



BOARD OF DIRECTORS MEETING

Thursday, July 15, 2021

6:30 P.M.

DUE TO COVID-19, THIS MEETING WILL BE CONDUCTED AS A TELECONFERENCE PURSUANT TO THE PROVISIONS OF THE GOVERNOR'S EXECUTIVE ORDERS N-25-20 AND N-29-20, WHICH SUSPEND CERTAIN REQUIREMENTS OF THE RALPH M. BROWN ACT. MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON.

The following members of the BAWSCA Board are listed to permit them to appear telephonically at the Board Meeting on July 15, 2021: George Barber, Jay Benton, Randy Breault, Tom Chambers, Drew Combs, Alison Cormack, Tom Hamilton, Karen Hardy, Sam Hindi, Steve Jordan, Ann Keighran, Gustav Larsson, Sam Liccardo, Antonio López, Juslyn Manalo, Lisa Matichak, Al Mendall, Chris Mickelsen, Carmen Montano, Tom Piccolotti, Barbara Pierce, Dan Quigg, Lou Vella, John Weed, Sepi Wood, and Tom Zigterman.

Members of the public wanting to participate in the meeting may do so by:

Participating via Video Conference:

Click on the link to Join the meeting, <https://us02web.zoom.us/j/87698744862>

- Meeting ID: 876 9874 4862
- Password: 473575
- The web browser client will download automatically when you start or join your first Zoom meeting. It is also available for [manual download here](#).

OR,

Participating via Telephone:

- **Dial (888) 788-0099** US Toll-free, and entering **Meeting ID 876 9874 4862** and **Password 473575** when prompted.
- To Mute or UnMute, Press *6.
- To Raise Hand, Press *9.
- The Presentation will be available prior to the meeting at www.bawasca.org.

All audio and video will be OFF upon entry. Remaining on mute will reduce background noise.

Videos of Non-Board meeting participants will be kept OFF at all times during the meeting. Audio for Non-Board meeting participants will be enabled during allocated public speaking times and will be disabled when public comment time has expired.

In the event of technical malfunction on Zoom, the meeting will be conducted via the Call-In #.

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BOARD OF DIRECTORS MEETING

Thursday, July 15, 2021

6:30 P.M.

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page</u>
1. Call to Order/Roll Call/Salute to Flag	(Larsson)	
2. Comments by the Chair	(Larsson)	
3. Board Policy Committee Report <i>(Attachment)</i>	(Zigterman)	Pg 5
4. Public Comments <i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(Larsson)	
5. SFPUC Report	(Ritchie)	
A. Water Supply Update and Cyber Security		
6. Consent Calendar <i>(Attachments)</i>	(Larsson)	
A. Approve Minutes of the May 20, 2021 Meeting		Pg 17
B. Receive and File Budget Status Report – As of May 31, 2021		Pg 23
C. Approval of Proposed Modifications to the Job Description and Top Step Salary for the Position of Assistant to the CEO/General Manager		Pg 25
7. Action Calendar	(Tang)	
A. Potential Refunding of BAWSCA's Revenue Bond Series 2013A – Additional Actions Needed to Proceed		Pg 31
8. Reports		
A. Results of FY 2017-18 Wholesale Revenue Requirement Review <i>(Attachment)</i>	(Tang)	Pg 75
B. Water Supply Conditions	(Sandkulla)	
C. FERC/Bay Delta Plan – Update	(Sandkulla)	
D. CEO/General Manager Performance Evaluation Process	(Larsson)	
E. CEO/General Manager's Letter <i>(Attachment)</i>	(Sandkulla)	Pg 79
F. Board of Directors Policy Calendar <i>(Attachment)</i>	(Sandkulla)	Pg 83
G. Correspondence Packet <i>(Under Separate Cover)</i>	(Sandkulla)	

9. Closed Session

(Schutte)

- A. **Conference with Legal Counsel – Existing Litigation pursuant to**
Paragraph (1) of subdivision (d) of Government Code Section 54956.9
Federal Energy Regulatory Commission Final License Application
Proceedings for Don Pedro Hydroelectric Project, P-2299-082, and La
Grange Hydroelectric Project, P-14581-002.
- B. **Conference with Legal Counsel – Existing Litigation pursuant to**
Paragraph (1) of subdivision (d) of Government Code Section 54956.9
State Water Board Cases (Sacramento County Superior Court Case No.
5013).

10. Report after Closed Session

(Schutte)

11. Directors' Discussion: Comments, Questions and Agenda Requests

(Larsson)

12. Date, Time and Location of Future Meetings
(See attached schedule of meetings)

(Larsson) Pg 85

13. Adjourn to next meeting scheduled for September 16, 2021 at 6:30pm

(Larsson)

Accessibility for Individuals with Disabilities

Upon request, BAWSCA will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in and provide comments at/related to public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, auxiliary aid, service or alternative format requested at least two days before the meeting. Requests should be emailed to bawzca@bawzca.org or submitted by phone at 650-349-3000. Requests will be granted whenever possible and resolved in favor of accessibility.

BAWSCA

Bay Area Water Supply & Conservation Agency

155 Bovet Road, Suite 650
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(650) 349-3000 tel. (650) 349-8395 fax

MEMORANDUM

TO: BAWSCA Board Members

FROM: Nicole Sandkulla, Chief Executive Officer/General Manager

DATE: July 8, 2021

SUBJECT: Summary of Board Policy Committee meeting held June 9, 2021

1. **Call to Order:** Committee Chair, Tom Zigterman, called the meeting to order at 1:32 pm. A list of Committee members who were present (9), absent (1) and other attendees is attached.

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

2. **Comments by Committee Chair:** Committee Chair Zigterman welcomed members of the Committee and reviewed the general procedures for conducting the meeting virtually to ensure efficiency in completing the necessary business.

He noted that there are two actions requested of the Committee which will be done by roll call vote.

3. **Public Comments:** Public comments were provided by Blair Beekman.

4. **Consent Calendar:** Approval of Minutes from the April 14, 2021 meeting.

Director Larsson made a motion, seconded by Director Pierce, that the minutes of the April 14, 2021 Board Policy Committee meeting be approved.

The motion carried unanimously by roll call vote.

5. **Action Calendar:**

- A. **Potential Refunding of BAWSCA's Revenue Bond Series 2013A – Additional Actions Needed to Proceed:** Christina Tang, BAWSCA Finance Manager, reported that the previous recommendation of a tax-exempt refunding remains the same, as opposed to a taxable advance refunding. This recommendation is based on the current market conditions.

The preliminary estimated net present value savings is over \$20 M, and the preliminary estimated cost of issuance is approximately between \$1 - \$1.2 M including the contingent and non-contingent costs.

Four (4) actions by the Board are needed to proceed with the initiation of the refunding process:

1. Establishing a new Debt Management Policy;
2. Authorizing the appointment of Underwriters;
3. Authorizing a contract with Orrick for its bond counsel and disclosure counsel services; and
4. Authorizing a contract with KNN for its municipal advisory services.

Ms. Tang reported that BAWSCA currently does not have a Debt Management Policy and establishing one complies with Government Code section 8855(i), which went into effect January 1, 2017. A draft policy was prepared by BAWSCA's municipal advisor, KNN Public Finance, and is included as Attachment 1 of the staff report. The draft policy serves the purpose of meeting the following objectives:

1. Guide and regulate BAWSCA's issuance of debt;
2. Protect credit rating and minimize borrowing costs; and
3. Incorporate best practices into debt administration.

The second action needed is appointment of Goldman Sachs as the Senior Managing Underwriter and JP Morgan as the Co-Manager. Ms. Tang reported that a Request for Proposals released on April 21, 2021 generated six (6) responses, in which 4 firms were invited for oral interviews. The review team was comprised of a BAWSCA staff, member agency staff, municipal advisors, and legal counsel. The team evaluated each proposal on the basis of overall experience in serving as underwriters for water and wastewater revenue bonds, proposed rating strategy and bond structure, and their experience with forward delivery in the past three years.

The interview panel unanimously recommends Goldman Sachs as the Senior Managing Underwriter based on its capabilities, thoughtfulness of its structuring and credit strategy, and familiarity with BAWSCA's existing bonds due to prior involvement. JP Morgan is recommended to serve as co-manager based on the quality of their proposal, particularly on the structure and credit, and their experience in underwriting water revenue and other California bonds.

The Underwriter's compensation will be paid directly from the refunding bond proceeds, and is estimated to be no more than approximately 0.25% of the principal amount of the refunding bonds.

The third action is authorization of the CEO/General Manager to negotiate a contract with Orrick to provide the contingent portion of bond counsel and disclosure counsel services. Depending on the refunding delivery that BAWSCA determines as appropriate, the not-to-exceed amount will be either \$265,000 for a tax-exempt forward refunding, or \$295,000 on a tax-exempt forward plus an advance refunding.

The fourth action is authorization of the CEO/General Manager to negotiate and execute a contract with KNN Public Finance to provide the contingent portion of the municipal advisory services in a not-to-exceed amount of \$115,000.

The consultant costs will be paid directly from the refunding bond proceeds, contingent upon the successful delivery of the refunding bonds.

In response to board member feedback, Ms. Tang presented the results of the analysis between a conventional refunding at the original final maturity of 2034 versus refunding at a shortened maturity of 2033. The analysis was done based on current market conditions with a cushion for adverse market changes.

Under the conventional refunding method and original maturity in 2034 (Scenario 1), the estimated net present value savings is approximately \$21M, or 12.8% of the refunded bonds. The cash flow savings are realized every year, beginning in 2023, at an average savings of approximately \$2M/year.

Under the alternative structure of a shortened maturity in 2033 by accelerating the refunding principal amortization by one year (Scenario 2), the estimated net present value savings are approximately \$22 M, or 13.4% of the refunded bonds. The debt service is substantially the same as the existing bonds through FY 2032, with all the cash flow savings deferred by 10 years, between 2033 – 2034.

Ms. Tang noted that the proposed structure with the original final maturity is a common refunding structure, as many agencies prefer to spread the savings out proportionally over the life of the bonds for the purpose of intergenerational fairness. Additionally, the savings starting in 2023 will help offset the projected increase in SFPUC wholesale water rates.

Ms. Tang added that background on the current blended surcharge approach and the alternative allocation methodology is provided in the staff report. The proposed refunding structure is based on the current blended surcharge approach.

The tentative schedule of the next steps that was presented to the Board at the May Board meeting remains the same. Assuming a tax-exempt forward refunding, the recommendation for authorization to issue bonds and approve bond documents is tentatively scheduled for the BPC's consideration in August, and the Board's approval at its September meeting.

The bond pricing and sale, and bond closing is anticipated to occur between October 2021 and January 2022. Final bond settlement is expected in January 2023.

Comments and questions were taken from members of the Committee.

Director Cormack appreciates the establishment of a Debt Management Policy, the analysis of the conventional refunding structure against an alternative accelerated structure, and the explanation on the bond surcharge alternatives.

She expressed her support for Scenario 1 in Table 1 and highlighted that BAWSCA's forfeit of \$1M in net present value is the trade-off for stability. She appreciated the background information on the bond surcharge alternative provided on page 27 of the packet and expressed her support for staying consistent with the collection of Wholesale Revenue Requirements.

She inquired about Section 6, Method of Sale, and asked why negotiated sale is better for BAWSCA than competitive sale.

Ms. Tang explained that negotiated sale is the method seen as most appropriate for BAWSCA for this refunding as well as for the original 2013 bond issuance, primarily because BAWSCA is not an active bond issuer. The interests of the member agencies are better served by having multiple experts on the team to provide insights and ideas that are in the best interest of the member agencies.

Dan Cox from KNN, BAWSCA's municipal advisor, added that the policy is not intended to say that a negotiated sale is better for BAWSCA than a competitive sale in a general sense. In addition to what Ms. Tang said, a negotiated sale is seen appropriate for the refunding because we are looking at a forward refunding where the rates are locked in well in advance of the bonds being delivered. This requires a lot of pre-sale work on the part of the underwriter to secure buyer commitments when the time comes to deliver the bonds.

The recommendation of negotiated sale is specific to the current refunding. Mr. Cox noted that there may be a time in the future that BAWSCA issues other debt in which a competitive sale may be the better choice.

Director Cormack appreciated the clarification that the method of sale is customized to the specific issuance. She noted that the wording on page 35 of the policy, last line of the 2nd paragraph under Section VI can imply that negotiated sale is the default method of sale in general, and should be re-worded to reflect Mr. Cox's explanation.

Additionally, she asked what information was learned from the RFP respondents about BAWSCA's ratings and ways to improve it.

Ms. Tang reported that RFP respondents provided positive feedback that were consistent with each other. They all saw a potential for BAWSCA to get an upgraded credit rating because of its consistent surcharge collection history in the past eight years, as well as the recent credit rating upgrade received by a few BAWSCA member agencies and by the SFPUC's Water Enterprise. While there will be challenges with S&P and Moody's rating evaluation and assignments, the team will make an effort to push for a credit rating upgrade.

Mr. Cox agreed with Ms. Tang and added that Goldman Sachs and the other RFP respondents indicated that BAWSCA's credit fundamentals are strong. Even if the rating agencies do not see it fit to upgrade BAWSCA's rating, the refunding will be viewed as a strong AA3/AA-, which will bode well for the marketing. He confirmed that any credit rating upgrade is not factored in the current savings estimates.

Since the BPC's action is to recommend Board adoption of the proposed document to establish a debt management policy at its July meeting, Director Kuta noted typographical clarifications on Sections I and IV.

Discussions ensued on contextual clarifications which staff will incorporate in a redline version for the Board in its July packet.

In response to Director Kuta's inquiry, Mr. Cox confirmed, and Ms. Sandkulla agreed, that the responsibility of forecasting debt services to ensure the revenues necessary to service the debt can be added to Section IV of the policy.

Mr. Cox also clarified that KNN, as BAWSCA's municipal advisor, made a recommendation of a negotiated sale for this transaction to staff. However, the method of sale would be, as always, an item that is ultimately approved by the Board when it comes time to approve the financing.

Legal Counsel, Allison Schutte added that BAWSCA is doing a lot of pre-work and going to the Board for approval before actual work is done; for example, approval of Goldman Sachs as an underwriter without approving the method of sale. This approach reduces the risk premium that would otherwise be folded into the cost of the bond issuance. In order to get the pre-work done and have a fully structured transaction, the team is recommending substantial steps down the road towards a negotiated sale, but the final determination will be approved by the Board and is expected to be in September 2021.

Director Kuta appreciates that the policy is written in a manner that anticipates any of the potential methods. But between the methods of negotiated sale, competitive sale and an alternative method, he wanted to ensure that the Board will be approving the method once it is recommended since the policy is to be applied to this refunding transaction as well as to future transactions. The policy, as written, is not clear.

Ms. Sandkulla suggested for staff to work with KNN to include a higher level of detail indicating that the Board retains the authority to make the final decision on the structure and issuance of any debt that the agency issues. While the CEO/General Manager bears the management responsibilities, the authority that the CEO/General Manager has to act, is derived from Board approval.

Lastly, Director Kuta referenced Section XII, where it states, "...proceeds not held by a 3rd party trustee or fiscal agent, the CEO/GM shall be responsible for approving expenditures in the same manner as the approval for the expenditures of other revenues", Director Kuta asked if there is a limit of authority for the CEO/GM in that section, or is there a thought for having the Board Chair "co-approve" those expenditures?

Mr. Cox explained that the Board would approve an indenture that specifically states what the proceeds can be authorized for. The authorization for individual expenditures is typically a form of requisition that would have to be signed by an authorized officer. The indenture also designates the specific officer or staff authorized to make requisitions for payments.

Director Mendall referenced the \$13M in the Stabilization Fund that BAWSCA had to borrow for the first issuance of the bonds to allay investor concerns on the potential difficulties BAWSCA may have in repayment. Having an extra \$13M in debt for the next twenty plus years has a significant cost. He is hoping that, in addition to the effort to push for a better credit rating, BAWSCA can push for reducing the extra \$13M in debt. He believes BAWSCA's track record of good payment and reduction in annual payments by \$2M can reduce the \$13M proportionately.

