



BOARD OF DIRECTORS MEETING

Thursday, January 19, 2023

Burlingame Community Center – Sequoia Room
[850 Burlingame Ave., Burlingame](#)

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page</u>
1. Call to Order/Roll Call/Salute to Flag	(Larsson)	
2. Special Order of Business – Election of Officers for Calendar Year 2023 <i>(Attachment)</i> <ul style="list-style-type: none">Election of ChairElection of Vice Chair <i>(The terms of the new Chair and Vice-Chair commence at the end of the meeting at which they are elected)</i>	(Larsson)	Pg 3
3. Break for the San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting	(Larsson)	
4. Reconvene following San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting	(Larsson)	
5. Comments by the Chair	(Larsson)	
6. Board Policy Committee Report <i>(Attachment)</i>	(Hardy)	Pg 5
7. SFPUC Report	(Ritchie)	
8. Public Comments <i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(Larson)	
9. Consent Calendar <i>(Attachments)</i> <ul style="list-style-type: none">A. Approve Minutes of the November 17, 2022 MeetingB. Receive and File Budget Status Report – As of November 30, 2022C. Receive and File Investment Report – as of December 31, 2022D. Receive and File Directors' Reimbursement Report – As of December 31, 2022	(Larsson)	Pg 15 Pg 23 Pg 25 Pg 27
10. Action Calendar <ul style="list-style-type: none">A. Mid-Year 2022-23 Work Plan, Budget, and General Reserve Review <i>(Attachment)</i> <i>The Board Policy Committee voted unanimously to recommend the proposed Board action.</i>	(Sandkulla)	Pg 29
11. Special Report <ul style="list-style-type: none">A. BAWSCA Water Loss Management Program <i>(Attachment)</i>	(Francis)	Pg 47

12. CEO Reports**(Sandkulla/Tang)**

- A. Results of BAWSCA's Refunding Bond Closing (*Attachment*)
- B. Water Supply and Demand
- C. Member Agency Drought Response Efforts
- D. CEO Letter (*Attachment*)
- E. Board of Directors Policy Calendar (*Attachment*)
- F. Correspondence Packet ([Under Separate Cover](#))

*Pg 57**Pg 61**Pg 65***13. Closed Session****(Metcalf)**

- 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).

14. Report from Closed Session**(Metcalf)****15. Discussion Item****(Sandkulla)**

- A. Fiscal Year 2023-24 Work Plan and Budget Planning Session (*Attachment*)

*Pg 67***16. Directors' Discussion: Comments, Questions and Agenda Requests****(Larsson)****17. Date, Time and Location of Future Meetings**
(See attached schedule of meetings)**(Larsson)***Pg 71***18. Adjourn to next meeting scheduled for March 16, 2023 at 6:30pm****(Larsson)*****Accessibility for Individuals with Disabilities***

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Election of Officers for Calendar Year 2023**

Summary:

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

Discussion:

The suggested process for electing the chair is as follows:

1. Call for nominations for the position of chairperson.
2. Chair will close nominations once no further names are offered.
3. If there is only one nominee, call for the vote.
4. If there is more than one nominee, then proceeding alphabetically:
 - a. Ask each nominee to give a brief statement on his/her qualifications and interest in the position.
 - b. Ask if other directors would like to comment on behalf of the nominee.
 - c. Call for a vote of those in favor of each nominee, by a show of hands, or roll call vote if required due to teleconferencing.

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

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BAWSCA

Bay Area Water Supply & Conservation Agency

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MEMORANDUM

TO: BAWSCA Board Members

FROM: Nicole Sandkulla, Chief Executive Officer/General Manager

DATE: January 13, 2023

SUBJECT: Summary of Board Policy Committee meeting held December 14, 2022

1. **Call to Order:** Committee Chair, Randy Breault, called the meeting to order at 1:32 pm. CEO/General Manager, Nicole Sandkulla called the roll. Seven (7) members were present. A list of Committee members who were present (7), absent (2), and other attendees is attached.

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

2. **Comments by Committee Chair:** Chair Breault welcomed the Committee members and proceeded with the meeting.
3. **Consent Calendar:** Chair Breault invited comments or changes to the draft minutes of October 12, 2022 under the consent calendar. There were none.

Director Cormack made a motion, seconded by Director Hardy, that the Committee approve the Minutes of the October 12, 2022 Board Policy Committee meeting.

The motion passed 6:1. Chair Breault abstained.

4. **Public Comments:** There were no public comments.

5. **Action Calendar:**

- A. **Mid-Year Work Plan, Budget, and General Reserve Review:** Ms. Sandkulla reported that a mid-year review of the work plan, budget, and general reserve proposes adjustments to three work plan items to ensure continued emphasis on a reliable supply of high-quality water at a fair price. Two of the three items include budget and funding changes that require board action. The current status of work plan efforts is summarized in a staff report included in the agenda packet.

Impacts to the current work plan resulted from conditions that developed after the adoption of the work plan and operating budget in May 2022. Those conditions include increased efforts for the ongoing drought that is more than anticipated, the need for additional consultant

support for the negotiation of a new Tier 2 Plan, and a staff leave of absence by a key senior staff assigned to the Strategy effort.

The proposed changes fall under the work plan areas for ensuring reliable water supply:

- 1) For Work Plan Item 2b “Scope update to BAWSCA’s Long-Term Reliable Water Supply Strategy (Strategy)”: Change work plan item to read “**Initiate** scoping an update to Strategy to FY 2022-23”, secure outside consultant support to assist with the scoping in FY 2022-23, transfer \$30K from the General Reserve to fund the outside consultant support, and amend the FY 2022-23 Operating Budget by \$30K to reflect the associated increase;
- 2) For Work Plan Item 3f “Continue development of a leak repair and training certification program for implementation in FY 2023-24”: Change work plan item to read “Continue development of a leak repair and training certification program for implementation in **FY 2024-25**”; and,
- 3) For Work Plan Item 4d “Facilitate Negotiations of an updated Tier 2 Drought Allocation Plan”: Increase consultant contract budget with Woodard & Curran by an additional \$60K for a total contract amount of \$147K, funded by using the \$55K budgeted contingency and a \$5K reallocation within the current approved FY 2022-23 Operating Budget.

A table listing the key efforts of the work plan and its current status was presented to the Committee with an overview of the progress achieved to date.

Ms. Sandkulla reported that BAWSCA’s efforts in monitoring the SFPUC’s work on completing the WSIP and facility reliability is ongoing, and is starting to get back to normal following the pandemic. Work under this area includes engagement with the SFPUC in its mid-year update to its 10-year Capital Improvement Program and Asset Management Program. BAWSCA’s recent correspondence with the SFPUC regarding its meter testing and calibration is a specific example of this ongoing work.

Under the work plan area of Long-term Supply Solutions, Ms. Sandkulla was pleased to report that the update to the 2020 Demand Study, was completed on time and on budget for the use of the member agencies.

A staff-led scoping of the activities needed to update BAWSCA’s Long-term Water Supply Strategy (Strategy), is the first area of change. Given a staff leave of absence, the proposed change is to seek outside consultant support to write the scope, at a cost of not-to-exceed \$30K, to be funded through a transfer from the General Reserve. This change would increase the operating budget by \$30K.

Ms. Sandkulla noted that the rest of the efforts under the area of Long-Term Supply Solutions are moving along as scheduled, and is providing the support needed for the Strategy efforts. In particular, the reliability roundtable has been effective in identifying projects being implemented in the service area, their status, and their potential relevance for the service area. This kind of information can assist in the scoping activity for the Strategy.

Under the work plan area of Near-Term Supply Solutions, Ms. Sandkulla reported BAWSCA’s efforts on a statewide requirement that stemmed from the drought of 2015; “Making Water Conservation A California Way Of Life”.

BAWSCA has been in the process of helping member agencies determine how to meet the State's water use efficiency objectives that continues to be in a development stage. This year, the plan is to develop a framework that will help member agencies understand how they can best meet state compliance for Commercial, Industrial, Institutional (CII) accounts. Because Valley Water was interested in this effort and supports BAWSCA's lead, BAWSCA and Valley Water entered into a cost-share agreement which brings down the costs for the efforts, as well as greater benefit for the region. While the efforts are moving along, development of the framework has not been initiated due to the State's slow progress in developing the guidelines, and the ongoing negotiations with Valley Water. All indications, however, are that the effort should be completed by the end of the fiscal year as expected.

In response to Director Jordan, Ms. Sandkulla explained that the "Making Water Conservation a California Way of Life" is the State's effort to come up with a water budget for every water provider's customer class. Budgets have been developed for residential use and landscape use, and now the State is focusing on CII accounts. BAWSCA's efforts are to help member agencies develop a framework for meeting the CII requirements. Meeting the requirements will not necessarily be a numeric number, but a set of compliance actions since there are significant differences between types of CII accounts. For example, an office building is not the same as a chip manufacturer, nor is that chip manufacturer in San Mateo the same as one in Milpitas. This is why the agencies are looking to BAWSCA for assistance in identifying how to best comply. BAWSCA is working with Maddaus Water Management on this effort as they are acquainted with the member agencies and are familiar with existing information and data.

Director Jordan stated that Purissima Hills Water District (PHWD) has had customers who hold approved building permits for water use that is more than the average water customer in the region. Based on PHWD's experience, the State guidelines are excessive compared to what PHWD allows. For PHWD, their top 20 residential customers use more than the district's institutional customers, which is a concern. He asked if BAWSCA's guidelines can be tighter than the State requirements.

Ms. Sandkulla acknowledged that BAWSCA can aim at being tighter than the State. She explained that the State intends to come up with a water budget that agencies have to comply with as a total number and report to the State on an annual basis. It is the overall agency allocation and its activities that will matter most as opposed to the allocation among the agencies' customers.

The second change to the work plan is on the development of a leak repair and training certification program for implementation in FY 2023-24.

The change is to "**continue**" the development of the program for "**implementation in FY 2024-25**". As part of the State water use efficiency guidelines, agencies are required to reduce "unaccounted for/non-revenue" water (which includes leaks) and they are looking to BAWSCA for assistance on how to best achieve that. Currently, there are limited resources for water customers to access experts that can detect and fix water leaks. BAWSCA's leak repair and training certification program will help create such experts in the field. BAWSCA has been engaged with California Water Efficiency Partnership (CalWEP) at the state level because they have experience with these types of certifications. BAWSCA is also working with Valley Water in developing the program. During the development process this year, it became clear that another step was needed in between the current status and the program

launch. That step is to hire an expert specific in curriculum development, including training materials, to ensure successful program structure and implementation. The proposed change extends the development of the program for implementation in FY 2024-25.

The third change to the work plan proposes a contract amendment with Woodard & Curran for an additional \$60K to be funded by using \$55K of budgeted contingency funds and a \$5K reallocation from the current approved FY 2022-23 operating budget. This requires approval of the Board.

The negotiation efforts to update the Tier 2 plan had a slow start in 2021 given its complexities combined with conducting negotiations in a remote environment as a result of the pandemic. Current efforts are making improved progress with monthly in-person workshops taking place in addition to discussions during the monthly Water Management Representatives (WMR) meetings, forcing conversations and engagement among the agencies to address and identify their positions on the current issues.

In response to Director Hardy, Ms. Sandkulla explained that the current status of the negotiation is still a long ways from the final step of adoption by each agency's governing body. She explained that negotiations are among member agency technical staff appointed by their executive heads to be the negotiators for their respective agencies. They are expected to carry their agency into the room, and stay connected with their executive and governing bodies; providing their opinions as the key point of contact. Eventually, that group will have to have 100% agreement and unanimously support their individual agencies' adopt the plan. The adoption process requires approval by each of the 26-member agencies' governing bodies.

Barring unanimity at the staff level or agency level, the WSA does allow the BAWSCA Board to make a decision to adopt an alternative plan for allocating drought supplies from the Regional Water System. If the decision has to come to the BAWSCA Board, Ms. Sandkulla explained that the Board operates under one agency/one-vote during the normal course of business, with items passed by majority vote. She added that the agency's enabling legislation also allows for any individual board member to call for a weighted vote. The vote is weighted by the amount of each individual agency's purchases from San Francisco at the time the legislation was passed, which was 2002-2003, and once a weighted vote is called for, the item must pass both the one agency/one vote and the weighted vote. Ms. Sandkulla noted that the board, since its existence, has yet to conduct a weighted vote.

Committee Chair Breault, who was part of the initial Tier 2 negotiation, stated that the process is incredibly challenging because of the differences among the agencies' profiles, sources, and operation. BAWSCA's work in gathering 26 agencies' concerns and rolling them in a comprehensive package that is agreeable to everyone at the agency staff, executive, and policy level, requires a lot of analysis, patience and perseverance. He understands how it can take some time and appreciates the Board's patience and support for allowing the discussions to continue. He is hopeful that the agencies will reach unanimity.

Ms. Sandkulla explained that given the likelihood for having strong opinions during the negotiation process, it is critical for the agencies to have steady and consistent representation; hence the importance of the negotiators being appointed by the agency executive heads. Danielle McPherson, BAWSCA's Sr. Water Resources Analyst, is playing the role of neutral facilitator between the member agency negotiators and BAWSCA and its

consultants, while Ms. Sandkulla pushes and prods so that difficult conversations occur. It is the only way to address the issues and move the negotiation forward.

Director Cormack asked if the current plan can be extended in perpetuity, and whether the Board, in the event that an agreement on an updated Tier 2 plan cannot be reached at the staff or agency level, have the authority to not extend the existing Tier 2 Plan and thus, not establish a new Tier 2 plan?

Ms. Sandkulla said yes, the Board can take up the conversation and decide not to extend the existing Tier 2 Plan.

Director Cormack expressed her concern with the risks of a scenario in which 26 agencies cannot reach unanimity because it is a difficult topic as well as complex in which not everyone is well-versed in.

Ms. Sandkulla noted that the existing Tier 2 Plan was developed under BAWSCA's predecessor agency, the Bay Area Water Users Association. There was no prior experience or formula to go by, but the technical staff of the member agencies came to an agreement because the alternative was there would be no plan for how drought allocation would occur. The process for adoption did involve multiple visits with some of the agencies' executive and governing body members, which she expects to do when the time comes. Ms. Sandkulla pointed out that because the Tier 2 Plan is very technical and complex, the biggest benefit is to have the staff level in agreement so that that the executives and council can feel comfortable to support it.

