



BOARD OF DIRECTORS MEETING

Thursday, January 20, 2022

6:30 P.M.

DUE TO COVID-19, THIS MEETING WILL BE CONDUCTED AS A TELECONFERENCE PURSUANT TO THE PROVISIONS OF GOVERNMENT CODE SECTION 54953(e). MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON.

The following members of the BAWSCA Board are listed to permit them to appear telephonically at the Board Meeting on January 20, 2022: George Barber, Jay Benton, Randy Breault, Tom Chambers, Drew Combs, Alison Cormack, Tom Hamilton, Karen Hardy, Sam Hindi, Steve Jordan, Gustav Larsson, Sam Liccardo, Antonio López, Juslyn Manalo, Lisa Matichak, Al Mendall, Chris Mickelsen, Carmen Montano, Ann O'Brien, Tom Piccolotti, Barbara Pierce, Dan Quigg, Lou Vella, John Weed, Sepi Wood, and Tom Zigterman.

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

Participating via Video Conference:

Click on the link to Join the meeting, <https://us02web.zoom.us/j/88176864150>

- Meeting ID: **881 7686 4150**
- Password: **010208**
- The web browser client will download automatically when you start or join your first Zoom meeting. It is also available for [manual download here](#).

OR,

Participating via Telephone:

- **Dial (888) 788-0099** US Toll-free, and entering **Meeting ID 881 7686 4150** and **Password 010208** when prompted.
- To Mute or UnMute, Press *6.
- To Raise Hand, Press *9.
- The Presentation will be available prior to the meeting at www.bawasca.org.

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

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

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

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BOARD OF DIRECTORS MEETING

Thursday, January 20, 2022

6:30 P.M.

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page</u>
1. Call to Order/Roll Call/Salute to Flag	(Larsson)	
2. Consent Calendar <i>(Attachments)</i>	(Larsson)	
A. Adoption of Resolution #2022-01 declaring that Board meetings will continue to be held via teleconference		Pg 5
B. Approve Minutes of the November 18, 2021 Meeting		Pg 9
C. Receive and File Budget Status Report – As of November 30, 2021		Pg 15
D. Receive and File Investment Report – as of December 31, 2021		Pg 17
E. Receive and File Directors' Reimbursement Report – As of December 31, 2021		Pg 19
F. Authorization to Execute a Professional Services Contract with Woodard & Curran, Inc. to Provide Technical Assistance as BAWSCA Facilitates a Comprehensive Update to the Tier 2 Drought Response Implementation Plan (Tier 2 Plan). <i>The Board Policy Committee voted unanimously to recommend the proposed Board action.</i>		Pg 21
3. Special Order of Business – Election of Officers for Calendar Year 2022 <i>(Attachment)</i>	(Larsson)	Pg 29
<ul style="list-style-type: none">• Election of Chair• Election of Vice Chair <i>(The terms of the new Chair and Vice-Chair commence at the end of the meeting at which they are elected)</i>		
4. Break for the San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting	(Larsson)	
5. Reconvene following San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting	(Larsson)	
6. Comments by the Chair	(Larsson)	
7. Board Policy Committee Report <i>(Attachment)</i>	(Zigterman)	Pg 31
8. SFPUC Report	(Ritchie)	
A. Water Supply Conditions and 10-year Capital Plan Update Highlights		
9. Public Comments	(Larsson)	
<i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>		

10. Action Calendar

- A. Mid-Year 2021-22 Work Plan and Budget Review (*Attachment*) *The Board Policy Committee voted unanimously to recommend the proposed Board action.* (Sandkulla) Pg 43

11. Reports

(Sandkulla/Tang)

- A. Water Supply and Demand
- B. Bay Delta Plan
- C. Consultant Billing Rate Market Comparison (*Attachment*) Pg 59
- D. BAWSCA OPEB Liability Funded Status Update, including the SFPUC's Status (*Attachment*) Pg 63
- E. BAWSCA Pension Liability Funded Status Update, including the SFPUC's Status (*Attachment*) Pg 67
- F. CEO Letter (*Attachment*) Pg 69
- G. Board of Directors Policy Calendar (*Attachment*) Pg 75
- H. Correspondence Packet ([*Under Separate Cover*](#))

12. 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).

13. Report from Closed Session

(Schutte)

14. Discussion Item

(Sandkulla)

- A. Fiscal Year 2022-23 Work Plan and Budget Planning Session (*Attachment*) Pg 77

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

(Larsson)

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

(Larsson) Pg 81

17. Adjourn to next meeting scheduled for March 17, 2022 at 6:30pm

(Larsson)

Accessibility for Individuals with Disabilities

Upon request, BAWSCA will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in and provide comments at/related to public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, auxiliary aid, service or alternative format requested at least two days before the meeting. Requests should be emailed to 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 OF DIRECTORS MEETING

Agenda Title: **Adoption of Resolution #2022-01, Declaring that Board of Directors Meetings Will Continue to be Held via Teleconference**

Summary:

On November 18, 2021, the Board adopted Resolution #2021-05 following the passage of Assembly Bill (AB) 361 which allowed the Board to continue meeting via teleconference. Pursuant to Government Code § 54953(e), Resolution #2021-02 is only valid for 30 days. The attached resolution follows the prior Resolution #2021-05 and once again declares the Board's intent to continue meeting via teleconference under AB 361.

Fiscal Impact:

This item has no impact on BAWSCA's annual operating budget.

Recommendation:

That the Board adopt Resolution #2022-01 declaring that it will continue to meet via teleconference, in accordance with AB 361 and the provisions of Government Code Section 54953(e).

Discussion:

On March 4, 2020, Governor Newsom declared a State of Emergency to make additional resources available, formalize emergency actions already underway across multiple state agencies and departments, and help the State prepare for a broader spread of COVID-19. On March 17, 2020, in response to the COVID-19 pandemic, Governor Newsom issued Executive Order N-29-20, which suspended certain provisions of the Ralph M. Brown Act in order to allow local legislative bodies to conduct meetings electronically without a physical meeting place.

On June 11, 2021, Governor Newsom issued Executive Order N-08-21, which among other things, rescinded his prior Executive Order N-29-20, effective October 1, 2021. At that point, agencies would have transitioned back to public meetings held in full compliance with the preexisting Brown Act teleconference rules. Since the Governor issued Executive Order N-08-21, COVID cases have continued to spread throughout the state. As a result, the Governor's proclaimed State of Emergency remains in effect, and state and local officials, including the San Mateo County Health Officer, the California Department of Public Health and the Department of Industrial Relations, have imposed or recommended measures to promote social distancing.

On September 16, 2021, the Governor signed Assembly Bill (AB) 361 into law, effective October 1, 2021, to allow agencies to use teleconferencing for public meetings during proclaimed state of emergencies without requiring the teleconference locations to be accessible to the public or a quorum of the members of the legislative body of the agency to participate from locations within the boundaries of the agency's jurisdiction. AB 361 will sunset on January 31, 2024.

Under AB 361, a local agency will be allowed to meet remotely without complying with prior Brown Act teleconference requirements when:

1. The local agency holds a meeting during a state of emergency declared by the Governor, and either
 - State or local health officials have imposed or recommended measures to promote social distancing, or
 - The legislative body finds that meeting in person would present imminent risks to the health or safety of attendees.

As discussed above, state and local officials continue to recommend social distancing. Therefore, the Committee can continue to conduct meetings via teleconference, as long as it adheres to the following emergency requirements under Government Code Section 54953(e)(2), added by AB 361:

1. The legislative body gives notice and posts agendas as otherwise required by the Brown Act, including directions for how the public can access the meeting.
2. The legislative body does not take formal action on any item whenever there is a disruption in the meeting broadcast.
3. The public is allowed to provide comment in real time.
4. The legislative body allows time during a public comment period for members of the public to register with any internet website required to submit public comment.

Once a local agency passes an AB 361 resolution, the agency can meet under the emergency teleconference requirements for 30 days, at which point the resolution will expire. The agency can either make certain ongoing findings prior to the 30-day expiration to continue under its first resolution, or the agency can allow the first resolution to expire and pass a new resolution at a later date.

On November 18, 2021, the Board passed its first AB 361 resolution, Resolution #2021–05, which has since expired. Because the Board meets only every other month, this will continue to be the case. Therefore, the Board will pass a new AB 361 resolution via the consent calendar at each meeting, provided that the State of Emergency and social distancing recommendations remain in effect.

Attachment:

1. Resolution # 2022-01, Declaring that the Board of Directors meetings will continue to be held via Teleconference

**RESOLUTION NO. 2022 – 01
BY THE BOARD OF DIRECTORS OF THE
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**DECLARING THAT BOARD MEETINGS WILL CONTINUE TO BE HELD VIA
TELECONFERENCE**

WHEREAS, on March 4, 2020, Governor Newsom declared a State of Emergency to make additional resources available, formalize emergency actions already underway across multiple state agencies and departments, and help the State prepare for a broader spread of COVID-19; and

WHEREAS, on March 17, 2020, in response to the COVID-19 pandemic, Governor Newsom issued Executive Order N-29-20, which suspended certain provisions of the Ralph M. Brown Act in order to allow legislative bodies to conduct meetings electronically without a physical meeting place; and

WHEREAS, on June 11, 2021, Governor Newsom issued Executive Order N-08-21, which specified that Executive Order N-29-20 would remain in effect through September 30, 2021, at which point it would expire; and

WHEREAS, on September 16, 2021, the Governor signed Assembly Bill 361 into law as urgency legislation that went into effect on October 1, 2021, amending Government Code Section 54953 of the Brown Act to allow legislative bodies to continue to meet remotely during a proclaimed state of emergency where state or local officials have recommended measures to promote social distancing; and

WHEREAS, on November 18, 2021, by Resolution 2021-05, the Board of Directors of the Bay Area Water Supply and Conservation Authority declared its intent to meet via teleconference in accordance with Assembly Bill 361 and the provisions of Government Code Section 54953(e); and

WHEREAS, the Governor's proclaimed State of Emergency remains in effect, and State and local officials, including the California Department of Public Health and the Department of Industrial Relations, continue to impose or recommend measures to promote social distancing.

NOW, THEREFORE, BE IT RESOLVED that, in order to ensure the health and safety of the public, meetings of the Board of Directors of the Bay Area Water Supply and Conservation Authority will continue to be held via teleconference in accordance with Assembly Bill 361 and the provisions of Government Code Section 54953(e).

Regularly passed and adopted this 20th day of January, 2022 by the following vote:

AYES:

NOES:

ABSENT:

CHAIR, BOARD OF DIRECTORS

ATTEST:

Board Secretary

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING****November 18, 2021 – 6:30 p.m.**

DUE TO COVID-19, THIS MEETING WAS CONDUCTED AS A TELECONFERENCE PURSUANT TO THE PROVISIONS OF GOVERNMENT CODE SECTION 54953(e). MEMBERS OF THE PUBLIC COULD NOT ATTEND THIS MEETING IN PERSON.

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 6:32 pm following introductory instructions for conducting the meeting virtually through Zoom.

BAWSCA Chair, Gustav Larsson, called the meeting to order. Nicole Sandkulla called the roll. Twenty-four (24) members of the Board were present. A list of Directors present (24), absent (2) is attached.

2. Special Order of Business:

Legal Counsel, Allison Schutte, reported that the Governor signed into law AB361 to codify emergency teleconference rules under the Brown Act. Modified procedures for teleconferencing are available whenever (1) the Governor has declared a state of emergency, and either (2) State or local officials have recommended social distancing, or (3) the agency's legislative body finds that in person attendance would "present imminent risks to the health and safety of attendees."

As a legislative body, the Board must adopt a resolution declaring its findings for the need to teleconference, and must reconsider the findings every 30 days. Moving forward, the Board will need to adopt a resolution at every meeting.

Director Quigg made a motion, seconded by Director Vella, that the Board adopt Resolution #2021-05, declaring that it will continue to meet via teleconference, in accordance with AB 361 and the provisions of Government Code Section 54953(e).

The motion passed unanimously by roll call vote.

3. Comments by the Chair:

Chair Larsson welcomed members of the Board, meeting participants and SFPUC General Manager Dennis Herrera and Assistant General Manager for Water Enterprise, Steve Ritchie.

4. Board Policy Committee Report:

Director Zigterman noted that the BPC summary report included in the Board agenda packet presents an accurate summary of the discussions the Committee had on the items for the Board's consideration.

The BPC voted unanimously in support of agenda items 8G and 8H under Consent.

The BPC discussed in detail, and voted unanimously to recommend the Board adopt the Tier 2 Plan drought allocation methodology for the upcoming year from January 1, 2022, through December 31, 2022.

Director Zigterman noted that regarding the Tier 2 Plan, the BPC voted unanimously to recommend the Board adopt the Tier 2 Plan drought allocation methodology for the upcoming year from January 1, 2022, through December 31, 2022. He also noted that a question was raised about the Tier 2 calculation involving the EPA hardship bank and the BPC was advised that BAWSCA staff was working with the WMR and legal counsel to find an appropriate fix. In voting to recommend the Board adopt the Tier 2 Plan drought allocation methodology, the BPC recognized that a fix would be included in the staff recommendation for the Board's consideration.

Director Jordan emphasized that the Board Policy Committee did not have the opportunity to review the amendment to the Tier 2 Plan methodology, and therefore has not made a recommendation to the Board on Resolution #2021-03, incorporating the amendment.

Public comments were made by Gerrie McGilrey and Gail Sredanovic.

5. Public Comments on Items Not on the Agenda:

Public comments were made by a caller (did not state his name), Peter Drekmeier, Keith Bennett, Carol Steinfeld, Nancy Arbuckle, Dave Warner, John Rosapepe, Robert Naumann, Martin Gothberg, Jim Clarke, and Gerrie McGilrey.

6. SFPUC Report:

Mr. Herrera addressed the BAWSCA Board.

Steve Ritchie provided a report on current water supply conditions and an update on curtailment orders.

Public comments were made by Peter Drekmeier.

7. Water Management Representatives Report:

Tammy Rudock, General Manager of Mid-Peninsula Water District, provided a report on current activities of the Water Management Representatives.

There were no comments from the public.

8. Consent Calendar:

There were no comments from members of the Board or the public.

Director Pierce made a motion, seconded by Director Matichak, to approve the Minutes of the September 16, 2021 meeting; receive and file the Budget Status Report as of September 30, 2021; the Annual Audit Report for BAWSCA and Compilation Report for BAWUA for FY2019-2020; the Directors' Reimbursement Report, the Bond Surcharge Collection, Account Balance and Payment Report, and the Investment Report as of September 30, 2021; Re-Affirm BAWSCA's Statement of Investment Policy; Adopt the Administrative Revision to BAWSCA's CalPERS Health Benefit Resolution:

- **Rescind Resolutions #2013-03A and #2013-03B, which specify PERS Choice Plan; and**
- **Adopt replacement Resolution #2021-04 (provided by CalPERS), which specifies PERS Platinum Plan.**

The motion passed by roll call vote. Director O'Brien abstained for Item #8A.

9. Action Calendar:

- A. Adoption of Resolution #2021-03 Adopting a 2021 Amended and Restated Tier 2 Drought Response Implementation Plan.

Public comments were made by Peter Drekeimer.

Director Mendall made a motion, seconded by Director Benton, that the Board adopt Resolution #2021-03 approving an amendment to the Amended and Restated Tier 2 Drought Response Implementation Plan and extending the term through December 31, 2022.

Following Board discussions, a motion to amend the recommendation was made.

Director Jordan made a motion, seconded by Director Wood, to amend Resolution 2021-03 to include;

Whereas, the Board plans to diligently work to make this extension through December 31, 2022 the last extension of the 2011 Tier 2 Drought Allocation Plan.

The Board further discussed the amendment. Director Quigg called for a vote on the amendment:

The motion failed by roll call vote.

Noes: Barber, Benton, Chambers, Combs, Hamilton, Hardy, Larsson, Matichak, Mendall, Montano, O'Brien, Pierce, Quigg, Vella, Wood, Zigterman

Ayes: Cormack, Hindi, Jordan, Manalo, Mickelsen, Weed

Abstain: Piccolotti

Absent: Breault, Liccardo, López

Chair Larsson called for a vote on the main motion by Director Mendall, seconded by Director Benton.

