Spend only what is needed to achieve results." She encourages the Committee and the Board to remain cognizant of potential changes in employment throughout the BAWSCA service area and any changes in salaries. While it is too early to make predictions, this budget allows for some space for what might need to be done later in the process.

The consensus of the comments that followed indicated the Committee's support for Option #4, the CEO's responsiveness to the current situation, and to remain mindful of budget spending for salary adjustments until further information on the impacts of COVID-19 is available. Committee members appreciated the CEO's and staff's work in developing the budget funding options, and provided the following additional comments.

Director Jordan stated that as we get to the other side of the pandemic, there will be an expectation from our Board that we have reduction in spending due to the changes in some programs.

Director Kuta asked if deferring the development of a Regional Source Meter Testing Plan under the alternative work plan presents an imminent regulatory violation, as far as conservation or water loss, if the development a Regional Source Meter Testing Plan is deferred under the alternative work plan.

Ms. Sandkulla stated that the Source Meter Testing effort was to put the BAWSCA agencies ahead of when those regulations could be impacting the member agencies, and to identify what can be addressed sooner rather than later.

Director Larsson appreciated the two budget options that offer a 0% increase in assessments. He noted the importance of keeping the assessments where they are

given the current climate, and in keeping the General Reserve within the target range. It is critical not to draw down the General Reserve too quickly because what lies ahead remains unknown.

Director Mendall noted that as a Hayward Council Member, he is already getting requests for reduction/deferment of water bills or some form of assistance during these difficult times. The duration and the severity of the situation is unknown and it is important to be conservative in our budgeting.

Director Pierce expressed her concerns about what the future holds, therefore preserving the General Reserve is essential. She is pleased that the CEO built in flexibility in the budget in case San Francisco is able to move forward with implementing the recommendations from the audit of its asset management, and in developing a water source meter testing plan.

Director Wood echoed Director Pierce about concerns with what the future holds. She was pleased that the options achieve results.

Director Zigterman commended the CEO's ability to demonstrate the mantra; "plan your work and work your plan."

There were no comments from members of the public.

In response to the clarifying questions and comments from Directors Kuta, Chambers, Pierce and Mendall, Ms. Sandkulla stated that it is important to present the complete analysis to the Board so they can understand the reasons behind the Committee's recommendation. Her intention was to present Options 1 and 4, and perhaps Options 2 and/or 3, along with the committee's recommendation.

Additionally, the Committee's comments on the merit increases can be reflected in the BPC meeting minutes, as well as added in the memo to the Board stating that the CEO's intent is to remain cognizant of merit increases until the impacts of COVID-19 is better known.

There were no further comments from Committee members or members of the public.

Director Wood made a motion, seconded by Director Mendall, that the Board Policy Committee recommend to the Board approval of Option 4: Alternative Work Plan and Alternative Operating Budget, as presented in the staff report, and to reflect Committee discussions on merit increases relative to COVID-19 in the staff report to the Board.

The motion carried unanimously by roll call vote.

- B. Review and Consideration of Check Signing Policy: Ms. Sandkulla reported that in 2006, a policy for signature authorities for both BAWSCA and BAWUA bank accounts was established. The Policy identifies two levels of signature authority. Checks less than \$2,500 require one authorized signature. Checks \$2,500 or more require two authorized signatures, one of which must be a Director. The authorized signers identified in the current policy are the CEO and the Senior Administrative

Analyst, the predecessor title to the Finance Manager; and Directors, which includes the Chair, Vice Chair and, for the sake of efficiency, 3 Directors from agencies closest to the BAWSCA office. Those agencies are Foster City, Millbrae, and Burlingame.

Because the CEO may not always be available to sign checks and, as highlighted by the current pandemic, due to potential difficulty in securing two signatures, one of which is of a Director, check payments can be unduly delayed. To avoid this, Resolution 2020-01 increases the single signature threshold from \$2,500 to \$5,000, and adds the Water Resources Manager to sign checks in absence of the CEO/General Manager. The resolution also corrects the title of the Sr. Administrative Analyst to Finance Manager. Checks \$5,000 and over will continue to require two signatures, one of which is that of a Director.

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

Committee members stated their support for the recommendation. In response to Committee member questions, Ms. Sandkulla provided the following information.

The number of checks between \$2,500 and \$5,000 is approximately 25% of the total. However, increasing the signature authority to more than \$5,000 was not advised by BAWSCA's auditor.

BAWSCA's check issuance is typically twice a month.

Director Kuta stated that he was going to ask if there was value in considering a higher amount than \$5K that would strictly require only the CEO and a Director's signature. But given that there are not a lot of large checks, he presents it as a thought rather than a question.

Ms. Sandkulla further added that the Finance Manager or the Water Resources Manager, not both, can sign checks in the absence of the CEO. Legal Counsel, Allison Schutte, added that the proposed resolution clearly states that condition.

There is no resolution that triggers when the Finance Manager or the Water Resource Manager can sign. Resolution 2020-01 speaks to the signature authority occurring when the CEO/General Manager is not available.