Director Cormack suggested the consideration, when the right time comes, of a study session to introduce and acquaint the agencies' executives and members of the governing body on the topic, therefore allowing a progression of understanding on such a complex matter.

In response to Director Wood, Ms. Sandkulla explained that adoption of the Tier 2 Plan needs to be unanimous among the agencies because the Tier 2 Plan is an implementation of the Water Supply Agreement between the wholesale customers and the City and County of San Francisco. While BAWSCA is a regional body, under the WSA, no agency can take away another agency's Individual Supply Guarantee (ISG); no other agency can act on another agency's, or the City of Brisbane's, behalf. Each agency's ISG is solely under the discretion of that agency's governing body taking action. Chair Breault encouraged reaching out to the CEO for further explanation of this provision under the WSA.

There being no further comments and questions from committee members on Tier 2, Ms. Sandkulla summarized the proposed changes to the work plan; re-stating that 2 of the 3 work plan scope changes require a budget adjustment that the board needs to authorize. She noted that the General Reserve will remain within the policy guidelines due to the budget action the Board took last year to raise assessments.

Director Jordan commented on the Leak Detection Program effort, emphasizing that infrastructure leaks can equally be, if not larger than residential leaks. For example, San Jose Water, which is larger than any BAWSCA agency, estimates 7% of their water savings by catching leaks earlier than with their monitoring program. 7% is a significant number and while he recognizes that San Francisco is in front of leak detection efforts, he feels BAWSCA agencies can make further commitments.

Ms. Sandkulla noted that BAWSCA has a water loss detection program with a consulting firm, E-Source. BAWSCA works with E-Source in briefing member agencies on leak detection best practices and in regularly discussing the agencies' leak issues. The agencies have access to E-Source's technical expertise in evaluating their individual systems through a subscription program. Both programs have been highly successful, and Ms. Sandkulla noted that E-Source is scheduled to provide a report to the Board at its January meeting.

Director Jordan was not sure if leak detection experts and desk analyses are the answer. He stated that deploying active leak sensing technology is what San Jose found helpful in identifying their 7% savings in addition to doing their state reports. There are easy solutions already available, and there is no need for consultants.

Ms. Sandkulla is open to expanding the program and stated that the report from E-Source at the January Board meeting can provide information on what has been done with member agencies, and the opportunity to take into consideration additional efforts that could be included.

There being no further comments from members of the committee or the public, Chair Breault called for a motion.

Director Hardy made a motion, seconded by Director Wood, that the Committee recommend Board approval of the following FY 2022-23 Work Plan, Operating Budget and funding changes:

- 1. For Work Plan Item 2b "Scope update to BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy)": Change work plan item to read "Initiate scoping an update to Strategy to FY 2022-23", secure outside consultant support to assist with the scoping in FY 2022-23, transfer \$30K from the General Reserve to fund the outside consultant support, and amend the FY 2022-23 Operating Budget by \$30K to reflect the associated increase;**
- 2. For Work Plan Item 3f "Continue development of a leak repair and training certification program for implementation in FY 2023-24": Change work plan item to read "Continue development of a leak repair and training certification program for implementation in FY 2024-25"; and,**
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The motion carried unanimously.

6. CEO Reports:

- A. Water Supply and Demand Update: Ms. Sandkulla reported that while the Regional Water System's overall storage remains consistent, a highlight for the system is the Calaveras storage which increased by three thousand acre feet (TAF). This is significant because this is the first time the reservoir has increased in storage since the project was completed in 2020.

It never achieved its last hold target for the State, and the hope is it continues to receive inflow and achieve a full Calaveras Reservoir this water year.

In response to Director Jordan, Ms. Sandkulla stated that Calaveras Reservoir is not completely out of the State's control, as the State could curtail water rights out of the Alameda Creek if they choose to. Currently, all the water rights that San Francisco has are not being curtailed, which means that San Francisco can store water.

Ms. Sandkulla reported that despite the recent storm, Hetch Hetchy precipitation, Upcountry 6-Station, and Bay Area 7-station is consistent with last year's and is slightly above the median; however, it is too early in the water year to tell. The hope is for more rain.

Snowpack is looking better than 2022 with a bonus of a cool trend. The recent storm provided water available to the city, which was partly released to water bank.

Director Cormack asked if San Francisco could add a new column in the Reservoir Storage report that compares values over a period of 6 months or a year for a better evaluation of the changing conditions. She also noted that presenting current data in terms of the average would be more understandable for a person that is not a water-expert. For example, if Hetch Hetchy precipitation averages 34-35 inches in the water year (October – April), and it is at 12-inches, it can be read as being a 1/3 of the way to the average. The translation of the information being presented in such a way can be interpreted as "much more is needed" instead of "precipitation provided water". She noted that while the Board needs to understand this level of detail, it also needs to be able to explain it intuitively.

Ms. Sandkulla reported that total deliveries by the Regional Water System to both the San Francisco retail and wholesale customers remain low, as it should be. SFPUC and BAWSCA will monitor the trend particularly if a wet and cold weather pattern continues.

BAWSCA agencies' total use as of October 2022 is 18% less than that of 2019. While the monthly water-use reduction has been met, the cumulative savings of 15% between July 2022 through December 2022 has not been achieved by the member agencies as a whole.

Director Hardy commented that the message was slow to get out, as well as the State's delayed emphasis on the drought caused mixed messages.

Ms. Sandkulla agreed that the mixed messages need to be addressed, and reported that BAWSCA has been in conversation with the SFPUC since October in evaluating future actions should dry conditions persist. There are concerns with the slow customer response to the call for conservation, the region's ability to achieve the target, what it means to achieve the target, and whether a mandatory cutback can be avoided.

- B. Member Agency Drought Response Efforts: As part of the conversation process with the SFPUC, BAWSCA surveyed the member agencies on their drought response actions and water management implementations. Ms. Sandkulla presented the results of the survey in a table that summarizes the various actions member agencies have implemented and are in the process of implementing. For example, are agencies contacting their highest users, have they adopted a Stage 2 Water Shortage Contingency Plan, and at what level have agencies implemented automated metering infrastructure (AMI)?

It has been a helpful exercise for BAWSCA and the agencies in identifying what efforts can be done collectively as a region, and how much more impact can efforts make. BAWSCA will continue to update the list to initiate discussion and prompt potential actions that can be considered.

Director Jordan noted that infrastructure leak efforts, even though it may not be reflected in any agency efforts, should be included on the list.

In response to Director Hardy, Ms. Sandkulla explained that Waterfluence is a consulting service that works with BAWSCA to implement the subscription program on large landscape budgets. This program helps institutional sites and homeowners associations to manage their large landscape water use.

Ms. Sandkulla stated that because agencies have different characteristics, BAWSCA also looked at efforts agencies are doing that are unique to their operations:

- Daly City has a recycled water program for outdoor irrigation and they are looking for ways to increase its use because they have the capability of producing more than they are currently using;
- North Coast County Water District has a rain barrel purchase program that is well received by their customers;
- Cal Water has a drought advertising campaign on social media that is triggered and customized by weather conditions;
- Menlo Park implemented its drought surcharge;
- Alameda County Water District deployed a Rapid Action Notification System which alerts customers about drought information;
- Milpitas offers a full-service lawn conversion to homeowners; and
- San Jose prohibits turf, high water-use plants, and overhead sprinkler system in new constructions.

This will be a developing set of information that Ms. Sandkulla will be presenting to the Commission in January and engaging in conversations with SFPUC staff.

- C. Bay Delta Plan/FERC Update: As previously reported, the SFPUC, Districts and State agencies signed an addendum to the March 2022 Memorandum of Understanding (MOU) related to the Bay Delta Plan to provide greater flows to the Tuolumne River to benefit native fish species above the required flows while providing reliable supply of water for the region. The signatories are now working out the implementation details of the Bay Delta wide voluntary agreement for evaluation by the State Board. Working groups to address technical issues and legal matters have been put in place, and the SFPUC and Districts are participating in those work groups.

Ms. Sandkulla stated that from her perspective, it is unclear what the schedule for completion is or what the deadline is.

In response to Director Cormack, Ms. Sandkulla stated that increasing flows to the Tuolumne River and implementation of the \$64M in habitat projects over the 8-year MOU term is

currently on hold. The SFPUC and the Districts have entered into an MOU with Fish and Game that provides support for some projects in the river.

There being no further questions and comments from members of the Committee and the public, Chair Breault adjourned to closed session.

7. **Closed Session**: The Committee adjourned to Closed Session at 2:39 pm.
8. **Report from Closed Session**: The Committee reconvened to Open Session at 2:53 pm. Ms. Schutte reported that no reportable action was taken during Closed Session.
9. **Comments by Committee Members**: Director Hardy commented that clear and consistent messaging about the ongoing drought, despite the rain, is critical.
10. **Adjournment**: The meeting was adjourned at 2:54 pm. The next meeting is February 8, 2023 in Sequoia Room of Burlingame Community Center.

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting Attendance Roster

Agency	Director	Dec. 14, 2022	Oct. 12, 2022	Aug. 10, 2022	Jun. 8, 2022	Apr. 13, 2022	Feb. 9, 2022
GVMID	Breault, Randy	✓		Meeting Cancelled	✓	✓	✓
Santa Clara	Hardy, Karen	✓	✓		✓		✓
Westborough	Chambers, Tom	✓	✓		✓	✓	✓
Palo Alto	Cormack, Alison	✓	✓		✓	✓	✓
Purissima	Jordan, Steve	✓	☎		✓	✓	✓
Sunnyvale	Larsson, Gustav	✓	✓		✓	✓	✓
Redwood City	Pierce, Barbara	✓	✓		✓	✓	✓
Brisbane	Wood, Sepi	✓	✓		✓	✓	✓
Stanford	Zigterman, Tom		✓		✓	✓	✓

✓: present

☎: Teleconference

December 14, 2022 Meeting Attendance (*In-Person*)

BAWSCA Staff:

Nicole Sandkulla	CEO/General Manager	Allison Schutte	Legal Counsel, Hanson Bridgett
Tom Francis	Water Resources Manager		
Kyle Ramey	Water Resources Specialist		
Christina Tang	Finance Manager		
Lourdes Enriquez	Assistant to the CEO/GM		
Deborah Grimes	Office Manager		

Public Attendees:

Rebecca Oliver	City of Palo Alto
Gary Welling	City of Santa Clara
Alison Kastama	SFPUC

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING****November 17, 2022 – 6:30 p.m.****Burlingame Community Center – 850 Burlingame Ave. Burlingame
Sequoia Room**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 6:34 pm.

BAWSCA Chair, Gustav Larsson, called the meeting to order. Nicole Sandkulla called the roll. Eighteen (18) members of the Board, including one participating by teleconference, were present at roll call. One (1) member of the Board arrived after roll call. A list of Directors present (19) and absent (7) is attached.

2. Comments by the Chair:

Chair Larsson welcomed members of the Board, staff, and meeting participants to BAWSCA's first in-person meeting since shelter-in-place went in effect March 2020.

Because one member of the Board is participating via teleconference in accordance with the Brown Act, all Board actions will be conducted by roll call.

He was pleased to report the agreement on a Memorandum of Understanding (MOU) between Governor Newsom's senior water-policy officials, the San Francisco Public Utilities Commission, and the Modesto and Turlock Irrigation Districts, to provide greater water flows and increased habitat for the Tuolumne River that will protect fish and a reliable supply of high-quality water at a fair price for the 1.8 million residents, 40,000 businesses, and communities in Alameda, San Mateo, and Santa Clara Counties who depend on the Tuolumne River for the water they need.

BAWSCA congratulates the SFPUC Commissioners and General Manager Herrera for their successful effort, and thanks Governor Newsom and his water executives for their leadership.

BAWSCA also appreciates the support delivered for this effort by the Silicon Valley Leadership Group, the Bay Area Council, and labor unions in Alameda and San Mateo Counties for supporting this effort to benefit their constituents.

BAWSCA will continue its active engagement in the next steps which includes the contents of the MOU to be brought together into a Bay-Delta wide voluntary agreement that can be evaluated by the State Water Resources Control Board and approved and implemented to meet the State's objectives for the Bay-Delta. This effort will take time and BAWSCA will remain engaged.

3. Board Policy Committee Report:

Committee Vice-Chair Karen Hardy reported on the discussions and actions taken by the Board Policy Committee at its meeting on October 12, 2022. The summary report included in the agenda provides details of the discussions.

4. Public Comments on Items Not on the Agenda:

There were no comments from members of the public.

5. SFPUC Report:

Alison Kastama, SFPUC's BAWSCA Liaison, reported on the Regional Water System's water supply conditions as of November 14, 2022.

6. Consent Calendar:

Director Hardy made a motion, seconded by Director Wood, that the Board approve the Minutes of the September 15, 2022 meeting; receive and file the Budget Status Report as of September 30, 2022, Annual Audit Report for BAWSCA and Compilation Report for BAWUA for FY 2021-22; Directors' Reimbursement Report and Bond Surcharge Collection, Account Balance and Payment Report as of September 30, 2022; Investment Report as of October 31, 2022; and re-affirmation of BAWSCA's current Statement of Investment Policy.

The motion passed unanimously by roll call vote. See roll call tally attached.

7. Action Calendar:

- A. Adoption of Resolution 2022-11 Approving the Extension of the 2021 Amended and Restated Tier 2 Drought Response Implementation Plan.

Comments and questions were taken from members of the Board following Ms. McPherson's presentation.

There were no comments from members of the public.

Director Hindi made a motion, seconded by Director Hamilton, that the Board adopt Resolution #2022-11 extending the term of the 2021 Amended and Restated Tier 2 Plan through December 31, 2023.

The motion passed unanimously by roll call. See roll call tally attached.

8. Special Report:

- A. Water Demand Projections Update: Sr. Water Resources Engineer, Negin Ashoori, provided initial results of BAWSCA's Demand Study Update (2022 Demand Study). The work is complete, and the report will be published following final review by the member agencies. The final report will be distributed to the Board and Member Agencies.

Questions and comments were received from members of the Board. There were no comments from members of the public.

