



**SPECIAL MEETING of the BOARD OF DIRECTORS
TO BE HELD VIA VIDEO CONFERENCE**

Thursday, March 16, 2023

6:30 P.M.

REVISED AGENDA

DUE TO PUBLIC HEALTH AND SAFETY IMPACTS RELATED TO RECENT STORMS, INCLUDING CURRENT POWER OUTAGES, THIS MEETING WILL BE CONDUCTED AS A TELECONFERENCE PURSUANT TO THE PROVISIONS OF GOVERNMENT CODE SECTION 54953(e). MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON.

The following members of the BAWSCA Board are listed to permit them to appear telephonically at the Board Meeting on March 16, 2023: Angela Andrews, Jay Benton, Randy Breault, Tom Chambers, David Cohen, Maria Doerr, Alison Cormack, Tom Hamilton, Karen Hardy, Sam Hindi, Steve Jordan, Gustav Larsson, Antonio López, Juslyn Manalo, Lisa Matichak, Chris Mickelsen, Carmen Montano, Ann O'Brien, Tom Piccolotti, Barbara Pierce, Ann Schneider, Tom Smegal, Lou Vella, John Weed, Sepi Wood, and Tom Zigterman.

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

Participating via Video Conference:

Click on the link to Join the meeting, <https://us02web.zoom.us/j/88462475900>

- Meeting ID: **884 6247 5900**
- Password: **928016**
- The web browser client will download automatically when you start or join your first Zoom meeting. It is also available for [manual download here](#).

OR,

Participating via Telephone:

- **Dial (888) 788-0099** US Toll-free, and entering **Meeting ID 884 6247 5900** and **Password 928016** when prompted.
- To Mute or UnMute, Press *6.
- To Raise Hand, Press *9.
- The Presentation will be available prior to the meeting at www.bawasca.org.

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

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

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

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<u>Agenda Item</u>	<u>Presenter</u>	<u>Page</u>
1. Call to Order/Roll Call/Salute to Flag	(Larsson)	
1.5. Adoption of Resolution #2023-02, declaring that the Board meeting will be held via teleconference <u>(Under Separate Cover)</u>	(Larsson)	
2. Comments by the Chair	(Larsson)	
3. Board Policy Committee Report (<i>Attachment</i>)	(Hardy)	<i>Pg 5</i>
4. Consent Calendar (<i>Attachments</i>)	(Larsson)	
A. Approve Minutes of the January 19, 2023 Meeting		<i>Pg 21</i>
B. Receive and File Budget Status Report – As of January 31, 2023		<i>Pg 27</i>
C. Receive and File Investment Report – As of January 31, 2023		<i>Pg 29</i>
D. Receive and File Bond Surcharge Collection, Account Balance and Payment Report – As of December 31, 2022		<i>Pg 31</i>
E. Proposed Fiscal Year 2023-24 Bond Surcharges		<i>Pg 33</i>
F. Adjustments to Staff Top Step Position Compensation		<i>Pg 39</i>
<i>The Board Policy Committee voted unanimously to recommend the proposed Board actions for Items #4E and #4F.</i>		
5. SFPUC Report	(Ritchie)	
A. 10-Year Capital Improvement Program		
B. Water Supply Conditions		
6. WMR Report	(Flegel)	
7. Public Comments	(Larsson)	
<i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>		
8. Action Calendar	(Sandkulla)	
A. Consideration Resolution #2023-01 Concurring in Nomination of John H. Weed of Alameda County Water District to the Executive Committee of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA-JPIA) (<i>Attachment</i>)		<i>Pg 43</i>
9. Report and Discussion		
A. Preliminary Fiscal Year 2023-24 Work Plan, Results to be Achieved and Operating Budget (<i>Attachment</i>)	(Sandkulla)	<i>Pg 51</i>

10. CEO Reports

(Sandkulla)

- A. Annual WSA Balancing Account Update (*Attachment*)
- B. Water Supply and Demand Update
- C. Bay Delta Plan/FERC Update
- D. CEO Letter (*Attachment*)
- E. Board of Directors Policy Calendar (*Attachment*)
- F. Correspondence Packet ([Under Separate Cover](#))

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11. Closed Session

(Schutte)

- A. Conference with Legal Counsel – Existing Litigation pursuant to**
Paragraph (1) of subdivision (d) of Government Code Section 54956.9
Federal Energy Regulatory Commission Final License Application
Proceedings for Don Pedro Hydroelectric Project, P-2299-082, and La
Grange Hydroelectric Project, P-14581-002.
- B. Conference with Legal Counsel – Existing Litigation pursuant to**
Paragraph (1) of subdivision (d) of Government Code Section 54956.9
State Water Board Cases (Sacramento County Superior Court Case
No. 5013).
- C. Conference with Legal Counsel – Anticipated Litigation**
Initiation of litigation pursuant to paragraph (4) of subdivision (d) of
Government Code 54956.9 (1 potential case)

12. Report from Closed Session

(Schutte)

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

(Larsson)

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

(Larsson) Pg 111

15. Adjourn to next meeting scheduled for May 18, 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 bawzca@bawzca.org or submitted by phone at 650-349-3000. Requests will be granted whenever possible and resolved in favor of accessibility.



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MEMORANDUM

TO: BAWSCA Board Members
FROM: Nicole Sandkulla, Chief Executive Officer/General Manager
DATE: March 10, 2023
SUBJECT: Summary of Board Policy Committee meeting held February 8, 2023

1. **Call to Order:** Committee Chair, Karen Hardy, 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 (3), and other attendees is attached.

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

2. **Comments by Committee Chair:** Chair Hardy welcomed the Committee members and conveyed Vice-Chair Vella's regret for being absent due to a previous commitment.
3. **Consent Calendar:** Director Pierce noted that the minutes should be corrected to reflect her absence from the December 14th meeting.

Director Cormack made a motion, seconded by Director Larsson, that the Committee approve the Minutes of the December 14, 2022 Board Policy Committee meeting with the corrections.

The motion passed unanimously.

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

5. **Action Calendar:**

- A. **Proposed Fiscal Year 2023-24 Bond Surcharges:** BAWSCA Finance Manager, Christina Tang, reported that BAWSCA's surcharge setting is an annual process to meet the financial obligation associated with the revenue bonds issued by BAWSCA. In 2013, BAWSCA issued revenue bonds to prepay the remaining capital debt that member agencies owed San Francisco as of June 30, 2013. The surcharges collected are used to pay for debt service payments, bond administration payments, and to replenish the stabilization fund as necessary.

Based on the recent review of the stabilization fund, no replenishment is needed at this time

On January 5, 2023, BAWSCA completed the settlement of the 2023A refunding bonds based on the tax-exempt forward delivery. The refunding will provide a net present value savings of approximately \$2.5 million per year from 2023 to 2034. FY 2023-24 will be the second year to realize the refunding savings.

The surcharges are calculated based on BAWSCA's Revenue Bond Indenture (Indenture), and the methodology used is the same as FY 2022-23.

The total bond surcharge for FY 2023-24 is \$21,917,772. It is equivalent to \$0.37/ccf or \$162/AF; assuming SFPUC's preliminary wholesale water consumption projection of 121.2 mgd.

Ms. Tang reported that the prefunding program through the original 2013 bond issuance along with the recent refunding will generate a total savings of approximately \$6 M for the water customers that BAWSCA represents from 2023 through 2034, when the bonds are paid off.

The Committee is asked to recommend Board approval of the proposed FY 2023-24 bond surcharges.

Director Cormack noted that she spent some time deciphering the data provided in Table 2 and Table 3. Essentially Table 2 shows the true up adjustments and the surcharge savings resulting from the restructured bonds. Table 3 shows the true up, but not the savings from the refunding of the bonds. It only shows the savings from the original 2013 bond issuance. She suggested that, if possible, include a column that shows the savings resulting from refunding the bonds, perhaps highlighting what was paid last year, what will be paid this year, and putting the details of the true up calculation on the side.

Ms. Tang explained that Table 3 only shows the actual savings occurred in FY 2021-22 from the original 2013 bond issuance because FY 2022-23 is the first year when the savings from the refunding are realized.

Ms. Sandkulla added that the surcharges are based on projected purchases. Table 3 is intended to show the savings based on the actual purchases made 2 years back (FY2021-22), which provides the data for the true up calculations. For next year's process and memo, Table 3 will have the savings associated with the 2023 refunding because data for the actual purchases in FY 2022-23 would be available.

Director Pierce can appreciate tables that are less confusing, but noted that there are members of the board that look for the level of details that show how we got from point A to point B.

In response to Director Smegal's question on Table 2's data for ACWD and CWS SSF, which shows an increase instead of a decrease, Ms. Tang explained that the increase is because the agencies' actual water purchases in FY 2021-22, as a percent of the total wholesale water purchases, is higher than the percentage assumed when the FY 2021-22 surcharge was calculated.

Ms. Sandkulla added that in this calculation, ACWD's and CWS SSF's water purchases are relative to others. It is important to note that CWS SSF may not have been able to lower its

usage as much as others because its per capita water use is already low, and ACWD's water source shifted to the SFPUC in 2021-22. Hence, the relative difference between the member agencies is a contributing factor.

Ms. Tang noted that page 3 of the staff report provides an explanation of how the true up adjustments are calculated.

Director Cormack suggested to include Ms. Sandkulla's explanation that data can vary from year to year based on the member agencies' relative purchases.

There was no further discussion. There were no public comments.

Director Cormack made a motion, seconded by Director Chambers, to recommend Board approval of the proposed FY 2023-24 bond surcharges.

The motion passed unanimously.

- B. Adjustments to Staff Top Step Position Compensation: Ms. Sandkulla reported that BAWSCA performs a periodic review of top-step compensation for staff positions to ensure that BAWSCA is aligned and remains competitive with the market.

BAWSCA works with an outside consultant, Koff and Associates, to conduct the review among identified comparator agencies. Comparator agencies include Alameda County Water District, Contra Costa Water District, East Bay Municipal Water District, Hayward, Palo Alto, Santa Clara Valley Water District and SFPUC. They are a combination of cities and water districts that have comparable positions to BAWSCA which is a key component of the survey.

The survey was initially performed in November 2021, but due to the inflationary period occurring at that time, Koff and Associates recommended to defer the survey by one year to avoid skewed results. Koff & Associates updated the survey in November 2022 and provided the results presented in the staff report.

The results indicate adjustments be made to the current top-step compensation for all staff because they are all below the market median. The differences range from 1.1% to 7.7 dependent on staff category.

Ms. Sandkulla noted that unlike water districts and cities, BAWSCA staff are not represented by a union. Regular review of staff compensation and modification by the Board is necessary to ensure BAWSCA's staff compensations are aligned with the market.

With the recommended action, there is no impact to the current budget or next year's budget because there are no employees that are at the top of their respective category step. The adjustment is to literally put BAWSCA's salary range in par with the market and not behind.

The budget for FY 2023-24 will include an allowance for salary adjustments that the Board will be asked to approve at the May Board meeting. If approved, salary range adjustments would be applied to all staff positions effective FY 2023-24, except for the CEO/General Manager.

Director Cormack suggested San Francisquito Creek Authority as a comparator agency for future consideration because of its comparable total staff size to BAWSCA, as well as other agencies that have staff with similar skillsets and assignments to those of BAWSCA.

In response to Director Smegal's question about other compensation adjustments that are under the CEO/General Manager's purview, Ms. Sandkulla explained that in the budget process, the Board will approve a COLA adjustment to the approved top-step salary, and a budget allowance for salary adjustments including merit. The budget allowance for staff compensation that the Board approves is then allocated under the CEO/General Manager's authority.

Ms. Sandkulla noted that the proposed budget that the Committee will see in April will include an estimated allowance for the CEO/General Manager position that is in the Board's discretion.

Director Hardy expressed her surprise to see that there were select positions within BAWSCA whose current salary mid points fell much below the median of comparator agencies.

Ms. Sandkulla explained that the results are reflective of the desk audits done over the last several years for the positions of Finance Manager, Assistant to the CEO, and Sr. Water Resources Engineer. The other positions have only been adjusted by COLA every year and did not get a desk audit to catch them up.

In response to Director Smegal's inquiry about the comparable definitions of BAWSCA's positions with the comparator agencies, Ms. Sandkulla stated that the position definitions are extensively analyzed. For example, the Office Manager for BAWSCA performs duties that overlapped what two people provide for the comparator agencies. For estimation purposes, the salaries for those two people are blended, such that a proper comparison for BAWSCA's position can be made.

Ms. Sandkulla added that any significant changes to the job descriptions for staff require Board approval.

Director Cormack noted that the adjustments are not double-digit and therefore are not too far out of the market. Given the volatile environment we are currently in with COVID and inflation, it is reassuring that the change is at this level.

In response to Director Pierce, Ms. Sandkulla explained that other smaller agencies were not included as comparator agencies because of the kind of work that BAWSCA's job positions require. For example, other smaller agencies do not have positions directly equivalent to the duties that BAWSCA's Water Resources Manager performs.

Director Pierce stated that it is helpful to emphasize that component needed in a comparator agency to clarify that BAWSCA's position descriptions are more similar to the bigger agencies than smaller ones.

There were no further discussions. There were no public comments.

Director Smegal made a motion, seconded by Director Pierce, to recommend Board approval of the adjustments to top-step compensation for all BAWSCA staff positions.

The motion carried unanimously.

6. Reports and Discussion Item:

- A. Preliminary Fiscal Year 2023-24 work Plan and Results to be Achieved: Ms. Sandkulla reported that as always, BAWSCA builds a work plan for the next fiscal year based on the long-range challenges and what is needed to address those anticipated challenges. The work plan is aligned with BAWSCA's legislative authority and its goal of ensuring a reliable supply of high-quality water at a fair price.

Table 1 in the staff report provides the details for each area of the preliminary work plan that is proposed for FY 2023-24. Table 2 lists the activities that are not included in the workplan. Ms. Sandkulla noted that Table 2 documents the activities that the Board has decided not to do. It serves as a helpful guide in managing expectations and clarifying the work that is not in BAWSCA's proposed scope. The BAWSCA Board determines whether to add or remove items on Table 2.

The preliminary workplan addresses the critical issues identified between now and 2060. Ms. Sandkulla emphasized the additional program activities in the work plan including preparation of a Drought Summary Report for the conclusion of the current drought that, based on the wet year to date, is hoped and projected to end in FY 2023-24, development and implementation of a Grant Support Program, with both a core and subscription component, that would serve to assist BAWSCA and its member agencies in tracking and securing future grants, and preparation of a staff-led plan to address BAWSCA's long-term policy and operational resiliency.

Because BAWSCA's budget is approved on an annual basis, Ms. Sandkulla also emphasized that the preliminary work plan includes continuation of previously approved multi-year projects. Those activities include developing the scope of work for updating the Long-Term Reliable Water Supply Strategy (Strategy), supporting members with water use efficiency legislation on Commercial, Industrial, Institutional (CII) performance measure requirements, and facilitating the development of a new Tier 2 Plan.

The preliminary work plan and budget reflects the input received from the Board at the January Board meeting, where a work plan and budget planning session took place. Table 3 in the staff report provides responses to the thirteen comments provided by the Board. Twelve of the comments have been addressed directly in the preliminary work plan.

Ms. Sandkulla stated that her response to Director Doerr's comment encouraging BAWSCA to include work efforts that helps protect the watersheds relied upon by the region for water supply is to work with the SFPUC in providing a presentation to the Board on SFPUC's efforts aimed at watershed protection. She added that Director Chambers further suggested to ask the SFPUC to do a local watershed tour, which she believes would be timely given the numerous projects in the Peninsula.

The major tasks in the preliminary work plan under the areas of water supply reliability, water quality, fair price and agency effectiveness were presented and discussed.

Water Supply Reliability:

- Ensuring the Regional Water System's (RWS) facility reliability by monitoring SFPUC's WSIP, 10-year Capital Plan, Asset Management Plan and Emergency Response Plan. SFPUC's current and long-term labor capacity to maintain and operate the Regional Water System is a developing activity in which BAWSCA has recently elevated its engagement by providing written comments on the SFPUC Capital Plan, which identified BAWSCA's concerns with labor capacity.

- BAWSCA's long-term supply solutions include implementation of the Strategy. Ms. Sandkulla noted that the Strategy was initiated in 2009 and, through multiple phases, completed in 2015. BAWSCA's water resources activities such as the modeling effort and participation in the Bay Area Regional Reliability (BARR) Partnership are efforts that stem from the Strategy.

In FY 2023-24, the scoping activity for an update to the Strategy, called Strategy 2045, will be completed and the development of Strategy 2045 will be initiated.

Ms. Sandkulla noted that the work to develop Strategy 2045 will be a multi-year effort and funding will be separate from the operating budget adoption. She further explained that the development of the scope of work for Strategy 2045 will be included in the operating budget, however, the work involved to prepare Strategy 2045 will have a separate funding source for the Board to consider. This is consistent with the process done in 2009. Ms. Sandkulla mentioned that the Water Supply Agreement (WSA) with San Francisco has an alternative funding mechanism for water resources work called the Water Management Charge that the BAWSCA Board has the authority to utilize. It is set up to fund water supply projects by the member agencies. It was a successful funding process for the member agencies in developing the Strategy in 2009, and the same process to fund the development of Strategy 2045 is highly recommended. For that prior effort, it was a one-time charge of \$1.2 M collected monthly over an 18-month period.

In response to Director Schneider's question about the Strategy's scope related to facilitating development of local water supply options, Ms. Sandkulla explained that currently, BAWSCA serves as a field expert for agencies that need support for their local projects. For example, BAWSCA provides agencies with support letters and/or facilitates the connection between member agencies and other partner agencies.

Moving forward, the scoping and development of Strategy 2045 will look at what role is most effective for BAWSCA to have in supporting individual local projects. Ms. Sandkulla noted that the member agencies' collective water supply needs has significantly changed from 2009. Back then, BAWSCA as a region, was looking at bigger investments. Today, looking at local supplies and identifying the role BAWSCA has in those efforts will be a big part of the Strategy 2045 development.

- BAWSCA's near-term supply solutions involve implementation of water conservation efforts as well as drought response.

BAWSCA will continue to support member agencies with their efforts to address the drought as it continues. But given the improved conditions, the preliminary work plan includes the preparation of a Drought Summary Report should the current drought conclude in FY 2023-24.

A Drought Summary Report was prepared following the drought of 2014-2017 which served the member agencies well during the current drought. It documented the actions taken by the State, SFPUC, Valley Water and the member agencies in detail. The proposed report for the drought of 2021 will include an analysis of the drought actions agencies implemented to examine its correlation with the actual water reductions experienced. That component will require an outside consultant and will

have an estimated cost of \$40,000. Ms. Sandkulla emphasized the critical lessons learned from drought experiences and it is important to document them as they become invaluable information for the next time around.

BAWSCA will continue its robust conservation efforts including development of a LEAK repair and training certification program, and the partnership with C/CAG on potential greywater pilot programs. Existing and planned programs include 13 core conservation programs which are paid for through the overall operating budget and provides a benefit to the BAWSCA region. There are 15 existing and planned subscription conservation programs which are paid for by member agencies who choose to participate.

Ms. Sandkulla reported that a Grant Support Program will be added to both the core and subscription program in FY 2023-24. This is in response to member agencies' interests in tracking state and federal funding opportunities for water resources work. The core program will bring a consultant to help BAWSCA stay informed of current and upcoming grant opportunities on a regular basis. The subscription component of the program provides member agencies access to the consultant to help write their grant applications.

She explained that the costs incurred for the first-year administration of a new conservation program is typically absorbed by BAWSCA. A consultant is hired to help develop the program. Agencies then pay for their participation in a subscription program moving forward. The cost for the Grant Support Program is estimated at \$55K.

In response to Director Schneider, Ms. Sandkulla stated that the EPA's Water Infrastructure Finance and Innovation Act (WIFIA) grant and loan opportunities will be included in the Grant Support Program.

Director Hardy was pleased to see that the work plan continues to include efforts to address alternative water supply and conservation efforts.

- Protecting the member agencies' water supply interests in the administration of the WSA includes efforts such as BAWSCA's engagement with the SFPUC's Alternative Water Supply Plan to ensure SFPUC meets its water supply obligation to member agencies. BAWSCA's facilitation of updating the Tier 2 Plan with the member agencies also fall under this area of work, as well as tasks the Board and member agencies have asked BAWSCA to perform. Such tasks include monitoring SFPUC's unfunded pension and OPEB liability, and ensuring the correct implementation of the WSA in accordance with the 2018 amendment, and the 2023 amendment.

From a private corporation's point of view, Director Smegal was curious how BAWSCA, SFPUC, other state agencies, and CalPERS are doing on their OPEB, as Cal Water's discount rate has gone up.

Ms. Sandkulla stated that information for 2023 is not available yet to do the analysis. The next report regarding pension and OPEB obligations to the Board will be in November 2023. From the last report provided to the Board in September 2022, Ms. Sandkulla noted that BAWSCA's numbers look good and stated that the Board is very

good about managing the time horizon for a pay-off, and sticking with the plan. BAWSCA's OPEB and unfunded liabilities are included in the budget process and adoption every year.

Director Cormack expressed her appreciation for including the unfunded pension and OPEB liability as an item in the work plan.

Director Pierce recalled the Board's concern with the impacts of SFPUC's OPEB and unfunded liability to BAWSCA. She suggested to consider including a reference statement that explains BAWSCA's financial responsibility for the SFPUC's unfunded liability and OPEB is no more than the two-thirds obligation that member agencies pay for in accordance with the WSA.

In response to Director Chambers, Ms. Sandkulla explained that wholesale customers pay two-thirds of the costs SFPUC incurs to operate the RWS and that actual costs incurred each year, including the SFPUC's annual costs for pension and OPEB are rolled into the rate base. If a project was built in 2007, and there's a cost for that project in FY 2022-23, member agencies will pay two-thirds of that cost this year.

Christina Tang's revenue requirement process monitors the charges billed to the wholesale customers to ensure that they only pay for the costs that they benefit from.

- Protecting the member agencies' water supply reliability from threats stemming from the Bay Delta Plan and FERC relicensing process.
- Pursuing grant opportunities including ongoing administration of the existing Prop 1 grant for Integrated Regional Water Management, as well as investigating new opportunities through the new Grant Support Program.
- Reporting and tracking water supply and conservation activities through the Annual Survey, Water Conservation Report, and Water Conservation Database that serve as an informational data bank for member agencies as well as other agencies in the region.
- Supporting member agencies in receiving reliable communication on, and addressing, water quality issues. BAWSCA coordinates the member agencies' engagement in the Joint Water Quality Committee that was formed in accordance with the WSA and is chaired by SFPUC and BAWSCA alternatively. The Committee addresses water quality issues that informs the SFPUC's Capital Planning process. BAWSCA relays water quality information to member agencies, as well as review and act on legislation affecting water quality as needed.

Fair Price:

- Protecting the member agencies' financial interests involves the administration of the WSA and administration of the revenue bonds issued to pay the capital debt the wholesale customers owe San Francisco. This is the work that the Financial Manager, Christina Tang, does in monitoring two-thirds of the costs that are charged to the member agencies, and the strategic administration of the bonds.

Director Smegal suggested that the area of Fair Price might be a better place for the OPEB and unfunded liability efforts in the work plan.

Agency Effectiveness:

- Maintaining relationships with local legislators and allies to safeguard the health, safety and economic well-being of the region, as well as maintaining dialogue with member agencies, environmental groups and others in the region to achieve results and goals.
- Ms. Sandkulla appreciated the Board's interest and support for the staff's professional development as it is important in maintaining stability in BAWSCA's workforce. BAWSCA will continue to support a motivated, trained and effective workforce to sustain the resiliency BAWSCA has developed over the years.

Ms. Sandkulla noted the new effort to prepare a staff-led plan to address BAWSCA's long term policy and operational resilience to support future policy decision making. This September, BAWSCA will celebrate its 20th year anniversary. This effort will identify what has made the agency as effective as it is today, as well as what is needed or should be improved to continue the agency's success representing the interests of its member agencies.

Ms. Sandkulla will come to the Board with a plan for how the agency's resiliency can be maintained and improved to continue success in the years to come. Some support from legal counsel will be needed and the estimated cost for the effort is \$20K.

Directors Cormack and Hardy were supportive and suggested reaching out to colleagues and other agencies about their "lessons learned", as well as recognizing the mistakes so as to avoid repeating them.

Director Larsson commented that part of BAWSCA's success since its inception is due to the great staff that has stayed over the years. But looking forward 20-years, how do we ensure continuity and capture the institutional knowledge to set up the agency for success moving forward. It is so easy to focus on the issues that are right in front of us, but it is important to step back and take a good look at how we can maintain the effectiveness of the agency.

Director Schneider noted the City of Millbrae's interest in having BAWSCA present to the council such that they to gain a better understanding and appreciation of the work and role of BAWSCA, as well as to educate the public in attendance to better inform them that there is an associated BAWSCA cost to provide its services. In light of the 20th Anniversary, Millbrae council welcomes a presentation from BAWSCA.

Ms. Sandkulla agreed and stated that it is important to have the member agencies' governing body connect with BAWSCA, particularly her as the CEO/General Manager. She anticipates addressing Councils and Boards in the near future as BAWSCA delves closer toward the completion of the Tier 2 update.

Director Cormack noted that addressing member agencies' governing bodies can help set the stage for the individual agency actions needed for the adoption of the updated

Tier 2 plan, and is appropriate given BAWSCA's upcoming 20th Anniversary and transition to post-COVID setting operations.