The motion passed by roll call vote. Director Piccolotti abstained.

Given the duration of the meeting, Chair Larsson called for a motion to extend the meeting.

Director Wood made a motion, seconded by Director Vella, to extend the meeting to 10:30pm.

The motion passed unanimously by roll call vote.

10. CEO Reports

BAWSCA CEO/General Manager, Nicole Sandkulla, provided reports on water supply conditions and FERC/Bay Delta Plan.

Financial Manager, Christina Tang reported on the completion of the bond refunding efforts.

Public comments were provided by Peter Drekmeier and Dave Warner.

11. Closed Session:

The meeting adjourned to Closed Session at 10:15pm. There were no comments from members of the public prior to the Board going into Closed Session.

12. Report After Closed Session:

Closed Session ended at 10:25. Legal Counsel, Allison Schutte, convened Open Session and reported that no action was taken during Closed Session.

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

Director Cormack inquired about SFPUC's Climate Study.

Mr. Francis reported that the SFPUC is tentatively scheduled to provide a report to the BPC at its meeting in December.

14. Date, Time and Location of Next Meeting: The next meeting is scheduled on January 20, 2022 at 6:30pm.**15. Adjournment:** The meeting adjourned at 9:30pm.

Respectfully submitted,

Nicole M. Sandkulla
Chief Executive Officer/General Manager

NMS/le

Attachments: 1) Attendance Roster

Bay Area Water Supply and Conservation Agency

Board of Directors Meeting Attendance Roster

Director	Agency	Nov. 18, 2021	Sept. 16, 2021	July 15, 2021	May 20, 2021	Mar. 18, 2021	Jan. 21, 2021	Nov. 19, 2020
Barber, George	Cal Water	✓	✓	✓	✓*	✓*	✓*	✓*
Benton, Jay	Hillsborough	✓	✓	✓	✓	✓	✓	✓
Breault, Randy	Guadalupe	✓		✓		✓		✓
Chambers, Tom	Westborough	✓	✓	✓	✓	✓	✓	✓
Combs, Drew	Menlo Park	✓	✓	✓	✓*	✓*	✓*	*
Cormack, Alison	Palo Alto	✓	✓	✓	✓	✓	✓	✓
Hamilton, Tom	San Bruno	✓	✓	✓	✓	✓	vacant	✓*
Hardy, Karen	Santa Clara	✓	✓		✓	✓	vacant	✓*
Hindi, Sam	Foster City	✓	✓	✓	✓	✓	✓	
Jordan, Steve	Purissima	✓	✓	✓	✓	✓	✓	✓
Larsson, Gustav	Sunnyvale	✓	✓	✓	✓	✓	✓	✓
Liccardo, Sam	San Jose							
Lopez, Antonio	East Palo Alto				*	✓*	✓*	✓*
Manalo, Juslyn	Daly City	✓	✓	✓	✓	✓	✓	✓
Matichak, Lisa	Mountain View	✓	✓	✓	✓	✓	✓	✓
Mendall, Al	Hayward	✓	✓	✓	✓	✓	✓	✓
Mickelsen, Chris	Coastside	✓	✓	✓	✓	✓	✓	✓
Montano, Carmen	Milpitas	✓	✓	✓	✓	✓	✓	✓
O'Brien, Ann	Burlingame	✓		✓	✓	✓	✓*	✓*
Piccolotti, Tom	North Coast	✓	✓	✓				
Pierce, Barbara	Redwood City	✓	✓	✓	✓	✓	✓	✓
Quigg, Dan	Millbrae	✓	✓	✓	✓	✓	✓	✓
Vella, Lou	Mid-Peninsula	✓	✓	✓	✓	✓	✓	✓
Weed, John	ACWD	✓	✓	✓	✓	✓	✓	✓
Wood, Sepi	Brisbane	✓	✓	✓	✓	✓	✓	✓
Zigterman, Tom	Stanford	✓	✓	✓	✓	✓	✓	✓

✓ : Present

* : Predecessor

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Bay Area Water Supply & Conservation Agency

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

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: January 10, 2022

SUBJECT: Budget Status Report as of November 30, 2021

This memorandum shows a budget to actual status for FY 2021-22. It includes major areas of spending, provides an assessment of the overall budget, and summarizes reserve fund balances. This report covers the budget and expenses for BAWSCA, RFA and BAWUA.

Operating Budget Summary:

For the five-month period ending November 30, 2021, 42 percent into the fiscal year, total expenditures were \$1,799,928 or 38 percent of the total budget of \$4,783,794.

Table 1. Operating Budget Summary as of November 30, 2021

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	1,506,600	443,016	29%
Fair Pricing	565,700	241,801	43%
Administration	140,000	65,764	47%
Subtotal	2,212,300	750,581	34%
Administration and General			
Salary & Benefits	2,122,019	916,042	43%
Other Expenses			
BAWSCA	385,900	133,305	35%
BAWUA	1,050	0	0%
Subtotal	4,721,269	1,799,928	38%
Capital Expenses	3,000	0	0%
Budgeted Contingency	57,500	0	0%
Regional Financing Authority	2,025	0	0%
Grand Total	4,783,794	1,799,928	38%

Overview:

Overall expenditures for FY 2021-22 are tracking within budget.

Consultants

The \$115,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 10 percent expended. The budget allocation of \$150,000 for strategic counsel was 51 percent expended. The budget allocation of \$723,500 for legal counsel was 51 percent expended. The \$236,600 budget for water management and conservation-related activities was 15 percent expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 43 percent and 35 percent expended respectively.

Use of CEO's Discretionary Spending Authority:

No use of CEO discretionary spending authority occurred during this period.

Use of Reserve and Reserve Fund Balance:

Unspent funds at the end of FY 2020-21 were \$43,727. In accordance with the adoption of the FY 2021-22 annual budget in May 2021, the Board approved transferring \$281,676 from the General Reserve to fund the FY 2021-22 Operating Budget. Both transfers were executed in November. The General Reserve balance as of November 30, 2021 shown below reflects the transfers.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 09/30/21)	Account Balance (As of 11/30/21)
General Reserve	\$996,743	\$758,794



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: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: January 7, 2022

SUBJECT: Investment Report – As of December 31, 2021

In February 2004, the Board originally adopted an investment policy consistent with the Government Code that requires a report on the Agency's investments be provided to the Board. This report presents fund management in compliance with the current investment policy. The Board most recently reviewed the investment policy at the November 18, 2021 board meeting.

Funds in excess of \$250,000 are deposited in the BAWSCA Local Agency Investment Fund (LAIF) account throughout the year to ensure compliance with BAWSCA's investment policy.

BAWSCA's prior and current period LAIF account balances are shown below:

<u>09/30/21</u>	<u>12/31/21</u>
\$2,541,657	\$2,543,205

Of the total in the BAWSCA LAIF account as of December 31, 2021, \$758,794 represents BAWSCA's General Reserve Fund, equivalent to approximately 16 percent of FY 2021-22 Operating Budget. The remaining amount consists of Subscription Conservation Program funds and unrestricted funds.

Recent historical quarterly interest rates for LAIF deposits are shown below:

<u>06/30/21</u>	<u>09/30/21</u>
.33%	.24%

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Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: January 7, 2022

SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending
December 31, 2021

In March 2006, the board adopted a directors' expense reimbursement policy consistent with the Government Code that requires a quarterly report on the Agency's reimbursement of directors' expenses. This report shall show the amount of expenses reimbursed to each director during the preceding three months.

There were no director expenses reimbursed for the quarter ending December 31, 2021.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Authorization to Execute a Professional Services Contract with Woodard & Curran, Inc. to Provide Technical Assistance as BAWSCA Facilitates a Comprehensive Update to the Tier 2 Drought Response Implementation Plan (Tier 2 Plan)**

Summary:

The Board and Wholesale Customers have directed BAWSCA to facilitate a renegotiation and update to the Tier 2 Plan. This update is included in the adopted FY 2021-22 Work Plan. BAWSCA issued a Request for Proposals (RFP) on October 22, 2021 seeking technical assistance from a qualified firm to support this effort. The RFP was sent directly to eight firms with experience in drought supply allocation plan development, water shortage planning and modeling, and other applicable qualifications. One proposal, submitted by Woodard & Curran, was received by the deadline on November 12, 2021.

BAWSCA convened a proposal review and selection panel consisting of three BAWSCA staff members and two external experts. The panel conducted a thorough and rigorous review and unanimously agreed that the proposal was robust, that the scope meets BAWSCA's needs, and that the Woodard & Curran team possesses the necessary skills and experience to support BAWSCA as it updates the Tier 2 Plan. BAWSCA interviewed Woodard & Curran on November 23, 2021 to discuss the scope, timeline, and questions raised by the review panel.

Pending approval, this work will begin in late January 2022 and is anticipated to extend well into FY 2022-23. Work that will be conducted in FY 2021-22 is termed as Phase 1 of the Tier 2 Plan Update. During the above referenced November 23rd discussion, Woodard & Curran was asked to prepare a scope, schedule, and cost estimate for that Phase 1 work, with the understanding that work will continue into FY 2022-23 through a subsequent contract amendment to cover the scope, schedule, and cost for that Phase 2 effort.

Fiscal Impact:

The cost of services proposed by Woodard & Curran for Phase 1 of the Tier 2 Plan Update is \$98,000. The adopted FY 2021-22 budget allocated \$75,000 for the Tier 2 Plan Update and there are available funds within the adopted FY 2021-22 budget that can be reallocated to cover the additional monies required. Phase 2 of the update will be performed in FY 2022-23, and the cost and scope of that work will be included in the proposed FY 2022-23 Work Plan and budget to be considered by the Board in May of 2022.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and Woodard & Curran subject to legal counsel's final review, for an amount not to exceed \$98,000 to provide technical services toward the Tier 2 Plan Update.

Discussion:

The 2018 Amended and Restated Water Supply Agreement between the City and County of San Francisco and the Wholesale Customers (WSA) includes a Water Shortage Allocation Plan to allocate water from the Regional Water System (RWS) to SFPUC Retail and Wholesale Customers during system-wide shortages of 20 percent or less (Tier 1 Plan). The WSA also authorizes the Wholesale Customers to adopt a methodology for allocating RWS water which is collectively available to the 26 Wholesale Customers among themselves (Tier 2 Plan). The WSA commits the SFPUC to honor allocations of water unanimously agreed to by the Wholesale Customers or adopted by the Board of Directors. If BAWSCA or all Wholesale Customers do not provide the SFPUC with Tier 2 Allocations, SFPUC may make a final allocation decision.

The Wholesale Customers unanimously adopted a Tier 2 Plan in 2011 with a December 31, 2018 term end date. This was intended to coincide with SFPUC's planned 2018 decision on whether to make interruptible customers permanent customers. However, that decision was subsequently delayed until 2028. Between 2018-2021, the Board has adopted the 2011 Plan, extending it through the end of the successive calendar year. On November 18, 2021, the Board adopted the 2021 Amended and Restated Tier 2 Plan, extending it to the end of calendar year 2022.

The Board and Water Management Representatives (WMR) have determined that the current Tier 2 Plan is no longer sufficient to meet the Wholesale Customers' water supply planning needs and an update is necessary to account for changes in water use and supplies since it was developed and adopted in 2011.

Proposal Solicitation and Consultant Selection

An RFP was released on October 22, 2021, for technical consulting services to support development of a new Tier 2 Plan. The RFP was sent directly to eight consulting firms. Responses to the RFP were due on November 12, 2021. Although BAWSCA had several conversations with prospective consultants, only one proposal was received.

Those prospective consultants that did not submit a proposal were contacted to understand their reasons for making such a decision. Some expressed concern regarding their ability to commit the necessary resources to successfully complete the work given their existing projects. Some believed other firms were more uniquely qualified for the work. One firm, Hazen & Sawyer, indicated that they preferred to be a subconsultant to Woodard & Curran, rather than being the prime leading a work effort.

A proposal review panel was assembled, consisting of staff together with a WMR member and a Principal Water Resources Specialist with the San Diego County Water Authority. Both were involved in similar water allocation approaches and hence appropriate as review panel members. The review panel found that the proposal from Woodard & Curran scored well and that the proposed scope was well detailed and highly appropriate.

Discussions between staff and Woodard & Curran continued through November 2021, resulting in a proposed contract that is ready to be finalized.

In those discussions, BAWSCA requested that Woodard & Curran break its proposal into two phases in recognition that the work will continue over two fiscal years. In response, Woodard & Curran prepared a scope of work and cost estimate for efforts to be performed during FY 2021-22 as Phase 1 of the Tier 2 Plan Update. BAWSCA will work with Woodard & Curran to finalize

a scope, schedule and budget for the Phase 2 efforts as part of the FY 2022-23 Work Plan and budget effort.

Woodard & Curran's proposal submitted on November 12, 2021, prior to BAWSCA's request to provide a phased approach, identified a total cost of proposed services as \$168,753. Once Phase 1 work is underway, BAWSCA will re-evaluate the level of continued engagement with member agencies needed in FY 2022-23 to complete the Tier 2 Plan Update and use this information to inform the FY 2022-23 Work Plan and associated budget requirements that will be proposed to the Board for its consideration in May 2022.

Schedule:

The proposed schedule for the Phase 1 work effort is as follows:

- BPC recommendation to authorize an Agreement with Woodard & Curran: Dec. 8, 2021
- Board approval authorizing an Agreement with Woodard & Curran: Jan 20, 2022
- Project Kick-off: Late January 2022
- Background Research and Data Review (Task 2): February 2022
- Establish Policy Objectives (Task 3): March – April 2022
- Develop Draft Tier 2 Plan Options (Task 4): May – June 2022

Regular meetings with the WMR will be held throughout the Phase 1 work effort.

BAWSCA anticipates that in FY 2022-23, draft Tier 2 Plan options will continue to be refined, and additional analysis required prior to reaching member agency consensus.

Engagement with the BAWSCA Board During the Work Effort

The Tier 2 Plan is an agreement among the BAWSCA member agencies. BAWSCA's role is to facilitate negotiations of an updated Tier 2 Plan between the member agencies, as represented by the WMR. As such, the Tier 2 Plan Update, including the selection and weighting of components that factor into the calculation of water supply allotments, are the responsibility of each member agency and their assigned representatives.

The Board and BPC will be kept apprised of the work effort at critical junctures, such as when policy objectives are agreed to by the member agencies. Further, the Board and BPC will be given updates as to how the work effort is proceeding, including but not limited to any indication that significant challenges or stumbling blocks are observed by BAWSCA staff. Board Members are encouraged to engage with their appointing agency staff, particularly if a Board Member identifies that guidance is warranted.

Scope of Services and Billing Rates:

The Tier 2 Plan Update will be an iterative process requiring significant engagement with, and input from, the Wholesale Customers primarily through the WMR. BAWSCA will be responsible for facilitating meetings and leading negotiations among the Wholesale Customers. Woodard & Curran will provide support to BAWSCA with the technical aspects of updating the Tier 2 Plan, documenting the process, and developing final presentation and adoption materials. Successful completion of this project will facilitate approval of the Tier 2 Plan Update.

The draft scope of services and billing rates are shown in Exhibit A.

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EXHIBIT A

**SCOPE OF SERVICES WITH WOODARD & CURRAN
FOR TIER 2 PLAN UPDATE TECHNICAL ASSISTANCE SERVICES – PHASE 1**

DRAFT

The Tier 2 Plan Update will be an iterative process with significant engagement with, and input from, the Wholesale Customers primarily through the WMR. BAWSCA will be responsible for facilitating meetings and leading negotiations among the Wholesale Customers. Woodard & Curran will provide support to BAWSCA with the technical aspects of updating the Tier 2 Plan, documenting the process, and developing final presentation and adoption materials (Project). Successful completion of this Project will facilitate approval of the Tier 2 Plan Update. This scope is developed for Phase 1 of the Tier 2 Plan Update. An amendment to the agreement with Woodard & Curran will be developed to address the additional work in FY 2022-23 that will be required to complete the update. That additional work will be termed Phase 2 of the Tier 2 Plan Update.