9. CEO Reports:

Ms. Sandkulla presented some new analysis of water use within the service area, and information on the Bay Delta Plan developments.

Questions and comments were received from members of the Board. There were no comments from members of the public.

10. Closed Session:

There were no public comments prior to adjourning to Closed Session #2. The meeting adjourned to Closed Session #2 at 8:18pm

11. Report from Closed Session:

Legal Counsel Allison Schutte convened Open Session and reported that Closed Session ended at 8:40 pm. There was no reportable action taken during Closed Session.

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

Director Weed requested the Board Policy Committee to evaluate an increase in Board compensation for the Board's consideration.

Chair Larsson thanked the City of Burlingame and Director O'Brien for making the Sequoia room available to BAWSCA for its Board meetings at no cost. There were no further comments from members of the Board or the public.

13. Date, Time and Location of Next Meeting: The next meeting scheduled on January 19, 2023 at 6:30pm.**14. Adjournment:** The meeting adjourned at 8:43 pm

Respectfully submitted,

Nicole M. Sandkulla
Chief Executive Officer/General Manager

NMS/le

Attachments: 1) Roll Call & Voting Log
2) Attendance Roster

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Roll Call & Voting Log - BAWSCA

Meeting Date: Nov. 17, 2022

Agency	Director	Simple Voting ⁽¹⁾					Weighted Voting ⁽²⁾	
		Present/ Absent	Item #6 Consent	Item #7A Reso #2022- 11	Other	Other	Weighted "Yes" Votes	Weighted "No" Votes
Hayward	Andrews, Angela	y	y	y				
Hillsborough	Benton, Jay	y	y	y				
Guadalupe	Breault, Randy	y	y	y				
Westborough	Chambers, Tom	y	y	y				
Menlo Park	Combs, Drew	0	0	0				
Palo Alto	Cormack, Alison	y	y	y				
San Bruno	Hamilton, Tom	y	y	y				
Santa Clara	Hardy, Karen	y	y	y				
Foster City	Hindi, Sam	y	y	y				
Purissima	Jordan, Steve	y	y	y				
Sunnyvale	Larsson, Gustav	y	y	y				
San Jose	Liccardo, Sam	0	0	0				
East Palo Alto	Lopez, Antonio	8:16pm	0	0				
Daly City	Manalo, Juslyn	y	y	y				
Mountain View	Matichack, Lisa	0	0	0				
Coastside	Mickelsen, Chris	y	y	y				
Milpitas	Montano, Carmen	0	0	0				
Burlingame	O'Brien, Ann	y	y	y				
North Coast	Piccolotti, Tom	y	y	y				
Redwood City	Pierce, Barbara	y	y	y				
Millbrae	Quigg, Dan	0	0	0				
Cal Water	Smegal, Tom	0	0	0				
Mid-Peninsula	Vella, Louis	y	y	y				
ACWD	Weed, John	y	y	y				
Brisbane	Wood, Sepi	y	y	y				
Stanford	Zigterman, Tom	0	0	0				

Vote Tally

	Simple Vote Summary					Weighted Vote Summary	
						"Yes"	"No"
Yes (y)	19	18	18				
No (n)							
Absent (0)	7	8	8				
Abstain (a)							
Item Carries by Simple Vote?							
Item Carries by Weighted Vote?							

(1) Under simple voting, item carries if it receives an affirmative vote of a majority of the total membership (15 votes)

(2) Under weighted voting, item carries if it receives the affirmative vote of directors representing both

a) A majority of the members present and voting, and

b) a majority of the number of votes represented by directors present

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Bay Area Water Supply and Conservation Agency

Board of Directors Meeting Attendance Roster

Director	Agency	Nov. 17, 2022	Sept. 15, 2022	July 21, 2022	May 19, 2022	Mar. 17, 2022	Jan. 20, 2022	Nov. 18, 2021
Andrews, Angela	Hayward	✓	✓	✓	✓	✓	✓*	✓*
Benton, Jay	Hillsborough	✓		✓	✓	✓	✓	✓
Breault, Randy	Guadalupe	✓		✓	✓	✓	✓	✓
Chambers, Tom	Westborough	✓	✓	✓	✓	✓	✓	✓
Combs, Drew	Menlo Park		✓		✓	✓	✓	✓
Cormack, Alison	Palo Alto	✓	✓		✓	✓	✓	✓
Hamilton, Tom	San Bruno	✓	✓	✓	✓	✓	✓	✓
Hardy, Karen	Santa Clara	✓	✓	✓	✓	✓	✓	✓
Hindi, Sam	Foster City	✓	✓	✓	✓	✓	✓	✓
Jordan, Steve	Purissima	✓	✓	✓	✓	✓	✓	✓
Larsson, Gustav	Sunnyvale	✓	✓	✓	✓	✓	✓	✓
Liccardo, Sam	San Jose							
Lopez, Antonio	East Palo Alto	✓	✓			✓	✓	
Manalo, Juslyn	Daly City	✓	✓		✓	✓	✓	✓
Matichak, Lisa	Mountain View		✓	✓	✓	✓	✓	✓
Mickelsen, Chris	Coastside	✓				✓	✓	✓
Montano, Carmen	Milpitas		✓		✓	✓	✓	✓
O'Brien, Ann	Burlingame	✓	✓	✓	✓	✓	✓	✓
Piccolotti, Tom	North Coast	✓	✓	✓	✓	✓	✓	✓
Pierce, Barbara	Redwood City	✓	✓	✓	✓	✓	✓	✓
Quigg, Dan	Millbrae				✓		✓	✓
Smegal, Tom	Cal Water		✓	✓	✓*	✓*	✓*	✓*
Vella, Louis	Mid-Peninsula	✓	✓	✓	✓	✓	✓	✓
Weed, John	ACWD	✓	✓	✓	✓	✓	✓	✓
Wood, Sepi	Brisbane	✓	✓	✓	✓	✓	✓	✓
Zigterman, Tom	Stanford		✓	✓	✓	✓	✓	✓

✓ : Present

* : Predecessor

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Bay Area Water Supply & Conservation Agency

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

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: January 6, 2023

SUBJECT: Budget Status Report as of November 30, 2022

This memorandum shows fiscal year budget status for FY 2022-23. It includes major areas of spending, provides an assessment of the overall budget, and summarizes reserve fund balances. This report covers the budget and expenses for BAWSCA. The BAWSCA budget includes necessary resources for the RFA and BAWUA.

Operating Budget Summary:

For the five-month period ending November 30, 2022, 42 percent into the fiscal year, total expenditures were \$1,775,486 or 38 percent of the total budget of \$4,720,885.

Table 1. Operating Budget Summary as of November 30, 2022

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	1,593,820	589,338	37%
Fair Pricing	284,200	37,238	13%
Administration	116,000	99,211	86%
Subtotal	1,994,020	725,786	36%
Administration and General			
Salary & Benefits	2,198,190	875,446	40%
Other Expenses			
BAWSCA	465,100	174,254	37%
BAWUA	1,050	0	0%
Subtotal	4,658,360	1,775,486	38%
Capital Expenses	3,000	0	0%
Budgeted Contingency	57,500	0	0%
Regional Financing Authority	2,025	0	0%
Grand Total	4,720,885	1,775,486	38%

Overview:

Overall expenditures for FY 2022-23 are tracking within budget.

Consultants

The \$95,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 21 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 40 percent expended. The Operating Budget allocation of \$781,500 budget for legal counsel was 51 percent expended. The \$342,320 budget for water management and conservation-related activities was 10 percent expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 40 percent and 37 percent expended respectively.

Use of CEO's Discretionary Spending Authority:

In November, the CEO entered into the following agreements under her discretionary spending authority:

- A contract in the amount of \$10,000, as budgeted, with CalWEP to provide QWEL training to contractors in the BAWSCA service area this Spring. .
- A contract amendment in the amount of \$14,000 for Woodard & Curran for services related to negotiations for a new Tier 2 Plan.

The FY 2022-23 Operating Budget remains the same.

Use of Reserve and Reserve Fund Balance:

Unspent funds at the end of FY 2021-22 were \$124,744. In accordance with the adoption of the FY 2022-23 annual budget in May 2022, the Board approved a transfer of \$193,012 to the General Reserve. In July 2022, BAWSCA received a fund transfer from the bond Trustee (Bank of New York) in an amount of \$18,873. This amount was included in the bond surcharge payments collected in FY 2021-22 to reimburse BAWSCA for the bond administration expenses that were paid through BAWSCA's FY 2019-20 Operating Budget.

The General Reserve balance as of November 30, 2022 reflects all three transfers mentioned above, and represents 23% of the adopted FY 2022-23 Operating Budget.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 09/30/22)	Account Balance (As of 11/30/22)
General Reserve	\$951,806	\$1,076,550



Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: January 4, 2023

SUBJECT: Investment Report – As of December 31, 2022

In February 2004, the Board originally adopted an investment policy consistent with the Government Code that requires a report on the Agency's investments be provided to the Board. This report presents fund management in compliance with the current investment policy. the Board most recently reviewed the investment policy at the November 17, 2022 board meeting.

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

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

<u>10/31/22</u>	<u>12/31/22</u>
\$2,760,813	\$3,010,813

Of the total in the BAWSCA LAIF account as of December 31, 2022, \$1,076,550 represents BAWSCA's General Reserve Fund, equivalent to approximately 23 percent of FY 2022-2023 Operating Budget. The remaining amount consists of Subscription Conservation Program funds and unrestricted funds.

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

<u>06/30/22</u>	<u>09/30/22</u>
.75%	1.35%

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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: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: January 4, 2023

SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending December 31, 2022

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

Table 1 presents the reimbursed expenses for BAWSCA Directors during the quarter ending December 31, 2022.

Table 1. Director Reimbursement Expenses

BAWSCA Director	Expense Amount	Purpose
Gustav Larsson, Chair	\$551.70	Lodging & Mileage November 2022 – ACWA Fall Conference Indian Wells, CA

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Mid-Year 2022-23 Work Plan, Budget and General Reserve Review and Recommended Changes**

Summary:

A review of the FY 2022-23 Work Plan has been performed, with the results presented in the attached Table 1. To ensure continued access to a reliable supply of high-quality water at a fair price, efforts on three items in the adopted FY 2022-23 Work Plan are recommended for adjustment, with two items requiring budget and funding changes through a board action:

- 1) Work Plan Item 2b “Scope update to BAWSCA’s Long-Term Reliable Water Supply Strategy (Strategy)”: Change work plan item to read “**Initiate** scoping an update to Strategy to FY 2022-23”, secure outside consultant support to assist with the scoping in FY 2022-23, transfer \$30K from the General Reserve to fund the outside consultant support, and amend the FY 2022-23 Operating Budget by \$30K to reflect the associated increase.
- 2) Work Plan Item 3f “Continue development of a leak repair and training certification program for implementation in FY 2023-24”: Change work plan item to read “Continue development of a leak repair and training certification program for implementation in **FY 2024-25**”.
- 3) Work Plan Item 4d “Facilitate Negotiations of an updated Tier 2 Drought Allocation Plan”: Increase consultant contract budget with Woodard & Curran by an additional \$60K for a total contract amount of \$147K, funded by using the \$55K budgeted contingency and a \$5K reallocation within the current approved FY 2022-23 Operating Budget.

This memorandum presents: (1) the recommended changes to the FY 2022-23 Work Plan and associated budget implications, (2) the recommended adjustments to the adopted FY 2022-23 Operating Budget to fund the recommended changes, and (3) a discussion on the management of the General Reserve. For all other Work Plan items, expenses are tracking within the currently approved Operating Budget for FY 2022-23 of \$4,720,885.

Fiscal Impact:

Adoption of the recommended changes would result in (1) \$30K transfer from the General Reserve to fund the FY 2022-23 Operating Budget, and (2) a corresponding \$30K increase to the FY 2022-23 Operating Budget to \$4,750,885. Approval of this action would result in a General Reserve balance of \$1,046,550 and that is 22% of the modified Operating Budget.

Board Policy Committee Action:

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

Recommendation:

That the Committee recommend Board approval of the following FY 2022-23 Work Plan, Operating Budget and funding changes:

- 1) For Work Plan Item 2b “Scope update to BAWSCA’s Long-Term Reliable Water Supply Strategy (Strategy)”: Change work plan item to read “**Initiate** scoping an update to Strategy to FY 2022-23”, secure outside consultant support to assist with the scoping in FY 2022-23, transfer \$30K from the General Reserve to fund the outside consultant support, and amend the FY 2022-23 Operating Budget by \$30K to reflect the associated increase;

- 2) Work Plan Item 3f “Continue development of a leak repair and training certification program for implementation in FY 2023-24”: Change work plan item to read “Continue development of a leak repair and training certification program for implementation in **FY 2024-25**”; and,
- 3) For Work Plan Item 4d “Facilitate Negotiations of an updated Tier 2 Drought Allocation Plan”: Increase consultant contract budget with Woodard & Curran by an additional \$60K for a total contract amount of \$147K, funded by using the \$55K budgeted contingency and a \$5K reallocation within the current approved FY 2022-23 Operating Budget.

Prior Board Approved Work Plan and Budget Actions for FY 2022-23:

On May 19, 2022, the Board approved the following:

- 1) FY 2022-23 Work Plan and Results to be Achieved;
- 2) Operating Budget of \$4,720,885;
- 3) Funding plan of a 25% assessment increase (\$4,838,897) and a \$75,000 transfer from the Balancing Account; and
- 4) A transfer of \$193,012 to the General Reserve.

Discussion:

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

Implementation of the Work Plan is delayed in a few key areas resulting in three changes as recommended below. Following the Work Plan review, a budget review was performed, which resulted in the associated Operating Budget and funding changes recommended below. In general, the delayed actions are associated from a combination of increased BAWSCA staff support member agencies needed due to ongoing drought conditions that were beyond what was planned, increased effort needed for the Tier 2 negotiations, and an upcoming planned staff leave of absence that will be occurring mid-year.

Recommended FY 2022-23 Work Plan Changes and Budget Implications

Table 1 presents the Board-approved Work Plan for FY 2022-23 modified to show recommended revisions to the Work Plan. Explanations for the three recommended revisions are discussed below.