Mr. Cox explained that the plan is to have the same stabilization fund requirement which is half of maximum annual debt service. There are 2 reasons for the requirement: the 2013B bond series is not being refunded and the refunding bonds will be on parity with the Series B bonds. To be on parity requires that BAWSCA follow the existing stabilization fund requirement. Secondly, reserve funds and/or stabilization funds are common and BAWSCA's stabilization fund is a credit factor which helps offset the fact that BAWSCA does not set the

surcharges to produce debt service coverage. The lack of a stabilization fund could negatively impact the rating, or it could impact investors' view of the credit; therefore, impacting the ultimate costs of issuing the refunding bonds in terms of the overall borrowing costs.

The \$13M would go down as a result of refunding because it is formulaic. However, because of the existing indenture, the only option available to reduce the stabilization fund requirement that represents half of maximum annual debt service is to fully refund the series B bond. Because the series B bonds were structured without an optional call, like that of series A bonds, the cost of refunding the series B bonds to reduce the stabilization fund may be equal to, or absorb much of the savings from removing or reducing the stabilization fund.

Ms. Sandkulla suggested further analysis by the team to obtain information that can be reported back to the BPC in August.

Director Mendall accepted that recommendation and stated that he will rely on the team's knowledge and expertise with the expectation of making every effort possible. He thanked the team for its analysis of the shortened maturity. He agrees with Director Cormack on foregoing the \$1M in net present value savings from the shortened maturity given its complexity. He supports maintaining the current maturity and having the savings spread-out over time.

With no further questions or comments from members of the Committee, and no comments from members of the public, the Chair asked for a motion, with Part I of the recommendation reflecting the clarifications discussed by the Committee.

Director Cormack made a motion, seconded by Director Wood, that the Committee recommend Board approval of the following additional actions needed to continue proceeding with BAWCA's potential bond refunding:

- 1. With the edits discussed by the Committee, establish a new Debt Management Policy;**
- 2. Authorize the CEO/General to appoint Goldman Sachs as BAWSCA's Managing Underwriter and JP Morgan as Co-Manager;**
- 3. Authorize the CEO/General manager to negotiate and execute a contract with Orrick, subject to legal counsel's final review, to provide the contingent portion of the bond counsel services and disclosure counsel services, for a not-to exceed amount of \$265,000 for a tax-exempt forward refunding or a not-to-exceed amount of \$295,000 based on a tax-exempt forward plus an advance refunding; and**
- 4. Authorize the CEO/General Manager to negotiate and execute a contract with KNN public Finance, subject to legal counsel's review, to provide the contingent portion of the municipal advisory services, for a not-to exceed amount of \$115,000.**

The motion carried unanimously by roll call vote.

- B. Approval of Proposed Modifications to the Job Description and Top Step Salary for the Position of Assistant to the CEO/General Manager:** Ms. Sandkulla reported that the position's

duties and responsibilities have evolved significantly over the past several years. Like the rest of the organization, this position and its responsibilities have grown with the magnitude of work BAWSCA does and the work involved in managing a Board the size of BAWSCA's.

Ms. Sandkulla, as CEO/General Manager, continues to have the role of Board Secretary, but the Assistant to the CEO/General Manager acts as the Deputy Secretary providing significant assistance to the CEO and the Board. This position puts together, in collaboration with staff, Board and Committee meeting agendas and is responsible for its distribution according to Brown Act requirements. The position provides Board Member administrative support including management of term appointments, administration and completion of oaths of office, and acts as filing officer for FPPC requirements. The position also completes special technical projects at the direct request of the CEO. For example, BAWSCA's 15-year anniversary video and updates to the website as a representation of the agency.

These tasks require a higher level of analytical skills and ability to work independently with minimal oversight, and are assigned to the position because of its connection to the CEO/General Manager. The level of support and skills associated with the assigned tasks and the independent discretion exercised are not included in the current job description for the position.

Consistent with BAWSCA's practices as a public agency as well as with its predecessor agency, BAWUA, an independent desk audit and salary survey was conducted. This process is done with the goal of maintaining market competitiveness and to ensure that the job description matches the skills and qualifications needed for that position, independent of the person in that position. This process also provides a competitive and accurate representation of the skills and qualifications required should there be a future recruitment for this position.

The desk audit compared duties and responsibilities to similar positions at BAWSCA's standard comparator agencies; ACWD, Contra Costa Water District, EBMUD, Hayward, Palo Alto, and Valley Water. As typical, there was no single position among the comparator agencies that perfectly fits BAWSCA's position, but the audit evaluated different versions of comparable positions to put together the job description being recommended. The proposed job description includes modifications that match the required job skills and knowledge. A salary survey was used to review salary ranges for comparable positions, consistent with the agency's past practices to maintain market competitiveness.

The audit results recommend changes to both the position description and top-step salary. The results indicate the need for modification to reflect actual work performed by, and duties and responsibilities of, the current assistant to the CEO. The results also recommend an increase to the top step salary range for the position by 17%.

The modification to the top step salary has no impact on the approved FY 2021-22 Operating Budget. Any salary adjustments as a result of the Committee's action will stay within the allowance for merit increases that the Board approved in May.

Director Wood expressed her support for the recommendation.

There were no questions or comments from members of the committee or members of the public.

Director Wood made a motion, seconded by Director Chambers, that the Committee recommend the Board approval or the recommended modifications to the position description and an increase in the top-step salary by 17% for the position of Assistant to the CEO/General Manager.

The motion passed unanimously by roll call vote.

7. CEO Reports:

- C. Water Supply Conditions: Ms. Sandkulla reported that Hetch Hetchy's current storage level is 91% which is slightly higher than normal as a result of the early snowmelt. She noted that the water bank storage level is at 55% of normal. San Francisco is capturing as much water as it can at this time and debiting the water bank to provide required water to the irrigation districts while maintaining a "water first" operations. This approach provides the districts their prior rights for instream flows which is a normal course of action typical in the beginning of a drought.

Overall total system storage is about 10% less than normal. Ms. Sandkulla noted that this is not as bad as other conditions across the state. She presented a slide of California Reservoir conditions showing the current levels of other reservoirs being well below historical averages as a result of the dry and warm conditions.

Tuolumne River water available to San Francisco is at 49 TAF in water year 2021 which is well below the 554 TAF needed to achieve full storage.

The SFPUC has asked its wholesale water customers to maintain their summertime use to the pre-pandemic 2019 water use levels. This essentially means continuing water purchases to be below the pre-drought levels of 2013. For water customers, the target is to focus on reducing outdoor water use that are discretionary, and to encourage wise water use outdoors during the summer period.

BAWSCA is prepared to provide support to its member agencies with increased conservation program activities and public outreach. Discussions with member agencies on this matter has already begun through the Water Management Representatives.

To address the drought, BAWSCA is referring to its 2017 Drought Report to look back on what can be anticipated based on experiences from the last drought, and working with the SFPUC and Valley Water in discussing water supply and developing regional messaging for water customers.

During the meeting, Ms. Sandkulla received notification from BAWSCA staff attending the Valley Water Board meeting, that the Board unanimously approved a resolution declaring water shortage emergency. The resolution calls for water use restrictions and urges the Santa Clara County to proclaim a drought emergency. Ms. Sandkulla noted that the action by the Valley Water Board clearly indicates a very critical situation in Santa Clara County and BAWSCA's coordination with them on a regional communication strategy is important.

BAWSCA is currently relying on ACWA's Save Our Water campaign to obtain drought messaging quickly by using existing graphics to speak to water customers. BAWSCA's

website will be updated to focus on communicating with customers about the drought, and providing information on BAWSCA member agencies' water conservation programs.

Ms. Sandkulla believes that the focus of the messaging will be on the discretionary outdoor water use and the importance of using water wisely. She emphasized that for the regional water system, the water use reduction during the drought results to water remaining at Hetch Hetchy for our use in the next year.

- D. FERC/Bay-Delta Plan Update: Ms. Sandkulla reported that BAWSCA filed to intervene in the coordinated legal actions against the State Board related to the adoption of the Bay Delta Plan. On June 1st BAWSCA intervened in the actions by three parties who want the State Board to provide greater flows on the Tuolumne River than the 40% unimpaired flows in the adopted Bay Delta Plan. BAWSCA and its member agencies continue to support the Bay Delta Plan objectives, and are committed to working with other stakeholders to protect water quality in the Bay Delta for humans, fish, and other wildlife. BAWSCA is continuing to push for the State Board to perform a technical and environmental evaluation of the TRVA as an alternative to the Bay-Delta Plan.
- E. CEO/General Manager Evaluation Procedures. Board Chair Larsson reported that the process for the CEO/General Manager evaluation will begin shortly after the July Board Meeting. The CEO's Summary of Annual Activities report along with a web-based evaluation form will be emailed to board members following the July 15th Board meeting.

Director Larsson walked through the online evaluation form that he hopes will simplify the overall process for board members as well as the Chair, and provide the writing space for board members to document their comments. Results of the responses will be presented at the September Board meeting.

In parallel, Director Larsson noted that the Board can begin to consider any changes to the CEO evaluation and objectives for FY 2021-22. Changes can include modifications to the language to provide more clarity, and addition of items or benchmarks for the CEO/General Manager. The BPC can discuss them at the August meeting for the Board's adoption at its September meeting.

Committee members provided comments and questions on the report items.

Director Wood requested for a 1-page document that can be used as reference about drought conditions and available conservation efforts, as well as clarification on the customers' level of water use.

Director Jordan echoed the request for a better understanding of the expectations from the SFPUC and Valley Water. He inquired about BAWSCA's interest in discussing Valley Water's request of the Santa Clara Board of Supervisors to declare an emergency and establish provisions for the county, which would include non-Valley Water retailers.

On the CEO Evaluation form, Director Kuta encouraged consideration of removing the option to exclude a reviewer's name and allow the CEO/General Manager the ability to identify the source of the comments on her performance.

Director Chambers noted that 2019 was a wet year and the switch from 2013 to 2019 as the baseline for water use reduction could have an impact in the way people respond.

Director Pierce encouraged BAWSCA to work closely with the WMRs to develop a coordinated message that would be helpful for water customers to achieve the goal of staying below the 2019 water use levels.

Director Cormack noted that the “Save Our Water” graphic with multiple washing machines and dishwashers on the lawn clearly speaks to how much water it takes to water the lawn and is a very effective visual.

There were no additional comments and questions from members of the committee or members of the public.

8. **Closed Session:** The Committee adjourned to Closed Session at 3:05pm.
9. **Reconvene to Open Session:** The Committee reconvened from Closed Session at 3:24 pm. Ms. Schutte reported that no action was taken during Closed Session.
10. **Comments by Committee Members:** Director Jordan thanked Director Kuta for his years of service on the BAWSCA Board.

Director Kuta expressed his appreciation for members of the Board and BAWSCA Staff for the ongoing efforts in support of the agency’s mission and in the interest of the water customers.
11. **Adjournment:** The meeting was adjourned at 3:28 pm. The next meeting is August 11, 2021 with the anticipated virtual format.

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting Attendance Roster

Agency	Director	Jun. 9, 2021	Apr. 14, 2021	Feb. 10 2021	Dec. 9 2020	Oct. 14, 2020	Aug. 12, 2020
Stanford	Zigterman, Tom	✓	✓	✓	✓	✓	✓
Daly City	Manalo, Juslyn		✓	✓	n/a	n/a	n/a
Westborough	Chambers, Tom	✓	✓	✓	✓	✓	✓
Palo Alto	Cormack, Alison	✓	✓	✓		✓	✓
Purissima	Jordan, Steve	✓	✓	✓	✓	✓	✓
Cal Water	Kuta, Rob	✓	✓	✓	✓	✓	✓
Sunnyvale	Larsson, Gustav	✓	✓	✓	✓	✓	✓
Hayward	Mendall, Al	✓	✓	✓	✓	✓	✓
Redwood City	Pierce, Barbara	✓	✓	✓	✓	✓	✓
Brisbane	Wood, Sepi	✓	✓	✓	✓	✓	✓

✓: present

☎ : Teleconference

June 9, 2021 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
Negin Ashoori	Water Resources Engineer
Kyle Ramey	Water Resources Specialist
Christina Tang	Finance Manager
Lourdes Enriquez	Assistant to the CEO/General Manager
Deborah Grimes	Office Manager
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP
Mina Turan	Legal Counsel, Hanson Bridgett, LLP
Bud Wendell	Strategic Communications
Dan Cox	KNN

Public Attendees:

Paul Sethy	ACWD
John Weed	ACWD
Cheryl Munoz	Hayward
Alison Kastama	SFPUC
Blair Beekman	Self

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING****May 20, 2021 – 6:30 p.m.**

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. MEMBERS OF THE BOARD, BAWSCA STAFF, AND OF THE PUBLIC COULD NOT ATTEND THIS MEETING IN PERSON.

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 6:34 pm following introductory instructions for conducting the meeting virtually through Zoom.

BAWSCA Chair, Gustav Larsson, called the meeting to order. Nicole Sandkulla called the roll. Twenty-one (21) members of the Board were present at roll call. One member arrived after roll call. A list of Directors present (22), absent (4) is attached.

2. Comments by the Chair:

Chair Larsson welcomed the members of the Board. He noted that the agenda includes the Board's adoption of the workplan and operating budget, as well as the professional services contracts needed for FY 2021-22. On behalf of the Board, he expressed appreciation for the CEO and her staff for developing a funding plan that includes a single digit assessment increase that funds the workplan, maintains the General Reserve within Board guidelines, and continue to save money for our member agencies.

Chair Larsson also emphasized the immeasurable importance of the TRVA and BAWSCA efforts to advocate for an analysis of it by the State Board as an alternative to the adopted Bay Delta Plan.

3. Board Policy Committee Report:

Committee Chair Zigterman reported that the Committee met on April 14th and voted unanimously to recommend Board approval of the items included under the consent calendar; the amendments to the professional service agreements with Legal Counsel and Strategic Counsel; and the renewal of the office lease.

The Committee also voted to recommend Board approval of the proposed FY 2021-22 Workplan and Operating Budget as well as the actions needed to support the potential refunding of BAWSCA's 2013A Bond series.

4. Public Comments on Items Not on the Agenda:

Public comments were made by Carol Steinfeld, Dave Warner, and Peter Drekmeier.

5. SFPUC Report:

SFPUC Assistant General Manager Steve Ritchie reported on current water supply conditions and storage levels to date. Mr. Sandler, CFO and AGM of Business Services, provided an update on SFPUC's wholesale rate projections as it relates to the Wholesale Revenue Requirement (WRR) and Balancing Account process.

Comments and questions were taken from members of the Board.

Public comments were received from Peter Drekmeier.

6. Consent Calendar:

Director Wood made a motion, seconded by Director Hamilton, to approve the Minutes of the March 18, 2021 meeting; receive and file the Budget Status Report, the Bond Surcharge Collection, Account Balance and Payment Report, Investment Report, and Directors' Reimbursement Report as of March 31, 2021; and approve the 2nd amendment to Hanson Bridgett's FY 2020-21 Professional Services contract, the amendment to Strategic Counsel's FY 2020-21 Professional Services contract, and the renewal of the Office Lease.

The motion carried by roll call vote.

7. Report and Discussion:

- A. Potential Refunding of BAWSCA's Revenue Bond Series 2013A – Actions Needed to Proceed: Ms. Tang presented information to support the Board actions needed under agenda Item #8B-5, #8B-8, and #8B-9 to proceed with the preliminary work required for the potential refunding of BAWSCA's 2013A Bond series in FY 2021-22.

Comments and questions were taken from members of the Board.

8. Action Calendar:

- A. Approval of Proposed Fiscal Year 2021-22 Work Plan, Results to be Achieved, and Operating Budget.

Ms. Sandkulla presented this item. Comments and questions were taken from members of the Board.

Public comments were made by Peter Drekmeier.

Director Benton made a motion, seconded by Director Jordan, that the Board approve the:

- 1. Proposed FY 2021-22 Work Plan and Results to be Achieved;**
- 2. Proposed Operating Budget of \$4,783,794;**
- 3. Proposed funding plan of 5% assessment increase, a transfer of \$281,676 from the General Reserve, a transfer of \$331,000 from the Balancing Account, and use of \$300,000 in excess Stabilization Funds for funding the Operating Budget; and**
- 4. Authorization of a request for a transfer of \$331,000 from the Balancing Account to BAWSCA in accordance with BAWSCA's Balancing Account Policy, Resolution #2020-02.**

The motion carried by roll call vote.

Director Mueller abstained.