Scope of Services Description

The scope of work proposed for technical services as provided by Woodard & Curran for Phase 1 is divided into four distinct tasks.

Task 1 – Project Management

Task 2 – Background Research and Data Review

2A: Conduct Background Research on Existing Tier 2 Plan

Woodard & Curran will review and evaluate the existing Tier 2 Plan methodology and supporting documentation provided by BAWSCA, including reports and memoranda prepared related to the existing Tier 2 Plan, the Tier 2 Plan calculation spreadsheet, relevant sections of WSA, and other relevant information.

2B: Evaluation of Potential Data Sources

Woodard & Curran will identify and evaluate potential data sources and additional data needs to support development of the new Tier 2 Plan. Woodard & Curran will meet with the BAWSCA project team to review data availability and mapping to potential allocation plan methodologies. Incorporating input and guidance from BAWSCA, Woodard & Curran will prepare a technical memorandum identifying and recommending data parameters for the new Tier 2 Plan development and outlining an approach for collecting and/or developing desired data that are not readily available.

Deliverables:

- BAWSCA Data Request
- BAWSCA Meeting Presentation and Notes
- Data Review TM (TM-1)

Task 3 – Establish Tier 2 Plan Policy Objectives

Woodard & Curran will provide technical support for the Wholesale Customer kick off meeting, which will initiate the update process and establish a list of objectives and principles that will guide the development of the specific formulas for calculating supply allocations and the key implementation elements needed for administering an allocation should a shortage be declared.

The Wholesale Customers will be asked to comment on the principles and reach an agreement prior to moving forward. BAWSCA will work with the Wholesale Customers to gain such concurrence and will engage with Woodard & Curran as these discussions unfold.

Two (2) meetings with the Wholesale Customers are assumed.

Deliverables:

- Meeting Notes (2)
- Summary of Policy Objectives

Task 4 - Develop Draft Tier 2 Plan

4A: Preliminary Model Development

Based on the objectives established by the Wholesale Customers during Task 3 and at BAWSCA's direction, Woodard & Curran will develop a preliminary MS-Excel spreadsheet model that allocates RWS supplies during system-wide shortages up to 50%. The preliminary model will be developed with the purpose of achieving consistency in the model structure and interface across future iterations of the methodology.

Deliverables:

- Preliminary Allocation Model
- Documentation of Model Methodology, updated for each iteration (up to 6 iterations)

4B: Regional Reliability Hydraulic Model (BAWSCA Model) Data Integration

The Woodard & Curran team will utilize BAWSCA's existing Regional Reliability Hydraulic Model (BAWSCA Model) as part of this task effort. The Woodard & Curran team will incorporate local water supply and demand outputs from the BAWSCA Model into the allocation model. These outputs, specifically the availability of water supply from non-RWS sources across varying historical hydrology (e.g., including drought years), will be used evaluate overall reliability of each agency within the allocation model.

The Woodard & Curran team will analyze the effects to individual Wholesale Customers of changes in water demands and local supply shortages. With BAWSCA's direction, Woodard & Curran will develop a set of up to three reliability scenarios that will be used across each iteration of the allocation model development. Results from the BAWSCA Model will be used to examine performance of Tier 2 Plan alternatives given varying hydrology and non-RWS supply availability, informing development of the allocation model. Woodard & Curran will prepare a technical memorandum documenting the reliability scenarios.

Deliverables:

- Reliability Scenarios TM (TM-2)

4C: Presentations of Proposed Model to Wholesale Customers

BAWSCA and Woodard & Curran will convene several meetings to present the proposed Tier 2 Plan calculations and gather feedback from the Wholesale Customers. BAWSCA's project manager and management will lead the meetings and facilitate discussions. Woodard & Curran will assist in preparing meeting presentation and will be prepared to answer questions as may be raised at the meetings regarding the calculations performed. Amendments to the model inputs and assumptions will be made by Woodard & Curran between meetings and with engagement from BAWSCA staff.

Deliverables:

- Meeting Presentations (6)
- Meeting Notes (6)

Budget

The total not to exceed budget for the above-detailed scope of work is \$98,000.

Billing Rates

The billing rates for the staff assigned to the project are provided below for both Woodard & Curran as well as for their subconsultant, Hazen & Sawyer.

Woodard & Curran

- Persephene St. Charles, Principal in Charge - \$330/hr.
- Andree Johnson, Project Manager - \$281/hr.
- Warren Greco, Model Development - \$249/hr.
- Nolan Meyer, Staff Support - \$171/hr.
- Chris Hewes, Data Source Integration - \$249/hr.
- Administrative Support - \$116/hr.

Hazen & Sawyer

- Marc Soloman, Principal in Charge - \$300/hr.
- Luke Wang, Modeling Manager - \$210/hr.
- Kinsey Hoffman, Senior Modeler - \$179/hr.
- Leah Bensching, Model Support - \$150/hr.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Election of Officers for Calendar Year 2022**

Summary:

The State Water Code (Division 31, Section 81401) requires the Board to elect a chair and vice chair each year at the January meeting. The term of officers of the Board commences at the close of the meeting at which they are elected.

Discussion:

In a virtual meeting format, the suggested process for electing the chair is as follows:

1. Call for nominations for the position of chairperson.
2. Chair will close nominations once no further names are offered.
3. If there is only one nominee, call for the vote by roll call.
4. If there is more than one nominee, then proceeding alphabetically:
 - a. Ask each nominee to give a brief statement on his/her qualifications and interest in the position.
 - b. Directors who would like to comment on behalf of the nominee can “raise hand” on zoom. For those calling in, push *9 for the “raise hand” function
 - c. Call for a vote of those in favor of each nominee, by roll call.
 - d. Once a majority elects a nominee, the election is over.

Following the election of the chair, proceed to the election of vice chair using the same process.

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BAWSCA

Bay Area Water Supply & Conservation Agency

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MEMORANDUM

TO: BAWSCA Board Members

FROM: Nicole Sandkulla, Chief Executive Officer/General Manager

DATE: January 14, 2022

SUBJECT: Summary of Board Policy Committee meeting held December 8, 2021

1. **Call to Order:** Committee Chair, Tom Zigterman, called the meeting to order at 1:33 pm following reminders of the protocols to conduct the virtual meeting successfully. A list of Committee members who were present (9), absent (1) and other attendees is attached.

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

2. **Consent Calendar:**

Director Hardy noted that she will abstain from approving Item #2A since she was absent from that meeting. There were no comments from members of the public.

Director Pierce made a motion, seconded by Director Cormack, that the Committee approve the Minutes of the October 13, 2021 Board Policy Committee meeting, and adopt Resolution #2021-06, declaring that the Committee will continue to meet via teleconference, in accordance with AB 361 and the provisions of Government Code Section 54953(e).

The motion passed by roll call vote. Director Hardy abstained from item 2A; Approval of the Minutes from the October 13, 2021 meeting.

3. **Comments by Committee Chair:** Chair Zigterman welcomed the Committee members and meeting participants. He noted that the meeting agenda includes a presentation from the SFPUC on its Long-Term Vulnerability Assessment Report, and 2 action items.

The action items include consideration of the Mid-Year 2021-22 Work Plan, Budget, and General Reserve Review, and consideration of a Professional Services Contract to provide the technical support BAWSCA needs to facilitate a comprehensive update to the Tier 2 Plan.

The Committee's consideration of these items enables BAWSCA to achieve its mission to ensure a reliable supply of high-quality water at a fair price.

4. **Public Comments:** Public comments were provided by Dave Warner, Carol Steinfeld, and Peter Dreke-meier.
5. **SFPUC Report:** Alison Kastama, SFPUC BAWSCA Liaison, introduced Alexis Dufour, SFPUC Hydrology and Water System Modeling Engineer, who presented the findings of the SFPUC's Long-Term Vulnerability Assessment (LTVA), in which he was a co-researcher.

Mr. Dufour reported that the SFPUC has long been working on predecessor studies, noting that the SFPUC prepared a Climate Change Study during the development of the Water System Improvement Program (WSIP) Environmental Impact Report (EIR) in 2007. Since then, there has been several other studies conducted including the 2009-2012 Sensitivity Analysis which investigated the impact that potential Climate Changes Scenarios would have on flows in the Upper Tuolumne River Flows. While the results of these studies served useful, Mr. Dufour focused his presentation on the recently completed LTVA.

The LTVA was a research collaboration between the SFPUC, academia, and the federal government. Dr. Casey Brown, from the Hydrosystems Research Group of University of Massachusetts, Amherst, was the principal investigator. He and the SFPUC worked with the National Center for Atmospheric Research in Boulder Colorado, and Deltares, a think-tank in the Netherlands. This work was conducted under the auspices of the Water Research Foundation (WRF).

The goal of the LTVA was to assess the extent of the threat climate change presents to the Regional Water System in comparison to, or in combination with, other external drivers of change over the next 50 years (2020-2070). The findings suggests that climate change is not the single most important factor, but will likely exacerbate the impacts of other potential risks to system reliability.

The study looked at 6 areas of vulnerability; Climate and Hydrology, Instream Flow Requirements, Increasing Demands, Degradation of Raw Water Quality, Financial Limitations, Infrastructure.

Before presenting the technical details of the study, Mr. Dufour noted that climate projections have large uncertainties. The LTVA looked at warming and precipitation as the first aspect in climate projections. Using a historical baseline between 1986 and 2005, an analysis of data output from a global circulation model further emphasized the wide range of uncertainties in warming and in precipitation projections. Furthermore, a climate elicitation workshop of experts in atmospheric science and climate change who are both users and developers of the global circulation model analyzed projections for the Regional Water System area. The LTVA took an approach of studying all potential scenarios within the mean annual temperature, varying from 0-7°C, and within the mean annual precipitation, varying in percent change of between -40% and +40%.

The second aspect of the LTVA's climate projection is Natural Climate Variability (NCV), which is the idea of having droughts of varying lengths coupled with sequences of wet years. The LTVA developed a tool called Weather Generator using instrumental records to generate precipitation and temperature time series simulation. Nine sequences of 50 years were used from the weather generator along with the historical sequence from 1961-2011 to evaluate the reliability of the Regional Water System.

The Natural Climate Variability was combined with the climate projections to generate the climate change scenarios. Mr. Dufour emphasized that specific climate projections cannot be relied on to know what the future will be. The water system must be built to be resilient to a wide range of outcomes.

Using data developed for a 1986 – 2005 baseline, an analysis shows that by 2040, the full range of projected changes in the mean annual temperatures can vary between +1°C and +5.5°C, and precipitation can be between -20%, which is very dry, and 35%, which is wetter than we have ever experienced.

In the upcountry region, the LTVA defines **median projections as +2°C warming and 0% change in mean annual precipitation**. Most projections and expert elicitations try to balance the wide range of uncertainty with a range between +1°C and +4°C for warming, and between -5% and +5% for precipitation.

With the sequences of precipitation and temperature for both current and plausible future climate, hydrologic simulation models of watersheds in the Sierra Nevada and the Bay Area can show how the river responds to the changes and how much inflows comes into the reservoirs.

The findings indicate that warming has a small effect on annual inflow volumes, but affects timing of spring runoff. By 2040, the **median projections, which is +2°C warming and 0% change in mean annual precipitation**, would result in a decrease of 8 TAF in the mean annual Water Available to the City (WAC) volume; a change that is not critically significant because our current long-term average of annual WAC is approximately 750 TAF. By 2070, there would be a reduction of 17 TAF.

However, a 5% decrease in mean annual precipitation causes a near doubling of the frequency of drought with a corresponding water deficit as severe as that experienced during the 1987-1992 drought, one of the worst on record.

At a baseline demand of 227mgd, and with current system and current instream flow requirements, the Regional Water System can sustain warming of +4°C and -5% change in precipitation before failing to meet performance targets on delivery reliability. The system, however, is vulnerable to long droughts similar to 1987-1992, as well as short and very severe droughts like the 1976-77 drought.

Demand change is critical to the future performance of the Regional Water System. A 15% increase in demand (265mgd) will lead to failing to meet the rationing frequency targets in current climate. The rationing frequency targets would only be met if there is a favorable climate change that provides an increase in precipitation by 10%.

The TRVA's analysis of water quality focused on turbidity, which is important for Regional Water System's filtration avoidance, and the total organic carbon (TOC) level in the water. Findings indicate that raw water quality deterioration as a result of mean climate changes does not appear to be a major concern. However, further evaluation of the changes in rainfall intensity on a shorter time scale should be done for further verification.

Several analyses of instream flow requirements and water supply were done, particularly the State Water Resources Control Board's Bay-Delta Plan as adopted in 2018, which causes a significant increase in frequency of rationing. With a demand of 227 mgd, rationing occurs 1 out of 20 years on average. With the adopted Bay-Delta Plan, it becomes 1 out of 6 years on average. This is an equivalent increase in frequency of rationing from a severe climate change that decreases mean annual precipitation by 15%.

Infrastructure failure narratives were examined and focused on five likely events that could occur in the Regional Water System. Those likely events include:

- a 60-day outage in Hetch Hetchy reservoir due to filtration requirement at Sunol Valley Water Treatment Plant,

- a 20% reduction in Hetch Hetchy storage capacity due to safety regulations or aging infrastructure,
- a shutdown of the San Joaquin pipeline for 1 year due to a major failure,
- a 60-day outage on critical facilities due to major damage from an earthquake on the Calaveras Fault,
- a 1-year shutdown of the Harry Tracy Water Treatment Plant (HTWTP) due to fire across Crystal Springs reservoir.

The events were analyzed under multiple demands and multiple climate change scenarios. The findings show that failures related to importing water from upcountry are most critical, especially when they are compounded with a reduction in ability to treat local water and/or a low local emergency storage reserve preceding the event. Decreases in precipitation and increases in demand exacerbate the vulnerability of the Regional Water System to the system failures examined. The unplanned outage of HTWTP indicated less vulnerability to water supply under normal circumstances. A significant effect would be observed if there is a demand increase by 30% or a significant decrease in precipitation. The system could be vulnerable to other infrastructure failures or combination of failures that were not explored in the LTVA.

From a financial aspect, if additional supplies needed to be added to the Regional Water System to address climate change or instream flow requirements, demand would need to increase significantly to mitigate substantial increases in the price of water. For example, if annual capital expenditures increase from a baseline of \$350M to \$525M, demand would have to increase by 30% to maintain existing water rates, otherwise, rates would increase by 50%.

In summary, the main findings of the LTVA are that climate change is not the single most important factor, but will likely exacerbate the impacts of other potential risks to system reliability. The Regional Water System is most vulnerable to changes in demand and new instream flow requirements (e.g., the Bay-Delta Plan). With a baseline demand of 227mgd, the system can sustain a climate change scenario of up to +4°C warming and -5% change in precipitation before failing to meet reliability goals. However, reliability goals at that demand level can no longer be met with the implementation of the adopted Bay-Delta Plan. Similarly, a demand increase of 15% would result in failure to meet reliability goals under current climate.

Moving forward, the WRF has published the report on its website, and will coordinate a webinar in mid-January to present the findings to WRF members and the interested general public.

The SFPUC will evaluate alternative water supplies using the LTVA modeling tools, and will pursue improvements to its hydrologic simulation models. The SFPUC will also establish baseline indicators and monitoring systems to track vulnerability signals to identify tipping points before they occur.

In response to questions from members of the Committee, Mr. Dufour clarified that the LTVA's change projection analysis pertained specifically to the Regional Water System which includes the Peninsula, East Bay and upcountry. The details presented included the upcountry information, but the data between the regions do not vary significantly.

Snow was considered as precipitation and is included in the hydrology model that distinguishes data between rain for runoff and snow for accumulation of snowpack. A typical pattern of inflow into the Regional Water System's upcountry reservoirs is, in general, a big pulse in the Spring when the snow melts. The analysis shows that there would be more events of runoff, which will have an impact on the operation of the reservoirs which are currently sized and operated on the assumption that snowpack serves as a "first reservoir" which over the spring feeds upcountry

reservoirs. Re-operation of the system was not analyzed in the LTVA because it is considered an adaptation measure as opposed to a vulnerability, which the LTVA focused on.