- 1) Work Plan Item 2b “Scope update to BAWSCA’s Long-Term Reliable Water Supply Strategy (Strategy)”: Progress on scoping an update to BAWSCA’s Strategy has been delayed due to elevation of existing staff commitments coupled with necessary increased drought assistance and the upcoming planned staff leave of absence of a key senior staff member assigned to the work effort. The situation and the approach to use consultant assistance to support the staff led scoping effort was shared with the Board Policy Committee in October.

It is recommended to change the work plan item to “**Initiate** update to BAWSCA’s Long-Term Reliable Water Supply Strategy (Strategy)” and secure a modest level of consultant support (\$30K) to assist a staff-led effort that will continue into FY 2023-24. A draft Request for Proposals has been prepared and is under review by Legal Counsel for release following Board approval in January 2023. A transfer of \$30k from the General Reserve to fund the consultant support, and an increase to the FY 2022-23 Operating Budget to reflect the transfer is recommended for this work plan revision.
- 2) Work Plan Item 3f “Continue development of a leak repair and training certification program for implementation in FY 2023-24”: Work is progressing in accordance with the Memorandum of Understanding (MOU) with CalWEP and Valley Water, however implementation has been delayed by 1-year given the determination through the Phase 1 research and discovery activities that additional outside specialized expertise in curriculum development is needed to

finalize overall program development for successful implementation. The overall schedule anticipates development of the training program in FY 2023-24, followed by implementation in FY 2024-25.

It is recommended to change the work plan item to “Continue development of a leak repair and training certification program for implementation in **FY 2024-25**”.

- 3) **Work Plan Item 4d “Facilitate Negotiations of an updated Tier 2 Drought Allocation Plan”:**
BAWSCA initiated the development of an updated Tier 2 Drought Response Implementation Plan in January 2022. Work has continued into FY 2022-23 with the facilitation of negotiations between members, presentations at WMR meetings as well as conducting monthly workshops on the topic. Significant progress is being made and it is clear that additional time and consultant resources will be needed to develop an updated Plan that will be acceptable to the members and ready for adoption by the governing bodies by the end of calendar year 2023. For FY 2022-23, additional consultant resources are needed to continue progress with the goal of an agreed upon updated Tier 2 Plan that is ready for adoption by the end of calendar year 2023.

Under the CEO/General Manager’s discretionary authority, \$15K will be added to the Woodard & Curran contract budget this December, for a total contract amount of \$87K, to fund the consultant’s continued work through January 2023. This initial \$15K contract amendment will be funded through a budget reallocation within the existing adopted FY 2022-23 Operating Budget.

An additional \$60K increase to the contract, for a total contract amount of \$147K, is recommended to fund this work for the February 2023-June 2023 period with the proposed funding via the \$55K budgeted contingency and a \$5K reallocation within the current approved FY 2022-23 Operating Budget.

Capacity to Accommodate Potential or Unanticipated Issues

This year has continued to be challenging given the increasing State-wide drought and associated impacts. In addition, the extended staff leave of absence was not anticipated at the time of the work plan and budget development. The recommended work plan changes reflect these challenges. As always, if further potential or unanticipated issues arise during Spring 2023, they will be brought to the attention of the Committee and the Board with recommendations to further reallocate and/or augment existing resources, if necessary.

Budget Changes Needed to Complete Work Expected During FY 2022-23:

A preliminary budget review has been performed as part of this mid-year review and resulted in the following recommended budget changes:

- 1) \$30K transfer from the General Reserve to fund the FY 2022-23 Operating Budget, and
- 2) a corresponding \$30K increase to the FY 2022-23 Operating Budget to \$4,750,885.

All other expenses are tracking in accordance with the approved budget.

Review and Management of General Reserve:

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

The current General Reserve balance of \$1,076,550 reflects the approved transfer of \$193,012 to the General Reserve in May 2022, and the deposit of \$124,744 of FY 2021-22 unspent funds.

This level of General Reserve represents 23% of the approved Operating Budget, which is within the current guideline for the General Reserve balance for budgetary purposes of 20% to 35% of the annual operating expense.

Approval of this recommended action would reduce the General Reserve balance by \$30K to \$1,046,550, or 22% of the revised Operating Budget. Based on results of the FY 2022-23 mid-year Work Plan and budget review, no other changes to the General Reserve are requested at this time.

Attachments:

1. Table 1. Work Plan and Results to be Achieved in FY 2022-23: Progress and Recommended Changes
2. Table 2. Historical Annual Assessments and Year-End Reserves

Table 1. Work Plan and Results to be Achieved in FY 2022-23: Progress and Recommended Changes
 (Recommended Changes to Adopted Work Plan Identified in Underlined, Blue, Italic Font)

(Mid-Year Status Shown in 1 st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)		
STATUS	BAWSCA OBJECTIVE & FY 2022-23 WORK PLAN ITEM	STATUS of FY 2022-23 RESULTS DELIVERED TO DATE
	RELIABLE WATER SUPPLY	
	1. <u>Facility Reliability: Monitor SFPUC's WSIP, 10-Year CIP, Asset Mgmt. Program, and Emergency Response</u>	
✓	a. Monitor WSIP scope, cost, and schedule as San Francisco continues an aggressive construction schedule through to completion. Press the SFPUC and the city's political leadership to meet the adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests. Track WSIP projects designated as critical drought water supply components to verify they have been completed in such a fashion that they can meet their intended Level of Service (LOS) goals.	<ul style="list-style-type: none"> Reviewed the FY 2021-22 WSIP Annual Report and discussed comments with SFPUC. Reviewed WSIP Notice of Change (NOC) which proposed extending the completion date from mid-2023 to February 2027 and provided comments to the SFPUC and the State. The NOC was adopted by the Commission in March 2022 and provided to State in October 2022. Completed review of two Quarterly WSIP Reports, compiled comments and questions, and met with SFPUC to review and address concerns.
✓	b. Review and monitor SFPUC's Regional 10-Year Capital Improvement Program (CIP) to ensure that identified projects and programs meet the needs of the members in a cost-effective and appropriate manner.	<ul style="list-style-type: none"> Met with SFPUC staff to review the preliminary changes to the proposed mid-cycle SFPUC Regional 10-Year CIP in anticipation of a draft CIP available for BAWSCA review in early (January) 2023. Reviewed SFPUC Annual Report on its Water Enterprise Managed CIP project (projects less than \$5M in size). A comment letter is in development and will be sent in December 2022. Participated in a 2-day upcountry tour of SFPUC CIP projects in September 2022. Reviewed and provided written comments on the bi-annual SFPUC State of the Water System Report. Comments discussed with the SFPUC on October 3, 2022.
✓	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	<ul style="list-style-type: none"> Submitted a formal letter to the SFPUC regarding its lack of progress regarding the preparation of a Meter Testing Plan as required by the WSA. Scheduled to meet with the SFPUC on Dec. 19th to discuss the topic.

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

STATUS	BAWSCA OBJECTIVE & FY 2022-23 WORK PLAN ITEM	STATUS of FY 2022-23 RESULTS DELIVERED TO DATE
	Section 3.10.c. including participation in SFPUC's roll out of their recently adopted Asset Mgmt. Policy.	<ul style="list-style-type: none"> The SFPUC's State of the Water System Report included discussions of its Asset Management Program efforts. BAWSCA provided comments to the Report as indicated above.
✓	d. Provide assistance to members and help facilitate engagement with the SFPUC regarding emergency response matters.	<ul style="list-style-type: none"> Participated and helped coordinate a meeting with the SFPUC and member on August 30, 2022 with a focus on agency emergency response plans and status of emergency response activities. Reviewed and assessed August 2022 San Mateo Grand Jury Report that identified deficiencies in emergency response plan activities of water agencies in the County. Discussed the report and intended response with members and SFPUC.
	<u>2. Long-Term Supply Solutions: Implement the Long-Term Reliable Water Supply Strategy to Ensure a Reliable, High-Quality Supply of Water is Available Where and When Needed</u>	
✓★	a. Complete Update and Refresh of BAWSCA 2020 Demand Study	<ul style="list-style-type: none"> The 2022 Demand Study is complete and has been posted on the BAWSCA website. Results of the work was presented to the BAWSCA Board at their November 17, 2022 Board Meeting
!●	<p>b. Complete staff-led scoping activity for an update to BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy).</p> <p><u>Recommended Scope Change and Budget Adjustment: Modify work plan item to clarify "Initiate Scoping" and authorize securing assistance from outside consultant with a total cost of \$30K to be funded by a transfer from the General Reserve, and increase the FY 2022-23 Operating Budget to reflect the transfer.</u></p>	<ul style="list-style-type: none"> <u>Progress delayed due to existing staff work commitments coupled with necessary increased drought assistance and a leave of absence of the key senior staff member assigned to the work effort. The situation and the approach to use consultant assistance to support the staff led scoping effort was shared with the Board Policy Committee in October.</u> <u>A Request for Proposals for consultant support has been developed and is under review by legal counsel with RPF issuance anticipated in early 2023 following Board approval.</u> As part of BAWSCA's Water Supply Reliability Roundtable efforts in the fall of 2022, staff reached out to members to identify existing and proposed water

(Mid-Year Status Shown in 1 st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)		
STATUS	BAWSCA OBJECTIVE & FY 2022-23 WORK PLAN ITEM	STATUS of FY 2022-23 RESULTS DELIVERED TO DATE
		supply projects that, if implemented, would result in new supplies of water. The information gathered has since been documented and will be used to support the update of the Strategy.
✓	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.	<ul style="list-style-type: none"> In July 2022, finalized a summary of a pilot water transfer (note that the pilot is a paper study vs. an actual water exchange) that BAWSCA participated in with ACWD and SFPUC. The summary is part of a broader final report that is to be completed in early 2023 and submitted to the U.S Bureau of Reclamation (who funded the work) for its review and approval in calendar year 2023.
✓	d. Continue participation in the SF-Peninsula Regional Purewater Project (SPRP), formerly known as the Potable Reuse Exploratory Plan, which is currently in the midst of the development of a Basis of Design Report (BODR).	<ul style="list-style-type: none"> Completed negotiations and entered into a Memorandum of Agreement associated with BAWSCA's continued participation in the development of a BODR for the SPRP. Ongoing participation in monthly meetings to discuss the work associated with BODR. BODR development work is anticipated to be complete in Summer 2023.
✓	e. Promote the continued use of San Mateo Plain Groundwater Basin (Basin) for long-term water supply reliability.	<ul style="list-style-type: none"> On-going. Outreach as part of BAWSCA's Water Supply Reliability Roundtable included discussions with select members, conducted in the fall of 2022, regarding the potential opportunities to invest in the development of groundwater wells as means to potentially supplement their respective water supplies.
✓	f. Facilitate development of other local water supply options including tracking and reporting to the Board on members efforts, identifying potential grant funding, monitoring of related policy development, etc.	<ul style="list-style-type: none"> Prepared a summary of grant and other funding opportunities as part of BAWSCA's Water Supply Reliability Roundtable efforts and shared with participants in November 2022.
✓	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.	<ul style="list-style-type: none"> Continued working with SFPUC, Valley Water, and ACWD to obtain updated information related to their water supply operations to update Model. Initiated efforts to expand the Model to include SFPUC's upcountry facilities.

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

STATUS	BAWSCA OBJECTIVE & FY 2022-23 WORK PLAN ITEM	STATUS of FY 2022-23 RESULTS DELIVERED TO DATE
✓	h. Facilitate use of the BAWSCA Reliability Model by members via Subscription Program.	<ul style="list-style-type: none"> Continued to promote the use of the BAWSCA model subscription program. BAWSCA has received interest from both Palo Alto and ACWD regarding the potential to access the BAWSCA model.
✓	i. Host quarterly meetings of BAWSCA's Regional Water Supply Reliability Roundtable to identify possible water supply options for consideration by BAWSCA and its members as well as potential local partnership opportunities.	<ul style="list-style-type: none"> BAWSCA hosted the 3rd Roundtable Workshop on November 8, 2022. A 4th Roundtable meeting is proposed to take place in early 2023, where the future of the Roundtable will be discussed by participants. Engaged in discussions with Roundtable participants to identify projects (current and future) that, if implemented, would result in new water supplies, and document this information in draft "Project Information Forms" (PIFs) shared with Roundtable participants in November which will be included in a final Roundtable report anticipated in Spring 2023.
	3. <u>Near-term Supply Solutions: Water Conservation and Drought Response</u>	
✓	a. Provide staff-only drought support to members & their customers, assuming dry conditions in FY 2022-23.	<ul style="list-style-type: none"> <u>Providing significant support to members given continuing drought conditions beyond what was anticipated for FY 2022-23.</u> Conducted extensive outreach to members to lend support to their specific drought-related efforts including providing materials for use with customers (i.e., flyers, door hangers). Collected information from each agency to document individual members' drought response actions to share with Board, Commission and others, demonstrating the region's commitment to reducing water use. Reviewed SFPUC's tracking of member agencies' SFPUC water purchases as compared with their monthly Tier 2 drought allocations, and coordinated closely with members if reporting appears in error or required explanation(s). Continued updates to BAWSCA web page with drought related information to keep members and the public

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STATUS	BAWSCA OBJECTIVE & FY 2022-23 WORK PLAN ITEM	STATUS of FY 2022-23 RESULTS DELIVERED TO DATE
		<p>updated on drought conditions and rebate and educational opportunities provided by BAWSCA.</p> <ul style="list-style-type: none"> Coordinated with members, SFPUC, Valley Water, and other regional water providers, to develop and assure consistent drought messaging. In partnership with Filoli, provided information materials as well as presented / staffed a booth/table where information was provided to the public regarding the drought and water conservation opportunities that may be of interest to property owners. This outreach was conducted in the late summer thru Fall of 2022.
●	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 members 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.	<ul style="list-style-type: none"> In July 2022, BAWSCA secured the necessary consulting assistance with Maddaus Water Management to support BAWSCA's efforts related to the Water Use Efficiency (WUE) legislative requirements. Work is starting slower than expected with this task but is anticipated to be completed on time by the end of June 2023. BAWSCA will produce guidance documents for members that will assist them in meeting new state requirements as associated with WUE.
✓	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.	<ul style="list-style-type: none"> Currently conducting a survey of members regarding the topic of AMI to: 1) determine AMI implementation status; and 2) identify what assistance BAWSCA should provide and what role BAWSCA should play to help advance efforts. Survey results are due this month.
✓	d. Administer and implement BAWSCA's core water conservation programs.	<ul style="list-style-type: none"> On-going. Held one Water Loss Evaluation and Knowledge (LEAK) workgroup meeting on October 18, 2022 and will hold additional meetings in Spring 2023. Entered into a new agreement with CalWEP that will enable them to conduct one Qualified Water Efficient Landscape (QWEL) class that is tentatively proposed to be held in May of 2023.