B. Approval of Professional Services Contracts for Fiscal Year 2021-22.

Ms. Sandkulla presented this item. Comments and questions were taken from members of the Board.

There were no comments from members of the public.

Director Benton made a motion, seconded by Director Kuta, that the Board approve the twenty-three (23) contracts, subject to legal counsel's review, for legal, engineering, financial, strategic and water conservation services needing to be in place by July 1, 2021.

The motion carried unanimously by roll call vote.

9. CEO Reports:

- A. Water Supply and Use Update: Ms. Sandkulla reported that the BAWSCA service area's total potable water use in February 2021 was 16% less than in pre-drought February 2013. She noted that increase in water use during the months of December, January and February, when it would otherwise be wet, is an indicator of dry conditions. BAWSCA will continue to monitor the trends with SFPUC as the water year continues.
- B. FERC/Bay Delta Plan Update: Regarding FERC, Ms. Sandkulla reported that BAWSCA and the SFPUC separately filed petitions with the SWRCB for reconsideration of its Water Quality Certification for the Don Pedro FERC relicensing. BAWSCA will remain engaged with the SFPUC and the Districts as FERC matters develop in 2021. On May 14, San Francisco filed suit against the State Board related to the Certification. San Francisco's action is appropriate and consistent with the WSA and its obligations to the Wholesale Customers. Regarding the Bay Delta Plan, Ms. Sandkulla reported that BAWSCA continues its efforts on having the Tuolumne River Voluntary Agreement (TRVA) analyzed by the State Board as an alternative to the adopted Bay Delta Plan. BAWSCA is engaging local elected officials with a goal of reaching out to the Governor to urge his continued leadership role for voluntary agreements.

Public Comments were made by Peter Drekmeier.

Prior to adjourning to Closed Session:

Director Mendall made a motion seconded by Director Vella, to extend the meeting until 10pm.

The motion carried by roll call vote.

10. Closed Session: The meeting adjourned to Closed Session at 8:50pm

11. Report After Closed Session: Closed Session ended at 9:51pm. Legal Counsel, Allison Schutte, convened Open Session and reported that no action was taken during Closed Session.

12. Directors' Discussion: Comments, Questions and Agenda Requests:

Director Cormack requested a forum for discussion of the SFPUC Climate Change Study.

Director Kuta asked if BAWSCA is in compliance with Conflict of Interest and AB 1234 requirements.

Ms. Sandkulla reported that BAWSCA is in compliance with requirements of the Fair Political Practices Commission (FPPC).

13. Date, Time and Location of Next Meeting: The next meeting is scheduled on July 15, 2021 at 6:30pm. The meeting is expected to be in the same virtual format.**14. Adjournment:** The meeting adjourned at 9:57pm.

Respectfully submitted,

Nicole M. Sandkulla
Chief Executive Officer/General Manager

NMS/le

Attachments: 1) Attendance Roster

Bay Area Water Supply and Conservation Agency

Board of Directors Meeting Attendance Roster

Director	Agency	May 20, 2021	Mar. 18, 2021	Jan. 21, 2021	Nov. 19, 2020	Sept. 17, 2020	July 16, 2020
Benton, Jay	Hillsborough	✓	✓	✓	✓	✓	✓
Breault, Randy	Guadalupe		✓		✓	✓	✓
Chambers, Tom	Westborough	✓	✓	✓	✓	✓	✓
Cormack, Alison	Palo Alto	✓	✓	✓	✓	✓	✓
Hamilton, Tom	San Bruno	✓	✓	vacant	✓*		✓*
Hardy, Karen	Santa Clara	✓	✓	vacant	✓*	✓*	✓*
Hindi, Sam	Foster City	✓	✓	✓		✓	✓
Jordan, Steve	Purissima	✓	✓	✓	✓	✓	✓
Keighran, Ann	Burlingame	✓	✓	✓*	✓*	✓*	✓*
Kuta, Rob	Cal Water	✓	✓	✓	✓	✓	✓
Larsson, Gustav	Sunnyvale	✓	✓	✓	✓	✓	✓
Liccardo, Sam	San Jose						
Manalo, Juslyn	Daly City	✓	✓	✓	✓	✓	✓
Matchak, Lisa	Mountain View	✓	✓	✓	✓	✓	✓
Mendall, Al	Hayward	✓	✓	✓	✓	✓	✓
Mickelsen, Chris	Coastside	✓	✓	✓	✓	✓	✓
Montano, Carmen	Milpitas	✓	✓	✓	✓		✓
Moody, Larry	East Palo Alto		✓	✓	✓	✓	✓
Mueller, Ray	Menlo Park	✓	✓	✓		✓*	✓*
Piccolotti, Tom	North Coast						✓
Pierce, Barbara	Redwood City	✓	✓	✓	✓	✓	✓
Quigg, Dan	Millbrae	✓	✓	✓	✓	✓	✓
Vella, Lou	Mid-Peninsula	✓	✓	✓	✓	✓	✓
Weed, John	ACWD	✓	✓	✓	✓	✓	✓
Wood, Sepi	Brisbane	✓	✓	✓	✓	✓	✓
Zigterman, Tom	Stanford	✓	✓	✓	✓	✓	✓

✓ : Present

* : Predecessor

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Bay Area Water Supply & Conservation Agency

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

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: July 7, 2021

SUBJECT: Budget Status Report as of May 31, 2021

This memorandum shows fiscal year budget status for FY 2020-21. It includes major areas of spending, provides an assessment of the overall budget, and summarizes reserve fund balances. This report covers the budget and expenses for BAWSCA. The BAWSCA budget includes necessary resources for the RFA and BAWUA.

Operating Budget Summary:

For the eleven-month period ending May 31, 2021, 92 percent into the fiscal year, total expenditures were \$3,519,999 or 81 percent of the total budget of \$4,360,179.

Table 1. Operating Budget Summary as of May 31, 2021

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	1,411,850	960,819	68%
Fair Pricing	339,500	319,024	94%
Administration	100,000	165,729	166%
Subtotal	1,851,350	1,445,571	78%
Administration and General			
Salary & Benefits	2,075,354	1,735,369	84%
Other Expenses			
BAWSCA	427,400	338,501	79%
BAWUA	1,050	0	0%
Subtotal	4,355,154	3,519,441	81%
Capital Expenses	3,000	0	0%
Budgeted Contingency	0	0	0%
Regional Financing Authority	2,025	558	28%
Grand Total	4,360,179	3,519,999	81%

At its May 2021 meeting, the Board authorized a transfer from the Balancing Account of \$197,000 to fund a portion of the second amendment to Hanson Bridgett's professional services contract. The Operating Budget in Table 1 reflects this transfer.

Overview:

Overall expenditures for FY 2020-21 are tracking within budget.

Consultants

The \$77,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 94 percent expended. The Operating Budget allocation of \$185,000 for strategic counsel was 90 percent expended. The Operating Budget allocation of \$1,006,500 budget for legal counsel was 92 percent expended. The \$232,100 budget for water management and conservation-related activities was 40 percent expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 84 and 79 percent expended respectively.

Use of CEO's Discretionary Spending Authority:

In June, the CEO entered into the following agreement under her discretionary spending authority:

- A sixth amendment with Immersiv Media in the amount of \$3,600 for water conservation database and website support services.

Use of Reserve and Reserve Fund Balance:

Unspent funds at the end of FY 2019-20 were \$435,266. In accordance with the adoption of the FY 2020-21 annual budget in May 2020, the Board approved transferring \$333,900 from the General Reserve to fund the FY 2020-21 budget. Both transfers were executed in November 2020. The BAWSCA General Reserve balance shown below reflects these transfers.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 03/31/21)	Account Balance (As of 05/31/21)
General Reserve	\$996,743	\$996,743

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Approval of Proposed Modifications to the Description and Top Step Salary for the Position of Assistant to the Chief Executive Officer/General Manager**

Summary:

The duties and responsibilities of the position of Assistant to the Chief Executive Officer (CEO)/General Manager (GM) have evolved significantly over the past several years. While the CEO remains the agency's Secretary for official business, the Assistant to the CEO acts as a Deputy Secretary providing significant assistance to the CEO and the Board. This increased role includes (1) major responsibility for preparing the agenda and materials for standing meetings of the Board, the Board Policy Committee and the Water Management Representatives as well as all Brown Act requirements for posting and distributing the agenda materials; (2) Board Member administrative support; (3) Filing Officer with Fair Political Practices Commission (FPPC) for BAWSCA Form 700 filing; and (4) special technical projects at the direct request of the CEO to assist in critical agency results. The level of support for the CEO and Board and the skills associated with these tasks are not included in the existing position description.

An outside compensation analyst was hired to perform a desk audit and a comparison with positions at Bay Area water utilities that conduct similar work. An adjustment is recommended to maintain the agency's ability to retain and attract high quality professionals to perform these critical administrative tasks for the Agency.

Fiscal Impact:

The recommended adjustment would increase the top step salary for this position by \$19,764 per year to \$135,684. The actual salary paid to the employee is based on performance but cannot exceed the top step salary for the position.

Approval of these recommended modifications will not result in any necessary changes to BAWSCA's approved FY 2021-22 Operating Budget. Specifically, any salary adjustments made by the CEO as a result of these proposed modifications will stay within the allowance for merit increases within allocated budget for Salaries & Benefits in the approved FY 2021-22 Operating Budget.

Board Policy Committee Action:

The Committee voted unanimously to recommend approval of the proposed Board action.

Recommendation:

That the Board approve the recommended modifications to the position description and top step salary increase by 17% for the position of Assistant to the CEO/General Manager.

Discussion:

In April 2021, Koff and Associates conducted an independent classification review and compensation study for the position of Assistant to the CEO/GM. This review included questionnaires and interviews with the CEO as well as with Ms. Enriquez, BAWSCA's Assistant to the CEO/GM.

As has been the practice of the Agency, Koff and Associates compared the duties and responsibilities to similar positions at Bay Area water utilities. Also, as in the past, the top step salary for the current position was compared to the median of top step salaries paid to the comparable positions at the other utilities.

Through this review, Koff and Associates identified that the scope of work for the Assistant to the GM/CEO position is not reflective of the current position duties:

- Prepares and distributes agenda and materials for standing meetings for Board, Board Policy Committee, and Water Management Representatives. Work includes coordinating development and distribution of agenda packets with responsibility for proofreading for clarity, monitoring agenda for recurring items; drafts agenda items and reviews with CEO for final decisions on inclusion; coordinating with BAWSCA staff to ensure all items are included as necessary; prepares minutes for CEO review; posts and distributes meeting agenda and materials in accordance with Brown Act requirements, ensures follow ups on Board approved resolutions; and monitors, identifies, and manages potential for Brown Act violations on agenda development.
- Provides Board Member administrative support including assistance in FPPC Form 700 filing; assistance in AB1234 and AB 1661 training and associated paperwork filing; and facilitating annual CEO/GM review with Board Chair.
- Serves as Filing Officer for BAWSCA's Form 700 filing including managing Board Member filing of their annual, assuming, and leaving office Form 700 and State required public government training certifications.
- Performs Special Projects at the direction of the CEO/GM, for example, the assessment of platforms for virtual meeting during the Pandemic, member agency survey on COVID staffing and operations, and project management of special tasks including agency 15-year Anniversary Video production, 10-Year BAWSCA brochure of results achieved, and development and maintenance of BAWSCA website.

As a result of this review, the consultant recommended specific changes to the current position description and an adjustment to the top step salary for the position. A revised position description is attached.

Attachment: Revised Assistant to the CEO/GM Position Description (July 15, 2021)

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

POSITION DESCRIPTION

CLASS TITLE: ASSISTANT TO THE CEO/GM

(July 15, 2021)

Brief Description:

Under general direction from the CEO/GM, performs a wide variety of professional administrative tasks in support of the Chief Executive Officer (CEO)/General Manager; manages administrative and communication functions for the CEO/General Manager and Board of Directors; manages and participates in programs and special projects; and performs related duties as assigned. This position exercises technical and function direction and provides training to assigned staff on a project-basis.

Examples of Typical Job Functions (Illustrative Only):

Management reserves the right to add, modify, change, or rescind the work assignments of different positions and to make reasonable accommodations so that qualified employees can perform the essential functions of the job.

- Plans and manages comprehensive administrative support and communication processes to ensure the CEO/General Manager is informed and kept current on activities and developments concerning BAWSCA, the Board and member agencies.
- Assists in the development and implementation of goals, objectives, policies and priorities for assigned programs, projects and activities; researches, updates and implements policies and procedures in response to regulatory, legislative and business process changes.
- Serves as a liaison on behalf of the CEO/General Manager by establishing and maintaining relationships, managing communications and representing BAWSCA to member agencies, Board members, community groups, the public and other agencies.
- Coordinates agenda development for Board of Directors and Committee meetings; gathers background information for agenda items; prepares and reviews staff reports for clarity, identification of actions needed, fiscal impacts and overall quality control; drafts CEO/General Manager's recommendations on Board actions; prepares, assembles and posts meeting agenda and packets in accordance with Brown Act, Political Reform Act, and all federal, state, and local laws pertaining to agency operations and records; prepares legal and informational notices on behalf of the BAWSCA in compliance with notification requirements.
- Provides staff support to the Board of Directors and Committees by attending meetings and taking minutes to record all proceedings of the meetings; developing, distributing, and scanning approved resolutions; assisting in the follow-up and implementation of Board decisions and requests as directed; monitoring compliance with ethics and other required training; monitoring and ensuring compliance with legal requirements; maintaining Board website; and maintaining Board policies and procedures.
- Acts as agency Filing Officer responsible for disclosure, form filing, making appropriate filings with Fair Political Practices Commission and making information available upon request, pursuant to Conflict of Interest Code; works with member agencies to obtain proper documentation and filing.

- Schedules and coordinates meetings, seminars, conferences and training for the CEO/General Manager and Board of Directors; schedules meetings between the CEO/General Manager and Board members with community groups, the public and other organizations; arranges for necessary set-up of equipment and materials at meetings.
- Manages and/or assists in the management of various projects and programs as directed by the CEO/General Manager; develops goals, objectives and work plans; evaluates effectiveness of assigned program or project and recommends and implements changes as necessary; manages project and program budgets and resources; oversees the work of assigned staff and/or consultants.
- Conducts a variety of research and analysis in support of CEO/General Manager, Board and/or Committee initiatives and special projects; collects and summarizes data from various sources; evaluates alternatives and makes recommendations to assist the CEO/General Manager in making decisions; assists with the implementation of procedural and/or policy changes after approval.
- Composes, formats, edits, revises, proofreads and prints a variety of documents, reports, correspondence, memoranda, agreements, contracts and other documents and materials for CEO/General Manager's signature; ensures accuracy, completeness, compliance with BAWSCA policies, format, grammar, punctuation and spelling.
- Participates in the development, administration, and oversight of the assigned budgets; determines funding needed for staffing, equipment, materials, and supplies; prepares requests for proposals for professional and/or contracted services, including scope of work; participates in vendor and/or contractor selection; ensures compliance with budgeted funding and contract requirements.
- Performs a wide variety of executive administrative support duties on behalf of the CEO/General Manager including receiving and distributing mail and telephone calls; reviews, determines the priority and routes incoming communications and requests for information; refers matters to appropriate staff; coordinates responses from the CEO/General Manager.
- Builds and maintains positive working relationships with co-workers, Board members, member agencies and the public using principles of good customer service.
- Performs related duties as assigned.

Education and Experience:

Any combination of training and experience that would provide the required knowledge, skills, and abilities is qualifying. A typical way to obtain the required qualifications would be:

Equivalent to possession of bachelor's degree from an accredited college or university with major coursework in business administration, public administration or related field and five (5) years of progressively responsible administrative, managerial or professional experience supporting a CEO/General Manager, senior management and/or elected or appointed governing body.

Licenses and Certifications:

- Possession of a valid California Driver's License by time of appointment and satisfactory driving record consistent with requirements established by BAWSCA.
- Possession of a Notary Public certificate issued by the California Notary Commission is desirable.