Mr. Dufour added that, with the LTVA, the SFPUC now has a tool that can include environmental metrics, which will provide a better sense of the tradeoffs for increasing resiliency in the water system and supply.

The increase in demand was not specific to any cause, but was focused on identifying the demand level to which the system can no longer perform.

What was most surprising from the study was seeing how much wider the range of uncertainty of climate change was compared to what was anticipated. When the atmospheric and science experts were brought together to evaluate the projections, the idea was to reduce the uncertainties. But instead, the uncertainties increased even more. The climate models are both the best representation we have for change projections, as well as a fairly poor representation because there are a lot of processes that are not included. This is why scientists tend to say; “it could be worst”. We need to be on a prudent path in planning for new supplies and demand, and evaluate the supplies based on a wide range of uncertainties.

Another interesting aspect is the ability to now be able to evaluate the tradeoffs between the effects of various drivers of change. Typically, the system is operated and optimized based on historical demand information. Now, the philosophy is to build a system that is robust to withstand uncertainties. While it may not be perfect, it will sustain operation to a wide range of scenarios.

The Regional Water System vulnerability findings from the LTVA are difficult to compare with the vulnerability of other systems in California. Mr. Dufour noted that a significant aspect of the Regional Water System’s operation is gravity flow. This aspect offers various advantages including filtration avoidance, which provides significant cost savings.

The LTVA, in comparison to the 2012 analysis of the influence of Tuolumne River flows to climate change scenarios, took an approach that can be most successful for the Regional Water System. The 2012 study focused on a single aspect which was the changes in flow in the Tuolumne. When only one single aspect of change is brought to decision makers as opposed to a wide variety of plausible changes, decisions are limited to that singular aspect instead of having broader data to make informed decisions. By considering all uncertainties in the analysis, operation becomes transparent instead of influenced. Secondly, tracking and monitoring the various changes is important. Lastly, the findings of the LTVA will change several years from now, and the assessment will need to be re-visited.

Public comments were provided by John Weed, Peter Drekmeier, and Dave Warner.

6. Action Calendar:

- A. Mid-Year 2021-22 Work Plan, Budget and General Reserve Review: Acting CEO/General Manager Tom Francis reported that the Mid-year review of the FY 2021-22 work plan and budget identified the need for four work plan changes to address the increasing drought conditions.

The scoping for an update to the Long-Term Reliable Water Supply Strategy (Strategy) will be delayed to FY 2022-23, as will the scoping for an update to the Water Conservation Data Base (WCDB). The delays of these two efforts would allow for the allocation of critical resources to drought support efforts, and the development of a new Tier 2 plan.

Mr. Francis noted the importance of the Strategy and the WCDB. Particularly, the WCDB is a data bank of member agencies' water use by source, water use by class, conservation efforts, and water use reduction. The scoping for the update will be included in the FY 2022-23 workplan sequenced with the implementation of the update.

There are two proposed scope additions to the workplan, which includes an increased level of staff-led drought support provided to member agencies and their customers. Higher than anticipated efforts in this area due to increasing drought conditions have had and are expected to have an impact on staff resources.

Facilitating member agencies' adoption of a WSA amendment related to the transfer of minimum purchase obligations will also be added to the current work plan. This effort was expected to be completed in FY 2020-21, however, there were extended negotiations between Mountain View and East Palo Alto on a companion amendment that needed to be a part of this WSA amendment package, stretching this work into FY 2021-22. All negotiations have been successfully completed, and adoption of the WSA amendment by the governing bodies of each 26 member agencies will need to be facilitated by BAWSCA during the remainder of this current fiscal year.

Mr. Francis presented the status of efforts under each of the nine categories of the work plan. He reported that the SFPUC's implementation of its Asset Management Program in FY 2021-22 has been delayed due to the current drought, and therefore BAWSCA's efforts to review and monitor SFPUC's progress is delayed. The SFPUC anticipates work to resume in FY 2022-23.

All other work efforts in the work plan are on track. Mr. Francis was pleased to note, as presented at the November Board meeting, the completion of BAWSCA's efforts to refund a portion of BAWSCA's bonds, saving member agencies approximately \$24 M.

Mr. Francis reported that there are no recommended changes to the General Reserve. The current General Reserve balance is \$758,794 which reflects the \$281,676 transfer to BAWSCA's FY 2021-22 Operating Budget that was approved by the BAWSCA Board in May, and a deposit of \$43,727 of FY 2020-21 unspent funds.

While BAWSCA's operating expenses in FY 2020-21 were below its final budget, unspent funds from FY 2020-21 were \$200,000 less than the anticipated amount included in the funding plans for FY 2021-22. This puts the level of the General Reserve balance at 16% of the approved operating budget, which is outside of the General Reserve Guideline for budgetary purposes of 20% - 35% of the annual operating expenses.

The CEO/General Manager will closely monitor agency spending and potential risk areas. The Chair and the Board will be updated on a regular basis, and further discussions on the General Reserve can be expected as BAWSCA prepares the FY 2022-23 Work Plan, Budget and Funding plan.

Under the work plan category of Fair Price, Director Jordan requested for staff to look into making the bond surcharges predictable on a per unit basis.

Director Cormack expressed her support for increasing the level of staff-led drought assistance to member agencies and their customers. She suggested that when the

recommendation is brought to the Board in January, it is important to note that when the FY 2021-22 budget was adopted in May, it was known that the General Reserve balance could potentially be outside the guidelines.

Director Pierce was pleased to see the work plan modifications to shift resources over to the Tier 2 Plan efforts. She expressed her disagreement with the sentiment for the recent extension of the current plan methodology as “kicking the can” or that delays have been or will be caused by BAWSCA staff. The Tier 2 effort involves an enormous amount of work with the agencies to understand what the State’s new water-use efficiency guidelines are, what its impact to the agencies will be, and what kind of allocations the 26 agencies can all agree on; all while dealing with the current drought situation. The challenge will require Board members to support BAWSCA’s effort at a policy level to secure water supply for the entire BAWSCA region, and supporting the Water Management Representatives who will address the technical work and analysis on behalf of their agencies.

Director Chambers supports the proposed changes to the work plan, but did express his reluctance with the postponement of the WCDB efforts. Data is critical to developing long term strategies and an update to the WCDB is necessary. However, given the efforts that need to be elevated sooner than later, he appreciates the staff’s analysis and proposed modifications.

Director Wood thanked the staff for their continued efforts and recognized the remarkable results that BAWSCA achieves regardless of the differences in opinions.

Public comments were provided by Paul Sethy.

Director Wood made a motion, seconded by Director Chambers, that the Committee recommend Board approval of the modifications to Work Plan items 2b, 3a, 4f and 7c for a revised FY 2021-22 Work Plan.

The motion carried unanimously by roll call vote.

- B. Professional Services Contract with Woodard & Curran, Inc. to Provide Technical Assistance as BAWSCA Facilitates a Comprehensive Update to the Tier 2 Drought Response Implementation Plan (Tier 2 Plan): Mr. Francis reported that BAWSCA released a Request For Proposals (RFP) in October to eight firms with experience in developing drought supply allocation plans. One proposal was received from Woodard & Curran (W&C) teamed with Hazen & Sawyer (H&S) as a subconsultant.

BAWSCA contacted the non-responding firms and learned that some did not submit a proposal due to their current workload constraints while some believed other firms were more uniquely qualified for the scope of work.

A review panel comprised of BAWSCA Staff, Cal Water staff, and San Diego County Water Authority staff reviewed the proposal. The panel agreed that W&C’s proposed scope coupled with the knowledge and expertise of their team was deemed highly acceptable.

In response to BAWSCA’s request, W&C modified their scope so that the work will be divided into two phases, with Phase 1 to begin in FY 2021-22, and Phase 2 to begin in FY 2022-23. Additionally, W&C’s scope was adjusted to include optional tasks that proposed the use of

BAWSCA's existing Regional Reliability Hydraulic Model for data outputs that can be incorporated into W&C's allocation model.

BAWSCA's approved FY 2021-22 budget includes \$75,000 to fund anticipated efforts to update the Tier 2 Plan. W&C's proposed cost for Phase 1 is \$23,000 higher than BAWSCA's allocated budget. With its review of the proposed scope, BAWSCA believes the cost of \$98,000 is appropriate for the level of work in Phase 1. As previously presented under the Mid-Year Budget review, two work efforts have been delayed to re-allocate funding resources for the Phase 1 efforts.

The cost of both the Phase 1 and Phase 2 efforts were originally estimated by W&C at approximately \$169,000. Once Phase 1 is underway, and with a better understanding of the number of meetings and level of engagement needed with the Water Management Representatives, BAWSCA will re-evaluate the scope of work needed to complete Phase 2 of the Tier 2 update. This information will help develop the FY 2022-23 work plan and budget requirements. BAWSCA will amend the agreement with W&C accordingly following the Board's approval of the FY 2022-23 work plan and operating budget.

The project will kick off following the Board's approval of the contract with W&C at its meeting in January. Mr. Francis presented the project schedule, which included background research and data review in February, establishment of policy objectives in March through April, and development of a Draft Tier 2 plan options in May through June. Regular updates will be provided to the Board accordingly. While the action to adopt the Tier 2 Plan lies on the governing body of each member agency, Board members can emphasize the need for their respective agencies and staff to engage in this effort to move the process forward.

The action before the BPC is to recommend the Board to authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and Wood & Curran, subject to legal counsel's review, for an amount not to exceed \$98,000 to provide technical services toward the Tier 2 Plan Update.

Director Cormack appreciated the efforts to investigate the reason behind other firm's choice to not submit a proposal. She was also pleased that there are 3 levels of reliability scenarios that can be prepared given the uncertainties of drought. She asked what other data W&C would need that BAWSCA has not already provided, and whether the BPC and the Board would have a role in establishing the objectives and principles for the Tier 2 Plan. She commented that as the effort pursue an agreement among all 26 member agencies, it would be helpful to get an agreement in advance at the Board level in addition to the WMR level.

Mr. Francis stated that information for such matters as health and safety water supply requirements from the agencies' perspectives are additional and critical data for W&C. He stated that the Committee and Board will be informed on the process of establishing the objectives and principles and will be engaged for input accordingly.

In response to Director Hardy, Mr. Francis explained that Tier 1 is the allocation of water supply between the Regional Water System's retail customers and wholesale customers. Tier 2 is the allocation of water supply among the wholesale customers.

Director Larsson stated that the Board's responsibility is strictly policy, ensuring that the process runs smoothly with the right timing, staffing resources, and funding. The people who

negotiate the Tier 2 Plan are the agency appointed WMRs and the body that approves it are the governing bodies of each agency. He added that the more additional layers for review, the slower the process can be. Each Board Member has the ability to go back to the appointing agency and impress upon the executive management and governing body the importance of this negotiation, and of having a representative at the BAWSCA water management representatives meetings who has the authority and knowledge to negotiate on behalf of their appointing agencies, as well as the understanding of what will be accepted by the governing bodies. This kind of advocacy for this effort can ensure that the process moves forward.

Public comments were provided by Carol Steinfeld.

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

Director Pierce made a motion, seconded by Director Hardy, that the Board authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and Wood & Curran, subject to legal counsel's review, for an amount not to exceed \$98,000 to provide technical services toward the Tier 2 Plan Update.

The motion passed unanimously by roll call vote.

8. CEO Reports:

- a. Water Supply Conditions: Mr. Francis presented the BAWSCA region's potable water use data from January to October 2021. The data includes all water sources. He was pleased to report that water use in October 2021 was 24% less than in 2013, and was at the same level as it was in 2015, during the previous drought.
- b. Bay Delta Plan/FERC Update: BAWSCA's efforts continue with its support of voluntary agreements (VA). While VA discussions are moving slowly, and the status is somewhat uncertain, the State agency Secretaries made it clear that they maintain hope that a multi-party agreement with San Francisco and others are still possible. BAWSCA is urging the State, SFPUC and Districts for "bold creative leadership" to resolve this challenge with renewed negotiations on a voluntary agreement for the Tuolumne River. BAWSCA remains engaged on multiple fronts, including existing legal actions, pressing for negotiations on a voluntary agreement, supporting the TRVA despite the State Board's unclear receptivity, monitoring SFPUC's Alternative Water Supply Program, and working to identify other avenues for legislative support to protect the water customers in the BAWSCA region. BAWSCA will continue to collaborate with legislative and other allies.
- c. Internship Program: Water Resources Engineer, Negin Ashoori, provided an update on BAWSCA's internship program. In October 2021, BAWSCA signed a contract with Eastside College Preparatory School (Eastside Prep) to support the implementation of BAWSCA's internship program. The goal of the program is to provide valuable work experience and skills as interns to alumni from Eastside Prep in order to provide an opportunity for future interest and success in the public water agency field of work. For this first year, the interns will be working with BAWCA's Water Resources team to support water resources and conservation efforts.

Eastside Prep is a private 6-year middle and high school in East Palo Alto. The school is committed to providing opportunities to students who are historically under-represented in higher education. In 2020-21 school year, 99% of Eastside Prep's student community were first generation college-bound students, and over 90% of the students' families are from the extremely low- or low-income category for San Mateo County. To date, 99% of the students have been accepted to 4-year colleges and universities.

A unique aspect of Eastside prep is their support for their graduates as they transition from high school to college and through the launch of their careers. They offer Alumni Services and Career Pathways Programs for college success and career development.

BAWSCA will be working with Eastside Prep in the coming months to identify potential candidates for BAWSCA's internship program which will begin in the summer of 2022.

In response to Director Cormack, Ms. Ashoori stated that BAWSCA anticipates hiring one college-level intern.

- d. Review of FY 2022-23 Work Plan and Operating Budget Preparation Process: Mr. Francis reported that BAWSCA's budget development process has begun with the review of long-term critical and major challenges. This long-term view identifies the critical results that need to be achieved and help develop a timeline, which forms the basis for the work plan and results to be achieved in FY 2022-23. A Budget Planning Session will be on the January Board agenda where the long-term issues and major challenges will be presented. Input from the Board will help develop a draft work plan which will be presented to the BPC in February 2022 for further input. A draft work plan and budget will be presented to the Board in March to help develop a proposed work plan and operating budget that the Board will consider in May.

Director Hardy encouraged BAWSCA's pro-active engagement in the evaluation of purified water projects with SFPUC and the Cities of San Jose and Santa Clara.

Public comments were provided by Dave Warner and Peter Drekmeier.

9. **Closed Session:** The Committee adjourned to Closed Session at 3:57pm.

Prior to adjourning, Legal Counsel asked for a vote to extend the meeting.

Director Wood made a motion, seconded by Director Pierce, that the committee extend the meeting to 4:30pm.

The motion passed by roll call vote.

There were no comments from members of the public prior to adjournment to Closed Session.

10. **Reconvene to Open Session:** The Committee reconvened from Open Session at 4:17pm. Ms. Schutte reported that no action was taken during Closed Session.
11. **Comments by Committee Members:** Director Wood wished everyone a Happy Holidays.
12. **Adjournment:** The meeting was adjourned at 4:18 pm. The next meeting is February 9, 2022 with the location and format to be announced.

