



## **BOARD POLICY COMMITTEE**

**June 9, 2021**

**1:30 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 Policy Committee are listed to permit them to appear telephonically at the BPC Meeting on June 9, 2021: Tom Chambers, Alison Cormack, Steve Jordan, Rob Kuta, Gustav Larsson, Juslyn Manalo, Al Mendall, Barbara Pierce, 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/82868577092>

- Meeting ID: **828 6857 7092**
- Password: **793859**
- 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 US Toll-free
  - Meeting ID: **828 6857 7092**
  - Password: **793859**
- To Mute or UnMute, Press \*6.
- To Raise Hand, Press \*9.
- The presentation will be available prior to the meeting at [www.bawasca.org](http://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 #.

(This page was intentionally left blank)

# BAWSCA

Bay Area Water Supply & Conservation Agency

## BOARD POLICY COMMITTEE

June 9, 2021

1:30 p.m.

### AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
<b>1. <u>Call To Order, and Roll Call</u></b>	(Zigterman)	
Roster of Committee Members ( <i>Attachment</i> )		Pg 5
<b>2. <u>Comments by Chair</u></b>	(Zigterman)	
<b>3. <u>Public Comment</u></b>	(Zigterman)	
<i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>		
<b>4. <u>Consent Calendar</u></b>	(Zigterman)	
A. Approval of Minutes from the April 14, 2021 meeting ( <i>Attachment</i> )		Pg 7
<b>5. <u>Action Items</u></b>		
A. Potential Refunding of BAWSCA's Revenue Bond Series 2013A - Additional Actions Needed to Proceed ( <i>Attachment</i> )	(Tang)	Pg 23
<u>Issue:</u> What actions are needed for the potential refunding of Series 2013A bonds to achieve savings for the member agencies?		
<u>Information to Committee:</u> Memorandum and oral report		
<u>Committee Action Requested:</u> That the Committee recommend the proposed Board action.		
B. Approval of Proposed Modifications to the Job Description and Top Step Salary for the Position of Assistant to the CEO/General Manager ( <i>Attachment</i> )	(Sandkulla)	Pg 57
<u>Issue:</u> How have the duties and responsibilities of the Assistant to the CEO/General Manager changed over time?		
<u>Information to Committee:</u> Staff memo and oral report.		
<u>Committee Action Requested:</u> That the Committee recommend Board approval of the proposed modifications to the job description and top step salary for the position of Assistant to the CEO/General Manager.		
<b>6. <u>CEO Reports</u></b>	(Sandkulla)	
A. Water Supply Conditions		
B. FERC/Bay Delta Plan Update		
C. CEO/General Manager Evaluation Procedures	(Larsson)	
D. CEO/General Manager's Letter ( <i>Attachment</i> )		Pg 63
E. Board Policy Committee Calendar ( <i>Attachment</i> )		Pg 65
F. Correspondence Packet ( <a href="#"><u>Under Separate Cover</u></a> )		

**7. 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).

**8. Report from Closed Session**

**(Schutte)**

**9. Comments by Committee Members**

**(Zigterman)**

**10. Adjournment to the Next Meeting**

**(Zigterman)**

**Unless otherwise noticed:**

August 11, 2021 at 1:30pm via Zoom

**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 [bawsca@bawsca.org](mailto:bawsca@bawsca.org) or submitted by phone at 650-349-3000. Requests will be granted whenever possible and resolved in favor of accessibility.



**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE**

**2021 Committee Roster:**

Tom Zigterman, Stanford University (Chair)

Juslyn Manalo, City of Daly City (Vice Chair)

Thomas Chambers, Westborough Water District (BAWSCA Vice Chair)

Alison Cormack, City of Palo Alto

Steve Jordan, Purissima Hills Water District

Rob Kuta, California Water Service Co.

Gustav Larsson, City of Sunnyvale (BAWSCA Chair)

Al Mendall, City of Hayward

Barbara Pierce, City of Redwood City

Sepi Wood, City of Brisbane

(This page was intentionally left blank)

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE**

**April 14, 2021 – 1:30 p.m.**

**Zoom Video Conference**

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

<b>MINUTES</b>
----------------

1. **Call to Order:** Committee Chair, Tom Zigterman, called the meeting to order at 1:34 pm. Nine (9) members were present at roll call. One (1) member arrived after roll call. A list of Committee members who were present (10), absent (0) and other attendees is attached.

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

2. **Comments by Committee Chair:** Committee Chair 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 the Committee's consideration of the agenda items are critically important to the agency's operational success and financial performance on behalf of the member agencies and its water customers. He noted that all actions by the committee will be done by roll call vote.

3. **Public Comments:** Public comments were provided by Dave Warner.
4. **Consent Calendar:** Approval of Minutes from the February 10, 2021 meeting.

**Director Mendall made a motion, seconded by Director Jordan, that the minutes of the February 10, 2021 Board Policy Committee meeting be approved.**

Director Kuta noted an irregularity with a sentence on the 2<sup>nd</sup> page, 3<sup>rd</sup> line of the minutes. Ms. Tang clarified that the sentence should state "...saves the agencies over \$3.5M collectively..."

Director Mendall agreed to amend the motion, seconded by Director Jordan, that the minutes of the February 10, 2021 Board Policy Committee meeting be approved with the noted correction.

**The motion carried unanimously by roll call vote.**

5. **Action Item #1:**

A. **Second Amendment to Hanson Bridgett's FY 2020-21 Professional Services Contract:** Ms. Sandkulla reported that legal expenses associated with completing critical work plan items for this current fiscal year has exceeded what was budgeted, particularly on efforts with the WSA amendment, the Bay Delta Plan, and the FERC relicensing process. In an effort to keep the budget tight in FY 2020-21, Legal

Counsel's budget was set at a level that did not anticipate for concurrent increased levels of activities for all three efforts.

The Board authorized the first amendment at its March meeting, in which it was noted that a second amendment will follow, once the amount needed to complete the necessary work is determined.

The use of the Balancing Account to fund the proposed second amendment is recommended in an effort to manage the financing of the budget this fiscal year and for FY 2021-22. With the Board's budget feedback received in March, expenses in the current fiscal year were analyzed to identify what efforts qualify to be funded by the Balancing Account.

Ms. Sandkulla reported that expenses incurred for the strategy implementation and core conservation program implementation are eligible for reimbursement to BAWSCA from the WSA Balancing Account. Those efforts include the Los Vaqueros Expansion Project feasibility study, potable reuse exploratory plan, and work with the Bay Area Regional Reliability Partnership, which totals to approximately \$153K. In addition, there is approximately \$44K associated with the implementation of core conservation programs such as the Landscape Education Program, and Water Efficient Leak Protection efforts with the member agencies.