Knowledge and Skills:

Knowledge of:

- Modern office management practices, equipment and communication tools used for business functions and program, project and task coordination, including computers and software programs relevant to work performed.
- Organization and function of public agencies, including the role of an elected governing board and appointed committees.
- Principles and techniques of public communications/relations needed in developing and reviewing effective written materials for the CEO/General Manager, including statements, meeting summary reports, agency program materials, website content, and correspondence.
- Principles and practices of public meeting notification and posting requirements and meeting protocols.
- Principles and practices of project/program management including developing goals and objectives and work plans, establishing policies, procedures and requirements, evaluating program/project effectiveness and recommending and implementing changes as necessary.
- Principles and practices of budget and contract administration.
- Principles and techniques of conducting analytical studies, evaluating alternatives, making sound recommendations and preparing and presenting reports.
- Principles and techniques for working with groups and fostering effective team interaction to ensure teamwork is conducted smoothly.
- Applicable federal, state, and local laws, regulatory codes, ordinances and procedures relevant to assigned area of responsibility.
- Basic mathematic and statistical techniques.
- Principles and procedures of record-keeping and preparation of reports and correspondence.
- The structure and content of the English language, including the meaning and spelling of words, rules of composition, and grammar.
- Techniques for providing a high level of customer service by effectively dealing with the public, vendors, contractors and BAWSCA staff.

Skill and Ability to:

- Plan, organize and carry out administrative and analytical assignments and special projects in support of the CEO/General Manager with minimal supervision and direction.
- Manage assigned programs, projects and activities involving multiple stakeholders and requiring coordination and collaboration with external agencies and BAWSCA staff independently and consistent with executive direction.
- Provide confidential administrative support to the CEO/General Manager and Board of Directors.
- Learn and understand the organization and operation of BAWSCA, the Board of Directors and of outside agencies as necessary to assume assigned responsibilities.
- Research, analyze, interpret, summarize and present information and data in an effective manner.
- Prepare and administer assigned budgets and contracts; allocate limited resources in a cost-effective manner.

- Maintain and exhibit discretion and integrity when handling sensitive information.
- Coordinate meetings with various stakeholders including elected and appointed officials.
- Compose clear and concise reports, correspondence, policies, procedures and other written materials independently or from brief instructions.
- Make accurate mathematical and basic statistical computations.
- Establish and maintain a variety of filing, record-keeping and tracking systems.
- Understand, interpret and apply all pertinent laws, codes, regulations, policies, procedures and standards relevant to work performed.
- Effectively represent BAWSCA in meetings with member agencies, community groups and various businesses, professional and regulatory organizations, and in meetings with individuals.
- Independently organize work, multi-task, set and adapt priorities, meet critical deadlines and follow-up on assignments.
- Effectively use computer systems, software applications, databases and modern business equipment to perform a variety of work tasks.
- Communicate clearly and concisely, both orally and in writing, using appropriate English grammar and syntax.
- Use tact, initiative, prudence and independent judgment within general policy, procedural and legal guidelines.
- Establish, maintain and foster positive and effective working relationships with those contacted in the course of work.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Potential Refunding of BAWSCA's Revenue Bond Series 2013A – Additional Actions Needed to Proceed**

Summary:

At its May 20, 2021 meeting, the BAWSCA Board approved the non-contingent legal and financial advisory services contracts for the initial planning and preparation phases for the potential refunding of BAWSCA's Revenue Bond Series 2013A. The objective of the potential bond refunding is to generate debt service savings and save the water customers money.

As a result of the recent evaluation, a tax-exempt refunding is preliminarily determined more appropriate than a taxable advance refunding. A preliminary timeline assuming a tax-exempt forward delivery refunding is included at the end of this report.

To continue proceeding with the refunding, four additional actions require Board consideration and approval at its July meeting: establishing a new debt policy, authorizing the appointment of underwriters, and two professional services contracts to complete the execution of the refunding transaction.

Fiscal Impact:

There is no financial impact on BAWSCA's FY 2021-22 Operating Budgets from the recommended action because the compensation to the underwriters and the fees charged by the bond counsel and municipal advisor for their contingent portion of services associated with the bond refunding will be paid directly from the refunding bond proceeds, contingent upon the successful delivery of refunding bonds. At the not-to-exceed amounts for those items, the total estimated issuance and underwriting costs for the refunding remain within the range, previously provided to the Board, of \$1 - \$1.2 million.

Board Policy Committee Action:

The Committee voted unanimously to recommend approval of the proposed Board action.

Recommendation:

That the Board approve the following additional actions needed to continue proceeding with BAWSCA's potential bond refunding:

- 1. Establish a new Debt Management Policy;**
- 2. Authorize the CEO/General Manager to appoint Goldman Sachs as BAWSCA's Managing Underwriter and JP Morgan as Co-Manager. The Board will approve a form of bond purchase contract when it approves all bond-related documents, tentatively contemplated to take place in September;**
- 3. Authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and Orrick, subject to legal counsel's final review, for a not-to-exceed amount of \$265,000 for a tax-exempt forward refunding or a not-to-exceed amount of \$295,000 based on tax-exempt forward plus an advance**

refunding to provide the contingent portion of the bond counsel services and disclosure counsel services; and

- 4. Authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and KNN Public Finance, subject to legal counsel's final review, to provide the contingent portion of the municipal advisory services, for a not-to-exceed amount of \$115,000.**

Discussion:

The agency's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued to prepay the then remaining capital cost recovery payments that the BAWSCA member agencies owed San Francisco as of June 30, 2013, per Water Supply Agreement (WSA) section 5.03. The 2013 Bonds were issued in a par amount of \$335.8 million at an all-in true interest rate of 3.14%, which takes into account the interest rates on the bonds, the upfront premium paid by investors, and the underwriting and issuance costs.

When BAWSCA issued the 2013 bonds, based on the recommendations from the financial advisor and the underwriter, the agency structured the Series 2013B taxable bonds as effectively non-callable in order to achieve lower interest rates and ultimately greater savings to the member agencies at the time. Therefore, the recent refunding analysis is only applicable to the callable portion of Series 2013A tax-exempt bonds in the par amount of \$163.8 million that can be redeemed starting on April 1, 2023, the call date. The callable 2013A bonds have an average weighted interest rate of approximately 4.75%.

Based on the results of a recent evaluation, a tax-exempt refunding is preliminarily determined to be more appropriate than taxable advance refunding at this time. Recently, the BAWSCA Board approved the non-contingent portion of the legal and advisory services contracts for the initial planning and preparation for the refunding work. To continue proceeding with the refunding thereafter, there are four additional actions that require Board consideration and approval in July.

1. Establish a new Debt Management Policy. The purpose of this policy is to promote sound and uniform practices for issuing and managing bonds and other forms of indebtedness, to provide guidance to decision makers regarding the appropriate use of debt and other repayment obligations of BAWSCA, and to comply with Government Code section 8855(i), which became effective January 1, 2017. BAWSCA currently does not have a Debt Management Policy.

The proposed Debt Management Policy has been prepared by BAWSCA's municipal advisor, KNN Public Finance, for consideration by the Board setting forth a policy with the following objectives:

- To help maintain the financial stability of BAWSCA by encouraging sound decision-making so that its long-term financing commitments are affordable and do not create undue risk or burden.
- To protect BAWSCA's credit rating and minimize BAWSCA's borrowing costs.
- To meet the requirements of state and federal law and regulation, including federal requirements regarding disclosure and administration of tax-exempt indebtedness.
- To incorporate best practices into BAWSCA's issuance and administration of its indebtedness.
- Ensure that BAWSCA's debt is consistent with BAWSCA's planning goals and objectives and capital improvement program or budget, as applicable.

The proposed Policy reflects changes made to the draft policy in response to the direction provided by the BPC during its June 9, 2021 meeting. Attachment 1 provides both a redline (showing changes based on the BPC comments) and a clean version of the proposed Policy.

2. Authorize the CEO/General Manager to appoint Goldman Sachs as BAWSCA's Senior Managing Underwriter and JP Morgan as Co-Manager. On April 21, 2021, a bond underwriter Request for Proposals (RFP) was distributed to seven (7) underwriting firms. Recipients of the RFP were firms and individuals who were actively involved in structuring the 2013 issue and/or had contacted BAWSCA and showed interest in the transaction. Six firms responded to the RFP. An RFP review team was convened to evaluate each proposal on the basis of overall experience and capability, experience in serving as underwriters for water and wastewater revenue bonds, proposed alternative approaches and experience with forward deliveries in California in the past three years, proposed rating strategy and bond structure, and proposed compensation. Based on the preliminary evaluation results, four (4) firms were invited to oral interviews. The review team, comprised of BAWSCA staff, municipal advisors, staff from a member agency, and advised by legal counsel, recommends Goldman Sachs be selected as the senior managing bond underwriter and JP Morgan be selected as co- manager for BAWSCA's potential bond refunding.

Goldman Sachs is recommended as senior underwriter. The senior underwriter will assist in structuring the transaction, managing the bond sale, and taking most of the liability for underwriting any unsold bonds. Goldman Sachs was selected based on its underwriting and distribution capabilities, the thoughtfulness of its structuring and credit strategy, its experience in structuring complicated revenue credits, and familiarity with BAWSCA's existing bonds due to prior involvement. Goldman Sachs' fee proposal is within an acceptable range for a transaction of this nature. Based on the proposal, staff anticipates that the underwriter's discount will be no more than approximately 0.25% of the principal amount of the refunding bonds. The underwriter's discount is finalized near the time of the pricing of the refunding bonds.

JP Morgan is recommended to serve as a co-manager, assisting in the structuring of the transaction. This firm was selected primarily based on the quality of the proposal, particularly regarding structure and credit, but also based on its experience in underwriting water revenue and other California bonds.

A copy of the bond underwriter RFP and the list of the firms who responded and were interviewed are provided as Attachments 2 and 3, respectively.

3. Authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and Orrick, subject to legal counsel's final review, for a not-to-exceed amount of \$265,000 for a tax-exempt forward refunding or a not-to-exceed amount of \$295,000 based on tax-exempt forward plus an advance refunding to provide the contingent portion of the bond counsel and disclosure counsel services. Proposed services from Orrick include drafting legal documents, the preliminary and final official statements, and rendering the legal opinion as to the validity and tax-exemption of the bonds. The draft scope of services is shown in Attachment 4. Please note, the proposed fees under this contract do not include the non-contingent not-to-exceed amount of \$55,000, which is associated with the initial planning and preparation for the refunding, approved by BAWSCA Board on May 20, 2021.

4. Authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and KNN Public Finance, subject to legal counsel's final review, for a not-to-exceed amount of \$115,000 to provide the contingent portion of the municipal advisory services. Services include finalizing recommendations for the refunding, managing the financing timetable, reviewing the draft legal documents and official statement, participating in developing a credit presentation to the rating agencies, overseeing the underwriters' marketing efforts and negotiating on behalf of BAWSCA the final rates, yield and other terms of the refunding bonds. The draft scope of services is shown as Attachment 5.

Tentative Schedule of Key Dates for Potential Bond Refunding*

Board approval of a new debt policy, bond underwriter appointment and contingent contracts	July Board
Recommendation of Board authorization to issue bonds and approval of bond documents	August BPC
Board authorization to issue bonds and approval of bond documents and method of sale (tentative)	September Board
Bond pricing/sale (tentative, based on market conditions)	Oct 2021 - Jan 2022
Bond document closing	Oct 2021 - Jan 2022
Bond settlement	January 2023

*Assumes a tax-exempt forward delivery refunding

Attachments:

1. Proposed Debt Management Policy – clean and redlined version
2. Bond underwriting services RFP
3. Bond underwriting services response list
4. Draft scope of service and billing rates for Orrick's bond counsel services provided for the execution of BAWSCA's potential bond refunding
5. Draft scope of service and fee for KNN Public Finance's municipal advisory services provided for the execution of BAWSCA's refunding

ATTACHMENT 1
(Clean Version)



DEBT MANAGEMENT POLICY

[Date]

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Bay Area Water Supply and Conservation Agency Debt Management Policy

I. Introduction

The purpose of the Bay Area Water Supply and Conservation Agency (“BAWSCA”) Debt Management Policy (the “Policy”) is to promote sound and uniform practices for issuing and managing bonds and other forms of indebtedness, to provide guidance to decision makers regarding the appropriate use of debt and other repayment obligations of BAWSCA and to comply with Government Code section 8855(i), which became effective January 1, 2017.

This code section, added by AB 1029, requires any issuer of public debt to provide the California Debt Investment Advisory Commission (CDIAC) with certain reports and information related to the issuance of public debt. Section 8855(i) requires issuers to certify before any debt is issued, and as part of its report of proposed debt issuance submitted to CDIAC, that it has adopted a local debt policy concerning the use of debt proceeds and that the debt policy includes the following:

- The purpose for which the debt proceeds may be used;
- The types of debt that may be issued;
- The relationship of the debt to and integration with the issuer’s capital improvement program or budget;
- Policy goals related to the issuer’s planning goals and objectives; and
- Internal control procedures that the issuer has implemented to ensure that the proceeds of the debt issuance will be directed to the intended purposes.

Given that BAWSCA’s traditional roles have not included responsibility for capital improvements, its use of debt has been minimal. To date, BAWSCA has incurred indebtedness only to finance the prepayment of the capital component of its Water Supply Agreement with San Francisco; that transaction was, in effect, a refunding. But as BAWSCA considers refunding those prior bonds, both State law and good public policy require that the agency adopt a policy to govern its upcoming and any future debt issues.

II. Policy Objectives

The Policy objectives are as follows:

- To help maintain the financial stability of BAWSCA by encouraging sound decision-making so that its long-term financing commitments are affordable and do not create undue risk or burden.
- To protect BAWSCA’s credit rating and minimize BAWSCA’s borrowing costs.

- To meet the requirements of state and federal law and regulation, including federal requirements regarding disclosure and administration of tax-exempt indebtedness.
- To incorporate best practices into BAWSCA's issuance and administration of its indebtedness.
- Ensure that BAWSCA's debt is consistent with BAWSCA's planning goals and objectives and capital improvement program or budget, as applicable.

III. Types of Debt

Given BAWSCA's focused purpose, it is likely to issue only debt that is secured by its revenues, in the form of revenue bonds or similar instruments such as revenue-secured certificates of participation. The indenture for such bonds sets forth the specific revenues that are pledged, the priority of that pledge relative to operations and other debt, impose requirements on rate setting, and limit the conditions under which additional parity debt can be incurred. BAWSCA's authority to incur indebtedness is governed by its enabling legislation, Water Code Sections 81427 *et seq.*

IV. Debt Management Responsibility

The Chief Executive Officer/General Manager is appointed as the BAWSCA official responsible for the following:

- Debt issuance and management, recognizing that assigned staff may be charged with the day-to-day responsibilities.
- Formulating BAWSCA's debt management plans, seeking Board of Director approval to execute such plans, and ensuring the appropriate management of outstanding debt.
- Keeping the BAWSCA Board informed of the agency's debt-related activities through informational reports, briefings, or workshops. Forecasting debt service payments to ensure the revenues necessary to service the debt and to comply with BAWSCA's indentures or other financing agreements.

V. Uses and Limits on Indebtedness

Debt provides a tool for financing capital projects that are too large to accommodate as part of the annual budget, to share the cost of major improvements between current and future ratepayers and/or to accelerate the delivery of a project when compared to funding on a pay-as-you-go-basis. On the other hand, debt service represents a fixed cost that will compete with other

expenditures in BAWSCA's budget and cannot be deferred in any given year. In order to achieve the proper balance in its use of debt, BAWSCA will follow the following policy goals:

Except to alleviate cash-flow timing issues within a fiscal year, BAWSCA will not use debt to finance operating expenses. BAWSCA may consider use of debt in the event of an extraordinary expense, such as the financing of a major judgment. BAWSCA will consider the use of debt to prepay or otherwise finance obligations to the extent it can demonstrate that such financing is not designed to defer customary expenditures and lowers long-term costs for its members.

To the extent BAWSCA assumes responsibility for one or more capital improvements, debt financing will be considered for extraordinary capital expenditures. BAWSCA will evaluate the benefit and risks of each proposed issue of new debt on a case by case basis, considering such factors as BAWSCA's overall fiscal health, the potential impact of increased debt service on the overall cost to its member agencies. In general, debt may be considered to finance such projects if it meets one or more of the following minimum criteria:

- It meets BAWSCA's goal of distributing the payments for the asset over its useful life so that benefits more closely match costs for both current and future ratepayers.
- The need for the project is compelling in terms of on-going cost savings or the need for public safety or services, and the size of the project makes funding out of existing resources or near-term revenues impractical.
- The debt is used to refund existing obligations in a manner that lowers the cost to its members and their ratepayers.