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting Attendance Roster

Agency	Director	Dec. 8, 2021	Oct. 13, 2021	Sept. 7, 2021	Aug. 11, 2021	Jun. 9, 2021	Apr. 14, 2021	Feb. 10 2021	Dec. 9 2020
Stanford	Zigterman, Tom	✓	✓	✓	Meeting Cancelled	✓	✓	✓	✓
Daly City	Manalo, Juslyn						✓	✓	n/a
Westborough	Chambers, Tom	✓	✓	✓		✓	✓	✓	✓
Palo Alto	Cormack, Alison	✓	✓	✓		✓	✓	✓	
Santa Clara	Hardy, Karen	✓		✓		n/a	n/a	n/a	n/a
Purissima	Jordan, Steve	✓	✓	✓		✓	✓	✓	✓
Sunnyvale	Larsson, Gustav	✓	✓	✓		✓	✓	✓	✓
Hayward	Mendall, Al	✓	✓	✓		✓	✓	✓	✓
Redwood City	Pierce, Barbara	✓	✓	✓		✓	✓	✓	✓
Brisbane	Wood, Sepi	✓	✓	✓		✓	✓	✓	✓

✓: present

☎: Teleconference

December 8, 2021 Meeting Attendance (Via Zoom pursuant to provisions of Gov. Code Section 54953(e))

BAWSCA Staff:

Tom Francis	Acting CEO/General Manager	Allison Schutte	Legal Counsel, Hanson Bridgett, LLP
Danielle McPherson	Sr. Water Resources Specialist	Nathan Metcalf	Legal Counsel, Hanson Bridgett, LLP
Negin Ashoori	Sr. Water Resources Engineer		
Kyle Ramey	Water Resources Specialist		
Christina Tang	Finance Manager		
Lourdes Enriquez	Assistant to the CEO/General Manager		
Deborah Grimes	Office Manager		

Public Attendees:

Leonard Ash	ACWD	Carol Steinfeld	Self
Paul Sethy	ACWD	Gordon Thrupp	Self
John Weed	ACWD	Dave Warner	Self
Lisa Bilir	Palo Alto	Peter Drekmeier	Tuolumne River Trust
Alison Kastama	SFPUC		
Steve Ritchie	SFPUC		
Julia Nussbaum	Stanford		

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: Mid-Year 2021-22 Work Plan, Budget and General Reserve Review

Summary:

A review of the FY 2021-22 Work Plan has been performed, with the results presented in the attached Table 1. To ensure continued access to a reliable supply of high-quality water at a fair price, efforts on four items in the adopted FY 2021-22 Work Plan are recommended for adjustment. The proposed modifications are: (1) delay scoping for an update to BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy) to FY 2022-23; (2) increase the level of staff-led drought support provided to members and their customers; (3) add a new Work Plan item to facilitate negotiations and adoption of a Water Supply Agreement (WSA) amendment related to the transfer of minimum purchase obligations; and (4) delay scoping for an update to BAWSCA's Water Conservation Database (WCDB) to FY 2022-23.

For all other Work Plan items, expenses are tracking within the currently approved Operating Budget for FY 2021-22 of \$4,783,794.

This memorandum presents: (1) the proposed modifications to the FY 2021-22 Work Plan, (2) a discussion of the potential budget implications, and (3) a discussion on the management of the General Reserve.

Fiscal Impact:

No changes to the Operating Budget are necessary or recommended at this time.

Board Policy Committee Action:

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

Recommendation:

That the Board approve modifications to Work Plan items 2b, 3a, 4f, and 7c for a revised FY 2021-22 Work Plan.

Prior Board Approved Work Plan and Budget Actions for FY 2020-21:

On May 20, 2021, the Board approved the following:

1. Proposed FY 2021-22 Work Plan and Results to be Achieved;
2. Proposed Operating Budget of \$4,783,794; and
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.

Discussion:

The mid-year review included (1) examining progress toward completing the Work Plan as adopted, (2) considering anticipated work that should be performed during the balance of this fiscal year, and (3) reviewing the need for any new Work Plan items.

Implementation of the Work Plan is on schedule as of November 29, 2021. Four changes to the Work Plan are proposed below. Following the Work Plan review, a budget review was performed, which confirmed that the FY 2021-22 Work Plan can be completed within the approved budget.

Proposed FY 2021-22 Work Plan Modifications and Budget Implications

Table 1 presents the Board-approved Work Plan for FY 2021-22 modified to show recommended revisions to the Work Plan. Explanations for the four recommended revisions are discussed below.

1. Scope Deletion: Delay scoping for an update to Strategy to FY 2022-23. Work Plan Item 2b. This delay to FY 2022-23 is recommended to enable more staff resources to be allocated to drought support in FY 2021-22 in light of the increasing drought conditions. This modification will make available \$20,000 of allocated budget funds for use in the new Tier 2 Drought Plan Technical Assistance consultant contract.
2. Scope Addition: Increase level of staff-led drought support provided to members and their customers. Work Plan Item 3a. In developing the FY 2021-22 Work Plan, it was assumed that a lower level of support would be needed for the drought conditions given the level of shortages that were anticipated at that time. In light of the increasing drought conditions, including the significant impacts of water rights curtailment on the available water supplies, it is recommended that more staff resources be redirected to support this Work Plan item. This addition has no financial impact.
3. Scope Addition: Facilitate negotiation and adoption of a WSA amendment related to the transfer of minimum purchase obligations. Work Plan Item 4f. BAWSCA has been working with the member agencies on this WSA amendment for a few years and it was anticipated to be completed in FY 2020-21. However, adoption was held pending resolution of a side-agreement between two member agencies. The negotiations of the WSA amendment and the side-agreement are complete, and adoption by the member agencies will proceed beginning in January 2022. This addition has a small impact on legal counsel's expenses that can be accommodated within the existing budget.
4. Scope Deletion: Delay scoping for an update to WCDB to FY 2022-23. Work Plan Item 7c. This delay to FY 2022-23 is recommended to enable more staff resources to be allocated to drought support in FY 2021-22 in light of the increasing drought conditions. This modification will make available \$44,000 of allocated budget fund for use in the new Tier 2 Drought Plan Technical Assistance consultant contract.

Capacity to Accommodate Potential or Unanticipated Issues

This year has continued to be challenging given the ongoing global pandemic, continuation of working offsite, and the addition of a significant State-wide drought and associated impacts. So far, these challenges have been accommodated within the adopted budget and with the adopted Work Plan with the proposed modifications. As always, if further potential or unanticipated issues arise during Spring 2022, they will be brought to the attention of the Committee and the Board with recommendations to further reallocate and/or augment existing resources, if necessary.

Budget Modifications Needed to Complete Work Expected During FY 2021-22:

A preliminary budget review has been performed as part of this mid-year review and no budget modifications are proposed as part of this action. For all Work Plan items, expenses are tracking within the currently approved Operating Budget for FY 2021-22 of \$4,783,794.

For legal counsel, the level of effort associated with two key areas in the Work Plan has been anticipated for the first six month this fiscal year: the Bay Delta Plan and the New Don Pedro FERC

proceeding. No budget modification is recommended at this time and the CEO and Legal Counsel will continue to actively manage and monitor this issue and report to the Board as necessary.

Review and Management of General Reserve:

BAWSCA's General Reserve Policy states the CEO/General Manager shall evaluate the General Reserve balance as part of each year's mid-year budget review. Based on the review, if the General Reserve balance is estimated to fall outside the guidelines established by the policy, the budget shall include a prudent and practical schedule for restoring the reserve balance to be within those guidelines. The attached Table 2 presents the history of BAWSCA's assessments, operating budget, and General Reserve balance.

The current General Reserve balance of \$758,794 reflects the approved withdrawal and transfer of \$281,676 to BAWSCA's Operating Fund to fund the FY 2021-22 approved budget, and the deposit of \$43,727 of FY 2020-21 unspent funds, which was \$200,000 less than the estimated amount to be included in the funding plans for the current fiscal year.

During the fiscal year ending June 30, 2021, BAWSCA's operating expenses of \$3,860,044 were \$499,085 under its final budget of \$4,359,129. While the BAWSCA was well under budget during the fiscal year, the amount available to transfer to the General Reserve is based on the "actual" revenue of \$3,903,771, including interest income of \$22,191, in excess of the "actual" expenses totaling \$3,860,044. The net difference of \$43,727 is considered excess revenues available to be transferred to the general reserve.

This level of General Reserve represents 16% of the approved Operating Budget, which is outside the current guideline for the General Reserve balance for budgetary purposes of 20% to 35% of the annual operating expense.

Based on results of the FY 2020-21 mid-year Work Plan and budget review, no changes to the General Reserve are requested at this time. Given that the current level of General Reserve is outside of the budgetary guidelines, the CEO will continue to monitor agency spending and potential risk areas and update the Chair and Board on a regular basis regarding any need for further action. This issue will also need to be addressed as part of the FY 2022-23 Work Plan, budget and funding discussions.

Attachments:

1. Table 1. Work Plan and Results to be Achieved in FY 2021-22: Progress and Proposed Changes
2. Table 2. Historical Annual Assessments and Year-End Reserves







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Table 1. Mid-Year Review Status FY 2021-22 Work Plan and Results to Be Achieved
(Potential Changes to Adopted Work Plan Identified in Underlined, Blue, Italic Font)

(Mid-Year Status Shown in 1st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)

Status	BAWSCA OBJECTIVE & FY 2021-22 WORK PLAN ITEM	STATUS of FY 2021-22 RESULTS DELIVERED TO DATE
	RELIABLE WATER SUPPLY	
	1. <u>Facility Reliability: Monitor SFPUC's WSIP, 10-Year CIP, Asset Mgmt. Program, and Emergency Response</u>	
✓	a. Monitor WSIP scope, cost, and schedule as San Francisco continues an aggressive construction schedule through to completion. Press the SFPUC and the city's political leadership to meet the adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests. Track WSIP projects designated as critical drought water supply components to verify they have been completed in such a fashion that they can meet their intended Level of Service (LOS) goals.	<ul style="list-style-type: none"> Completed review of the FY 2020-21 WSIP Annual Report and provided formal comments to the State of California and to SFPUC. Completed the review of two quarterly WSIP reports, compiled comments and questions, and met with SFPUC to review and address concerns.
✓	b. Review and monitor SFPUC's Regional 10-Year Capital Improvement Program to ensure that identified projects and programs meet the needs of the members in a cost-effective and appropriate manner.	<ul style="list-style-type: none"> Completed review of four quarterly reports (both Water Enterprise and Hetch Hetchy), compiled comments and questions, and met with SFPUC to review and address concerns. Completed review and provided formal comments on SFPUC's Annual Report for Water Enterprise-Managed Projects (e.g., projects with budgets less than \$5M)
●	c. Review and monitor SFPUC's Asset Management Program to ensure ongoing long-term maintenance and protection of RWS assets, including performing tasks or deeper reviews identified in the audit of SFPUC's asset management practices per WSA Section 3.10.c. including participation in SFPUC's roll out of their recently adopted Asset Mgmt. Policy.	<ul style="list-style-type: none"> SFPUC is currently preparing an implementation plan for its Asset Management Policy. As of December 2021, the SFPUC has yet to engage BAWSCA on the implementation plan, although BAWSCA continues to press the SFPUC to make progress and provide updates on the status of the implementation plan
✓	d. Provide assistance to members and help facilitate engagement with the SFPUC regarding emergency response matters.	<ul style="list-style-type: none"> On-going. Emergency Response Training Exercises have been delayed due to the current COVID situation.

(Mid-Year Status Shown in 1st Column:  Needs Attention  Experiencing Delay  Complete/On Track  Extraordinary Result)

Status	BAWSCA OBJECTIVE & FY 2021-22 WORK PLAN ITEM	STATUS of FY 2021-22 RESULTS DELIVERED TO DATE
	2. Long-Term Supply Solutions: Implement the Long-Term Reliable Water Supply Strategy to Ensure a Reliable, High-Quality Supply of Water is Available Where and When Needed	
	a. Refresh & update BAWSCA's Regional Water Demand and Conservation Projections Study.	<ul style="list-style-type: none"> Entered into a contract with Maddaus Water Management in October 2021 and commenced work on the Update and Refresh of BAWSCA's 2020 Demand Study.
	b. Complete scoping activity for an update to BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy). <u>Proposed Scope Change: Delay Strategy update scoping to FY 2022-23.</u>	<ul style="list-style-type: none"> BAWSCA Pilot Water Transfer Report on schedule for completion in Winter 2021/22. BAWSCA's Water Supply Reliability Roundtable will begin in January 2022 and offer initial scoping opportunity with NGOs and others for Strategy. <u>Delay further scoping for Strategy to FY 2022-23.</u>
	c. Participate in development of Bay Area Regional Reliability (BARR) Phase 2 (Water Marketing Strategy) in partnership with other Bay Area water agencies.	<ul style="list-style-type: none"> Leading BARR Partner Agencies in preparing the report summarizing the pilot water transfer (note that the pilot is a paper study vs. an actual water exchange) for BARR. This report will be incorporated into the final BARR report, which is anticipated to be complete in Fall 2022.
	d. Complete Potable Reuse Exploratory Plan (PREP) Phase 3 pre-feasibility study with SFPUC and Silicon Valley Clean Water.	<ul style="list-style-type: none"> Participated in monthly meetings to discuss the work associated with PREP Phase 3. Phase 3 work is anticipated to be complete in March 2022.
	e. Promote the continued use of San Mateo Plain Groundwater Basin (Basin) for long-term water supply reliability thru the Basin Partnership, including providing CASGEM support to San Mateo County as necessary	<ul style="list-style-type: none"> On-going. No significant efforts during the first half of FY 2021-22.
	f. Facilitate development of other local water supply options including tracking and reporting to the Board on members efforts, identifying potential grant funding, monitoring of related policy development, etc.	<ul style="list-style-type: none"> Reviewed and commented on Environmental Impact Report for Plan Bay Area 2050 and provided information to members. Engaged with members on their respective efforts to develop alternative water supplies, including support of grant funding efforts on the part of members, such as Burlingame and Millbrae, to develop a recycled water project.

(Mid-Year Status Shown in 1st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)

Status	BAWSCA OBJECTIVE & FY 2021-22 WORK PLAN ITEM	STATUS of FY 2021-22 RESULTS DELIVERED TO DATE
✓	g. Utilize the BAWSCA Reliability Model to evaluate climate change impacts on water supply, Bay Delta Plan Voluntary Agreement impacts on reliability, the prospective benefits that new alternative water supplies may provide, and to estimate the corresponding need to ration during droughts. Facilitate the use of the Reliability Model by members via a new Subscription Program.	<ul style="list-style-type: none"> Updated Model with the most recent data from the BAWSCA's 2020 Demand Study. Worked with SFPUC, Valley Water, and ACWD to obtain further updated information related to their water supply operations to update Model.
	3. Near-term Supply Solutions: Water Conservation and Drought Response	
✓ !	a. Provide staff-only drought support to members and their customers (assuming dry conditions in FY 2021-22).	<ul style="list-style-type: none"> <u>Providing significant support to members given increasing drought conditions beyond what was anticipated or scheduled for FY 2021-22.</u> Developed amended and restated Tier 2 drought allocations and coordinating closely with members on calculation and implementation in FY2021-22. Enhanced BAWSCA's web page to incorporate drought related information as needed to keep members and the public updated on drought conditions as well as to alert the public as to the many rebate and educational opportunities provided by BAWSCA. Secured drought message placement on billboards as well as run ads in local newspapers to make the public aware of the need to conserve water. Coordinated with members, the SFPUC, Valley Water, as well as other regional water providers to develop and assure consistent drought messaging. Presented at numerous public meetings, including town halls hosted by two assembly members that serve parts of the BAWSCA service area.
✓	b. Represent members' interests in regional and statewide discussions on the development of and compliance with California's "Making Water Conservation a Way of Life" requirements, including new Water Efficiency Targets in development by the State.	<ul style="list-style-type: none"> Attended State hosted virtual meetings on the water efficiency standards, a key component of the "Making Water Conservation a Way of Life". Preparing to provide support to members as needed to comment on said water efficiency standards when released to members.