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

STATUS	BAWSCA OBJECTIVE & FY 2022-23 WORK PLAN ITEM	STATUS of FY 2022-23 RESULTS DELIVERED TO DATE
✓	e. Administer BAWSCA's subscription conservation rebate programs that benefit and are paid for by participating members.	<ul style="list-style-type: none"> Actively promoting rebate opportunities to the public, in light of the current drought. Encouraging increased member participation in subscription programs given drought conditions.
! ●	f. Continue development of a leak repair and training certification program for implementation in FY 2023-24. <u><i>Recommended Scope Change:</i></u> <u><i>Modify work plan item to read "Continue development of a leak repair and training certification program for implementation in FY 2024-25".</i></u>	<ul style="list-style-type: none"> Work is progressing in accordance with the MOU with Valley Water and CalWEP to identify the approach and likely content of a training certification program. Implementation has been delayed by 1-year given the determination through the Phase I research and discovery activities that additional outside specialized expertise in curriculum development is needed to finalize overall program development for successful implementation. This RFP is being developed now and the new task will be reflected in the upcoming FY 2023-24 proposed work plan and budget. The overall schedule anticipates development of the training program in FY 2023-24, followed by implementing the training and certification courses/workshops in FY 2024-25.
✓	g. Pursue partnership opportunities with San Mateo County's C/CAG related to a potential greywater pilot program.	<ul style="list-style-type: none"> Prepared jointly with C/CAG a proposed approach and scope of work for a greywater pilot program. In Fall 2022, C/CAG began work to identify grant and funding opportunities as needed to cover the cost of the work effort.
✓	h. Perform a review of greywater efforts within the BAWSCA region and document findings in a report.	<ul style="list-style-type: none"> BAWSCA completed a review of agency greywater efforts and launched an updated webpage on the topic in August 2022. Through this effort, BAWSCA identified that the majority of members have not promoted the concept of greywater, indicating increased effort by BAWSCA may be warranted next fiscal year.
✓	i. Represent agencies in regional and State-level discussions relative to water conservation-related regulations, grant funding opportunities, and programs where regional participation is possible.	<ul style="list-style-type: none"> On-going.

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STATUS	BAWSCA OBJECTIVE & FY 2022-23 WORK PLAN ITEM	STATUS of FY 2022-23 RESULTS DELIVERED TO DATE
	<u>4. Take Actions to Protect Members' Water Supply and Financial Interests in WSA Administration</u>	
✓	a. Monitor SFPUC's development of new supplies through its Alternative Water Supply Planning Program (AWSP) and participate as appropriate to ensure that the SFPUC can meet its water supply reliability obligations to its Wholesale Customers.	<ul style="list-style-type: none"> Engaged in several projects in SFPUC's AWSP, including the Los Vaqueros Expansion Project and the SPRP Project. Reviewed two AWSP quarterly reports and reviewed comments and questions in meetings with SFPUC. Met with the SFPUC to discuss the proposed contents of the final Alternative Water Supply Plan anticipated to be submitted to Commission in July 2023. Coordinated with AWSP staff regarding their presentations to WMR and Board on AWSP.
✓	b. Protect members' water supply interests to ensure that the SFPUC meets its legal and contractual obligations for water supply from the Regional Water System in light of ongoing risks.	<ul style="list-style-type: none"> On-going.
✓	c. Adopt a temporary extension of the existing Tier 2 drought allocation plan that expires Dec. 2022 if necessary.	<ul style="list-style-type: none"> Complete. The Tier 2 Plan was extended by the Board at its November 17, 2022 meeting.
! ●	d. Facilitate negotiations of an updated Tier 2 Drought Allocation Plan. <u><i>Recommended Budget Adjustment: Increase consultant contract with Woodard & Curran by an additional \$60K for a total contract amount of \$147K, funded by using the \$55K budgeted contingency and a \$5K reallocation within the current approved FY 2022-23 Operating Budget.</i></u>	<ul style="list-style-type: none"> <u><i>BAWSCA initiated the development of an updated Tier 2 Drought Response Implementation Plan in January 2022. Work has continued into FY 2022-23 including facilitation of negotiations between members, presentations at WMR meetings as well as conducting monthly workshops on the topic.</i></u> <u><i>Significant progress is being made and it is clear that additional time and consultant resources will be needed to develop an updated Plan that will be acceptable to the members and ready for adoption by the end of calendar year 2023.</i></u> <u><i>For FY 2022-23, additional consultant resources are needed to continue progress with the goal of an agreed upon updated Tier 2 Plan ready for adoption by the end of calendar year 2023. Under the CEO/GM discretionary authority, \$15K will be added to the Woodard & Curran contract budget for a total</i></u>

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STATUS	BAWSCA OBJECTIVE & FY 2022-23 WORK PLAN ITEM	STATUS of FY 2022-23 RESULTS DELIVERED TO DATE
		<p><u>contract amount of \$87K to fund the consultant's continued work through January 2023.</u></p> <ul style="list-style-type: none"> <u>An additional \$60k increase to the contract with Woodard & Curran for a total contract of \$147K is recommended to fund the remainder of this work through remainder of FY 2022-23.</u>
✓	e. Protect members' water supply and financial interests in the SFPUC's required 2028 decisions.	<ul style="list-style-type: none"> Held monthly meetings with SFPUC, Santa Clara, San Jose and BAWSCA to discuss potential projects, that if implemented could address Santa Clara's and San Jose's interest in becoming permanent customers. Through these meetings, a feasibility study associated with a potential potable reuse project has been initiated by the parties as part of SFPUC's AWSP.
	5. <u>Protect Members' Interests in a Reliable Water Supply</u>	
★	a. Participate in SWRCB Bay Delta Plan Update to ensure members' interests are represented, including ongoing legal intervention.	<ul style="list-style-type: none"> Engaged with BAWSCA's legislative representatives as well as select member agency Mayors, business leaders and labor interests to craft a support package, as provided to Governor Newsom, urging the Governor to press State Agencies to enter into a Voluntary Agreement (VA) for the Tuolumne River component of the Bay-Delta Plan Actively engaged with the SFPUC on their efforts to enter into an MOU with the State that would include the Tuolumne River VA. Actively engaged in State Board proceedings including ongoing legal intervention, settlement discussions and other SWRCB activity.
✓	b. Participate in the Don Pedro Project/La Grange Project FERC licensing process to protect customers' long-term interests in Tuolumne River water supplies, including ongoing legal intervention.	<ul style="list-style-type: none"> Actively engaged in FERC relicensing efforts including ongoing legal intervention

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STATUS	BAWSCA OBJECTIVE & FY 2022-23 WORK PLAN ITEM	STATUS of FY 2022-23 RESULTS DELIVERED TO DATE
	<u>6. Pursue Grant Opportunities Independently and in Coordination with Regional Efforts</u>	
✓	a. Pursue and use grant funds for water conservation programs and for regional supply projects and programs, including Prop 1 Integrated Regional Water Management conservation grant.	<ul style="list-style-type: none"> On-going.
✓	b. Pursue, with regional partners, grant funding to support studies that aim to improve regional water supply reliability.	<ul style="list-style-type: none"> On-going.
✓	c. Investigate potential for grant funds to support the implementation of the LTRWS Strategy.	<ul style="list-style-type: none"> On-going. As part of BAWSCA's Water Supply Reliability Roundtable, collected project information and provided members information regarding current and near-term funding opportunities.
	<u>7. Reporting and Tracking of Water Supply and Conservation Activities</u>	
✓	a. Complete BAWSCA FY 2021-22 Annual Survey.	<ul style="list-style-type: none"> Work initiated in October 2022 with an anticipated completion date of March 2023.
	b. Complete BAWSCA FY 2021-22 Annual Water Conservation Report.	<ul style="list-style-type: none"> Work to be initiated in early 2023 with completion by end of FY 2022-23+.
✓	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.	<ul style="list-style-type: none"> On-going use of existing WCDB to support Annual Survey and Annual Water Conservation Report completion. On-track. Secured consulting services of Woodard & Curran to provide assistance in project development. Work commenced in August of 2022 and the updated WCDB is scheduled to be complete by June of 2023.
	HIGH QUALITY WATER	
	<u>8. Support Members in Receiving Reliable Communication of Water Quality Issues</u>	
✓	a. Coordinate members participation in Joint Water Quality Committee to ensure it addresses Wholesale Customer needs.	<ul style="list-style-type: none"> Onboarded new Joint SFPUC/BAWSCA Water Quality Committee Chair from Redwood City to replace the outgoing chair effective January 2023. Participation in the Committee including two regular Committee meetings.

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✓	b. Relay important water quality information (notices as received from SFPUC) to members when made aware of changes that have the potential to impact water quality (e.g., taste, odor, blending, etc.).	<ul style="list-style-type: none"> On-going. No significant water quality events have taken place to date in FY 2022-23.
✓	c. Review and act on, if necessary, State legislation affecting water quality regulations.	<ul style="list-style-type: none"> Attended SFPUC's 12th Annual Water Quality and Technology Workshop on November 17, 2022. Attendees include SFPUC, members, and state regulatory staff. Topics covered included upcoming regulatory requirements related to water quality.
	FAIR PRICE	
	9. <u>Perform Matters that Members Agencies Delegated to BAWSCA in the WSA</u>	
✓	a. Administer the WSA with SF to protect the financial interests of members.	<ul style="list-style-type: none"> Completed review of the SFPUC's calculation of the annual Wholesale Revenue Requirement and changes in the Balancing Account for FY 2019-20, and reached an agreement with the SFPUC related to its costs allocated to the Wholesale Customers on July 25, 2022. This agreement resulted in a credit of \$292,902 to the members. Ongoing effort to ensure that SFPUC meets its financial reporting obligations required by the WSA.
✓ ☆	b. Administer bonds issued by BAWSCA to retire capital debt owed to San Francisco, including completing the settlement of 2023A refunding bonds in January 2023.	<ul style="list-style-type: none"> Ongoing administration of bond surcharge collection from members each month and proper fund allocation at the Trustee according to the Bond Indenture to ensure sufficient fund for on time debt service payments. Performed account reconciliation based on the SFPUC's surcharge collection report and Trustee's account statements at the end of each month. Ongoing maintenance of proper records to ensure on time annual continuing disclosure filing to the Municipal Securities Rulemaking Board. Prepared Quarterly Bond Surcharge Collection Report for the Board that presents the status of surcharge

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		<p>collection and the account balance at the Trustee.</p> <ul style="list-style-type: none"> Complied with tax requirements to preserve the tax-exempt status of the 2013A bonds. Reviewed the investment strategy for the bond proceeds and determined that the current 0-5 year ladder portfolio strategy remains appropriate. On January 5, 2023, successfully executed the settlement of the 2023A refunding bonds, which is anticipated to generate a net present value savings of approximately \$27.1 million to the water customers over the term of the bonds.
	AGENCY EFFECTIVENESS 10. <u>Maintain Community Allies and Contacts with Environmental Interests</u>	
★	a. Maintain close relationships with BAWSCA's local legislators and allies, and activate them, if necessary, to safeguard the health, safety, and economic well-being of residents and communities.	<ul style="list-style-type: none"> Actively engaged with elected officials, business and labor representatives and others on matters related to the potential negative impacts of the State Board's Bay-Delta Plan on members and their water customers and to support inclusion of the Tuolumne River in a Voluntary Agreement.
✓	b. Maintain a dialogue with responsible environmental and other groups, who will participate in the permitting and approval process for efforts to maintain system reliability.	<ul style="list-style-type: none"> Engagement with non-governmental organizations (NGOs) as part of BAWSCA's 2020 Demand Study Update, and in particular a Sensitivity Analysis that formed a portion of the update. Engagement with NGOs via BAWSCA's Water Supply Reliability Roundtable, which began in May 2022 and held its most recent Workshop on November 8, 2022. Participation in the Bay Area Water Stewards (BAWS) group that was recently reconvened by SFPUC to provide input in ongoing SFPUC water policy discussions.
✓	c. Maintain effective communications with members, customers, and others to achieve results and support goals.	<ul style="list-style-type: none"> On-going

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STATUS	BAWSCA OBJECTIVE & FY 2022-23 WORK PLAN ITEM	STATUS of FY 2022-23 RESULTS DELIVERED TO DATE
✓	d. In conjunction with San Francisco, conduct or co-sponsor tours of the water system for selected participants.	<ul style="list-style-type: none"> On September 22-23, 2022, the SFPUC hosted a two-day tour of the SF RWS's upcountry projects attended by BAWSCA staff. Information provided is being utilized by BAWSCA staff to keep the Board and members informed of both WSIP and CIP progress.
	11. <u>Manage the Activities of the Agency Professionally and Efficiently</u>	
✓	a. Implement BAWSCA's Student Internship Program.	<ul style="list-style-type: none"> BAWSCA's first intern was in place at BAWSCA from mid-June 2022 through mid-August 2022 (10 weeks total). BAWSCA has begun the engagement with Eastside College Preparatory School (Eastside Prep), located in the City of East Palo Alto, to begin the process to select an intern for Summer 2023.
✓	b. Implement Board policy directives for management of BAWSCA's unfunded OPEB and pension liability obligations.	<ul style="list-style-type: none"> Provided a status update of BAWSCA's unfunded OPEB and pension liabilities, including the SFPUC's OPEB and pension liability funded status, to the Board in September 2022. Consulted with the audit advisor BPM on the Board's concerns related to the SFPUC's unfunded liabilities and potential risk to the agencies. It is determined that San Francisco's unfunded liability is an obligation of San Francisco and is not the members' liability. Consulted with the legal counsel, who agreed with the results of BPM's analysis as stated above.
✓	c. Maintain a motivated and effective workforce	<ul style="list-style-type: none"> On-going.

