

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD POLICY COMMITTEE**

**February 12, 2020 – 1:30 p.m.
BAWSCA Offices – 155 Bovet Rd., San Mateo – 1st Floor Conference Room**

MINUTES

1. **Call to Order:** Committee Chair, Tom Chambers, called the meeting to order at 1:32 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 noted the two action items and two financial reports on the agenda, including the review of a potential refunding of BAWSCA's revenue bond series 2013A, and the preliminary work plan and results to be achieved in FY 2020-21.

Committee Chair Chambers also noted an increase in the current balancing account as a result of the \$7 million Ms. Tang identified through BAWSCA's review of the FY 2015-16 Wholesale Revenue Requirement.

3. **Public Comments:** There were no public comments.
4. **Consent Calendar:** Approval of Minutes from the December 11, 2019 meeting.

Director Wood made a motion, seconded by Director Zigterman, that the minutes of the December 11, 2019 Board Policy Committee meeting be approved.

The motion carried with one abstention.

Item #6A, Evaluation of Potential Refunding of the BAWSCA's Revenue Bond Series 2013A, was moved to precede Agenda Item 5, Action Calendar.

6. **Reports and Discussion:**

- A. **Evaluation of Potential Refunding of the Agency's Revenue Bond Series 2013A:** BAWSCA Finance Manager, Christina Tang, introduced Dan Cox from KNN Public Finance, BAWSCA's Financial Advisor. As Financial Advisor, Mr. Cox assists BAWSCA with administration of the 2013 bond issuance, including the analysis of the potential for bond refunding.

In November 2019, with the historically low interest rates, BAWSCA requested KNN to evaluate the potential for refunding BAWSCA's revenue bond series 2013A and 2013B.

Ms. Tang provided an overview of BAWSCA's bond issuance back in February 2013. BAWSCA issued series 2013A and 2013B tax exempt bond in a total par amount of

\$335.8 million. The effective interest rate was 3.14% which accounts for the interest rates on the bonds, issuance costs, and premium paid by the investors. The proceeds of the bond were used to pre-pay the capital debt that the member agencies owed San Francisco. The net present value savings of the bond issuance shared by the member agencies is \$62.3 million over the term of the bonds. Based on the establishment of the 2013 bonds, the bond team deemed it appropriate to make bond series 2013B taxable, effectively non-callable, to achieve lower interest rates which would provide greater savings to the member agencies.

Ms. Tang reported that the current refunding potential is only applicable to the callable portion of bond series 2013A, in par amount of 163.8 million that mature on April 1, 2023. Under the 2017 federal tax law, BAWSCA's callable portion of the bonds can be advanced refunded as taxable bonds before January 1, 2023, or as tax-exempt after January 1, 2023.

The refunding analysis presents three scenarios under current market conditions, for refunding bond series 2013A in par amount of \$163.8 million.

Scenario 1 illustrates a taxable refunding in June 2020, which would provide an estimated net present value savings of \$15.1 million or 9.2% of the refunded bonds.

Scenario 2 presents a tax-exempt refunding in January 2023 which would provide an estimated net present value savings of \$31 million, or 18.9% of the refunded bonds.

Scenario 3 indicates an approximate break-even point. The interest rate would have to rise more than 1.75% before the wholesale customers would be worse off by waiting until 2023. For example, if by January 1, 2023 the interest rates increase by only 1%, BAWSCA would generate more savings in 2023 based on tax-exempt bonds, than by refunding under current conditions.

While the agency estimates a moderate amount of potential savings based on a taxable refunding in 2020, the level of savings at this time are not high enough to justify the risk of potential adverse market change before the refunding is completed, given the need to get issuance authorization from all BAWSCA agencies.

The interest rate assumption was 2.40% based on taxable refunding in 2020, and 1.23% based on a tax-exempt refunding in 2023.

Ms. Tang presented the three primary reasons why BAWSCA and KNN recommends refunding in 2023 for greater potential savings. In general, tax-exempt bonds result in a much lower interest rates than taxable bonds based on the same market conditions. The refunding bonds have a shorter term when issued near the call date as opposed to three years prior. Shorter term bonds generally have lower interest rates that can provide greater savings to the member agencies. Lastly, there is a "negative arbitrage" when the investment earnings on refunding bond proceeds are lower than the borrowing cost of the refunding bonds.

