



BOARD OF DIRECTORS MEETING

Thursday, November 16, 2023

Burlingame Community Center – Sequoia Room
[850 Burlingame Ave., Burlingame](#)
6:30 P.M.

*Immediately following 5:30pm Special Reception recognizing
BAWSCA's 20-year Anniversary*

(One Member of the Board will participate in this meeting by Teleconference. Locale shall be: Omni Atlanta Hotel at Centennial Park, 100 CNN Center, Atlanta, Georgia 30303 - Juniper Meeting Room in the North Tower. When any member of the board participates by teleconference, all votes taken at this meeting will be by roll call vote.)

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page</u>
1. Call to Order/Roll Call/Salute to Flag	(Larsson)	
2. 20-Year Anniversary	(Larsson)	
3. Comments by the Chair	(Larsson)	
4. Board Policy Committee Report (Attachment)	(Hardy)	Pg 3
5. Public Comments <i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(Larsson)	
6. SFPUC Report	(Ritchie)	
7. Consent Calendar	(Larsson)	
A. Approve Minutes of the September 27, 2023 Special Meeting (Attachment)		Pg 15
B. Receive and File Budget Status Report – As of Sept. 30, 2023 (Attachment)		Pg 21
C. Receive and File Annual Audit Report for BAWSCA and Compilation Report for BAWUA for FY 2022-23 (Under Separate Cover)		Pg 23
D. Receive and File Directors' Reimbursement Report – As of Sept. 30, 2023 (Attachment)		Pg 25
E. Receive and File Employee Reimbursement Report – As of Sept. 30, 2023 (Attachment)		Pg 27
F. Receive and File Bond Surcharge Collection, Account Balance and Payment Report – As of Sept. 30, 2023 (Attachment)		Pg 29
G. Receive and File Investment Report – As of September 30, 2023 (Attachment)		Pg 31
H. Adoption of Resolution #2023-04 Approving the Extension of the 2021 Amended and Restated Tier 2 Drought Response Implementation Plan (Attachments)		Pg 33

The Board Policy Committee voted unanimously to recommend approval of the proposed Board action for agenda item #7H.

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| 8. Reports and Discussions (<i>Attachments</i>) | (Sandkulla) | |
| A. Update on Negotiations of a New Tier 2 Drought Allocation Plan | | <i>Pg 41</i> |
| B. BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy 2045) | | <i>Pg 45</i> |
| 9. CEO Reports | (Sandkulla) | |
| A. FERC/Bay Delta Plan Update | | |
| B. CEO/General Manager's Letter (<i>Attachment</i>) | | <i>Pg 55</i> |
| C. Board of Directors Policy Calendar (<i>Attachment</i>) | | <i>Pg 59</i> |
| D. Correspondence Packet (<i>Under Separate Cover</i>) | | |
| 10. Closed Session #1 | (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). | | |
| 11. Report from Closed Session #1 | (Schutte) | |
| 12. Closed Session #2 | (Schutte) | |
| A. Conference with Labor Negotiator (Larsson)
Agency designated representative: Gustav Larsson
Unrepresented Employee: CEO/General Manager | | |
| 13. Reconvene Open Session Following Labor Negotiations | (Larsson) | |
| 14. Consider Compensation Adjustment for CEO/General Manager
for FY 2023-24 (<i>Under Separate Cover</i>) | (Larsson) | |
| 15. Directors' Discussion: Comments, Questions and Agenda Requests | (Larsson) | |
| 16. Date, Time and Location of Future Meetings
(See attached schedule of meetings) | (Larsson) | <i>Pg 61</i> |
| 17. Adjourn to next meeting scheduled for January 18, 2024 at 6:30pm | (Larsson) | |

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MEMORANDUM

TO: BAWSCA Board Members

FROM: Nicole Sandkulla, Chief Executive Officer/General Manager

DATE: July 10, 2023

SUBJECT: Summary of Board Policy Committee meeting held October 11, 2023

1. **Call to Order:** Committee Chair, Karen Hardy, called the meeting to order at 1:32pm. CEO/General Manager, Nicole Sandkulla called the roll. All (9) members were present. A list of Committee members who were present (9) and other attendees is attached.

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

2. **Comments by Committee Chair:** Committee Chair Hardy welcomed members of the Committee.

3. **Consent Calendar:**

Director Schneider made a motion, seconded by Director Zigterman, that the Committee approve the Minutes of the June 14, 2023 Board Policy Committee meeting.

The motion passed unanimously by a show of hands.

There were no comments from members of the public on the consent calendar.

4. **Public Comments:** There were no comments from members of the public on items not included on the agenda.

5. **Action Calendar:**

- A. **Adoption of Resolution #2023-04 approving the extension of the 2021 Amended and Restated Tier 2 Drought Response Implementation Plan:** Ms. Sandkulla reminded the Committee that two plans govern a system-wide drought shortage of 20% or less on the San Francisco Regional Water System. The Tier 1 Plan allocates water between SFPUC retail customers and the wholesale customers collectively. The Tier 2 Plan allocates water among the Wholesale Customers.

The Tier 2 Plan was adopted in the Winter/Spring of 2011 by the governing bodies of each wholesale customer in accordance with the Water Supply Agreement (WSA). It was

formulated to expire on December 31, 2018, consistent with the timing of SFPUC's 2018 decision regarding the cities of San Jose and Santa Clara.

Section 3.11 (C)(3) of the WSA states that SFPUC will honor Tier 2 allocations among the wholesale customers provided by BAWSCA or unanimously agreed to by all wholesale customers.

The Board has approved a 1-year extension of the Tier 2 Plan each year since 2018. The Water Management Representatives (WMR) have been engaged and supportive of the Tier 2 Plan extensions by the Board for each of the successive years. While the need to update the Tier 2 Plan was expected, the WMR believed it was appropriate to delay negotiations of a new Tier 2 Plan until they were prepared with information from the State's new water use efficiency regulations and resulting requirements.