Resolution 2020-02 was adopted by the Board in September 2020 following extensive discussion on establishing a policy around the use of the Balancing Account. Ms. Sandkulla reported that while the Balancing Account is primarily used for rate stabilization, the WSA allows for the Board to make a determination on the use of the Balancing Account if certain conditions, particularly maintaining a positive balance over a required number of years, are met.

The Board's adopted policy set forth by Resolution 2020-02 requires written findings that justify the allocation of the positive balance. The staff memo included in the agenda packet provides the required findings along with a copy of Resolution 2020-02.

Ms. Sandkulla presented the key findings which includes:

- the proposed appropriation of \$197K will not have a discernible impact on the wholesale rates in the next five years, or the need for funds for a Wholesale Revenue Coverage Reserve;
- the Water Management Charge is not a preferred method of funding the expense at this time given the size of the positive balance in the Balancing Account and the budget needs, and;
- at this time, there is no other competing interest that requires the Balancing Account to be reserved in its entirety rather than as a funding source for these specific budget items.

Ms. Sandkulla explained that the Water Management Charge is another WSA-enabled funding mechanism available to BAWSCA, that has been previously used for the development of BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy), which was a multi-year and multi-million dollar effort. The Water Management Charge is not the appropriate funding mechanism for an expense of



this size. Additionally, given the current size of the Balancing Account, its use for this purpose will not significantly impact the balance or its planned use moving forward.

Ms. Sandkulla presented the recommendation and welcomed questions and comments from Committee members.

Director Kuta asked if the \$25K addition to Hanson Bridgett's contract presented in agenda item #5C is included in the total not-to-exceed contract amount of \$1,006,500.

Ms. Sandkulla explained that the proposed second amendment to Legal Counsel's contract is for FY 2020-21. Item 5C, which asks the Committee to recommend Board authorization for the CEO to add scoping work to Hanson Bridgett's contract for a cost of \$25K, is for the work needed to support the bond refunding activity in FY 2021-22. The Board will consider action in May to adopt the FY 2021-22 Budget and Work Plan, including the \$25K scope for Hanson Bridgett for the bond refunding efforts.

Director Pierce asked if legal counsel's budget for FY2021-22 should be increased given this year's increased expenses associated with un-anticipated legal questions and concerns on the WSA amendment.

Ms. Sandkulla explained that negotiations on the WSA amendment was essentially completed as the FY 2020-21 budget was developed and adopted in May 2020. But in July 2020, there were a series of very specific and legal questions associated with the minimum purchase that engaged legal counsel in an effort to resolve them over a period of 5-6 months. The effort is now complete with the exception of putting a packet together for the member agencies to support adoption.

Director Pierce suggested to include that information in the packet that goes to the Board for the May meeting.

Director Cormack commented that \$606K for legal's FY 2020-21 budget was a significant drop following actual expenses of \$818K in FY 2019-20. However, she recognizes the optimistic approach and understands the un-anticipated developments that led to all three efforts happening at the same time. She asked if there are activities in FY 2021-22 that the agency is being overly conservative on, and for how long has Hanson Bridgett provided services to BAWSCA.

Ms. Sandkulla stated that while she cannot predict what may happen in FY 2021-22, there is no activity she can identify at this time that she is not sufficiently allocating funds for, or any that may require her to come back to the Board. In FY 2020-21, Legal Counsel's conservative budget allocation was a deliberate response in light of the COVID-19 situation and other developments in the midst of planning the FY 2020-21 budget.

Ms. Sandkulla reported that Hanson Bridgett has provided legal services since BAWSCA's inception, and served BAWSCA's predecessor organization, BAWUA.

Ms. Schutte added that Hanson Bridgett's service started when Palo Alto hired the firm for litigation against the City and County of San Francisco in the 1970s.

Director Wood asked for clarification on whether Requests for Proposals (RFPs) are done for professional services after a number of years.

Ms. Sandkulla stated that BAWSCA's procurement policy does not require that process. However, approximately 5 years ago, the Board requested a review of the consultants' hourly fees to ensure that the rates BAWSCA pays are at or below market rates. The review indicated that the consultant rates were below market rate, and that BAWSCA was getting good value for its consultant services. Since then, BAWSCA has maintained rate increases below cost of living. Ms. Sandkulla added that BAWSCA benefits on consultants' historical knowledge of the agency and the service area. This enables the consultants to perform the job well and effectively.

**With the noted corrections on the typing errors, Director Wood made a motion, seconded by Director Larsson, that the Committee recommend the Board authorize the CEO/General Manager to:**

- 1. Amend the professional services contract with Hanson Bridgett by \$200,000 for a total not-to-exceed amount of \$1,006,500, and**
- 2. Authorize the request for a transfer of \$197,000 from the Balancing Account to BAWSCA in accordance with BAWSCA's Balancing Account Policy, Resolution # 2020-02;**
- 3. Increase the approved FY 2020-21 Operating Budget by \$197,000 to \$4,360,179**

**The motion carried unanimously by roll call vote.**

- B. Amendment to Strategic Counsel's FY 2020-21 Professional Services Contract: Ms. Sandkulla reported that as with Legal Counsel, Strategic Counsel has been heavily involved with the efforts on the Bay Delta Plan, the FERC relicensing process, and the minimum purchase transfer WSA amendment. The work of Strategic Counsel has exceeded the anticipated levels, and additional work is needed moving forward to protect the interests of the member agencies and their water customers.

Strategic Counsel's budget and billing rate has been held at the same level for 14-years. Mr. Wendell's services started with BAWSCA's predecessor organization, BAWUA, and was instrumental in the creation of BAWSCA.

Director Cormack asked if the basis of the contract amendment is rate change, increase in the number of hours, or both?

Ms. Sandkulla stated that the amendment is based on an increase in the number of hours.

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

**Director Cormack made a motion, seconded by Director Larsson, that the Committee recommend the Board authorize the CEO/General Manager to amend the professional services contract with Management Communications by \$35,000 for a total not-to-exceed amount of \$185,000.**

**The motion passed unanimously by roll call vote.**

- C. Potential Refunding of BAWSCA's Revenue Bond Series 2013A – Action Needed to Proceed: Ms. Tang provided a report on the actions needed as a follow up to the potential refunding of the Revenue Bond Series 2013A previously discussed by the Committee in February and the Board in March. Based on the staff's evaluation, refunding is only applicable to the callable portion of 2013A bonds in a par amount of \$163.8 million that can be redeemed starting April 1, 2023. The objective of the refunding is to save water customers money. Based on the findings, a tax-exempt refunding is preliminarily determined more appropriate than a taxable advance refunding.