It is recommended that BAWSCA continue to monitor the market and update the analysis as the market conditions change.

As a next step, BAWSCA can consider working with bond counsel and legal counsel to begin the approval process required with each member agency to authorize BAWSCA to refund the bonds. This saves time and reduces the risk of potential for a change to adverse market conditions before the refunding is completed.

Director Mendall brought up the notion of using the balancing account to pay down some of the debt, and effectively take the interest rate on that portion down to zero. What kind of savings would that generate, and would it be worth it to call a portion of the bonds sooner rather than in 2023 to gain that full 3.14% savings.

Ms. Sandkulla stated that staff can analyze that notion. She added that BAWSCA is currently having conversations with the Water Management Representatives (WMR) on wholesale water rates and the SFPUC's current projections for the use of the balancing account. She reminded the Committee that the balancing account's primary purpose is for rate stabilization. Currently, the SFPUC is projecting to spend down the balancing account to zero to absorb the wholesale customer's increased cost in capital funding and keeping the wholesale water rates flat for the next 3 years. The SFPUC has a spending plan that was reported to the WMR's, and the feedback from the WMRs is positive on using the balance in the balancing account to maintain a zero rate increase.

Director Mendall stated that paying down the debt and interest seems to have greater potential to save water customers money than simply using the balancing account to offset wholesale water rate increases.

As requested by Director Mendall, staff will look into whether the balancing account can be used for paying a portion of the debt, and identify what savings can be generated, for example, for every \$10 million used from the balancing account to pay down a portion of the debt.

Mr. Cox clarified that whether BAWSCA uses the balancing account to pay down the debt or refinances the debt, the tax-exempt bonds cannot be called sooner than April 2023.

Ms. Sandkulla explained that Board action is not required for BAWSCA to begin the approval process needed from each member agency to grant BAWSCA the authority to refund the bonds. Once each member agency approves refunding of the bonds, the Board could then act to authorize BAWSCA to take action on the bond refunding.

Ms. Sandkulla anticipates including this action item for the member agencies, along with a separate action on a potential contract amendment, in the FY 2020-21 work plan.

5. Action Calendar:

- A. Proposed Fiscal Year 2020-2021 Bond Surcharges: Ms. Tang reported that the calculation of bond surcharges according to BAWSCA's Revenue Bond Indenture is an annual process that BAWSCA does to meet the financial obligation associated with the 2013 revenue bonds. The bond surcharges are a fixed amount for each agency used to pay for the debt service payments, cover expenses incurred with administration of the bonds, and replenish the stabilization fund as necessary.

The proposed bond surcharges for each agency was provided in the staff report. Ms. Tang reported that the calculation methodology of the bond surcharges remains the same as last year, and that review of the stabilization fund requires no replenishment.

Assuming SFPUC's projected wholesale customer consumption of 127mgd, the total surcharge for FY 2020-21 is \$24,685,116, equivalent to \$0.40/ccf or \$174/AF. This total surcharge is approximately \$13,000 less than the current year's.

Director Mendall made a motion, seconded by Director Larsson, that the Board Policy Committee recommend Board approval of the proposed FY 2020-21 bond surcharges as presented in the staff report.

The motion carried unanimously.

- B. Authorization to enter into an Agreement with the Selected Contractor to Implement a Landscape Rebate Online System: Water Resources Engineer, Negin Ashoori, reported that part of BAWSCA's adopted FY 2019-20 work plan is to revamp the Landscape Rebate Program with an Online Rebate System (Rebate System) to increase program participation. The key elements of the Rebate System are to streamline the application process enabling customers to apply for one or multiple rebate programs; automate customer communication capabilities to allow faster responses to customer inquiries; and provide increased resources to assist customers in their landscape projects such as educational videos or landscape design templates. These changes are based on input received from customers as well as participating agencies.

BAWSCA issued a Request for Proposal (RFP) on January 10th. Four proposals were received and will be evaluated by a review panel consisting of BAWSCA Staff, participating member agencies and C/CAG, as an outside agency reviewer.