Ms. Sandkulla noted the continuation of previously approved multi-year projects that were discussed and acted on by the Board as part of the Mid-Year budget review. She mentioned that the Tier 2 efforts in FY 2023-24 will have additional costs beyond those anticipated to be required to pay for Woodard & Curran's work. Ms. Sandkulla explained that once the Tier 2 plan is developed, it will be incorporated in BAWSCA's water resources modeling system; therefore, the budget will include an allocation for Hazen and Sawyer, as well as legal counsel time to help with documents including writing resolutions.

The operating budget for FY 2023-24 will reflect efforts for the Strategy implementation and Strategy 2045 scoping and development, Regional Water System Reliability, Conservation and Drought Response, and Bay Delta Plan and FERC process.

Ms. Sandkulla will examine forecast for end of year spending to understand its impact on year-end General Reserve balance.

The preliminary operating budget along with funding considerations will be presented to the Board in March. BAWSCA's primary source of funding continues to be member agency assessments as provided in the enabling legislation, AB2058.

Ms. Sandkulla noted that for the first time in 10-years, the Board's approval in May of 2022 of a 25% increase in assessments fully funded the FY 2022-23 Operating Budget of \$4,720,885. It also replenished the General Reserve to the lower end of the budgetary guideline. The FY 2022-23 BAWSCA assessments were \$4,838,897.

She reiterated that development of the Strategy 2045 is one item that will not be included in the Operating Budget, as it will be a separate funding action by the Board in FY 2023-24.

Ms. Sandkulla will incorporate the Committee's feedback received in the preliminary work plan that will be presented to the Board in March.

In April, the Committee will discuss a proposed work plan and operating budget developed based on the Board's feedback received in March. Tom Francis and Christina Tang will present the work plan and operating budget to the Committee in April.

In May, the Board will consider the proposed work plan and operating budget, and a separate item on the consultant contracts needed for FY 2023-34.

In response to Director Chambers, Ms. Sandkulla stated that the consideration of the Water Management Charge anticipated to fund Strategy 2045 can be expected at the end of calendar year 2023 or beginning of calendar year 2024.

In response to Director Cormack, Ms. Sandkulla stated that there is nothing on Table 2 that is a concern.

There were no further discussions. There were no public comments.

- B. Potential Process for Consideration of Adjustments to Board Member Stipends: BAWSCA Chair Larsson reported that it was recently raised that BAWSCA's Board Member stipend remains the same as it was set 20 years ago at \$100 per meeting.

This item is not intended to discuss the merits to change the stipend or by how much, but rather to discuss the process that the Board must follow in order to move forward a proposed stipend change.

Chair Larsson noted that the enabling legislation does include a possibility to make adjustments. He also noted that there is a stipend to RFA Board members, only if they are not elected officials or employees of their home agencies. The discussion would; therefore, be for both BAWSCA and RFA stipends.

If the Committee is interested in pursuing development of a process, legal counsel would draft a report identifying the parameters to look at, findings, amounts, and further details.

This agenda item provides the Committee the opportunity to either dismiss the item, or further discuss what elements should be included in Legal counsel's report should it decide to move forward. When the report is completed, it will come back to the Committee for further informed discussion.

Committee members made the following points:

- It is a struggle to discuss stipends, particularly for those who are passionate about public service. However, being able to serve and make informed decisions involves time to read materials and attend meetings that can take several hours. Additionally, members travel to the meetings, expending time and cost, which perhaps should be considered in deciding whether or not to move forward.
- Part of BAWSCA's rationale to having a stipend, given the 26-member Board, is to help obtain a quorum at meetings.
- The stipend was set in 2002. It has been 20-years since the stipend was set and perhaps it is time to revisit.
- Presumably, for those directors who are employees of their agencies, the stipend is not a meaningful distinction to serve.
- Former electeds who are BAWSCA/RFA members are serving as volunteers. If the Committee chooses to have legal counsel develop a process, it should look at:
 - How much are current electeds paid by their agencies
 - Was there a problem that surfaced? What is the issue that needs to be solved? Is it a hardship?
 - Consider the possibility of having regular increases such that future, detailed revisiting of stipend amounts is not needed.
 - This stipend amount could be financially meaningful for some, and to that extent, it should be an appropriate number in terms of reflecting the investment of time to be prepared for the meeting.

- Is it legal and reasonable to have the stipend amount assessed in the current market environment?
- To the extent that someone who is paid by the hour is foregoing their income by their participation in the meetings, it might be worth pursuing.
- Travel time has gotten longer as traffic has increased.
- Having a stipend amount commensurate with expectations of current and future Board members can contribute to the agency's Resiliency.

Legal Counsel noted the following:

- A \$100 stipend per meeting remains standard at many Bay Area agencies. BAWSCA adopted a compensation policy in 2003 through an ordinance. BAWSCA also has a reimbursement policy, as required by AB 1234. Board members can avail themselves of reimbursement for travel.
- Some districts in the region have revisited their stipends and have implemented an increase. Some agencies have also expanded the list of reimbursable activities. BAWSCA has a shortlist which includes attendance at meetings and conferences that are pre-approved by the Chair.
- Limitation on BAWSCA's ordinance is up to 4 meetings each month at \$100/meeting. Some agencies have taken the approach of increasing the number of meetings per month while keeping their stipend the same, with 10 meetings being the legal maximum.
- The law allows BAWSCA to increase up to 5% per year from the last time the Board visited the policy. For example, right now, there is 20 years of 5% increases available. If the Board decides to increase the number of meeting days per month, and kept the stipend at \$100 for 2023, that would be the new starting time for the policy. Meaning, the board would only be able to increase the stipend by 5% in 2024.
- It is reasonable for the Board to look at its Board Member compensation policy.

In response to committee member questions, Ms. Sandkulla noted that:

- Stipends are applied to Board Policy Committee attendance.
- Getting a quorum for meetings has not been an issue.
- BAWSCA spends approximately \$22K/year on stipends, not including the RFA.
- There are 26 members of the BAWSCA Board. Part of the justification as to why the reimbursement policy is so narrowly defined is because of the size of the Board. For example, BAWSCA covers the cost of having the Board Chair attend ACWA while other agencies are able to send their full board. Due to the large number of BAWSCA Board members, if one were to assume that BAWSCA would cover the attendance

costs of less than a quorum of Board members (e.g. twelve Directors), that cost would be considerable.

The Committee further noted:

- Look at other regional agencies including cities for comparison as some have not raised their compensation since 2000.
- Conduct a survey among the 26 Board members to identify how critical this is to their service as a Board member, to assess if addressing this issue is worth the time.
- Consider the current makeup of governing bodies in the regions which seems to show that the average age has gone down, and the household/family dynamics can contribute to the challenges of serving the public.
- If we are truly trying for equity within our councils, then the income for serving does become an issue.
- Take caution against consideration of specific situations, stay within the legal boundaries and have a universal perspective.
- From an equity point of view, it is important to support opportunities for others to be able to serve on BAWSCA and other governmental organizations. This is part of supporting people for whom a greater stipend might make a difference so we can achieve broader participation.
- Develop long-range strategies such as reviewing the stipend every 5-years to maintain a norm.
- If the stipend is increased, have a broad message that emphasizes the time-lapse of 20-years since the \$100 value was set, the intent to balance the demand of the service with the time committed, and more importantly equity.
- Provide data that would help determine what the appropriate number is should the Board decide to raise the stipend.

Ms. Schutte explained that if the Board decides to raise the stipend, there is a legal process including conducting a noticed hearing, which must be public and allow public participation. Additionally, as mentioned, the increase will be limited to the 5% per year accrued from the time the policy was last visited.

Ms. Schutte also noted that Board compensation is separate from expense reimbursement. Should the Board decide to expand the reimbursement policy, it will have to be a separate process.

Ms. Schutte will further research and come back to the BPC with more information about what the parameters look like for an option that can be brought back to the Board. She clarified that the efforts will only focus on BAWSCA and not RFA.

Ms. Sandkulla commented that the Board can decide to apply, or not, what, if anything, is implemented for BAWSCA to the RFA.

There were no public comments.

7. CEO Reports:

- A. Water Supply and Demand Update: Ms. Sandkulla reported that as of February 6th, the state of the system is good with total system storage at 91%. The State's drought picture has improved with most reservoirs at the level of where they normally should be at this time of year. Many areas of the state have been upgraded from extreme and severe drought to moderate drought conditions.

Hetch Hetchy precipitation is tracking with the wettest year of 1983. As of now, from a precipitation level, the region has reached average conditions. Ms. Sandkulla commented that Hetch Hetchy, being in the Central Sierras, seems to get benefits from the residuals of systems from the Northern and Southern Sierras.

Year-to-date upcountry precipitation is at 37.41 inches in comparison to the average annual total of 36.68 inches. Year-to-date Bay Area precipitation is at 29.45 inches in comparison to the average annual total of 22.80 inches. Snowpack is well above the median for this time of year. The challenge is for temperature to remain cold so the snow stays intact for as long as possible, prolonging the snowmelt period which in turn results in supply increase vs. reservoir spillage in the late Spring. Water available to the San Francisco is at approximately 514 TAF.

In response to Director Cormack, Ms. Sandkulla explained that when Hetch Hetchy is vacated, water is released downstream to Don Pedro which is located in the lower reaches of the Tuolumne River. With the snowpack level in the watershed upstream of Hetch Hetchy, it is projected that Hetch Hetchy will fill this year. But the question is when will the reservoir fill and how long will it remain full due to the continued snowmelt.

Total deliveries are extremely low at 146 mgd. It reflects the wet conditions in January which impacted irrigation. BAWSCA's total potable water use reported to the State as of December is 24% less than that of December 2013, and 17% less than December of 2020.

Ms. Sandkulla noted that if we were to think about this period as a 10-year drought, our water demand is 24% less than where we were in the beginning of the 10-year drought (2013).

- B. Bay Delta Plan/FERC Update: Ms. Sandkulla reported that the State Board held a workshop on January 19th where details of an aggressive schedule were provided for a voluntary agreement (VA) and the Bay Delta Plan with deadlines in Fall 2023 and Winter/Spring 2024.

BAWSCA will remain engaged with the SFPUC and others in support of a Tuolumne River VA as an alternative to the adopted Plan.

- C. Correspondence Packet: Director Cormack commented that the SFPUC's continuing request for water use reduction seems hard to defend and is difficult to communicate to water customers given the improved conditions.

Ms. Sandkulla stated that the Governor's Executive Orders, which require every agency to have their Stage 2 Drought Contingency Plans in place, continues. The SFPUC's actions are coordinated with the Governor's orders.

She explained that drought conditions have improved as a result of 9 atmospheric rivers. Having 9 such events occur within the wet season is unusual, in that in prior years the number of events have been smaller. The State's water supply predictive models are not in alignment with more recent conditions that have been present within the State's watersheds over the past few years. Specifically, while there is substantial snow in the Sierras, there is also the potential that warm spring weather, ground / soil moisture conditions, and lands impacted by past fire damage all negatively affect the quantity of resulting springtime runoff. Before agencies and the State can make a determination about whether or not to continue drought declarations, the State and local agencies need to better track and understand what is happening with runoff. Despite conditions looking very good regarding water supply available statewide, it is too early for the State and in turn for the SFPUC to make any decision because of the various unknowns in our current climate impacted environment.

Ms. Sandkulla stated that BAWSCA is applying pressure on the SFPUC to get clarity on what actions the SFPUC will take in the event that the Governor lifts his Executive Order regarding the drought and associated mandates.

Director Cormack suggested making that information available along with the water supply conditions data.

In response to Director Schneider's question about conservation messaging and tree care and maintenance, Ms. Sandkulla explained that specific messaging is agency dependent. BAWSCA supports any such agency-specific approach, however, BAWSCA's messaging regarding the drought to date has been general in nature and focuses on wise and efficient use of water.

There were no public comments.

8. **Closed Session:** The Committee adjourned to Closed Session at 3:38 pm.
9. **Report from Closed Session:** The Committee reconvened to Open Session at 3:49 pm. Ms. Schutte reported that no reportable action was taken during Closed Session.
10. **Comments by Committee Members:** There were no comments from members of the Committee.
11. **Adjournment:** The meeting was adjourned at 3:51 pm. The next meeting is April 12, 2023 in Sequoia Room of Burlingame Community Center.

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting Attendance Roster

Agency	Director	Feb. 8, 2023	Dec. 14, 2022	Oct. 12, 2022	Aug. 10, 2022	Jun. 8, 2022	Apr. 13, 2022	Feb. 9, 2022
Santa Clara	Hardy, Karen (C)	✓	✓	✓		✓		✓
MPWD	Vella, Lou (VC)		n/a	n/a		n/a	n/a	n/a
Westborough	Chambers, Tom	✓	✓	✓		✓	✓	✓
Palo Alto	Cormack, Alison	✓	✓	✓		✓	✓	✓
Menlo Park	Doerr, Maria		n/a	n/a		n/a	n/a	n/a
Sunnyvale	Larsson, Gustav	✓	✓	✓		✓	✓	✓
Redwood City	Pierce, Barbara	✓		✓		✓	✓	✓
Millbrae	Schneider, Ann	✓	n/a	n/a		n/a	n/a	n/a
CalWater	Smegal, Tom	✓	n/a	n/a		n/a	n/a	n/a
Stanford	Zigterman, Tom			✓		✓	✓	✓

✓: present

☎: Teleconference

February 8, 2023 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		
Danielle McPherson	Sr. Water Resources Specialist		
Christina Tang	Finance Manager		

Public Attendees:

Alison Kastama	SFPUC
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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING****January 19, 2023 – 6:30 p.m.****Burlingame Community Center – 850 Burlingame Ave. Burlingame
Sequoia Room**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 6:33 pm.

BAWSCA Chair, Gustav Larsson, called the meeting to order. Nicole Sandkulla called the roll. Twenty-two (22) members of the Board were present at roll call. One (1) member of the Board arrived after roll call. A list of Directors present (23) and absent (3) is attached.

Chair Larsson welcomed members of the Board, staff, and meeting participants to BAWSCA's first meeting in the new year of 2023.

He welcomed three new members of the BAWSCA Board: Director Ann Schneider from City of Millbrae, Director Maria Doerr from City of Menlo Park, and Director Cohen from City of San Jose.

2. Special Order of Business: Election of Officers for Calendar Year 2023.

Vice Chair Chambers called for nominations for the position of Chair of the BAWSCA Board. Director Pierce nominated Gustav Larsson for Chair. Director Wood seconded the nomination.

There being no other nominations, the nominations were closed by consensus.

The Board voted unanimously to elect Gustav Larsson as Chair of the Bay Area Water Supply and Conservation Agency Board of Directors for calendar year 2023, to commence at the adjournment of the meeting at which he was elected.

Chair Larsson called for nominations for the position of Vice-Chair. Director Vella nominated Tom Chambers as Vice-Chair of the Board.

Director Hardy seconded the nomination.

There being no other nominations, the nominations were closed by consensus.

The Board voted unanimously to elect Tom Chambers as Vice-Chair of the Bay Area Water Supply and Conservation Agency Board of Directors for calendar year 2023 to commence at the adjournment of the meeting at which he was elected.

3. The meeting adjourned at 6:41 pm to convene the San Francisco Bay Area Regional Water System Financing Authority Board of Directors meeting.**4. The meeting reconvened at 6:48 pm**

5. Comments by the Chair:

Chair Larsson stated that the agenda includes several items related to the agency's work plan and budget, and a budget planning session for FY 2023-24. As always, BAWSCA's work is focused on its goal of ensuring a reliable supply of high-quality water at a fair price for the 1.8 million residents, over 40,000 businesses, and hundreds of communities that BAWSCA represents in Alameda, Santa Clara and San Mateo Counties.

He noted the special nature of BAWSCA and the Directors' role as Board Members on a regional body. BAWSCA is an independent special district formed by the State legislature 20 years ago through Assembly Bill 2058. And while members of the Board are appointed by a single agency within the BAWSCA region, BAWSCA Board Members are obligated to represent the water interests of the entire BAWSCA region, not the singular interests of the appointing agency. The policy decisions and actions of the BAWSCA Board must respect and represent the needs of the entire BAWSCA region.

6. Board Policy Committee Report:

Committee Chair Breault reported on the discussions and actions taken by the Board Policy Committee at its meeting on December 14, 2022. The summary report included in the agenda provides details of the discussions.

7. SFPUC Report:

Steve Ritchie, SFPUC's Assistant General Manager for Water Enterprise, reported on the Regional Water System's water supply conditions as of January 17, 2023.

Public comments were provided by Dave Warner and Peter Drekmeier.

8. Public Comments on Items Not on the Agenda:

Public comments were provided by Dave Warner.

9. Consent Calendar:

There were no public comments on the Consent Calendar.

Director Wood made a motion, seconded by Director Hamilton, that the Board approve the Minutes of the November 17, 2022 meeting; receive and file the Budget Status Report as of November 30, 2022, the Investment Report as of December 31, 2022, and the Directors' Reimbursement Report as of December 31, 2022.

The motion passed with one abstention.

10. Action Calendar:

- A. Mid-Year 2022-23 Work Plan, Budget and General Reserve Review and Recommended Changes.

Comments and questions were taken from members of the Board following CEO Sandkulla's presentation.

Public comments were provided by Peter Drekmeier.

Director Schneider made a motion, seconded by Director Hamilton, that the Board approve 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.

The motion passed unanimously.

8. Special Report:

- A. BAWSCA Water Loss Management Program: Water Resources Manager, Tom Francis provided the report to the Board.

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

9. CEO Reports:

BAWSCA Finance Manager, Christina Tang provided a report on BAWSCA’s refunding bond settlement.

CEO/General Manager, Nicole Sandkulla provided a water supply update, including an update on the FERC/Bay Delta Plan.

Public comments were provided by Peter Drekmeier.

10. Closed Session:

There were no public comments prior to adjourning to Closed Session. The meeting adjourned to Closed Session at 8:31pm

11. Report from Closed Session:

Chair Larsson reconvened Open Session at 9:06pm, and opened the floor for a motion to extend the meeting as the duration has passed the 2 ½ hours.

Director Cormack made a motion, seconded by Director Smegal, to extend the meeting until 9:35pm.

The motion passed unanimously.

Legal Counsel Nathan Metcalf reconvened Open Session and reported that Closed Session ended at 9:07 pm. There was no reportable action taken during Closed Session.

12. FY 2023-24 Work Plan and Budget Planning Session

Board members provided their input to the CEO/General Manager for the development of FY 2023-24 work plan and budget.

There were no comments from members of the public.

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

Director Weed brought up the Del Valle Reservoir located South of Livermore that currently have park facilities. He noted that it can potentially provide 40,000 af in a space that's built, plumbed, and paid for, that can be put into operation if the current park facilities are relocated. He noted that the 50-year East Bay Regional Park District lease is due for renewal in 2024

Director Hardy encouraged members of the Board who have not participated in the Hetch Hetchy tour to consider fitting it in their schedules.

13. Date, Time and Location of Next Meeting: The next meeting scheduled on March 16, 2023 at 6:30pm.

14. Adjournment: The meeting adjourned at 9:31 pm

Respectfully submitted,

Nicole M. Sandkulla
Chief Executive Officer/General Manager

NMS/le

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

Bay Area Water Supply and Conservation Agency

Board of Directors Meeting Attendance Roster

Director	Agency	Jan. 19, 2023	Nov. 17, 2022	Sept. 15, 2022	July 21, 2022	May 19, 2022	Mar. 17, 2022
Andrews, Angela	Hayward	✓	✓	✓	✓	✓	✓
Benton, Jay	Hillsborough	✓	✓		✓	✓	✓
Breault, Randy	Guadalupe	✓	✓		✓	✓	✓
Chambers, Tom	Westborough	✓	✓	✓	✓	✓	✓
Cohen, David	San Jose	✓	*	*	*	*	*
Cormack, Alison	Palo Alto	✓	✓	✓		✓	✓
Doerr, Maria	Menlo Park	✓	*	✓	*	✓	✓
Hamilton, Tom	San Bruno	✓	✓	✓	✓	✓	✓
Hardy, Karen	Santa Clara	✓	✓	✓	✓	✓	✓
Hindi, Sam	Foster City		✓	✓	✓	✓	✓
Jordan, Steve	Purissima	✓	✓	✓	✓	✓	✓
Larsson, Gustav	Sunnyvale	✓	✓	✓	✓	✓	✓
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	✓	✓	✓	✓	✓	✓
Schneider, Ann	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: March 4, 2023

SUBJECT: Budget Status Report as of January 31, 2023

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 seven-month period ending January 31, 2023, 58 percent into the fiscal year, total expenditures were \$2,428,405 or 51 percent of the total budget of \$4,750,885.

Table 1. Operating Budget Summary as of January 31, 2023

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	1,678,820	750,570	45%
Fair Pricing	284,200	72,176	25%
Administration	116,000	120,074	104%
Subtotal	2,079,020	942,820	45%
Administration and General			
Salary & Benefits	2,198,190	1,256,756	57%
Other Expenses			
BAWSCA	465,100	228,184	49%
BAWUA	1,050	0	0%
Subtotal	4,743,360	2,427,759	51%
Capital Expenses	3,000	0	0%
Budgeted Contingency	2,500	0	0%
Regional Financing Authority	2,025	646	32%
Grand Total	4,750,885	2,428,405	51%

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 28 percent expended. The Operating Budget allocation of \$150,000 for strategic counsel was 56 percent expended. The Operating Budget allocation of \$781,500 budget for legal counsel was 64 percent expended. The \$336,320 budget for water management and conservation-related activities was 13 percent expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 57 percent and 49 percent expended respectively.

Use of CEO's Discretionary Spending Authority:

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

Use of Reserve and Reserve Fund Balance:

Unspent funds at the end of FY 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 January 2023, the Board approved a transfer of \$30,000 from the General Reserve to fund the outside consultant support needed to initiate scoping an update to BAWSCA's Long-Term Reliable Water Supply Strategy, as a result of the change to the FY 2022-23 Work Plan and the Operating Budget.

The General Reserve balance as of January 31, 2023 reflects all three transfers mentioned above, and represents 22% of the adopted FY 2022-23 Operating Budget.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 11/30/22)	Account Balance (As of 01/31/23)
General Reserve	\$1,076,550	\$1,046,550



Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: March 2, 2023

SUBJECT: Investment Report – As of January 31, 2023

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>12/31/22</u>	<u>01/31/23</u>
\$3,010,813	\$3,010,813

Of the total in the BAWSCA LAIF account as of January 31, 2023, \$1,046,550 represents BAWSCA's General Reserve Fund, equivalent to approximately 22 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>09/30/22</u>	<u>12/31/22</u>
1.35%	2.07%

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Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Christina Tang, Finance Manager

DATE: March 6, 2023

**SUBJECT: Bond Surcharge Collection, Account Balance and Payment Report
as of December 31, 2022**

BAWSCA's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued 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 bond transaction and the prepayment program were anticipated to generate approximately \$62.3 million in net present value savings over the term of the bonds, or about 17% of the \$356.1 million in principle prepaid from bond proceeds to San Francisco at the end of February 2013.

Bond Surcharge Collections

BAWSCA collects the bond surcharge from member agencies through the SFPUC as a separate item on SFPUC's monthly water bills to agencies. The bond surcharge payments are used to make debt service payments on BAWSCA's revenue bonds.

The surcharges billed for the months of October through December 2022 have been collected and partially remitted to BAWSCA's trustee account. The partial remittance was due to two late payments that were received by the SFPUC after the cut off date for the February remittance. Those two payments are expected to be remitted to the trustee account by March 15. Table 1 below presents a summary of financial transactions related to BAWSCA's Bond Series 2013A and 2013B for the three months.

Table 1: Summary of Surcharges Remitted to Trustee for Quarter Ending 12/31/2022

<u>Month</u>	<u>Amount Billed</u>	<u>Amount Remitted to Trustee</u>	<u>Difference</u>
October 2022	\$2,057,856	\$2,057,856	\$0
November 2022	\$2,057,856	\$2,040,137	\$17,719
December 2022	<u>\$2,057,856</u>	<u>\$2,040,137</u>	<u>\$17,719</u>
Total	\$6,173,568	\$6,138,130	\$35,438

Bond Surcharge Account Balances

All surcharge payments are deposited with the Bank of New York, the Trustee, which manages BAWSCA's accounts and administers debt service payments. BAWSCA's account balances at the Trustee and the account activities in the past quarter are shown in Table 2 below.

Table 2: Bank of New York Bond Trustee Account Activity for Quarter Ending 12/31/2022

	33,710,635	Account Market Value as of 9/30/2022
<i>plus:</i>	<i>8,532,020</i>	<i>Surcharge Collected in October 2022 through December 2022</i>
<i>plus:</i>	<i>78,392</i>	<i>Money Market Fund Interest, Security Coupons/Accrued Interest Received</i>
<i>plus:</i>	<i>65,063</i>	<i>Change in Market Value of Held and Matured Treasury Bonds</i>
<i>minus:</i>	<i>19,324,356</i>	<i>Debt service payment to bondholders</i>
<i>minus:</i>	<i>1,329,541</i>	<i>Principal for Treasury bonds purchased</i>
<i>minus:</i>	<i>697</i>	<i>Accrued interest for Treasury bonds purchased</i>
<i>plus:</i>	<i>1,320,403</i>	<i>Market Value of Purchased Bonds</i>
	23,051,920	Account Market Value as of 12/31/2022

In October 2022, BAWSCA re-evaluated its investment strategy for the bond stabilization fund during the annual review of the Investment Policy. As the Federal Reserve has continued its campaign to raise interest rates in response to elevated inflation, rates in the 0-5 year range have risen significantly since the beginning of 2022. BAWSCA's longer-term 0-5 year ladder maturity investment strategy continues to provide a disciplined approach for extending portfolio duration at prevailing market rates. With a ladder maturity distribution, the fund has taken advantage of being able to reinvest into the higher rates available on longer-term bonds. The current 0-5 year ladder maturity investment strategy continues to provide important yield curve diversification against both market price and reinvestment rate risks consistent with BAWSCA's risk tolerances and primary investment objectives. For this reason, BAWSCA and its investment advisor believe that the current 0-5 year ladder maturity investment strategy remains appropriate as such longer-maturity strategies have historically provided greater investment returns and income over time.