A preliminary estimate of total net present value savings is over \$20 million, assuming current rates with a modest cushion for adverse changes. The estimated annual savings from the Bond refunding is approximately \$2 million, in addition to the existing \$3.5 million savings each year until 2034 as a result of the original issuance of the 2013 bonds and the prepayment program. Assuming that the tax-exempt refunding is delivered in early 2023, and the principal amortization is not accelerated, the member agencies' collective annual bond surcharge would be reduced by approximately 8%, effective FY 2023-24.

There are actions needed to be taken by the Board in order to proceed with the preparation of the refunding effort in FY 2021-22. Those actions include the Board's authorization of the CEO/General Manager to include additional scoping to the FY2021-22 professional service contracts of three consultants, for the non-contingent portion of the refunding work.

Additional scopes of work for the non-contingent portion of the refunding work will be negotiated on Orrick's bond counsel services for a not-to-exceed amount of \$55K, KNN's municipal advisory services for a not-to-exceed amount of \$40K, and Hanson Bridgett's legal counsel services for a not-to-exceed amount of \$25K. The amounts total to \$120,000 which will be funded by the excess bond stabilization fund as part of the FY 2021-22 budget.

Ms. Tang noted that the actions are being brought to the BPC now to begin the necessary substantial discussion with the Board regarding refunding structure including the bond surcharge setting methodology. Staff anticipates presenting results from the evaluation to the BPC in August.

In response to Director Mendall's request for clarification, Ms. Sandkulla explained that the second amendment to the Hanson Bridgett contract under Item 5A is for work that needs to be completed in FY 2020-21. The \$25K allocation for Hanson Bridgett under this item 5C is for work in FY 2021-22 that will be included in the FY 2021-22 budget which will be adopted by the Board. It is being brought to the BPC now and to the Board in May for approval of the tasks so that work specifically for the bond refunding can begin as soon as July 1, 2021.

Ms. Schutte confirmed that this allocation of tasks and budget is specifically for the bond refunding. While the consultants have been engaged with BAWSCA on this effort, the work will officially kick-off as of July 1, 2021.

Director Mendall asked about the \$300K allocation for the non-contingent refunding expenses against these three items which total \$120K.

Ms. Tang explained that the difference between the \$300K and \$120K (\$180K) is to cover the other non-contingent portion of the cost of issuance. This includes credit rating agency fees, trustee fees, and the verification agency fees. The \$120K is part of the \$300K budget for the Bond refunding, and is being called out separately for greater and more detailed discussions.

Director Kuta asked if the estimated net present value savings of \$20M is gross or net, whether the rates of Orrick and KNN are competitive, and if Orrick's costs are contemplated in the \$1-1.2M costs for the bond refunding.

Ms. Tang stated that the estimated savings of \$20M is a net present value savings. She reported that the rates for KNN in FY 2021-22 will be the same as FY 2020-21. She added that based on the consultant rate evaluation done 5-years ago, KNN's rates for BAWSCA are below market value. She noted that Orrick provides specialized legal services on bond issuance and Orrick has confirmed that their rates in FY 2021-22 will remain the same as FY 2020-21. Orrick's costs are contemplated in the total estimated \$1-1.2M cost for refunding.

Director Cormack asked for further explanation on the origins of the \$3.5M savings each year until 2034, the 8% reduction in bond surcharges beginning FY 2023-24, and the estimated \$2M savings in addition to all that.

Ms. Tang explained that the estimated \$3.5 savings is from the original 2013 bond issuance and prepayment program that bears an estimated total present value savings of \$62M. On an annual basis, the member agencies have collectively been saving over \$3.5M compared to how much they would have had to pay to San Francisco without the bond issuance. The potential refunding presents an estimated \$2M savings in addition to the \$3.5M. The bond refunding would provide an 8% reduction in the member agencies' collective annual bond surcharge beginning FY 2023-24.

In response to Director Chambers, Ms. Tang noted that the \$3.5M savings is from 2013 when the bonds were issued through 2034 when the bonds mature. The estimated \$2M savings would be from 2023, when the refunding bonds would be delivered, until 2034.

Ms. Schutte further clarified that the costs being presented for the professional services contracts for KNN, Orrick and Hanson Bridgett are for preliminary work on the bond refunding that will not be folded into the fees to issue the bond refunding. The fees for the bond refunding have not been negotiated yet. This process allows BAWSCA to hire the necessary experts to evaluate and address the uncertainties, and identify a concrete fee to negotiate for the actual transaction of the bond refunding.

This process was previously done for the 2013 bond issuance. Ms. Schutte stated that typically, all costs are folded into the total costs of issuance, however, this model is recommended for the best interest of the member agencies and their water customers.

Director Pierce suggested to include all the clarifications that have just been provided in the staff report for the Board in May.

Director Mendall suggested to include a timeline of next steps in the staff report that goes to the Board, including the anticipated discussion in August.

**Director Mendall made a motion, seconded by Director Larsson, that the Committee recommend that the Board approve the following additional scope of services to be included in the three professional services contracts for the purposes of initial planning and preparation for the refunding of 2013A bonds in FY 2021-22**

- 1. Additional scope of service in Orrick's on-going legal services contract for the non-contingent portion of the bond counsel services with a not-to-exceed amount of \$55,000**
- 2. Additional scope of service in KNN's on-going financial advisory services contract for the non-contingent portion of the refunding municipal advisory services with a not-to-exceed amount of \$40,000**
- 3. Additional scope of service in Hanson Bridgett's on-going legal counsel services contract for the non-contingent portion of the legal counsel services for the refunding with a not-to-exceed amount of \$25,000**

**The motion passed unanimously by roll call vote.**

- D. Approval of Renewal to the Office Lease: Ms. Sandkulla reported that the lease for the BAWSCA office expires in September 2021. BAWSCA Office Manager, Deborah Grimes, reached out to the management firm and negotiated a lease extension that is favorable to BAWSCA.

The current lease offers the option to extend at market rate. BAWSCA's current lease rate is \$4.22 per square foot. The negotiated extension provides a reduced lease rate of \$4/sq. ft. starting October 1, 2021, an annual 3% increase under a 64-month lease term with 60 months paid and four months rent abatement. The annual 3% increase is consistent with past lease agreement for this location. The negotiated terms translate to a rate of \$4.02/sq. ft. per month over the entire lease term of 64-months, and provides BAWSCA a savings of \$61K in FY 2021-22. This savings is rolled into the Operating Budget funding plan that is on the committee agenda for discussion and action.

Director Jordan asked if other locations were considered physically and virtually.