(Mid-Year Status Shown in 1st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)

Status	BAWSCA OBJECTIVE & FY 2021-22 WORK PLAN ITEM	STATUS of FY 2021-22 RESULTS DELIVERED TO DATE
✓	c. Provide regional coordination to support members Advanced Metering Infrastructure (AMI) implementation and data mgmt.	<ul style="list-style-type: none"> Continuing to stay current on AMI matters. Following up with members on comments and action items that were generated during BAWSCA's AMI workshop held in the prior fiscal year (June 2021).
✓	d. Administer and implement BAWSCA's core water conservation programs.	<ul style="list-style-type: none"> On-going. <u>Delay offering new Qualified Water Efficient Landscape (QWEL) classes given difficulties in offering in a remote environment</u>
✓	e. Administer BAWSCA's subscription conservation rebate programs that benefit and are paid for by participating members.	<ul style="list-style-type: none"> Actively promoting rebate opportunities to the public, in light of the current drought. Encouraging increased participation by members given drought conditions
✓	f. Administer an irrigation hardware rebate program – a new subscription program for FY 2021-22.	<ul style="list-style-type: none"> Program launched July 2021 and is available to members to participate
✓	g. Administer a residential self-audit tool – a new subscription program for FY 2021-22.	<ul style="list-style-type: none"> Program launched July 2021 and is available to members to participate.
	h. Develop a leak repair and training certification program for implementation in FY 2022-23.	<ul style="list-style-type: none"> Entered into an MOU with Valley Water and CalWEP to develop the coursework / instructions associated with a proposed training program in the Fall 2021. Work is progressing and scheduled for implementation in FY 2023/24.
✓	i. Represent agencies in regional and State-level discussions relative to water conservation-related regulations, grant funding opportunities, and programs where regional participation is possible	<ul style="list-style-type: none"> On-going.
	<u>4. Take Actions to Protect Members' Water Supply and Financial Interests in WSA Administration</u>	
✓	a. Monitor SFPUC's development of new supplies through its Alternative Water Supply Planning Program and participate as appropriate to ensure that the SFPUC can meet its water supply reliability obligations to its Wholesale Customers.	<ul style="list-style-type: none"> Engaged in several projects included in SFPUC's AWSP, including the Los Vaqueros Expansion Project and the PREP Project. Reviewed two AWSP quarterly reports and address comments/questions in follow up meetings with SFPUC. Provided public comment at Commission's September 17, 2021 Workshop where AWSP was discussed.

(Mid-Year Status Shown in 1st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)

Status	BAWSCA OBJECTIVE & FY 2021-22 WORK PLAN ITEM	STATUS of FY 2021-22 RESULTS DELIVERED TO DATE
✓	b. Protect members' water supply interests to ensure that the SFPUC meets its legal and contractual obligations for water supply from the Regional Water System in light of ongoing risks.	<ul style="list-style-type: none"> On-going.
✓	c. Adopt a temporary extension of the existing Tier 2 drought allocation plan that expires Dec. 2021.	<ul style="list-style-type: none"> Amended and Restated Tier 2 Plan adopted by Board on November 18, 2021. Provided Tier 2 allocation factor results to SFPUC on December 1, 2021 in response to the Commission's November 23, 2021 declaration of a water shortage emergency.
✓	d. Initiate development of an updated Tier 2 drought implementation plan.	<ul style="list-style-type: none"> A recommendation for consultant selection and agreement will be considered by the BPC at its December 8, 2021 meeting. Work will begin in late-January 2021, provided Board approval in January 2021.
✓	e. Protect members' water supply and financial interests in the SFPUC's required 2028 decisions.	<ul style="list-style-type: none"> On-going. Organized monthly meetings with SFPUC, Santa Clara, San Jose and BAWSCA to discuss potential projects, that if implemented, could address Santa Clara's and San Jose's interest in becoming permanent customers.
✓ !	f. <u>Proposed Scope Addition: Facilitate negotiation and member adoption of a WSA amendment related to the transfer of minimum purchase obligations.</u>	<ul style="list-style-type: none"> <u>On-track. Proposed amendment mailed in early December to members for their consideration and action.</u>
	5. <u>Protect Members' Interests in a Reliable Water Supply</u>	
✓	a. Participate in SWRCB Bay Delta Plan Update to ensure members' interests are represented, including ongoing legal intervention.	<ul style="list-style-type: none"> Actively engaged in State Board proceedings including ongoing legal intervention, settlement discussions, and other SWRCB activity.
✓	b. Participate in the Don Pedro Project/La Grange Project FERC licensing process to protect customers' long-term interests in Tuolumne River water supplies, including ongoing legal intervention.	<ul style="list-style-type: none"> Actively engaged in FERC relicensing efforts including ongoing legal intervention.
	6. <u>Pursue Grant Opportunities Independently and in Coordination with Regional Efforts</u>	




(Mid-Year Status Shown in 1st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)

Status	BAWSCA OBJECTIVE & FY 2021-22 WORK PLAN ITEM	STATUS of FY 2021-22 RESULTS DELIVERED TO DATE
✓	a. Pursue and use grant funds for water conservation programs and for regional supply projects and programs, including Prop 1 Integrated Regional Water Management conservation grant.	<ul style="list-style-type: none"> Actively working with other Bay Area water agencies to finalize an agreement with DWR as needed to formally secure a Prop 1 Grant funding award.
✓	b. Pursue, with regional partners, grant funding to support studies that aim to improve regional water supply reliability, such as possible future BARR Phase 3 efforts.	<ul style="list-style-type: none"> On-going.
✓	c. Investigate potential for grant funds to support the implementation of the LTRWS Strategy.	<ul style="list-style-type: none"> On-going.
	<u>7. Reporting and Tracking of Water Supply and Conservation Activities</u>	
✓	a. Complete BAWSCA FY 2020-21 Annual Survey.	<ul style="list-style-type: none"> Data collection efforts ongoing; on schedule for report completion by March 2022.
✓	b. Complete BAWSCA FY 2020-21 Annual Water Conservation Report.	<ul style="list-style-type: none"> Data collection efforts ongoing; on schedule for report completion by late-Spring 2022.
!	c. In partnership with members, operate and maintain BAWSCA's Water Conservation Database (WCDB). In FY 2021-22, review the WCDB and scope a possible update to the WCDB. <u>Proposed Scope Change: Delay scoping for WCDB update to FY 2022-23.</u>	<ul style="list-style-type: none"> On-going use of existing WCDB to support Annual Survey and Annual Water Conservation Report completion. <u>Delay scoping for WCDB update to FY 2022-23.</u>
	HIGH QUALITY WATER	
	<u>8. Support Members in Receiving Reliable Communication of Water Quality Issues</u>	
✓	a. Coordinate members participation in Joint Water Quality Committee to ensure it addresses Wholesale Customer needs.	<ul style="list-style-type: none"> Onboarded a new Water Quality Committee Chair from the City of San Jose. Participation in the Committee including two regular Committee.
✓	b. Relay important water quality information (notices as received from SFPUC) to members when made aware of changes that have the potential to impact water quality (e.g., taste, odor, blending, etc.).	<ul style="list-style-type: none"> On-going. No significant water quality events have taken place to date in FY 2021-22.
✓	c. Review and act on, if necessary, State legislation	<ul style="list-style-type: none"> On-going

(Mid-Year Status Shown in 1st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)

Status	BAWSCA OBJECTIVE & FY 2021-22 WORK PLAN ITEM	STATUS of FY 2021-22 RESULTS DELIVERED TO DATE
	affecting water quality regulations.	
	FAIR PRICE	
	<u>9. Perform Matters that Members Agencies Delegated to BAWSCA in the WSA</u>	
✓	a. Administer the WSA with SF to protect the financial interests of members.	<ul style="list-style-type: none"> Completed review of the SFPUC's calculation of the annual Wholesale Revenue Requirement and changes in the Balancing Account for FY 2019-20, and sent resulting questions to the SFPUC on November 11, 2021. Reached an agreement with the SFPUC related to its costs allocated to Wholesale Customers in FY 2018-19 on November 19, 2021. The results from the agreement were reported to the BPC on December 8, 2021. Ongoing effort to ensure that SFPUC meets its financial reporting obligations required by the WSA.
✓	b. Administer bonds issued by BAWSCA to retire capital debt owed to San Francisco.	<ul style="list-style-type: none"> Ongoing administration of bond surcharge collection from Members each month and proper fund allocation at the Trustee according to the Bond Indenture to ensure sufficient fund for on-time debt service payments. Performed account reconciliation based on the SFPUC's surcharge collection report and Trustee's account statements at the end of each month. Ongoing maintenance of proper records to ensure on time annual continuing disclosure filing to the Municipal Securities Rulemaking Board. Prepared Quarterly Bond Surcharge Collection Report for the Board that presents the status of surcharge collection and the account balance at the Trustee. Complied with tax requirements to preserve the tax-exempt status of the 2013A bonds. Re-evaluated all investment instruments permitted by the Bond Indenture during the annual investment policy review in November 2021. Based on the findings, the current permitted investment instruments were believed to be consistent with the agency's risk tolerances and primary investment objectives.

(Mid-Year Status Shown in 1st Column:  Needs Attention  Experiencing Delay  Complete/On Track  Extraordinary Result)

Status	BAWSCA OBJECTIVE & FY 2021-22 WORK PLAN ITEM	STATUS of FY 2021-22 RESULTS DELIVERED TO DATE
		<ul style="list-style-type: none"> Reviewed the investment strategy for the bond proceeds and determined that the current 0-5 year ladder portfolio strategy remains appropriate. Established a Debt Management Policy on September 16, 2021 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).
	c. Work on the authorization and execution of the refunding of a portion of those bonds to achieve additional interest savings in the future to the members.	<ul style="list-style-type: none"> Proposed the issuance of Refunding Revenue Bonds to refund the callable portion of BAWSCA's 2013A bonds and recommended a tax-exempt forward delivery. The Board authorized the proposed refunding in September 2021, subject to the satisfaction of specified criteria. Completed the refunding bond sale on October 21, 2021 and anticipated a net present value savings of approximately \$25.1 million over the term of the bonds. The settlement will occur on January 5, 2023.
	AGENCY EFFECTIVENESS	
	<u>10. Maintain Community Allies and Contacts with Environmental Interests</u>	
	a. Maintain close relationships with BAWSCA's local legislators and allies, and activate them, if necessary, to safeguard the health, safety, and economic well-being of residents and communities.	<ul style="list-style-type: none"> Continued communication with elected officials and others on matters related to the potential negative impacts of the State Board's Bay-Delta Plan on members and their water customers. Engagement with elected officials and others regarding current drought including participation in assembly member workshops and town halls.
	b. Maintain a dialogue with responsible environmental and other groups, who will participate in the permitting and approval process for efforts to maintain system reliability.	<ul style="list-style-type: none"> Engagement with several non-governmental organizations (NGOs) as part of efforts to update and refresh BAWSCA's 2020 Demand Study. Engagement with NGOs seeking their participation in an upcoming Water Supply Reliability Roundtable that will commence in early 2022.

(Mid-Year Status Shown in 1st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)

Status	BAWSCA OBJECTIVE & FY 2021-22 WORK PLAN ITEM	STATUS of FY 2021-22 RESULTS DELIVERED TO DATE
✓	c. Maintain effective communications with members, customers, and others to achieve results and support goals.	<ul style="list-style-type: none"> On-going
✓	d. In conjunction with San Francisco, conduct or co-sponsor tours of the water system for selected participants.	<ul style="list-style-type: none"> In August 2021, the SFPUC hosted a two-day virtual tour of the SF RWS attended by Board Members, staff and others.
	11. <u>Manage the Activities of the Agency Professionally and Efficiently</u>	
✓	a. Initiate an Student Internship Program.	<ul style="list-style-type: none"> Contracts have been entered into such that the internship program is now active. It is anticipated that the first intern will be on board in May/June 2022 for the summer.
✓	b. Implement Board policy directives for management of BAWSCA's unfunded pension liability obligations.	<ul style="list-style-type: none"> Ongoing. Report to Board scheduled for January 2021 meeting.

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Table 2. Historical Annual Assessments and Year-End Reserves

Fiscal Year	Assessments	Year-End Reserves	Operating Budget	Reserve as a % of Budget
2003-04	\$1,668,550	\$276,480	\$1,821,350	15%
2004-05	\$1,641,995	\$246,882	\$1,838,490	13%
2005-06	\$1,953,998	\$240,000	\$2,099,975	11%
2006-07	\$2,117,904	\$654,000	\$2,291,904	29%
2007-08	\$2,117,904	\$691,474	\$2,508,967	28%
2008-09	\$2,309,000	\$507,474	\$2,763,196	18%
2009-10	\$2,517,000	\$407,192	\$2,766,945	15%
2010-11	\$2,517,000	\$653,763	\$2,680,394	24%
2011-12	\$2,517,000	\$916,897	\$2,619,705	35%
2012-13	\$2,517,000	\$985,897	\$2,780,504	35%
2013-14	\$2,516,812	\$521,897	\$3,280,189	16%
2014-15	\$2,642,653	\$225,461	\$2,939,286	8%
2015-16	\$3,276,889	\$776,620	\$3,201,679	24%
2016-17	\$3,440,734	\$1,202,592	\$3,468,008	35%
2017-18	\$3,543,957	\$1,561,144	\$3,704,572	42%
2018-19	\$3,579,397	\$1,115,848	\$4,278,585	26%
2019-20	\$3,686,779	\$1,037,877	\$4,569,750	23%
2020-21	\$3,686,779	\$758,794	\$4,359,129	17%
2021-22	\$3,871,118	\$758,794*	\$4,783,794	16%

**Preliminary projection is same as the reserve balance as of November 30, 2021*

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Consultant Billing Rate Market Comparison**

Summary:

This memorandum summarizes the results of BAWSCA's recent review of consultant billing rates that are currently in place for FY 2021-22. This review compared the current rates paid by BAWSCA with the rates paid by other public agencies in the Bay Area for engineering, financial, legal, and strategic services. In all cases, the market comparison indicates that BAWSCA's current consultant billing rates are within an acceptable range.

Recommendation:

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

Discussion:

In May of each fiscal year, the Board is asked to adopt a work plan and budget for the coming fiscal year starting July 1. As part of that work plan, consultant support is identified and the necessary consultant agreements to provide that support are also considered by the Board for approval.

To access the necessary consulting services in an efficient and cost-effective manner and depending upon the specific work plan task, BAWSCA relies on a combination of annual contracts with the same consultants (i.e., Hanson Bridgett for agency legal counsel), continuing support from consultants for a specific multi-year project (i.e., Woodard & Curran for Tier 2), and procuring additional, specific expertise for one-time or limited support in accordance with BAWSCA's procurement policy. This process of both annual consultant contracts and specific, one-time contracts is a well-established practice at BAWSCA. At the same time, the need to review, on a regular basis, a consultant's billing rates is also recognized.

Such a billing rate review and market comparison allows BAWSCA to verify that the agency is continuing to access the necessary consultant services in an efficient and cost-effective manner. If the review indicates that a consultant's rates are not in line with what could be viewed as reasonable, BAWSCA has the ability to take further action, including seeking rate adjustments or initiating a formal proposal solicitation process.

Consultant Billing Rate Market Comparison – Contracts in Place for FY 2021-22

BAWSCA staff conducted a review of the billing rates established for FY 2021-22 for agreements in place with consultants under contract. This review effort considered the service-type provided, the consultant staff assigned and their associated billing category, and the degree that consultant continuity is required for the particular work effort where support is provided. The review began in August of 2021 and was concluded in early January of 2021.

BAWSCA member agencies were contacted and asked to provide BAWSCA with the rates that their agency is being charged for similar services as part of agency-specific efforts that may be underway. BAWSCA received information from a small number of member agencies (3 in total). Due to the unique work that BAWSCA performs, it was not surprising to find that the member agencies had limited examples of similar types of services. BAWSCA expanded the outreach to

include other large water agencies within the Bay Area. BAWSCA was able to receive significant data from 3 such agencies. Comparable costs for Strategic Consulting were provided by select consultants in the BAWSCA region and their rates were provided. The mix and number of comparisons were deemed sufficient for the purpose of this study. BAWSCA agreed to holding the names of source agencies and consultants compared in confidence.

Exhibit A presents the results of the billing rate review. In all cases, rates that BAWSCA is being charged are within an acceptable range as compared with consultant rates being charged to other agencies in the Bay Area.

BAWSCA performs a market comparison on a regular, but not annual, basis. The review is time consuming and requires significant input and willingness from both internal and external water agencies to collect the required information, which plays a factor into the schedule of rate reviews.

Any new work effort included in future work plans that does not reasonably fall within an existing consultant's scope of work will follow the agency's adopted procurement policy.