VI. Method of Sale

Bonds and other municipal securities can be sold at a public offering (available to the general public through broker-dealers) through either a competitive or negotiated sale.

Under a competitive sale, the terms of the bonds are determined by BAWSCA, with the assistance of its Municipal Advisor and Bond Counsel, and the sale is awarded to the underwriter judged to have submitted the lowest true interest cost, which takes into account interest rates and any discounts or premiums, including the underwriters' spread (their compensation). Under a negotiated sale, BAWSCA selects its underwriter in advance, based on proposals received or by other means. BAWSCA, its bond counsel and Municipal Advisor works with the underwriter in structuring, marketing and finally offering an issue to investors. The best method of sale depends on the type of security, credit factors, and market conditions. Given BAWSCA's relatively unique organization structure and role in the delivery of water, as well as the relatively unique arrangements that would support any debt, in most cases BAWSCA's debt may be more effectively

offered through a negotiated sale, however the decision regarding method of sale shall be made on a case by case basis.

An alternative method of obtaining financing is through a private placement with a bank or other institution. BAWSCA will consider privately placing its debt for small and/or short-term borrowings or in instances where difficult credit or disclosure considerations or other special circumstances so warrant.

The method of sale shall be subject to approval by the Board.

VII. Financing Professionals

The Chief Executive Officer/General Manager will be responsible for recommending the various professionals required for a financing, based on prior experience, recommendations or a request for proposal process, as he or she deems appropriate.

A. Bond and Disclosure Counsel

Bond counsel prepares the various legal documents for a transaction and renders a variety of opinions, including opinion regarding the tax-exemption of bonds. For all public sales of debt, BAWSCA will retain the services of disclosure counsel to prepare the official statement. The Chief Executive Officer/General Manager, in consultation with Legal Counsel, will determine whether to select a second law firm to provide the services of disclosure counselor to assign such duties to bond counsel.

B. Municipal Advisor

A municipal financial advisor assists in evaluating financing options, structuring of its debt offerings, making recommendations as to the method of sale, conducting competitive bond sales, and assisting with bringing negotiated bond sales to market, including making recommendations to BAWSCA on proposed interest rates, prices and yields in light of market conditions and the characteristics of the bonds. BAWSCA will utilize a registered municipal advisor for its public debt offerings (i.e., bond sales).

C. Underwriter

If BAWSCA elects to sell its debt through a competitive sale, the underwriter will be selected based on the best bid. When BAWSCA issues its debt through a negotiated sale, it will select one or more underwriters. Unless there are special circumstances, the underwriter of a negotiated sale will be chosen through a request for proposals.

D. Trustee and Fiscal Agent

The trustee or fiscal agent is a division of a commercial bank that services bonds and other financial instruments. The Chief Executive Officer/General Manager shall have the discretion to select a commercial banking firm as trustee or fiscal

agent, either through a request for qualifications process or by relying on existing banking relationships if deemed to be advantageous.

VIII. Structuring Debt Financing

A. Term and Structure

Long-term debt financing of capital projects will be amortized over a period no longer than the useful life of the assets being financed, and in no event should exceed thirty years. Refunding of existing obligations will be amortized over a period no longer than the term of the existing obligation

Debt service will generally be structured to be level over the length of the bonds. Alternate debt structures may be used to wrap new debt around existing debt to create overall level debt service or to achieve other financial planning goals appropriate to the specific project.

The dates for which debt service is scheduled (typically semi-annually) will take into account the cashflows of the revenues that will service such debt.

B. Debt Service Reserve Fund

To the extent required by the market and/or an existing indenture, BAWSCA may fund a debt service reserve fund or similar fund out of bond proceeds no greater than the amount allowed under federal tax law. BAWSCA may fund additional reserves out of its own funds as advantageous to the marketing of its bonds or to otherwise provide financial stability or is otherwise advantageous.

C. Disclosure

For all public sales of debt, BAWSCA will retain the services of disclosure counsel (who may also serve as bond counsel) to prepare the Official Statement to be used in connection with the offering and sale of debt. The Chief Executive Officer/General Manager, other appropriate staff, and appropriate member agencies will be asked to review this document to ensure that it is accurate and does not fail to include information that such staff and officials think might be material to an investor. BAWSCA will make every effort to ensure the fullest disclosure possible in BAWSCA's disclosure documents, including, as appropriate, seeking staff training in disclosure matters. A Preliminary Official Statement will be released to the market only after the completion of the "due diligence" meetings with appropriate staff and approval in form by the Board.

D. Credit Ratings

The Chief Executive Officer/General Manager, in consultation with the Municipal Advisor and other members of the financing team, will evaluate and make recommendations regarding the number of credit ratings to seek and the rating agency(ies) to use on any given bond issue. BAWSCA will work to maintain its current credit ratings and to increase ratings when the opportunity to do so

exists. The Chief Executive Officer/General Manager will periodically communicate with the agencies rating BAWSCA's debt so that they will remain well-informed.

E. Credit Enhancement

BAWSCA will consider the use of credit enhancements such as bond insurance on a case-by-case basis. The cost-benefit of insurance will be evaluated through the final maturity and through the first optional call date, recognizing that municipal bonds are commonly refunded prior to maturity. BAWSCA will consider the use of a surety policy in lieu of a cash funded reserve, but in doing so will consider estimated earnings on a cash funded reserve and the cost of replacing that surety at the time of a potential refunding, if applicable.

F. Derivatives

BAWSCA will not use interest rate swaps in connection with structuring its debt issues. BAWSCA may use derivative-like investment products to invest bond funds, but only upon staff's analysis of the investment as part of the staff report transmitting the financing and specific approval as part of the Board action.

IX. Refunding Bonds

In order to provide for the potential for refunding its bonds in the future, and absent compelling reasons to the contrary, BAWSCA generally will structure its bond issues with an optional call no longer than ten and one-half years from the date of issuance. Such compelling reasons to deviate from this policy would be a taxable bond issue, where the additional interest cost required for an optional call may outweigh the likely benefits or a bond issue that would mature only a few years after the optional call date, making a refunding impractical. When structuring its bond issues, BAWSCA will take into account the coupon structure of its debt (i.e., discount bonds or premium bonds that mature after the call date) and its impact on its option to execute a refunding.

BAWSCA will periodically review its outstanding debt portfolio to identify opportunities to achieve net economic benefits from refunding its bonds. Recognizing that BAWSCA's ability to refund its debt is limited because of the market practice of making most fixed-rate bond issues non-callable for their first eight to ten years, and the elimination of the ability to refund bonds with new tax-exempt bonds substantially before the call date (a tax-exempt "advance refunding," which was eliminated by the 2017 tax act), BAWSCA will seek to deploy its refunding options prudently. At a minimum, BAWSCA will seek to achieve net present value ("NPV") savings equal to at least five percent (5%) of the par amount of the bonds that are refunded. In many cases, a higher threshold may be warranted, reflecting an analysis of the potential additional value that may be obtained by deferring the refunding.

BAWSCA may also consider a refunding for a non-economic purpose, including the retirement of an indenture for more desirable covenants, a change in tax status, or to change the type of debt instrument.

X. Debt Administration

The Chief Executive Officer/General Manager and his or her staff shall be responsible for ensuring that BAWSCA's debt is administered in accordance with its terms, federal and State law and regulations, and best industry practices.

A. Tax-Exemption

Tax-exempt bond issues are subject to various IRS rules and regulations regarding the use of bond proceeds. BAWSCA will make sure that the use of facilities financed with tax-exempt bonds are not used for ineligible private activities, and will consult with bond counsel whenever it identifies a change in use, enters into a long-term contract involving the project, or otherwise undertakes an action that could change the tax-exempt status of its bonds.

BAWSCA shall periodically review and will comply with the specific post-issuance compliance procedures identified in the tax documents for its tax-exempt financings. BAWSCA will retain an arbitrage rebate consultant to assist in calculating any earnings on bond proceeds in excess of the rate on its bonds, and to calculate whether arbitrage should be rebated to the Federal Government.

B. Continuing Disclosure

Under federal law, BAWSCA must commit to provide continuing disclosure to investors in any of its debt that is sold to underwriters to be offered to the public. All existing and future BAWSCA debt should be compliant with the requirements of the Continuing Disclosure Certificates executed at the time of issuance, including the annual filing with the MSRB's Electronic Municipal Market Access ("EMMA") website of BAWSCA's Annual Financial Report and any other required reports; the filing of notices of the material events set out in the Continuing Disclosure Certificates; and the filing of any voluntary disclosures deemed material. All such filings will be made within the time requirements set forth in the Continuing Disclosure Certificates.

BAWSCA may retain a consultant to assist in preparing and filing required reports and notices.

C. Investment of Bond Proceeds

Investments of bond proceeds shall generally be consistent with BAWSCA's Investment Policy as modified from time to time, and with the requirements contained in the governing bond documents.

D. State Reporting Requirements

The Chief Executive Officer/General Manager will file any reports required by State law, including the Annual Debt Transparency Report to the California Debt and Investment Advisory Commission required of all debt issued after January 1, 2017, pursuant to Government Code section 8855(k).

XI. Relationship of Debt to Capital Improvement Program and Budget

BAWSCA is committed to long-term capital planning. BAWSCA may issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in any capital improvement program to the extent BAWSCA pursues the direct funding and management of capital improvements. BAWSCA shall integrate its debt issuances with the goals of its capital improvement program by considering when projects are needed in furtherance of BAWSCA's public purposes in determining the timing of debt issuance.

BAWSCA shall seek to avoid the use of debt to fund recurring infrastructure and facilities improvements in circumstances when the sole purpose of such debt financing is to reduce short-term annual budgetary expenditures.

XII. Internal Control Procedures

The Chief Executive Officer/General Manager or designee will monitor the expenditure of bond proceeds to ensure they were used for the purpose and authority for which the bonds were issued, including, but not limited to the purposes set forth in the indenture or other financing agreement approved by the Board.

When reasonable, proceeds of debt will be held by a third-party trustee or fiscal agent and BAWSCA will submit written requisitions for such proceeds. BAWSCA will submit a requisition only after obtaining the signature of the Chief Executive Officer/General Manager. In those cases where the proceeds of debt are not to be held by a third-party trustee or fiscal agent, the Chief Executive Officer/General Manager shall be responsible for approving expenditures in the same manner as the approval for the expenditures of other revenues.

Nothing in this policy is intended to appropriate the Board's regular decision-making authority.

XIII. Conclusion

This Policy is intended to guide and regulate BAWSCA's issuance of debt. This Policy should be reviewed and updated periodically to reflect changes in the market, the identification of other best practices, and to incorporate BAWSCA's own experience or changing circumstances.

While adherence to this Policy is generally required, it is recognized that changes in the capital markets, BAWSCA's needs and other unforeseen circumstances

may from time to time produce situations that are not covered by the Policy or will require modifications or exceptions to best achieve public policy goals. Any deviations from this Policy that is recommended by staff should be highlighted in the staff report transmitting the resolution for approval of the financing.

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ATTACHMENT 1

(Redlined Version)



DEBT MANAGEMENT POLICY

[Date]

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Bay Area Water Supply and Conservation Agency Debt Management Policy

I. Introduction

The purpose of the Bay Area Water Supply and Conservation Agency (“BAWSCA”) Debt Management Policy (the “Policy”) is to promote sound and uniform practices for issuing and managing bonds and other forms of indebtedness, to provide guidance to decision makers regarding the appropriate use of debt and other repayment obligations of BAWSCA and to comply with Government Code section 8855(i), which became effective January 1, 2017.

This code section, added by AB 1029, requires any issuer of public debt to provide the California Debt Investment Advisory Commission (CDIAC) with certain reports and information related to the issuance of public debt. Section 8855(i) requires issuers to certify before any debt is issued, and as part of its report of proposed debt issuance submitted to CDIAC, that it has adopted a local debt policy concerning the use of debt proceeds and that the debt policy includes the following:

- The purpose for which the debt proceeds may be used;
- The types of debt that may be issued;
- The relationship of the debt to and integration with the issuer’s capital improvement program or budget;
- Policy goals related to the issuer’s planning goals and objectives; and
- Internal control procedures that the issuer has implemented to ensure that the proceeds of the debt issuance will be directed to the intended purposes.

Given that BAWSCA’s traditional roles have not included responsibility for capital improvements, its use of debt has been minimal. To date, BAWSCA has incurred indebtedness only to finance the prepayment of the capital component of its Water Supply Agreement with San Francisco; that transaction was, in effect, a refunding. But as BAWSCA considers refunding those prior bonds, both State law and good public policy require that the agency adopt a policy to govern its upcoming and any future debt issues.

II. Policy Objectives

The Policy objectives are as follows:

- To help maintain the financial stability of BAWSCA by encouraging sound decision-making so that its long-term financing commitments are affordable and do not create undue risk or burden.
- To protect BAWSCA’s credit rating and minimize BAWSCA’s borrowing costs.

- To meet the requirements of state and federal law and regulation, including federal requirements regarding disclosure and administration of tax-exempt indebtedness.
- To incorporate best practices into BAWSCA's issuance and administration of its indebtedness.
- Ensure that BAWSCA's debt is consistent with BAWSCA's planning goals and objectives and capital improvement program or budget, as applicable.

III. Types of Debt

Given BAWSCA's focused purpose, it is likely to issue only debt that is secured by its revenues, in the form of revenue bonds or similar instruments such as revenue-secured certificates of participation. The indenture for such bonds sets forth the specific revenues that are pledged, the priority of that pledge relative to operations and other debt, impose requirements on rate setting, and limit the conditions under which additional parity debt can be incurred. BAWSCA's authority to incur indebtedness is governed by its enabling legislation, Water Code Sections 81427 et seq.

IV. Debt Management Responsibility

The Chief Executive Officer/General Manager is appointed as the BAWSCA official responsible for the following:

- Debt issuance and management, recognizing that assigned staff may be charged with the day-to-day responsibilities.
- ~~Working with BAWSCA's General Manager and General Counsel in~~ Formulating BAWSCA's debt management plans, seeking Board of Director approval to execute such plans, and ensuring the appropriate management of outstanding debt.
- Keeping the BAWSCA Board informed of the agency's debt-related activities through informational reports, briefings, or workshops. Forecasting debt service payments to ensure the revenues necessary to service the debt and to comply with BAWSCA's indentures or other financing agreements.

V. Uses and Limits on Indebtedness

Debt provides a tool for financing capital projects that are too large to accommodate as part of the annual budget, to share the cost of major improvements between current and future ratepayers and/or to accelerate the delivery of a project when compared to funding on a pay-as-you-go-basis. On

the other hand, debt service represents a fixed cost that will compete with other expenditures in BAWSCA's budget and cannot be deferred in any given year. In order to achieve the proper balance in its use of debt, BAWSCA will follow the following policy goals:

Except to alleviate cash-flow timing issues within a fiscal year, BAWSCA will not use debt to finance operating expenses. BAWSCA may consider use of debt in the event of an extraordinary expense, such as the financing of a major judgment. BAWSCA will consider the use of debt to prepay or otherwise finance obligations to the extent it can demonstrate that such financing is not designed to defer customary expenditures and lowers long-term costs for its members.

To the extent BAWSCA assumes responsibility for one or more capital improvements, debt financing will be considered for extraordinary capital expenditures. BAWSCA will evaluate the benefit and risks of each proposed issue of new debt on a case by case basis, considering such factors as BAWSCA's overall fiscal health, the potential impact of increased debt service on the overall cost to its member agencies. In general, debt may be considered to finance such projects if it meets one or more of the following minimum criteria:

- It meets BAWSCA's goal of distributing the payments for the asset over its useful life so that benefits more closely match costs for both current and future ratepayers.
- The need for the project is compelling in terms of on-going cost savings or the need for public safety or services, and the size of the project makes funding out of existing resources or near-term revenues impractical.
- The debt is used to refund existing obligations in a manner that lowers the cost to its members and their ratepayers.

VI. Method of Sale

Bonds and other municipal securities can be sold at a public offering (available to the general public through broker-dealers) through either a competitive or negotiated sale.