Just prior to security maturities on December 31, 2022, the book yield and market yield on BAWSCA's revised portfolio strategy was 1.59% and 3.62% respectively, as compared to the yield of 4.07% for the money market fund.

All investment interest earnings are deposited directly in the Trustee account, and will be used to pay for future expenses and debt service of the bonds. Ultimately, all interest earnings are returned to the member agencies through annual savings and through distribution of the Stabilization Fund, including interest, once the bonds are fully paid.

Debt Service Payment Status

The recent debt service payment of \$19,324,356 was made on October 1, 2022. It was paid using the bond surcharges collected from the agencies, consistent with the bond indenture. The next debt service payment of \$2,723,534.38 will be made on April 1, 2023, which reflects the recent settlement of the 2023A bonds to refund the 2013A bonds on January 5, 2023. There are sufficient funds in the Trustee account to make the payment. Debt service payments are made on April 1st and October 1st of each year until 2034.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Proposed Fiscal Year 2023-24 Bond Surcharges**

Summary:

This memorandum presents the proposed FY 2023-24 bond surcharge for each BAWSCA agency. The surcharge would take effect on July 1, 2023. This surcharge setting conforms to BAWSCA's Revenue Bond Indenture (Indenture) and reflects the savings generated from the settlement of the 2023A bonds to refund the 2013A bonds executed on January 5, 2023.

Board Policy Committee Action:

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

Recommendation:

That the Board approve the proposed FY 2023-24 bond surcharges as presented in Table 1 in this memorandum.

Discussion:

Under the Water Supply Agreement between San Francisco and its Wholesale Customers (WSA), the BAWSCA agencies were required to repay San Francisco for \$397 million of the wholesale share of existing capital assets completed before 2009 over the 25-year term of that agreement, and be assessed interest of 5.13% on the unamortized amount. The annual principal and interest requirements were part of the Wholesale Revenue Requirement used to determine the wholesale rates reflected in the monthly bills sent by SFPUC to the Wholesale Customers.

In 2013, BAWSCA issued Revenue Bond Series 2013A and Series 2013B (Taxable and non-callable) and used those bond proceeds to prepay the then remaining capital obligation that the BAWSCA agencies owed San Francisco. The bond transaction and the prepayment program saved BAWSCA agencies approximately \$62.3 million in net present value savings over the term of the bonds until 2034. The agencies now make payments on the bonds, called bond surcharges, through 2034.

The bond surcharges are fixed amounts each year, which are calculated in total to meet the requirements of the Bond Indenture and adopted by the Board annually. Each agency's bond surcharge is then divided in 12 equal amounts and paid monthly via a line item included in SFPUC's water bills.

On January 5, 2023, BAWSCA completed the settlement of the 2023A refunding bonds based on a tax-exempt forward delivery. This refunding transaction will generate approximately \$27.1 million in net present value savings over the term of the bonds. Starting in March 2023, the monthly bills from SFPUC will include a mid-year reduction in the agencies' monthly bond surcharges in FY 2022-23 to reflect the savings from the refunding. The true up for actual FY 2022-23 water usage will be included in the FY 2024-25 surcharges, as originally planned.

The proposed FY 2023-24 bond surcharge for each BAWSCA agency is shown in Table 1.

Table 1. Proposed BAWSCA FY2023-24 Bond Surcharges

Agency	Annual Bond Surcharge	Monthly Bond Surcharge	Agency	Annual Bond Surcharge	Monthly Bond Surcharge
Alameda County WD	\$1,953,084	\$162,757	Mid Pen WD	\$382,716	\$31,893
Brisbane Water	\$88,836	\$7,403	Millbrae	\$259,068	\$21,589
Burlingame	\$535,692	\$44,641	Milpitas	\$603,300	\$50,275
Coastside County WD	\$200,844	\$16,737	Mountain View	\$1,259,184	\$104,932
CWS - Bear Gulch	\$1,741,944	\$145,162	North Coast WD	\$384,468	\$32,039
CWS - Mid Peninsula	\$2,117,772	\$176,481	Palo Alto	\$1,681,620	\$140,135
CWS - South SF	\$1,254,756	\$104,563	Purissima Hills WD	\$284,196	\$23,683
Daly City	\$611,436	\$50,953	Redwood City	\$1,238,604	\$103,217
East Palo Alto WD	\$227,640	\$18,970	San Bruno	\$243,912	\$20,326
Estero Municipal ID	\$594,012	\$49,501	San Jose (North)	\$678,312	\$56,526
Guadalupe Valley	\$13,908	\$1,159	Santa Clara	\$534,180	\$44,515
Hayward	\$2,445,576	\$203,798	Stanford University	\$263,520	\$21,960
Hillsborough	\$382,572	\$31,881	Sunnyvale	\$1,463,484	\$121,957
Menlo Park	\$408,612	\$34,051	Westborough WD	\$64,524	\$5,377
Total				\$21,917,772	\$1,826,481

The refunding did not change the methodology for levying and allocating the bond requirements among the agencies. Continuing to allocate debt service proportionately based on actual water use is consistent with the collection of the Wholesale Revenue Requirement under the WSA, is a transparent collection method easily conveyed to rating agencies and investors, and is reflected in BAWSCA's official statements.

Table 2 shows what the FY 2023-24 bond surcharge would be for each agency if BAWSCA had not issued the 2023A bonds to refund the 2013A bonds.

Table 2. FY2023-24 Bond Surcharge Would Be Without 2023A Refunding Bonds Compared to The Proposed Annual Bond Surcharge

Agency	Proposed Annual Bond Surcharge	Surcharge Would Be Without 2023A Refunding	Agency	Proposed Annual Bond Surcharge	Surcharge Would Be Without 2023A Refunding
Alameda County WD	\$1,953,084	\$2,155,260	Mid Pen WD	\$382,716	\$434,916
Brisbane Water	\$88,836	\$98,256	Millbrae	\$259,068	\$295,560
Burlingame	\$535,692	\$606,168	Milpitas	\$603,300	\$706,344
Coastside County WD	\$200,844	\$222,552	Mountain View	\$1,259,184	\$1,418,268
CWS - Bear Gulch	\$1,741,944	\$1,972,260	North Coast WD	\$384,468	\$432,660
CWS - Mid Peninsula	\$2,117,772	\$2,386,176	Palo Alto	\$1,681,620	\$1,889,688
CWS - South SF	\$1,254,756	\$1,381,812	Purissima Hills WD	\$284,196	\$320,040
Daly City	\$611,436	\$691,236	Redwood City	\$1,238,604	\$1,409,280
East Palo Alto WD	\$227,640	\$258,540	San Bruno	\$243,912	\$269,112
Estero Municipal ID	\$594,012	\$677,400	San Jose (North)	\$678,312	\$765,576
Guadalupe Valley	\$13,908	\$17,628	Santa Clara	\$534,180	\$602,436
Hayward	\$2,445,576	\$2,748,432	Stanford University	\$263,520	\$295,080
Hillsborough	\$382,572	\$433,764	Sunnyvale	\$1,463,484	\$1,655,076
Menlo Park	\$408,612	\$464,232	Westborough WD	\$64,524	\$78,048
Total				\$21,917,772	\$24,685,800
Refunding Savings Realized in FY 2023-24					\$2,768,028

Calculating the FY 2023-24 Bond Surcharges

The annual surcharges are calculated by first multiplying the next year's obligated debt service by each agency's percentage of total wholesale customer purchases for the most recent year in which a full year of water use data is available, and second adding a true up adjustment based on what the agencies should have paid in the previous year based on actual usage. One-twelfth of the annual surcharge, or the monthly surcharge, will be included in the first water bill from San Francisco sent to the BAWSCA agencies each month. The prior year purchases are used because they are the most recent annual purchases data available.

Per the Indenture, the Stabilization Fund at the Trustee has been reviewed and no replenishment amount is determined necessary at this time. In fact, an excess Stabilization Fund balance of approximately \$1.9 million was used to reduce the principal amount of the 2023A refunding bonds due to the reduced Stabilization Fund requirements.

In addition, at the time of settlement, an additional \$1.6 million in excess funds resulted from the investment of the escrow funds. About 9% of this excess will remain in the Stabilization Fund as a buffer for potential market value fluctuations in the future and about 46% will remain with the trustee pending confirmation from the rebate consultant that this portion of the escrow fund earnings will not be subject to rebate to the federal government. Starting FY 2023-24, BAWSCA suggests a gradual draw down of the remainder of the excess funds (45%) over the remaining life of the bonds by crediting a portion of the excess to the surcharges each year. The credit for FY 2023-24 is \$65,522 and is reflected in the proposed FY 2023-24 bond surcharges presented in Table 1. Credits may vary in future years depending on the actual excess at the time of the annual surcharge setting. Spreading out credits over time will reduce fluctuations in surcharge which would result from one time or occasional credits.

Background:

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 until 2034.

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. The combined net present value 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.

BAWSCA has been collecting the bond surcharge from member agencies since July 2013 through the SFPUC as a separate item on SFPUC's monthly water bills to member agencies. FY 2023-24 will be the eleventh year for BAWSCA to collect the bond surcharge payments that are used to make debt service payments on BAWSCA's revenue bonds.

Agencies Saved \$3.5 Million in FY 2021-22 From the 2013 Transaction

The annual surcharges collected from the BAWSCA agencies in FY 2021-22 were calculated by multiplying the obligated debt service in 2022 by each agency's percentage of total wholesale customer purchases in FY 2019-20. FY 2019-20 purchases were used as a surrogate for FY 2021-22 purchases, which were not known when the FY 2021-22 bond surcharges were adopted. Now that the actual wholesale customer purchases for FY 2021-22 and the actual expenses incurred in FY 2021-22 in connection with the bond administration are available, the actual surcharges for FY 2021-22 are calculated again by multiplying a sum of the obligated debt service in 2022 and the actual expenses incurred in FY 2021-22 by each agency's percentage of total wholesale customer purchases in FY 2021-22.

The true up adjustments for FY 2021-22 water purchases are not impacted by the recent refunding transaction. Table 3 indicates how much the capital recovery payment cost would have been in FY 2021-22 (column A) if BAWSCA didn't issue the bonds to prepay the capital debt that the agencies owed to San Francisco. The actual savings to each agency in FY 2021-22 (column E) from the original 2013 refunding are calculated accordingly.

"True Up" Adjustments Included in FY 2023-24 Surcharges

As always, the FY 2023-24 bond surcharge setting includes a true up adjustment to reflect each agency's *actual* percentage of water purchases in the prior year. For example, if in the prior year an agency used 10% of the total wholesale water purchases, then 10% of the projected annual bond surcharge amount was charged to them throughout the year. But if at the end of the year, that agency had used 9% of the total wholesale water purchases, the true up for the upcoming year would reflect a credit of 1%. Note that this calculation method means that the *relative* amount of water purchases governs the true up amount from year over year, not the *absolute* amount purchased by an agency from year to year.

The second component of the true up adjustment is inclusion of \$12,225 of actual expenses incurred by BAWSCA in FY 2021-22 in connection with the bond administration, which represents 0.06% of the annual debt service of the bonds in 2024. Those expenses include the fees to Bank of New York for its Trustee services and the costs of legal, financial advisor, investment advisor, and arbitrage rebate consultant. In addition, pursuant to the Prepayment and Collection Agreement between BAWSCA and San Francisco, BAWSCA shall reimburse San Francisco for specific expenses incurred for compliance with tax-exempt regulations. BAWSCA didn't receive any relevant bill from San Francisco in FY 2021-22. A true up adjustment for FY 2023-24 will be included in the surcharge setting for FY 2025-26. Table 4 shows how the true up adjustment for each BAWSCA agency is determined and included in the proposed FY 2023-24 surcharge amount.

**Table 3. Actual Savings to Each Agency for FY 2021-22 Resulting from
BAWSCA 2013A and 2013B Bond Issuance**

Agency	SFPUC Capital Recovery Payment*	Annual Surcharge Collected in FY 2021-22	True-ups To Be Collected or Refunded in FY 2023-24	BAWSCA Annual Surcharge Plus True-ups	Actual Savings**
	A	B	C	D = B + C	E = A - D
Alameda County WD	\$2,059,645	\$1,449,815	\$353,173	\$1,802,989	\$256,657
Brisbane Water	\$96,014	\$69,800	\$14,249	\$84,049	\$11,964
Burlingame	\$718,067	\$650,688	(\$22,101)	\$628,587	\$89,480
Coastside County WD	\$221,151	\$164,538	\$29,055	\$193,593	\$27,558
CWS - Bear Gulch	\$2,346,417	\$2,134,759	(\$80,734)	\$2,054,024	\$292,392
CWS - Mid Peninsula	\$2,734,523	\$2,400,158	(\$6,389)	\$2,393,769	\$340,755
CWS - South SF	\$1,294,367	\$883,770	\$249,303	\$1,133,073	\$161,294
Daly City	\$812,993	\$731,773	(\$20,089)	\$711,684	\$101,309
East Palo Alto WD	\$314,766	\$292,405	(\$16,863)	\$275,542	\$39,224
Estero Municipal ID	\$849,590	\$809,664	(\$65,943)	\$743,721	\$105,869
Guadalupe Valley	\$37,901	\$48,715	(\$15,537)	\$33,178	\$4,723
Hayward	\$3,085,466	\$2,652,176	\$48,804	\$2,700,980	\$384,487
Hillsborough	\$521,553	\$479,125	(\$22,564)	\$456,561	\$64,992
Menlo Park	\$566,602	\$527,515	(\$31,518)	\$495,997	\$70,606
Mid Pen WD	\$531,834	\$495,974	(\$30,413)	\$465,561	\$66,273
Millbrae	\$371,751	\$355,131	(\$29,704)	\$325,427	\$46,325
Milpitas	\$1,049,900	\$1,131,330	(\$212,260)	\$919,070	\$130,830
Mountain View	\$1,620,725	\$1,418,551	\$212	\$1,418,763	\$201,962
North Coast WD	\$490,934	\$426,644	\$3,114	\$429,758	\$61,176
Palo Alto	\$2,119,772	\$1,820,627	\$34,996	\$1,855,623	\$264,149
Purissima Hills WD	\$365,114	\$319,036	\$580	\$319,616	\$45,498
Redwood City	\$1,738,728	\$1,634,083	(\$112,021)	\$1,522,061	\$216,667
San Bruno	\$256,697	\$180,191	\$44,518	\$224,709	\$31,988
San Jose (North)	\$889,036	\$790,538	(\$12,287)	\$778,251	\$110,785
Santa Clara	\$695,285	\$614,551	(\$5,907)	\$608,644	\$86,641
Stanford University	\$321,498	\$267,649	\$13,786	\$281,435	\$40,063
Sunnyvale	\$1,951,860	\$1,761,338	(\$52,704)	\$1,708,634	\$243,225
Westborough WD	\$137,812	\$163,170	(\$42,532)	\$120,639	\$17,173
Totals	\$28,200,000	\$24,673,712	\$12,225	\$24,685,937	\$3,514,063

* SFPUC capital Recovery Payment represents the annual amount that each agency would have owed San Francisco if the obligations were not prepaid in 2013

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

**Table 4. Impact of FY 2021-22 True-up Adjustment on
FY 2023-24 Proposed Surcharges**

Agency	FY 2021-22			FY 2023-24	
	Surcharge Collected (Based on FY 2019-20 Purchase)	Surcharge Obligation (Based on FY 2021-22 Purchase)	Difference: True-up Amount	Surcharge To Be Collected (Based on FY 2021-22 Purchase)	Proposed Surcharge Incl. True-up Amount for FY 2020-21
Alameda County WD	\$1,449,815	\$1,802,989	\$353,173	\$1,599,917	\$1,953,084
Brisbane Water	\$69,800	\$84,049	\$14,249	\$74,583	\$88,836
Burlingame	\$650,688	\$628,587	(\$22,101)	\$557,789	\$535,692
Coastside County WD	\$164,538	\$193,593	\$29,055	\$171,789	\$200,844
CWS - Bear Gulch	\$2,134,759	\$2,054,024	(\$80,734)	\$1,822,678	\$1,741,944
CWS - Mid Peninsula	\$2,400,158	\$2,393,769	(\$6,389)	\$2,124,157	\$2,117,772
CWS - South SF	\$883,770	\$1,133,073	\$249,303	\$1,005,454	\$1,254,756
Daly City	\$731,773	\$711,684	(\$20,089)	\$631,527	\$611,436
East Palo Alto WD	\$292,405	\$275,542	(\$16,863)	\$244,507	\$227,640
Estero Municipal ID	\$809,664	\$743,721	(\$65,943)	\$659,955	\$594,012
Guadalupe Valley	\$48,715	\$33,178	(\$15,537)	\$29,441	\$13,908
Hayward	\$2,652,176	\$2,700,980	\$48,804	\$2,396,767	\$2,445,576
Hillsborough	\$479,125	\$456,561	(\$22,564)	\$405,138	\$382,572
Menlo Park	\$527,515	\$495,997	(\$31,518)	\$440,132	\$408,612
Mid Pen WD	\$495,974	\$465,561	(\$30,413)	\$413,124	\$382,716
Millbrae	\$355,131	\$325,427	(\$29,704)	\$288,774	\$259,068
Milpitas	\$1,131,330	\$919,070	(\$212,260)	\$815,555	\$603,300
Mountain View	\$1,418,551	\$1,418,763	\$212	\$1,258,967	\$1,259,184
North Coast WD	\$426,644	\$429,758	\$3,114	\$381,354	\$384,468
Palo Alto	\$1,820,627	\$1,855,623	\$34,996	\$1,646,623	\$1,681,620
Purissima Hills WD	\$319,036	\$319,616	\$580	\$283,618	\$284,196
Redwood City	\$1,634,083	\$1,522,061	(\$112,021)	\$1,350,631	\$1,238,604
San Bruno	\$180,191	\$224,709	\$44,518	\$199,400	\$243,912
San Jose (North)	\$790,538	\$778,251	(\$12,287)	\$690,596	\$678,312
Santa Clara	\$614,551	\$608,644	(\$5,907)	\$540,092	\$534,180
Stanford University	\$267,649	\$281,435	\$13,786	\$249,737	\$263,520
Sunnyvale	\$1,761,338	\$1,708,634	(\$52,704)	\$1,516,190	\$1,463,484
Westborough WD	<u>\$163,170</u>	<u>\$120,639</u>	<u>(\$42,532)</u>	<u>\$107,051</u>	<u>\$64,524</u>
Totals	\$24,673,712	\$24,685,937	\$12,225	\$21,905,545	\$21,917,772

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Adjustments to Staff Position Top-Step Compensation**

Summary:

A compensation survey was performed to determine whether top-step compensation for BAWSCA staff positions remain consistent with comparable positions in the Bay Area market.

Fiscal Impact:

There is no fiscal impact to the current FY 2022-23 Operating Budget.

Board Policy Committee Action:

The Committee voted unanimously to recommend approval of the proposed Board action. Additional detail regarding the selection of comparator agencies has been provided in this memo in response to comments from the Committee.

Recommendation:

That the Board approve adjustments to top-step compensation for all BAWSCA positions.

Discussion:

Each year BAWSCA adjusts top step compensation by a factor approved by the Board of Directors as part of the annual budget process. These adjustments are made in an effort to maintain compensation ranges that are competitive with comparable positions in the Bay Area market.

Every two years a compensation survey is performed to ensure that comparability is in fact maintained. Historically, BAWSCA has used the median of the market to define the desired compensation level for its staff positions. The two previous compensation survey results were minimal resulting in no recommended actions for the Board. However, during this same time period, several desk audits were completed with recommended results brought to the Board for subsequent action.

In November 2022, Koff and Associates (K&A) completed a review of BAWSCA's position descriptions, the comparability of the positions with similar positions at other Bay Area agencies, and provided data on top-step compensation in the form of salaries or hourly rates for exempt and non-exempt positions, respectively.

Results:

The current survey showed that the current top-step compensation for BAWSCA staff positions is between 7.7 and 1.1 percent below the market median.

The survey results appear in Table 1, together with the recommended adjustments.

Table 1. Comparison of FY 2022-23 Top Step Compensation for Each Staff Position to Survey Results Based on the Median of the Market for Comparable Positions*

Position Title	Current top step compensation (FY 2022-23), dollars per yr.	Market median (FY 2022-23), dollars per yr.	Difference, percent	Recommended change, percent
Assistant to the CEO/GM	143,112	144,900	-1.2	+1.2
Office Manager	135,468	137,844	-1.8	+1.8
Finance Manager	199,500	205,428	-3.0	+3.0
Sr. Water Resources Specialist/Engineer	176,460	178,920	-1.4	+1.4
Water Resources Manager	228,036	230,568	-1.1	+1.1
Water Resource Specialist	135,247	145,716	-7.7	+7.7
Office Assistant	83,664	89,340	-6.8	+6.8

**For exempt positions, "top step compensation" is equivalent to annual salary. For non-exempt positions, "top step compensation" is equivalent to one year of hourly wages without overtime.*

Total compensation was also evaluated as part of the compensation survey. The results show BAWSCA's total compensation is in line with total compensation for the other comparator agencies.

Application of Results:

If approved by the Board, the recommended adjustments would be made to the top-step compensation for each position.

The salaries shown in the survey represent currently paid compensation and are compared to BAWSCA's current top-step compensation. For FY 2023-24 budgeting purposes, any Board approved Cost-of-Living (COLA) adjustment would be applied to the newly adjusted top-step compensation, if approved. The COLA adjustment maintains compensation in line with the market that will exist next year. The resulting approved compensation values would go into effect as of July 1, 2023.

Any adjustments to compensation paid to incumbent employees would be determined separately by the CEO following annual performance appraisals, but would necessarily remain at or below the approved top-step, including any approved COLA adjustment, for each position.

Background:

As part of the compensation study, K&A identifies, evaluates, and recommends comparator agencies to include in the study by evaluating several comparative indicators related to an agency's demographics, financials, and scope of services. The specific criteria used in the analysis include: organizational type and structure; staff and operational budgets, scope of services, and population served; and geographic location and labor market.

Ideally in a total compensation study, the comparator agencies selected would be the most similar to BAWSCA in terms of organizational type and structure, staff and operational budgets, scope of services, and population, and geographic location and labor market. In addition, ideally the agency would have at least a comparable classification to most (if not all) of BAWSCA's classifications to provide as robust and comprehensive market data as possible.

For the 2022-23 BAWSCA compensation study, the following comparator agencies were used by K&A: ACWD, Contra Costa Water District, East Bay Municipal Utility District, City of Hayward, City of Palo Alto, SFPUC, and Valley Water. All seven comparator agencies had classifications comparable to at least five of BAWSCA's seven classifications surveyed (study excluded Chief Executive Officer).

At the request of the Board Policy Committee, K&A was asked to evaluate the San Francisquito Creek Joint Powers Authority (SFCJPA) as an additional comparator agency. In evaluating SFCJPA compared to BAWSCA, K&A determined there is little similarity to BAWSCA in terms of the comparative indicators evaluated at the organization level and whole job factors at the classification level. Thus, based on the review of SFCJPA and BAWSCA, K&A's recommendation is to not include SFCJPA as a comparator agency in future compensation studies for BAWSCA.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Consider Resolution #2023-01 Concurring in Nomination of John H. Weed of Alameda County Water District to the Executive Committee of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA-JPIA)**

Summary:

A vacancy exists on the Executive Committee of the ACWA-JPIA. ACWA-JPIA has invited its member agencies, including BAWSCA, to submit nominations for appointment to the ACWA-JPIA Executive Committee. The member agency nominee must be the member agency's member of the ACWA-JPIA's Board of Directors.

Alameda County Water District (ACWD) nominated its member of the JPIA Board of Directors to the Executive Committee of the JPIA, John H. Weed. Mr. Weed is a member of the Board of Directors of ACWD and a BAWSCA Board Member. ACWD and Mr. Weed has requested BAWSCA's support of his nomination by submitting the attached concurring resolution.

Board Policy Committee Action:

This item was not considered by the Committee as the request from Director Weed was received after the Committee's February 8, 2023 meeting and must be acted upon by the Board prior to March 24, 2023.

Recommendation:

That the Board adopt Resolution #2023-01 concurring in nomination of John H. Weed of Alameda County Water District to the Executive Committee of the Association of California Water Agencies Joint Powers Insurance Authority.

Attachments:

1. Resolution #2023-01, Concurring in nomination of John H. Weed to the Executive Committee of the ACWA-JPIA
2. Correspondence from John H. Weed and Biography

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**RESOLUTION NO. #2023 – 01
BY THE BOARD OF THE
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**CONCURRING IN NOMINATION TO THE EXECUTIVE COMMITTEE OF THE ASSOCIATION
OF CALIFORNIA WATER AGENCIES JOINT POWERS INSURANCE AUTHORITY (JPIA)**

WHEREAS, this agency is a member agency of the JPIA; and

WHEREAS, the Bylaws of the JPIA provide that in order for a nomination to be made to JPIA's Executive Committee, three member agencies must concur with the nominating agency; and

WHEREAS, another JPIA member agency, the Alameda County Water District, has requested that this agency concur in its nomination of its member of the JPIA Board of Directors to the Executive Committee of the JPIA.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Bay Area Water Supply and Conservation Agency, that this agency concurs with the nomination of John H. Weed of Alameda County Water District to the Executive Committee of the JPIA.

