

**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

NS/le

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