The funding structure for the Rebate System will be consistent with BAWSCA's subscription program model, where initial development costs is funded by BAWSCA, and participating agencies will pay for individual setup and annual maintenance costs, as well as BAWSCA administration costs.

A final contractor recommendation with a not-to-exceed budget for the system will be presented to the Board for consideration at the March Board meeting. Funding for this effort is included in BAWSCA's adopted FY 2019-20 budget.

Director Jordan noted that the Valley Water administers a similar program for agencies in Santa Clara County, and asked what the costs of the BAWSCA program is to non-participating member agencies.

Ms. Sandkulla explained that the initial development costs for subscription programs are funded by the BAWSCA budget since member agency participation is not yet known until the program is set up. The typical development cost is between \$20K - \$30K. Further costs specific to the needs of participating agencies are paid for by those agencies.

Ms. Johnson added that the Valley Water's program is very similar to BAWSCA's, and member agencies in the Santa Clara County historically do not participate in BAWSCA's program.

Director Cormack asked why participation has decreased and whether there are known metrics that can help identify progress.

Ms. Johnson stated that the decrease in program participation, which many other agencies throughout the Bay Area are seeing, can be attributed to drought fatigue. She added that BAWSCA's demand study is looking at each agency's historical participation rates and water savings assumptions to help agencies develop their short-term and long-term goals for program participation in their respective service areas.

Additional comments from committee members included the clarification of whether permits are required, whether higher rebate potential creates an incentive for customers to replace their lawns, and if there is a correlation between the wholesale sales since 2013 and the drop off in the conservation program.

Ms. Sandkulla stated that the trends in conservation and demands presents interesting questions on the relationship between them. The demand study and the 2018-19 BAWSCA Annual Water Conservation Report will provide information that can assist in answering these queries.

Director Cormack made a motion, seconded by Director Mendall, 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.**

The motion carried unanimously.

6. Report and Discussion:

- B. Preliminary Fiscal Year 2020-21 Work Plan and Results to be Achieved: Ms. Sandkulla reported that the preliminary work plan aligns with BAWSCA's legislated authority and the agency's three goals of ensuring a reliable supply of high-quality water at a fair price. Table 1 in the staff memo presents the preliminary work plan activities as they meet those goals, and Table 2 presents activities that are not included in the work plan. The preliminary work plan also takes a long-term outlook and addresses the critical issues that faces BAWSCA in the next 30 years.

Ms. Sandkulla noted the specific areas of work which will have expanded activities in FY 2020-21. They include implementation of recommendations from BAWSCA's audit of the SFPUC's asset management program for the Regional Water System, participation in the Los Vaqueros Expansion (LVE) project, implementation of 3-4

conservation programs recommended by BAWSCA's demand study, and implementation of a new diversity internship program.

Eight of the comments received from the Board during the January budget planning session are addressed in the preliminary work plan for FY 2020-21, and into subsequent fiscal years, depending on the tasks' development.

In response to the comment that is not already reflected in the work plan; *consideration of allowing 2-3 Board members to attend the ACWA conference*, Ms. Sandkulla referenced Resolution 2006-02 "Reimbursement of director's expenses" which clarifies that Board member attendance at conferences are not an authorized activity. The Board chair attends the ACWA conference as the voting representative for BAWSCA on ACWA/JPIA and as BAWSCA's ACWA Board member. The CEO/General Manager is the alternate voting representative in the absence of the Chair. While there are a few allowable exceptions, the policy is restrictive and is in line with regional agency policies. Allowing additional Board members, outside of the Chair, to attend the ACWA conference will require an amendment in the policy.

Ms. Sandkulla discussed the activities in the work plan under each major component; water supply reliability, high quality and fair price.

BAWSCA's oversight of the SFPUC's operation of the Regional Water System (RWS) is a critical part of ensuring water supply reliability for the region. The Water System Improvement Program (WSIP) and recently adopted 10-year CIP both have a combined cost of \$1.9 billion and; therefore, is a significant effort to oversee on behalf of BAWSCA's member agencies.