BE IT FURTHER RESOLVED that the District Secretary is hereby directed to transmit a certified copy of this resolution to the JPIA at P.O. Box 619082, Roseville, CA 95661-9082, forthwith.

Regularly passed and adopted this 16th day of March, 2023 by the following vote:

AYES:

NOES:

ABSENT:

CHAIR, BOARD OF DIRECTORS

ATTEST:

Board Secretary

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BOARD MEMBERS

43885 SOUTH GRIMMER BOULEVARD • FREMONT, CALIFORNIA 94538
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Engineering and Technology
LAURA J. HIDAS
Water Resources
JONATHAN WUNDERLICH
Finance and Administration

February 23, 2023

VIA ELECTRONIC MAIL

Nicole M. Sandkulla (NSandkulla@BAWSCA.org)
Chief Executive Officer/General Manager
Bay Area Water Supply & Conservation Agency
155 Bovet Road, Suite 650
San Mateo, CA 94402

Dear Ms. Sandkulla:

Subject: Request for Concurring Resolution Nominating John H. Weed to ACWA-JPIA Executive Committee

I write to respectfully request your agency's consideration of a concurring resolution in support of my nomination to the Executive Committee of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA-JPIA).

As you may know, ACWA-JPIA has invited member agencies to submit nominations to fill a vacancy on the ACWA-JPIA Executive Committee. As an active member of the ACWA-JPIA Board of Directors since 2012 and serving on the ACWA-JPIA Risk Management Committee, I have represented the interests of member agencies such as yours in the direction and activities of the ACWA-JPIA which provides significant value and resources to its members.

I was elected to the ACWD Board of Directors in 1995 and I currently serve as Chair of the ACWD Finance Committee and serve on the ACWA Federal Affairs Committee. The attached biography further outlines my qualifications.

Thank you in advance for your consideration. I respectfully request your support. Please do not hesitate to contact me with any questions or for more information at john.weed@acwd.com or (510) 651-1885.

Sincerely,



John H. Weed
Member, ACWD Board of Directors

Enclosures

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John H. Weed

Biography

Mr. John H. Weed is a Board Member of the Alameda County Water District (ACWD) and has served on the ACWD Board since 1995. He is an attorney, member of California Bar, and also works in property development as President of Niles Properties, Inc. He has military experience as a Civil Engineer and water utility consultant with the United States Air Force on installations worldwide. He retired as a Colonel with the U.S. Air Force Reserves in 2000. He was previously employed as an Engineer Technician with the Santa Clara Valley Water District and was the Special Assistant to the Division Manager of Ordnance Engineering at FMC Corporation. Mr. Weed formerly served as an elected Trustee of the Ohlone Community College District from 1977 to 2010.

Since 2003 he has served on the Board of Directors of the Bay Area Water Supply and Conservation Agency and is an appointed member of the Alameda County Assessment Appeals Board. Mr. Weed also serves on the Federal Affairs Committee of the Association of California Water Agencies (ACWA) and is past Chair of the ACWA Region 5 Council. He serves as Alternate Director on the Board of the California Delta Conveyance Design and Construction Authority, a member of the Risk Management Committee of Joint Power Insurance Authority of ACWA, President of the Washington Township Historical Society, and member of the Newark Rotary Club.

Mr. Weed has a Bachelor of Science degree in Civil Engineering, and Juris Doctor degree from the University of Santa Clara. He has a Master of Business Administration degree in Finance from Eastern New Mexico University. He conducted doctoral-level graduate studies in Water Resource Administration, and Graduate Research Associate in Agricultural Economics at the University of Arizona.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Preliminary Fiscal Year 2023-24 Work Plan and Results to be Achieved**

Summary:

This memo presents the preliminary Fiscal Year 2023-24 Work Plan and results to be achieved. Comments received from the Board at the January 19, 2023 Work Plan and Budget Planning Session have been reviewed and addressed.

The preliminary Work Plan remains aligned with BAWSCA's legislated authority and its three goals: a reliable supply of high-quality water at a fair price. Major work areas include review of SFPUC's 10-year Capital Plan and Asset Management Program; complete scoping and initiate development of BAWSCA's Long Term Reliable Water Supply Strategy 2045 (Strategy 2045); provide drought support to members and their customers; provide assistance to members in meeting new State water efficiency mandates; implement BAWSCA's core and subscription conservation programs including a new grant support program; take action necessary to ensure that the SFPUC meets its legal and contractual water supply reliability obligations to its Wholesale Customers; review and comment on SFPUC's Alternative Water Supply (AWS) Plan; facilitate negotiations of a new Tier 2 Drought Allocation Plan (Tier 2 Plan); participate in the State Water Resources Control Board (SWRCB) Bay Delta Water Quality Control Plan Update; participate as an intervenor on Federal Energy Regulatory Commission (FERC) proceedings associated with the licensing of New Don Pedro Reservoir; administer the Water Supply Agreement (WSA) with San Francisco; administer BAWSCA's revenue bonds; implement Board policy directives for management of BAWSCA's unfunded pension liability obligations; implement BAWSCA's student internship program; maintain a motivated, trained and effective workforce; and prepare a plan to address BAWSCA's long-term policy and operational resilience to inform future policy decision making.

The preliminary Operating Budget is \$4,814,667, which is 2% above the approved FY 2022-23 Operating Budget. The preliminary Operating Budget represents approximately a 0.03-cent increase in annual cost per person in the service area for an estimated cost to the water customer of \$2.59 per person per year. Considerations for funding the preliminary Operating Budget are presented below for further discussion.

Board Policy Committee Action:

The preliminary Work Plan and results to be achieved were presented to the Committee for discussion. The Committee provided feedback on individual preliminary work plan items and results to be achieved. No action by the Committee was taken.

Recommendation:

That the Board provide comments and suggestions concerning the:

- 1. Preliminary Fiscal Year 2023-24 Work Plan and Results to be Achieved;**
- 2. Preliminary Operating Budget of \$4,814,667; and**
- 3. Preliminary considerations and alternatives for funding the Operating Budget.**

Discussion:

Preliminary Work Plan

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

The Preliminary FY 2023-24 Work Plan includes the following major efforts:

- Oversight of the SFPUC's WSIP, 10-Year Capital Plan Program (Capital Plan), Regional Water System (RWS) Asset Management Program, and Emergency Response.
- Implement BAWSCA's 2009 Strategy, including the following actions:
 - Complete scoping and initiate development for an update to BAWSCA's 2009 Strategy;
 - Participate in the Bay Area Regional Reliability Partnership (BARR);
 - Complete Basis of Design Report (BODR) for the San Francisco-Peninsula Regional Pure Water Project (Sf-PRP);
 - Facilitate development of other local water supply options by members; and
 - Host BAWSCA Regional Water Supply Reliability Roundtable to inform regional planning efforts and partnership opportunities.
- Support near term water supply solutions for members including:
 - Provide staff-level drought support to members and their customers, assuming dry conditions in FY 2023-24;
 - Prepare a drought summary report following drought conclusion;
 - Represent members' interests in discussion on development of and compliance with California's "Making Water Conservation a California Way of Life" requirements including a possible new subscription program related to new performance measure requirements for Commercial, Institutional and Industrial (CII) accounts;
 - Provide regional coordination to support Advanced Metering Infrastructure (AMI) implementation and data management; and
 - Implement regional core and subscription conservation programs to support members and their customers.
- Take actions to protect members' water supply interests in administration of the WSA including the following:
 - Review and comment on SFPUC's AWS Plan, anticipated for Commission consideration in Summer 2023;
 - Monitor SFPUC's development of new supplies through its AWS Program and participate as appropriate to ensure that the SFPUC can meet its water supply reliability obligations to its Wholesale Customers;
 - Facilitate negotiations of an updated Tier 2 Plan;
 - Monitor SFPUC's unfunded pension and OPEB liabilities;
 - Ensure correct implementation of asset classification adjustments associated with the 2018 WSA amendment; and,
 - Ensure correct implementation of the recent WSA amendment allowing for transfer of a portion of minimum purchase obligation.

- Participate in the SWRCB's Bay Delta Water Quality Control Plan Update to ensure member agency interests are represented.
- Participate in the New Don Pedro and La Grange FERC proceedings to protect regional water supplies.
- Develop and implement a new BAWSCA Grant Support Program with both a core and subscription component.
- Support members in receiving reliable communication of water quality issues including:
 - Coordinating member participation in Joint Water Quality Committee; and
 - Relaying important water quality information to members and SFPUC as necessary.
- Administer the WSA.
- Administer BAWSCA's revenue bonds issued to retire capital debt owed by Wholesale Customers to San Francisco.
- Implement BAWSCA's Student Internship Program.
- Implement Board policy directives for management of BAWSCA's unfunded OPEB and pension liability obligations.
- Maintain a motivated, trained, and effective workforce.
- Prepare a staff-led plan to address BAWSCA's long-term policy and operational resilience to inform future policy decision making.

Table 1 presents the preliminary FY 2023-24 Work Plan and major results to be achieved. The activities are grouped according to the agency goals they support.

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

New or Significantly Re-scoped Activities for FY 2023-24

There are three new or significantly rescoped, or expanded activities included in the preliminary FY 2023-24 Work Plan. In each case, these activities relate directly to ensuring water supply reliability for the customers served by the BAWSCA members.

1. Work Plan Item 3a: Prepare a Drought Summary Report Following the Conclusion of the 2021-23 Drought.
Estimated FY 2023-24 Cost: \$40k

The SFPUC declared a water shortage (i.e., drought) emergency in November of 2021, asking its customers (both retail and wholesale) to reduce system-wide water use by 10 percent and later, in May 2022, 11 percent system-wide. The State of California, through executive orders issued by Governor Newsom, in 2021 and in 2022, also called for water use reduction by all Californians. Through February 2023, drought conditions in California have improved, yet drought persists in portions of the State and the Governor's executive orders, including his most recent Executive Order issued on February 13, 2023, remain in effect at this time. Rain and snow accumulation with the SFPUC's upcountry watershed has been considerable to date. Water supply conditions are better than what was present in calendar year 2022, and it is possible that SFPUC

will rescind its drought declaration by April 15, removing the requirement for voluntary water use reduction.

During calendar year 2022, a significant portion of BAWSCA's conservation support to members focused on assisting them on drought response. In addition, BAWSCA collected data from members in an effort to understand what drought actions were taken. When the SFPUC made its water shortage declaration in November 2021, and its modified declaration in May of 2022, BAWSCA used the Tier 2 formula to determine the allocation of supply made available by the SFPUC in accordance with the WSA Tier 1 formula. The SFPUC tracked how each agency responded to the call for water use reduction, and BAWSCA tracked that effort as well.

Following the conclusion of the 2014-17 drought, BAWSCA prepared a drought report, published in August of 2017 and made it available to the public. In FY 2023-24, BAWSCA envisions preparing a similar drought report that will detail drought actions taken by the State, SFPUC, and member agencies. BAWSCA also proposes one additional component of the work that will use consultant expertise to better quantify the impact that particular drought actions had on actual water use reductions. Having a better understanding of which actions resulted in the most savings, and moreover how the timing of action implementation influences savings, will prove useful when responding to future droughts.

The preliminary budget includes an estimated \$40,000 for this task.

**2. Work Plan Item 6c: Develop and Implement a New BAWSCA Grant Support Program with Both a Core and Subscription Component.
Estimated FY 2023-24 Cost: \$55k**

In recent fiscal years, BAWSCA's members have indicated interest in having BAWSCA provide support in tracking state and federal funding opportunities for water resources related work. In FY 2022-23, as part of BAWSCA's Water Supply Reliability Roundtable, a summary of current grant opportunities was prepared and well received by Roundtable participants.

For FY 2023-24, BAWSCA proposes to continue the effort to track grant and low interest loan opportunities and provide regular updates regarding those opportunities to the members. In addition, many members desire BAWSCA's support to prepare grant and low interest loan applications. To address that desire, BAWSCA proposes a new subscription program that would enable individual members to access consultant support to assist in grant applications.

The preliminary budget includes an estimated \$55k for this task and assumes that a consultant would be hired, through a competitive Request for Proposal (RFP) process, to develop BAWSCA's grant support program. Aside from determining the components of that program (i.e., grant tracking, analysis of programs most likely to be of interest to members, methods to keep members current, etc.) the selected consultant will be tasked with the development of the subscription program. The budget also includes a modest funding allocation for legal counsel assistance. It is anticipated that the program will be developed and ready to implement in the latter portion of FY 2023-24. Modest ongoing consultant support for the core portion of the program is anticipated each fiscal year moving forward.

3. Work Plan Item 11d: Prepare a Staff-led Plan to Address BAWSCA's Long-Term Policy and Operations Resilience
Estimated FY 2023-24 Cost: \$5K

During its first year, BAWSCA adopted and implemented necessary operational practices and policies that created a structure that has enabled the agency, the Board, and the staff to be successful in its first 20 years. Given BAWSCA's 20-year anniversary this year, it is timely for a review of the actions that may need to be taken or policies to be adopted to ensure the agency remains strong and resilient for its next 20 years so that it can meet its goals for the water customers that BAWSCA represents.

The preliminary budget includes an estimated \$5,000 for legal counsel support for this task.

Preliminary FY 2023-24 Work Plan Includes Continuation of Previously Approved Multi-Year Projects

There are three major multi-year projects included in the preliminary FY 2023-24 Work Plan that were previously approved or anticipated by the Board. In each case, these activities relate directly to ensuring water supply reliability for the customers served by the BAWSCA members.

1. Work Plan Item 2a: Complete Scoping for an Update of BAWSCA's 2009 Strategy
Estimated FY 2023-24 Cost: \$35K

The work of developing a scope for the update of BAWSCA's 2009 Strategy is scheduled to begin in Spring 2023 as part of BAWSCA's FY 2022-23 Work Plan. The updated Strategy will be termed 'Strategy 2045'. Consultant procurement, via an RFP process, is taking place. BAWSCA anticipates that an additional technical consultant budget of \$30K and \$5K budget for legal counsel will be necessary to cover the remaining scoping costs in FY 2023-24. Following scoping, BAWSCA will begin the work to develop Strategy 2045. Consultant support for Strategy 2045 preparation will be considerable, yet its exact budget is unknown at this time. BAWSCA anticipates that the funding source for the development of Strategy 2045 will be the Water Management Charge, as provided for in the WSA, versus through the standard agency assessments. This would be consistent with how the 2009 Strategy was funded.

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

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

Since the completion of the 2009 Strategy in 2015, there have been significant changes that impact the region's long-term water supply planning efforts. For example, the region has weathered the 2014-17 drought and the current drought of 2021-23, new Urban Water Management Plans have been prepared, COVID-19 has impacted the region, customer behavior has changed as a result of conservation measures being adopted and embraced, SFPUC has made progress toward completing the WSIP, BAWSCA completed its 2020 Demand Study, and there have been profound regulatory actions at the State and Federal level that have an impact on water supply reliability.

Given all that has transpired since the completion of the 2009 Strategy, it is appropriate to consider preparing an update to be called "Strategy 2045". For FY 2023-24, the preliminary Work Plan reflects this scoping activity being led by BAWSCA staff with support of a consultant. Engagement of the Board and the Water Management Representatives is proposed throughout the work effort.

The preliminary budget includes an estimated \$30K for consultant support as well as \$5K for legal support during the scoping efforts.

**2. Work Plan Item 3b: Support Members with Water Use Efficiency Legislation CII Performance Measure Requirements
Estimated FY 2023-24 Cost: \$65K**

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

In 2022, DWR released recommendations for both the water use efficiency standards and CII performance measures that the SWRCB will consider for adoption. The CII performance measures will require a significant new work effort for most members.

For FY 2022-23, BAWSCA proposed to support members by developing an approach to meet the new CII performance measure requirements as well as a possible subscription program for professional consulting services for those members interested in more hands-on assistance with implementation and reporting. BAWSCA entered into a consultant agreement with Maddaus Water Management, Inc. (MWM) on August 18, 2022 for \$80k to support that work.

The SWRCB is behind schedule on this work and has yet to start the rulemaking process for the required measures. There remains uncertainty as to what will be required of water agencies. BAWSCA's regional and subscription water conservation programs must be prepared to support members to meet those yet to be adopted new water use efficiency standards.

Due to above detailed uncertainty, little work has been performed on this effort to date. The result is that much of the required work currently planned will need to be performed in FY 2023-24 assuming more certainty will be available from the State.

The preliminary budget includes an estimated \$65K for this task, which assumes that the majority of the identified work for this fiscal year will need to be performed in FY 2023-24.

**3. Work Plan Item 4e: Facilitate Development of an Updated Tier 2 Plan
Estimated FY 2023-24 Cost: \$107K**

As part of both the FY 2021-22 and the FY 2022-23 Work Plans, the Board directed BAWSCA to facilitate a renegotiation and update to the existing Tier 2 Plan. At its January 20, 2022 meeting, the Board authorized a professional services contract with Woodard & Curran to support BAWSCA's facilitation of negotiations among the members for a new Tier 2 Plan. While significant progress has been made in FY 2022-23, BAWSCA anticipates that Woodard & Curran's work will continue into FY 2023-24 and therefore, an additional \$72K budget for support from Woodard & Curran is proposed for FY 2023-24. A \$20K budget allocation with Hazen & Sawyer is also proposed to enable the BAWSCA water system model to be updated to include the new Tier 2 Plan as well as a budget allocation of \$15K for legal counsel to support the member agency adoption process.

The preliminary budget includes an estimated \$107K for this task, which assumes that the renegotiation and update will be completed by December 31, 2023.

Preliminary FY 2023-24 Work Plan Includes New Items Previously Discussed with Board

There are three newly listed Work Plan items that relate to direction provided by the Board or authority given to BAWSCA through amendments to the WSA. In each case, these are staff led activities that relate directly to ensuring water supply reliability for the customers served by the BAWSCA members.

1. Work Plan Item 4g: Ensure Correct Implementation of Asset Classification

In 2018, BAWSCA negotiated, and the Wholesale Customers and SFPUC adopted, an amendment to the WSA that documented and fixed the classification of all significant "upcountry" existing capital assets of the RWS and limited the changes from historical classifications for seven specific projects and known projects on five assets. As part of its role in ongoing administration of the WSA, BAWSCA is also charged with ensuring that the SFPUC correctly implements these agreed upon asset classifications.

2. Work Plan Item 4h: Ensure Correct Implementation of the Recent WSA Amendment

In 2023, BAWSCA negotiated, and the Wholesale Customers adopted, an amendment to the WSA that allows for the paired permanent transfer of a portion of an agency's Individual Supply Guarantee (ISG) and a portion of its Minimum Purchase Quantity to Wholesale Customers with an ISG. The Commission took the final action on February 14, 2023. As part of its role in ongoing administration of the WSA, BAWSCA is charged with ensuring correct implementation of any subsequent transfer through pre-determined steps and documentation.

3. Work Plan Item 9c: Monitor SFPUC's Unfunded Pension and OPEB Liabilities

At its March 18, 2021 meeting, despite the fact that legal and financial counsel has determined that this is not an obligation of BAWSCA, the Board directed BAWSCA to monitor and report back annually to the Board on the status of SFPUC's unfunded pension and OPEB liabilities as part of BAWSCA's annual pension and OPEB liability funded status report to the Board.

Results of January 19, 2023 Work Plan and Budget Preparation Planning Session:

During BAWSCA's January 19, 2023 meeting, a Work Plan and Budget Preparation Planning Session was held with the Board as part of its regular meeting agenda. The focus of the planning session was to receive input from Board members on possible work plan items for the coming fiscal year. Table 3 presents the detailed comments provided by Board members during the planning session and the staff response that was subsequently prepared. These comments and responses are reflected in the preliminary FY 2023-24 Work Plan and results to be achieved.

Anticipated Future Work Plan Efforts and Potential Future Large Cost Project Expenditures:

Looking forward over the next 10 years, major areas of increased focus for BAWSCA will be:

- Developing an updated Long-Term Water Supply Strategy, and thereafter implementing the Strategy recommendations to assure a reliable, high quality water supply at a fair price;
- Expanding efforts to monitor SFPUC's development of its Alternative Water Supply Program that will result in the implementation of water supply projects to meet its level of service requirements, including the multiple projects necessary to address Bay Delta Plan impacts;
- Independent BAWSCA participation in and implementation of projects currently identified as part of the SFPUC's Alternative Water Supply Program;
- Overseeing SFPUC's increasing 10-Year CIP, consistent with recently adopted WSA amendments and BAWSCA's expanded oversight role; and
- Ongoing assessment of SFPUC's asset management program, to ensure that SFPUC continues to maintain the assets it is responsible for to ensure reliable water supply.

Table 5 presents a rough estimate for the outside consultant or other expenses associated with future large cost project expenditures or budget items. Increased staff or legal counsel time is not reflected in Table 5 at this time.

This information is provided to assist the Board in its deliberation of both the current funding plan for FY 2023-24 and beyond.

Alternatives to the Preliminary Work Plan and Results to be Achieved:

An alternative to the preliminary Work Plan would be to delete the two new planned Work Plan activities: Work Plan item 3a to prepare a drought summary report; and Work Plan item 6c to develop a new BAWSCA grant support program. The estimated savings from deleting these two items is \$95K.

This alternative is not recommended for two separate reasons:

1. For the drought report, BAWSCA's history with the prior drought is that a post-drought report is critically important to document drought response activity to inform future drought response activity. Given the expectation that droughts will continue to occur on a more frequent basis in the future, such a report is critical to support future planning.
2. For the BAWSCA grant support program, it is anticipated that this small investment by BAWSCA will result in increased cost effectiveness of future projects in the region by assisting BAWSCA member agencies in securing additional grant monies for water resources projects.

PRELIMINARY FY 2023-24 OPERATING BUDGET:

The preliminary Operating Budget of \$4,814,667 presented in Table 6 reflects the funding necessary to achieve the full Work Plan and includes an estimated pre-funding contribution for Other Post-Employment Benefits (OPEB). This is included as a separate line item to highlight its inclusion in this ninth year of funding.

Explanation and Alternatives for Salaries and Benefits:

The increase for salaries and benefits of \$103,352 shown in the preliminary Operating Budget is a result of a variety of changes.

Historically, BAWSCA budgets for an allowance for salary increases based on a Cost of Living Allowance (COLA) adjustment plus a merit allowance separate and in addition to the COLA adjustment such that the size of the merit allowance would permit potential salary increases of up to 5%, or to top step for the position, whichever is less.

This year the COLA adjustment, based on the December value of the Consumer Price Index for the Urban Wage Earners and Clerical Workers in the San Francisco-Oakland-San Jose area, is 4.63%. As such, the preliminary Operating Budget also includes the following for all employees except the CEO:

- An increase to the top step of salaries for FY 2023-24 by 4.63% to ensure that the approved salary ranges stay competitive moving forward; and
- \$57,216 total budget allowance for salary increases, which represents a potential 5% adjustment to the actual FY 2022-23 salaries for both COLA and merit increases.

COLA increases for employees are not automatic, but can be granted by the CEO on the basis of merit. The 10-year history of salary and benefit adjustments for BAWSCA is presented in Appendix B to this memo.

A budget allowance of \$24,555 for a potential merit increase for the CEO has been included in the preliminary Operating Budget. For budgeting purposes, this amount is calculated in a manner consistent with the merit increases budgeted for the CEO since FY 2017-18.

Funding Considerations for the Preliminary Operating Budget:

Four principles have historically been used by BAWSCA when considering how to fund the preliminary Operating Budget:

1. Budget sufficient resources to achieve the desired Work Plan results.
2. Spend only what is needed to achieve the results.
3. Apply incremental and prudent increases in assessments as necessary.

4. Maintain a prudent General Reserve balance within Board guidelines.

The adopted FY 2022-23 funding plan included a 25% increase in assessments, a \$75,000 transfer from the Balancing Account, and a \$193,012 transfer to the General Reserve.

In January 2023, the Board approved a transfer of \$30,000 from the General Reserve to fund the outside consultant support needed to initiate scoping an update to BAWSCA's Long-Term Reliable Water Supply Strategy, as a result of the adopted change to the FY 2022-23 Work Plan and the Operating Budget.

The General Reserve has a current balance of \$1,046,550, which is 22% of the adopted FY 2022-23 Operating Budget, as modified by the Board at its January 2023 meeting and within the 20% to 35% General Reserve budgetary guideline range set by the Board.

Each year, unspent funds (if available) are moved to the General Reserve to fund special needs and future budgets. Appendix K presents historical budget data including use of the General Reserve to fund special studies, fund the Operating Budget, and provide a one-time refund to the member agencies in November 2011.

At this time, it is estimated that the FY 2022-23 Operating Budget will be 90-95% expended at year end. The CEO will continue to closely review the anticipated end of year expenses over the next few months. Any post-audit excess funds will be transferred to the General Reserve in Fall 2023, however for budget funding purposes, however at this time, it is assumed that no funds will be available for transfer at the end of FY 2022-23.