Table 2. Historical Annual Assessments and Year-End Reserves

Fiscal Year	Assessments	Year-End Reserves	Operating Budget	Reserve as a % of Budget
2003-04	\$1,668,550	\$276,480	\$1,821,350	15%
2004-05	\$1,641,995	\$246,882	\$1,838,490	13%
2005-06	\$1,953,998	\$240,000	\$2,099,975	11%
2006-07	\$2,117,904	\$654,000	\$2,291,904	29%
2007-08	\$2,117,904	\$691,474	\$2,508,967	28%
2008-09	\$2,309,000	\$507,474	\$2,763,196	18%
2009-10	\$2,517,000	\$407,192	\$2,766,945	15%
2010-11	\$2,517,000	\$653,763	\$2,680,394	24%
2011-12	\$2,517,000	\$916,897	\$2,619,705	35%
2012-13	\$2,517,000	\$985,897	\$2,780,504	35%
2013-14	\$2,516,812	\$521,897	\$3,280,189	16%
2014-15	\$2,642,653	\$225,461	\$2,939,286	8%
2015-16	\$3,276,889	\$776,620	\$3,201,679	24%
2016-17	\$3,440,734	\$1,202,592	\$3,468,008	35%
2017-18	\$3,543,957	\$1,561,144	\$3,704,572	42%
2018-19	\$3,579,397	\$1,115,848	\$4,278,585	26%
2019-20	\$3,686,779	\$1,037,877	\$4,569,750	23%
2020-21	\$3,686,779	\$758,794	\$4,359,129	17%
2021-22	\$3,871,118	\$951,806	\$4,783,794	16%
2022-23	\$4,838,897	\$1,076,550*	\$4,720,885	23%

**Preliminary projection is same as the reserve balance as of November 30, 2022*

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **BAWSCA Water Loss Management Program**

Summary:

BAWSCA's Water Loss Management Program (WLMP) was initiated in 2018. The WLMP aims to provide each BAWSCA member agency with the support necessary to understand its unique water loss profile and take action to intervene against excessive water loss. BAWSCA's program includes both a core component and a subscription component. Addressing water loss is seen as necessary as well as effective in managing water use.

In 2018, BAWSCA contracted with E Source (formerly known as Water Systems Optimization) to provide technical support for the WLMP. That contract has been renewed on a yearly basis since that time. Recently, BAWSCA requested that E Source prepare a summary report for the first five years of the program. That report is attached.

Fiscal Impact:

BAWSCA staff resources and funding for consultant support for the core component of the program is included in the adopted FY 2022-23 Work Plan and Operating Budget. Participating agencies pay all costs associated with the subscription component of the WLMP.

Recommendation:

This item is for information only and no action is requested.

Discussion:

Optimizing distribution system efficiency, and more specifically controlling water loss, is a cost-effective water conservation measure. During the last drought, controlling water loss became a topic of greater interest both within BAWSCA and its member agencies as well as within California's state water agencies (such as the Department of Water Resources and the State Water Resources Control Board). Reporting water loss in distribution systems were made part of regulatory requirements adopted at the State level as a result of the "Making Conservation a California Way of Life" legislation. The majority of BAWSCA's member agencies are required to submit this information to the State on an annual basis.

The core program offered by BAWSCA includes regular workshops where advances in water loss management as well as regulatory requirements are discussed. The BAWSCA subscription program provides one-on-one technical assistance and agency-specific workgroup meetings to discuss water loss control management. Technical assistance tasks are designed to help member agencies achieve their water loss assessment and reduction goals and are custom selected by each participating agency based on their distribution system needs and identified goals.

The report from BAWSCA's consultant, as referenced above, provides pertinent information regarding BAWSCA's WLMP, with a focus on an overall description of the program, program implementation timeline, and the level of member agency participation.

Attachment: BAWSCA Water Loss Management Program Overview

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Water Loss Management Program Overview

BAWSCA's Water Loss Management Program (WLMP), a joint effort between BAWSCA and E Source (formerly Water Systems Optimization), began in 2018 and has spanned five years. This program aims to provide each BAWSCA member agency with the support necessary to understand its unique water loss profile and intervene against excessive water loss. Industry leaders and water managers recognize the importance of optimizing distribution system efficiency as a potentially cost-effective water conservation measure.

The BAWSCA program provides one-on-one technical assistance and workgroup meetings to discuss shared resources and challenges with water loss control management. Technical assistance tasks are designed to help member agencies achieve their water loss assessment and reduction goals and are custom selected for each participating agency.

Below is an example timeline for the multiple phases of work in a water loss control program. At the time of this memo's writing, BAWSCA's agencies are participating in their fifth year of technical assistance (highlighted in green). The phases of work presented in this figure represent a recommended course of water loss control program implementation, but the actual course of implementation usually differs to meet the needs of individual agencies.

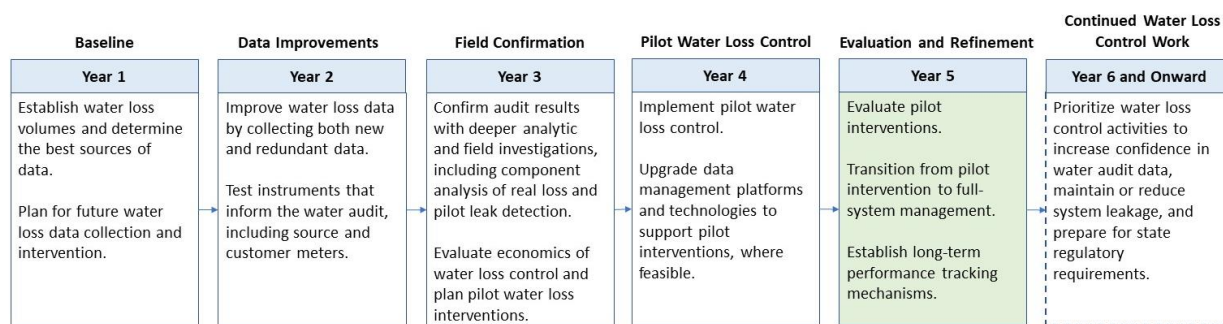


Figure 1: Water Loss Control Program Timeline

Member Agency Participation

BAWSCA's member agencies consist of 24 cities and water districts and 2 private utilities. Through BAWSCA membership, each agency can participate in quarterly regional work group meetings on water loss management topics hosted by BAWSCA and E Source. Member agencies can also opt into additional technical assistance. The figure below displays the count of BAWSCA agencies that have participated in additional technical assistance since the program's inception in 2018. The steady increase in the count of participating agencies over time highlights the growing interest in water loss management through BAWSCA's WLMP.

Historical WLMP Agency Participation

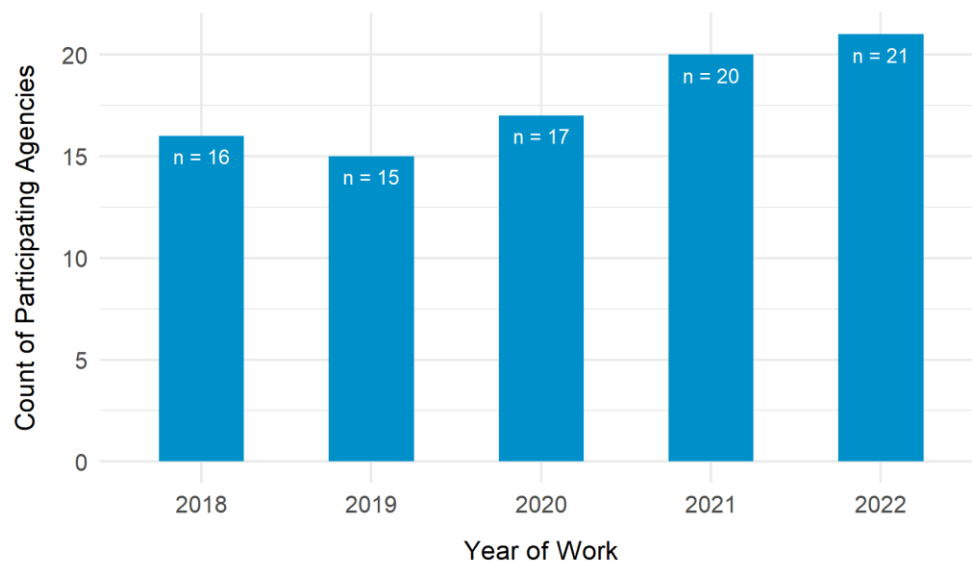


Figure 2: Annual Count of BAWSCA Agencies Participating in WLMP

BAWSCA agencies have the option to opt into data investigation and field-based services through the WLMP. Services offered through the program cover the following categories:

- Water Loss Audit Validation
- Water Audit & Data Sources Investigation
- Leakage Analysis & Recovery
- Customer Meter Accuracy Testing & Assessment
- State Water Resources Control Board (SWRCB) Water Loss Regulation Assistance

The following figure shows the total count of services BAWSCA agencies participated in for each year of the WLMP and provide three main takeaways:

- **Popular Services:** Most agencies have consistently participated in water audit validation and water audit compilation.
- **Increasing Participation in Data Investigation:** There has been an upward trend in agencies participating in data investigation services. Agencies are recognizing that it is becoming increasingly important to verify the water loss data used to complete and submit yearly water audits to the California Department of Water Resources (DWR) due to the release of SWRCB supplier-specific water loss performance standards in mid-2022.

- **Recent Interest in Field Services:** In more recent years of the program, agencies are participating in field-based services including leak detection, pressure logging, and customer meter testing to assess water loss occurring in the potable system.

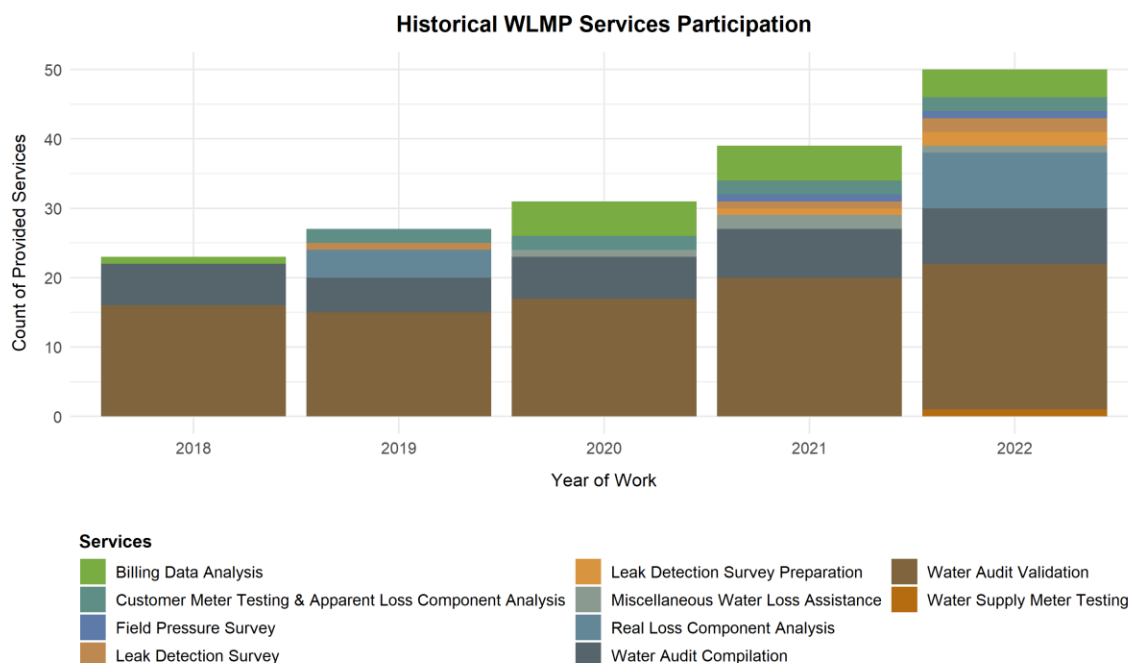


Figure 3: Annual Count of Provided Services Through WLMP

The following table displays the count of provided services for each year of the WLMP. Participation in the WLMP grew steadily from 2018 to 2021 and increased significantly in 2022.

Table 1: Annual Count of Provided Services Through WLMP

WLMP Provided Services	2018	2019	2020	2021	2022
Billing Data Analysis	1		5	5	4
Water Audit Compilation	6	5	6	7	8
Water Audit Validation	16	15	17	20	21
Customer Meter Testing & Apparent Loss Component Analysis		2	2	2	2
Leak Detection Survey		1		1	2
Real Loss Component Analysis		4			8
Miscellaneous Water Loss Assistance			1	2	1
Field Pressure Survey				1	1
Leak Detection Survey Preparation				1	2
Water Supply Meter Testing					1
Total	23	27	31	39	50

BAWSCA member agencies' investment in the program has increased over time, as shown in the figure below. This increase in investment reflects agencies' growing participation in WLMP service offerings from year to year. Based on this trajectory, member agencies will likely participate in more service offerings in the future.