A new area of focus on the RWS is SFPUC's emergency response program. BAWSCA held a workshop with the WMRs to identify what member agencies need from BAWSCA in this area of work. Because member agencies are currently focused on their own infrastructure emergency response and reliability resilience analysis to comply with America's Water Infrastructure Act (AWIA), the WMR's indicated that it was best to allow the agencies to complete their individual analysis as required by AWIA. In the meantime, Ms. Sandkulla reported that the work plan includes staff time to coordinate emergency exercises with the SFPUC and Valley Water on behalf of the member agencies. Until BAWSCA can re-evaluate the needs of the member agencies in the Fall of 2020, the work plan will not allocate consultant time for emergency response planning. Adjustments will be made according to developments that arise.

Another critical piece in BAWSCA's efforts to monitor the SFPUC's operation of the RWS in FY 2020-21 is implementing the recommendations from BAWSCA's audit of SFPUC's Asset Management Program. This work supports BAWSCA's efforts to increase oversight on the 10-year CIP. Ms. Sandkulla emphasized that an asset management program ultimately identifies what is included in a CIP and, therefore, needs to be well-administered.

The audit is scheduled to be completed in June 2020. Preliminary findings and recommendations will be presented to the Committee at its April meeting. Feedback on the final report will be requested from the expert panel that selected the

consultant, West Yost, to perform the audit. The preliminary work plan anticipates consultant support for the next steps at an estimated cost of \$82K.

Director Jordan noted that the effort provides a greater pay off than the allocated dollars.

Ms. Sandkulla agreed and stated that the better informed BAWSCA is, the better position it is in ensuring that two-thirds of the member agencies' money pays for their best interest.

Director Mendall noted that it is the agency's core function.

Implementation of the Long-Term Reliable Water Supply Strategy (Strategy) is also a critical piece in ensuring water supply reliability. Ms. Sandkulla presented a list of efforts that looks at long-term water supply solutions and put emphasis on BAWSCA's work with the Bay Area Regional Reliability (BARR) Water Marketing Strategy and the Los Vaqueros Expansion Project.

BAWSCA has been part of the partnership between Bay Area agencies, under BARR, that received federal grant funding for two pilot water transfers. The first pilot water transfer is with Contra Costa Water District (CCWD) and Valley Water which examines storage potential at Los Vaqueros. BAWSCA, ACWD, and SFPUC are now joining together on a project which will entail an extensive table-top exercise that will walk through the operations, legal, and water quality requirements of a potential water transfer. The exercise will not move water. The goal is to identify the challenges of a transfer, what works, what does not, and where the red flags are.

The LVE continues to make progress on critical tasks. Ms. Sandkulla reported that an outside legal counsel has been hired for the JPA formation, which is a significant legal step for the effort. Partnering agencies will form a JPA, and those that want to buy water will have a service agreement with the JPA.

An independent review was conducted on the "use fees" proposed by CCWD and East Bay Municipal Utilities District (EBMUD) for the use of their existing facilities. The recommended modifications from the independent review are now being evaluated and considered by CCWD and EBMUD.

Conversations has been initiated with the Department of Water Resources (DWR) about the conditions of the South Bay Aqueduct (SBA). Ms. Sandkulla reported that she participated in a meeting with the DWR to discuss concerns with the current conditions of the South Bay Aqueduct and its significant impact to, not only LVE, but to the region it serves. The hope is that DWR will take an active role in addressing the reliability of SBA. Ms. Sandkulla explained that the SBA's current condition is the issue on whether it will be a viable alternative for the LVE. What DWR is going to do about SBA's overall reliability within its current and future capacity is a critical outstanding issue to inform BAWSCA's participation in the LVE.

Marguerite Patil, Assistant General Manager for CCWD and Project Manager for the LVE has been invited to provide an update at the March Board meeting.

Ms. Sandkulla reported that BAWSCA's current cost-share agreement for the LVE is funded through June 2020 with the current year's budget. There needs to be an additional bridge funding for an 18-month period in which the formation of the JPA and all necessary purchase agreements will be put in place. CCWD has indicated they are likely to ask partner agencies to commit to the next cost-share agreement, in the amount of \$430 K, for that next 18-month term.