Under a competitive sale, the terms of the bonds are determined by BAWSCA, with the assistance of its Municipal Advisor and Bond Counsel, and the sale is awarded to the underwriter judged to have submitted the lowest true interest cost, which takes into account interest rates and any discounts or premiums, including the underwriters' spread (their compensation). Under a negotiated sale, BAWSCA selects its underwriter in advance, based on proposals received or by other means. BAWSCA, its bond counsel and Municipal Advisor works with the underwriter in structuring, marketing and finally offering an issue to investors. The best method of sale depends on the type of security, credit factors, and market conditions. Given BAWSCA's relatively unique organization structure and role in the delivery of water, as well as the relatively unique arrangements that would support any debt, in most cases BAWSCA's debt ~~would~~may be more

effectively offered through a negotiated sale, however the decision regarding method of sale shall be made on a case by case basis.

An alternative method of obtaining financing is through a private placement with a bank or other institution. BAWSCA will consider privately placing its debt for small and/or short-term borrowings or in instances where difficult credit or disclosure considerations or other special circumstances so warrant.

The method of sale shall be subject to approval by the Board.

VII. Financing Professionals

The Chief Executive Officer/General Manager will be responsible for recommending the various professionals required for a financing, based on prior experience, recommendations or a request for proposal process, as he or she deems appropriate.

A. Bond and Disclosure Counsel

Bond counsel prepares the various legal documents for a transaction and renders a variety of opinions, including opinion regarding the tax-exemption of bonds. For all public sales of debt, BAWSCA will retain the services of disclosure counsel to prepare the official statement. The Chief Executive Officer/General Manager, in consultation with Legal Counsel, will determine whether to select a second law firm to provide the services of disclosure counsel—or to assign such duties to bond counsel.

B. Municipal Advisor

A municipal financial advisor assists in evaluating financing options, structuring of its debt offerings, making recommendations as to the method of sale, conducting competitive bond sales, and assisting with bringing negotiated bond sales to market, including making recommendations to BAWSCA on proposed interest rates, prices and yields in light of market conditions and the characteristics of the bonds. BAWSCA will utilize a registered municipal advisor for its public debt offerings (i.e., bond sales).

C. Underwriter

If BAWSCA elects to sell its debt through a competitive sale, the underwriter will be selected based on the best bid. When BAWSCA issues its debt through a negotiated sale, it will select one or more underwriters. Unless there are special circumstances, the underwriter of a negotiated sale will be chosen through a request for proposals.

D. Trustee and Fiscal Agent

The trustee or fiscal agent is a division of a commercial bank that services bonds and other financial instruments. The Chief Executive Officer/General Manager shall have the discretion to select a commercial banking firm as trustee or fiscal

agent, either through a request for qualifications process or by relying on existing banking relationships if deemed to be advantageous.

VIII. Structuring Debt Financing

A. Term and Structure

Long-term debt financing of capital projects will be amortized over a period no longer than the useful life of the assets being financed, and in no event should exceed thirty years. Refunding of existing obligations will be amortized over a period no longer than the term of the existing obligation

Debt service will generally be structured to be level over the length of the bonds. Alternate debt structures may be used to wrap new debt around existing debt to create overall level debt service or to achieve other financial planning goals appropriate to the specific project.

The dates for which debt service is scheduled (typically semi-annually) will take into account the cashflows of the revenues that will service such debt.

B. Debt Service Reserve Fund

To the extent required by the market and/or an existing indenture, BAWSCA may fund a debt service reserve fund or similar fund out of bond proceeds no greater than the amount allowed under federal tax law. BAWSCA may fund additional reserves out of its own funds as advantageous to the marketing of its bonds or to otherwise provide financial stability or is otherwise advantageous.

C. Disclosure

For all public sales of debt, BAWSCA will retain the services of disclosure counsel (who may also serve as bond counsel) to prepare the Official Statement to be used in connection with the offering and sale of debt. The Chief Executive Officer/General Manager, other appropriate staff, and appropriate member agencies will be asked to review this document to ensure that it is accurate and does not fail to include information that such staff and officials think might be material to an investor. BAWSCA will make every effort to ensure the fullest disclosure possible in BAWSCA's disclosure documents, including, as appropriate, seeking staff training in disclosure matters. A Preliminary Official Statement will be released to the market only after the completion of the "due diligence" meetings with appropriate staff and approval in form by the Board.

D. Credit Ratings

The Chief Executive Officer/General Manager, in consultation with the Municipal Advisor and other members of the financing team, will evaluate and make recommendations regarding the number of credit ratings to seek and the rating agency(ies) to use on any given bond issue. BAWSCA will work to maintain its current credit ratings and to increase ratings when the opportunity to do so

exists. The Chief Executive Officer/General Manager will periodically communicate with the agencies rating BAWSCA's debt so that they will remain well-informed.

E. Credit Enhancement

BAWSCA will consider the use of credit enhancements such as bond insurance on a case-by-case basis. The cost-benefit of insurance will be evaluated through the final maturity and through the first optional call date, recognizing that municipal bonds are commonly refunded prior to maturity. BAWSCA will consider the use of a surety policy in lieu of a cash funded reserve, but in doing so will consider estimated earnings on a cash funded reserve and the cost of replacing that surety at the time of a potential refunding, if applicable.

F. Derivatives

BAWSCA will not use interest rate swaps in connection with structuring its debt issues. BAWSCA may use derivative-like investment products to invest bond funds, but only upon staff's analysis of the investment as part of the staff report transmitting the financing and specific approval as part of the Board action.

IX. Refunding Bonds

In order to provide for the potential for refunding its bonds in the future, and absent compelling reasons to the contrary, BAWSCA generally will structure its bond issues with an optional call no longer than ten and one-half years from the date of issuance. Such compelling reasons to deviate from this policy would be a taxable bond issue, where the additional interest cost required for an optional call may outweigh the likely benefits or a bond issue that would mature only a few years after the optional call date, making a refunding impractical. When structuring its bond issues, BAWSCA will take into account the coupon structure of its debt (i.e., discount bonds or premium bonds that mature after the call date) and its impact on its option to execute a refunding.

BAWSCA will periodically review its outstanding debt portfolio to identify opportunities to achieve net economic benefits from refunding its bonds. Recognizing that BAWSCA's ability to refund its debt is limited because of the market practice of making most fixed-rate bond issues non-callable for their first eight to ten years, and the elimination of the ability to refund bonds with new tax-exempt bonds substantially before the call date (a tax-exempt "advance refunding," which was eliminated by the 2017 tax act), BAWSCA will seek to deploy its refunding options prudently. At a minimum, BAWSCA will seek to achieve net present value ("NPV") savings equal to at least five percent (5%) of the par amount of the bonds that are refunded. In many cases, a higher threshold may be warranted, reflecting an analysis of the potential additional value that may be obtained by deferring the refunding.

BAWSCA may also consider a refunding for a non-economic purpose, including the retirement of an indenture for more desirable covenants, a change in tax status, or to change the type of debt instrument.

X. Debt Administration

The Chief Executive Officer/General Manager and his or her staff shall be responsible for ensuring that BAWSCA's debt is administered in accordance with its terms, federal and State law and regulations, and best industry practices.

A. Tax-Exemption

Tax-exempt bond issues are subject to various IRS rules and regulations regarding the use of bond proceeds. BAWSCA will make sure that the use of facilities financed with tax-exempt bonds are not used for ineligible private activities, and will consult with bond counsel whenever it identifies a change in use, enters into a long-term contract involving the project, or otherwise undertakes an action that could change the tax-exempt status of its bonds.

BAWSCA shall periodically review and will comply with the specific post-issuance compliance procedures identified in the tax documents for its tax-exempt financings. BAWSCA will retain an arbitrage rebate consultant to assist in calculating any earnings on bond proceeds in excess of the rate on its bonds, and to calculate whether arbitrage should be rebated to the Federal Government.

B. Continuing Disclosure

Under federal law, BAWSCA must commit to provide continuing disclosure to investors in any of its debt that is sold to underwriters to be offered to the public. All existing and future BAWSCA debt should be compliant with the requirements of the Continuing Disclosure Certificates executed at the time of issuance, including the annual filing with the MSRB's Electronic Municipal Market Access ("EMMA") website of BAWSCA's Annual Financial Report and any other required reports; the filing of notices of the material events set out in the Continuing Disclosure Certificates; and the filing of any voluntary disclosures deemed material. All such filings will be made within the time requirements set forth in the Continuing Disclosure Certificates.

BAWSCA may retain a consultant to assist in preparing and filing required reports and notices.

C. Investment of Bond Proceeds

Investments of bond proceeds shall generally be consistent with BAWSCA's Investment Policy as modified from time to time, and with the requirements contained in the governing bond documents.

D. State Reporting Requirements

The Chief Executive Officer/General Manager will file any reports required by State law, including the Annual Debt Transparency Report to the California Debt and Investment Advisory Commission required of all debt issued after January 1, 2017, pursuant to Government Code section 8855(k).

XI. Relationship of Debt to Capital Improvement Program and Budget

BAWSCA is committed to long-term capital planning. BAWSCA may issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in any capital improvement program to the extent BAWSCA pursues the direct funding and management of capital improvements. BAWSCA shall integrate its debt issuances with the goals of its capital improvement program by considering when projects are needed in furtherance of BAWSCA's public purposes in determining the timing of debt issuance.

BAWSCA shall seek to avoid the use of debt to fund recurring infrastructure and facilities improvements in circumstances when the sole purpose of such debt financing is to reduce short-term annual budgetary expenditures.

XII. Internal Control Procedures

The Chief Executive Officer/General Manager or designee will monitor the expenditure of bond proceeds to ensure they were used for the purpose and authority for which the bonds were issued, including, but not limited to the purposes set forth in the indenture or other financing agreement approved by the Board.

When reasonable, proceeds of debt will be held by a third-party trustee or fiscal agent and BAWSCA will submit written requisitions for such proceeds. BAWSCA will submit a requisition only after obtaining the signature of the Chief Executive Officer/General Manager. In those cases where the proceeds of debt are not to be held by a third-party trustee or fiscal agent, the Chief Executive Officer/General Manager shall be responsible for approving expenditures in the same manner as the approval for the expenditures of other revenues.

Nothing in this policy is intended to appropriate the Board's regular decision-making authority.

XIII. Conclusion

This Policy is intended to guide and regulate BAWSCA's issuance of debt. This Policy should be reviewed and updated periodically to reflect changes in the market, the identification of other best practices, and to incorporate BAWSCA's own experience or changing circumstances.

While adherence to this Policy is generally required, it is recognized that changes in the capital markets, BAWSCA's needs and other unforeseen circumstances

may from time to time produce situations that are not covered by the Policy or will require modifications or exceptions to best achieve public policy goals. Any deviations from this Policy that is recommended by staff should be highlighted in the staff report transmitting the resolution for approval of the financing.

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REQUEST FOR PROPOSALS

**UNDERWRITER(S) FOR THE
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**REFUNDING OF REVENUE BONDS (CAPITAL COST RECOVERY PREPAYMENT
PROGRAM), SERIES 2013A**

The Bay Area Water Supply and Conservation Agency (BAWSCA) is a public agency representing the interests of the wholesale purchasers of water from the San Francisco regional water system. KNN Public Finance serves as the municipal advisor to BAWSCA. On behalf of BAWSCA, KNN Public Finance is soliciting proposals from qualified investment banking firms to provide banking and underwriting services in connection with the issuance of refunding bonds for \$163.79 million of callable Revenue Bonds (Capital Cost Recovery Prepayment Program), Series 2013A bonds.

This RFP is being sent to more than three qualified underwriting firms. BAWSCA may appoint more than one firm to the underwriting team.

Responses are to be delivered via e-mail on Thursday, May 6, 2021 by 11:59 PM (California time) to Christina Tang (ctang@bawasca.org), Dan Cox (dc Cox@knninc.com) and Allison Schutte (aschutte@hansonbridgett.com). Please limit your responses to 10 pages, exclusive of the letter of transmittal. Resumes, transaction history and any debt service schedules may be included in an appendix, which will not be counted towards the page limit. BAWSCA will accept joint proposals from more than one firm, although such joint proposals are not specifically requested.

Finalist interviews are *tentatively* expected to occur on one of more of the afternoon of Monday, May 24; the morning of Tuesday, May 25; the morning of Thursday May 27 or Friday May 28.

A. BACKGROUND

Bay Area Water Supply and Conservation Agency (BAWSCA):

BAWSCA was created on May 27, 2003 to represent the interests of 24 cities and water districts, and two private utilities, in Alameda, Santa Clara and San Mateo counties that purchase water on a wholesale basis from the San Francisco Regional Water System (SF RWS). BAWSCA's goals are to protect the health, safety, and economic wellbeing of 1.8 million people, businesses and community organizations in Alameda, San Mateo and Santa Clara counties that depend on the SFRWS.

BAWSCA was enabled by AB 2058 (Authors: Assembly members Louis Papan, John Dutra and Joe Simitian). The Legislature's overwhelming support for the bill demonstrated the state's recognition of the need for local government to protect the health, safety and economic well-being of 1.8 million people, and over 40,000 businesses and community organizations in the three counties.

BAWSCA is the only entity having the authority to directly represent the needs of the cities, water districts and private utilities (wholesale customers) that depend on the SF RWS. BAWSCA provides the ability for the customers of the SF RWS to work with San

Francisco on an equal basis to ensure the water system is maintained, and to collectively and efficiently meet local responsibilities. BAWSCA is also the only entity having the authority to perform regional water supply reliability planning for its member agencies. BAWSCA's goals are to ensure a reliable water supply and high-quality water at a fair price.

BAWSCA currently has a staff of nine. BAWSCA's annual operating budget is approximately \$4.5 million and the agency's assets consist primarily of general office equipment.

The 2013 Revenue Bonds (Capital Cost Recovery Prepayment Program)

The 2013 Revenue Bonds were issued in the total principal amount of \$335,780,000 on January 31, 2013 to finance the prepayment of the capital cost recovery payment obligation of BAWSCA members to the City and County of San Francisco pursuant to the water supply agreement summarized below. Series 2013A is tax-exempt and currently has \$183.385 million outstanding, of which \$163.79 million is subject to an optional call beginning on April 1, 2023. The Series 2013B is taxable with a remaining principal amount of \$69.020 million. The 2013B bonds have a make-whole call and are not being considered for refunding. Each series has a final maturity of 2034.

The 2013 Bonds are secured by a surcharge levied by BAWSCA on its member agencies pursuant to its enabling legislation, Water Code Section 81300 *et seq.*, and in particular Water Code Section 81438. In addition, the member agencies each adopted financing resolutions in connection with the 2013 A and B bonds. The surcharge is fixed for each agency each year and the fixed amount is adjusted each year by actual water use. The surcharge is collected on behalf of BAWSCA on a monthly basis by the San Francisco Public Utilities Commission, who remits the surcharge collections directly to the trustee for the 2013 Bonds.

The 2013 Bonds are currently rated Aa3/AA- by Moody's and S&P, which are the same as the initial ratings.

The official statement for the 2013 Bonds is available on EMMA. For convenience, the link below is provided:

<https://emma.msrb.org/EA509099-EA396659-EA793581.pdf>

The Water Supply Agreement:

In 2009, the San Francisco Public Utility Commission (SFPUC) and each of the Wholesale Customers entered into the Water Supply Agreement (WSA), which replaced the prior Master Water Sales Contract. The 26 agencies authorized BAWSCA to negotiate that agreement on their behalf. The WSA has a 25-year term (with provisions for two, conditional 5-year extensions).

One feature of the original WSA was that the Wholesale Customers' share of net book value of existing regional assets as of June 30, 2009 was to be recovered through level annual payment over the twenty-five-year term of the WSA at an interest rate of 5.13%. The 2013 Bonds financed the prepayment in full of this component of the water rates,

under terms in the WSA.

The WSA also provided for recovery of certain regional capital expenditures attributable to appropriations with payments over a ten-year period at an interest rate of 4.00%. This obligation has been prepaid from a Balancing Account transfer and is no longer outstanding.

Refunding Options Which May Be Considered:

BAWSCA's objective for the refunding is to maximize net present value savings while giving due regard for differences among the various refunding options in exposure to market risk. BAWSCA has preliminarily evaluated a taxable advance refunding of 13A (due to the current restriction on advance refundings rather than private use concerns), a tax-exempt forward delivery (primarily assuming slightly under 12 months from pricing to settlement) and a tax-exempt regular delivery for a current refunding within 90 days of the optional call date. BAWSCA will continue to evaluate these alternatives; however, given the relatively short period of time between the point that a taxable refunding could be priced and the time that a forward pricing may be feasible, BAWSCA currently believes that pursuing a taxable refunding (alone) isn't likely but may consider a taxable refunding combined with a tender or exchange if savings can be significantly enhanced. BAWSCA is aware of the proposed federal legislation to reauthorize tax-exempt advance refundings and could pursue that option for the advance refundable portion of 2013A (preliminarily, approximately 60% of 13A), if that option becomes available. A final decision as to the refunding approach to be pursued is expected to be finalized shortly after the selection of an underwriter(s).