Funding Options and Alternatives:

In developing funding options to address FY 2023-24 budgetary needs, BAWSCA has three distinct funding sources to consider given the preliminary Work Plan items:

1. Member Agency Assessments
2. BAWSCA General Reserve
3. Water Supply Agreement Balancing Account: In accordance with Section 6.05.B.2.a of the WSA and BAWSCA's Balancing Account Policy, Balancing Account funds may be used for certain water resources work including the scoping of the update to BAWSCA's Strategy and the update of BAWSCA's 2020 Demand Study. In September 2021, the Board authorized use of the Balancing Account to fund the 2020 Demand Study update, including \$75K for FY 2022-23. Given the SFPUC's planned use of the Balancing Account to offset increases to the FY 2022-23 Wholesale Water Rate, no further use of the Balancing Account is examined at this time.

Table 7 presents a range of three funding alternatives based on an increase in assessments and an associated target for the General Reserve.

- **Option 1 “No Assessment Increase”:** No assessment increase (\$4,838,897) and a transfer of \$24,230 to the General Reserve. This results in a General Reserve balance of \$1,070,780, which is 22% of the preliminary Operating Budget.
- **Option 2 “Target 25% Reserve to Budget Ratio”:** A 3% increase in assessments (\$4,984,064) and a transfer of \$169,397 to the General Reserve. This alternative results in a General Reserve balance of \$1,215,947, which 25% of the preliminary Operating Budget.

- **Option 3 “Target 27% Reserve to Budget Ratio”:** An 5% increase in assessments (\$5,080,842) and a transfer of \$266,175 to the General Reserve. This alternative results in a General Reserve balance of \$1,312,725, which is 27% of the preliminary Operating Budget.

The alternatives above present a range of funding options. They are provided to facilitate discussion by the Board. The Board is requested to provide feedback on the funding alternatives presented, including additional alternatives the Board would like to be evaluated.

Table 1. Preliminary FY 2023-24 Work Plan and Results to Be Achieved

(Percent of Preliminary Operating Budget for Each Item Shown in Parenthesis, *New/Expanded Items Shown in Blue Italic Font*)

BAWSCA OBJECTIVE & FY 2023-24 WORK PLAN ITEM	
RELIABLE WATER SUPPLY	
(5.6%)	<p>1. <u>Facility Reliability: Monitor SFPUC's WSIP, 10-Year Capital Plan, Asset Mgmt. Program, and Emergency Response</u></p> <ul style="list-style-type: none"> a. Monitor WSIP scope, cost, and schedule as San Francisco continues an aggressive construction schedule through to completion. Press the SFPUC and the city's political leadership to meet the adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests. Track WSIP projects designated as critical drought water supply components to verify they have been completed in such a fashion that they can meet their intended Level of Service (LOS) goals. b. Review and monitor SFPUC's Regional 10-Year Capital Plan to ensure that identified projects and programs meet the needs of the members in a cost-effective and appropriate manner. c. Review and monitor SFPUC's Asset Management Program to ensure ongoing long-term maintenance and protection of RWS assets, including performing tasks or deeper reviews identified in the audit of SFPUC's asset management practices per WSA. d. Provide assistance to members and help facilitate engagement with the SFPUC regarding emergency response matters. e. <i>Review and comment on SFPUC's current and long-term labor capacity to maintain and operate the RWS.</i>
(11.4%)	<p>2. <u>Long-Term Supply Solutions: Implement the Long-Term Reliable Water Supply Strategy to Ensure a Reliable, High-Quality Supply of Water is Available Where and When Needed</u></p> <ul style="list-style-type: none"> a. Complete scoping activity for Long-Term Reliable Water Supply Strategy 2045 (Strategy 2045) <i>and initiate development.</i> b. Participate in the Bay Area Regional Reliability (BARR) Partnership. c. Complete Basis of Design Report (BODR) for the San Francisco-Peninsula Regional Pure Water Project . d. 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. e. Use the BAWSCA Reliability Model (Model) to evaluate 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. f. Facilitate use of the BAWSCA Model by members via Subscription Program. g. Host quarterly meetings of BAWSCA 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.
(12.7%)	<p>3. <u>Near-term Supply Solutions: Water Conservation and Drought Response</u></p> <ul style="list-style-type: none"> a. Provide staff-only drought support to members & their customers, assuming dry conditions in FY 2023-24 <i>and prepare a drought summary report following drought conclusion.</i> b. Represent members' interests in regional and statewide discussions on the development of and compliance with California's "Making Water Conservation a California Way of Life" requirements, including developing an approach for members to meet the

BAWSCA OBJECTIVE & FY 2023-24 WORK PLAN ITEM

new CII performance measure requirements as well as a possible subscription program for professional consulting services for those members interested in more hands-on assistance.

- c. Provide regional coordination to support members' Advanced Metering Infrastructure (AMI) implementation and data management.
- d. Administer and implement BAWSCA's core water conservation programs.
- e. Administer BAWSCA's subscription conservation rebate programs that benefit and are paid for by participating members.
- f. Continue development of a leak repair and training certification program for implementation in FY 2024-25.
- g. Pursue partnership opportunities with San Mateo County's C/CAG related to a potential greywater pilot program.
- h. Represent members in regional and State-level discussions relative to water conservation-related regulations, grant funding opportunities, and programs where regional participation is possible.

(8.2%) **4. Take Actions to Protect Members' Water Supply and Financial Interests in WSA Administration**

- a. Review and comment on SFPUC Alternative Water Supply (AWS) Plan, anticipated for Commission consideration Summer 2023.
- b. Monitor SFPUC implementation of new supplies through its AWS Program and participate as appropriate to ensure that the SFPUC can meet its water supply reliability obligations at a fair price to its Wholesale Customers.
- c. 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.
- d. Adopt a temporary extension of the existing Tier 2 Plan that expires Dec. 2024 if necessary.
- e. Facilitate negotiations of an updated Tier 2 Plan.
- f. Protect members' water supply and financial interests in the SFPUC's required 2028 decisions.
- g. *Ensure correct implementation of asset classification adjustments associated with 2018 WSA amendment.*
- h. *Ensure correct implementation of the recent WSA amendment allowing for the paired transfer of a portion of an agency's ISG and minimum purchase obligation.*

(13.2%) **5. Protect Members' Interests in a Reliable Water Supply**

- a. Participate in SWRCB Bay Delta Plan Update to ensure members' interests are represented, including ongoing legal intervention.
- b. Participate in the Don Pedro Project/La Grange Project FERC licensing process to protect customers' long-term interests in Tuolumne River water supplies, including ongoing legal intervention.

(1.6%) **6. Pursue Grant Opportunities Independently and in Coordination with Regional Efforts**

- a. Pursue and use grant funds for water conservation programs and for regional supply projects and programs, including Prop 1 Integrated Regional Water Management conservation grant.
- b. Pursue, with regional partners, grant funding to support studies that aim to improve regional water supply reliability.
- c. *Develop and implement new BAWSCA Grant Support Program with both a core and subscription component.*
- d. Investigate potential for grant funds to support the implementation of BAWSCA's Strategy.

BAWSCA OBJECTIVE & FY 2023-24 WORK PLAN ITEM	
(0.5%)	<p>7. <u>Reporting and Tracking of Water Supply and Conservation Activities</u></p> <ul style="list-style-type: none"> a. Complete BAWSCA FY 2022-23 Annual Survey. b. Complete BAWSCA FY 2022-23 Annual Water Conservation Report. c. In partnership with members, operate and maintain BAWSCA's updated WCDB.
HIGH QUALITY WATER	
(0.5%)	<p>8. <u>Support Members in Receiving Reliable Communication of Water Quality Issues</u></p> <ul style="list-style-type: none"> a. Coordinate members participation in Joint Water Quality Committee to ensure it addresses Wholesale Customer needs. b. Relay important water quality information (notices as received from SFPUC) to members when made aware of changes that have the potential to impact water quality (e.g., taste, odor, blending). c. Review and act on, if necessary, State legislation affecting water quality regulations.
FAIR PRICE	
(12%)	<p>9. <u>Perform Matters that Members Agencies Delegated to BAWSCA in the WSA</u></p> <ul style="list-style-type: none"> a. Administer the WSA with San Francisco to protect the financial interests of members. b. Administer BAWSCA's revenue bonds issued to retire capital debt owed by the Wholesale Customers to San Francisco. c. <i>Monitor SFPUC's unfunded pension and OPEB liabilities, which is not a BAWSCA obligation.</i>
AGENCY EFFECTIVENESS	
(5.9%)	<p>10. <u>Maintain Community Allies and Contacts with Environmental Interests</u></p> <ul style="list-style-type: none"> a. Maintain close relationships with BAWSCA's local legislators and allies, and activate them, if necessary, to safeguard the health, safety, and economic well-being of residents and communities. b. Maintain a dialogue with responsible environmental and other groups, who will participate in the permitting and approval process for efforts to maintain system reliability. c. Maintain effective communications with members, customers, and others to achieve results and support goals. d. In conjunction with San Francisco, conduct or co-sponsor tours of the Regional Water System for selected participants.
(16.7%)	<p>11. <u>Manage the Activities of the Agency Professionally and Efficiently</u></p> <ul style="list-style-type: none"> a. Implement BAWSCA's Student Internship Program. b. Implement Board policy directives for management of BAWSCA's unfunded OPEB and pension liability obligations. c. Maintain a motivated, <i>trained</i>, and effective Workforce. d. <i>Prepare a staff-led plan to address BAWSCA's long-term policy and operational resilience to inform future policy decision making.</i>

Table 2: Activities Not Included in Preliminary Work Plan and Operating Budget for FY 2023-24

<p>RELIABLE SUPPLY</p> <ol style="list-style-type: none">1. Engage in extended or complex applications for State or Federal grant funds. Application for water conservation grants will continue to be made through or with the Bay Area Water Agency Coalition, the California Water Efficiency Partnership (CalWEP) (formerly the California Urban Water Conservation Council), or other agencies.2. Introduce major new legislation or support/oppose legislation initiated by others including legislation related to the Bay-Delta and California Water Fix. If needed, the agency could support major legislative efforts by redistributing resources, using the contingency budget, or accessing the general reserve, subject to prior Board approval.3. Initiate new unanticipated litigation or support/oppose new unanticipated litigation initiated by others. If needed, the agency could support major litigation efforts by redistributing resources, using the contingency budget, or accessing the general reserve, subject to prior Board approval.4. Secure outside technical expertise (i.e., geotechnical, hydrogeologic, water treatment, biological/fisheries professional services) to potentially assist in review of SFPUC's capital projects or Bay Delta Plan.
<p>FAIR PRICE</p> <ol style="list-style-type: none">5. Develop alternative wholesale rate structures that the SFPUC might consider. Actions will be limited to facilitating communication with SFPUC, developing goals and objectives relevant to the Wholesale Customers, and addressing the potential relationship to alternative retail rate structures members might consider to stabilize water rates and water revenues.6. Arbitrate issues related to the Water Supply Agreement.7. Possible BAWSCA action to address the Board's concerns regarding SFPUC's unfunded pension and OPEB liabilities.
<p>HIGH WATER QUALITY</p> <ol style="list-style-type: none">8. Perform technical studies of water quality or San Francisco's treatment of the water it delivers to the BAWSCA members.9. Advocate changes to water quality regulations or the manner in which San Francisco treats water for drinking and other purposes.
<p>AGENCY EFFICIENCY</p> <ol style="list-style-type: none">10. Add resources to support additional Board, Board committee, or technical committee meetings.11. Conduct tours of member agency facilities to acquaint Board members with potential supply projects and their neighboring jurisdictions, other than tours done in coordination with San Francisco.

Table 3. FY 2023-24 Work Plan and Budget Planning Session – Comments and Suggested Work Plan Items for Further Consideration

#	Board Member	Board Member Comment/Question	Staff Response
1	Hardy	Considers BAWSCA staff the agency's brain trust; encourages the Board and agency to take care of staff, including competitive compensation and professional training to ensure staff continuity and agency success.	<p>To ensure maintenance of competitive salary range by employee category, the following actions are regularly included in the work plan and budget action: 1) consideration of adjustment to the top step compensation by a factor approved by the Board as part of the annual budget process; and 2) completion of a compensation survey every two years to ensure that market comparability is maintained. If necessary, action by the Board following the compensation survey will be recommended. In fact, such an action is scheduled for consideration by the BPC at its February 8, 2023 meeting.</p> <p>Preliminary FY 2023-24 Work Plan Item 11c: BAWSCA budgets both time and money to support regular professional training for staff, which generally takes the form of attendance at professional development seminars and trade conferences. The wording for this work plan item has been modified slightly to call out "training".</p>
2	Hamilton	Interest in having staff explore the concept of stormwater capture and groundwater recharge.	Preliminary FY 2023-24 Work Plan Item 2a: Investigation of the potential for stormwater capture and groundwater recharge will be incorporated in the upcoming Strategy scoping and Strategy update included in the preliminary FY 2023-24 Work Plan.
3	López	As part of the long-term goal, create enthusiasm among the next generation of professionals by expanding the Internship Program to include opportunities for interns to present to the Board, as well as have staff engage with youth outside of the office through a youth summit.	Preliminary FY 2023-24 Work Plan Item 11a: Under the CEO/GM discretionary spending authority, a 5-year contract has just been signed with Eastside College Preparatory School to continue the partnership in implementing BAWSCA's internship program. BAWSCA will look for an opportunity to have the new Summer 2023 Intern present to the Board as part of their work with BAWSCA. BAWSCA will also continue to explore opportunities for engagement with the region's youth on water related topics that would prove educational and beneficial for the community.
4	Weed	Interested in BAWSCA coordinating a contingency response training for the agencies, including establishing a budget, water rate structure, facility capability and other areas where BAWSCA can assist member agencies prepare for responding to catastrophes (i.e., FEMA reimbursement)	<p>Over the last several years, BAWSCA has been taking on a greater role in helping member agencies meet their contingency / emergency response training needs. BAWSCA works with the SFPUC staff to hold a yearly emergency response exercise where agency participation is encouraged. In addition, and most recently, on March 10, 2023, BAWSCA will be hosting a workshop for our member agencies on the topic of cyber security.</p> <p>Preliminary FY 2023-24 Work Plan Item 1d: As part of this work plan item, BAWSCA will schedule discussion with the Water Management Representatives in FY 2023-24 to receive input on possible options for BAWSCA's role in contingency/emergency</p>

			response assistance for the member agencies. This information will be used to support future Work Plan and budget discussions.
5	Doerr	Interested in understanding ways that BAWSCA or others can address and/or implement protection for the watersheds that we rely on as they are the key to water quality and water supply protection.	SFPUC is responsible for; and therefore, has a robust watershed protection program for the watersheds that the Regional Water System relies upon, and that BAWSCA supports. CEO Sandkulla will work with Chair Larsson to consider a future informational presentation by the SFPUC on this topic to the Board.
6	Manalo	Supports continuation of the internship program and expanding youth opportunities to engage with BAWSCA.	Preliminary FY 2023-24 Work Plan Item 11a: Under the CEO/GM discretionary spending authority, a 5-year contract has just been signed with Eastside College Preparatory School to continue the partnership in implementing BAWSCA's internship program. BAWSCA will look for an opportunity to have the new Summer 2023 Intern present to the Board as well as other expanded opportunities for engagement with youth.
7	Manalo	Supports further education about the source of our water supply and the importance of the Regional Water System to this region.	<p>SFPUC has an active outreach and educational program that provides information about the Regional Water System and the source of our water supply. SFPUC's new Alameda Creek Watershed Center is scheduled to open in 2023. The facility will include both an interpretive center and outdoor discovery trail designed to complement the existing natural habitat, and built environment with education about the overall Regional Water System and the important role of the Alameda Creek watershed.</p> <p>Preliminary FY 2023-24 Work Plan Item 10c: BAWSCA staff is regularly invited to speak throughout the region to community groups, business groups, city councils and others about our water supply including drought conditions, the Regional Water System, long-term water supply planning efforts to ensure reliability, and the importance of water conservation.</p>
8	Schneider	Wondered if SFPUC has ever considered raising San Andreas.	SFPUC has provided the following response to this questions: <i>Given that San Andreas is primarily operated as a forebay for the Harry Tracy Water Treatment Plant and not as a significant water storage reservoir, a raise of San Andreas Dam has not been considered. San Andreas receives water from Lower Crystal Springs Reservoir prior to its treatment at the Harry Tracy Plant.</i>
9	Schneider	Emphasized the importance of more proactive public outreach and training regarding cities' potable water systems,	Preliminary FY 2023-24 Work Plan Item 10c: BAWSCA staff is regularly invited to speak throughout the region to community groups, business groups, city councils and others about our water supply including drought conditions, the Regional Water System,

		potable reuse and stormwater capture, including cisterns.	long term water supply planning efforts to ensure reliability including water reuse, and the importance of water conservation.
10	Smegal	Supports collaborative efforts with the SFPUC on projects proposed in its upcoming Alternative Water Supply (AWS) Program.	Preliminary FY 2023-24 Work Plan Item 4b: BAWSCA staff is actively engaged with the SFPUC in the development and implementation of its AWS Program including attending monthly update meetings, participating in technical teams assembled to advance engagement in the planning and design of specific projects, assisting with the outreach to the public and key decision makers as needed to keep interested parties informed of projects or program status, and further action as needed to address any developing issues.
11	Wood	Suggested consideration of BAWSCA staff presenting outdoor water use reduction information to City Councils to share their knowledge and expertise.	Preliminary FY 2023-24 Work Plan Item 10c: BAWSCA staff is regularly invited to speak throughout the region to community groups, business groups, city councils and others about our water supply including drought conditions, the Regional Water System, long term water supply planning efforts, and the importance of water conservation including specific water conservation opportunities.
12	Wood	Asked BAWSCA to revisit the practice of renewing contracts with the same consultants and consider the alternative of issuing RFPs for consulting services with a goal of having more variety / expanding the use of new consultants, and opening consulting opportunities to women and minorities. Doerr concurred in a follow up comment.	The Board last adopted the “Policies and Procedures for the Purchase of Equipment and Supplies and the Award of Contracts” in November 2016. BAWSCA secures its contracts for the purchase of equipment and supplies and for professional services in accordance with this policy. For new engagements, BAWSCA conducts a qualifications-based competitive proposal process. BAWSCA also regularly performs a review of rates against the market to confirm rate competitiveness. Table 4 provides information for BAWSCA’s current professional services contracts related to the most recent rate review and competitive proposal solicitation process. Additionally, in FY 2023-24, BAWSCA could work with legal counsel to collect, track, and report to the Board equity and other diversity information that is voluntarily provided by its consultants.
13	Pierce	Regarding the challenge of ensuring long term agency resiliency, she inquired if additional staff is needed to achieve that. Consider cross training and ways to convey the deep institutional knowledge that can be useful for the future in terms of what has been successful in the past. Also, as part of employee retention and training, consider developing a package of Board Policies regarding training and recruitment.	<u>NEW</u> preliminary FY 2023-24 Work Plan item 11d: In order to facilitate and inform future decisions, the work plan proposes staff develop a plan to address BAWSCA’s long-term policy and operational resilience. As BAWSCA nears its 20-year anniversary it is appropriate for staff to revisit, evaluate, and identify what steps should be taken by the agency to successfully continue to deliver results for the water users. Such a plan would guide upcoming discussions with the Board. Board direction following those discussions will be used by staff to consider future policy actions and develop appropriate budgets. All items mentioned by Board Member Pierce would be included for consideration.

Table 4: FY 2022-23 Annual Professional Services Funded Through Operating Budget

Consultants (Services Provided) *	Rate Comparison Performed in FY 2021-22 **	Most Recent Competitive Bid Process if Applicable
1. BLX (Arbitrage Rebate Compliance Services)	✓	April 2013
2. Burr Pilger Mayer (Auditing/Accounting Services)	✓	Currently underway
3. Droplet Technologies (Online Rebate System)		Feb. 2020
4. East Side College Preparatory School (Internship)		Oct. 2021
5. EKI (Water Mgmt./Reliability Roundtable)		March 2022
6. E Source (Water Loss Management Program)	✓	July 2018
7. Hanson Bridgett (Legal Counsel)	✓	***
8. Harlan P. Wendell (Strategic Counsel)	✓	***
9. Hazen & Sawyer (Engineering/Water Mgmt.)	✓	June 2017
10. Immersiv (Website)		July 2015
11. KNN Public Finance (Financial Advisor)	✓	Jan. 2003
12. Maddaus Water Management (WUE Support)		August 2022
13. Orrick LLP (Bond Documents, Legal Services)	✓	April 2012
14. Public Trust Advisors (Investment Advisor)	✓	May 2013
15. Richard Sykes (WSIP, 10-Year CIP)	✓	June 2021
16. Stetson Engineering (Water Analyses, WSA)	✓	***
17. West Yost (Asset Mgmt.)	✓	July 2019
18. Woodard & Curran (Water Mgmt./Tier 2 Plan)		Nov. 2021
19. Woodard & Curran (WCDB)		Sept. 2022

** List of consultants funded via BAWSCA's Operating Budget. Consultants supporting BAWSCA's subscription conservation programs are not included in this table at this time.*

***Rate comparisons performed every few years. A rate comparison was not performed in FY 2022-23 as consultants were generally held to a zero rate increase due to ongoing financial impacts from COVID.*

****Original contract secured with the Bay Area Water Users Association (BAWUA), BAWSCA's predecessor organization, prior to 2003.*

Table 5. Potential Future Large Efforts

Project Name	Cost Updates			Discussion
	FY 2022-23 (Budget as Amended)	FY 2023-24 (Preliminary Budget)	FY 2024-25 & Beyond	
Develop an updated Long-Term Water Supply Strategy, and thereafter implement Strategy recommendations to assure a reliable, high quality water supply at a fair price;	\$30K	\$30K	\$1.9M; estimated based on \$2.2M cost for initial Strategy development	<p>BAWSCA initiated its first regional long-term planning effort in 2009. It would be appropriate for BAWSCA to update the Strategy by 2025 given updated conditions including demands, supply reliability, regulatory and climate change impacts, etc.</p> <p>In FY 2022-23, work began on scoping the update effort, and scoping will continue in the first half of FY 2023-24. BAWSCA is using consultant support to assist in scoping. The update itself is proposed to be included in the FY 2023-24 budget. The update is assumed to be completed by the close of fiscal year 2024-25. Financing the update of the Strategy will be supplied via a Special Assessment collected from member agencies (vs. through the budget process). It is assumed that FY 2023-24 Costs for the update, as collected via special assessment, will be \$300k</p>
Expand efforts to monitor SFPUC's development of its Alternative Water Supply Program that will result in the implementation of water supply projects to meet its level of service requirements, including the multiple projects necessary to address Bay Delta Plan impacts ¹	\$120K	\$120K	\$122K thru 2028 – additional costs associated with specific projects would be determined following AWS Plan adoption by the SFPUC.	<p>The Alternative Water Supply Plan is intended by the SFPUC to be a decision-support framework document that outlines guiding principles, delivery goals (LOS), priorities, risks and tradeoffs to help the Commissioners determine how projects should continue to progress into the preliminary design and CEQA phase and beyond. The plan is proposed for adoption by the SFPUC in summer 2023. The SFPUC will embark upon project-level CEQA for select projects following plan adoption, and moreover be ready for a decision relative to making interruptible customers permanent by 2028.</p> <p>BAWSCA will be engaged with the SFPUC in a review and oversight capacity in FY 2023-24 as the Plan nears adoption, and in the CEQA efforts as well as other planning and development efforts for individual projects. From a cost perspective, much of the work will involve BAWSCA staff vs. SFPUC staff.</p>

				<p>support from consultants. However, some consultant support is envisioned for evaluating the water supply benefits of respective projects.</p> <p>Included in BAWSCA's work effort will be the active engagement and review and comment on Alternative Water Supply Plan Quarterly Reports prepared by the SFPUC.</p>
Support Member Agencies on the development of their respective Urban Water Management Plans, which the State requires be updated once every five years (the date of the last update =June 2021)	\$0	\$1K	\$50K on FY's when updated UWMPs must be submitted	<p>The majority of BAWSCA member agencies are required by State Law to prepare Urban Water Management Plans (UWMPs) every five (5) years. The last UWMP updates were due to Department of Water Resources by June 30, 2021. The next UWMP updates are due to the State by June 30, 2026. During the year preceding the date when UWMPs are due, BAWSCA staff, with the assistance of its technical consultants and legal counsel, develop language and technical data regarding water supply shortages (from drought period impacts to the SF RWS) and other common regional water resources information. Agencies must rely on BAWSCA for that information, which is a critical component of a complete and robust UWMP.</p>
Complete a Regional Water Demand and Conservation Projections Study (refresh began in FY 2021-22)	\$77K	\$0K	\$650K expended over two fiscal years, once every five-year period	<p>For water supply planning purposes, as well as in support of each agency's need to plan for adequate water supply in future years, BAWSCA performs a demand study for the service area once every five years. This work effort is highly detailed and includes projections for several key demand drivers, such as population, zoning plans, etc. BAWSCA's last demand study was completed in June 2020 with a refresh and sensitivity analysis completed in 2022. Given the success of this first sensitivity analysis, it is assumed that a sensitivity analysis must be a part of any future demand study completed by BAWSCA. Costs estimated are commensurate with past work.</p>

Table 6. Preliminary FY 2023-24 Operating Budget by Major Expenditure Category

Cost Category	Approved FY 2022-23 Budget (\$) ⁽¹⁾	Preliminary FY 2023-24 Budget (\$)	Change from FY 2022-23 Budget (\$)
Consultants/ Direct Expenditures			
Reliability	1,678,820	1,520,800	(158,020)
Fair Pricing	284,200	272,500	(11,700)
Administration	116,000	145,000	29,000
<i>Subtotal Consultants</i>	2,079,020	1,938,300	(140,720)
Administration			
Employee Salaries & Benefits	2,128,190	2,231,542	103,352
Other Post-Emp. Benefits (net)	70,000	78,000	8,000
Operational Expenses	465,100	501,250	36,150
<i>Subtotal Administration</i>	2,663,290	2,810,792	147,502
Total Operating Expenses	4,742,310	4,749,092	6,782
Capital Expenses	3,000	5,000	2,000
Budgeted Contingency	2,500	57,500	55,000
Regional Financing Authority	2,025	2,025	0
Bay Area Water Users Assn.	1,050	1,050	0
Grand Total Operating Budget	4,750,885	4,814,667	63,782

Note:

(1) The approved FY 2022-23 budget and funding plan reflects the changes approved by the Board on January 19, 2023 as part of the FY 2022-23 Mid-Year 2022-23 Work Plan, Budget and General Reserve Review.