Ms. Sandkulla stated that she has made it clear with CCWD and other partner agencies that BAWSCA cannot commit at this time to continuing on as a partner given the major uncertainty associated with SBA usage. BAWSCA may remove itself before or after the JPA is formed, and before any service agreement is signed. CCWD is aware of the implications if BAWSCA and/or SFPUC, two major users for this project, choose not to participate. The conversations are ongoing, as will the negotiations for cost implications if BAWSCA and/or SFPUC withdraw from the project.

As a best estimate, Ms. Sandkulla allocated a 12-month cost in the FY 2020-21 budget. She anticipates refining it based on further developments between now and the budget adoption in May. This preliminary allocation includes BAWSCA's share for the LVE costs and funding for legal, as well as technical support for water supply modeling to help with further analysis on the project's technical feasibility.

Ms. Sandkulla clarified that joining the JPA does not require BAWSCA to participate in the project. The participation in buying water is through a sales purchase contract, as well as the cost of building a dam. What CCWD is currently asking for is for partner agencies to act before the end of the fiscal year (June 30, 2020) to a cost-share agreement in the amount of \$333 K, which goes in effect July 1, 2020. Ms. Sandkulla stated that the Board can adopt the budget in May to include this cost, and have further discussions in July concerning approval of use of these funds..

Director Mendall expressed his increasing skepticism to participate in the LVE project because of the cost and projected payoffs. The project provides a reduction in drought cut back from 20% to 15%, one time during drought period with a cost of an estimated 7,8, or 9 figures. He is curious about the cost implications for withdrawing, and anticipates it to be zero. He also stated that if BAWSCA takes a step that would result in subsequent cost if BAWSCA decides to withdraw, that cost implication needs to be made absolutely clear before the Board takes that step. He encouraged other Board members to express their uncertainties, if any, as the project is further discussed in the coming months, to determine how to move forward with the project, and avoid further costs to the agency if it will withdraw in the end.

Director Chambers expressed his concern with cost allocations.

Director Cormack questioned BAWSCA's and SFPUC's dual participation.

Ms. Sandkulla explained that the SFPUC's interest in LVE is part of a future water supply project to allow SFPUC to meet its obligations to provide a reliable 184 mgd to its wholesale customers. BAWSCA's interest is for greater water supply reliability, independent of the SFPUC, primarily in a drought.

BAWSCA is working with the WMRs to determine how critical additional drought reliability is for their agencies. The most recent drought, for a variety of reasons, seems to have changed the agencies' desire for increased drought reliability. Initial response suggests their readiness to respond and achieve any SFPUC cutback, or their preparedness to address cutbacks independently. BAWSCA will continue to push for additional member agency feedback to inform the Board with its consideration of the LVE.

Director Zigterman noted that having engagement in the planning stages is beneficial. However, BAWSCA will have to address the cost benefits at some point, and determine how far into the project should BAWSCA participate. While further information is yet to develop, he believes that storage is the answer. But the subsequent question is, which storage.

Director Kuta noted that given Director Zigterman's comment, it is therefore critical to keep track of alternative projects.

Implementation of the Strategy to ensure reliable water supply also includes near-term solutions which involves BAWSCA's efforts on conservation programs, demand reduction and engagement. The biggest effort for FY 2020-21 is implementing new conservation programs that come out of the demand study.

BAWSCA's current conservation program was developed through prior reiterations of this exact process. The 2002 demand study supported BAWSCA's first few conservation programs, and the 2007 demand study further developed the program to what it is today. Conducting a demand study provides an opportunity to review demands and projections, identify where conservation needs are, and develop locally tailored conservation programs most beneficial for the region.

BAWSCA's core conservation programs are funded through BAWSCA's operating budget and offer regional benefits to the member agencies and their customers. The program includes a suite of conservation efforts such as free water efficient landscaping classes offered in the Spring and Fall, native garden tours, water loss evaluation and knowledge workgroup, and the Water Conservation Database (WCDB), which collects conservation data including customer water use data that relates to conservation efforts.