Attachment:

1. Exhibit A – BAWSCA Consultant Billing Rate Market Comparison for FY 2021-22
Contracts

EXHIBIT A
BAWSCA Consultant Billing Rate Market Comparison for FY 2021-22 Agreements

Table 1: Consultant Billing Rate Market Comparison for FY 2021-22 Agreements*

Work Effort Category	Work Effort Subcategory	BAWSCA Consultant	Rate(s) Charged by Senior Staff	Market Comparison
Engineering	Hydrologic & System Modelling	Hazen & Sawyer	\$180 - \$208 (Senior Staff/Associate)	\$185 - \$282 (Senior Staff/Associate)
	CIP Development and Review	Richard Sykes	\$200 (Lead Consultant)	\$210 (Lead Consultant)
	Demand Projections and Studies	Maddaus Water Mgmt.	\$268 - \$273 (Senior Staff)	\$242 - \$282 (Senior Staff)
	Asset Management	West Yost	\$277 (Senior Staff)	\$210 - \$279 (Senior Staff)
	Engineering, 2009 WSA Admin.	Stetson	\$237 - \$268 (Principal) \$118 - \$273 (Senior Staff)	\$234 (Principal) \$144 (Senior Staff)
	Conservation – Technical Support	WSO	\$180 - \$210 (Project Mgr, Project Director)	\$155 - \$210 (Project Mgr/Director)
Financial	Bond Counsel, Legal Support	Orrick	\$750-950	\$900
	Investment Advisor	Public Trust Advisors	8 basis pts.	10 basis pts.
	Auditing, 2009 WSA Admin.	Burr Pilger Mayer	\$375	\$450
	Financial/Municipal Counsel	KNN Public Finance	\$325	\$350
Legal	Legal Counsel	Hanson Bridgett LLP	\$420 (Partner) \$375 (Senior Counsel)	\$320 - \$490 (Partner) \$325 - \$415 (Senior Counsel)
Strategic	Strategy and Legislative Support	Harlan L.P. Wendell	\$185	\$200 - \$575

***Consultants that were subject to a formal solicitation process in FY 2020-21 or FY 2021-22 not included in this review.**

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **BAWSCA Other Post-Employment Benefits (OPEB) Liability
Funded Status Update**

Summary:

BAWSCA participates in the California Employers' Retiree Benefit Trust (CERBT) program, administered by CalPERS, to prefund the agency's Other Post-Employment Benefits (OPEB) obligations. Since entering the CERBT program on April 26, 2014 through December 31, 2021, BAWSCA has had total contributions of \$807,731 and investment earnings of \$376,099. The actual average annualized net rate of return was 8.38%, or 263 basis points higher than the 5.75% discount rate used in BAWSCA's recent OPEB actuarial valuation as of June 30, 2021.

As of June 30, 2021, BAWSCA's unfunded OPEB liability, also known as Net OPEB Liability, was \$491,498, and the total OPEB liability is 68% funded. Assuming that BAWSCA continues to fund \$70,000 per year in addition to actual payments to retired employees, the unfunded OPEB liability is estimated to be paid off by 2036.

Fiscal Impact:

BAWSCA's FY 2021-22 Operating Budget includes a CERBT contribution of \$77,000 to fully fund the annual OPEB expense for FY 2021-22. This amount was deposited into BAWSCA's CERBT account in August 2021.

Recommendation:

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

Discussion:

Like other public agencies, BAWSCA prefunds its OPEB obligations in order to generate investment income from employer-controlled contributions to pay for future retiree benefits, reduce future employer cash flow requirements, and reduce OPEB liabilities reported on the agency's annual financial statements. To achieve these goals, BAWSCA established a CalPERS CERBT program to prefund OPEB obligations in April 2014.

BAWSCA's actual investment performance in the CERBT account is considered during the annual OPEB actuarial valuation. BAWSCA participates in CERBT's Strategy 2 asset allocation program. At this time, CERBT continues to expect the long-term rate of return for this program to stay at 7.01%. Over the past 7.5 years (from inception to December 31, 2021), BAWSCA's actual average annualized internal rate of return (IRR) was 8.38%. From a short-term perspective, it is typical to see rate volatility from year to year. Overtime, the CERBT expects its investment returns start to normalize and get closer to the expected long-term rate of return. For these reasons, BAWSCA and its actuary determined the expected long-term rate of return assumption, also as known as discount rate, of 5.75% remains reasonable for the recent valuation as of June 30, 2021. In general, a lower discount rate results in a higher annual OPEB expense but will effectively minimize the agency's unfunded liability risk from overly optimistic interest rate assumptions in the future.

As of June 30, 2021, BAWSCA's unfunded OPEB liability was \$491,498. The unfunded OPEB liability represents the excess of the total OPEB liability over the value of assets that have been accumulated in the CERBT trust. The total OPEB liability is the actuarial present value of projected benefit payments that have been earned by employees based on past years of service. As of June 30, 2021, BAWSCA's total OPEB liability is 68% funded. Assuming that BAWSCA continues to fund \$70,000 per year in addition to actual payments to retired employees, the unfunded OPEB liability is estimated to be paid off by 2036.

The table below provides a summary of BAWSCA's CERBT account as of December 31, 2021.

CERBT Account Summary as of December 31, 2021	
Total Contributions (Initial contribution made on 4/26/2014)	\$807,731
Total Disbursements	-
Total CERBT Expenses	(\$3,770)
Total Investment Earnings	\$376,099
Total Assets	\$1,180,060
Current Asset Allocation Strategy Selection	CERBT Strategy 2
CERBT Long-Term Expected Rate of Return	7.01%
BAWSCA's Discount Rate Used in OPEB Actuarial Valuation as of June 30, 2021	5.75%
BAWSCA Actual Cumulative Annualized Rate of Return* from Inception (4/26/2014) through 12/31/2021	8.38%
BAWSCA Net OPEB Liability as of 6/30/2021 (Estimated to Be Paid Off by 2036)	\$491,498
Funded Status	68%

**Net of fees*

SFPUC's OPEB Liability Funded Status Update

The SFPUC participants in the single employer defined benefit plan (the Plan) that is maintained by the City and County of San Francisco (San Francisco) and administered through the San Francisco Health Service System. Benefits provided under the Plan are currently paid through "pay as you go" funding. Additionally, under the City Charter, active San Francisco officers and employees shall contribute 0.25% to 2% (depending on their employment commence date) of pre-tax compensation to the Retiree Health Care Trust Fund (Trust Fund). San Francisco shall contribute 0.25% to 1% of compensation for officers and employees (depending on their employment commence date) until the city's GASB Actuary has determined that San Francisco's portion of the Trust Fund is fully funded.

For FY 2019-20, the City's funding was based on "pay-as-you-go" plus a contribution to the Trust Fund. The SFPUC's proportionate share of contributions to the Trust Fund was \$15.690 million, which includes \$9.863 million for Water Enterprise and \$0.985 million for Hetchy Water. Per the SFPUC's latest OPEB actuarial report as of June 30, 2018, about 4.5% of the City's total liability has been funded or set-aside in the Trust Fund.

As of June 30, 2020, the SFPUC's proportionate share of the City's net OPEB liability was \$260.397 million, which includes \$163.684 million for Water Enterprise and \$16.350 million for Hetchy Water, based on a discount rate of 7.4%.

As part of this report, the estimated wholesale customers' share of the SFPUC's net OPEB liability was requested, however BAWSCA was informed that the requested information is not available, as the wholesale customers' share of costs are paid for in the annual Wholesale Revenue Requirement on a cash basis and there is not a translation to say how much of the balance sheet liability is attributed to the wholesale customers. The SFPUC was unable to provide data regarding the targeted date for the City's net liabilities (OPEB and Pension) to be paid off as well.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **BAWSCA Pension Liability Funded Status Update**

Summary:

BAWSCA offers its employees and retirees a defined pension benefit plan that is managed and administered by California Public Employees' Retirement System (CalPERS), a State of California Pension Trust Program. In response to a Board Member request, this memo presents a status of BAWSCA's CalPERS pension plan fund, including current funding level, and provides a comparison of BAWSCA's liability funded ratio to that of the member agencies.

Per the latest CalPERS actuarial valuation as of June 30, 2020, BAWSCA's projected pension Unfunded Accrued Liability (UAL) as of June 30, 2023 is estimated to be \$793,828, which is estimated to be paid off by 2040 based on the current amortization schedule.

Fiscal Impact:

BAWSCA's FY 2021-22 Operating Budget includes the CalPERS required employer contributions of \$221,417, which represents 4.6% of the annual budget of \$4,783,794.

Recommendation:

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

Discussion:

CalPERS retirement benefits are based on a formula, rather than contributions and earnings to a savings plan. Retirement formulas vary based on classifications of the employees (e.g., miscellaneous, safety, or industrial). BAWSCA only participates in the pension plan for miscellaneous employees. Every year, CalPERS provides BAWSCA an actuarial valuation report that includes the latest pension trust plan funded status and the minimum required employer contributions for the next fiscal year. The minimum required employer contributions represent the sum of the Normal Cost (expressed as a percentage of total active payroll) plus the amortization of the Unfunded Accrued Liability.

Per the latest CalPERS actuarial valuation as of June 30, 2020, BAWSCA's projected unfunded pension liability as of June 30, 2023 will be \$793,828, which is estimated to be paid off by 2040. The unfunded pension liability represents the liability for service that has been earned but not funded. Based on the current amortization schedule, BAWSCA's minimum required employer contribution towards the UAL for FY 2022-23 is \$76,396.

BAWSCA's CalPERS Pension Plan Funded Status

The measure of funded status is an assessment of the sufficiency of plan assets to cover future employer contributions. The Present Value of Projected Benefits (PVB) presents the total value of all future pension liabilities for current and former employees. The Unfunded Accrued Liability (UAL) is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. BAWSCA's latest CalPERS pension plan funded status is summarized below in Table 1.

Table 1. Summary of BAWSCA's Pension Plan Funded Status as of 6/30/2020

Actuarial Calculation	CalPERS "Misc." Plan Value
a. Present Value of Projected Benefits (PVB)	\$6,066,307
b. Entry Age Normal Accrued Liability (AL)	\$4,278,364
c. Market Value of Assets (MVA)	\$3,442,749
d. Unfunded Accrued Liability (UAL) =b-c	\$ 835,615
e. Funded Ratio =c/b	80.5%

Voluntary Additional Pension Funding Options Discussed in February 2021

In light of the rise and volatility of CalPERS pension costs, many public agencies have voluntarily chosen to set aside or contribute additional pension funding to address their long-term pension liabilities. In February 2021, staff presented to the BPC three options available to pay off the unfunded pension liability sooner than what the CalPERS' minimum amortization policy requires: (1) Making additional discretionary payments (ADPs) to reduce the UAL and future required contributions; (2) Making more UAL contributions each year based on an alternative "fresh start" amortization schedule to pay off the UAL more quickly than required; and (3) Establishing an irrevocable pension prefunding trust to set aside and invest additional funds that accumulate interest earnings and can be used to offset future growing pension liability. One of the BPC members expressed interest in transferring surplus funds that may be available at the close of a particular fiscal year toward paying off the UAL.

For fiscal year ending June 30, 2021, the surplus funds or excess revenues available to be transferred to the agency's General Reserve were \$43,727. With that transfer, the current General Reserve balance of \$758,794 represents 16% of the approved Operating Budget, which is outside the current guideline for the General Reserve balance for budgetary purposes of 20% to 35% of the annual operating expense.

SFPUC's Pension Liability Funded Status Update

The SFPUC participates in a cost-sharing multiple-employer defined benefit pension plan (the Plan) that is maintained by the City and County of San Francisco (San Francisco) and administered by the San Francisco City and County Employees' Retirement System (SFERS).

Employee contributions are mandatory as required by the City Charter. For FY 2019-20, employee contribution rates varied from 7.5% to 13.0% as a percentage of gross covered salary. The SFPUC is required to contribute at an actuarially determined rate. For FY 2018-19 (latest measurement period), the SFPUC's allocation of employer contributions were \$46.246 million, which include \$26.440 allocated to Water Enterprise and \$3.073 million allocated to Hetchy Water.

As of June 30, 2020, the SFPUC's allocation of the city's proportionate share of the net pension liability for the Plan was \$313.899 million, which include \$178.133 million for Water Enterprise and \$21.477 for Hetchy Water, based on a discount rate of 7.4%.

As part of this report, the estimated wholesale customers' share of the SFPUC's net pension liability was requested, however BAWSCA was informed that the requested information is not available, as the wholesale customers' share of costs are paid for in the annual Wholesale Revenue Requirement on a cash basis and there is not a translation to say how much of the balance sheet liability is attributed to the wholesale customers. The SFPUC was unable to provide data regarding the targeted date for the City's net liabilities (OPEB and Pension) to be paid off as well.

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: January 14, 2021
SUBJECT: Chief Executive Officer/General Manager's Letter

Drought Campaign - Update:

SFPUC's water conservation staff began working on a drought messaging campaign in the fall of 2021. Following SFPUC's November 23, 2021 declaration of a water shortage emergency, staff accelerated these efforts, including several meetings with BAWSCA to discuss the outreach campaign with an aim of reaching all Regional Water System customers, including those in the BAWSCA service area. Proposed outreach materials and an approach was shared with the BAWSCA WMR at the December meeting. The WMR reacted favorably to both the materials and the approach shared.

SFPUC's outreach campaign includes a multi-media approach with print, television, social media, radio, and signage / billboards. Most media outreach will be implemented via an existing contract that SFPUC has with a media consultant. However, due to contractual and procurement policy constraints, SFPUC has asked for BAWSCA's assistance in contracting for the proposed billboard placements in the BAWSCA region. SFPUC intends to spend approximately \$300,000 on its media campaign. Billboard advertisement outside of San Francisco in the BAWSCA region is not included in this cost estimate. The additional estimated cost for billboard advertisement in the BAWSCA region is \$71,750, with ads to run for a five-month period on 14 electronic billboards located throughout the BAWSCA service area.

BAWSCA's procurement policy requires a competitive bidding process. In this particular instance, SFPUC's media consultant identified the billboard vendor and therefore a competitive process is not an option for BAWSCA. In order for BAWSCA to enter into a contract with the proposed vendor, the Board will need to waive its existing procurement policy in this case. BAWSCA's legal counsel has advised that should such a waiver be contemplated, it is in BAWSCA's interest to have SFPUC provide sufficient documentation to illustrate that a competitive procurement process to select its media consultant was followed. BAWSCA is working with SFPUC to receive such documentation, with the aim of preparing a draft agreement with the billboard vendor for the BPC to consider for recommendation at its February 9, 2022 meeting. Assuming such a schedule can be met, and BPC recommendation is received, the Board will then consider approval of a contract with the billboard vendor at its March 17, 2022 meeting.

SFPUC Alternative Water Supply Program Quarterly Report – Update:

SFPUC published its most recent Alternative Water Supply Program (AWSP) Quarterly Report on December 14, 2021. That report was made available by BAWSCA to the WMR and can be

accessed at this location: https://sfpuc.org/sites/default/files/programs/AWS_QuarterlyReport_14DEC21.pdf. The following presents a summary of recent AWSP activities.

In December 2021, the Joint Powers Authority (JPA) for the Los Vaqueros Reservoir Expansion (LVE) Project met twice to address preliminary matters associated with the recent JPA formation. Participating agency General Managers also met and were provided an update of LVE progress and details regarding planned work for 2022. Additional federal funding opportunities to support LVE construction are being reviewed and acted upon. Additionally, SFPUC and CCWD are in discussions on how to best engage with DWR for a separate agreement to secure conveyance through the South Bay Aqueduct.

SFPUC continued to engage with Daly City Recycled Water Expansion Project partners on cost-share options. SFPUC met with various Colma cemetery representatives to determine their future water demands and to better estimate their current water costs. The discussions with the cemeteries will continue in 2022. Recycled water customers, such as the cemeteries, are critical for the success of the recycled water project.

For the Crystal Springs Purified Water Project and the ACWD-USD Purified Water Project, SFPUC continues to identify key next steps, including what additional technical analyses are needed to further those respective efforts. Project team meetings with partners are scheduled for January of 2022.