Table 7. Analysis of Funding Options

	FY 2022-23	FY 2023-24		
Fund Source	Adopted Funding Plan ⁽¹⁾ as of 01/19/2023	Option 1 Preliminary Work Plan & 0% Assessment Increase	Option 2 Preliminary Work Plan & 3% Assessment Increase	Option 3 Preliminary Work Plan & 5% Assessment Increase
Assessments	\$4,838,897	\$4,838,897	\$4,984,064	\$5,080,842
Transfer from/(to) General Reserve	(\$163,012)	(\$24,230)	(\$169,397)	(\$266,175)
Transfer from Balancing Account	\$75,000			
Total Available Operating Budget/Funds	\$4,750,885	\$4,814,667	\$4,814,667	\$4,814,667
Potential End of FY22-23 Transfer to General Reserve		\$0	\$0	\$0
Estimated Year-End Reserves ⁽²⁾	\$1,046,550	\$1,070,780	\$1,215,947	\$1,312,725
% of Total Budget	22%	22%	25%	27%
% of Total Budget Excludes One-Time Expenses ⁽³⁾	22%	22%	25%	27%
Assessment to Budget Ratio	102%	101%	104%	106%
Assessment to Budget Ratio Excl. One-Time Expenses ⁽³⁾	103%	101%	104%	106%

Notes:

(1) The adopted FY 2022-23 funding plan includes an one-time expense of \$75,000 to complete the update to 2020 Demand Study, funded by the Balancing Account.

(2) For FY 2022-23, the actual General Reserve balance as of 1/31/2023 was \$1,046,550.

(3) The one-time expenses represent the approved budget funded by the Balancing Account.

APPENDICES

Appendices A through J present additional detail about the preliminary FY 2023-24 Work Plan and Operating Budget.

Appendix A: Uses of Professional Services

Outside professional services are used to provide specialized services and augment staff:

1. Professional engineering services for: a) evaluating and monitoring SFPUC's Asset Management Program; b) evaluating and monitoring SFPUC's 10-Year Capital Improvement Program development and implementation; c) evaluating Water System Improvement Program project scopes during design and construction; d) monitoring WSIP project cost estimates, bids and schedules; e) monitoring and assessing San Francisco's performance in implementing the overall WSIP; f) assessing San Francisco's method for cost estimation, application of contingencies and addressing cost inflation during the WSIP; g) providing specific constructive recommendations for keeping the WSIP on or ahead of schedule; h) analyzing hydraulic records used by San Francisco in setting the wholesale water rates; and g) providing as needed groundwater technical assistance.
2. Water resources analysis and planning services to: a) evaluate potential water supply projects using BAWSCA's new regional water supply reliability modeling tool; and b) support BAWSCA member agency efforts to meet the new State of California "Making Water Conservation a Way of Life" requirements.
3. General legal services for BAWSCA and the RFA; specialized legal services to support administration of the Water Supply Agreement; specialized legal services for addressing matters related to water supply reliability including Restore Hetch Hetchy litigation, Bay Delta Plan Update, and FERC intervention.
4. Strategic counsel for identifying and addressing strategic and political issues associated with maintaining the progress of the Water System Improvement Program, assisting the Board and the CEO in developing and implementing an effective policy making process that supports implementation of the Long-Term Reliable Water Supply Strategy, providing legislative and political support, and providing advice to the CEO and the Board on other issues significant to the water customers and the effectiveness of the agency.
5. Financial advisory services to conduct specified capital financing and rate impacts analyses on a task order basis.
6. Accounting/auditing expertise to assist with implementing the Water Supply Agreement, as well as an independent auditor to prepare and review annual financial statements.

Legal, strategic, financial, and engineering consultants provide professional services critical to BAWSCA's work in achieving the agency's goals and achieving critical results. Many of BAWSCA's consultants have been under contract with BAWSCA since its creation, and a few of those consultants have been in place even longer, in that they served as consultants to Bay Area Water Users Association, BAWSCA's predecessor organization.

Each year, the Board acts on each consultant contract following consideration of the annual Work Plan and Operating Budget. Information provided to the Board at that time relates to expertise, current scope of work, budget, and billing rates.

Appendix B: History of Salary and Benefits Adjustments

The information below presents the history of salary and benefits adjustments for BAWSCA staff. Where Cost of Living Adjustments (COLA) to the salary ranges are considered by the Board, BAWSCA relies on the December value for the Consumer Price Index for Urban Wage Earners and Clerical Workers in the SF-Oak-SJ area. COLA increases for employees are not automatic but can be granted by the CEO on the basis of merit.

- FY 2013-14: The Board approved a 2.312 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2014-15: The Board approved a 2.60 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2015-16: The Board approved a 2.09 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2016-17: The Board approved a 3.15 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2017-18: The Board approved a 3.025 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2018-19: The Board approved a 3.084 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2019-20: The Board approved a 4.398 percent COLA increase to the top step for staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2020-21: The Board approved a 3.01 percent COLA increase to the top step for staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2021-22: The Board approved a 2.15 percent COLA increase to the top step for staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2022-23: The Board approved a 5.52 percent COLA increase to the top step for staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.

Appendix C: Preliminary Budget for the Bay Area Water Users Association (BAWUA)

The preliminary FY 2023-24 budget for BAWUA is \$1,050 and includes legal counsel support and a small operations budget allowance. This budget amount appears as a separate line item in the BAWSCA budget and is included in the BAWSCA preliminary FY 2023-24 Operating Budget.

Appendix D: Preliminary Budget for the Regional Financing Authority (RFA) Budget

The BAWSCA Board of Directors has continued to agree to fund nominal administrative costs for the RFA, at least until it becomes more actively involved and required significant resources. Assuming a continued low level of activity in FY 2023-24, including only one planned meeting, the preliminary RFA budget is \$2,025. This budget amount includes legal counsel support and a small operations budget allowance. This budget amount appears as a separate line item in the BAWSCA budget and is included in the BAWSCA preliminary FY 2023-24 Operating Budget. The RFA will formally consider and adopt this budget in January 2024.

Appendix E: Funding for Subscription Conservation Programs

As in prior years, a portion of operating expenses would be reimbursed by agencies that participate in BAWSCA's subscription water conservation programs. The staff time to be devoted to those programs during FY 2023-24 is estimated to be 1,873 hours. Agencies participating in subscription programs pay for associated consultant support and direct expenses. As in prior years, those consultant costs and direct expenses are included in the Operating Budget and will be repaid to BAWSCA by participating agencies over the course of FY 2023-24.

Appendix F: Select Financial Details for BAWSCA's Subscription Conservation Program

Table F-1 provides select financial information for BAWSCA's subscription conservation programs for the past five years, including BAWSCA staff costs that are reimbursed by the participating member agencies. Other costs are not included in Table F-1, for example, rebates and other costs paid directly by the participating member agencies and quantification of grant funds used. More complete details on BAWSCA's subscription programs, cost, and level of activity are included in BAWSCA's Annual Water Conservation Report.

**Table F-1: Select Financial Details Related to BAWSCA
Subscription Conservation Programs for Last Five Years**

Fiscal Year and Program Name	Direct Program Cost - Reimbursed	BAWSCA Staff Cost - Reimbursed	BAWSCA Admin. Cost - Reimbursed
2017-18			
EarthCapades	\$61,435	\$2,260	
Free Sprinkler Nozzles	\$1,577		
HET		\$4,055	\$13
Large Landscape Audit	\$85,793	\$1,184	
Lawn Be Gone		\$1,380	\$14
Lawn Be Gone Inspections	\$2,284		
Water Wise Ed. Kits	\$98,229.89	\$2,295	
Watersense Giveaways	\$10,734		
WaterSmart Reports	\$298,405		
Rain Barrel Rebate	\$3,395		
Total	\$561,853	\$11,174	\$27
FY 2018-19			
EarthCapades	\$66,500	\$2,480	
Free Sprinkler Nozzles	\$364		
HET		\$2,495	
Large Landscape Audit	\$94,900	\$1,184	
Lawn Be Gone		\$1,200	
Lawn Be Gone Inspections	\$2,420		
Water Wise Ed. Kits	\$75,483	\$1,946	
Watersense Giveaways	\$5,672		
WaterSmart Reports	\$288,081		
Rain Barrel Rebate	\$757		
Water Loss Program	\$128,403		
Total	\$662,580	\$9,305	\$0
FY 2019-20			
EarthCapades	\$79,720	\$2,960	
HET		\$1,600	
Large Landscape Audit	\$110,652	\$1,332	
Lawn Be Gone		\$880	
Lawn Be Gone Inspections	\$1,018		
Water Wise Ed. Kits	\$51,397	\$1,370	
Watersense Giveaways	\$4,382		

Fiscal Year and Program Name	Direct Program Cost - Reimbursed	BAWSCA Staff Cost - Reimbursed	BAWSCA Admin. Cost - Reimbursed
WaterSmart Reports	\$216,429		
Rain Barrel Rebate	\$900	\$200	
Water Loss Program	\$215,917		
Customer Meter Testing	\$4,570		
Smart Controller Rebate		\$1,200	
Total	\$686,185	\$8,342	\$0
FY 2020-21			
EarthCapades	\$95,515	\$2,200	
Large Landscape Audit	\$132,833	\$1,332	
Lawn Be Gone		\$360	
Lawn Be Gone Inspections	\$1,958		
Water Wise Ed. Kits	\$46,834	\$1,272	
Watersense Giveaways	\$2,902		
WaterSmart Reports	\$274,276		
Rain Barrel Rebate	\$400	\$390	
Water Loss Program	\$125,475		
Customer Meter Testing	\$17,280		
Smart Controller Rebate		\$1,600	
DSS Support Services	\$12,311.75		
Total	\$711,384	\$5,554	\$0
FY 2021-22			
EarthCapades	\$87,275	\$3,020	
Large Landscape Audit	\$169,697.50	\$1,628	
Lawn Be Gone		\$960	
Lawn Be Gone Inspections	\$3,234		
Water Wise Ed. Kits	\$68,018.51	\$1,621	
Watersense Giveaways	\$14,732.28		
WaterSmart Reports	\$293,124.64		
Rain Barrel Rebates	\$1,840	\$485	
Water Loss Program	\$239,366		
Customer Meter Testing	\$20,390		
Smart Controller Rebate		\$1,800	
DSS Support Services	\$0		
Irrigation Hardware Rebate		\$50	
Total	\$897,677.93	\$9,564	\$0

Appendix G: Value for the Cost

The formula for BAWSCA assessments results in equivalent cost per gallon throughout BAWSCA's members. All BAWSCA costs are ultimately passed on to water customers through the water rates of the local city, district, or private utility. Table G-1 below provides the estimate annual cost per person and per household (assuming three persons per household) for BAWSCA's Operating Budget.

**Table G-1. Historical Estimated Annual Cost of BAWSCA
Operating Budget per Service Area Household**

Fiscal Year	Est. Annual Cost Per Person	Est. Annual Cost Per Household
2013-14	\$1.82	\$5.47
2014-15	\$1.70	\$5.11
2015-16	\$1.84	\$5.51
2016-17	\$1.96	\$5.88
2017-18	\$2.08	\$6.24
2018-19	\$2.34	\$7.02
2019-20	\$2.50	\$7.51
2020-21	\$2.20	\$6.59
2021-22	\$2.58	\$7.75
2022-23	\$2.56	\$7.68
2023-24	\$2.59 (<i>preliminary</i>)	\$7.77 (<i>preliminary</i>)

Appendix H: Savings Resulting from BAWSCA's Annual Wholesale Revenue Requirement (WRR) Review

Pursuant to Section 8.04 of the Water Supply Agreement, the Wholesale Customers delegated authority to BAWSCA to conduct the annual review of SFPUC's calculation of the Wholesale Revenue Requirement (WRR) and the Balancing Account. Table H-1 provides the annual financial impact to the Wholesale Customers resulting from BAWSCA's annual comprehensive review. Over the past 19 years, BAWSCA's reviews have resulted in a total of \$47.2 million savings to the Wholesale Customers. This total includes the savings resulting from resolution on the issues discovered by BAWSCA prior to the WSA 7.06 process and savings from settlements during the formal 7.06 process.

Note that the savings shown in Table H-1 do not include the ongoing savings resulted from any specific year's settlement. For example, the revised 525 Golden Gate operating and capital cost allocation methodology as a result of the FY 2011-12 and FY 2012-13 settlements generates an ongoing WRR savings to the Wholesale Customers in an approximate amount of \$400,000 each year from FY 2013-14 until various final debt service payment dates, and the approximate annual savings of \$1.4 million plus interest as part of the debt service allocation through FY 2039-40 resulting from the FY 2015-16 settlement.

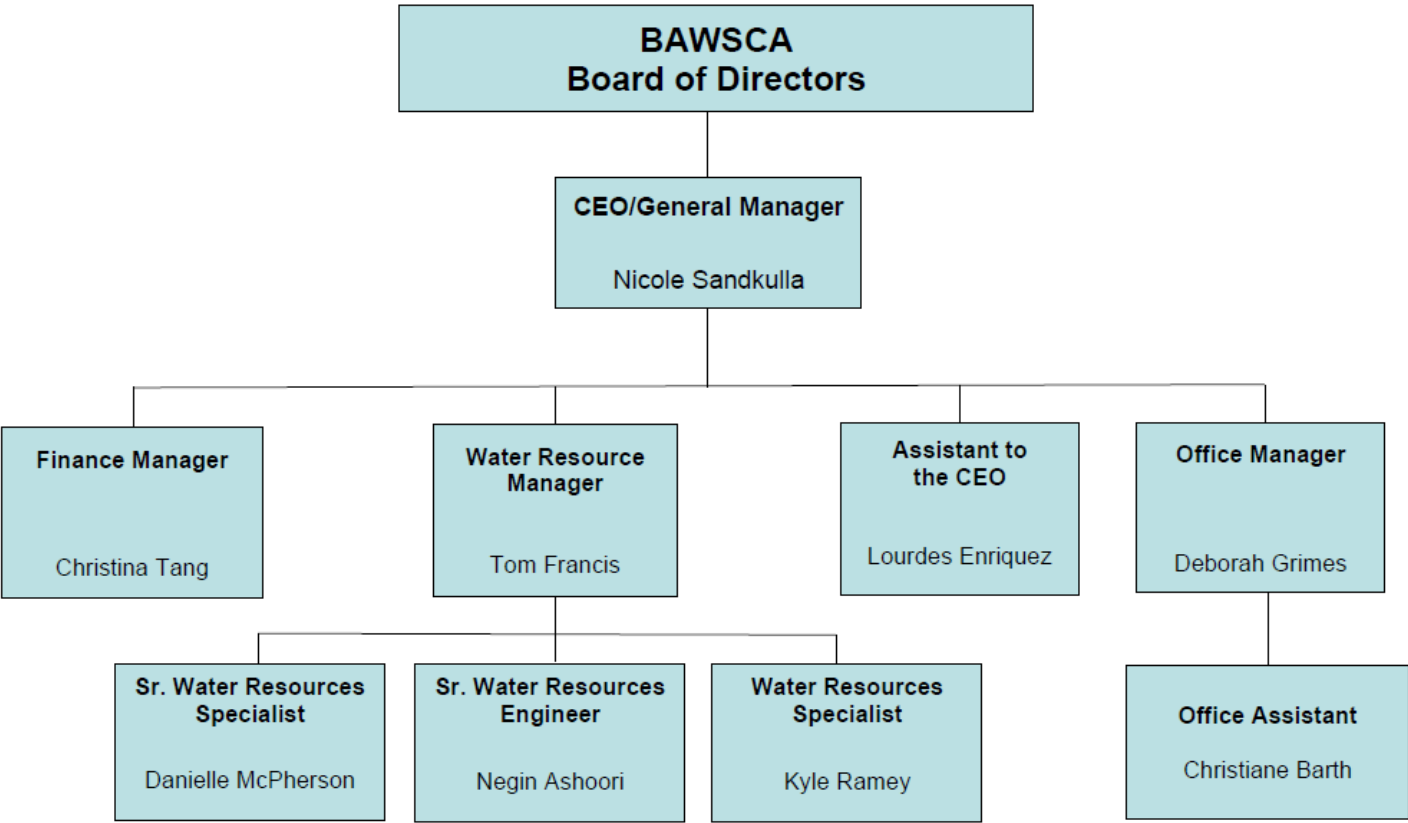
Table H-1. Savings Resulting from BAWSCA's Annual WRR Review

Fiscal Year	Savings to Wholesale Customers
2001-02	\$698,095
2002-03	\$1,568,857
2003-04	\$476,825
2004-05	\$5,726,908
2005-06	\$1,229,604
2006-07	\$718,267
2007-08	\$1,917,328
2008-09	\$461,670
2009-10	\$1,635,005
2010-11	\$893,914
2011-12	\$5,352,720
2012-13	\$739,965
2013-14	\$102,952
2014-15	\$11,903,057
2015-16	\$7,079,780
2016-17	\$3,987,471
2017-18	\$2,323,997
2018-19	\$95,127
2019-20	\$292,902
Total	\$47,204,444

Appendix I: Current Organization and Staffing

The figure below represents the current reporting relationships in the organization.

BAWSCA Organization Chart



Appendix J: Future Challenges Facing BAWSCA, Member Agencies, and Their Customers

Each year, BAWSCA’s Work Plan development process starts by reviewing and updating the major activities over the next 20 to 30 years. These activities require coordinated action by BAWSCA and its member agencies to ensure a reliable supply of high-quality water at a fair price.

Table J-1 lists these activities as they were updated as part of the FY 2023-24 Work Plan development. In each case, the results identified in Table J-1 will take the form of agreements, legislation, or other legally enforceable work products. Development of these documents will result from skilled negotiations based on rigorous investigations of impacts and alternatives, costs, cost allocation, and other matters.

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

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.	X	X	X
Protection of member agencies' interests in SFPUC development and implementation of its Alternative Water Supply Program including oversight of scope, schedule, and budget.	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	X	X	
Assist member agencies in complying with the State's expanding regulatory requirements related to water use efficiency and reliability.	X	X	X
Protection of member agencies' interests in San Francisco's December 2028 decisions including deciding whether to make San Jose and Santa Clara permanent customers.	X	X	
Development of a new Tier 2 Drought Implementation Plan.	X	X	
Reliable Supply: Ensure SF RWS Facility Reliability			
Protection of water supply and financial interests of water customers in SFPUC's development and implementation of its 10-Year CIP.	X	X	X
Protection of water supply and financial interests of water customers in SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets.	X	X	X
Promote emergency resiliency of the SF RWS to protect interests of water customers.	X	X	X
Protection of water supply and financial interests of water customers in SFPUC's WSIP implementation, including extension of State oversight (exp. 12/2026) and RFA capability (exp. 1/2030).	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	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
Ensure Agency's near-term and long-term resiliency	X	X	X

Appendix K: Historical BAWSCA Operating Budgets and Assessments

BAWSCA's annual Operating Budget is developed to pay for the cost of the annual work plan, which is reviewed by the Committee and approved by the Board. Each year, the Work Plan is designed to achieve results that support BAWSCA's three goals – a reliable supply of high-quality water at a fair price – and to implement BAWSCA's purpose as stated in AB 2058. As a special district, BAWSCA is not like a city council or other

community agency. BAWSCA is an issue-driven organization that responds to the needs of its member agencies and the water users who pay for BAWSCA's work. BAWSCA uses experienced consultants to limit fixed costs.

Three historical examples of significant annual Operating Budget increases to address one-time or unexpected issues that required BAWSCA's actions, in addition to its on-going programs, are:

- In FY 2008-09, the approved budget was 10% higher than the previous year; issues included: increased conservation efforts, new contract with SF, and WSIP oversight.
- In FY 2013-14, the approved budget was 18% higher than the previous year; issues included: long-term water supply reliability, administration of bonds to accelerate paying off capital debt to save significant money for member agencies; administration of the Water Supply Agreement; an unexpected threat from Mountain Tunnel; and monitoring the SFPUC's Capital Improvement Plan and its Asset Management Program.
- FY 2018-19, the approved budget was 14.14% higher than the previous year; issues included: Restore Hetch Hetchy litigation, Bay Delta Plan, FERC, participation in Los Vaqueros Expansion planning studies, and BAWSCA's Demand Study.

Resolution of issues also reduces budgets as shown below in FY 2010-11 (-3%), FY 2011-12 (-2%), and FY 2014-15 (-10%). Table K-1 displays the history of BAWSCA's Operating Budget, assessments, and year-end reserves for the last 10 years.

Table K-1. Historical Annual Assessments, Budget, Reserve Balance, and Use of Reserves

Fiscal year	Assessments	% Change	Budget	% Change	Audited Expenses	% of Budget Spent	Transfers from WSA Balance Account	Transfers from Reserve	Notes on Transfers from Reserve & WSA Balance Account	Unspent Funds Transfer to Reserve	Year-End Reserve Balance	Reserve as a % of Budget	# of Full Time Authorized Staff	Major New/Increased Work Plan Focus
2013-2014	\$2,516,812	0%	\$3,280,188	17.97%	\$3,058,348	93.24%		\$300,000 \$98,000 \$66,000	Demand Study OPEB FY 13-14 Technical support		\$521,897	16%	8	1st year bond administration, funding one-time cost of OPEB, Regional Water Demand Projections, pilot water transfer, WSIP legislation, new water resources staff position authorized
2014-2015	\$2,642,653	5%	\$2,939,286	-10.39%	\$2,745,822	93.42%		\$296,436	To fund budget	\$198,781	\$225,461	8%	8	Net increase for OPEB, 10yr CIP oversight, increase legal support for Strategy, WSIP legislation
2015-2016	\$3,276,889	24%	\$3,201,679	8.93%	\$2,828,503	88.34%				\$453,246 \$352,378 ⁽¹⁾	\$776,620	24%	8	1st year Strategy implementation thru Operating Budget, 2014 Settlement Agmt.
2016-2017	\$3,440,734	5%	\$3,468,008	8.32%	\$2,934,077	84.60%		\$27,274	To fund budget	\$519,167	\$1,202,592	35%	8	RHH litigation, 2014 Settlement Agmt, 2018 decisions, WaterMAP
2017-2018	\$3,543,957	3%	\$3,704,572	6.82%	\$3,318,544	89.58%		\$160,615	To fund budget	\$253,892	\$1,561,144	42%	8	RHH litigation, Bay-Delta Plan, FERC
2018-2019	\$3,579,397	1%	\$4,278,585	15.49%	\$3,996,082	93.40%		\$321,688 \$177,500 \$150,000 \$50,000	To fund budget Los Vaqueros Demand Study To fund budget	\$0	\$1,115,848	26%	8	RHH litigation, Bay-Delta Plan, FERC to participate in LVE Project and to fund Demand Study HB Amendment - Board approved 3/2019
2019-2020	\$3,686,779	3%	\$4,569,750	6.81%	\$4,116,485	90.08%	\$805,000	\$77,971	To fund budget	\$435,266	\$1,037,877	23%	9	Fund LVE participation, Demand Study, FERC, Bay Delta
2020-2021	\$3,686,779	0%	\$4,163,179	-8.90%	\$3,860,044	92.72%	\$197,000	\$333,900 \$142,500	To fund budget To fund budget	\$43,727	\$996,743	24%	9	To fund contract increase for legal counsel; increased BAWSCA approved Operating Budget to offset identified approved expenses for BA funds use HB Amendment - Board approved 3/2021
2021-2022	\$3,871,118	5%	\$4,783,794	14.91%	\$4,400,215	91.98%	\$275,000 \$71,750	\$281,676	To fund budget To fund water conservation digital billboards	\$124,744	\$758,794	16%	9	To fund Demand Study Board approved 3/17/2022
2022-2023	\$4,838,897	25%	\$4,720,885	-1.32%			\$75,000	-\$193,012					9	May 2022 Board approved transfer of \$193,012 to GR due to 25% assessment increase.

Footnotes

(1) Remaining unspent Strategy development funds transferred to General Reserve in 2015-16

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: Annual Water Supply Agreement Balancing Account Update

Summary:

Pursuant to Section 6.05 of the Water Supply Agreement between the City and County of San Francisco and Wholesale Customers (WSA), the Balancing Account serves as a true up mechanism to record the difference between the estimated Wholesale Revenue Requirement (WRR) used during the SFPUC's wholesale water rate setting and the actual SFPUC expenses attributable to the Wholesale Customers based on their water purchases.

Through the WSA, the Wholesale Customers delegated authority to BAWSCA to conduct an annual review of SFPUC's calculation of the WRR and the balance in the Balancing Account. Over the past 19 years, BAWSCA's reviews have resulted in a total of \$47.2 million in savings to the Wholesale Customers.