BAWSCA's subscription programs are paid for by the participating member agencies. They include three outdoor rebate programs, large landscape audits, home water use reports, and school education programs, to name a few.

BAWSCA and its member agencies are reviewing existing and potential new conservation programs as part of the current demand study. BAWSCA has engaged an outside stakeholder group to go through the review process of potential new programs. Specific programs will be selected with member agencies in April when the preliminary results of the demand study become available. Programs are anticipated to include a combination of 3 to 4 new subscription and core that will support agencies in meeting the upcoming long-term water conservation requirements.

A preliminary estimated cost for the effort is \$57K, which will be refined as needed before the May budget adoption.

Director Cormack encouraged staff to consider developing conservation materials that can be used for NextDoor as a way to reach people who would not seek information on the web. For instance, the QWEL program.

Director Zigterman suggested that metering technology advancement as part of water conservation would be helpful to measure daily usage that are low-flow.

Ensuring water supply reliability also involves BAWSCA's work on the administration of the Water Supply Agreement (WSA) to protect the member agencies' interests and ensuring that SFPUC meets its contractual obligations to the wholesale customers.

BAWSCA is working on a potential contract amendment that proposes permissive language to allow a member agency with a minimum purchase requirement to transfer that minimum requirement with a paired Interim Supply Guarantee (ISG) to another permanent wholesale customer. This effort facilitates transfers of water allocations. BAWSCA has been working with the agencies for the past 1 ½ years in developing contract language with the hope of moving the efforts forward in FY 2020-21.

Additionally, BAWSCA will increase focus on the SFPUC's 10-year CIP, which includes larger water supply programs essential for making its required 2028 decision under the WSA, to protect member agencies' water supply and financial interests.

The work plan will continue to include efforts on the Bay Delta Water Quality Control Plan and the FERC relicensing process, pursuit of grant opportunities with regional partners to support implementation of the strategy, and completion of reports and tracking of water supply and conservation activities.

BAWSCA's efforts in the area of Water Quality will continue to support the member agencies' engagement with the Joint SFPUC/BAWSCA Water Quality Committee, distribution of critical information efficiently, and looking into how emergency response efforts can merge in this area.

Ensuring fair price involves BAWSCA's administration of the financial piece of the WSA and addressing the financial matters delegated to BAWSCA under the contract. This includes each year's Wholesale Revenue Requirement (WRR) audit, in which BAWSCA reviews San Francisco's charges to the member agencies. The WRR process ensures that the charges are appropriate and accurate, and provide the benefits that the member agencies pay for. Administration of the 2013 bond issuance also falls under BAWSCA's efforts of ensuring fair price

Lastly, BAWSCA maintains agency effectiveness by staying connected with its allies and environmental interest groups, and managing agency activities professionally and efficiently.

As suggested by Director Moody and several Board members, the FY 2020-21 work plan will include the initiation of a new paid internship program. BAWSCA's previous internships provided experience and fostered connections, but were unpaid. This internship will be paid, and the goal is to offer minority/disadvantaged students, pursuing a technical or business degree, gain experience by working to support BAWSCA's water resources or finance departments.

BAWSCA is considering two options at this time. The first option is to collaborate with an existing program called "Year Up", which involves a 6-month course training, and a 6-month internship beginning in January or July. The program provides underserved young adults with hands-on skill development within the 12-month period. The cost is approximately \$26 K.

Another option is to engage with individuals who have reached out to BAWSCA individually for internship opportunities. The individuals are well-qualified candidates from Tufts University and MIT. This option can potentially be implemented sooner and cost less.

Ms. Sandkulla stated that a consideration is to move forward with individual applicants with an internship for this summer, and commit to the "Year Up" moving forward. She welcomed the Committee's feedback.

Director Mendall stated his appreciation for staff's effort to investigate the opportunities, his support for pursuing both programs, and his willingness to invest, as appropriate, in this effort.

Director Cormack supported the effort and believed it is appropriate for BAWSCA to work with people to establish their careers.

Director Pierce suggested looking at groups that work with students to guide them through college and direct them towards career opportunities.

Ms. Sandkulla reported that the work plan includes an estimated cost of \$18K - \$30K for this effort.