For purposes of this proposal, the base scenario is a publicly offered tax-exempt forward delivery refunding priced in January 2022 with settlement in January 2023. Other alternatives such as those identified above may be considered to the extent that they increase savings and/or reduce exposure to market risk. See Proposal Requirements.

BAWSCA may consider fixed rate direct purchase/private placement proposals but only if the terms thereof **do/will not** include increased costs provisions or potential breakage fees to lock in a rate.

After selection of the underwriter(s) and refunding approach, BAWSCA may consider shortening the refunding amortization. As a result, alternative amortization structures (shorter or longer than the original final maturity) should **not** be addressed in proposals as options. Savings structures such as uniform, proportionate savings will also be finalized later and should not be addressed in proposals. Proposals to generate new money should also **not** be included. BAWSCA expects to continue using the same method that it is currently using to determine the annual surcharges to the wholesale customers (see the 13AB OS) and, since 13B will remain outstanding, BAWSCA expects to continue the Stabilization Fund established with the 13AB issuance at 50% of maximum annual debt service, along with the April 1 and October 1 payments dates (principal in October).

BAWSCA does not have a formal refunding policy but for purposes of this proposal, assume that BAWSCA will target 15% net present value savings with minimums of 12% for a taxable advance, 8% for a tax-exempt advance (if applicable) or forward and 5% for

a regular current delivery refunding.

BAWSCA is in the process of retaining Orrick, Herrington and Sutcliffe in a bond counsel role and will subsequently appoint a disclosure counsel. The BAWSCA Board meets every other month. A debt policy required by Government Code section 8855(i) and a financing resolution are tentatively scheduled to be presented to the Board for consideration of approval in mid-September 2021. Assuming September Board approval, BAWSCA would be in a position to price in late September or early October. Under the base scenario described above, pricing would occur in January 2022, with settlement in January 2023, however those dates may vary depending on the selected refunding approach and market conditions.

B. PROPOSAL CONTENT AND GENERAL REQUIREMENTS

1. Provide a brief description and overview of your firm, such as type of organization, years in business, business focus, location of headquarters and presence in California, including sales and trading. Describe any agreements, joint ventures and/or affiliations insofar as they relate to distribution of primary offerings to investors at original offering prices; describe the firm's institutional and retail sales capabilities.
2. Summarize your firm's experience in underwriting water and wastewater revenue bonds and certificates of participation since January 1, 2018, as well as any other transaction work you believe would be particularly relevant to this engagement. We are most interested in the experience of the proposed team and work in California. You may highlight transactions (including competitive bids won) for the SFPUC Water Enterprise or BAWSCA members. A transaction list may be provided as an appendix.
3. Identify the members of your team to be assigned to BAWSCA, including the underwriter who would be expected to lead the pricing, and the role of each. Provide a brief resume for each, including experience with similar revenue bonds and refunding options. Also include the office location(s) from which those members are based.
4. Please describe up to three case studies that best exhibit similar characteristics to BAWSCA's situation, including the role of your proposed team.
5. Do you believe that pricing a forward prior to January 2022 for settlement in January 2023 is feasible? If so, provide at least one recent example of a longer than 12-month forward, which doesn't necessarily have to be an issue the firm underwrote. Would the forward premium on a per month basis vary significantly from your indication for an 11.5-month forward (see question 7 below)?
6. Optional: Assuming that the earliest that BAWSCA would be in a position to price is late September of this year, do you believe that any other options would likely produce greater savings to BAWSCA compared to a forward? If so, please indicate the option(s) and rationale for pursuing.
7. Assuming a forward delivery refunding of 2013A pricing January 2022 settling January 2023, describe your pricing expectations for the bonds and rationale,

assuming current market conditions (the specific day to be selected by the proposer). Include the MMD date, coupons, yields, and show separately the credit spreads to the October MMD and the total forward premium assuming an 11.5-month forward period. The estimated scale and any supporting data for the price rationale you wish to include (such as comparable sales) may be included as an appendix. Refunding analyses are not required but, if prepared, may be included in an appendix to help support the rationale.

8. Please provide an indicative underwriting spread for the base scenario, broken down by takedown by maturity, expense detail and management fee, if any. If the underwriting spread would be impacted if an option other than the base scenario is pursued, please indicate the extent.
9. Please comment on BAWSCA's current Moody's and S&P ratings. If you believe that BAWSCA may be a candidate for an upgrade from one or both, please indicate why.
10. Based on your firm's net excess capital, what is your capability to underwrite?
11. Provide three client references for similar issuers, preferably individuals who have worked directly with the proposed primary contact(s). Indicate name and title of the individual, issuer, email and phone number.
12. Indicate whether your firm or any personnel proposed to work on this financing have been investigated or been subject to disciplinary action by FINRA, the SEC, or any other federal or State regulatory body over the past five years. If so, provide a description of such investigation or disciplinary action including the results of any investigation or disciplinary action (this disclosure may be included as an appendix).
13. Optional: Please provide any *other* information that you feel demonstrates your firm's ability to effectively structure, price and market the proposed bonds at favorable terms to BAWSCA.

C. SELECTION PROCEDURES

BAWSCA will review all proposals received. BAWSCA intends to appoint the most qualified, responsible firm or firms submitting a responsive proposal.

Ranking will be based on a maximum of 100 points, weighted as indicated below. In determining the number of points a proposal will receive in each category, BAWSCA will consider the proposal material submitted, oral interviews (if applicable), and any other relevant information about a given Proposer. The following criteria will be used in the evaluation of the proposals:

- Qualifications and Experience of Firm 25 Points
- Qualifications and Experience of Personnel Assigned to the Project 25 Points
- Approach to the Scope of Services 35 Points

- Fee for Services

15 Points

BAWSCA may reject any proposal in which the approach, qualifications, or costs are not deemed to be within an acceptable or competitive range. BAWSCA may seek clarifications or additional information from any or all Proposers regarding their proposals and may request modified proposals or best and final offers.

Following the initial review and screening of the written proposals, using the Selection Criteria described above, BAWSCA intends to invite one or more firms to participate in the final selection process, which may include:

- Participation in an oral interview.
- Submission of any additional information as requested by BAWSCA.

This RFP does not commit BAWSCA to awarding a contract. Proposers shall bear all costs incurred in the preparation of the proposal and participating in the proposal process. BAWSCA reserves the right to reject any and all proposals, the right in its sole discretion to accept the proposal it considers most favorable to BAWSCA's interest, and the right to waive minor irregularities. BAWSCA further reserves the right to reject all proposals and seek new proposals when such procedure is reasonable and in the best interest of BAWSCA.

E. DEADLINE FOR SUBMITTAL/CONTACT FOR QUESTIONS

Proposals must be received later than **11:59 p.m. Pacific Daylight Time Thursday May 6, 2021.**

Proposals should be submitted by email to each of the following persons:

Dan Cox
KNN Public Finance
dcox@knninc.com

Christina Tang, Finance Manager
Bay Area Water Supply and Conservation Agency
ctang@bawasca.org

Allison Schutte
Hanson Bridgett LLP
aschutte@hansonbridgett.com

Questions should be directed no later than Thursday, April 29 to Dan Cox of KNN Public Finance, by e-mail at dcox@knninc.com. Please do not contact other members of the BAWSCA team regarding this RFP.

F. CONFIDENTIALITY

The California Public Records Act (Cal. Govt. Code § 6250 et seq.) mandates public access to government records. Therefore, unless the information is exempt from disclosure by law, the content of any request for explanation, exception or substitution,

response to these specifications, protest or any other written communication between BAWSCA and the Proposer shall be available to the public.

If the Proposer believes any communication contains trade secrets or other proprietary information that the Proposer believes would cause substantial injury to the Proposer's competitive position if disclosed, the Proposer shall request that BAWSCA withhold from disclosure the proprietary information by marking each page containing such proprietary information as confidential. Proposer may not designate its entire proposal as confidential.

If the Proposer requests that BAWSCA withhold from disclosure information identified as confidential, and BAWSCA complies with the Proposer's request, the Proposer shall assume all responsibility for any challenges resulting from the non-disclosure, indemnify and hold harmless BAWSCA from and against all damages (including but not limited to attorneys' fees that may be awarded to the party requesting the Proposer information), and pay any and all costs and expenses related to the withholding of the Proposer information. The Proposer shall not make a claim, sue or maintain any legal action against BAWSCA or its directors, officers, employees or agents in connection with the withholding from disclosure of Proposer information.

If the Proposer does not request that BAWSCA withhold from disclosure information identified as confidential, BAWSCA shall have no obligation to withhold the information from disclosure and may release the information sought without liability to BAWSCA.

G. WAIVER

By submitting a proposal, the Proposer represents and warrants that it has sufficiently informed itself in all matters affecting the performance of the work requested in this Request for Proposals; that Proposer has checked its proposal for errors and omissions; that the rates stated in its proposal are correct and as intended by it and are a complete and correct statement of its rates for performing the work requested in this Request for Proposals.

The Proposer waives any claim against BAWSCA for costs incurred in preparing a proposal and responding to this RFP.

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Attachment 3
List of Underwriter RFP Respondents

Bank of America Securities*

Citi

Goldman Sachs*

JP Morgan Securities*

Siebert Williams Shank

Stifel*

*Interviewed

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Attachment 4

Consulting Services Agreement Between BAWSCA and Orrick, Herrington & Sutcliffe, LLP
DRAFT SCOPE OF SERVICES FOR 2013A BONDS REFUNDING

Purpose

BAWSCA requires additional bond counsel and disclosure counsel services towards the settlement and execution of the 2013A Bonds refunding.

Work to be Performed:

Determine/Collect Initial Disclosure

1. Participate in conference call with BAWSCA team to discuss disclosure information needed and from whom.
2. Assist in the request for Appendix A disclosure from top users. Respond to inquiries.
3. Develop BAWSCA level disclosure.
4. Receive member disclosure information, check for completeness, etc.; follow up as needed.
5. Draft and review Appendix A.

Final Decision on Refunding Strategy/Structure

1. For a proposed tax-exempt refunding, review and discuss information necessary to confirm that there are no new /private use or other tax issues which may warrant additional taxable bonds beyond 13B (i.e., greater than expected use by Cal Water and Stanford; unexpended prepayment proceeds, etc.).
2. Participate on conference call(s) as needed to finalize the refunding structure.

Contingent Bond Counsel /Disclosure Work: Execution of the Transaction

1. Participate in kick-off call with the financing team.
2. Prepare and circulate draft financing documents and preliminary official statement (POS).
3. Participate in conference calls to discuss documents and POS.
4. Participate on any calls with the SFPUC to discuss any PUC-related aspects of the transaction (i.e., any modifications to the prepayment and collection agreement, the form and content of SFPUC tax certificate, etc.)
5. Respond to emails, calls etc. regarding the transaction which are outside financing team conference calls.
6. Prepare and circulate subsequent draft of financing documents and POS, as needed.
7. If requested, attend BAWSCA Board Policy Committee and Board meetings to approve refunding and the form of documents and any educational settings. Review/comment on draft staff reports, as requested
8. Review and comment on any rating or investor presentations, as necessary
9. Participate in rating agency conference calls, if requested.
10. Participate on OS due diligence call and preparation.
11. Finalize POS and clear with printer.

12. If applicable, review draft request for escrow bid and participate in an escrow bid conference call on day of sale.
13. Tax review of preliminary and final numbers and, if applicable, review of SLGS subscription on day of sale.
14. On the day of sale, review and comment on drafts of the bond purchase agreement; assist in coordinating execution.
15. Prepare and circulate draft closing documents and final OS, take comments.
16. Review draft verification report.
17. Circulate final documents for execution.
18. Clear final OS with printer.
19. Provide validity and tax opinions for the revenue bonds and any other opinions customary for a transaction of this nature.
20. Coordinate the execution of final documents and hold pre-closing and closing.
21. Prepare/circulate transcripts.
22. Respond to any post-closing questions or inquiries.

Not to Exceed Contract Limit Based on Tax-Exempt Forward (no Advance Refunding): \$265,000

Fee payable at bond settlement.

Not to Exceed Contract Limit Based on Tax-exempt Forward plus Advance Refunding: \$295,000

Fee for time accrued through the initial close/advance refunding close payable upon initial close/advance refunding close; remaining time payable at the settlement of the forward.

Rates & Charges:

<u>Name</u>	<u>Hourly Rate</u>
Stephen A. Spitz	\$950/hour
Devin Brennan	\$895/hour
Richard J. Moore	\$950/hour
Other Partners	\$895/hour
Non-partner Attorneys	\$750/hour
Non-attorney timekeepers	\$295/hour

Assumptions:

1. In person, virtual and teleconference meetings will total no more than 15 hours.
2. BAWSCA will take the lead in communications with BAWSCA member agencies, and we will not be required to participate in any calls or meetings with BAWSCA member agencies other than responding to questions relating to disclosure materials for a maximum of five hours.
3. All BAWSCA members participate in the transaction.
4. The credit structure and bond document forms will be substantially the same as in 2013, apart from documentation reflecting the refunding, forward delivery, division into an advance refunding portion and a forward portion and the addition of "green bonds".

5. BAWSCA member agencies will be able to and will provide all information required for disclosure.
6. The financing will require the review of the expenditure of the proceeds of the 2013 proceeds by the SFPUC. The SFPUC will be assisted by tax counsel in providing required information and we will not be required to spend more than 5 hours reviewing such information with the SFPUC and its tax counsel
7. An amendment of or supplement to the Prepayment and Collection Agreement, if any, is limited to acknowledging SFPUC's obligations with respect to the collection of payments reflecting refunding debt service and addressing expenditure of any remaining unspent proceeds, and will not be required to spend more than five hours in discussions with the SFPUC regarding the Prepayment and Collection Agreement
8. BAWSCA will not experience significant challenges with the SFPUC respecting the provision of materials required for tax analysis or any amendments to the Prepayment and Collection Agreement.
9. All advance refunding bonds and the forward delivery bonds will be sold on the same date
10. Bonds will be sold no later than March 3, 2022.
11. In the forward only scenario some work may be necessary in preparation of the potential re-authorization of tax-exempt advance refundings, including a BAWSCA Board authorization sufficient to allow for a forward only or a combination forward/tax-exempt advance refunding.
12. It is tentatively anticipated that the financing will be scheduled for approval by the Board Policy Committee at its August 11 meeting and the BAWSCA Board meeting of September 16, subject to change.

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Attachment 5

Consulting Services Agreement Between BAWSCA and KNN Public Finance
DRAFT SCOPE OF SERVICES FOR 2013A BONDS REFUNDING

Purpose

BAWSCA requires additional municipal advisory services towards the settlement and execution of the 2013A Bonds refunding.

Work to be Performed:

1. Advise BAWSCA on transaction type, structure, sizing, terms, credit ratings process, timing and method of sale and other technical matters;
2. Monitor market conditions and provide periodic estimates of savings, net of costs. Develop preliminary and final costs of issuance budgets for the Bonds.
3. Assist BAWSCA in the underwriter selection process, including managing a request for proposal process, reviewing underwriter proposals and advising BAWSCA on the selection;
4. Advise and consult with BAWSCA and interface with the finance team with respect to confirming or refining the security features and repayment mechanisms the Bonds, including the nature of the repayment obligation of the wholesale customers as the ultimate obligors. Identify the amount to be refinanced and finalize the par value and other terms and conditions upon which the Bonds shall be issued such as maturity schedules and call features. Prepare refunding and debt service and savings schedules and advise BAWSCA on administration and flow of funds for the amortization of the Bonds.
5. Coordinate the efforts of bond and disclosure counsel, BAWSCA officials and other members of the financing team in the preparation and approval of financing documents. Prepare and periodically update financing timetables.
6. Review and comment on draft legal documents.
7. Participate in conference calls and/or meetings with City officials and staff, financing team participants, and others as needed.
8. Advise on obtaining credit ratings and coordinate the ratings/review process, including assisting with presenting the refunding bonds to the rating agencies.
9. Assist in the preparation of the official statement (to be prepared by disclosure counsel) to be used in connection with the offering of Bonds. The official statement will be designed to disclose all material facts in connection with the Bonds, including the purpose of the issue, the security for the Bonds, the available source of payment, and certain historical water purchase, economic and financial information pertaining to BAWSCA and its members.
10. Assist BAWSCA with matters relating to San Francisco Public Utilities Commission's ("SFPUC") role in the Refunding, including assistance with respect to any amendments or supplements to the existing Prepayment and Collection Agreement and/or any issues relating to SFPUC's expenditure of the 2013A proceeds.
11. Independently review all analyses prepared by the underwriter(s) and provide independent analyses as needed, including verification of the underwriters final sizing using DBC Finance software.