Per the figures provided by SFPUC in February 2023, the unaudited 6/30/2022 balance of the Balancing Account is \$27.6 million owed to the Wholesale Customers as a positive amount, and the estimated 6/30/2023 balance is \$9.5 million owed by the Wholesale Customers as a negative amount. The Balancing Account, when positive, also serves a rate stabilization role for the wholesale water rate charged by SFPUC to the Wholesale Customers. As planned, the entirety of the positive balance in the Balancing Account will be used in FY 2022-23 to offset the impact of the continued low water usage in FY 2022-23.

Fiscal Impact:

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

Recommendation:

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

Discussion:

At the end of each Fiscal Year, SFPUC computes the actual costs attributable to the Wholesale Customers as the final WRR, based on actual costs to operate the Regional Water System and actual amounts of water used by the Wholesale and Retail Customers. If there is a difference between the amounts billed to the Wholesale Customers and the final WRR, the difference, positive or negative, is posted to the Balancing Account. The Balancing Account represents excess (or deficit) Wholesale Customer rate revenue received by the SFPUC and is not segregated by Wholesale Customer.

BAWSCA's Annual Review of Wholesale Revenue Requirement and the Balancing Account

The WSA delegates to BAWSCA the authority to conduct an annual review of SFPUC's calculation of the WRR and the balance in the Balancing Account. Table 1 provides the savings to the Wholesale Customers resulting from BAWSCA's annual WRR review.

Use of the Balancing Account for SFPUC Wholesale Water Rate Stabilization

Per the WSA, the SFPUC takes into account the balance in the Balancing Account in establishing wholesale water rates, but the SFPUC needs not apply the entire positive or negative balance in the subsequent fiscal year. Instead, the SFPUC may prorate it over multiple years to avoid undesirable fluctuations (increases and decreases) in wholesale rates. Historically, the Balancing Account has been used for rate stabilization.

On February 16, 2023, at the SFPUC's Annual Meeting with the Wholesale Customers, the SFPUC Chief Financial Officer presented the projected wholesale water rates based on the following planned use or replenishment of the Balancing Account for the next five years:

<u>Fiscal Year</u>	<u>Projected Wholesale Water Rate</u>	<u>Projected Replenishment/(Use) of Balancing Account</u>	<u>Projected Balancing Account Balance Due To/(From) Agencies</u>
FY 2022-23	\$4.75/Ccf*	(\$37.1 million)	(\$9.5 million)
FY 2023-24	\$5.30/Ccf	\$4.3 million	(\$5.2 million)
FY 2024-25	\$5.30/Ccf	\$9.1 million	\$3.9 million
FY 2025-26	\$5.30/Ccf	(\$1.6 million)	\$2.3 million
FY 2026-27	\$5.30/Ccf	(\$1.4 million)	\$0.9 million
FY 2027-28	\$5.54/Ccf	(\$6.1 million)	(\$5.2 million)

*Current wholesale rate effective July 1, 2022

At this time, the SFPUC is projecting its wholesale rate revenue to be short by \$37.1 million in FY 2022-23. Therefore, the 6/30/2022 balance in the Balancing Account of \$27.6 million is expected to be completely drawn down and go negative by the end of FY 2022-23. The estimated 6/30/2023 balance is \$9.5 million owed by the Wholesale Customers.

BAWSCA's Balancing Account Policy Guides Use of Positive Balance for Other Purposes Allowed by WSA

On September 17, 2020, the Board adopted Resolution No. 2020-02 establishing a Balancing Account Policy that guides any action by the Board in justifying the allocation of the positive balance in the Balancing Account. Under Section 6.05.B.2.a of the WSA, a positive balance in the Balancing Account, which represents 10% or more of the WRR for the most recent fiscal year and is maintained for three successive years, may be used for the wholesale customer's preferred application of the balance, exercised through BAWSCA, for six purposes: (a) transfer to the Wholesale Revenue Coverage Reserve, (b) amortization of any remaining negative balance from the ending Balancing Account under the 1984 Agreement, (c) prepayment of the existing asset balance under Section 5.03, (d) water conservation or water supply projects administered by or through BAWSCA, (e) immediate reduction of wholesale rates, or (f) continued retention for future rate stabilization purposes. As a note, items (b) and (c) above are no longer applicable since: (b) the 1984 Balancing Account has been zeroed out and (c) the net book value of existing regional assets under the 1984 Agreement was paid off to San Francisco through the 2013 BAWSCA bond issue and a Balancing Account transfer in 2020 (see below).

Before the policy was established, BAWSCA requested a transfer of \$805,000 from the Balancing Account to fund the Los Vaqueros Expansion Project Study and the completion of the Regional Water Demand and Conservation Projections Study during FY 2019-20. That action was BAWSCA's first time directing a transfer of excess Balancing Account funds per the WSA.

In September 2020, the Board approved the use of Balancing Account in an amount of \$4,030,664 to prepay the remaining unpaid existing asset balance under WSA Section 5.03.C, which was determined in the best interests of the Wholesale Customers and ultimately, the water customers. This prepayment transaction resulted in a total estimated present value savings of about \$179,000 to the Wholesale Customers.

In May 2021, the Board approved a transfer of \$197,000 from the Balancing Account to reimburse BAWSCA expenses incurred in FY 2020-21 on implementation of the 2009 strategy and core conservation program elements, and support for member agency Urban Water Management Plans. In addition, the Board authorized a transfer of \$275,000 from the Balancing Account to fund an update to the 2020 Demand Study during its approval of BAWSCA's FY 2021-22 operating budget.

In September 2021, the Board authorized an additional \$75,000 from the Balancing Account for completing the update to the 2020 Demand Study during FY 2022-23.

All transfers authorized by the Board are reflected in the estimated 6/30/2023 Balancing Account balance mentioned above.

**Table 1. Savings to Wholesale Customers Resulting from
BAWSCA's Annual Wholesale Revenue Requirement Review**

Fiscal Year	Savings to Wholesale Customers
2001-02	\$698,095
2002-03	\$1,568,857
2003-04	\$476,825
2004-05	\$5,726,908
2005-06	\$1,229,604
2006-07	\$718,267
2007-08	\$1,917,328
2008-09	\$461,670
2009-10	\$1,635,005
2010-11	\$893,914
2011-12	\$5,352,720
2012-13	\$739,965
2013-14	\$102,952
2014-15	\$11,903,057
2015-16	\$7,079,780
2016-17	\$3,987,471
2017-18	\$2,323,997
2018-19	\$95,127
2019-20	\$292,902
Total	\$47,204,444

Table 2. Balancing Account Year End Balance vs. Annual Wholesale Revenue Requirement

Fiscal Year	Ending Balance of Balancing Account (BA)	\$ Change from Prior Year	Annual Wholesale Revenue Requirement (WRR)	\$ Change from Prior Year	BA as % of WRR	Ending Balance of WR Coverage Reserve	\$ Change from Prior Year	Wholesale Water Rate (\$/Ccf)	% Change from Prior Year
2001-02	\$9,354,685		\$75,812,199		12.3%	N/A		\$0.88	
2002-03	\$2,880,837	(\$6,473,848)	\$82,301,597	\$6,489,398	3.5%	N/A	N/A	\$0.88	0.0%
2003-04	\$11,895,158	\$9,014,321	\$92,804,851	\$10,503,254	12.8%	N/A	N/A	\$1.10	25.0%
2004-05	\$7,272,068	(\$4,623,090)	\$99,930,037	\$7,125,186	7.3%	N/A	N/A	\$1.13	2.7%
2005-06	(\$8,964,718)	(\$16,236,786)	\$101,822,169	\$1,892,132	-8.8%	N/A	N/A	\$1.02	-9.7%
2006-07	(\$12,881,853)	(\$3,917,135)	\$110,902,794	\$9,080,625	-11.6%	N/A	N/A	\$1.22	19.6%
2007-08	(\$20,625,889)	(\$7,744,036)	\$118,672,955	\$7,770,161	-17.4%	N/A	N/A	\$1.30	6.6%
2008-09	(\$21,860,867)	(\$1,234,978)	\$123,388,788	\$4,715,833	-17.7%	N/A	N/A	\$1.43	10.0%
2009-10	(\$15,194,740)	\$6,666,127	\$131,367,056	\$7,978,268	-11.6%	\$4,488,233	\$4,488,233	\$1.65	15.4%
2010-11	(\$26,313,110)	(\$11,118,370)	\$137,655,168	\$6,288,112	-19.1%	\$7,916,419	\$3,428,186	\$1.90	15.2%
2011-12	(\$7,823,759)	\$18,489,351	\$160,529,498	\$22,874,330	-4.9%	\$11,339,776	\$3,423,357	\$2.63	38.4%
2012-13	\$27,349,579	\$35,173,338	\$172,405,401	\$11,875,903	15.9%	\$13,763,579	\$2,423,803	\$2.93	11.4%
2013-14	\$27,033,814	(\$315,765)	\$179,693,746	\$7,288,345	15.0%	\$19,083,979	\$5,320,400	\$2.45	-16.4%
2014-15	\$27,253,857	\$220,043	\$195,098,156	\$15,404,410	14.0%	\$27,842,873	\$8,758,894	\$2.93	19.6%
2015-16	\$15,712,070	(\$11,541,787)	\$214,208,639	\$19,110,483	7.3%	\$28,899,345	\$1,056,472	\$3.75	28.0%
2016-17	\$40,417,740	\$24,705,670	\$209,059,370	(\$5,149,269)	19.3%	\$28,974,681	\$75,336	\$4.10	9.3%
2017-18	\$59,781,812	\$19,364,072	\$241,372,995	\$32,313,625	24.8%	\$33,730,188	\$4,755,507	\$4.10	0.0%
2018-19	\$46,925,278	(\$12,856,534)	\$268,224,583	\$26,851,588	17.5%	\$39,490,528	\$5,760,340	\$4.10	0.0%
2019-20	\$63,393,776	\$16,468,498	\$260,711,275	(\$7,513,308)	24.3%	\$35,131,555	(\$4,358,973)	\$4.10	0.0%
2020-21*	\$62,982,463	(\$411,313)	\$245,743,192	(\$14,968,083)	25.6%	\$36,427,764	\$1,296,209	\$4.10	0.0%
2021-22*	\$27,600,000	(\$35,382,463)	\$289,400,000	\$43,656,808	9.5%	\$38,727,764	\$2,300,000	\$4.10	0.0%
2022-23*	(\$9,500,000)	(\$37,100,000)	\$326,600,000	\$37,200,000	-2.9%	\$52,927,764	\$14,200,000	\$4.75	15.9%
2023-24*	(\$5,200,000)	\$4,300,000	\$313,900,000	(\$12,700,000)	-1.7%	\$54,427,764	\$1,500,000	\$5.30	11.6%
2024-25*	\$3,900,000	\$9,100,000	\$319,200,000	\$5,300,000	1.2%	\$54,927,764	\$500,000	\$5.30	0.0%
2025-26*	\$2,300,000	(\$1,600,000)	\$341,300,000	\$22,100,000	0.7%	\$59,727,764	\$4,800,000	\$5.30	0.0%
2026-27*	\$900,000	(\$1,400,000)	\$342,200,000	\$900,000	0.3%	\$55,327,764	\$400,000	\$5.30	0.0%
2027-28*	(\$5,200,000)	(\$6,100,000)	\$364,100,000	\$21,900,000	-1.4%	\$64,427,764	\$4,700,000	\$5.54	4.5%

Data Source: Audited Statement of Changes in the Balancing Account for the fiscal years through 2019-20. *Unaudited Statement of Changes in the Balancing Account for FY 2020-21, and the fiscal years 2021-22 through 2027-28 are the SFPUC projections provided at the SFPUC's annual wholesale customers meeting on February 16, 2023.

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MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: March 10, 2023
SUBJECT: Chief Executive Officer/General Manager's Letter

Water Use Efficiency Legislation – Commercial, Industrial, Institutional (CII) Requirements:

Pursuant to the 2018 Water Use Efficiency legislation (i.e., SB 606/AB1668, and aka, "Making Conservation a California Way of Life") the Department of Water Resources (DWR) finalized recommendations for Performance Measures for Commercial, Institutional and Industrial (CII) water users in September 2022. The next step is for the State Water Resources Control Board (Water Board) to select and/or amend DWR's recommendations to implement as final regulations. The State Board's rulemaking process is expected to begin in April 2023 and take approximately 12 months. Significant changes may be made to certain aspects of DWR's recommendations. Therefore, at this time, BAWSCA and Valley Water's planned project to support member agencies in understanding the requirements and developing a pathway for compliance has been suspended until further information is understood about the Water Board's planned regulations.

SFPUC Annual Meeting with BAWSCA and Wholesale Customers:

The SFPUC held its annual meeting with the Wholesale Customers and BAWSCA on February 16, 2023, as required by the Water Supply Agreement (WSA). This was the first in-person meeting since 2020, as meetings in 2021 and 2022 were held virtually due to COVID concerns. SFPUC key staff, including General Manager Herrera, were in attendance. The meeting was well attended by member agency and BAWSCA staff.

The agenda included presentations by SFPUC staff regarding financial and operational matters, such as future SFPUC rate charges as well as plans for capital improvements. Meeting topics also included system water quality and related regulatory mandates. Also, information regarding the SFPUC's upcoming Alternative Water Supply Plan, which the SFPUC proposes to be finalized later this calendar year, was discussed.

The meeting informs the Wholesale Customers on matters regarding the Regional Water System, and serves as a means for BAWSCA and member agencies to ask questions and make comments on matters affecting the continuity and adequacy of the region's water supply from San Francisco.

SFPUC Alternative Water Supply Plan:

The SFPUC continues development of its Alternative Water Supply Plan (AWS Plan), including moving forward on various planning level efforts for projects included in the AWS Plan. SFPUC's March 2023 AWS Quarterly Report was released on March 9th and is available [here](#). BAWSCA is reviewing the document and will meet with the SFPUC accordingly.

In February, SFPUC made progress on the following four projects: the Los Vaqueros Reservoir Expansion Project (LVE), the Daly City Recycled Water Expansion Project, the SF-Peninsula Regional PureWater Project (SfPRP), and the South Bay Purified Water Project. A status summary for the LVE project is presented separately in this CEO letter. The information below details progress on the other three projects cited above.

Daly City Recycled Water Project

For the Daly City Recycled Water Expansion Project, SFPUC staff resumed discussion with Cal Water on the potential allocation of project benefits and associated project structure. More meetings are scheduled to take place in March and April with the aim of establishing terms for an agreement needed to further the project's implementation plans. Once the framework is established, the SFPUC will be able to develop a cost proposal to share with the customers that are envisioned as the customers of the recycled water produced by the expansion of existing facilities.

SF-Peninsula Regional PureWater Project

During February, technical work for the SF-Peninsula Regional PureWater Project (SfPRP), formerly referred to as the Crystal Springs Purified Water Project) continued toward the development of a Basis of Design Report (BODR). SFPUC staff met separately with the consultant team hired to prepare the BODR to discuss the different options for potential improvements at the SFPUC's Pulgas facility. Those improvements would be needed for conveyance and delivery of the product water. The first internal workshop for the parallel 12-mgd Direct Potable Reuse alternative under evaluation is planned for March. SFPUC staff have also held internal discussions about how different departments within the SFPUC can support the project as it moves toward CEQA with the assumption that the SFPUC and the City/County of San Francisco would be the CEQA sponsor and lead respectively. BAWSCA has been kept abreast of SFPUC's work efforts and has attended project meetings held with partner agencies.

South Bay Purified Water Project

A feasibility study for the South Bay Purified Water Project being performed by the SFPUC, together with the City of San Jose and the City of Santa Clara, is nearing completion. Over the course of two progress meetings held with the partners and the study's consultants held on February 1 and February 15, pipeline alignment preferences were finalized and the consultant team shared capital costs estimates for source water infrastructure, finished water delivery infrastructure, and the outfall, as well as estimates for solar capital costs and power generation. BAWSCA anticipates that the partners will complete the feasibility study this spring, and will use the results of the study to determine the next steps in the development process.

Los Vaqueros Expansion Project:

BAWSCA is closely monitoring the progress of the Los Vaqueros Expansion (LVE) Project. The LVE Project, which includes numerous partner agencies, is now governed by a the LVE Joint Powers Authority (JPA) which meets regularly. Each partner agency has an assigned representative on the JPA. Although BAWSCA is not a partner agency with a seat on the JPA, BAWSCA receives frequent project updates from the SFPUC, and participates in

project update meetings held by the JPA's executive director. Moreover, BAWSCA's general council has been participating in working groups organized to develop governing rules and associated contract documents (termed as 'Service Agreements') which will need to be in place later this year. BAWSCA is in communication with the SFPUC as well as with the JPA leadership to better determine what, if any, requirement may befall BAWSCA and its member agencies as these Service Agreements move forward. As a reminder, the JPA formation document includes language that enables BAWSCA to replace the SFPUC as a partner agency in the event that the SFPUC elects to terminate its participation in the LVE Project.

During January and February of 2023, due to a perceived oversubscription of LVE storage allocations, the LVE project staff proposed a reallocation of storage volumes for partners. The proposed change for the SFPUC would result in a decrease of allocated LVE storage from 40,000 acre-feet to 30,000 acre-feet. Whether the reduction in storage will result in a corresponding reduction of dry year supply benefit will depend on the availability of water supplies that the SFPUC is able to secure. Identification of source water continues to be a focus for SFPUC staff. While the proposed storage allocations have not been accepted by partners, the project is moving forward with the updated allocations, with the addition of a companion provision that partners will have the ability to remarket storage rights within the JPA. The terms of remarketing will be fleshed out in the coming months, in parallel with other issues that are being discussed through various working groups formed among the partners to address issues ahead of the execution of the Service Agreements as noted above.

SFPUC is currently working closely with its financial and legal teams to support development and review of their proposed Service Agreement and other agreements needed. BAWSCA, including its legal counsel, is engaged in legal discussions. On the water supply sourcing front, SFPUC staff continues to meet with potential transfer partners from the Sacramento River Basin. Those meetings will continue this year.

SFPUC 10-Year Capital Plan and Capital Funding Plan:

The SFPUC updates its 10-Year Capital Plan (Capital Plan) every two years. As part of the Capital Plan approval in February 8, 2022, SFPUC staff noted that a significant midcycle update would be necessary to address funding deficiencies present at the time. SFPUC initiated this midcycle update in Spring 2022 and completed it in early January 2023.

The SFPUC held a budget hearing on January 30, 2023. BAWSCA was provided presentation materials prepared by SFPUC for that hearing on January 23, 2023. BAWSCA reviewed the information provided and issued a letter to the Commission on January 27, 2023, in advance of the hearing. BAWSCA's letter was included in the correspondence packet for the Board Policy Committee meeting of February 8, 2023. BAWSCA's CEO/General Manager was present at the hearing to provide oral comment.

In the terms of the Water Supply Agreement between San Francisco and its Wholesale Customers, BAWSCA should have been provided budget documents 14 days in advance of any hearing. The delay by the SFPUC created a hardship in terms of limiting BAWSCA's time to perform a thorough review of the budget. This point was raised by BAWSCA both in the above-reference letter as well as in the statements made by the CEO/General Manager at the hearing. BAWSCA issued a second comment letter, dated February 7, 2023, in advance of the Commission's adoption of the Capital Plan, which took place on February 14, 2023. BAWSCA's second letter identified other outstanding concerns BAWSCA had with the proposed update. Copies of both BAWSCA letters as well as the SFPUC's written response are included as attachments to this memo.

A key issue identified by BAWSCA as part of our review of the SFPUC's midcycle update was the SFPUC's recent practice of not spending the funds appropriated in the early years of the 10-year cycle, due to various roadblocks and bottlenecks associated with staffing availability and consultant procurement stresses at the SFPUC and within the City of San Francisco government. The SFPUC contends that they are addressing those bottleneck issues, yet BAWSCA remains skeptical that many of the bottlenecks are beyond SFPUC's ability to directly address. However, despite that concern, BAWSCA supported the SFPUC's adoption of the mid-cycle review, and agreed with the SFPUC staff that the work proposed in the CIP was necessary to maintain the Regional Water System.

Attachments:

1. **February 7, 2023** BAWSCA Letter to SFPUC re; Proposed SFPUC 10-Year Capital Plan for FY 2024-33, and Proposed FY 2023-24 Capital Budget
2. **February 1, 2023** SFPUC SFPUC Response to BAWSCA 1.27.23 Comments
3. **January 27, 2023** BAWSCA Letter to SFPUC re; Proposed SFPUC 10-Year Capital Plan for FY 2024-33, and Proposed FY 2023-24 Capital Budget



February 7, 2023

Via email

The Hon. Newsha Ajami, President
and Members of the Commission
San Francisco Public Utilities Commission
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102

RE: Proposed SFPUC 10-Year Capital Plan for FY 2024-33, and Proposed FY 2023-24 Capital Budget

Dear President Ajami,

The Commission will be considering the proposed mid-cycle changes to the SFPUC's 10-Year Capital Plan for FY 2024-33 for the Water Enterprise and Hetch Hetchy Enterprise, and the proposed FY 2023-24 Capital Budget, at its upcoming its February 14, 2023 meeting. BAWSCA provided a set of initial comments to the Commission on January 27, 2023, in advance of the Commission's January 30th public hearing on the topic. As noted in BAWSCA's January 27, 2023 letter, BAWSCA was still in the process of preparing additional detailed comments to the proposed midcycle changes. BAWSCA required that additional time because the necessary budgetary information required to perform a thorough review had only been received earlier that week.

Following the SFPUC's January 30, 2023 hearing, on January 31, 2023 the SFPUC provided BAWSCA with a draft copy of the FY2024-33 Capital Plan Report. BAWSCA has started the review of that report, but has not completed the review. In addition, the SFPUC responded to BAWSCA's January 27, 2023 letter via written correspondence received on February 1, 2023.

This letter provides BAWSCA's additional comments and questions resulting from its review of the above noted proposed Capital Plan and Budget. In keeping with the requirements of the 2018 Amended and Restated Water Supply Agreement between San Francisco and the Wholesale Customers (WSA), BAWSCA asks that the SFPUC respond in writing to the questions posed in this letter prior adoption of the Capital Plan and Budget by the Commission.

Specific Comments:

- 1. The SFPUC must work to minimize unappropriation of funds** - As with the prior 10-Year Capital Plan (FY 2023-2032), the approach to funding the first two years of the Capital Plan is to use the already appropriated funds to maintain progress and minimize new appropriation requests in those fiscal years. The need for this approach at this time has been explained to BAWSCA. However, this method should not be standard practice in the future as appropriating funds well over what can be reasonably expended gives a false sense of expected productivity and erodes confidence in the SFPUC's capability to successfully implement its planned capital program.

2. **The funding approach for select key Capital Plan projects could constrain future work** – While BAWSCA mentioned this in our letter of January 27, 2023, it is important to reemphasize that placeholder funding amounts for certain projects including Pilarcitos Dam, San Andreas Dam, and BDPL No. 4 PCCP Repair are likely significantly lower than what is actually needed. Additionally, SFPUC has reduced funding for some projects, such as O’Shaughnessy Dam Outlet Works and Early Intake Dam Long-Term Improvements, “to meet Capital Plan financial targets”. At the same time, the scope for these projects was not reduced, thus creating a further future funding shortfall. The SFPUC has stated that it is waiting until more facility assessments are completed before reflecting additional funding needs in the Capital Plan or until the financial outlook allows for more capital project funding. This approach may pose a constraint to doing future work in the expected timeframes as future Capital Plans with greatly increased budgets for certain projects may require phasing work on other projects to balance cash flow needs.
3. **SFPUC has enhanced the information provided on project data sheets** – BAWSCA is appreciative of the added information that is provided on project data sheets provided as part of this midcycle change including: new summary information details a project’s prior approved budget, prior approved start, and prior approved finish; status indicators for budget changes, schedule changes, and scope changes relative to currently adopted Capital Plan; and narratives on “Reason for Changes”.
4. **Budgetary constraints in several large, in-progress projects were noted as the reason for budget reductions** – The SFPUC continues to describe the proposed 10-Yr Capital Plan as robust. However, the Capital Plans for both the Water Enterprise (Regional) and Hetchy Enterprise (Water Infrastructure, Joint Infrastructure) are balanced but not robust in terms of being able to deliver the scope within the requested budget. Budgetary constraints for several large, in-progress projects were noted as the reason for budget reductions from the prior Capital Plan. With no corresponding reduction in scope, there is a high likelihood of needing additional budget to complete the planned work.
5. **Project data sheets developed for future Capital Plans could be improved by providing cash flow data** - Each project data sheet should include a table showing anticipated cash flow for each year similar to the current table which shows budget appropriation. In this cash flow table, there should be a column for “prior years’ cash flow” ahead of the first year in the proposed 10-yr Capital Plan. This cash flow table would show timing and magnitude of project activity much more clearly than can be inferred from the appropriations and budget information that the data sheets currently present.
6. **The deliverability of the Capital Plan is directly tied to the mitigation of key bottleneck issues, highlighting why those issues must be addressed** – While BAWSCA made a similar comment in our letter of January 27, 2023, it warrants repeating. Covid-19 had significant impacts to project schedules in recent years, yet the underlying issues of very lengthy recruitment and contracting processes continue and are cited in several locations in the proposed Capital Plan as reasons for project delays.

This issue is one that cannot be ignored by the Commission nor by the City and its elected leaders.

For example, as part of the WE Capital Plan, projects noting delay in project start date “due to lack of available resources from PUC Infrastructure Division” include the SVCF Chemical Storage Improvements (\$1,687,500) and the SABPL Valve Redesign (\$1,012,500). Also, the Calaveras Dam HOS (\$2,071,242) project has extended its schedule by a year “due to resource challenges to continue planning and design”. These projects represent \$4,771,242 of capital work explicitly impacted by staffing issues.