Overall, the operating budget will continue to reflect implementation of the Strategy and BAWSCA's oversight of the Regional Water System's reliability. While it remains a critical issue, the Bay Delta Plan and FERC process will not require as significant legal time/expense as it did last fiscal year.

A forecast of the year-end spending, year-end reserve balance, and use of the general reserve to fund the FY 2020-21 operating budget will be presented at the March Board meeting along with a preliminary operating budget and funding options.

Ms. Sandkulla noted that FY 2019-20 budget required a 3% assessment increase and funding from the balancing account and general reserve. While the FY 2020-21 budget is anticipated to be less than FY 2019-20, it can be anticipated that funding for next year's budget will require more than just assessment increases.

Feedback from the Committee will be incorporated into the preliminary work plan and budget presentation to the Board in March. A proposed work plan and operating

budget will be brought back to the Committee for further review and discussion in April, for the Board's consideration and action in May.

Committee discussions ensued on items in the preliminary workplan.

Director Wood proposed that the Board consider expanding BAWSCA's travel expense policy to allow 1-2 Board members to attend the ACWA conference. Other boards have travel expenses that allow directors outside of the Chair and Vice Chair to attend conferences for educational experience, particularly if directors are brought into the Chair or Vice Chair positions.

Committee Chair Chambers stated that because ACWA is a large expense, he sees it appropriate for the local agencies to cover the expenses of their local directors, who are on the BAWSCA Board, to attend the ACWA or other conferences. Paying for the attendance of additional Board members, outside of the Chair, would impose the costs to the member agencies. He supports the current policy as it is written.

Director Pierce added that the ACWA conference provides information more applicable to local agencies. Additionally, BAWSCA Board members attending the conference can cause a confusion on whether they are representing BAWSCA or their local agency. BAWSCA, which is a regional body for the 26 member agencies, is best represented by its CEO/General Manager and staff. She was open to hearing others' perspectives.

Director Jordan stated that the ACWA conference, specifically, is an automatic travel expense for Board members of Purissima Hills Water District (PHWD). However, it is rare that more than one PHWD Director attends. For other meetings and conferences outside of PHWD's district dealings, reimbursement is not automatic and would require a Board vote.

The Committee agreed to leave the policy unchanged.

In response to Director Mendall's comment on the potential impact of LVE to the FY 2020-21 operating budget and assessments, Ms. Sandkulla noted that for FY 2019-20, the Board authorized the use of the Balancing Account to fund LVE activities. She anticipates the same for FY 2020-21, but noted that Director Cormack requested a policy for future use of the Balancing Account. Such a policy will be provided to the BPC for discussion, and the Board prior to any recommended use of the Balancing Account.

Director Larsson asked what the obstacles are to making BARR's pilot water transfer table top discussion an actual transfer that moves water.

Ms. Sandkulla explained that the biggest challenge is hydrology. Current conditions are very dry, and ACWD's willingness to participate in a water transfer that moves water during a dry period is unlikely for practical and policy reasons.

Ms. Sandkulla added that one of the biggest lessons learned from BAWSCA's pilot water transfer effort, is that agencies that own and operate the facilities need to be the biggest advocate for the effort. Regardless of how much BAWSCA wants a

particular outcome, BAWSCA has to take the lead from San Francisco and ACWD on this particular pilot water transfer.

ACWD will not move water with the current hydrology. San Francisco believes that a table-top discussion can review the various options for a water transfer and apply the different “what if” scenarios.

BAWSCA believes that the table-top discussion can provide another piece in a very large puzzle, but it must have all the experts involved, which includes legal counsel, technical operators, and water quality experts. Ms. Sandkulla stated that BAWSCA can help force the different discussion topics from its recent experience with the challenges and successes of BAWSCA’s pilot water transfer attempt.

Director Mendall commented that the overall workplan and budget outlook is very good.

5. **Reports:**

- A. **Water Supply Update:** Ms. Sandkulla reported that the SFRWS is currently in a very good water storage situation. Total system storage is at 85% of maximum.

However, current conditions remain dry, with local and up county precipitation and snowpack levels being low.