Ms. Sandkulla reported that Ms. Grimes was able to look at a neighboring building, and review the market rates for four (4) properties in the area. Given the timing of the agreement negotiation, the market rates were increasing and the rates negotiated were the most competitive. Ms. Sandkulla further explained that previous assessments of properties outside of San Mateo 5 years ago confirmed that the current location is central for the member agencies.

Director Kuta asked if extension of work from home opportunities were considered to reduce square footage needed for the office.

Ms. Sandkulla stated that the team has been working from home and has been doing so effectively. However, she stated that staff is a small team that benefits from proximity with each other on a regular basis. While she anticipates some needs for flexibility, she expects a full return to what it was pre-pandemic in order to be the most effective team that we can be.

Ms. Sandkulla corrected the recommendation on the slide to specify that the extension is at an initial term of \$4/sq. ft. with a 3% annual increase.

Members of the Committee expressed their appreciation for Ms. Grimes' alacrity and effectiveness in negotiating a competitive lease extension.

**Director Pierce made a motion, seconded by Director Cormack, that the Committee recommend the Board authorize the CEO/General Manager to extend the current lease for a period of sixty-four months at an initial rate of \$4 per square foot with a 3% annual increase.**

**The motion passed unanimously by roll call vote.**

- E. Proposed Fiscal Year 2021-22 Work Plan, Results to be Achieved, and Operating Budget: Ms. Sandkulla presented the proposed work plan which continues to address the critical issues identified between now and 2050 discussed with the Board back in January. The issues include BAWSCA's continuing role in managing the Water Supply Agreement with San Francisco to protect the member agencies' financial and water supply interests; administering BAWSCA 2013 Bonds including the potential refunding; oversight of the SFPUC's WSIP, 10-year CIP and Asset Management; participating in the State Water Board's Bay Delta Plan and FERC relicensing proceedings to protect the regional water supplies; implementing BAWSCA's Long-Term Reliable Water Supply Strategy and its Core and Subscription conservation programs; and providing drought support to member agencies.

Ms. Sandkulla reported two changes in the work plan in response to the feedback received at the March Board meeting to reduce the work plan and budget in a way that allow for a smaller assessment increase.

The first change is the deletion of a budget allocation for outside consultant or other support related to drought assistance for member agencies. This change does not remove drought support efforts from the work plan. BAWSCA will continue to provide drought support to member agencies at a staff-level. If additional resources prove necessary during the year, the existing budget will be reviewed as a source of

funds. The second change is the reduction of \$61K in office rent costs as a result of the negotiation of the lease renewal.

The adjustments result in a proposed operating budget that is 15% greater than the current budget. Ms. Sandkulla noted that \$631K of the FY 2021-22 proposed budget increase is associated with the bond refunding, demand study refresh, and Strategy scoping.

The proposed operating budget fully funds the estimated OPEB annual required contribution, and includes a budget allocation that would allow for a 2.15% COLA adjustment to top step salaries and merit allowance. This presents a total water customer cost of \$2.58 per person, an increase of 0.38 cents from FY 2020-21.

A pie chart was presented to show that the budget and work plan continues to focus on ensuring a reliable supply, representing 48.4% of the agencies' overall efforts in comparison to operations, fair price, and water quality. Ms. Sandkulla noted that the fair price portion of the work plan and budget has increased to reflect efforts on refunding the bonds.

Ms. Sandkulla presented BAWSCA's funding principles for developing the budget and noted the Board's strong recognition of the importance of maintaining a General Reserve.

The estimated expenditure for FY 2020-21 is 94% of the budget. Ms. Sandkulla will continue to monitor expenses in light of increased legal activities. The estimated unspent funds from FY 2020-21 that will be transferred to General Reserve at the end of the year is \$243,600. A significant portion of these savings are associated with salary and benefits savings resulting from the transition of several new staff members.

Ms. Sandkulla referenced the guidelines that the Board set for itself about the use of the General Reserve. The Board adopted Resolution 2018-02 which serves as the General Reserve guideline that states, *"...it is a prudent financial measure to maintain surplus funds in a reserve in order to provide funds for urgent but unanticipated expenses and for one-time, non-recurring expenses to moderate variations in annual assessments."*

And for budgetary purposes, the guidelines provide that *"...the minimum balance in the General Reserve is twenty percent of the budget year's operating expense"* and *"...the maximum balance in the General Reserve is thirty-five percent of the budget year's operating expense."*

The funding sources available to BAWSCA for FY 2021-22 operating budget includes

- member agency assessments, the General Reserve;
- use of the WSA Balancing Account in accordance with the WSA and Balancing Account Policy; and,
- use of the 2013 Bond Stabilization Fund in accordance with the bond covenants.

Ms. Sandkulla noted that the budget for FY 2020-21 had 0% assessment increase. Use of the WSA Balancing Account has been identified as appropriate for efforts on the Demand Study Refresh and Strategy scoping. Use of the Stabilization Fund has also been identified as appropriate to fund a portion of the cost associated with the bond refunding.

Four funding options were analyzed and presented to the Committee. The options were developed based on calculations that meet the goal of keeping the assessment increase at a minimum, while maintaining a General Reserve that is within BAWSCA's General Reserve budgetary guidelines. In addition, in response to the prior request from Director Mendall, the calculation for each option provide two calculations to show the General Reserve as 1) a percent of total budget, and 2) as a percent of total budget minus one-time expenses associated with the bond refunding and the water supply project.

The funding options provide assessment increases of 2%, 4%, 5%, and 7% and a corresponding General Reserve balance with the 2 calculations for the General Reserve. Ms. Sandkulla noted that all options rely upon the transfer of unspent funds to the General Reserve, the use of \$331K from the Balancing Account, and use of \$300K from the Bond Stabilization Fund for the bond refunding. The difference between the options are the levels of assessment increase and the resulting percentage of the General Reserve.

Ms. Sandkulla recommends option 3, which provides a 5% assessment increase and a General Reserve level that falls within BAWSCA's General Reserve budgetary guideline of maintaining a balance between 20%-35%, for both calculations.

Ms. Sandkulla noted that given the 0% assessment increase in FY 2020-21, a 5% increase presents a fair and moderate increase compared to the higher percent increase in the preliminary analysis for funding the FY 2021-22 budget.

In response to Director Jordan, Ms. Sandkulla explained that the proposed budget does not include any financial contribution to address San Francisco's unfunded pension liabilities. For BAWSCA's unfunded pension liability, it was previously discussed by the Committee in February that given the size of the assessment increase that would result if unfunded pension liability was included in the budget, Ms. Sandkulla suggested that the Board address the matter in the Fall as it looks at the end-of-year financial picture and the value of the year-end funds that go into the General Reserve.