SFPUC 10-Year CIP:

SFPUC is preparing an update to its 10-year CIP. SFPUC is required, under the 2018 Amended and Restated WSA, to engage with BAWSCA during the development of the Water Enterprise (WE) and Hetch Hetchy (HH) portions of its 10-year CIP. SFPUC staff met with BAWSCA on December 6, 2021 to provide a preview of the 10-year CIP in development for WE and HH and on January 6, 2022, SFPUC provided limited additional information on the 10-Year CIP for BAWSCA's review. The full package of information for the draft WE and HH 10-year CIP was provided to BAWSCA on January 9, 2022. The draft WE and HH 10-year CIP will be presented to the Commission on January 14, 2022 during a scheduled budget workshop.

This year, SFPUC's development of its proposed 10-year CIP is challenged by existing budget constraints due in part to financial challenges on the City and its residents as a result of COVID-19. BAWSCA is reviewing SFPUC's draft WE and HH 10-year CIP to ensure that those budget challenges have not significantly impacted the proposed work that is required to ensure water supply reliability. BAWSCA will provide public comments at the Commission's January 14, 2022 budget workshop and will follow-up with a written letter to the Commission prior to the Commission's scheduled consideration of the 10-year CIP on February 8, 2022. The Board will be copied on the letter to SFPUC.

SFPUC Long-Term Vulnerability Assessment Workshops:

SFPUC finalized its Long-Term Vulnerability Assessment (LTVA) in early December 2021. The goal of the LTVA was to assess the extent of the threat climate change presents to the Regional Water System compared to, or in combination with, other external drivers of change over the next 50 years (2020-2070). The Board was provided an electronic copy of the LTVA through an email shared in mid-December. An SFPUC representative presented the results from the LTVA to the BPC on December 8, 2021.

The LTVA was a research collaboration between SFPUC, academia, and the federal government. Dr. Casey Brown, from the Hydrosystems Research Group of University of Massachusetts, Amherst, was the principal investigator. He and SFPUC worked with the

National Center for Atmospheric Research in Boulder Colorado, and Deltares, a think-tank in the Netherlands. This work was conducted under the auspices of the Water Research Foundation (WRF).

WRF has scheduled a virtual workshop on January 27, 2022 at noon PST, where the results of the LTVA will be shared with interested members of the public. An email was sent to the Board and Water Management Representatives that provides further information and instructions on how to attend if interested.

SFPUC FY 2022-23 Wholesale Water Rate Range Projections:

SFPUC recently provided BAWSCA an estimated FY 2022-23 wholesale water rate range between \$4.72/CCF and \$5.13/CCF. This represents a rate increase between 15% to 25%, relative to the current rate of \$4.10/Ccf.

Given the magnitude of this estimated rate increase compared to prior projections, BAWSCA had a meeting with the SFPUC Finance team on January 4, 2022 to walk through the rationale behind this estimated rate projection. During the January 6, 2022 WMR meeting, BAWSCA explained the main reasons resulting in a higher rate increase than the prior projection provided in May 2021 and presented three scenarios prepared by SFPUC that illustrate how the rate projections in the next two years would be impacted by the wholesale water purchase assumptions and how soon the current balancing account owed by SFPUC will be paid off. More financial planning and rate projection information will be shared by SFPUC at its annual wholesale customers meeting on February 17, 2022.

Conservation Program Update

BAWSCA has seen a large increase in conservation program activity throughout FY 2021-22, especially for the Rain Barrel Rebate Program. To date, BAWSCA has approved 142 applications for the Rain Barrel Rebate Program alone, totaling just under \$22,000 in rebates. These applications include 378 barrels with a total capacity of 12,394 gallons. In comparison, BAWSCA received 82 applications in FY 2020-21 (totaling 126 barrels and 19,939 gallons). When comparing year over year rebate activity and total capacity, it is important to remember that while there is a minimum rain barrel capacity to qualify for a rebate, rain barrels come in many sizes (including larger sized cisterns).

BAWSCA believes that this large uptick in Rain Barrel Rebates is due to increased drought messaging throughout the services area. More specifically, the San Mateo Countywide Pollution Prevention Program (SMCWPPP), BAWSCA's program partner, hosted a large rain barrel distribution event on November 13, 2021, where they distributed 330 50-gallon barrels to 184 people. This bulk rain barrel program allowed residents to obtain rain barrels at a discounted rate of \$80 each, compared to the \$130 retail value. All barrels were picked up during a distribution event hosted and staffed by the City of San Mateo Public Works Department.

Due to the overwhelming success of the program, SMCWPPP will host a second round of this campaign through January 16, 2022, with the goal of selling another 330 barrels. The second distribution event is scheduled for January 29, 2022, at Lyngso Garden Materials in San Carlos.

BAWSCA is also pleased to announce that Alameda County Water District (ACWD) will be joining the Lawn Be Gone program as a participating agency. ACWD will offer \$2.00 per square foot of converted turf and should be live on the Droplet portal as early as the end of January 2022.

Ending Taxable Status of Water Conservation Rebates - Update:

In December 2021, the Alliance for Water Efficiency (AWE) continued its multi-year effort to end the taxable status of water conservation rebates by organizing a sign-on letter to congress supporting the Water Conservation Rebate Tax Parity Act (S.2430). The bill would end federal taxes on utility rebates provided to homeowners and other property owners who conserve water or improve stormwater or wastewater management.

The bill is included in the current version of the Build Back Better Act (Section 136305). BAWSCA, along with nearly 60 cities, water suppliers, and stakeholder organizations, signed onto the AWE letter (see attached).

Taxing rebates for making water-saving investments, such as turf replacement and installing high efficiency appliances, creates a disincentive to the homeowner by increasing costs. The bill would result in the federal government treating water conservation rebates the same as energy conservation rebates, which were exempted from federal taxes in 1992.

Attachment:

- December 9, 2021, Letter to Senate Committee on Finance

December 9, 2021

The Honorable Ron Wyden
Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510-6200

Dear Chairman Wyden:

The undersigned organizations write to express our strong support for Section 136305 of the *Build Back Better Act*. This provision is based on the Water Conservation Rebate Tax Parity Act (S.2430), and it would end federal taxes on utility rebates provided to homeowners and other property owners who conserve water or improve stormwater or wastewater management. The bill would result in the federal government treating water conservation rebates the same as energy conservation rebates, which were exempted from federal taxes in 1992.

With the current drought already impacting over 90 million people in the U.S., and with water scarcity likely to get worse because of population growth and climate change, there is an urgent need to encourage water efficiency. This threat goes well beyond the arid west. More than thirty states are currently grappling with drought conditions, including states located in the Great Plains, Midwest, Southeast and Mid-Atlantic regions. And scientists warn that most of the country is on pace to experience water shortages if we don't manage water better.

Unfortunately, homeowners are currently taxed on rebates for making water-saving investments, which increases their costs and discourages these improvements. Section 136305 clarifies that these rebates are not taxable income but rather an effort to defray up-front consumer costs for a public benefit.

Thank you again for your leadership on this important issue, and we look forward to working with you to ensure that this provision remains in the final Build Back Better Act text that the President signs into law.

Sincerely,

Alliance for Water Efficiency
AIQUEOUS
Alameda County Water District, CA
Amy Vickers and Associates
Aquos Pools
Aurora Water, CO
Bay Area Water Supply & Conservation Agency, CA
Bottom Line Utility Solutions, Inc.
California Water Efficiency Partnership
California Water Service Company
Carpinteria Valley Water District, CA
Citizens Water Advocacy Group
City of Avondale, AZ
City of Bend, OR

City of Flagstaff, AZ
City of Hays, KS
City of Hillsboro, OR
City of Las Cruces Utilities Water Conservation Program, NM
City of Mesa, AZ
City of Sacramento, CA
City of Santa Barbara, CA
City of Santa Rosa, CA
Connecticut Water
Contra Costa Water District, CA
Dickinson and Associates
East Bay Municipal Utility District, CA
EcoSystems, LLC
Flume
Foothill Municipal Water District, CA
Gary Klein and Associates, Inc.
International Association of Plumbing and Mechanical Officials
International Code Council
Irrigation Association
Irrigation Analysis
Metropolitan Water District of Southern California
Monte Vista Water District, CA
Monterey Peninsula Water Management District, CA
Moulton Niguel Water District, CA
Municipal Water District of Orange County, CA
Plumbing-Heating-Cooling-Contractors National Association
Plumbing Manufacturers International
Portland Water Bureau, OR
Rancho California Water District
Regional Water Providers Consortium, OR
Santa Margarita Water District, CA
Sacramento Suburban Water District, CA
SCV Water, CA
SJWTX, TX
Sonoma County Water Agency, CA
Tacoma Water, WA
Tampa Bay Water, FL
Three Valleys MWD, CA
Tualatin Valley Water District, OR
Turfgrass Water Conservation Alliance
Upper San Gabriel Valley Municipal Water District, CA
Upper Trinity Regional Water District, TX
Waterless, Co.
Walnut Valley Water District, CA
WaterNow Alliance

Board of Directors

Policy Calendar Through July 2022

Meeting Date	Purpose	Issue or Topic
January 2022	D&A R&D R&D R&D S	Mid-Year 2021-22 Work Plan, Budget and General Reserve Review BAWSCA's OPEB Liability Funded Status Update, incl. the SFPUC's Status BAWSCA's Pension Liability Funded Status Update, incl. the SFPUC's Status Review of Water Supply Forecast FY 2022-23 Work Plan and Budget Study Session
March 2022	D&A R&D R&D R	Consideration of Proposed Bond Surcharges for FY 2022-23 Presentation of Preliminary FY 2022-23 Work Plan and Budget Review of Water Supply Forecast Annual WSA Balancing Account Update
May 2022	R&A R&D	Consideration of Proposed FY 2022-23 Work Plan and Budget Review of Water Supply Forecast
July 2022	R&D R&D R&D	Review of Water Supply Forecast Strategy Update SFPUC Alternative Water Supply Program

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Fiscal Year 2022-23 Work Plan and Budget Planning Session**

Summary:

Each year, the BAWSCA budget is prepared to meet a specific work plan and identified results to be achieved. The development of the preliminary work plan begins by compiling a list of major challenges that BAWSCA, its member agencies, and their water customers will face next fiscal year, and between now and 2050. This long-term perspective helps anticipate and identify the results that must be achieved during FY 2022-23. A preliminary list of challenges as updated for the FY 2022-23 budget process appears in Table 1.

As has been done in the past several years, the work plan and budget preparation will be initiated with a planning session with the Board, providing an early opportunity for input on near-, mid- and long-term issues for consideration as part of the work plan development.

Recommendation:

This item is for Board discussion only. Board feedback and input on the near-, mid- and long-term issues for consideration as part of the work plan development are requested at this time.

Discussion:

The FY 2022-23 Work Plan and Budget development process is being initiated with a Board planning session. The goal of the planning session is to receive Board input on near-, mid- and long-term issues for BAWSCA to consider in developing its FY 2022-23 Work Plan.

The preliminary budget will be developed to provide the resources needed to achieve necessary results. Emphasis is placed on the most vital results that need to be achieved in order to provide a reliable and high-quality water supply at a fair price. Activities that are secondary to those goals may be noted but are not incorporated into the budget.

A preliminary list of challenges appears in Table 1. Some of the challenges may affect BAWSCA or its members directly. Other challenges will have indirect, but nonetheless important consequences, and require action by BAWSCA to protect the interests of its member agencies and their customers. In each case, the challenges relate directly to BAWSCA's goal of ensuring a reliable supply of high-quality water at a fair price for the water customers.

Input received from the Board will be reviewed and addressed by the CEO in developing the Preliminary FY 2022-23 Work Plan and Budget, which will be presented to the BPC in February and the Board in March. Following further Board input, a recommended Work Plan and Budget will be presented to the BPC in April for its review, and presented to the Board for recommended adoption in May.

Attachment:

- Table 1. Future Challenges Facing BAWSCA, Member Agencies and Their Customers (Preliminary FY 2022-23)

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Table 1: Future Challenges Facing BAWSCA, Member Agencies, and Their Customers (Preliminary FY 2022-23)
(Proposed Changes Shown in Blue Underlined Italic Font)

BAWSCA Goal and Associated Challenges	FY 2022-21 (Near-Term)	2023-2035 (Mid-Term)	2035-2050 (Long-Term)
Reliable Supply: Ensure Long-Term Water Supply Reliability			
Protection of member agencies' interests in long-term water supply reliability from the SF RWS and 184 MGD Supply Assurance in light of potential areas of risk, including climate change and regulatory challenges, <u>as presented in the Long Term Vulnerability Analysis</u> , and SFPUC's Alternative Water Supply Planning and associated CEQA initiation by June 2023.	X	X	X
Protection of BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts, <u>including completion of Updated Demand Projections</u> .	X	X	X
Reflection of member agencies' long-term water supply needs and investments in regional planning efforts.	X	X	X
Support member agencies in their efforts to ensure system reliability during an emergency.	X	X	X
Representation of member agencies in Federal relicensing of New Don Pedro to protect SF RWS water supply reliability.	X	X	
Representation of member agencies in Bay Delta Plan Update to protect RWS water supply reliability.	X	X	
Assist member agencies in meeting the new Statewide "Making Water Conservation a California Way of Life" requirements thru 2035, including new Water Efficiency Targets to be finalized by June 2022	X	X	
Protection of member agencies' interests in San Francisco's December 2028 decisions including deciding whether to make San Jose and Santa Clara permanent customers.	X	X	
Development of a new Tier 2 Drought Implementation Plan.	X	X	
Reliable Supply: Ensure SF RWS Facility Reliability			
Protection of water supply and financial interests of water customers in SFPUC's development and implementation of its 10-Year CIP.	X	X	X
Protection of water supply and financial interests of water customers in SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets.	X	X	X
Promote emergency resiliency of the SF RWS to protect interests of water customers.	X	X	X
Protection of water supply and financial interests of water customers in SFPUC's WSIP implementation.	X	X	
High Quality Supply & Fair Price: Enforce 2009 Water Supply Agreement (WSA)			
Enforcement and amendment as necessary, of the WSA to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting obligations.	X	X	X
Protection of member agencies' water supply reliability interests against threats by outside forces including efforts by others to drain Hetch Hetchy that disregard their interests in reliability, quality and cost.	X	X	X
Protection of water customers interests in ensuring SF maintains its Tuolumne River water rights.	X	X	X
Extension or renegotiation of the WSA before it expires in 2034. The WSA can be extended 2 times, for a period of 5 years each. By December 2031, SFPUC must notify Wholesale Customers of desire to extend contract.		X	X
Management of BAWSCA's revenue bonds in accordance with Bond Indenture and other applicable laws to ensure accountability and ultimately to reduce overall cost to regional water customers (thru 2034).	X	X	
Management of Agency			
BAWSCA CALPERS pension & OPEB liability management			X

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

Meeting Schedule through December 2022

DUE TO COVID-19, THIS MEETING WILL BE CONDUCTED AS A TELECONFERENCE PURSUANT TO THE PROVISIONS OF GOVERNMENT CODE SECTION 54953(e). MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON.

Schedule for BAWSCA Board Meetings (Meetings are held from approx. 6:30 – 8:45 p.m.)	
<u>Date</u>	<u>Location</u>
Thursday – January 20, 2022	Virtual Meeting
Thursday – March 17, 2022	TBA
Thursday – May 19, 2022	Oak Room, San Mateo Main Library
Thursday – July 21, 2022	Oak Room, San Mateo Main Library
Thursday – September 15, 2022	Oak Room, San Mateo Main Library
Thursday – November 17, 2022	Oak Room, San Mateo Main Library

Schedule for RFA Board Meetings (Meeting time will be announced)	
<u>Date</u>	<u>Location</u>
Thursday – January 20, 2022	Virtual Meeting

Schedule for BAWSCA Board Policy Committee Meetings (Meetings held from 1:30-4:00 p.m.)	
<u>Date</u>	<u>Location</u>
Wednesday – February 9, 2022	TBA
Wednesday, April 13, 2022	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday, June 8, 2022	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday, August 10, 2022	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday, October 12, 2022	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.
Wednesday, December 14, 2022	155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm.