



BOARD POLICY COMMITTEE

February 9, 2022

1:30 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 Policy Committee are listed to permit them to appear telephonically at the BPC Meeting on February 9, 2022: Randy Breault, Tom Chambers, Alison Cormack, Karen Hardy, Steve Jordan, Gustav Larsson, Barbara Pierce, Sepi Wood, and Tom Zigterman.

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

Participating via Video Conference:

- Click on the link to Join the meeting, <https://us02web.zoom.us/j/85346683080>
- Meeting ID: **853 4668 3080**
- Password: **012637**
- The web browser client will download automatically when you start or join your first Zoom meeting. It is also available for [manual download here](#).

OR,

Participating via Telephone:

- Dial **888 788 0099** US Toll-free US Toll-free
 - Meeting ID: **853 4668 3080**
 - Password: **012637**
- To Mute or UnMute, Press *6.
- To Raise Hand, Press *9.
- The Presentation will be available prior to the meeting at www.bawsca.org.

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

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

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

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BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

February 9, 2022 1:30
p.m.

AGENDA - CORRECTED

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
1. <u>Call To Order, and Roll Call</u> Roster of Committee Members (<i>Attachment</i>)	(Breault)	Pg 5
2. <u>Comments by Chair</u>	(Breault)	
3. <u>Consent Calendar</u> A. Adoption of Resolution #2022-03, declaring that Board Policy Committee meetings will continue to be held via teleconference (<i>Attachment</i>) B. Approval of Minutes from the December 8, 2021 meeting (<i>Attachment</i>)	(Breault)	Pg 7 Pg 11
4. <u>Public Comment</u> <i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(Breault)	
5. <u>Action Item</u> A. Proposed Fiscal Year 2022-23 Bond Surcharges (<i>Attachment</i>) <u>Issue:</u> How much will the bond surcharges be for FY 2021-22? <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> That the Committee recommend Board approval of the proposed FY 2021-22 bond surcharges as presented in the staff memorandum. B. Agreement with Outfront Media for Digital Billboard Advertisements Associated with a Drought Messaging Campaign <u>Issue:</u> What is the approach to billboard advertisements associated with a drought messaging campaign currently being implemented by BAWSCA and the SFPUC? <u>Information to Committee:</u> Staff memo and oral report <u>Committee Action Requested:</u> That the Committee recommend the proposed Board Action	(Tang) (Francis)	Pg 23 Pg 31
6. <u>Reports and Discussion Items</u> A. Preliminary Fiscal Year 2022-23 Work Plan and Results to be Achieved (<i>Attachment</i>) <u>Issue:</u> What critical results must be achieved in FY 2022-23 to accomplish BAWSCA's goals and water reliability objectives? <u>Information to Committee:</u> Memorandum presenting Preliminary Fiscal Year 2022-23 Work Plan and Results to be Achieved.	(Sandkulla)	Pg 37

Committee Action Requested:

- 1) Comments and suggestions concerning the preliminary Fiscal Year 2022-23 Work Plan and results to be achieved;
- 2) Feedback on presented responses from January 20th work plan and budget preparation planning session; and
- 3) Suggestions concerning presentation of the preliminary Work Plan and Operating Budget to the Board of Directors in March.

7. Reports

(Sandkulla)

- A. Water Supply Conditions
- B. FERC/Bay Delta Plan Update
- C. CEO/General Manager's Letter (*Attachment*)
- D. Board Policy Committee Calendar (*Attachment*)
- E. Correspondence Packet ([Under Separate Cover](#))

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8. 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).

9. Report from Closed Session

10. Comments by Committee Members

(Breault)

11. Adjournment to the Next Meeting

(Breault)

Unless otherwise noticed:

April 13, 2022 at 1:30pm via Zoom

Accessibility for Individuals with Disabilities

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

2022 Committee Roster:

Randy Breault, Guadalupe Valley Municipal Improvement District (Chair)

Karen Hardy, City of Santa Clara (Vice Chair)

Thomas Chambers, Westborough Water District (BAWSCA Vice Chair)

Alison Cormack, City of Palo Alto

Steve Jordan, Purissima Hills Water District

Gustav Larsson, City of Sunnyvale (BAWSCA Chair)

Barbara Pierce, City of Redwood City

Sepi Wood, City of Brisbane

Tom Zigterman, Stanford University

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Adoption of Resolution #2022-03, Declaring that Board Policy Committee Meetings Will Continue to be Held via Teleconference**

Summary:

On December 8, 2021, the Board Policy Committee (Committee) adopted Resolution #2021-06, following the passage of Assembly Bill (AB) 361 which allowed the Committee to continue meeting via teleconference. Pursuant to Government Code § 54953(e), Resolution #2021-06 is only valid for 30 days. The attached Resolution #2022-03 follows the prior Resolution #2021-06 and once again declares the Committee'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 Committee adopt Resolution #2022-03 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 October 13, 2021, the Committee passed its first AB 361 resolution, Resolution 2021-02, followed by Resolution 2021-06 on December 8, 2021, both of which have since expired. Because the Committee meets only every other month, this will continue to be the case. Therefore, the Committee 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 # 2022-03, Declaring that the Board Policy Committee meetings will continue to be held via Teleconference

**RESOLUTION NO. 2022 – 03
BY THE BOARD POLICY COMMITTEE OF THE
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**DECLARING THAT BOARD POLICY COMMITTEE 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 October 13, 2021, by Resolution 2021-02, and on December 8, 2021, by Resolution 2021-06, the Board Policy Committee 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 Policy Committee 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 9th day of February, 2022 by the following vote:

AYES:

NOES:

ABSENT:

CHAIR, BOARD OF DIRECTORS

ATTEST:

Board Secretary

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

December 8, 2021 – 1:30 p.m.

Zoom Video Conference

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:** 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 Drekmeier.
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 +4C 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 BAWSCA'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.

Respectfully submitted,

Nicole Sandkulla, CEO/General Manager

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Attachments: 1) Attendance Roster

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		

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Proposed Fiscal Year 2022-23 Bond Surcharges**

Summary:

This memorandum presents the proposed FY 2022-23 bond surcharge for each BAWSCA agency. The surcharge would take effect on July 1, 2022. This surcharge setting conforms to BAWSCA's Revenue Bond Indenture (Indenture) for the Series 2013A and 2013B revenue bonds and includes a mid-year reduction subject to the settlement of the 2023A refunding bonds in early 2023.

Recommendation:

That the Committee recommend the Board approve the following two actions:

- 1. Approve the proposed FY 2022-23 bond surcharges as presented in Table 1; and**
- 2. Authorize the CEO/General Manager to implement the revised FY 2022-23 bond surcharges as presented in Table 2, immediately following the settlement of the 2023A refunding bonds.**

Discussion:

The bond surcharge for each BAWSCA agency is typically a fixed amount each fiscal year as adopted by the Board to ensure collection of necessary revenue to pay that year's obligated debt service. The bond surcharges are calculated in total to meet the requirements of the Bond Indenture entered into in connection with the 2013 bond transaction to prepay the capital payments that BAWSCA agencies owed to SFPUC under the WSA.

On October 21, 2021, BAWSCA completed the pricing and sale of the 2023A bonds based on a tax-exempt forward delivery. Following settlement on January 5, 2023, the 2023A refunding will generate \$25.1 million in net present value savings over the term of the bonds. The refunding does not change the methodology for levying and allocating the surcharges which is set by BAWSCA's Bond Indenture, other than the mid-year adjustment in FY 2022-23. Continuing to allocate debt service proportionately based on actual water use is consistent with the collection of the Wholesale Revenue Requirement under the WSA, is a transparent collection method easily conveyed to rating agencies and investors, and is reflected in BAWSCA's Bond Indenture.

To meet the requirements of the existing Bond Indenture, and before the settlement of the 2023A bonds occurs, the bond surcharges have to be calculated based on the existing 2013A and 2013B debt service obligations before the settlement of the 2023A bonds. After the 2023A bonds settlement in January 2023, BAWSCA will reduce the monthly amount starting March 2023 to reflect the reduced debt service associated with the refunding bonds. To avoid going back to the BAWSCA Board for approval of the reduced surcharges, the second action included in this report is to seek advance authorization such that the surcharge reduction can be implemented immediately following the settlement of the 2023A bonds.

Bond Surcharges Under the Existing Bond Indenture Starting July 2022

The annual surcharges for FY 2022-23 are calculated by multiplying the obligated debt service in 2023 by each agency's percentage of total wholesale customer purchases in FY 2020-21 and adding a "true up" adjustment for the FY 2020-21 surcharges. One-twelfth of the annual surcharge, or the monthly surcharge, will be included in the first water bill from San Francisco sent to the BAWSCA agencies each month. The reason FY 2020-21's purchases are used for the FY 2022-23 surcharge calculations is because they represent the latest annual purchases data available as of today. For the same reason, the FY 2020-21 surcharges were calculated based on the latest annual purchases data available at that time, not FY 2020-21's. The "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2020-21 and to reimburse BAWSCA for some expenses incurred in FY 2020-21 in connection with the bond administration that were paid through BAWSCA's FY 2020-21 Operating Budget.

Per the Bond Indenture, the Rate Stabilization Fund at the Trustee has been reviewed and no replenishment amount is determined necessary at this time. As planned, the excess stabilization fund balance available in the amount of \$861,806, which has been built up due to both the investment earnings and an increase in the market value of the existing investments in the stabilization fund since the time they were purchased, will be used to reduce the principal amount of the refunding bonds.

The proposed FY 2022-23 bond surcharge for each BAWSCA agency is shown in Table 1. These surcharges, if collected for the full fiscal year, would be sufficient to cover the debt service requirements of 2013A & 2013B bonds. Assuming the settlement of the 2023A refunding is completed on January 5, 2023, the monthly surcharges in Table 1 below would be collected through the February 2023 billings and the reduced monthly surcharges would apply to the March – June 2023 billings, as shown in Table 2, which is further described in the following section.

Table 1. Proposed BAWSCA FY2022-23 Bond Surcharges Effective July 1, 2022

Agency	Annual Bond Surcharge	Monthly Bond Surcharge	Agency	Annual Bond Surcharge	Monthly Bond Surcharge
Alameda County WD	\$1,962,564	\$163,547	Mid Pen WD	\$461,616	\$38,468
Brisbane Water	\$73,668	\$6,139	Millbrae	\$295,272	\$24,606
Burlingame	\$522,816	\$43,568	Milpitas	\$949,680	\$79,140
Coastside County WD	\$307,044	\$25,587	Mountain View	\$1,455,288	\$121,274
CWS - Bear Gulch	\$2,497,308	\$208,109	North Coast WD	\$500,688	\$41,724
CWS - Mid Peninsula	\$2,369,496	\$197,458	Palo Alto	\$1,726,200	\$143,850
CWS - South SF	\$756,756	\$63,063	Purissima Hills WD	\$382,824	\$31,902
Daly City	\$610,404	\$50,867	Redwood City	\$1,537,836	\$128,153
East Palo Alto WD	\$256,368	\$21,364	San Bruno	\$181,500	\$15,125
Estero Municipal ID	\$779,532	\$64,961	San Jose (North)	\$687,600	\$57,300
Guadalupe Valley	\$20,256	\$1,688	Santa Clara	\$571,392	\$47,616
Hayward	\$2,561,736	\$213,478	Stanford University	\$212,628	\$17,719
Hillsborough	\$538,608	\$44,884	Sunnyvale	\$1,825,332	\$152,111
Menlo Park	\$519,240	\$43,270	Westborough WD	\$130,620	\$10,885
Total				\$24,694,272	\$2,057,856

Bond Surcharge Reduction Starting March 2023, Following Settlement of 2023A Refunding
Following the settlement of the 2023A refunding bonds on January 5, 2023, the debt service requirement to be funded from the FY 2022-23 surcharges will be reduced by approximately \$2.5 million, and BAWSCA will be in a position to reduce the monthly surcharge amounts for March – June 2023 billing period, while remaining in compliance with the Bond Indenture, as supplemented for the 2023A refunding.

It is proposed that the Board authorize BAWSCA CEO/General Manager to implement the reduced surcharges immediately following the 2023A settlement. The revised FY 2022-23 surcharge for each agency is calculated based on the actual FY 2020-21 water purchases. A “true up” adjustment based on the actual FY 2022-23 water purchases will be included in the surcharge setting for FY 2024-25. The revised FY 2022-23 surcharges, which are subject to review near the time of settlement and confirmation that BAWSCA will continue to be in compliance with the covenant to levy the surcharges, are shown in Table 2:

Table 2. Revised BAWSCA FY 2022-23 Bond Surcharges Effective March 1, 2023

Agency	Monthly Surcharge Jul 2022 - Feb 2023	Monthly Surcharge Mar 2023 - Jun 2023	Adjusted Annual Surcharge	Reductions Resulting from 2023A Settlement
Alameda County WD	\$163,547	\$119,254	\$1,785,392	(\$177,172)
Brisbane Water	\$6,139	\$4,179	\$65,828	(\$7,840)
Burlingame	\$43,568	\$28,157	\$461,172	(\$61,644)
Coastside County WD	\$25,587	\$18,772	\$279,784	(\$27,260)
CWS - Bear Gulch	\$208,109	\$152,516	\$2,274,936	(\$222,372)
CWS - Mid Peninsula	\$197,458	\$136,762	\$2,126,712	(\$242,784)
CWS - South SF	\$63,063	\$41,635	\$671,044	(\$85,712)
Daly City	\$50,867	\$34,058	\$543,168	(\$67,236)
East Palo Alto WD	\$21,364	\$14,269	\$227,988	(\$28,380)
Estero Municipal ID	\$64,961	\$44,899	\$699,284	(\$80,248)
Guadalupe Valley	\$1,688	\$755	\$16,524	(\$3,732)
Hayward	\$213,478	\$145,701	\$2,290,628	(\$271,108)
Hillsborough	\$44,884	\$32,225	\$487,972	(\$50,636)
Menlo Park	\$43,270	\$29,529	\$464,276	(\$54,964)
Mid Pen WD	\$38,468	\$26,312	\$412,992	(\$48,624)
Millbrae	\$24,606	\$15,954	\$260,664	(\$34,608)
Milpitas	\$79,140	\$54,141	\$849,684	(\$99,996)
Mountain View	\$121,274	\$84,440	\$1,307,952	(\$147,336)
North Coast WD	\$41,724	\$29,595	\$452,172	(\$48,516)
Palo Alto	\$143,850	\$98,156	\$1,543,424	(\$182,776)
Purissima Hills WD	\$31,902	\$23,001	\$347,220	(\$35,604)
Redwood City	\$128,153	\$88,239	\$1,378,180	(\$159,656)
San Bruno	\$15,125	\$10,659	\$163,636	(\$17,864)
San Jose (North)	\$57,300	\$37,700	\$609,200	(\$78,400)
Santa Clara	\$47,616	\$32,758	\$511,960	(\$59,432)
Stanford University	\$17,719	\$11,418	\$187,424	(\$25,204)
Sunnyvale	\$152,111	\$106,803	\$1,644,100	(\$181,232)
Westborough WD	\$10,885	\$7,232	\$116,008	(\$14,612)
Total	\$2,057,856	\$1,429,119	\$22,179,324	(\$2,514,948)

The Prepayment and Collection Agreement with the SFPUC allows BAWSCA to reduce bond surcharges as of the first day of the calendar month which is at least 45 days after notice of such reduction is provided by BAWSCA to SFPUC. BAWSCA must also determine that such reduction will not impair BAWSCA's ability to comply with the surcharge levy covenant in the Indenture. This determination can only be made after settlement actually occurs as it is subject to customary closing conditions identified in the forward delivery purchase contract and events such as legislation adversely impacting the tax status of the refunding bonds could impact the settlement. If such notice is not provided to the SFPUC, the monthly surcharges identified in Table 1 will remain in effect.

An alternative to this mid-year adjustment would be to continue to collect the original surcharge amounts for the full fiscal year, then apply the excess collections to reduce a future year levy (which will already be lower due to the 2023A refunding). The drawback of this approach is that there would be a reduction in the year that the excess is credited, then an increase in the subsequent year. Based on BAWSCA's assessment, the alternative approach is not recommended at this time.

Background:

BAWSCA's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued to prepay the capital debt that the agencies owed San Francisco that were recovered as part of the annual wholesale rate setting until 2013. The bond transaction and the prepayment program will generate approximately \$62.3 million in net present value savings over the term of the bonds, or about 17% of the \$356.1 million in principle prepaid from bond proceeds to San Francisco at the end of February 2013.

On October 21, 2021, BAWSCA completed the pricing and sale of the 2023A bonds based on a tax-exempt forward delivery. Following settlement on January 5, 2023, the 2023A refunding will generate additional \$25.1 million in net present value savings over the term of the bonds, or an average of approximately \$2.4 million of savings per year to the member agencies, from 2023 to 2034 when the bonds will be paid off. The final maturity of the refunding bonds will be October 1, 2034, the same final maturity as the 2013A bonds.

BAWSCA has been collecting the bond surcharge from member agencies since July 2013 through the SFPUC as a separate item on SFPUC's monthly water bills to member agencies. FY 2022-23 will be the tenth year for BAWSCA to collect the bond surcharge payments that are used to make debt service payments on BAWSCA's revenue bonds.

Calculating the "True Up" Adjustment

Consistent with the Indenture, the FY 2022-23 bond surcharge setting includes a "true up" adjustment included in the calculation. This "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2020-21 and to reimburse BAWSCA for some expenses incurred in FY 2020-21 in connection with the bond administration that were paid through BAWSCA's FY 2020-21 Operating Budget. Those expenses include the fees to Bank of New York for its Trustee services and the costs of legal, financial advisor, investment advisor, and arbitrage rebate consultant. A "true up" adjustment is anticipated every year as part of the calculation of the Annual Bond Surcharge.

The annual surcharges collected from the BAWSCA agencies in FY 2020-21 were calculated by multiplying the obligated debt service in 2021 by each agency's percentage of total wholesale customer purchases in FY 2018-19. FY 2018-19 purchases were used as a surrogate for FY 2020-21 purchases, which were not known when the FY 2020-21 bond surcharges were adopted.

Now that the actual wholesale customer purchases for FY 2020-21 and the actual expenses incurred in FY 2020-21 in connection with the bond administration are available, the actual surcharges for FY 2020-21 are calculated again by multiplying a sum of the obligated debt service in 2021 and the actual expenses incurred in FY 2020-21 by each agency's percentage of total wholesale customer purchases in FY 2020-21. The difference between the surcharges that were actually collected in FY 2020-21, which were based on the surrogate purchase values, and the actual surcharges for FY 2020-21, which are based on actual FY 2020-21 purchases, are one component of the "true up" adjustments to be included in the annual surcharge setting for FY 2022-23.

The second component of the "true up" adjustment is inclusion of \$19,720 of actual expenses incurred by BAWSCA in FY 2020-21 in connection with the bond administration, which represents 0.08% of the annual debt service of the bonds in 2023. In addition, pursuant to the Prepayment and Collection Agreement between BAWSCA and San Francisco, BAWSCA shall reimburse San Francisco for specific expenses incurred for compliance with tax-exempt regulations. BAWSCA didn't receive any relevant bill from San Francisco in FY 2020-21. A "true up" adjustment for FY 2022-23 will be included in the surcharge setting for FY 2024-25.

Table 3 shows how the "true up" adjustment for each BAWSCA agency is determined and included in the proposed FY 2022-23 surcharge amount. The true up adjustments for 2020-21 water purchases are not impacted by the mid-year adjustment for the 2023A refunding. Table 4 indicates how much the capital recovery payment cost would be in FY 2020-21 (column A) if BAWSCA didn't issue the bonds to prepay the capital debt that the agencies owed to San Francisco. The actual savings to each agency in FY 2020-21 (column E) from the original 2013 refunding are calculated accordingly.

**Table 3. Impact of FY 2020-21 True-up Adjustment on
FY 2022-23 Proposed Surcharges**

Agency	FY 2020-21			FY 2022-23	
	Surcharge Collected (Based on FY 2018-19 Purchase)	Surcharge Obligation (Based on FY 2020-21 Purchase)	Difference: True-up Amount	Surcharge To Be Collected (Based on FY 2020-21 Purchase)	Proposed Surcharge Incl. True-up Amount for FY 2020-21
Alameda County WD	\$1,515,302	\$1,739,611	\$224,308	\$1,738,256	\$1,962,564
Brisbane Water	\$80,279	\$77,004	(\$3,275)	\$76,944	\$73,668
Burlingame	\$687,154	\$605,218	(\$81,935)	\$604,747	\$522,816
Coastside County WD	\$227,986	\$267,617	\$39,631	\$267,409	\$307,044
CWS - Bear Gulch	\$1,867,762	\$2,183,383	\$315,621	\$2,181,683	\$2,497,308
CWS - Mid Peninsula	\$2,396,243	\$2,383,795	(\$12,448)	\$2,381,939	\$2,369,496
CWS - South SF	\$925,850	\$841,632	(\$84,218)	\$840,977	\$756,756
Daly City	\$709,507	\$660,214	(\$49,293)	\$659,700	\$610,404
East Palo Alto WD	\$300,831	\$278,711	(\$22,120)	\$278,494	\$256,368
Estero Municipal ID	\$795,771	\$787,958	(\$7,813)	\$787,345	\$779,532
Guadalupe Valley	\$52,953	\$36,618	(\$16,335)	\$36,589	\$20,256
Hayward	\$2,760,135	\$2,661,973	(\$98,162)	\$2,659,901	\$2,561,736
Hillsborough	\$455,246	\$497,118	\$41,871	\$496,731	\$538,608
Menlo Park	\$559,809	\$539,737	(\$20,072)	\$539,317	\$519,240
Mid Pen WD	\$492,807	\$477,396	(\$15,411)	\$477,024	\$461,616
Millbrae	\$384,079	\$339,808	(\$44,272)	\$339,543	\$295,272
Milpitas	\$1,013,283	\$981,864	(\$31,418)	\$981,100	\$949,680
Mountain View	\$1,436,948	\$1,446,682	\$9,734	\$1,445,556	\$1,455,288
North Coast WD	\$451,564	\$476,309	\$24,745	\$475,938	\$500,688
Palo Alto	\$1,861,570	\$1,794,581	(\$66,989)	\$1,793,184	\$1,726,200
Purissima Hills WD	\$316,151	\$349,625	\$33,474	\$349,353	\$382,824
Redwood City	\$1,596,294	\$1,567,677	(\$28,617)	\$1,566,456	\$1,537,836
San Bruno	\$169,236	\$175,438	\$6,202	\$175,301	\$181,500
San Jose (North)	\$851,466	\$769,835	(\$81,631)	\$769,236	\$687,600
Santa Clara	\$595,257	\$583,552	(\$11,705)	\$583,097	\$571,392
Stanford University	\$282,072	\$247,445	(\$34,627)	\$247,252	\$212,628
Sunnyvale	\$1,732,277	\$1,779,499	\$47,222	\$1,778,113	\$1,825,332
Westborough WD	\$156,223	\$143,476	(\$12,746)	\$143,365	\$130,620
Totals	\$24,674,055	\$24,693,775	\$19,720	\$24,674,552	\$24,694,272

**Table 4. Actual Savings to Each Agency for FY 2020-21 Resulting from
BAWSCA 2013A and 2013B Bond Issuance**

Agency	SFPUC Capital Recovery Payment	Annual Surcharge Collected in FY 2020-21	True-ups To Be Collected or Refunded in FY 2022-23	BAWSCA Annual Surcharge Plus True-ups	Actual Savings*
	A	B	C	D = B + C	E = A - D
Alameda County WD	\$1,986,615	\$1,515,302	\$224,308	\$1,739,611	\$247,004
Brisbane Water	\$87,937	\$80,279	(\$3,275)	\$77,004	\$10,934
Burlingame	\$691,152	\$687,154	(\$81,935)	\$605,218	\$85,934
Coastside County WD	\$305,616	\$227,986	\$39,631	\$267,617	\$37,998
CWS - Bear Gulch	\$2,493,398	\$1,867,762	\$315,621	\$2,183,383	\$310,015
CWS - Mid Peninsula	\$2,722,265	\$2,396,243	(\$12,448)	\$2,383,795	\$338,471
CWS - South SF	\$961,134	\$925,850	(\$84,218)	\$841,632	\$119,502
Daly City	\$753,957	\$709,507	(\$49,293)	\$660,214	\$93,743
East Palo Alto WD	\$318,285	\$300,831	(\$22,120)	\$278,711	\$39,574
Estero Municipal ID	\$899,839	\$795,771	(\$7,813)	\$787,958	\$111,881
Guadalupe Valley	\$41,817	\$52,953	(\$16,335)	\$36,618	\$5,199
Hayward	\$3,039,942	\$2,760,135	(\$98,162)	\$2,661,973	\$377,969
Hillsborough	\$567,702	\$455,246	\$41,871	\$497,118	\$70,585
Menlo Park	\$616,373	\$559,809	(\$20,072)	\$539,737	\$76,636
Mid Pen WD	\$545,181	\$492,807	(\$15,411)	\$477,396	\$67,785
Millbrae	\$388,056	\$384,079	(\$44,272)	\$339,808	\$48,249
Milpitas	\$1,121,277	\$1,013,283	(\$31,418)	\$981,864	\$139,413
Mountain View	\$1,652,094	\$1,436,948	\$9,734	\$1,446,682	\$205,412
North Coast WD	\$543,940	\$451,564	\$24,745	\$476,309	\$67,630
Palo Alto	\$2,049,390	\$1,861,570	(\$66,989)	\$1,794,581	\$254,809
Purissima Hills WD	\$399,268	\$316,151	\$33,474	\$349,625	\$49,643
Redwood City	\$1,790,268	\$1,596,294	(\$28,617)	\$1,567,677	\$222,592
San Bruno	\$200,348	\$169,236	\$6,202	\$175,438	\$24,910
San Jose (North)	\$879,143	\$851,466	(\$81,631)	\$769,835	\$109,308
Santa Clara	\$666,409	\$595,257	(\$11,705)	\$583,552	\$82,857
Stanford University	\$282,579	\$282,072	(\$34,627)	\$247,445	\$35,134
Sunnyvale	\$2,032,167	\$1,732,277	\$47,222	\$1,779,499	\$252,668
Westborough WD	\$163,848	\$156,223	(\$12,746)	\$143,476	\$20,372
Totals	\$28,200,000	\$24,674,055	\$19,720	\$24,693,775	\$3,506,225

* The savings do not include the savings generated from the 2023A refunding bonds

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Agreement with Outfront Media for Billboard Advertisements
Associated with a Drought Messaging Campaign**

Summary:

This memorandum details a proposed purchase of digital billboard advertisement space by BAWSCA in support of a media campaign to promote water conservation and efficient water use practices. If approved, advertisements would commence shortly after the Board's March 17, 2022 meeting and run through mid-July 2022.

Billboard advertisements are part of a larger media campaign developed by the SFPUC regarding the current drought. The SFPUC, for contractual and procurement reasons, cannot pay for billboard placements outside of San Francisco at this time. For the message to reach BAWSCA member agencies and their customers, it is necessary to have BAWSCA enter into an agreement directly with the billboard advertisement vendor, Outfront Media.

The SFPUC has prepared the images for use in the digital billboard advertisements. BAWSCA will have final review and approval of the digital images. Both the SFPUC and BAWSCA logos will appear on each digital image. Each image will appear every 64 seconds, for an 8 second duration, and will cycle through multiple images during a 24-hour period. Cycles may be adjusted based on future decisions BAWSCA may make with advanced notice to Outfront Media.

Fiscal Impact:

Outfront Media has provided BAWSCA a quote of \$71,750 for the digital billboard advertisements in the BAWSCA region for the period stipulated. These expenses were not anticipated or included in the adopted FY 2021-22 budget. To fund this effort, it is recommended that BAWSCA request a transfer from the Water Supply Agreement Balancing Account. Use of the Balancing Account for this purpose is consistent with the financial impact on the Wholesale Customers that would occur if the SFPUC was able to enter into this contract itself and fund it through the regular Wholesale Revenue Requirement process. The discussion below presents the necessary findings required by the Board's policy for use of the Balancing Account.

Recommendation:

That the Policy Committee recommend that the BAWSCA Board:

1. Approve the agreement with Outfront Media for billboard advertisements at a total cost of \$71,750; and
2. Authorize a request for a transfer of \$71,750 from the Balancing Account in accordance with BAWSCA's Balancing Account Policy, Res. No. 2020-02.

Discussion:

The SFPUC's conservation staff have been working on a drought messaging campaign since fall of 2021. With the declaration of a water shortage emergency by the SFPUC on November 23, 2021, the SFPUC's conservation staff accelerated efforts to implement a significant campaign to educate the public about the importance of water conservation during the drought. Beginning in November 2021, the SFPUC has worked with BAWSCA to coordinate this outreach campaign

with the goal of reaching a consensus on the campaign themes as well as to ensure that the message reaches the Wholesale Customers, including extending media efforts throughout the BAWSCA service area. Proposed outreach materials and outreach approach were shared with the Water Management Representatives (WMR) at their December 6, 2021 meeting. The WMRs reacted favorably to both the materials and the approach shared.

The SFPUC's outreach campaign encompasses a number of media types, including print, television, social media, radio, and signage / billboards. While the majority of the media outreach will be covered under a contract that the SFPUC has entered into with a media consultant, Next Steps Marketing, the SFPUC has indicated that BAWSCA's assistance is needed to secure billboard placement outside of San Francisco. The SFPUC intends to spend approximately \$300,000 on its media campaign. This cost does not include billboard advertisement.

On December 15, 2021, BAWSCA and SFPUC staff, together with the SFPUC's media consultant, met virtually to discuss the approach suggested for billboard advertisement. At that meeting, the SFPUC's media consultant shared details of the images proposed for the ads as well as the locations of the billboards selected (see Exhibit A). Images, when finalized, will include both the BAWSCA and SFPUC logos, along with links to the respective drought pages on each agency's website. There are seven billboard locations proposed, and at each location there are two billboards (one for each direction of traffic). All billboards are digital. The SFPUC's media consultant has selected Outfront Media as the preferred billboard vendor because it owns electronic billboards at strategic locations throughout the BAWSCA service area and its advertisement costs are competitive. BAWSCA will need to contract with Outfront Media to secure the billboard space.

On December 23, 2021, Outfront Media sent BAWSCA a proposed agreement that covers the cost and the commitments associated with the contemplated digital advertisement. Staff has provided comments on the draft agreement to Outfront Media and is working to finalize the agreement. With Board approval, digital ads would begin following agreement execution after the BAWSCA Board's March 17, 2022 meeting and run for a period of 14 weeks, terminating in mid-July 2022. The total cost of these advertisements is \$71,750.

Assuming BAWSCA enters into the above noted agreement, advertisements would be visible for 8 seconds, with a repeat cycle every 64 seconds, for a 24-hour period each day. Images would vary over the course of the day, cycling through the range of images that will be finalized prior to the contract commencement. BAWSCA and SFPUC staff have the ability to exclude images, focus on certain images, or replace images over the course of the advertisement period.

BAWSCA's legal team has supported staff throughout this process, including by recommending that BAWSCA enter into an indemnification letter agreement with the SFPUC to protect BAWSCA from copyright claims due to SFPUC's use of third-party images. Staff has obtained further documentation from the SFPUC related to its agreement with its media consultant.

SFPUC's Contracting and Procurement Limitations

The SFPUC has strict procurement procedures that prevent it from entering into an agreement with Outfront Media for the placement of advertisements outside of the City / County of San Francisco at this time. The SFPUC's Water Conservation Division has just one contract vehicle with adequate capacity to procure the selected drought outreach campaign elements. That contract has a required Local Business Enterprise goal that would not be met if it were to be used outside of the SFPUC's geographic limits. While the SFPUC's Water Enterprise has a number of active contracts in place with various consultants and contractors, none have the ability or the capacity to expend funds for this type of communications/outreach procurement.

BAWSCA understands that the SFPUC's Water Enterprise anticipates executing new contracts this spring for general consultant services. BAWSCA has asked the SFPUC to consider having a contract provision or process in place such that their new agreements provide the SFPUC with an ability to procure billboard advertisements within the BAWSCA service area.

Findings Related to the Use of the Balancing Account:

Pursuant to Section 6.05.B.2.a of the WSA, if the Balancing Account maintains a positive balance for three successive years and represents 10 percent or more of the Wholesale Revenue Requirement for the most recent fiscal year, the Board may direct the SFPUC to apply the positive balance to "water conservation or water supply projects administered by or through BAWSCA," among other uses. As of June 30, 2021 there was \$86 Million in the Balancing Account.

Although the adopted FY 2021-22 funding plan included a line item regarding possible efforts BAWSCA may need to undertake in the event of a drought occurring during the fiscal year, no funding was set aside at that time. The use of the Balancing Account to fund billboard advertisements is nevertheless an eligible activity, as such advertisements support BAWSCA's conservation efforts and it is a cost that the SFPUC would otherwise expend itself but for its current contract limitations.

This recommended action proposes a \$71,750 increase in the FY 2021-22 budget to be funded by the Balancing Account.

In accordance with Resolution No. 2020-02, before appropriating funds from the Balancing Account, the Board must make written findings that reasonably demonstrate that applying all or a portion of the positive balance to the selected purpose(s) is in the best interests of the Wholesale Customers and the ultimate water customers.

Per the Balancing Account Policy, the findings must address the following:

- a) Projected annual Wholesale Rates for the next five fiscal years;
- b) Wholesale Revenue Coverage Reserve;
- c) Existing unpaid asset balance(s) under Section 5.03 of the WSA;
- d) Funding requirements and sources for water conservation or water supply projects administered by the Agency and an analysis comparing the use of the Balancing Account funds compared to implementing a Water Management Charge per WSA Section 3.06.A; and
- e) Any other factor(s) the Board of Directors determines compels application of all or part of the positive balance to a purpose specified in 6.05.B.2.a of the WSA.

An evaluation of the proposed use of the Balancing Account funds results in the following findings:

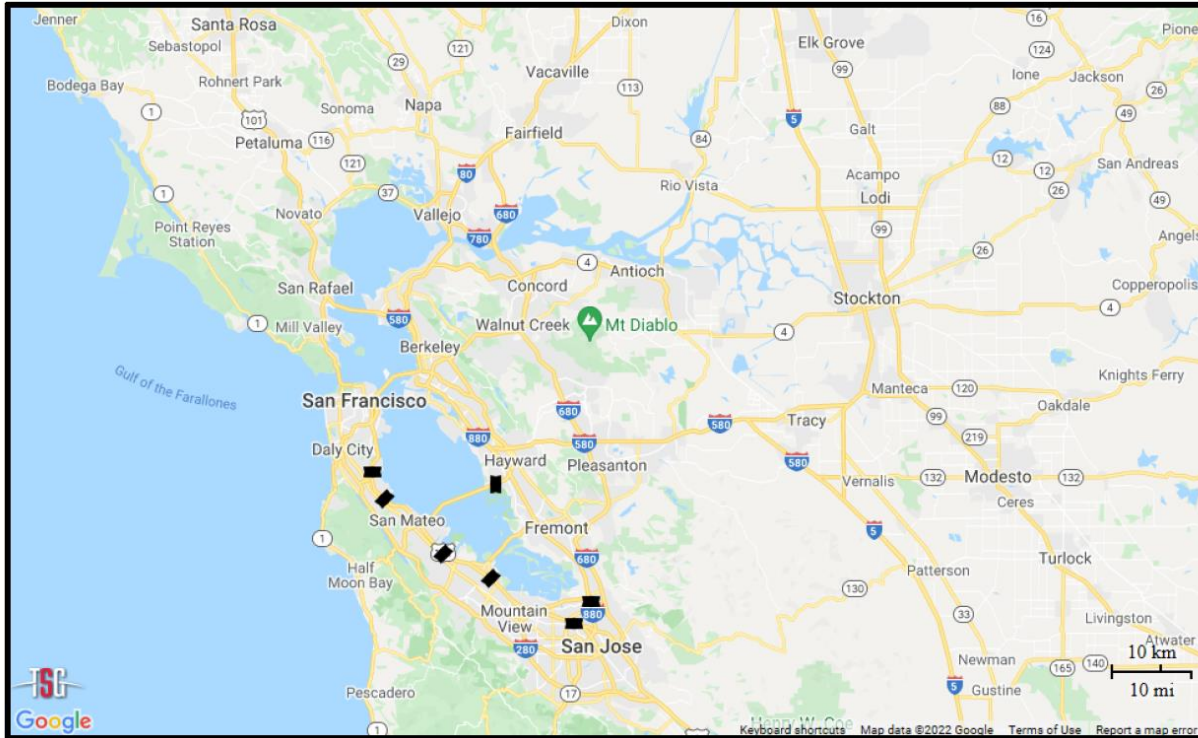
- The proposed appropriation of \$71,750 will not have a discernible impact on the wholesale rates in the next five years (a) or the need for funds for a Wholesale Revenue Coverage Reserve (b).
- Finding (c) is no longer relevant as all asset balances have been paid.

- A Water Management Charge is not a preferred method of raising funds at this time given the size of the positive balance in the Balancing Account and the budget needs (d).
- If the SFPUC was able to enter into this contract itself, the fiscal impact on the Wholesale Customers would be the same because the contract would be funded through the regular Wholesale Revenue Requirement process. At this time, there is no other competing interest that requires the Balancing Account to be reserved in its entirety. Therefore, the Board may make the determination that it is in the best interest of the Wholesale Customers and the ultimate water customers to apply a portion of the positive balance of the Balancing Account for these budget items (e).

Attachment 1

OUTFRONT**Location Map**

BAWSCA SFPUC map & locations



Icon	#	Unit	Location Description	Media	Market
☐	1	SFO1004-A	US 101 & South Airport Blvd	Digital Bulletins	San Francisco
☐	2	SFO1003-A	E/L US 101 & South Airport Blvd	Digital Bulletins	San Francisco
☐	3	SFO1002-A	US 101 Millbrae Ave.	Digital Bulletins	San Francisco
☐	4	SFO1001-A	US 101 Millbrae Ave.	Digital Bulletins	San Francisco
☐	5	PEN1001-A	US 101 & Brittan Avenue	Digital Bulletins	San Francisco
☐	6	PEN1002-A	US 101 & Brittan Avenue	Digital Bulletins	San Francisco
☐	7	PA1001-A	US 101 EL S/O University (Palo Alto) %	Digital Bulletins	San Francisco
☐	8	PA1002-A	US 101 EL S/O University (Palo Alto) %	Digital Bulletins	San Francisco
☐	9	SC1002-A	US 101 1000 ft & Lafayette St	Digital Bulletins	San Francisco
☐	10	SC1001-A	US 101 1000 ft & Lafayette St	Digital Bulletins	San Francisco
☐	11	M1002-A	E/L I-880 N/O Great Mall Parkway	Digital Bulletins	San Francisco
☐	12	M1001-A	E/L I 880 N/O Great Mall Parkway	Digital Bulletins	San Francisco
☐	13	SMB1001-A	Hwy 92 .50 mi W/O Clawiter Rd	Digital Bulletins	San Francisco
☐	14	SMB1002-A	Hwy 92 .50 mi W/O Clawiter Rd	Digital Bulletins	San Francisco

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Preliminary Fiscal Year 2022-23 Work Plan and Results to be Achieved**

Summary:

This memorandum presents the preliminary Fiscal Year 2022-23 Work Plan and results to be achieved. Comments received from the Board at the January 20, 2022 Work Plan and Budget Preparation Planning Session have been reviewed and addressed. The preliminary Work Plan includes the CEO's recommendations for addressing comments received during the Budget Planning Session. As was discussed with the Board in January, this memorandum does not present a preliminary Operating Budget. Initial operating budget considerations will be included in the staff presentation. The Board will be presented with a preliminary Work Plan and Operating Budget at its March meeting.

The preliminary Work Plan remains aligned with BAWSCA's legislated authority and its three goals: a reliable supply of high-quality water at a fair price. Major work areas include review of SFPUC's 10-year Capital Improvement Program and Asset Management Program; complete refresh and update of BAWSCA's 2020 Regional Water Demand and Conservation Projections Study (Demand Study); scoping for an update to BAWSCA's 2009 Long Term Reliable Water Supply Strategy (Strategy); provide drought support to member agencies and their customers; provide assistance to member agencies in meeting new State water efficiency mandates; implement BAWSCA's core and subscription conservation programs; take action necessary to ensure that the SFPUC meets its legal and contractual water supply reliability obligations to its Wholesale Customers; monitor SFPUC's development of new water supplies through its Alternative Water Supply Planning Program; facilitate negotiations of a new Tier 2 drought implementation plan; participate in the State Water Resources Control Board (SWRCB) Bay Delta Water Quality Control Plan Update to ensure member agency interests are represented; participate as an intervenor on Federal Energy Regulatory Commission (FERC) proceedings associated with the licensing of New Don Pedro Reservoir; administer the Water Supply Agreement (WSA) with San Francisco to protect financial interests of the member agencies; administer BAWSCA's bonds including the final refunding settlement; implement Board policy directives for management of BAWSCA's unfunded pension liability obligations; implement BAWSCA's diversity internship program, and maintain a motivated and effective workforce.

Recommendation:

That the Committee provide:

- 1. Comments and suggestions concerning the preliminary Fiscal Year 2022-23 Work Plan and results to be achieved;**
- 2. Feedback on presented results from January 20, 2022 Work Plan and Budget Planning Session; and,**
- 3. Suggestions concerning presentation of the preliminary Work Plan and Operating Budget to the Board of Directors in March.**

Discussion:

Preliminary Work Plan:

Next year's Work Plan addresses all of the anticipated issues and results to be achieved discussed with the Board Policy Committee in December and with the Board in January.

The Preliminary FY 2022-23 Work Plan includes the following major efforts:

- Oversight of the SFPUC's WSIP, 10-Year Capital Improvement Program (CIP), and Regional Water System (RWS) Asset Management Program.
- Implement BAWSCA's 2009 Strategy, including the following actions:
 - Complete Update and Refresh of 2020 Demand Study;
 - Complete scoping activity for an update to BAWSCA's 2009 Strategy;
 - Participate in the development of the Bay Area Regional Reliability Partnership (BARR) Bay Area Regional Water Market (Exchange/Transfer) Program, including a completion of the BARR Shared Water Access Program (SWAP) Final Report;
 - Continue participation in Potable Reuse Exploratory Plan (PREP), pending results of Phase 3, due this Spring;
 - Promote the continued sustainable use of San Mateo Plain Groundwater Basin through Groundwater Reliability Partnership and other multi-party efforts; and
 - Facilitate development of other local water supply options by member agencies.
- Provide staff-level drought support to member agencies and their customers, assuming dry conditions in FY 2022-23.
- Monitor the status of the water use efficiency legislation, represent member agency interests in discussions with the State, and develop resources and programs to assist member agencies with reporting and compliance requirements.
- Provide regional coordination to support Advanced Metering Infrastructure (AMI) implementation and data management, including a report on AMI status in service area.
- Develop 1-2 new subscription conservation programs
- Implement regional core and subscription conservation programs to support member agencies and their customers.
- Take actions to protect member agencies' water supply interests in administration of the 2009 WSA including the following:
 - 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; and
 - Facilitate negotiations of an updated Tier 2 drought allocation plan.
- Participate in the SWRCB's Bay Delta Water Quality Control Plan Update to ensure member agency interests are represented.
- Participate in the New Don Pedro and La Grange FERC proceedings to protect regional water supplies.
- Administer the 2009 WSA.
- Administer BAWSCA's bonds, including the final refunding settlement in January 2023.

- Implement BAWSCA's Diversity internship program.
- Implement Board policy directives for management of BAWSCA's unfunded OPEB and pension liability obligations.
- Maintain a motivated and effective workforce.

Table 1 presents the draft preliminary FY 2022-23 Work Plan and major results to be achieved. The activities are grouped according to the agency goals they support.

Table 2 lists the items that are not included in the preliminary Work Plan. Any of these items could be added at a later date, if needed, following further discussion with the Board concerning available resources and priorities.

New or Significantly Re-scoped Activities for FY 2022-23:

There are four new or significantly rescope, or expanded activities included in the preliminary FY 2022-23 Work Plan. In each case, these activities relate directly to ensuring water supply reliability for the customers served by the BAWSCA member agencies.

**1. Complete Scoping for an Update of BAWSCA's 2009 Strategy
Estimated FY 2022-23 Cost: \$5K**

This work was initially scheduled for FY 2021-22 with a \$54K budget allocation, but was deferred to FY 2022-23 as part of the mid-year review given the need to shift focus to the ongoing drought conditions.

In 2009, BAWSCA initiated the development of its Strategy to provide a comprehensive, regional assessment of the BAWSCA member agencies' water supply reliability needs, complete an evaluation of potential water management actions that could be implemented to meet these needs, and identify potential actions for consideration by the Board to achieve an increased level of regional reliability. The 2009 Strategy effort spanned several fiscal years and was completed in 2015. The total technical cost for the 2009 Strategy was \$1.9M, including \$117K for scoping.

Implementation of the 2009 Strategy recommendations has been incorporated into the adopted work plan annually since FY 2015-16. BAWSCA efforts to develop new sources of water supply, as well as BAWSCA's efforts to engage and promote the development of new alternative water supplies by the SFPUC were performed in accordance with the Strategy. For example, BAWSCA's participation in the Los Vaqueros Reservoir Expansion Project, the Pilot Water Transfer, and the current participation in the PREP Project, all resulted from the direction given in the 2009 Strategy.

Since the completion of the 2009 Strategy in 2015, there have been significant changes that impact the region's long-term water supply planning efforts. For example, the region has weathered the 2014-17 drought, new Urban Water Management Plans (UWMP) have been prepared, COVID-19 has impacted the region, customer behavior has changed as a result of conservation measures being adopted and embraced, SFPUC has made progress toward completing the WSIP, BAWSCA completed its 2020 Demand Study, and there have been profound regulatory actions at the State and Federal level that have an impact on water supply reliability.

Given all that has transpired since the completion of the 2009 Strategy, it is appropriate to consider preparing an update. For FY 2022-23, the preliminary Work Plan reflects this scoping activity being led by BAWSCA staff with engagement of the Board and the Water Management Representatives, rather than using an outside consulting firm and would support a Request for Proposal solicitation for the Strategy Update in FY 2023-24, pending Board approval. This approach has a reduced budget impact and takes advantage of current staff expertise. The draft preliminary budget includes an estimated \$5,000 for legal support.

2. Continue Participation in Next Steps for PREP Project
Estimated FY 2022-23 Cost: \$50K

Phase 3 of the PREP Project will be complete in Spring 2022 and will include recommended actions for moving the project's development forward, including preparation of a Basis of Design Report (BODR). BAWSCA's active and independent participation in PREP to date has benefitted the project development. BAWSCA's continued participation will enable BAWSCA's continuing ability to directly affect the project's development to the benefit of the member agencies.

At this time the project partners estimate an increase in the costs for the next level of planning work. Specifically, this next effort will be the preparation of a BODR that will do a more thorough review and development of the leading project alternatives including engineering costs and complexities, land availability and constraints, potential project phasing, and bringing the project components to a 10% design level. Once completed, the BODR would be ready for submittal to the Bureau of Reclamation and others for potential future grant funding.

The preliminary FY 2022-23 budget allocation reflects the current understanding of BAWSCA's potential share of the next cost and represents 5% of the current estimated \$1M total cost. The draft preliminary budget includes an estimated \$50,000 for BAWSCA's share of costs.

3. Support Member Agencies with Water Use Efficiency Legislation CII Performance Measure Requirements
Estimated FY 2022-23 Cost: \$80K

In 2018, the California State Legislature passed SB 606 and AB 1668, commonly referred to as the water use efficiency legislation to support California's "Making Water Conservation a Way of Life". The legislation directed the Department of Water Resources (DWR) and the State Water Resources Control Board (Water Board) to conduct studies and adopt long-term standards for water use efficiency and performance measures for commercial, industrial, and institutional (CII) water use. BAWSCA has closely followed development of the efficiency standards and CII performance measures and represented member agencies in discussions with DWR and the Water Board.

Over the last three months, DWR released preliminary recommendations for both the water use efficiency standards and CII performance measures that the Water Board will consider for adoption. BAWSCA's regional and subscription water conservation programs have prepared, and will continue to support, member agencies to meet the water use efficiency standards. However, the CII performance measures will require a significant new work effort for most member agencies. For FY 2022-23, BAWSCA proposes to support member agencies by developing an approach to meet the new CII

performance measure requirements as well as a possible subscription program for professional consulting services for those agencies interested in more hands-on assistance. The draft preliminary budget includes an estimated \$80,000 for this work.

4. Update BAWSCA's Water Conservation Database
Estimated FY 2022-23 Cost: \$120K

BAWSCA's Water Conservation Database (WCDB) serves as the repository for BAWSCA member agency water use and water conservation program information. A need to update the WCDB has been identified, and that update will be extensive. BAWSCA's current WCDB was launched in October 2010 and was last updated in FY 2016-17. The WCDB is used to collect data in a consistent format for three specific efforts: (1) conservation activity reporting, (2) BAWSCA Annual Survey reporting on water use and demographic data and (3) DSS modeling and demand projections support. The WCDB is designed to facilitate data collection, provide data monitoring, and compile data for reporting,

For FY 2022-23, the work will include, as a first step, the scoping of what is needed for the update, which will include a review of the existing WCDB, engagement with member agencies, and determination of the approach and platform that is most appropriate. Once that is determined, an updated WCDB will be developed and made ready for implementation. Prior to implementation, there will be training provided to member agencies such that the WCDB can then be put to use.

The preliminary FY 2022-23 budget allocation of \$120,000 reflects the need to secure specialized, technical consultant services to complete this work. This budget estimate is based on prior costs incurred for WCDB development. Specifically, the cost to develop the original database in FY 2009-10 and FY 2010-11 totaled \$261K followed by an update in FY 2016-17 for \$39K. The update costs are anticipated to fall somewhere between what was expended during 2009-11 and 2016-17. The draft preliminary budget includes \$120K for this update, which falls within the range of prior costs for the WCDB development and update.

Preliminary FY 2022-23 Work Plan Includes Continuation of Several Previously Approved Multi-Year Projects

There are two major multi-year projects included in the preliminary FY 2022-23 Work Plan that were previously approved or anticipated by the Board. In each case, these activities relate directly to ensuring water supply reliability for the customers served by the BAWSCA member agencies.

1. Refresh and Update BAWSCA 2020 Demand Study
Estimated FY 2022-23 Cost: \$75K

At its September 16, 2021 meeting, the Board authorized a professional services contract with Maddaus Water Management to prepare a refresh and update of the BAWSCA 2020 Demand Study for a total cost of \$350K (\$275K in FY 2021-22 and \$75K in FY 2022-23) and a scheduled completion of December 2022. The Board also approved a transfer from the Balancing Account to fully fund this project, with transfers to BAWSCA occurring over the two fiscal years in accordance with planned expenditures. This project is progressing on schedule and on budget, and a project update will be provided for the March Board meeting.

**2. Facilitate Development of an Updated Tier 2 Drought Implementation Plan
Estimated FY 2022-23 Cost: \$72K**

As part of the FY 2021-22 Work Plan, the Board directed BAWSCA to facilitate a renegotiation and update to the existing Tier 2 Drought Response Implementation Plan (Tier 2 Plan). At its January 20, 2022 meeting, the Board authorized a professional services contract with Woodard & Curran to support BAWSCA's facilitation of negotiations among the member agencies for a new Tier 2 Plan. As planned and discussed with the Board as part of its January approval, additional support from Woodard & Curran is proposed for FY 2022-23 to support BAWSCA's facilitation efforts. There is no pre-approved funding for this effort in FY 2022-23.

Results of January 20, 2022 Work Plan and Budget Preparation Planning Session:

During BAWSCA's January 20, 2022 meeting, the Work Plan and Budget Preparation Planning Session was held with the Board as part of its regular meeting agenda. The focus of the planning session was to receive input from Board members on possible work plan items for the coming fiscal year. Table 3 presents the detailed comments provided by Board members during the planning session and the staff response that was subsequently prepared. These comments and responses are reflected in the preliminary FY 2022-23 Work Plan and results to be achieved.

Background:

BAWSCA's work plan development process begins by reviewing and updating the major activities and long-term future challenges. These long-term activities require coordinated action by BAWSCA and its member agencies to ensure a reliable supply of high-quality water at a fair price.

Table 4 lists these activities updated as part of the FY 2022-23 preliminary Work Plan development through 2050. In each case, the results identified in Table 4 will take the form of agreements, legislation, or other legally enforceable work products. Development of these documents will result from skilled negotiations based on rigorous investigations of impacts and alternatives, costs, cost allocation, and other matters.

Table 1. Draft Preliminary FY 2022-23 Work Plan and Results to Be Achieved
(New/Expanded Items Shown in Blue Italic Font)

BAWSCA OBJECTIVE & FY 2022-23 WORK PLAN ITEM
<p>RELIABLE WATER SUPPLY</p> <p>1. <u>Facility Reliability: Monitor SFPUC's WSIP, 10-Year CIP, Asset Mgmt. Program, and Emergency Response</u></p> <ul style="list-style-type: none"> 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. 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. 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. d. Provide assistance to members and help facilitate engagement with the SFPUC regarding emergency response matters. <p>2. <u>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</u></p> <ul style="list-style-type: none"> a. Complete Update and Refresh of BAWSCA 2020 Demand Study b. <i>Complete staff-led scoping activity for an update to BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy).</i> c. Participate in development of Bay Area Regional Reliability (BARR) Phase 2 (Water Marketing Strategy) in partnership with other Bay Area water agencies, including completion of the BARR Shared Water Access Program (SWAP) final report. d. <i>Continue participation in Potable Reuse Exploratory Plan (PREP) pending results of Phase 3, due Spring 2022, including preparation of a Basis of Design Report (BODR).</i> e. Promote the continued use of San Mateo Plain Groundwater Basin (Basin) for long-term water supply reliability. 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. g. Use the BAWSCA Reliability Model (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. h. Facilitate use of the BAWSCA Reliability Model by members via Subscription Program. i. Host quarterly meetings of BAWSCA's Regional Water Supply Reliability Roundtable to identify possible water supply options for consideration by BAWSCA and its member agencies as well as potential local partnership opportunities.

BAWSCA OBJECTIVE & FY 2022-23 WORK PLAN ITEM

3. Near-term Supply Solutions: Water Conservation and Drought Response

- a. Provide staff-only drought support to members & their customers, assuming dry conditions in FY 2022-23.
- 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 *developing an approach for member agencies to meet the new CII performance measure requirements as well as a possible subscription program for professional consulting services for those agencies interested in more hands-on assistance.*
- c. Provide regional coordination to support members Advanced Metering Infrastructure (AMI) implementation and data management, including preparation of a report summarizing the status of AMI in the service area.
- d. Administer and implement BAWSCA's core water conservation programs.
- e. Administer BAWSCA's subscription conservation rebate programs that benefit and are paid for by participating members.
- f. Continue development of a leak repair and training certification program for implementation in FY 2023-24.
- g. *Pursue partnership opportunities with San Mateo County's C/CAG related to a potential greywater pilot program.*
- h. *Perform a review of greywater efforts within the BAWSCA region and document findings in a report.*
- 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.

4. Take Actions to Protect Members' Water Supply and Financial Interests in WSA Administration

- a. Monitor SFPUC's development of new supplies through its Alternative Water Supply Planning Program (AWSP) and participate as appropriate to ensure that the SFPUC can meet its water supply reliability obligations to its Wholesale Customers.
- 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.
- c. Adopt a temporary extension of the existing Tier 2 drought allocation plan that expires Dec. 2022 if necessary.
- d. Facilitate negotiations of an updated Tier 2 Drought Allocation Plan.
- e. Protect members' water supply and financial interests in the SFPUC's required 2028 decisions.

5. Protect Members' Interests in a Reliable Water Supply

- a. Participate in SWRCB Bay Delta Plan Update to ensure members' interests are represented, including ongoing legal intervention.
- 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.

6. Pursue Grant Opportunities Independently and in Coordination with Regional Efforts

- 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.
- b. Pursue, with regional partners, grant funding to support studies that aim to improve regional water supply reliability.
- c. Investigate potential for grant funds to support the implementation of the LTRWS Strategy.

BAWSCA OBJECTIVE & FY 2022-23 WORK PLAN ITEM

7. Reporting and Tracking of Water Supply and Conservation Activities

- a. Complete BAWSCA FY 2021-22 Annual Survey.
- b. Complete BAWSCA FY 2021-22 Annual Water Conservation Report.
- c. In partnership with members, operate and maintain BAWSCA's Water Conservation Database (WCDB). *Scope, develop, and implement an update of the WCDB by June 30, 2023.*

HIGH QUALITY WATER

8. Support Members in Receiving Reliable Communication of Water Quality Issues

- a. Coordinate members participation in Joint Water Quality Committee to ensure it addresses Wholesale Customer needs.
- 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.).
- c. Review and act on, if necessary, State legislation affecting water quality regulations.

FAIR PRICE

9. Perform Matters that Members Agencies Delegated to BAWSCA in the WSA

- a. Administer the WSA with SF to protect the financial interests of members.
- b. Administer bonds issued by BAWSCA to retire capital debt owed to San Francisco, including completing the settlement of 2023A refunding bonds in January 2023.

AGENCY EFFECTIVENESS

10. Maintain Community Allies and Contacts with Environmental Interests

- 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.
- 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.
- c. Maintain effective communications with members, customers, and others to achieve results and support goals.
- d. In conjunction with San Francisco, conduct or co-sponsor tours of the water system for selected participants.

11. Manage the Activities of the Agency Professionally and Efficiently

- a. Implement BAWSCA's Student Internship Program.
- b. Implement Board policy directives for management of BAWSCA's unfunded OPEB and pension liability obligations.
- c. Maintain a Motivated and Effective Workforce

Table 2: Activities Not Included in Proposed Work Plan and Operating Budget for FY 2022-23

<p>RELIABLE SUPPLY</p> <ol style="list-style-type: none">1. Engage in extended or complex applications for State or Federal grant funds. Application for water conservation grants will continue to be made through or with the Bay Area Water Agency Coalition, the California Urban Water Conservation Council, or other agencies.2. Introduce major new legislation or supporting/opposing legislation initiated by others including legislation related to the Bay-Delta and California Water Fix. If needed, the agency could support major legislative efforts by redistributing resources, using the contingency budget, or accessing the general reserve, subject to prior Board approval.3. Initiate new unanticipated litigation or support/oppose new unanticipated litigation initiated by others. If needed, the agency could support major litigation efforts by redistributing resources, using the contingency budget, or accessing the general reserve, subject to prior Board approval.
<p>FAIR PRICE</p> <ol style="list-style-type: none">4. Develop alternative wholesale rate structures that the SFPUC might consider. Actions will be limited to facilitating communication with SFPUC, development of goals and objectives relevant to Wholesale Customers, and addressing the potential relationship to alternative retail rate structures member agencies might consider to stabilize water rates and water revenues.5. Arbitrate issues related to the 2009 Water Supply Agreement.
<p>HIGH WATER QUALITY</p> <ol style="list-style-type: none">6. Perform technical studies of water quality or San Francisco's treatment of the water it delivers to the BAWSCA agencies.7. Advocate changes to water quality regulations or the manner in which San Francisco treats water for drinking and other purposes.
<p>AGENCY EFFICIENCY</p> <ol style="list-style-type: none">8. Add resources to support additional Board, Board committee, or technical committee meetings.9. Conduct tours of member agency facilities to acquaint Board members with potential supply projects and their neighboring jurisdictions, other than tours done in coordination with San Francisco.

Table 3. FY 2022-23 Work Plan and Budget Planning Session – Comments and Suggested Work Plan Items for Further Consideration

#	Board Member	Board Member Comment/Question	Staff Response
1	Pierce	Can we get more clarity on SFPUC's OPEB and Pension unfunded liability and potential risk to BAWSCA agencies?	The preliminary Work Plan includes a task for BAWSCA's Financial Manager to work with the agency's auditing/financial consultant and legal counsel to perform a limited analysis of data available to BAWSCA and to report the resulting findings as part of the regular OPEB and pension report to the Board.
2	Pierce	Can we get more information about the current status and projected use of the Balancing Account for things like rate stabilization? Can we get more information regarding the policies that guide the use of the Balancing Account?	The annual Balancing Account Update will be presented to the Board at its March 2022 meeting. This update will address not just the current status and projected uses of the Balancing Account, but also the policies that guide its use.
3	Weed	BAWSCA should consider asking the SFPUC to look into system reoperation / administrative changes as a means to increase storage and dry year yield	BAWSCA will suggest that the SFPUC consider this as part of its Alternative Water Supply Planning Program (AWSP)
4	Weed	Regarding recycled water projects, Director Weed expressed disfavor with indirect and direct potable reuse projects and instead asked that desalination projects be championed	The SFPUC includes both recycled water (direct and indirect potable) projects as well as a regional desalination project in its AWSP evaluation as more than one project is likely needed in future years, and all will face significant implementation challenges. There are no project preferences identified in the AWSP at this time.
3	Zigterman	Are there mechanisms & opportunities that should be considered as a fall back to the regulatory risks associated with the Bay-Delta Plan? What is the cost of alternative supply development as opposed to the continued litigation and voluntary agreement approach, which could prove unsuccessful?	BAWSCA has successfully advocated for SFPUC's development of the AWSP, which includes as a goal, the identification and early planning for the necessary water supply projects to back-fill the potential loss of RWS supply from the implementation of the Bay Delta Plan. As part of this early planning work, SFPUC will be developing cost and water supply yield benefits for the projects. BAWSCA is actively engaged in the AWSP development including participation on a subset of projects as well as overall oversight and monitoring of progress. SFPUC is on track for

		Believes a brainstorming session is appropriate	<p>having the identified projects to a level of early planning to begin necessary environmental evaluation in Summer 2023.</p> <p>BAWSCA is actively engaged with and supporting its member agencies in their potential development of new, local water supplies including groundwater and recycled water.</p> <p>Regarding brainstorming opportunities, beginning Spring 2022, BAWSCA is convening the Water Supply Reliability Roundtable discussions on a quarterly basis with a multitude of parties (agencies, NGOs, etc.). One of the goals of the Roundtable is to support “out of the box thinking” with a diverse group and identify potential water supply opportunities with a focus on local options and efforts.</p>
4	Hardy	Noted that BAWSCA employees serve as the agency’s “brain trust” and that hiring can be difficult. Asks that BAWSCA have a focus on employee retention and retirement planning	<p>Agreed that BAWSCA’s efforts in this area should be identified. A new workplan item 11c “Maintain a Motivated and Effective Workforce” has been added to ensure that this is highlighted moving forward.</p> <p>Currently, BAWSCA regularly budgets and implements activities that support employee growth and retention including a budget allocation for training and conference attendance for all staff; bi-annual salary surveys to maintain overall market parity; and support for desk audits and associated promotions as justified.</p> <p>Regarding succession planning, given its small staff size, BAWSCA strongly supports and relies upon cross training among staff. This also has the added benefit of supporting some aspects of succession training. The CEO will continue to brief the Chair and Vice-Chair on succession planning moving forward.</p>
5	Barber	BAWSCA should take steps to get its General Reserves balance in compliance with its budgetary targets	BAWSCA’s FY 2022-23 Budget, presented to the Board for adoption in May of 2022, will propose budget level and funding options, including evaluating various targeted General Reserve balances.

6	Cormack	Supports Director Zigterman's comment regarding brainstorming of water supply options	See answer to question #3.
7	Cormack	Supports Director Hardy's comment on need to focus on employee retention and development	See answer to question #4.
8	Cormack	Is concerned with the SFPUC unfunded liabilities including SF's OPEB funded ratio of 4.5%	BAWSCA will work with its auditing consultant and legal counsel to further investigate the risks to BAWSCA member agencies of SFPUC's unfunded obligations and provide this information as part of its annual OPEB and Pension report to the Board.

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Table 4: 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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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: February 4, 2022
SUBJECT: Chief Executive Officer/General Manager's Letter

Roundtable:

Starting in Spring 2022, BAWSCA will convene quarterly roundtable discussions with stakeholders to discuss regional water supply reliability and enhancing water supply sustainability through the identification of collaborative opportunities to support, help finance, permit/approve, and/or expand projects or programs that have the potential to offer multiple benefits. Discussions will focus on the One Water concept – “an integrated planning and implementation approach to managing finite water resources for long-term resilience and reliability, meeting both community and ecosystem needs.”

BAWSCA requires a limited amount of consultant support for the Roundtable efforts. That support will include assistance with meeting development, taking of meeting minutes and other tasks associated with keeping a record of the discussions. A Statement of Qualifications, which detailed staff and firm qualifications, proposed approaches to such support, and associated costs were also included as part of the SOQs. The SOQ request was sent to eight consulting firms and also provided on BAWSCA's website. Four firms responded to the request, and a review panel consisting of BAWSCA staff and staff from agencies outside of BAWSCA took part in the review.

EKI Water & Environmental, Inc. was selected as the consultant for this work effort and contract negotiations are ongoing. The FY 2021-22 cost of support is \$24,800, which is within BAWSCA CEO/GM's signature authority. Funds exist within the FY 2021-22 workplan to cover this expenditure. Contract execution is anticipated to occur in mid-February 2022. Additional work will be proposed for FY 2022-23 as part of the Work Plan and budget approval process in May 2022.

Lawsuit Filed Against Adopted Plan Bay Area 2050:

In October 2021, the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG) adopted Plan Bay Area 2050 (Plan), a 30-year roadmap toward affordable, connected, diverse, healthy, and vibrant communities across the Bay Area. In January 2022, BAWSCA received notice that the Tenants and Owners Development Corp. filed a lawsuit seeking to block the Plan and alleging the Environmental Impact Report failed to adequately analyze and mitigate significant environmental impacts or to analyze an adequate range of potentially feasible alternatives. BAWSCA is not a named party to the action but received notice of the lawsuit under the California Environmental Quality Act regulations as an interested agency. More information is provided in the San Francisco Business Times article here: <https://www.bizjournals.com/sanfrancisco/news/2021/11/22/todco-sues-over-plan-bay->

[area-2050.html](#). BAWSCA will follow the status of the lawsuit and report updates to the Board as appropriate.