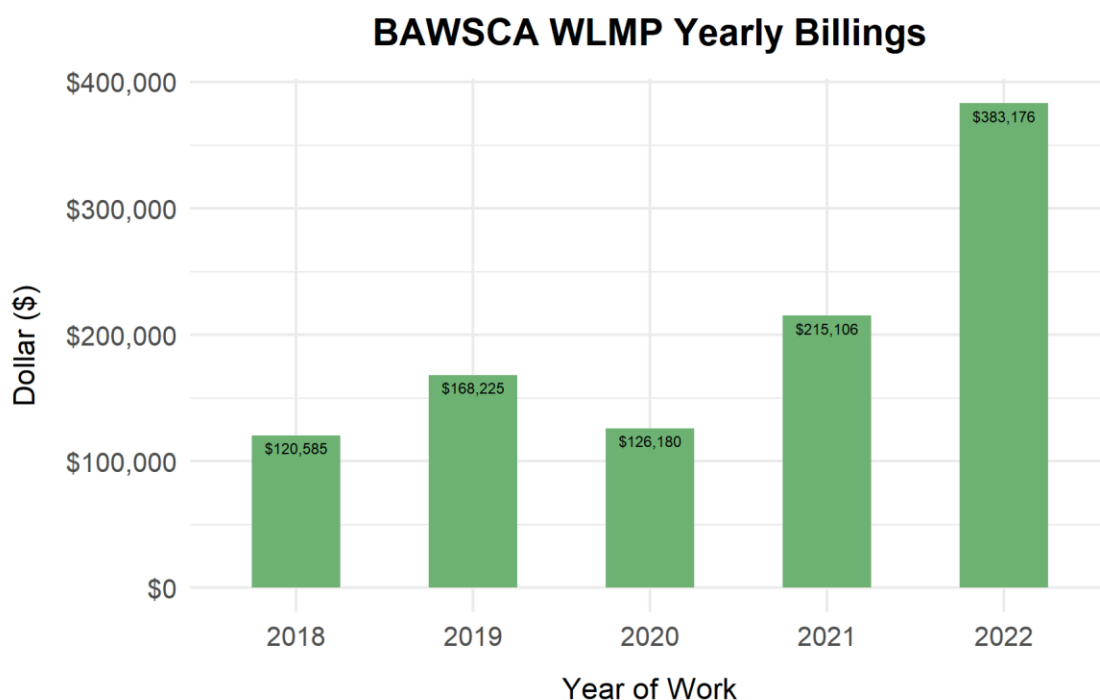


Figure 4: Annual Billings for the BAWSCA Water Loss Management Program

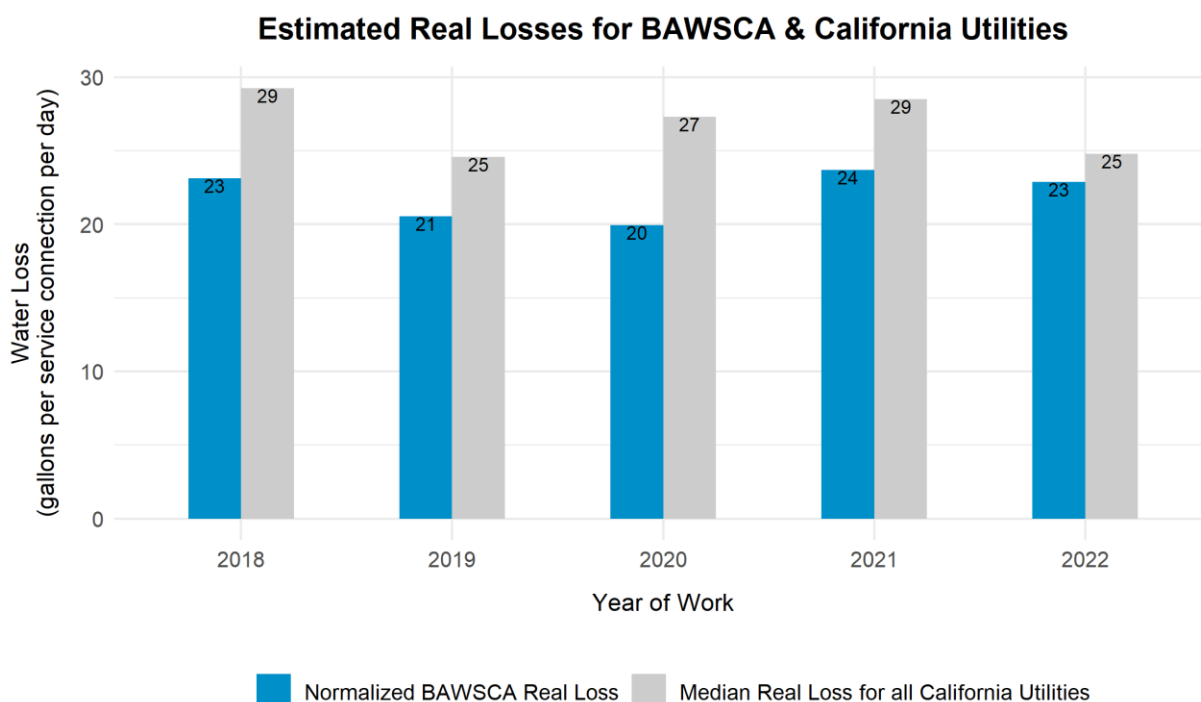
Historical Water Loss

Each urban retail water supplier must submit a validated water loss audit to DWR annually as mandated by Senate Bill 555. A water audit is an accounting exercise used to systematically track all sources and uses of water in a distribution system. By comparing the volume of water produced to the volume of water consumed and adjusting for known errors, the audit provides a “top-down” evaluation of water loss, non-revenue water, and overall system efficiency.

Twenty-four BAWSCA agencies are classified as urban retail water suppliers, meaning they supply more than 3,000 AF or serve more than 3,000 service connections. The following figure displays the total volume of water estimated to be lost to leakage, normalized by the total count of service connections per day among BAWSCA and all California urban retail water suppliers from 2018 to 2022. The estimated



annual volumes of leakage for each group are noted in the bars. The estimated volume of leakage among BAWSCA agencies has been less than the median estimated volume of leakage for California utilities from 2018 to 2022. BAWSCA agencies' estimated leakage volume has been relatively stable over time, at about 22 gallons per service connection per day .



Data Source: Annual Water Loss Audits

Figure 5: Estimated Volume of Real Losses Among BAWSCA Agencies & California Utilities from 2018-2022

Historical water audits at the California agency-level tend to show more variability in estimated leakage volumes from year to year. Variability in estimated leakage reflects the audit's sensitivity to changes in underlying data. Because the accuracy of the audit's leakage estimates is highly dependent on utility data, utilities should focus on identifying and remediating data quality concerns. Additionally, water audits will be used to prove compliance with SWRCB water loss regulation beginning in 2028. BAWSCA agencies are prioritizing data quality improvements through the WLMP.

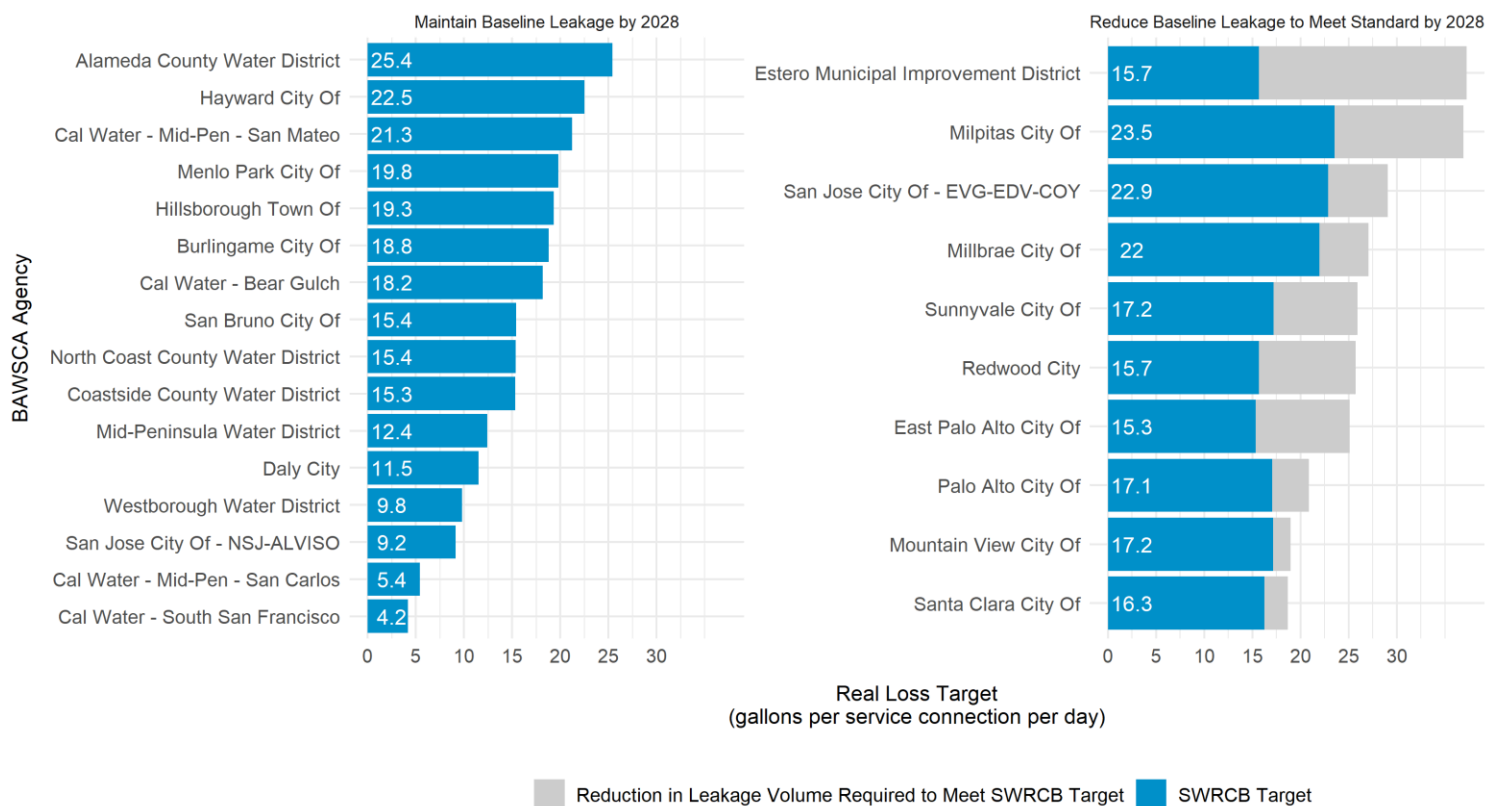
Water Loss Regulations

The most recent water loss regulation released by the SWRCB in October 2022 set volumetric thresholds to leakage (*real loss standards*) that each water supplier must meet beginning in 2028, using either 2025, 2026, or 2027 water audit data for confirmation. Supplier-specific water loss performance

standards are determined using an economic model that incorporates parameters from 2017 – 2020 water audit data and assumptions regarding leakage rates and volumes.

As of October 2022, 10 BAWSCA systems will be required to reduce leakage because the SWRCB's economic model has determined that for these systems, the benefits of reducing leakage through proactive leak detection outweigh the costs of intervention over a thirty-year period. The following figure displays each BAWSCA system's SWRCB-issued real loss standard. For agencies with reduction requirements, the volume of leakage required to be reduced to meet the SWRCB-issued target is colored in gray.

SWRCB Real Loss Performance Targets for BAWSCA Agencies



Most recent version of the targets was released by the SWRCB in October 2022. Stanford, Purissima Hills, and Brisbane/Guadalupe Valley Municipal Improvement District are not Urban Retail Water Suppliers, so they do not have standards or submit audits. However, Purissima Hills compiles and validates audits through the WLMP.

Figure 6: SWRCB Real Loss Performance Targets for BAWSCA Agencies



To prepare to meet these anticipated standards, it is crucial that BAWSCA agencies develop consistent data handling practices and water audits. When consistency is not feasible, agencies should strive to understand the origin of any inconsistencies in their system performance. Additionally, BAWSCA agencies should consider developing a strategy to meet regulatory compliance by 2028.

Conclusion

BAWSCA agencies understand the importance of accurate water loss assessment and management. Agencies are prioritizing water loss assessment and management by participating in data investigation and field-based services through the WLMP. This program has equipped BAWSCA agencies with tools to continue the ongoing process of improving their water loss assessment.

Accurate water loss assessments will become even more essential in the future as water audit data will be used to prove compliance with SWRCB-issued, agency-specific water loss standards by 2028. BAWSCA is working with E Source to amend the existing consulting agreement to extend water loss control work into FY 2023-2024. Additionally, BAWSCA is considering a new agreement with E Source to allow water loss control work to continue beyond FY 2023-2024 resulting from agencies' growing interest in the WLMP service offerings and state water loss regulatory requirements.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Results of BAWSCA's Refunding Bond Closing**

Summary:

On January 5, 2023, BAWSCA completed the settlement of the Revenue Bonds Series 2023A to refund the 2013A bonds based on a tax-exempt forward delivery. The total principal amount of the 2023A bonds issued were \$134.310 million at an all-in true interest rate of 2.06%.

The refunding bond transaction will generate approximately \$27.1 million in net present value savings over the term of the bonds, or an average of approximately \$2.5 million of savings per year, starting in FY 2022-23, which, along with the savings from the original 2013 bond issuance, will result in a total average savings of \$6 million per year to the water customers that BAWSCA represents from 2023 to 2034 when the bonds will be paid off.

Fiscal Impact:

There is no financial impact on BAWSCA's FY 2022-23 Operating Budget from the issuance of 2023A refunding bonds. The costs of issuance for the refunding are approximately \$1.025 million, including both non-contingent costs paid out of the excess bond funds held at the Trustee and contingent costs paid by the bond proceeds. The cost of issuance includes the compensation to the underwriters, the fees charged by the bond counsel and municipal advisor, and the cost to the credit rating agencies, Trustee, escrow verification agent associated with the bond refunding.

Recommendation:

This item is for informational purposes only.

Discussion:

In 2013, BAWSCA issued Revenue Bond Series 2013A and Series 2013B (Taxable and non-callable) to prepay the remaining capital cost recovery payments that the BAWSCA agencies owed San Francisco as of June 30, 2013, when the payments were paid off. The total bonds were issued in par amount of \$335.8 million, including the callable portion of Series 2013A tax-exempt bonds that can be redeemed starting on April 1, 2023, the call date. The bond transaction and the prepayment program resulted in approximately \$62.3 million in net present value savings over the term of the bonds.

In 2021, BAWSCA evaluated several alternatives to refinance the 2013A bonds in order to achieve interest savings. In order to take advantage of the then low prevailing interest rates and still retain the economic advantage of issuing tax-exempt refunding bonds, BAWSCA proceeded with a tax-exempt forward delivery whereby the fixed interest rates and prices on the bonds, along with the costs of issuing the bonds, were locked in at the time of the bond sale in October 2021, with the actual issuance of the refunding bonds deferred until January 2023, when the refunding bonds could be issued as tax-exempt under federal regulations.

On January 5, 2023, BAWSCA completed the settlement of the 2023A bonds to refund the 2013A bonds based on a tax-exempt forward delivery. The total principal amount of the 2023A bonds issued were \$134.310 million at an all-in true interest rate of 2.06%. This refunding bond transaction will generate approximately \$27.1 million in net present value savings over the term

of the bonds, or an average of approximately \$2.5 million of savings per year, starting in FY 2022-23. A summary of the final sources and uses of funds is shown in Exhibit A attached.