Director Kuta referenced SFPUC's Chief Financial Officer, Eric Sandler's presentation at the March Board meeting, particularly regarding ongoing concerns related to the SFPUC's Water Enterprise OPEB at \$163.7M, and pension liability for water only at \$178.1M. He asked how some focus on those liabilities can be included in the work plan for FY 2021-22 or the subsequent fiscal year?

Ms. Sandkulla stated that she suspects the effort would involve substantial analysis to identify an approach since it is a City and County of San Francisco system, as opposed to an SFPUC system. The level of work on such an effort is not yet evident, and Ms. Sandkulla would prefer to consider scoping the work first and allow for the



conversation to continue into a subsequent fiscal year. She will also add it to the list of future challenges to ensure that it remains on BAWSCA's attention.

Director Pierce suggested that the analysis on San Francisco's unfunded pension liabilities should include the impacts, if any, on the member agencies.

In response to Director Kuta, Ms. Sandkulla explained that the scoping budget for the Strategy back in 2007 was \$117K because it represented a level of analysis that member agencies had never done before, and the available tools that the member agencies did not have. Now that BAWSCA and the member agencies have the modeling tool and the demand projections study, as well as the knowledge gained from the pilot water transfer planning and experience with ongoing regional projects on alternative water supplies, a \$54K budget for re-scoping of the Strategy is appropriate.

**Director Wood made a motion, seconded by Director Larsson, that the Committee recommend 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 a 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 No. 2020-02.**

Director Mendall expressed his appreciation for staff's extra efforts in developing a work plan and operating budget that meets the Board's requests.

Director Chambers clarified that the motion refers to Option 3, as he supports that option because it provides flexibility should the estimated unspent funds of \$243K does not carry over to the General Reserve.

Director Larsson also expressed his appreciation for staff's work, but noted caution on the use of the Balancing Account. He referenced the substantial assessment increase 6 years ago that followed several years of very low to no assessment increases. While he supports the proposed budget and is pleased that the funds are available in the Balancing Account to fund appropriate efforts in the workplan, he noted that the Balancing Account may not always be accessible as a funding resource. The more the agency gets used to using the Balancing Account, the greater the risks in having a large assessment increase at some point in the future.

Director Cormack echo's the committee members' appreciation for the work that staff did, as well as Director Larsson's suggestion to be mindful with the

use of the Balancing Account. She trusts that staff will remain watchful. She supports the staff recommendation.

Director Jordan appreciates the single digit assessment increase and noted that it is good to address BAWSCA's and San Francisco's unfunded pension liabilities in the next fiscal year rather than letting it accumulate, particularly because San Francisco's may have an impact to the member agencies.

There were no public comments.

**The motion passed unanimously by roll call vote.**

## **7. CEO Reports:**

- F. Water Supply Conditions: With SFPUC's most recent data, Ms. Sandkulla highlighted keypoints on current water supply conditions and concerning trends. Current reservoir storage on the Tuolumne system is a little over 77% of maximum storage. Hetchy Hetchy and the water bank are both slightly less than normal at this time of year, reflecting the current dry conditions.

In comparison to California reservoirs, Don Pedro is at 68% of normal but State and Federal project reservoirs in Northern California such as Trinity Lake, Lake Shasta and Lake Oroville are at a lower storage level than normal at this time of year.

Hetch Hetchy precipitation is above the lowest level in 1977, but remains lower than median. Upcountry snowpack is on par with last year's, but Ms. Sandkulla pointed out that snow pack typically peaks on April 1<sup>st</sup> or later. This year, data shows that the snowpack is melting before April 1<sup>st</sup> and an early run-off period is occurring. Water available to the City increased due to that early runoff, and while it is expected that Hetch Hetchy will fill, but Don Pedro will be slightly less than full by July 1, 2021.

As of January 2021, BAWSCA's total potable water use is lining up with this time in 2021, but is 6% less than January in the drought year of 2013. Ms. Sandkulla noted that the SFPUC has a contractual obligation to provide the wholesale customers the Regional Water System's final water supply availability by April 15<sup>th</sup>. That information will be shared with the Board and member agencies as soon as it becomes available. She expects the report to indicate water supply use reduction requests.

- G. FERC/Bay-Delta Plan Update: Ms. Sandkulla reminded the Committee that in July 2020, the Final Environmental Impact Statement (FEIS) on the FERC relicensing process was released and identified the Tuolumne River Voluntary Agreement (TRVA) as the preferred FERC alternative. The required Water Quality Certification of FERC is ongoing with the State Board's issuance of the Clean Water Act 401 Certification on January 15, 2021 that includes the Bay-Delta Plan 40% unimpaired flow requirement. BAWSCA, along with the SFPUC and the irrigation districts requested reconsideration of the certification on February 16, 2021.

Ms. Sandkulla reported there is potential judicial challenge pending the State Board's decision on reconsideration. Additionally, FERC denied the Districts'

request to declare that the State Board waived its 401 Certification authority on January 19, 2021. The Districts may also challenge that determination.

On March 26<sup>th</sup> the SFPUC held its third in a series of workshops on the Bay Delta Plan. Workshop #3 discussed the Bay Delta Plan and SFPUC's "water supply and demand worksheet" tool.

Ms. Sandkulla reported that the SFPUC has a detailed and specific hydrologic model used for evaluating how the water system responds to different demand levels, hydrologic conditions, and new supply sources. SFPUC's worksheet tool presents the modeling results in a way that is easier for the Commission and members of the public to discern the differences between various scenarios. While the modeling capabilities has always existed, this worksheet tool presents the results for everyone to see the tradeoffs between various situations.

Workshop #3 presented modeling results for 10 different future supply and demand options including the TRVA, the 40% unimpaired flow, and the various elements that account for new alternative supply projects, changes to the rationing policy, and changes to the design drought. In each case, the SFPUC presented the assessment of the resulting water supply reliability.

The purpose of the workshop was to put facts and figures out from the modeling information to respond to queries on various conditions.

Presentations were provided by others. Particularly, the Tuolumne River Trust's (TRT) presentation focused availability of supply in drought years noting that TRT believes the design drought is severe and not warranted. Pacific Institute questioned the agencies' demand estimates and postulated that demand will not increase over time as customers continue to embrace water conservation. The California Sportfishing Protection Alliance (CSPA) called for a policy to maintain or reduce demand, suggested that the Bay Delta Plan can be acceptable with inclusion of specific flow rules for dry year sequences, stated that the SFPUC must confront the division of responsibilities for flow of the Tuolumne River between SFPUC and the districts, and called for the creation of a Groundwater Bank in Stanislaus County. Ms. Sandkulla noted that the TRVA calls for a feasibility study for the creation of groundwater banking.

Ms. Sandkulla reported that the Commissioners expressed interest for additional workshops to further review the rationing policy, design drought, and supply/demand dynamics. They were also very open to the continued discussion of options that would result in more flow releases to the Tuolumne River.