12. Assist with staff reports and policy issues and attend Board and other meetings as needed.
13. Assist in the pre-marketing efforts associated with the Bonds, such as review of any investor presentation.
14. KNN will manage the negotiated sale process and represent BAWSCA in the pricing of the securities. KNN will provide independent market data and pricing analyses as needed.
15. Assist BAWSCA in procuring any remaining services, such as a printer for the POS and OS, escrow verification agent and, if necessary, escrow bidding agent.
16. Recommend cash vs net funding for the refunding escrow. As needed, coordinate the subscription for U.S. Treasury Securities, State and Local Government Series (SLGS) and/or oversee an escrow bidding process for open market securities, including review for request for bids.
17. Coordinate the efforts of all members of the financing team to ensure the timely sale and closing on the proposed issue.

Not to Exceed Contract Limit: \$115,000

Fee payable at bond settlement.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Results of FY 2017-18 Wholesale Revenue Requirement Review**

Summary:

Pursuant to Section 7.06A of the 2009 Water Supply Agreement (WSA), BAWSCA conducted its review of SFPUC's calculation of the annual Wholesale Revenue Requirement (WRR) and the changes in the Balancing Account for FY 2017-18. On June 9, 2021, the parties reached an agreement pertaining to BAWSCA's concerns related to SFPUC costs allocated to the Wholesale Customers, which resulted in a total Balancing Account adjustment of \$2,323,997, including interest, as a credit to the Wholesale Customers.

Fiscal Impact:

There is no fiscal impact to BAWSCA. The total adjustment of \$2,323,997 owed to the Wholesale Customers will be applied to the FY 2019-20 opening balance of the Balancing Account.

Recommendation:

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

Discussion:

Pursuant to Section 7.06A of the 2009 WSA, BAWSCA performed its review of the SFPUC calculations associated with the FY 2017-18 WRR and the changes in the Balancing Account. BAWSCA's review was assisted by its financial advisor, KNN Public Finance and legal counsel, Hanson Bridgett.

In June 2021, the parties reached an agreement pertaining to BAWSCA's concerns. This agreement resulted in a credit of \$2,323,997 to the Wholesale Customers. The adjustments resulting from BAWSCA's review of the FY 2017-18 WRR are summarized in Table 1.

Attachment: Table 1 "Summary of Adjustments Resulting from BAWSCA's FY 2017-18 WRR Review"

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ATTACHMENT

Table 1. Summary of Adjustments Resulting from BAWSCA's FY 2017-18 WRR Review

	Type of Adjustment	Descriptions	Due from (to) Wholesale Customers
1	Interpretation of WRR	At BAWSCA's identification, the WSIP Financing Costs were incorporated in the annual debt service allocation incorrectly. The new methodology agreed by the parties in 2020 resulted in a credit to the Balancing Account.	(\$132,719)
2	Cost Allocation	The Paid Time Off expenses were not consistently allocated with the classification of employees' work time. BAWSCA negotiated and agreed to a methodology that would ensure a more accurate cost allocation and has resulted in a credit to the Balancing Account.	(\$1,808,316)
3	Cost Allocation	A portion of consultant services for monitoring and protection of the San Francisco Westside Groundwater Basin was incorrectly classified as a Regional expense. This correction resulted in a credit to the Balancing Account.	(\$17,882)
4	Cost Allocation	The Regional share of salaries attributable to City Distribution Division Buildings & Ground Maintenance erroneously included expenses for materials and supplies in the Bureau cost allocation. This correction resulted in a credit to the Balancing Account.	(\$9,573)
5	Accounting	The expenses associated with the Work Order Fund that accounts for costs and reimbursements for services performed by the SFPUC for the benefit of other City agencies were not included in the Bureau cost allocation as required by the WSA. This correction resulted in a credit to the Balancing Account.	(\$392,218)
6	Accounting	The costs associated with inventories were incorrectly excluded from the WRR calculations. This correction resulted in a Balancing Account adjustment due from the Wholesale Customers.	\$95,790
		Interest on the credits will be applied to the opening balance of the Balancing Account as of June 30, 2018	(\$59,079)
		Total Adjustments	(\$2,323,997)

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: July 8, 2021
SUBJECT: Chief Executive Officer/General Manager's Letter

Brown Act Requirements after September 30, 2021

It is likely that BAWSCA will soon be required to comply with pre-COVID requirements for teleconference participation in Board meetings. In March of 2020, the Governor issued an Executive Order relaxing requirements for holding public meetings via teleconference. These modifications are set to expire on October 1, at which point BAWSCA will once again be required to comply with previously-existing teleconference requirements set by the Brown Act. While the Legislature is currently considering multiple bills, which would amend the Brown Act requirements, as currently drafted, none of the amendments would be applicable to BAWSCA on October 1. We are monitoring the status of pending legislation and will keep you informed about plans for Board meetings after October 1.

WSA Amendment – Minimum Purchase – Update

BAWSCA continues to work with the Member Agencies on finalizing a Water Supply Agreement (WSA) amendment package that will include both:

1. a WSA amendment that allows for a transfer of an Individual Supply Guarantee (ISG) plus Minimum Purchase Obligation to another Member Agencies with a fixed ISG, and
2. an agreement between East Palo Alto and Mountain View (EPA-MV agreement) for a minimum purchase transfer of 0.25 million gallons per day (mgd) that is tied to the 1 mgd transfer of ISG from Mountain View to East Palo Alto that was executed in 2017.

All BAWSCA agencies will need to act on both items. SFPUC has already approved the main WSA amendment, whose language has been final for several months.

Mountain View City Council approved both the main WSA amendment and the EPA-MV agreement in late June. East Palo Alto Council authorized the EPA-MV agreement in May.

BAWSCA is awaiting the final language of the EPA-MV agreement prior to finalizing the WSA amendment package that will be forwarded to the Member Agencies to support consideration by each agency. The language and final amendment package is expected to be complete by early August. It is anticipated that Member Agencies will bring the WSA amendment package to their respective governing bodies for approval beginning in September 2021.

ABAG Draft EIR – BAWSCA Comments

On June 4, 2021, the Metropolitan Transportation Commission/Association of Bay Area Governments (MTC/ABAG) released a Draft Environmental Impact Report (Draft EIR) for Plan

Bay Area 2050 (proposed Plan), a long-range plan for the San Francisco Bay Area. Comments are due by July 20, 2021.

BAWSCA has reviewed the Draft EIR and is preparing a comment letter. In addition, BAWSCA has shared a template comment letter that member agencies may use, if desired, to submit comments on the proposed Plan.

In BAWSCA's review of the Draft EIR, BAWSCA found that the document failed to consider its impact on water supply reliability for the BAWSCA region. Specifically, BAWSCA's comments will ask that the MTC/ABAG revise its Draft EIR to: 1) account for the impacts of the Bay-Delta Plan on water supply reliability; 2) account for the FERC relicensing of Don Pedro Reservoir (and its associated 401 Water Quality Certification) on water supply reliability; 3) consider the difficulties that BAWSCA member agencies would have in responding to water supply shortages during times of drought; 4) reconsider mitigation measures that incorrectly assume new or expanded water supplies could quickly come on-line; and 5) consider information related to water supply reliability during times of drought as detailed in Member Agency 2020 UWMPs vs Member Agency 2015 UWMPs, which are currently referenced in the Draft EIR. The above information as well as other findings will be incorporated into BAWSCA's comment letter.

If a Member Agency chooses to use the template comment letter provided by BAWSCA, they will fill in details as to the particular impact of water shortages resulting from the implementation of the Bay-Delta Plan. That information is readily available from their respective 2020 UWMPs. For those agencies yet to adopt their 2020 UWMP, BAWSCA suggested that they reference their draft 2020 UWMP.

Advanced Metering Infrastructure (AMI) Workshop

BAWSCA's Advanced Metering Infrastructure (AMI) workshop series was held virtually in June 2021. The focus of Workshop #1 on June 10th was on pre-AMI implementation and included presentations on the multiple benefits of AMI and approaches to implementation. Workshop #2 on June 15th focused on post-AMI implementation topics, such as managing and utilizing data, leak notifications, customer engagement, and intra-agency applications of AMI.

The purpose of the AMI workshop series was to support Member Agency efforts to advance the implementation of AMI within their respective service areas, provide guidance on using AMI data to improve water use efficiency, provide a forum for information sharing between agencies, and identify potential opportunities for AMI planning and implementation.

A survey was sent to all participants after the workshop to collect feedback about the workshop, the status of AMI implementation amongst agencies, and solicit suggestions for ways that BAWSCA can support AMI implementation efforts.

Based on feedback about the workshop series and suggestions received from participants, there is a high level of interest among Member Agencies for continued regional collaboration and information-sharing on AMI technology options and implementation strategies. Survey participants also expressed interest in services or support for AMI data management post-installation (e.g., leak programs, meter management, system health maintenance) as well as services and support for data management pre- or during installation (meter surveying, workflow practices, etc.). Another area of interest was information on leak alert programs. Based on the feedback received, BAWSCA will consider what further tasks should be done in FY 2021-22 to continue support for AMI implementation.

Drought Information on BAWSCA Website

BAWSCA has made significant updates to its website and drought page to better reflect information regarding the current drought. BAWSCA has provided messaging which encourages the wise use of water and asks water customers to remain vigilant, particularly around outdoor water use. Also included on the web page are links to BAWSCA's programs and rebates, outdoor and indoor water saving tips, SFPUC's water conservation page, Valley Water's drought page, and several state pages for additional information regarding drought conditions. BAWSCA will continue to carefully monitor the drought conditions and will update the page accordingly.

Coordinated Drought Messaging Efforts

BAWSCA has been coordinating with Member Agencies as well as with neighboring water agencies on the development of drought messaging that would be used in the latter half of calendar year 2021. As noted above, the BAWSCA drought message is geared to encourage customers to use water wisely, and in particular seeks ways to reduce outdoor water use.

With the cooperation of the City of San Carlos, three electronic billboards operated by the City will display an image promoting efficient outdoor watering. BAWSCA is seeking to have a similar message displayed on billboards in the East Bay that the City of Hayward has access rights to. Further, BAWSCA has reached out to Daly City, asking for its cooperation to have that same message displayed on an electronic billboard they have access to.

BAWSCA held a meeting with the conservation staff of the SFPUC and Valley Water to discuss how to approach drought messaging within the agencies of Santa Clara County that are served by both the SFPUC and Valley Water. It is BAWSCA's current understanding that Valley Water is tailoring its drought message to be similar to BAWSCA's, e.g., wise use of water during the drought. Valley Water intends to hold a meeting with its retailers on July 15, 2021, where they will share this particular outreach plan. Assuming that outreach plan remains as has been conveyed to BAWSCA, the drought message will be aligned well.

At this time, the SFPUC and BAWSCA do not propose any large media buys in regard to advertising drought messages to a television or social media outlet. In the fall of 2021, that decision will be revisited.

Finally, BAWSCA has been participating in meetings organized by the Public Information Officers (PIOs) of a number of Bay Area water agencies. The purpose of those calls has been to share information regarding current water supply conditions as well as any calls for voluntary or mandatory rationing. At this point in time, agencies in the North Bay have calls for mandatory rationing, such as Marin Municipal Water District. In addition, Valley Water has such a call. No plan for a broad Bay Area drought message was seen as needed at this time, yet the PIOs determined that such a decision would be revisited in the fall of 2021.

Assembly Member Marc Berman Townhall Meeting

Assembly Member Marc Berman hosted a Townhall Meeting on the evening of July 1, 2021, where the current drought was discussed. The meeting was organized in a panel format, with speakers from the State of California Department of Water Resources, Valley Water, California Water Services, and BAWSCA. Tom Francis, BAWSCA's Water Resource Manager, presented on behalf of BAWSCA. Mr. Francis' presentation highlighted the current water supply conditions within the San Francisco Regional Water System and provided information regarding the numerous conservation programs offered by BAWSCA and the member agencies.

Over 200 residents signed up to attend the meeting. Questions from listeners focused on ways that water agencies can encourage their customers to reduce their water use during these times of drought. The event was streamed live via Assembly Member Berman's Facebook Page and a recording of the event can be viewed online on his Facebook Page.

Internship Update

In April 2021, BAWSCA sent a request for Statement of Qualifications (SOQ) to 5 organizations seeking a partner to support the implementation of the BAWSCA Internship Program. The Internship Program aims to provide interns with opportunities to learn from professionals and gain critical skills for their future career.

The deadline for SOQ submissions was May 7th, 2021, and BAWSCA received one SOQ from Eastside College Preparatory School (ECPS). ECPS is a private 6-year combined middle and high school in East Palo Alto. Beyond high school, ECPS provides support for its graduates from the transition to college through the launch of their careers. The ECPS Alumni Services offers college success and career development programs, including a Career Pathways Program (CPP) that includes career coaching services and an internship program that is focused predominantly on college students.

BAWSCA is looking forward to this new partnership with ECPS that will assist in identifying potential internship candidates for Summer 2022. BAWSCA's approach to the program aims to provide the intern with valuable work experience and skills necessary for them to be successful in the water resources field.

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Board of Directors

Policy Calendar Through January 2022

Meeting Date	Purpose	Issue or Topic
July 2021	D&A R&D R	Actions Needed to Proceed Potential Refunding of Bond Series 2013A Discussion and Possible Action on CEO/General Manager Evaluation Procedure FY 2017-18 Wholesale Revenue Requirement
Sept 2021	D&A D&A R&D R R	Consideration of Proposed Bond Issuance to Refund Series 2013A Bonds CEO/General Manager Performance Evaluation Update on Review of Current Tier 2 Drought Plan Update on the Demand Study Refresh Update on Long-Term Reliable Water Supply Strategy Implementation
Nov 2021	D&A R&D	Annual Review and Consideration of BAWSCA's Statement of Investment Policy Update on BAWSCA's and SFPUC's OPEB Funded Status
January 2022	R&D R&D R	Mid-Year 2021-22 Work Plan, Budget and General Reserve Review Update on BAWSCA's and SFPUC's Unfunded Pension Liabilities Water Supply Update

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**Bay Area Water Supply and Conservation Agency
and Regional Financing Authority**

Meeting Schedule through June 2022

DUE TO COVID-19, MEETINGS WILL BE CONDUCTED AS A TELECONFERENCE PURSUANT TO THE PROVISIONS OF THE GOVERNOR'S EXECUTIVE ORDERS N-25-20 AND N-29-20, WHICH SUSPEND CERTAIN REQUIREMENTS OF THE RALPH M. BROWN ACT. MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON.

Schedule for BAWSCA Board Meetings (Meetings are held from approx. 6:30 – 8:45 p.m.)	
<u>Date</u>	<u>Location</u>
Thursday – July 15, 2021	Zoom Meeting
Thursday – September 16, 2021	Zoom Meeting
Thursday – November 18, 2021	Oak Room, San Mateo Main Library
Thursday – January 20, 2022	Oak Room, San Mateo Main Library
Thursday – March 17, 2022	Oak Room, San Mateo Main Library
Thursday – May 19, 2022	Oak Room, San Mateo Main Library

Schedule for RFA Board Meetings (Meeting time will be announced)	
<u>Date</u>	<u>Location</u>
Thursday – January 20, 2022	Oak Room, San Mateo Main Library

Schedule for BAWSCA Board Policy Committee Meetings (Meetings held from 1:30-4:00 p.m.)	
<u>Date</u>	<u>Location</u>
Wednesday – August 11, 2021	Zoom Meeting
Wednesday – October 13, 2021	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – December 8, 2021	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday – February 9, 2022	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday, April 13, 2022	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday, June 8, 2022	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.