Ms. Sandkulla stated that in most cases, Christina Tang, BAWSCA's Finance Manager, signs checks in her absence because she and Tom Francis, Water Resources Manager, are often in off-site meetings. She added that upon taking the CEO/General Manager position in 2013, she self-instituted the check-signing by the CEO/General Manager only for a time period because she wanted to personally see what checks were going out. The addition of the Water Resources Manager is necessary to avoid a cumbersome process that is not helpful to the agency's operational efficiency.

There being no further comments from the Committee members or members of the public, Chair Chambers called for a motion.

Director Jordan made a motion, seconded by Director Pierce, that the Committee recommend Board approval of:

- a. Rescinding Resolution #2006-01 that specifies what individuals are authorized to sign checks;**
- b. Adopting a replacement Resolution #2020-01 that increases the single signature threshold for signing checks from \$2,500 to \$5,000 and adds the authority for the BAWSCA Finance Manager and Water Resources manager to sign checks in the absence of the CEO/General Manager.**

The motion passed unanimously by roll call vote.

- C. Ratification of Agreement with Droplet Technologies to Implement a Landscape Rebate Online System: Ms. Sandkulla reminded the Committee that at its February 12th meeting, it acted to recommend Board authorization of the CEO/General Manager to negotiate and execute an agreement with a selected consultant, subject to Legal review, to implement the Landscape Rebate Online System.

Through a competitive procurement process, Droplet Technologies was selected to implement the program based on the unanimous recommendation of the selection panel BAWSCA worked with. Board action on the contract approval was planned for the March Board meeting, which was cancelled due to COVID-19.

Because the contract amount was within the CEO/General Manager's signature authority, Ms. Sandkulla reported that she signed the agreement to move it forward in order for the program to start in July, in time for the irrigation season. She noted that the costs were unknown at the time of the February 12th BPC meeting since the Request for Proposals were in progress. She was pleased to report that Droplet Technologies' proposal came in at a competitive price.

Legal counsel advised that the Board ratify the agreement at the May meeting. The item is being brought to the BPC to allow conversation at the Committee level, and help ease the May Board agenda, which will most likely be via teleconference.

The contract is for the amount of \$1,500 for the system development and implementation in FY 2019-20. A monthly amount of \$1,200 for licensing and support for BAWSCA will begin in FY 2020-21. The monthly costs will be paid for by the participating member agencies in this subscription conservation program.

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

The Committee was supportive of the recommended action. In response to Committee member questions, Ms. Sandkulla provided the following information.

The initial cost of setting up the system will be funded from BAWSCA's operating budget, and the monthly subscription cost will be funded by participating agencies.

Droplet Technologies is a Southern California based company and is not believed to be a diversifier.

Ms. Sandkulla added that it is important for the Board to take a role in the programs offered to the member agencies, and while the contract is within the CEO/General Manager's signature Authority, it will be presented to the Board in May as part of the consent calendar items.

With no further comments from the Committee members or members of the public, Chair Chambers called for a motion.

Director Cormack made a motion, seconded by Director Pierce, that the Board ratify the following actions by the CEO/General Manager:

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

The motion carried unanimously by roll call vote.

6. Reports:

- A. Regional Water System Operation during COVID-19 Order: Ms. Sandkulla reported that the San Francisco Regional Water System continues to provide a safe and reliable water supply during the COVID-19 emergency situation. This has been SFPUC's top priority from the very beginning. BAWSCA maintains close coordination with the SFPUC and regularly receives updates.

Ms. Sandkulla presented excerpts from SFPUC's communication which states that; "...the Regional Water System is fully functional..." and does "...not anticipate any disruption to water deliveries." "...rigorous water disinfection processes ensure that your tap water is safe from viruses including COVID-19." The SFPUC "...plan for emergencies to ensure that enough staff members report for duty to keep the water flowing. In other words, COVID-19 has no impact on the quality and supply of San Francisco's tap water."

Ms. Sandkulla noted that the leadership shown by General Manager Harlan Kelly and Assistant General Manager Steve Ritchie, and everyone at the SFPUC has been extraordinary during this time of unprecedented crisis. They have modified their working arrangement in a way that allows them to perform their critical work and ensure a continued reliable supply of water necessary for our member agencies and the communities they serve.

Director Zigterman appreciated the SFPUC's communications, which Stanford immediately posted on the website for their service area's reference about the safety and reliability of the water supply despite the pandemic.

On behalf of CalWater, Director Kuta asked the CEO/General Manager to pass his appreciation for the SFPUC's outstanding job in their communication with their customers on their operating plans and in keeping the health and safety of their water customers a priority. The SFPUC is a front-runner in their efforts during this emergency situation.

- B. Water Supply Conditions: Water use in the BAWSCA region through February 2020 is 7% less than the pre-drought month of February 2013. Water use between the months of January and February 2020 has a slight increase due to the dry conditions in February.

To date, the weekly data for March shows significant water use reductions as the shelter-in-place order tapers down business, industry and commercial use. March data is anticipated to look atypical. BAWSCA is working with the SFPUC in monitoring this closely for the member agencies who are forecasting rates for next year.

Ms. Sandkulla presented the Board Policy Calendar through October and stated that she anticipates an August BPC meeting, which in past have been cancelled. The schedule will be fluid as things develop and adapt to the pandemic.