The Commission, however, did not appear focused on being a water supplier, nor did they seem to have a real connection to, or care for, the impacts to the water customers; retail or wholesale. The only Commission references to its Wholesale Customers focused on the projected demands and concerns that growth is overstated.

BAWSCA will remain focused on having the TRVA be evaluated by the State Board as an alternative to the Bay Delta Plan. BAWSCA and the member agencies continue to support the objectives of the Bay Delta Plan and are committed to

working with other stakeholders to protect water quality in the Bay Delta for humans, fish and other wildlife.

BAWSCA firmly believes that the TRVA is the only voluntary agreement ready to be analyzed as an alternative to the Bay Delta Plan at this time, and Ms. Sandkulla stated that this is coming to light as member agencies develop their Urban Water Management Plans (UWMP) and face the realities of the cutbacks that they have to plan for based the SFPUC's supply projections that assumes the currently adopted Bay Delta Plan. BAWSCA's current efforts are on advocating for the State Board to perform the evaluation of the TRVA as an alternative to the Bay Delta Plan.

Director Jordan noted that there is another State mandate that can potentially translate to increased housing units by 40% resulting in water suppliers and cities responding to two conflicting state mandates between water and housing, and somehow it needs to be communicated to the Governor and the SFPUC.

Director Pierce commented on the SFPUC's workshop #3 and the Commission's philosophical shift which she found very disconcerting. It confirmed BAWSCA's need to ensure that SFPUC understands their role as the water supplier for the region.

There were no comments from the public.

8. **Closed Session:** The Committee adjourned to Closed Session at 3:26pm.
9. **Reconvene to Open Session:** The Committee reconvened from Closed Session at 3:45 pm. Ms. Schutte reported that no action was taken during Closed Session.
10. **Comments by Committee Members:** Director Cormack reported that she attended the virtual Water Now Alliance Summit on April 6-8<sup>th</sup> where the various challenges and opportunities that municipalities and water suppliers have throughout the country were highlighted.
11. **Adjournment:** The meeting was adjourned at 3:47 pm. The next meeting is June 9, 2021.

Respectfully submitted,

Nicole Sandkulla, CEO/General Manager

NS/le

Attachments: 1) Attendance Roster

# Bay Area Water Supply and Conservation Agency

## Board Policy Committee Meeting Attendance Roster

Agency	Director	Apr. 14, 2021	Feb. 10 2021	Dec. 9 2020	Oct. 14, 2020	Aug. 12, 2020	Jun. 10, 2020	Apr. 8, 2020
Stanford	Zigterman, Tom	✓	✓	✓	✓	✓	✓	✓
Daly City	Manalo, Juslyn	✓	✓	n/a	n/a	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

### April 14, 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
Danielle McPherson	Sr. Water Resources Specialist
Kyle Ramey	Water Resources Specialist
Christina Tang	Finance Manager
Lourdes Enriquez	Assistant to the CEO/General Manager
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP
Nathan Metcalf	Legal Counsel, Hanson Bridgett, LLP
Sean Herman	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
Dave Warner	Self

(This page was intentionally left blank)

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE**

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

**Summary:**

Last month, 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 2020-21 or 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.

**Recommendation:**

**That the Committee recommend 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 draft Debt Management Policy in Attachment 1 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.
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 the 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 in 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 and 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 non-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 in Attachment 5.

**Other Items Related to Refunding**

In response to Board member feedback, BAWSCA performed an analysis of an alternative with a shortened maturity for the refunding bonds and looked into the possibility of an alternative surcharge setting after completion of the refunding. The findings of both analyses are summarized below. The tentative refunding structure is based on the original final maturity under the blended surcharge approach.

Analysis of Refunding to Original Final Maturity vs. Shortened Maturity. To avoid an increase in the member agencies bond surcharge in any year after the refunding, the maturity date of the refunding bonds can be accelerated to no earlier than 2033, one year earlier than the existing 2013A final maturity, based on an analysis assuming current market conditions plus a cushion for adverse market changes,

Table 1 illustrates a comparison between the refunding structure based on the original final maturity in 2034 (Scenario 1) and the alternative structure with a shortened maturity in 2033 (Scenario 2) for the 2013A refunding bonds. Both scenarios assume a tax-exempt forward delivery refunding priced in late 2021 and delivered in January 2023. The key findings are summarized below.

- Scenario 1 illustrates a conventional structure when the refunding bonds have the same final maturity as the bonds being refunded (2034). The estimated total net present value savings are about \$21 million or 12.8% of the refunded bonds, and the cash flow savings are realized every year from 2023 (on average approximately \$2 million per year).
- Scenario 2 illustrates an alternative structure when the refunding principal amortization is accelerated by one year (2033). The estimated net present value savings are about \$22 million or 13.4% of the refunded bonds. In this scenario, debt service is substantially the same as the existing bonds through FY 2032, with all of the cash flow savings realized from the refunding falling into 2033 and 2034.

Per BAWSCA's municipal advisor, Scenario 1 is a common structure for refundings as many agencies prefer to spread the savings out uniformly or proportionally over the life of the bonds and prefer not to delay savings to the end of the bond term. Scenario 2 is a viable and reasonable alternative if the Board prefers deferring savings for 10 years in order to achieve higher present value savings over the life of the bonds. It is also pointed out that in Scenario 1, the savings starting in 2023 would help offset the projected increase in SFPUC rates. Please note that, even if the refunding principal is accelerated, the 2013B debt will still be outstanding until 2034.

Bond Surcharge Alternative. In response to Board member feedback, staff looked into setting surcharges after completion of the 2013A refunding, in one of the following manners: 1) continue to apply a blended surcharge across all members, whereby debt service and savings would be uniformly allocated based on actual purchases of water; or 2) Apply two surcharges, one for the governmental members and one for Cal Water and Stanford, BAWSCA's two private utilities, whereby all the savings of the 2013A refunding would be allocated only to the governmental members and Cal Water and Stanford would pay amounts as is the 2013A refunding didn't occur.

*Background:* In order to comply with the federal tax law, Cal Water's and Stanford's participation in the 2013 refunding required that a portion of the bonds be issued as taxable, which carried a higher interest rate. The taxable bonds (2013B) are not refundable. The issue was addressed by the BPC prior to the 2013 refunding and it was determined to use the Blended Surcharge approach that the SFPUC currently uses to set wholesale water rates with all of BAWSCA's agencies charged an identical rate in dollars per hundred cubic feet of water (\$/Ccf). The rate is the same regardless of where the agency is located along the system, how much they are using of their contract entitlement relative to the capacity of the system (Individual Supply Guarantee), or other factors that might characterize the benefits they receive from the system. Similarly, San Francisco currently issues taxable commercial paper for a portion of the WSIP projects to accommodate Cal Water and Stanford's use of the system and San Francisco does not separate those taxable expenses out and allocate them as a separate rate to Cal Water and Stanford.