Tier 2 Plan Efforts – Update:

BAWSCA held the official kick-off to the Tier 2 Plan Update at the February 3rd Water Management Representatives (WMR) meeting with the project consultant, Woodard & Curran. In addition to reviewing the project timeline, goals, and process, the WMR began discussions on policy principles that will guide the development of the allocation methodology. The WMR will continue these discussions in subsequent meetings, with the aim of gaining consensus on the policy principles in the next few months.

As part of the kick-off, the WMR have received presentations from three representatives of agencies across California about their water supply allocation plans. The presentations were intended to broaden perspectives about the range of possible approaches to allocating limited water supplies and the important policy principles agreed to by those agencies.

BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy) - Update:

BAWSCA's Strategy Phase II Final Report (Strategy Report), published in February 2015, represented a nearly five-year effort by BAWSCA and its member agencies to identify appropriate water management actions that provide long-term water supply reliability for the region. For the Strategy Report, BAWSCA performed a comprehensive assessment of the regional water supply needs through the year 2040, evaluated potential water supply projects that could be implemented to meet these needs, and identified a suite of actions to achieve increased regional reliability. Successful implementation of the Strategy is essential to ensuring that BAWSCA will meet its water management objective – that a reliable, high-quality supply of water is available where and when people, businesses, and community agencies within the BAWSCA service area need it.

BAWSCA's recent efforts in implementing the Strategy have included working with the SFPUC in its development of the Alternative Water Supply Program (AWSP) and on the projects that comprise the program. In FY 2021-22, BAWSCA efforts include:

- Completion of a comprehensive report detailing the results of BAWSCA's efforts to secure a pilot water transfer.
- Engagement with the SFPUC and other project partners on the Los Vaqueros Expansion Project.
- Engagement with the SFPUC and other project partners on the Daly City Recycled Water Expansion Project.
- Engagement with the SFPUC and other project partners on the Potable Reuse Exploratory Plan.
- Engagement with the SFPUC, the City of San Jose, and the City of Santa Clara on potential future water supply opportunities.

Water Research Foundation (WRF) Webinar on SFPUC's Long-Term Vulnerability Assessment (LTVA):

On Friday January 28, 2022, WRF held a webinar during which the study authors presented the results of the SFPUC Long-Term Vulnerability Assessment (LTVA). The information presented mimicked the presentations given by SFPUC staff to BAWSCA's BPC at its December 8, 2021 meeting. No new information relative to the study or its results were shared.

BAWSCA participated in the webinar as an observer and posed questions to the authors. Discussion was limited due to webinar time constraints. The webcast recording is available at

<https://www.waterrf.org/resource/long-term-vulnerability-assessment-and-adaptation-plan-sfpuc>.

To view the recording, parties must register with WRF as a “Public+” entity.

BAWSCA Greywater Initiatives:

With the increasing interest in greywater programs regionally, BAWSCA has begun to further research and evaluate several greywater initiatives for possible future program planning. First, BAWSCA will be working closely with Valley Water to understand its Laundry to Landscape program structure as well as the successes and challenges experienced since its initial launch. Secondly, BAWSCA is engaged in several discussions with San Mateo County, and more specifically, C/CAG, to evaluate a potential pilot program that would help inform a possible future greywater program design approach. Lastly, BAWSCA expects to onboard a new intern this summer and one of the intern’s key assignments will be evaluating the San Mateo County pilot, creating a greywater resource hub on the BAWSCA website, and producing a possible greywater subscription program structure.

Palo Alto Colleague’s Memo:

Two City of Palo Alto Council Members (Mayor Burt and Council Member Cormack) recently authored a Colleague’s memorandum that discussed the possibility of selling a small portion (1 MGD) of the City’s unused Individual Supply Guarantee (ISG) to one or more BAWSCA members agencies. The memo, attached, provided information on the possible market for ISG and the anticipated financial benefits that such a sale would provide to the City. It also established the fact that the City’s current and anticipated water use per its recently adopted Urban Water Management Plan could accommodate such a sale/permanent transfer.

The memo was an agenda item for discussion at the Palo Alto Council January 31, 2022 meeting. The discussion that took place was considerable, both among Council members and from members of the public that spoke on the item. Opposition to the possible sale of ISG was voiced. If the item moved forward, Palo Alto staff would have been authorized to spend up to 120 hours further researching the feasibility of a sale of ISG and referred to the City’s Policy Committee for further debate and deliberation. However, the agenda item failed to garner support among the Council to advance the item and the item failed to move forward for lack of a motion and a second.

Attachment:

Palo Alto Colleague’s Memo: Consider sale of up to 1 mgd of ISG

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City of Palo Alto

COLLEAGUES MEMO

DATE: January 31, 2022

TO: City Council Members

FROM: Council Member Cormack, Mayor Burt

SUBJECT: COLLEAGUES MEMO: CONSIDER SALE OF UP TO 1 MILLIONS GALLONS PER DAY (MGD) OF INDIVIDUAL SUPPLY GUARANTEE (ISD)

Situation

The Bay Area Water Supply and Conservation Agency (BAWSCA) is composed of 26 member agencies, both municipalities and private water agencies, and its mission is to provide a reliable source of high quality water at a fair price. The San Francisco Public Utilities Commission (SFPUC) has a perpetual obligation to provide 184 MGD (million gallons per day) of water to these 26 member agencies. BAWSCA members have agreed on the allocation of that 184 MGD among themselves. Palo Alto's current allocation (which is called an individual supply guarantee, or ISG) is 16.58 MGD and our projected purchases in FY2027-28 are 10.10 MGD. The projected number comes from our recently adopted Urban Water Management Plan and reflects the future growth in people and houses that ABAG has assigned to Palo Alto.

Multiple entities within BAWSCA desire to increase their ISG either because they currently use their ISG amount or because they plan to build additional housing and/or mixed-use developments and require additional water supplies to do so. Given that Palo Alto is highly unlikely to need its full allocation in the future, this is an appropriate time to contemplate selling a small portion of our unused ISG to one or more BAWSCA members.

There is no established market for the pricing and sale of this valuable asset. In 2018, Palo Alto transferred 0.5 MGD to East Palo Alto, in recognition of the fact that our neighboring community was not independently established when the allocations were made and received an unfairly low ISG at that time. Since that time, ISG transfers have been a topic of discussion among BAWSCA agencies with a range of interested parties. Our current opportunity is quite different and more transactional in nature than our prior transfer. While we expect that 1 MGD could be worth tens of millions of dollars given its scarcity and desirability, staff will need to engage with the interested parties to determine an appropriate price.

Potential benefits

The proceeds from the sale of some portion of our ISG could be used to make our water supply more sustainable, by further increasing the purification of recycled water, extending the pipelines of recycled water to other locations in the city, and/or preparing for direct reuse of recycled water. The impacts of climate change and state regulations on our storage-dependent water system are likely to be significant over time and it would be wise to begin focusing on reuse of water at a larger scale than we currently operate. These are expensive projects that could cost hundreds of millions of dollars and will otherwise need to be paid for by ratepayers.

Resource impact

Staff estimates that consultant assistance and roughly 120 hours of a Senior Resource Planner's time is needed to accomplish this work, as well as involvement by management and the City Attorney's Office. Work on this task would compete with resources dedicated to water supply planning and developing the One Water Plan integrating potable and recycled water resources; however, since funding for projects identified in the plan will be a key element of the plan, much of the work involved with addressing ISG transfers can be complementary.

Staff anticipates that a report that includes a description of the unique characteristics of and contractual terms that apply to ISG, an estimated sales price, and a list of potential water supply projects that could be funded or partially funded by the proceeds from a sale can be developed in consultation with the UAC and scheduled for Council review in June 2022. Subject to Council feedback, staff anticipates that an ISG sale policy can be scheduled for Council consideration in Fall 2022.

Next steps

We ask that Council direct staff to develop a policy to guide the evaluation of prospective ISG transfers. This policy could address issues such as the method through which the amount(s) available for transfer is determined, the criteria for determining specific elements of a desirable transfer, appropriate uses of any revenue generated, and the decision-making process involved. We recommend that the development of this policy include the Utilities Advisory Commission and the Finance Committee to allow for the public's participation and a thorough review of the concept. During the development of this policy, we suggest that staff continue to communicate with BAWSCA to understand the benefits and impacts of potential transfers and to keep the SFPUC and Valley Water informed about the concept.

In parallel, we recommend that staff initiate a preliminary exploration of a transaction with parties who are interested in securing additional water supply guarantees, and return to Council with information about the feasibility of a sale, likely price range for up to 1 MGD, brief description of what the other parties might use the water for, and an overview of what types of valuable projects could be initiated or accelerated with the additional revenue.

Board Policy Committee

Policy Calendar Through June 2022

Meeting Date	Purpose	Issue or Topic
February 2022	D&A	Consideration of BAWSCA Bond Surcharges for FY 2022-23
	D&A	Consideration of Agreement with Outfront Media for Drought Messaging Campaign
	R&D	Presentation of Preliminary FY 2022-23 Work Plan and Budget
	R	Review of Water Supply Forecast
April 2022	D&A	Consideration of Proposed FY 2022-23 Work Plan and Budget
	D&A	Consideration of Annual Consultant Contracts
	R	Review of Water Supply Forecast
June 2022	D&A	Discussion and Possible Action on CEO/GM Evaluation Procedure
	R&D	Update on Long-Term Reliable Water Supply Strategy Implementation
	R&D	Review of Agency Personnel Handbook
August 2022	R&D	Update on Tier 2 Drought Plan Efforts
October 2022	D&A	Annual Review and Consideration of BAWSCA's Statement of Investment Policy
	D&A	Review and Consideration of BAWSCA's General Reserve Policy