Current water available to the SFRWS is very low. To put it in perspective, Ms. Sandkulla stated that in 2014, there was 22 TAF available to SFRWS. To fill the system storage, 321 TAF was needed.

For the current condition, Ms. Sandkulla referred to her recent conversation with Steve Ritchie, SFPUC Assistant General Manager for Water Enterprise, who stated that while he is confident that San Francisco reservoirs will be full or will be close to it, water bank is less likely to fill unless precipitation starts to pick up. Ms. Sandkulla reported that future forecast continues to have low precipitation and above normal temperatures.

Total deliveries continue to be below the pre-drought years of 2013 and 2015. Ms. Sandkulla stated that current warm weather and dry conditions may change that.

Total use by BAWSCA agencies for the month of December is 19% less than it was in December 2013. She noted that the years 2016, 2018, 2019 all line up for total water use. It brings up the question of what agencies are purchasing water from San Francisco versus alternative supplies. Trends in the coming months will be interesting to see.

- B. **Los Vaqueros Expansion Project Update:** The packet included a memo for the committee. Comments received from the Committee during its discussion of the preliminary work plan and budget will be incorporated in the materials for the Board in March.

- C. **Bay Delta Plan Update:** Ms. Sandkulla reported that a recent OpEd piece in CalMatters by Governor Newsom represented his critical leadership in keeping the momentum behind the voluntary agreement discussions.

The State Secretaries for Natural Resources and Environmental Protection Agency remain actively engaged with ongoing conversations between operators of the State and Federal projects.

BAWSCA continues to coordinate with the SFPUC and stakeholders to keep engaged. Ms. Sandkulla reported that she is part of Mayor Breed's Bay Delta Task Force roundtable discussions. BAWSCA remains focused on the voluntary agreement as the best solution to resolve the critical issue.

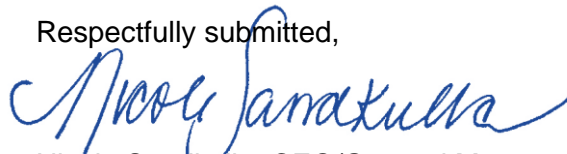
- D. **Wholesale Revenue Requirement:** Ms. Tang reported that BAWSCA conducts an audit of SFPUC's calculations of the annual Wholesale Revenue Requirement and changes in the Balancing Account in each year. The 2-year delay on the settlement for the FY 2015-16 review was due to the time and effort needed to resolve a few issues reserved from the agreement made in 2018.

BAWSCA' review of the FY 2015-16 WRR resulted in a total savings of \$7,079,780 to the Wholesale Customers, and an additional future savings of approximately \$1.4 million each year, plus interest, through FY 2039-40. Ms. Tang presented a table summarizing the types of adjustments resulting from BAWSCA audit.

There were no questions from the Committee. The Committee expressed its appreciation for Ms. Tang's work.

- 10. Closed Session:** The meeting adjourned to Closed Session at 3:26pm.
- 11. Report After Closed Session:** Legal Counsel, Allison Schutte, reported that no action was taken during Closed Session. Closed session ended at 3:36pm
- 12. Comments by Committee Members:** There were no comments from Committee members.
- 13. Adjournment:** The meeting was adjourned at 3:37 pm. The next meeting is April 8, 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	Feb. 12, 2020	Dec. 11, 2019	Oct. 9, 2019	Aug. 14, 2019	Jun. 12, 2019	Apr. 10, 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	n/a
Cal Water	Kuta, Rob	✓	✓	✓		✓	✓☎
Sunnyvale	Larsson, Gustav	✓	✓	✓		✓	✓
Hayward	Mendall, Al	✓	✓	✓		✓	✓
Redwood City	Pierce, Barbara	✓	✓	✓		✓	✓
Brisbane	Wood, Sepi	✓	✓			✓	✓
Stanford	Zigterman, Tom	✓	✓	✓			✓

✓: present

☎: Teleconference

February 12, 2020 Meeting Attendance

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
 Allison Schutte Legal Counsel, Hanson Bridgett, LLP
 Nathan Metcalf Legal Counsel, Hanson Bridgett, LLP

Public Attendees:

Michelle Novotny SFPUC