*Discussion:* Continuing to allocate debt service and distribute savings uniformly based on actual water use is consistent with the collection of the Wholesale Revenue Requirement under the WSA. The Board's policy considerations during the 2013 transaction determined that since all charges are ultimately paid by retail customers, a retail customer should not be disadvantaged by reason of being served by Cal Water rather than by a governmental entity. Allocating surcharges on a pro rata basis, aligned solely with water usage, is not only consistent with how the SFPUC collects water revenue from the Wholesale Customers, but it is also a transparent collection method easily conveyed to rating agencies and investors. Adding an adjustment for savings only applicable to a subset of agencies would deviate from the original policy determination and complicate the communication of the credit fundamentals to the rating agencies and investors, compounded by the fact that the adjustment could only be estimated at the time that the refunding bonds are rated by the rating agencies and marketed to investors. Such a policy change may also adversely affect the rating of the refunding bonds. Cal Water is already a top user (meaning, Cal Water is the largest water user among the BAWSCA Agencies) and its share of debt service would increase slightly under a non-blended approach. Top user concentration is a (negative) credit factor considered by the rating agencies and investors and the non-blended approach may increase the top user concentration. Furthermore, as the largest user, Cal Water has a critical role in the refinancing, as it must provide additional financial data, disclosure and continuing disclosure information on an ongoing basis. In the original financing, Cal Water's assistance was obtained in part because of Cal Water's "team spirit" and in part because the financing produced significant savings for Cal Water's customers. If Cal Water does not participate in the refunding savings, Cal Water's assistance in the transaction, in light of the competing challenges of the drought and Covid recovery, may be more challenging to secure.

**Tentative Schedule of Key Dates for Potential Bond Refunding\***

Recommendation of Board approval of a new debt policy, bond underwriter selection and contingent contracts, & update on the refunding structure including bond surcharge setting	June BPC
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 (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. Draft Debt Management Policy
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

Table 1. Refunding of 2013A Bonds Based on Original Final Maturity in 2034 Vs. 2033

Bond Yr. End. 8/1	a	b	c	d	e	f	h	g	h	i	j
	1. Refund to Original Final Maturity (2034)					2. Shorten Final Maturity for 2013A (2033)					Savings Comparison: Scenario 2 vs. Scenario 1
	Annual Net Debt Service After Refunding				Refdg. Savings	Annual Net Debt Service After Refunding				Refdg. Savings	
	Refunding of 2013A	2013B	Stabil. Fund Release	Total Net DS	Refunding of 2013A	Refunding of 2013A	2013B	Stabil. Fund Release	Total Net DS	Refunding of 2013A	
2023	\$16,273,120	\$6,283,552	-	\$22,556,672	\$2,117,880	\$18,390,644	\$6,283,552	-	\$24,674,197	\$356	(\$2,117,524)
2024	16,272,000	6,283,067	-	22,555,067	2,118,500	18,389,550	6,283,067	-	24,672,617	950	(2,117,550)
2025	16,270,000	6,282,643	-	22,552,643	2,119,750	18,387,750	6,282,643	-	24,670,393	2,000	(2,117,750)
2026	16,267,000	6,282,023	-	22,549,023	2,121,000	18,384,500	6,282,023	-	24,666,523	3,500	(2,117,500)
2027	16,269,000	6,286,826	-	22,555,826	2,118,500	18,385,750	6,286,826	-	24,672,576	1,750	(2,116,750)
2028	16,274,500	6,283,046	-	22,557,546	2,117,250	18,389,750	6,283,046	-	24,672,796	2,000	(2,115,250)
2029	16,272,000	6,284,498	-	22,556,498	2,117,000	18,384,750	6,284,498	-	24,669,248	4,250	(2,112,750)
2030	16,270,500	6,284,391	-	22,554,891	2,117,500	18,384,500	6,284,391	-	24,668,891	3,500	(2,114,000)
2031	16,268,500	6,286,496	-	22,554,996	2,118,500	18,387,000	6,286,496	-	24,673,496	-	(2,118,500)
2032	16,269,500	6,285,413	-	22,554,913	2,119,750	18,385,250	6,285,413	-	24,670,663	4,000	(2,115,750)
2033	16,271,750	6,285,942	-	22,557,692	2,116,000	5,617,500	6,285,942	(9,195,322)	2,708,120	21,965,572	19,849,572
2034	13,933,500	8,922,685	(11,213,522)	11,642,663	690,737	-	8,922,685	(3,076,272)	5,846,413	6,486,987	5,796,250
Totals:	\$192,911,370	\$78,050,582	(\$11,213,522)	\$259,748,429	\$23,992,367	\$189,486,944	\$78,050,582	(\$12,271,594)	\$255,265,932	\$28,474,865	\$4,482,498
	Avg. Annual Savings:				1,999,364	Avg. Annual Savings (backloaded savings):				2,372,905	
	All-In True Interest Cost:				2.48%	All-In True Interest Cost:				2.36%	-0.12%
	Present Value Savings:				20,964,320	Present Value Savings:				21,972,864	\$1,008,544
	Pct. Refunded Bonds:				12.8%	Pct. Refunded Bonds:				13.4%	0.6%

Note: Savings estimates assume a Aa3/AA- rated public offering, a 14-15 months forward pricing, settlement on 1/15/23 and market conditions of 5/25/21 plus a cushion for adverse market changes.  
The comparison does not reflect earnings on the Stabilization Fund. Present value savings are discounted to 1/15/23 at 2.42% for comparison purposes.

(This page was intentionally left blank)

ATTACHMENT 1



DEBT MANAGEMENT POLICY

[Date]

## Table of Contents

<b>I.</b>	<b>Introduction .....</b>	<b>1</b>
<b>II.</b>	<b>Policy Objectives.....</b>	<b>1</b>
<b>III.</b>	<b>Types of Debt.....</b>	<b>2</b>
<b>IV.</b>	<b>Debt Management Responsibility .....</b>	<b>2</b>
<b>V.</b>	<b>Uses and Limits on Indebtedness.....</b>	<b>2</b>
<b>VI.</b>	<b>Method of Sale.....</b>	<b>3</b>
<b>VII.</b>	<b>Financing Professionals .....</b>	<b>4</b>
	A. Bond and Disclosure Counsel.....	4
	B. Municipal Advisor.....	4
	C. Underwriter .....	4
	D. Trustee and Fiscal Agent .....	4
<b>VIII.</b>	<b>Structuring Debt Financing .....</b>	<b>4</b>
	A. Term and Structure.....	4
	B. Debt Service Reserve Fund.....	5
	C. Disclosure .....	5
	D. Credit Ratings .....	5
	E. Credit Enhancement .....	5
	F. Derivatives.....	6
<b>IX.</b>	<b>Refunding Bonds .....</b>	<b>6</b>
<b>X.</b>	<b>Debt Administration .....</b>	<b>6</b>
	A. Tax-Exemption.....	7
	B. Continuing Disclosure .....	7
	C. Investment of Bond Proceeds.....	7
<b>XI.</b>	<b>Relationship of Debt to Capital Improvement Program and Budget .....</b>	<b>7</b>
<b>XII.</b>	<b>Internal Control Procedures .....</b>	<b>8</b>
<b>XIII.</b>	<b>Conclusion.....</b>	<b>8</b>



# **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

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.

### **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 Chief Executive Officer/General Manager and Legal 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.

### **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 be more effectively offered through a negotiated sale.

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.

## **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.

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.

## **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.



**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](mailto:ctang@bawasca.org)), Dan Cox ([dc Cox@knninc.com](mailto:dc Cox@knninc.com)) and Allison Schutte ([aschutte@hansonbridgett.com](mailto: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](mailto:dcox@knninc.com)

Christina Tang, Finance Manager  
Bay Area Water Supply and Conservation Agency  
[ctang@bawasca.org](mailto:ctang@bawasca.org)

Allison Schutte  
Hanson Bridgett LLP  
[aschutte@hansonbridgett.com](mailto: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](mailto: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.

(This page was intentionally left blank)



**Attachment 3**  
**List of Underwriter RFP Respondents**

Bank of America Securities\*

Citi

Goldman Sachs\*

JP Morgan Securities\*

Siebert Williams Shank

Stifel\*

\*Interviewed

(This page was intentionally left blank)

**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.

(This page was intentionally left blank)

**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 POLICY COMMITTEE MEETING**

**Agenda Title:**           **Approval of Proposed Modifications to the Job 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.

**Recommendation:**

**That the Board Policy Committee recommend that the Board approve the recommended modifications to the position description and top step salary by 17% for the position of Senior Administrative Analyst.**

**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 (May 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.

# **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: June 4, 2021**  
**SUBJECT: Chief Executive Officer/General Manager's Letter**

---

### **Urban Water Management Plan (UWMP) - Update**

BAWSCA continues to support member agencies in their preparation of 2020 UWMPs. To date, BAWSCA has attended and/or presented at 11 agency meetings and public hearings. Currently, BAWSCA has nine additional meetings on the calendar where our participation has been requested. BAWSCA's presentations have primarily focused on impacts of the Bay-Delta Plan and BAWSCA's efforts related to the Tuolumne River Voluntary Agreement.

The 2020 UWMP cycle has proven to be more demanding than previous rounds, due in part to new legislation passed since the 2015 cycle (e.g., SB 555 (water loss standards), SB 606/AB 1668 (efficiency legislation), etc.) as well as the severe and adverse impacts of the Bay-Delta Plan on supply reliability. As such, at least five member agencies intend to submit their UWMPs to the State after the July 1<sup>st</sup> deadline. Penalties for late submittal include: (1) ineligibility for state grants and loans until the UWMP is submitted and approved by DWR, and (2) potential exposure to lawsuits from outside groups. BAWSCA met with Department of Water Resources (DWR) staff to discuss these consequences and seek guidance. DWR suggested that agencies planning to submit their UWMPs late document their process to demonstrate they have taken all steps possible to submit on time and that outside factors have prevented them from doing so.

### **Coordinated Drought Messaging Efforts**

In April 2021, Governor Newsom declared a drought emergency in two Northern California counties (Mendocino and Sonoma Counties). In May, the Governor expanded that drought emergency to 39 additional counties, including Alameda County. Additional expansion is possible as the year progresses, as are other measures the Governor may choose to enact.

In response to dry conditions, the SFPUC has requested that member agencies ask customers to voluntarily reduce water use to 2019 levels. Valley Water has maintained a call for a voluntary 20% reduction in water use compared to 2013 water use since the last drought ended in 2017. Recently Valley Water has called for an additional 5% in conservation and will consider a Water Shortage Emergency Condition at a June 9 public hearing. In addition, the supply allocations issued by the State Water Project are extremely low for 2021, which impacts select member agencies.

With so much activity at the state and local level related to drought, the calls for conservation from BAWSCA member agency water suppliers, and the need for regional messaging to address what some may see as conflicting information from those water suppliers, BAWSCA is

actively working with the SFPUC, Valley Water, and a coalition of public information officers from Bay Area water agencies to develop and coordinate drought messaging across multiple agencies and counties. The goal is to provide residents and businesses with clear and consistent information on actions they can and should take to conserve water.

As part of this message coordination effort, BAWSCA is updating its website to provide clarity to the public and draw attention to programs, including rebates, that customers have access to as they seek ways to conserve water. Staff will report back to the Board as these messaging efforts develop.

**Plan Bay Area 2050 – Release of Draft Environmental Impact Report**

On June 3, 2021, the Draft Environmental Impact Report (Draft EIR) for Plan Bay Area 2050, a long-range plan for the San Francisco Bay Area, was made available for public review by its authors, the Metropolitan Planning Commission (MTC) and Association of Bay Area Governments (ABAG). Plan Bay Area 2050 serves as the Regional Transportation Plan and Sustainable Communities Strategy for the nine-county bay region. Public comments on the Draft EIR are due by July 20, 2021.

BAWSCA's concerns in the past with prior iterations of Plan Bay Area have been centered around the lack of consideration by MTC/ABAG of its impacts on water supply availability and reliability. BAWSCA will review the Draft EIR and provide comments as appropriate.

BAWSCA will share the findings of its review and any proposed comments with the BAWSCA member agencies in early July for their consideration and use/reference, if they choose to submit comments.



# Board Policy Committee

## Policy Calendar Through December 2021

Meeting Date	Purpose	Issue or Topic
June 2021	R&D D&A	Discussion on CEO/General Manager Evaluation Procedure Actions Needed to Proceed Potential Refunding of Bond Series 2013A
August 2021	D&A  R&D R&D	(Tentative) Consideration of Proposed Bond Issuance to Refund Series 2013A Bonds  Update on the Refresh of Demand Study Update on Review of Current Tier 2 Drought Plan
October 2021	D&A	Annual Review and Consideration of BAWSCA's Statement of Investment Policy
December 2021	R&D	Mid-Year 2021-22 Work Plan, Budget and General Reserve Review