The total savings from recent refunding, along with the savings from the original 2013 bond issuance, will be approximately \$89.4 million to the water customers that BAWSCA represents from 2013 to 2034, or an annual average savings of \$6 million from 2023 to 2034 when the bonds will be paid off.

Comparison of Actual Refunding Results vs. Estimated Current Refunding Regular Delivery

In 2021, BAWSCA and its municipal advisor evaluated alternatives for refunding the 2013A bonds available at that time, including: 1) waiting until December 2022 to sell and issue tax-exempt current refunding bonds on a regular delivery basis, whereby the bonds are delivered no more than 4 weeks after the pricing and sale of the bonds; 2) issuing taxable advance refunding bonds in 2021; and 3) issuing the refunding bonds on a tax-exempt forward delivery basis, whereby the interest rates, bond prices and savings are locked in at the time of the bond sale in October 2021, with the issuance and delivery of the bonds taking place in January 2023.

Based on market conditions at that time, alternative 3, a forward refunding in October 2021, was estimated to result in greater savings than a taxable advance refunding and, while waiting until December 2022 for a tax-exempt regular delivery refunding could potentially result in greater savings than a forward delivery refunding, depending on market conditions, the forward delivery refunding locks in the savings much sooner, thereby eliminating the risk of a major erosion of savings in the event of a significant adverse market change between the time a pricing a forward refunding can be priced relative to a regular delivery tax-exempt refunding. For these reasons, BAWSCA and its municipal advisor recommended a tax-exempt forward delivery, and the settlement of the 2023A refunding bonds were completed on January 5, 2023, based on the Board authorization on September 16, 2021.

BAWSCA recently compared the actual 2023A refunding results to the estimated savings had BAWSCA waited until the middle of December 2022 to price on a regular delivery basis. The estimated net present value benefit of the forward delivery pricing relative to a regular delivery pricing is roughly \$6.9 million.

Greater Final Savings Than Anticipated in October 2021

On October 21, 2021, BAWSCA completed the pricing and sale of the 2023A bonds, and anticipated that this refunding transaction to generate approximately \$25.1 million in net present value savings (as of 11/1/2021) over the term of the bonds.

As a result of the recent settlement of 2023A refunding bonds, the final net present value savings of \$27.1 million (as of 1/5/2023) are approximately \$2.0 million greater than what was anticipated in October 2021, mostly due to the impact of current high interest rates on the investment earnings in the escrow fund between January 5, 2023 when the net proceeds were deposited in the escrow fund and April 1, 2023 when the funds will be used to redeem the 2013A bonds.

EXHIBIT A

BAWSCA 2023A REFUNDING - FINAL REFUNDING BOND PRINCIPAL (SOURCES AND USES OF FUNDS)

Sources			
Principal Amount of Refunding Bonds			\$134,310,000
Premium (1)			<u>26,044,861</u>
Gross Refunding Proceeds			\$160,354,861
BAWSCA Funds for Non-Contingent Costs			300,000
New Stabilization Fund Requirement			10,986,572
Stabilization Fund Transferred to Escrow			1,895,381
Principal and Interest Funds			<u>4,597,750</u>
<i>Total Sources</i>			\$178,134,563
Uses			
13A Principal Refunded			\$163,790,000
13A Interest due on 4/1/23 Call Date			<u>3,940,500</u>
Redemption Price of 13A Bonds on 4/1/23			\$167,730,500
Less: Earnings on Escrow Deposit			<u>(1,605,431)</u>
Subtotal: Deposit to Refunding Escrow			\$166,125,069
New Stabilization Fund Requirement (2)			10,986,572
Costs of Issuance and Underwriter Discount (3)			<u>1,022,922</u>
<i>Total Uses</i>			\$178,134,563
Other Information			
Net Present Value Savings			\$27,145,340
Pct. Of Refunded Bonds			16.6%
Avg. Annual Savings (FY 23-34)			\$2,514,053
All-in True Interest Cost			2.06%
Term of Bonds			Through 2034
Reduction in Stabilization Fund Requirement			1,350,963
(1) Premium is paid by investors when the interest rate is higher than the yield.			
(2) 50% of the max aggregate annual debt service of 13B and the refunding bonds.			
(3) Underwriter Discount is 0.237% of the principal amount of the refunding bonds.			

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(650) 349-3000 tel. (650) 349-8395 fax

MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: January 13, 2023
SUBJECT: Chief Executive Officer/General Manager's Letter

Tier 2 Update Negotiations

BAWSCA, the member agencies, and the technical consultant continue to meet monthly in person and at regularly scheduled Water Management Representative meetings to negotiate the methodology for an updated Tier 2 Plan. Smaller subgroups have also been formed to work through details and conduct more in-depth analysis on specific topics to provide recommendations to the larger group. Significant progress has been made to date.

BAWSCA and the member agencies aim to narrow down the steps in the allocation methodology in the next two months. Once the broad steps are selected, the agencies will begin negotiating the variables and thresholds that should be applied (e.g., percent minimum and maximum cutback, health and safety floor, etc.). Simultaneously, the technical consultant will conduct analyses to understand how the different methodologies will perform using the variables considered by the agencies and under different potential future scenarios.

SFPUC CIP/BAWSCA Review of Small CIP Projects

Beginning in 2020, the SFPUC has prepared and provided to BAWSCA an "Annual Report" on enterprise-managed projects in compliance with the Section 6.09.I.1 of the Amended and Restated Water Supply Agreement.

Each year, BAWSCA has provided comments on the Annual Report, including suggestions to enhance the future reports. The information shared in the Annual Report details work on small projects, generally less than \$5M in cost, which are not tracked in the Water Enterprise (Regional) and Hetch Hetchy (Water and Joint) quarterly reports. Tracking these projects is important to both BAWSCA and the SFPUC because they represent about 25% of the Regional Water Enterprise (WE) CIP and Programmatic budgets, and about 20% of the Hetch Hetchy Water (HH) CIP budget. The total value of expenditures in FY 2021-22 for all projects reported is \$40.7 Million

BAWSCA recently completed its review of the FY 2021-22 Annual Report . A copy of BAWSCA's comment letter to the SFPUC is included in the correspondence packet for this BAWSCA Board meeting. BAWSCA's review identified select places where additional information is needed to present a complete picture of the work performed. While the report provided by the SFPUC was considered to be final, the BAWSCA comment letter asked the

SFPUC to provide the information requested or a response as to why that information is not available.

Integrated Regional Water Management Plan (IRWMP) Grant

As reported in April 2020, BAWSCA and 10 Bay Area water agencies were awarded Proposition 1 grant funding to support existing and planned water conservation programs. The grant application was submitted as part of the Bay Area Integrated Regional Water Management Plan (IRWMP) efforts. While the grant was awarded in 2020, all agreements and MOUs between the parties, including the Department of Water Resources and the Association of Bay Area Governments, were not fully executed till early 2022. Regardless, agencies may receive reimbursement for program activities dating back to June 2020. BAWSCA is up to date with reimbursement requests and has submitted requests for all eligible program activities between June 2020 and December 31, 2022.

BAWSCA's grant allocation is \$382,477 (9.2% of the grant awarded to all Bay Area agencies) and will support four existing programs and one planned program. The grant award to BAWSCA for each program as well as the percent complete to date are provided in the table below.

Program	Grant Amount	Spent to Date	Percent Complete
Lawn-Be-Gone Rebates	\$49,750.00	\$16,543.50	33%
QWEL Trainings	\$15,000.00	\$8,000.00	53%
Rachio Rebates	\$30,000.00	\$26,368.47	88%
Component Analysis ¹	\$122,727.00	\$0.00	0%
Leak Detection/Smart Metering Devices ²	\$165,000.00	\$0.00	0%

¹ Component Analysis is offered through BAWSCA Water Loss Management subscription program.

² This is a planned program and may include rebates for customer side leak detection devices.

BAWSCA has contracted with the California Water Efficiency Partnership to provide a QWEL training by the end of FY 2022-23. Member agencies enrolled in BAWSCA's Lawn-Be Gone, Component Analysis through the Water Loss Management Program, and Rachio subscription programs will receive reimbursement for 50% of rebates issued on a first come, first served basis. Agencies that participate in Valley Water programs or are an independent partner agency on the Proposition 1 grant are not eligible for reimbursement through BAWSCA's grant allocation. The grant expires at the end of calendar year 2024.

BAWSCA Internship

Beginning in 2022 and directly in response to a request from the Board, BAWSCA implemented an Internship Program, with the aim of placing interns in positions of temporary employment with BAWSCA for a period of approximately 10 weeks during summer months. BAWSCA's program provides interns with opportunities to learn from professionals and gain critical skills for their future careers. BAWSCA intends to continue to host a summer intern in future years, subject to Board approval of the associated work plan and budget.

Following a competitive selection process, BAWSCA entered into an agreement with East Side College Preparatory School (ECPS) in October of 2021 to assist in implementing the program. Primarily, ECPS assists BAWSCA by helping to identify and recruit interns. Under the agreement, ECPS and BAWSCA each bear their own costs and expenses arising out of

the performance of the roles and responsibilities set forth in the agreement. Interns hired by BAWSCA are compensated pursuant to the terms of a separate employment agreement between BAWSCA and the intern, and ECPS has no employment obligations to them.

In Summer 2022, BAWSCA employed its first intern. This first year of the program was very successful. BAWSCA is continuing to work with ECPS to prepare for another year of this program. A continuation of the Internship Program will be included in the Proposed FY 2023-24 Work Plan and Budget for the Board's consideration at its May 18, 2023 meeting.

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Board of Directors

Policy Calendar Through September 2023

Meeting Date	Purpose	Issue or Topic
January 2023	D&A R&D S	Mid-Year 2022-23 Work Plan, Budget and General Reserve Review Water Supply Update FY 2023-24 Work Plan and Budget Study Session
March 2023	D&A D&A R&D R R&D	Consideration of BAWSCA Bond Surcharges for FY 2023-24 Consideration of Adjustment to Staff Top Step Position Compensation Presentation of Preliminary FY 2023-24 Work Plan and Budget Annual WSA Balancing Account Update Review of Water Supply Forecast
May 2023	R&A R&D	Consideration of Proposed FY 2022-23 Work Plan and Budget Review of Water Supply Forecast
July 2023	D&A R&D R&D	Review of Agency Personnel Handbook Long-Term Reliable Water Supply Strategy Update SFPUC Alternative Water Supply Program Update
September 2023	D&A	CEO/General Manager Performance Evaluation

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Fiscal Year 2023-24 Work Plan and Budget Planning Session**

Summary:

Each year, the BAWSCA budget is prepared to meet a specific work plan and identified results to be achieved. The development of the preliminary work plan begins by compiling a list of major challenges that BAWSCA, its member agencies, and their water customers will face next fiscal year, and between now and 2060. This long-term perspective helps anticipate and identify the results that must be achieved during FY 2023-24. A preliminary list of challenges as updated for the FY 2023-24 budget process appears in Table 1.

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

Recommendation:

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

Discussion:

The FY 2023-24 Work Plan and Budget development process is being initiated with a Board planning session. The goal of the planning session is to receive Board input on near-, mid- and long-term issues for BAWSCA to consider in developing its FY 2023-24 Work Plan.

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

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

Input received from the Board will be reviewed and addressed by the CEO in developing the Preliminary FY 2023-24 Work Plan and Budget, which will be presented to the BPC in February and the Board in March. Following further Board input, a recommended Work Plan and Budget will be presented to the BPC in April for its review, and presented to the Board for recommended adoption in May.

Attachment:

- Table 1. Future Challenges Facing BAWSCA, Member Agencies and Their Customers (Preliminary FY 2023-24)

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Table 1: Future Challenges Facing BAWSCA, Member Agencies, and Their Customers (Preliminary FY 2023-24)
(Proposed Changes Shown in Blue Underlined Italic Font)

BAWSCA Goal and Associated Challenges	FY 2023-24 (Near-Term)	2025-2040 (Mid-Term)	2040-2060 (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, as presented in the Long Term Vulnerability Analysis, <u>and SFPUC's Alternative Water Supply Planning.</u>	X	X	X
<u>Protection of member agencies' interests in SFPUC development and implementation of its Alternative Water Supply Program including oversight of scope, schedule, and budget.</u>	X	X	X
Protection of BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts, including completion of Updated Demand Projections.	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	
<u>Assist member agencies in complying with the State's expanding regulatory requirements related to water use efficiency and reliability.</u>	X	X	<u>X</u>
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, <u>including extension of State oversight (exp. 12/2026) and RFA capability (exp. 1/2030).</u>	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
<u>Ensure Agency's near-term and long-term resiliency</u>	<u>X</u>	<u>X</u>	<u>X</u>

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

Meeting Schedule through January 2024

Schedule for BAWSCA Board Meetings (Meetings are held from approx. 6:30 – 8:45 p.m.)	
<u>Date</u>	<u>Location</u>
Thursday – March 16, 2023	Burlingame Community Center – Sequoia Room
Thursday – May 18, 2023	Burlingame Community Center – Sequoia Room
Thursday – July 20, 2023	Burlingame Community Center – Sequoia Room
Thursday – September 21, 2023	Burlingame Community Center – Sequoia Room
Thursday – November 16, 2023	Burlingame Community Center – Sequoia Room
Thursday – January 18, 2024	Burlingame Community Center – Sequoia Room

Schedule for RFA Board Meetings (Meeting time will be announced)	
<u>Date</u>	<u>Location</u>
Thursday – January 18, 2024	Burlingame Community Center – Sequoia Room

Schedule for BAWSCA Board Policy Committee Meetings (Meetings held from 1:30-4:00 p.m.)	
<u>Date</u>	<u>Location</u>
Wednesday, February 8, 2023	Burlingame Community Center – Sequoia Room
Wednesday, April 12, 2023	Burlingame Community Center – Sequoia Room
Wednesday, June 14, 2023	Burlingame Community Center – Sequoia Room
Wednesday, August 9, 2023	Burlingame Community Center – Sequoia Room
Wednesday, October 11, 2023	Burlingame Community Center – Sequoia Room
Wednesday, December 13, 2023	Burlingame Community Center – Sequoia Room