Questions and Requests: Water Enterprise (Regional) 10-Year Capital Plan

1. **SVWTP Short Term Improvements** - The “Reason for Change” in the budget and schedule narrative states that “the construction estimate for the Long-Term Improvements is \$17.5M”. However, the data sheet provided for the SVWTP Long Term Improvements states “the construction estimate for the Long-Term Improvements is \$22.1M”. **Which is correct?**
2. **Sunol Valley Chloramination Facility** – The budget for this project is now shown as \$10,586,387. That revised budget now is over the \$5M threshold for a small capital projects and therefore, this project status should now be the other large capital projects beginning with the Q1 FY23-24 WE Capital Plan report. BAWSCA is not clear if this budget will cover all work in the project description or just the new carrier water system which is to be performed as the first phase. **Please clarify.**
3. **SVWTP Long Term Improvements** - No funding is being requested within the 10-year Capital Plan duration. The needed \$28,457,154 is scheduled for after FY32-33. This essentially places the construction phase on hold, yet the RFP is ready to be issued. The “Reason for Change” narrative should be revised, making clear that the construction phase is ostensibly deferred for 10 or more years. In addition, the proposed project finish date, shown as 8/10/2029, is now incorrect. **Please address these necessary edits to the project data sheet.**
4. **HTWTP Underdrain Replacement** – Per the Capital Plan, the underdrain work is on track for completion. However, there appears to be no plan to initiate work on the other twenty reliability improvements for the HTWTP in the proposed Capital Plan. **Will this present reliability issues for the plant?**
5. **Regional Groundwater Treatment Improvements** – The project had its schedule “extended due to budgetary reasons.” This requires the bulk of the project expenditure (\$31,079,862) to occur after FY 32-33. Thus, the proposed finish of 12/31/2033 is incorrect and will not occur. **What is the updated expected completion date?**
6. **Corrosion Control** - It appears that appropriations end in FY28-29 with the funding of Phase 3. Will work proceed beyond Phase 3? Is corrosion control work covered in an R&R program after Phase 3? **Please respond to these two questions.**

7. **Calaveras Substation Upgrades project** – The project “was removed from the capital plan during budget review and will be considered for reprioritization in the future.” The justification for the project notes that it is needed if the San Antonio Pump Station Upgrade work (conversion from diesel to electric pumps) proceeds. It appears that such upgrade work is funded in the Capital Plan and will proceed. Thus, there is a real possibility that the substation upgrade will be needed at least towards to end of the 10-year Capital Plan. Conceivably some planning funds would be expected to be needed in the latter years of the Capital Plan with the bulk of the funds shown after FY32-33. **Should some planning funds have been included, and if so is there an estimate as to the funding level needed?**
8. **Palo Alto Pipeline project** – The project is now budgeted through project completion. It is noted that the construction begins in the latter years of the 10-Year Capital Plan and that an additional \$18,000,000 will need to be budgeted in the next capital planning cycle to fully fund the project to completion. **Does the SFPUC agree that this was needed to balance the 10-yr Capital Plan budget, given the level of required funding and necessary timing?**
9. **Decommissioning of BDPL 1&2** – The Newark segment has been dropped from this Capital Plan. It identified \$45,000,000 of work in the prior Capital Plan cycle, but is now not planned to be initiated until after FY31-32. **What is the status of this work?**
10. **Decommissioning of BDPL 1&2** – The Ravenswood segment has been dropped from this Capital Plan. It identified \$72,000,000 of work in the prior Capital Plan cycle, but is now not planned to be initiated until after FY31-32. **What is the status of this work?**
11. **Purified Water & Other Supplies Category** – All of the projects have the same budget as in the prior Capital Plan, however, the amount of expenditure in the 10-year period is \$183,650,000 less than in the prior Capital Plan. This realignment gives the appearance that the proposed CIP Capital Plan is less focused on implementation of alternative water supplies. **Is it correct to assume that more work would be performed in years beyond FY32-33, or is this due to the fact that cost estimates are not yet available and once known, future s Capital Plans would be adjusted accordingly?**
12. **Sneath Lane Gate/San Andreas** - No funding is being requested within the 10-year Capital Plan duration. The needed \$10,956,484 is scheduled for after FY32-33. This essentially places the construction phase on hold (yet the project is in design). The “Reason for Change” narrative should be clear that the construction phase is ostensibly deferred for 10 or more years (and making the proposed finish date of 8/2/2027 incorrect). **Please correct the project data sheet accordingly.**

**Questions and Requests – Hetch Hetchy (Water infrastructure and Joint Infrastructure)
10-Yr Capital Plan**

1. **SJPL Valve and Safe Entry Improvement** – The project budget was reduced by \$2M with no change in schedule or scope. The stated reason was “to assist with meeting overall financial targets”. With the project over 4 years from completion and concepts for the surge tower still under study, it appears to be too early to feel all project costs fall within the current estimate. **Does the SFPUC anticipate including a budget adjustment for this project in the next 10-year Capital Plan cycle?**
2. **R&R Water Conveyance Life Extension** - The project budget has been increased, which BAWSCA believes is appropriate considering the age of many of the water conveyance assets. However, the project start date has been deferred for 3 years. **Why was it not possible to allocate a minimal amount of funds to get the R&R work started?**
3. **Early Intake Dam – Long Term** – The project budget reduced by \$6M with no change in scope. The stated reason was “to assist with meeting overall financial targets”. With the project’s Conceptual Engineering Report not completed, it appears to be too early to feel all project costs fall within the current estimate. **Does the SFPUC feel confident that the budget reduction is justifiable based on likely future costs?**
4. **Cherry Dam Spillway** - This project budget more than doubled to address deficiencies with the spillway as a short-term measure, noting that the spillway capacity is insufficient and must be addressed in a long-term project. Is there any planning for the long-term project in this Capital Plan? Will Division of Safety of Dams place an operating restriction on this dam at some point based on this spillway capacity issue? **Please respond to the two questions.**
5. **O’Shaughnessy Dam Outlet Works Phase 2** – The project budget was reduced by \$14.2M with no change in scope. The stated reason was “to assist with meeting overall financial targets”. With the project not even initiated, it appears to be too early to feel all project costs fall within the current estimate. **Does the SFPUC believe that the required work will not require that additional funding?**
6. **Moccasin Old Powerhouse Hazard Mitigation** - The scope does not describe work to create the materials storage area described in the scope for Moccasin Engineering and Records Building project. **Is this scope element part of the existing project or planned for a future Capital Plan project?**
7. **R&R Wildfire Mitigation (Joint)** - This is an R&R project with scope dramatically reduced from the prior Capital Plan to focus on creating fuel breaks. As this is an ongoing effort, is the budgeted amount sufficient for the full 10-year cycle? Is the fire risk reduced by some other means such that the creation of fuel breaks can be reduced substantially? **Please respond to the two questions.**

BAWSCA appreciates the opportunity to review the proposed midcycle changes to the SFPUC's 10-Year Capital Plan for FY 2024-33 for the Water Enterprise and Hetch Hetchy Enterprise, and the proposed FY 2023-24 Capital Budget. BAWSCA asks that the SFPUC prepare a written reply providing responses to BAWSCA's questions and requests detailed in this letter prior to the Commission's adoption of these Capital Plan and Capital Budget , which is currently scheduled for February 14, 2023.

Sincerely,



Nicole Sandkulla,
CEO and General Manager

NS/TF/le

cc: Dennis Herrera, SFPUC, General Manager
Ron Flynn, SFPUC Deputy General Manager
Steven Ritchie, SFPUC, Assistant General Manager of Water Enterprise
Stephen Robinson, SFPUC, Assistant General Manager of Infrastructure
Alison Kastama, SFPUC, BAWSCA Liaison
BAWSCA Board of Directors
BAWSCA Water Management Representatives
Allison Schutte, Hanson Bridgett, LLP, Legal Counsel



San Francisco
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February 1, 2023

Nicole Sandkulla
Chief Executive Officer/General Manager
Bay Area Water Supply and Conservation Agency
155 Bovet Road, Suite 650
San Mateo, CA 94402

Dear Nicole,

Thank you for your January 27th letter regarding BAWSCA's comments on the SFPUC's proposed 10-Year Capital Plan for FY 2024-33, and Proposed FY 2023-24 Capital Budget. BAWSCA's review of our Capital Plan and Budget is an important step in our budget process and we appreciate the time you and your staff dedicate towards this review.

We have provided response to your initial questions below and will work with you to develop a prompt response timeframe for any additional questions you may have.

1. Will the SFPUC provide written replies to BAWSCA's comments and questions prior to the February 14, 2023 Commission meeting?

In order to meet the intent of the WSA, BAWSCA is providing these comments and anticipates sending further detailed comments after the January 30th budget meeting. BAWSCA expects the SFPUC to respond to these comments in writing prior to adoption of its 10-Year CIP FY 2024-33, regardless of whether the comments are provided before or after the first budget meeting.

As I mentioned in my January 30th email, though SFPUC staff provided the capital plan spreadsheets with projects and amounts on December 31, 2022, the rest of the January 30th Commission packet was not finalized until January 23, at which point we immediately provided it to BAWSCA.

We apologize for the delay in providing a full packet of materials, as this year's adjusted budget process schedule did not capture the WSA requirement. We will take careful note and ensure to adhere to the deadline in future budget cycles.

2. Characterizing the 10-Year Capital Plans for the Water Enterprise and Hetch Hetchy Water as robust is a misnomer.

London N. Breed
Mayor

Anson Moran
President

Newsha Ajami
Vice President

Sophie Maxwell
Commissioner

Tim Paulson
Commissioner

Dennis J. Herrera
General Manager

Services of the San Francisco Public Utilities Commission

OUR MISSION: To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.

March 16, 2023 BAWSCA Board of Directors Meeting Agenda Packet Page 101



Does the SFPUC anticipate that budgets proposed for the latter half of the 10-year Capital Plan will increase from what is currently reflected in the proposed 10-Year Capital Plan in order to address needed funding for work to rehabilitate dams and for work to implement alternative water supply projects? Does the SFPUC anticipate that the next 10-year Capital Plan (due to be developed for Commission consideration in February 2024) will address those budgetary considerations?

We believe that the capital plans are robust. The Water Enterprise plan provides for full implementation of major Sunol Valley Water Treatment Plant improvements, including the addition of ozone treatment; significant water transmission line improvements on the Peninsula; improvements to the San Antonio Pump Station; and major improvements to the Millbrae facility which will contribute to overall staff productivity. The Hetch Hetchy Water plan includes completion of the Moccasin Generator Rehabilitation Project and the Mountain Tunnel Improvements Project; implementation of O'Shaughnessy Dam Improvements; and implementation of Moccasin Dam Improvements.

Other dam rehabilitation projects are in development but are not yet ready to be included in the capital plans. They will be considered when more accurate cost estimates have been developed. The Alternative Water Supply projects are fully funded for the next 3 years, and as stated at the January 30 hearing, they will be the subject of the Alternative Water Supply Plan to be presented to the Commission this summer. Based on the Commission's consideration of that plan we expect to have specific alternative water supply funding recommendations in the next budget cycle.

The 10-year Capital Plan is developed based on the needs, priorities, and best project information available at the time. As projects evolve and asset needs emerge, the projects are re-prioritized for consideration in the next round of the 10-Year Capital Plan, balancing capital needs with available funding based on rate impacts and affordability. Thus, projects that were not included or were deferred in this Capital Plan may be prioritized higher and/or have larger proposed budgets in future plans based on the project requirements and system priorities at that time.

3. Project deliverability challenges are likely to continue to impact the SFPUC's ability to complete the planned Capital Plan work.

Does the SFPUC believe that it can implement the first few years of this proposed 10-Year Capital Plan with no significant deliverability challenges?

The proposed costs in this capital plan went through a rigorous development process to ensure planned expenditures are realistically deliverable within the proposed project schedules. The Infrastructure Division analyzed the deliverability (the ability to implement projects and spend budgets according to the proposed schedules) of the capital programs using both "bottom up" and "top down" approaches, taking into consideration availability of staff and contracts and allowing schedule contingency for typical process times.

Overall, the deliverability review has brought to light many challenges and resource needs that have impacted deliverability. Improved processes to better mitigate these challenges are currently being developed and will be

implemented over the next few years. In general, the findings support that the current programs can be delivered with current staffing and contracting levels, but there is very little contingency built in for risks such as staff turn-over, long procurement times, and emergency response needs. In addition, current hiring and retention challenges warrant significant attention to fill existing vacancies and maintain staffing levels. Additional resources would need to be expanded to accommodate any increases in the programs.

When will the Capital Planning and Delivery Group report-out their findings to the Commission and the public?

Project teams from across the SFPUC are currently working on improvements to our capital planning and delivery processes with an aim to implement the first set of improvements during the next two-year budget cycle. We anticipate that we will bring our findings back to the Commission and the public alongside the kick-off of the next two-year budget cycle in (approximately) June 2023.

4. Projected Wholesale Customer water sales used by the SFPUC for financial planning purposes differ from information provided in BAWSCA's demand studies and adopted Wholesale Customer Urban Water Management Plans (UWMP).

Will SFPUC staff, in its presentations to the Commission at the January 30, 2023 hearing, provide clarity on the source and calculation of the projected Wholesale Customer water sales provided by the SFPUC finance department? BAWSCA asks that such clarity be provided in all associated materials moving forward.

Water sale demand forecasts used in Financial Plans will be provided to the Commission both on January 30 and February 14. The January 30 special budget hearing was not focused on setting the rates for wholesale customers nor on proposing the 10-Year Financial Plan, which is where water sales volume forecasts are relevant to financial outcomes. While we spoke to volume forecasts in the slides as a preview to the upcoming 10-Year Financial Plan adoption, it was not the focus of the meeting.

The 10-Year Financial Plan narrative report, which is provided with the Commission materials for the February 14 meeting, goes into extensive detail on this topic. Those forecasts incorporate many inputs, including actual sales projections, economic recovery, drought conservation projections, population changes, demand elasticity etc. and ultimately results in a conservative sales forecast.

5. Projected debt increase over time is a significant concern.

Please clarify the forecasted 10-year average Wholesale rate increase of 2.7% and explain how it is calculated.

As will be shared in the February 14 meeting when the 10-Year Financial Plans are adopted, the projected average rate increase of 2.7% represents the average in wholesale rates from FY 2022-23 to FY 2032-33. Please note that the current version of the plans, which was updated after these slides were finalized, now shows a 2.5% average. Here's the year-by-year breakdown:

	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	Avg. Annual
Wholesale Rate Change	11.6%	0.0%	0.0%	0.0%	4.5%	3.6%	2.8%	0.2%	0.5%	2.2%	2.5%

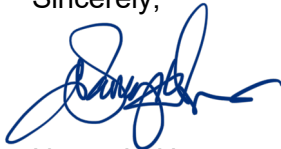
This level of detail is not included in the January 30th slides for the Commission simply because it's a greater level of detail than made sense in the presentation for that budget hearing, which was focused on the FY 2023-24 budget adoption.

6. The SFPUC committed to the preparation of a written report in 2023 detailing the midcycle changes to the 10-Year Capital Plan.

When will this report be completed? Will BAWSCA have an opportunity to review a draft version of the document? Does the SFPUC propose to produce a written report alongside every 10-Year Capital Plan update moving forward?

A draft of the FY 24-33 Capital Plan Report was provided via email on January 31, 2022. At this time, we do not know if we will produce this report every year.

Sincerely,



Nancy L. Hom
Chief Financial Officer
Assistant General Manager, Business Services

cc:

Newsha Ajami, President, San Francisco Public Utilities Commission
Members of the Commission, SFPUC
Dennis Herrera, SFPUC, General Manager
Ron Flynn, SFPUC Deputy General Manager
Steven Ritchie, SFPUC, Assistant General Manager, Water
Stephen Robinson, SFPUC, Assistant General Manager, Infrastructure
Alison Kastama, SFPUC, BAWSCA Liaison
BAWSCA Board of Directors
BAWSCA Water Management Representatives
Allison Schutte, Hanson Bridgett, LLP, Legal Counsel



January 27, 2023

Via email

The Hon. Newsha Ajami, President
and Members of the Commission
San Francisco Public Utilities Commission
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102

RE: Proposed SFPUC 10-Year Capital Plan for FY 2024-33, and Proposed FY 2023-24 Capital Budget

Dear President Ajami,

On Monday January 23, 2023, at approximately 5 pm, BAWSCA was provided electronic copies of budget information and associated staff documents developed for the proposed midcycle changes to the SFPUC 10-Year Capital Plan for FY 2024-33 for the Water Enterprise and Hetchy Hetchy Enterprise, and proposed FY 2023-24 Capital Budget. BAWSCA understands that a budget hearing on January 30, 2023 is scheduled where details of the proposed midcycle changes will be shared with the Commission and the public. The proposed midcycle changes will be considered by the Commission as part of the 10-Year Capital Plan and FY 2023-24 Capital Budget adoption on February 14, 2023, at its regularly scheduled meeting.

BAWSCA is preparing detailed comments to the proposed midcycle changes that will be provided via separate correspondence in advance of the currently scheduled February 14, 2023 adoption. However, BAWSCA believes it is important to provide the following key comments in advance of the January 30, 2023, budget hearing.

1. **The SFPUC did not comply with the 2018 Amended and Restated Water Supply Agreement between San Francisco and the Wholesale Customers (WSA).** The WSA requires the SFPUC to provide BAWSCA and the Wholesale Customers with the final materials for the Commission's first budget meeting at which it will consider the 10-Year CIP no less than 14 days prior to the first budget meeting (e.g., the January 30, 2023 budget hearing). The intent of this provision is to allow BAWSCA and the Wholesale Customers time to adequately review the final materials and submit any written comments prior to the first budget meeting. San Francisco must respond to any such comments in writing before adoption of the 10-Year CIP.

Unfortunately, the SFPUC missed this deadline and the preliminary materials that were provided to BAWSCA on December 30, 2022 were insufficient to perform an adequate review. BAWSCA understands and appreciates that this delay in receiving materials was due in some part to the effects of the recent emergency storm operations. In order to meet the intent of the WSA, BAWSCA is providing these comments and anticipates sending further detailed comments after the January 30th budget meeting. BAWSCA expects the SFPUC to respond to these comments in writing prior to adoption of its 10-Year CIP FY 2024-33, regardless of whether the comments are provided before or after the first budget meeting.

Question 1: Will the SFPUC provide written replies to BAWSCA's comments and questions prior to the February 14, 2023 Commission meeting?

2. **Characterizing the 10-Year Capital Plans for the Water Enterprise and Hetch Hetchy Water as robust is a misnomer.** The dollars budgeted for the latter half of the 10-year Capital Plan cycle, for both the Water Enterprise and Hetch Hetchy Water, are significantly lower than the dollars budgeted for the first half. Funding required to perform future work, such as implementing various Alternative Water Supply projects and performing necessary repairs and upgrades to embankments and spillways at a number of the SFPUC's storage reservoirs, is under reported. BAWSCA understands that the SFPUC needs additional studies to better estimate what those true costs would be, and further BAWSCA appreciates that the schedule for some of that work is likely to extend beyond the scope of the current 10-year Capital Plan. Nevertheless, referring to this budget as robust gives the reader, and the Commission, the impression that the budget proposed could accommodate those costs.

Questions 2 & 3: Does the SFPUC anticipate that budgets proposed for the latter half of the 10-year Capital Plan will increase from what is currently reflected in the proposed 10-Year Capital Plan in order to address needed funding for work to rehabilitate dams and for work to implement alternative water supply projects? Does the SFPUC anticipate that the next 10-year Capital Plan (due to be developed for Commission consideration in February 2024) will address those budgetary considerations?

3. **Project deliverability challenges are likely to continue to impact the SFPUC's ability to complete the planned Capital Plan work.** In recent years, the SFPUC has been challenged to perform the suite of work proposed for the fiscal year that it was in. Such delays have been attributed to a number of factors including internal staffing challenges, consultant and contractor procurement bottlenecks, permitting roadblocks, and COVID. Deferred work and deliverability challenges result in unspent appropriations. In 2022, when the Commission adopted the current 10-Year Capital Plan, the SFPUC formed a new Capital Planning and Delivery Group focused on tackling the deliverability issue, and tasked to prepare a plan to better define the bottlenecks or obstacles and, if they could be removed or mitigated, propose changes. BAWSCA commends the SFPUC on its decision to form the work group. However, BAWSCA has yet to be given an update by the SFPUC as to what that group has proposed or concluded, and how the proposed Capital Plan has been influenced or changed as a result. Based on BAWSCA's understanding that continued staffing challenges are present and that other bottlenecks likely remain, the possibility of ongoing deliverability challenges can be anticipated.

Questions 4 & 5: Does the SFPUC believe that it can implement the first few years of this proposed 10-Year Capital Plan with no significant deliverability challenges? When will the Capital Planning and Delivery Group report-out their findings to the Commission and the public?

4. Projected Wholesale Customer water sales used by the SFPUC for financial planning purposes differ from information provided in BAWSCA's demand studies and adopted Wholesale Customer Urban Water Management Plans (UWMP).

BAWSCA recognizes that SFPUC's finance department provides estimates for near-term and mid-term water sales in a manner that safeguards the SFPUC's ability to collect sufficient revenues to fund the proposed 10-Year Capital Plan and overall agency operations. At the same time, BAWSCA reminds the Commission that the projected Wholesale Customer water sales provided as part of the information packet for the January 30, 2023 budget hearing have not been endorsed or approved by BAWSCA or the Wholesale Customers. In fact, the projected Wholesale Customer water sales provided in your information packet have no basis in actual land use plans or adopted policies, water use characteristics, or other associated work performed by BAWSCA and its member agencies to project future water purchases from the Regional Water System.

Question 6: Will SFPUC staff, in its presentations to the Commission at the January 30, 2023 hearing, provide clarity on the source and calculation of the projected Wholesale Customer water sales provided by the SFPUC finance department? BAWSCA asks that such clarity be provided in all associated materials moving forward.

5. Projected debt increase over time is a significant concern. Moving toward the latter half of the 10-Year Capital Plan, debt financing (bonds, notes and commercial paper, and state and federal loans) will become an even greater portion, percentage wise, of the planned funding for capital work proposed. BAWSCA is concerned that borrowing costs will prove to have a significant, and perhaps uncertain, impact on water rates for both Wholesale and Retail Customers.

Questions 7: Please clarify the forecasted 10-year average Wholesale rate increase of 2.7% and explain how it is calculated.

6. The SFPUC committed to the preparation of a written report in 2023 detailing the midcycle changes to the 10-Year Capital Plan. BAWSCA supports the preparation of this report.

Question 8, 9, 10: When will this report be completed? Will BAWSCA have an opportunity to review a draft version of the document? Does the SFPUC propose to produce a written report alongside every 10-Year Capital Plan update moving forward?

As noted at the beginning of this letter, BAWSCA is continuing to review the package of information provided by the SFPUC on January 23, 2023 for the proposed midcycle changes to the 10-Year Capital Plan and FY 23-24 Capital Budget. BAWSCA anticipates submitting an additional comment letter prior to the Commission's adoption hearing on February 14, 2023.

BAWSCA appreciates the hard work of the SFPUC staff assigned to plan and implement the many projects that comprise the 10-Year Capital Plan for the Water Enterprise and Hetch Hetchy Water. We look forward to the SFPUC's response to the questions posed in this letter, and would be happy to have a follow-up discussion on the matter if desired.

Sincerely,



Nicole Sandkulla,
CEO and General Manager

NS/TF/le

cc: Dennis Herrera, SFPUC, General Manager
Ron Flynn, SFPUC Deputy General Manager
Steven Ritchie, SFPUC, Assistant General Manager of Water Enterprise
Stephen Robinson, SFPUC, Assistant General Manager of Infrastructure
Alison Kastama, SFPUC, BAWSCA Liaison
BAWSCA Board of Directors
BAWSCA Water Management Representatives
Allison Schutte, Hanson Bridgett, LLP, Legal Counsel

Board of Directors

Policy Calendar Through November 2023

Meeting Date	Purpose	Issue or Topic
March 2023	D&A D&A R&D R&D 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&A R&D	Consideration of Proposed FY 2023-24 Work Plan and Budget Consideration of Annual Consultant Contracts 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 R&D	CEO/General Manager Performance Evaluation Update on Tier 2 Drought Allocation Plan Negotiations
November 2023	D&A D&A D&A	Annual Review & Consideration of BAWSCA's Statement of Investment Policy Review & Consideration of BAWSCA's General Reserve Policy Consideration of Action Regarding Tier 2 Drought Allocation Plan

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

Meeting Schedule through July 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
Thursday – March 21, 2024	Burlingame Community Center – Sequoia Room
Thursday – May 16, 2024	Burlingame Community Center – Sequoia Room
Thursday – July 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, April 12, 2023	Burlingame Community Center – Sequoia Room B
Wednesday, June 14, 2023	Burlingame Community Center – Sequoia Room B
Wednesday, August 9, 2023	Burlingame Community Center – Sequoia Room B
Wednesday, October 11, 2023	Burlingame Community Center – Sequoia Room B
Wednesday, December 13, 2023	Burlingame Community Center – Sequoia Room B
Wednesday, February 14, 2024	Burlingame Community Center – Sequoia Room B
Wednesday, April 10, 2024	Burlingame Community Center – Sequoia Room B
Wednesday, June 12, 2024	Burlingame Community Center – Sequoia Room B