7. Comments by Committee Members:

Director Kuta asked the CEO to expand on the SFPUC's request for an 18-month extension of the WSIP and the impacts the extension has on the member agencies and their customers.

Ms. Sandkulla explained that the extension is driven by the resolution of the Alameda Creek Recapture Project (ACRP), which is one of the water supply projects in the WSIP. In this project, San Francisco proposes to recapture water that they release out of Calaveras, for the permit requirements for the Calaveras Dam project, and recapture it downstream of the spawning reach. The environmental document was contested and needed to be recirculated; therefore, the project needed to be reevaluated. That process resulted in the extension of the project. The SFPUC was waiting for the environmental review process and certification process to be completed before a new schedule was developed. The new schedule is now incorporated into the extension.

Ms. Sandkulla stated that the ACRP has been one of the two very difficult projects in the WSIP that assist in meeting the water supply level of service goal. The other project is the Regional Groundwater Storage and Recovery Project (RGSRP). Both projects are critical but have issues that must be resolved so they can be implemented. While the project delay that has been experienced has not been satisfactory, it has provided some useful developments that will make the project more viable. If the issues are left unresolved, those issues will ultimately need to be resolved, possibly through legal action. The extension to address the issues are appropriate, and the goal is to get the SFPUC committed to a schedule and deliver on that schedule.

In response to Director Pierce's question on the current water use data, Ms. Sandkulla stated that water use appears to have significantly decreased as the crisis has developed. The water use trend during the shelter in place will vary by community depending on their makeup. Communities with larger residential properties may see an increase while metropolitan areas like San Francisco have already seen their water use plummet as businesses and industries shut down. As a region, the significant reductions in commercial use far and away overwhelm what are the increases in residential side, and she anticipates this trend to continue moving forward.

Director Pierce expressed her concerns with the implications on the member agencies when SFPUC's water enterprise revenues go down. She anticipates BAWSCA to be in communication with the SFPUC as the situation develops.

Director Jordan asked if there is a schedule for when the maintenance and capacity study for the South Bay Aqueduct (SBA) will be completed.

Ms. Sandkulla explained that the Department of Water Resources (DWR) has initiated a study for the condition assessment of SBA. This study is DWR's first step in addressing SBA reliability. This assessment, however, does not look at expansion of SBA. BAWSCA has raised this question and is meeting with LVE agency partners to discuss concerns with SBA. Ms. Sandkulla stated that the initiation of the study is progress, but there are outstanding issues that the State is currently addressing.

Director Jordan commented that it seems logical for BAWSCA to not move forward until the issues with SBA are resolved, not so much the capacity, but its reliability.

Ms. Sandkulla agreed and stated that the SBA has experienced system failures, even this year, and it is known to be susceptible to failure. She has made it clear with CCWD that the SBA is one of BAWSCA's primary concerns and is critical to BAWSCA's involvement in LVE. BAWSCA will not commit to participating unless issues with the SBA are resolved.

In response to Directors Wood and Mendall, Ms. Sandkulla reported that communications BAWSCA receive from the SFPUC are shared with the appointed Water Management Representatives so they can keep their agencies and water customers informed about the continued safety and reliability of the region's water supply during the pandemic.

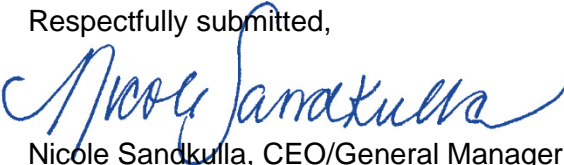
There being no further comments from the Committee members or members of the public, Chair Chambers called for a motion to adjourn.

Director Pierce made a motion, seconded by Director Wood, that the meeting of the Board Policy Committee be adjourned.

The motion carried unanimously.

8. **Adjournment:** The meeting was adjourned at 2:55 pm. The next meeting is June 10, 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	Apr. 8, 2020	Feb. 12, 2020	Dec. 11, 2019	Oct. 9, 2019	Aug. 14, 2019	Jun. 12, 2019
Westborough	Chambers, Tom (Chair)	✓	✓	✓	✓	M T G C A N C E L L E D	✓
Palo Alto	Cormack, Alison (V Chair)	✓	✓	✓	✓		✓
Purissima	Jordan, Steve	✓	✓	n/a	n/a		n/a
Cal Water	Kuta, Rob	✓	✓	✓	✓		✓
Sunnyvale	Larsson, Gustav	✓	✓	✓	✓		✓
Hayward	Mendall, Al	✓	✓	✓	✓		✓
Redwood City	Pierce, Barbara	✓	✓	✓	✓		✓
Brisbane	Wood, Sepi	✓	✓	✓			✓
Stanford	Zigterman, Tom	✓	✓	✓	✓		

✓: present

☎ : Teleconference

April 8, 2020 Meeting Attendance (Via Zoom in compliance with Gov. Order #29-20 due to COVID-19)

BAWSCA Staff:

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

Public Attendees:

Peter Drekmeier	Tuolumne River Trust
Michelle Novotny	SFPUC