Ms. Sandkulla reported that the negotiations between the member agencies, which BAWSCA is facilitating, was initiated in January 2022. Significant progress was made and was accelerated when in-person meetings were reinstated in September 2022. To date, each agency has an appointed lead negotiator to represent its interests and perspectives, and the agencies have agreed to a set of policy principles to guide the development of a new allocation plan.

Initial discussions began as part of the monthly WMR meetings. In-person meetings separate from the WMR meetings began in September 2022. Discussions now take place twice per month, with one virtual workshop in which technical details are reviewed and discussed, and an in-person meeting in which the negotiation process is carried out.

Discussions are productive and progress made to date is encouraging. However, it is not feasible to finalize an updated Tier 2 Plan and have it adopted by each member agency governing body by the end of this calendar year when the Tier 2 Plan expires.

The Committee is being asked to recommend that the Board extend the term of the 2021 Amended and Restated Tier 2 Plan to December 31, 2024. This action would provide more time for the negotiators to finalize an updated Tier 2 Plan, as well as ensure that a drought allocation plan is in place in the event of a drought next year.

Ms. Sandkulla stated that the policy principles agreed upon by the 26 member agency negotiators helps maintain the focus on the end result instead of individual agency positions. There is a "straw person" modeling tool that has key factors for potential inclusion on the calculation. The group is evaluating those factors and working through a revision by the end of the month to move the negotiations forward.

Ms. Sandkulla clarified that when the Board extended the Tier 2 Plan in 2021, it extended a Tier 2 Plan that was amended and restated to address an unintended consequence of an incomplete allocation of the Regional Water System water made available to the Wholesale Customers by SFPUC as provided in the Tier 1 Plan that surfaced when the Plan was used for the first time during the most recent drought.

Director Doerr asked if the negotiations will take a full year to complete, or whether it will come halfway through the year, and if so, what happens to the 1-year extension?

Ms. Sandkulla stated that she anticipates that the negotiations will go through June 2024 at the earliest. Once negotiations are complete, it could take at least 6 months for each member agency's governing body to adopt the plan. She anticipates meeting with member agency staff personnel to assist with their governing body adoption process.

Furthermore, Ms. Sandkulla clarified that the Tier 2 Plan is an agreement among the member agencies on how to allocate the water supply during water shortages of up to 20% or less. In accordance with the WSA, SFPUC will honor Tier 2 allocations provided by BAWSCA. BAWSCA's role is to administer the Tier 2 Plan adopted by the governing bodies of each member agency. The BAWSCA Board has the capacity to extend the term of the existing Tier 2 Plan on a yearly basis.

Given the long negotiation process, Director Doerr asked if the plan will be set up so that agencies will not have to go through the process again.

Ms. Sandkulla stated that the lead negotiators have tentatively agreed that the term of the new Tier 2 Plan would be aligned with the WSA's expiration, which is 2034. They are also discussing potential rules that could be applied to simplify extensions, if necessary.

Legal Counsel, Allison Schutte, added that the need for the extension is not due to a delay, but due to a reasonable negotiation process that is necessary. BAWSCA's role is a "backstop", and should the Board fail to come to an agreement to extend the existing Tier 2 Plan, the WSA acknowledges that the SFPUC can make a determination.

Additionally, while the new Tier 2 Plan is being aligned with the term of the WSA, which is twelve years away, Ms. Schutte noted that changes can occur in water use and the variables and metrics agreed to today, may no longer be applicable in 2030, as demonstrated by the need to update the Tier 2 Plan that was created in 2009, and the amendment to the Tier 1 Plan to make it more fair due to changes in patterns of water use.

Director Smegal asked what happens if the cutback is more than 20%, and whether there are discussions on having principles that would apply to larger cuts.

Ms. Sandkulla explained that the WSA requires a "meet and confer" process in which San Francisco meets with BAWSCA and the wholesale customers to discuss what adjustments would be made to Tier 2 and/or Tier 1 Plans. But, per the WSA, San Francisco holds the authority to make the decision.

Ms. Schutte confirmed, and added that the wholesale customers have the right to challenge San Francisco's decision, however, the "meet and confer" is intended to avoid that circumstance.

Ms. Schutte added that SFPUC's Level of Service (LOS) Goals under the WSA requires San Francisco to design, maintain, and operate the Regional Water System so that system-wide cutbacks would be no more than 20%.

There were no comments provided by members of the public.

Director Vella made a motion, seconded by Director Chambers, that the Board Policy Committee recommend Board adoption of Resolution #2023-04 Extending

the Term of the 2021 Amended and Restated Tier 2 Plan through December 31, 2024.

The motion carried unanimously by a show of hands.

Ms. Sandkulla noted that she is not reporting on water supply demand because the State is currently undergoing a change in their data collection from water agencies statewide. BAWSCA has not been able to collect data from the State in the last few months. BAWSCA will continue to make the information request from the State and report to the Board any information that becomes available.

6. CEO Reports:

- A. BAWSCA's Long-Term Reliable Water Supply Strategy 2045: Ms. Sandkulla presented the timeline for how engagement with the Board and the BPC is anticipated throughout the development of the scope for Strategy 2045. As scheduled, she was pleased to provide the results of the member agency survey launched in September.

To develop the survey, the first step was to conduct a condition assessment which included a review of Urban Water Management Plans and other long-term water management plans by agencies throughout the region, as well as larger multi-regional water agencies outside the Bay Area. The purpose of the document review was to identify the various water supply planning challenges and situations of BAWSCA member agencies as well as those identified by other regional water agencies.

The survey was designed to identify the member agencies' areas of concern and prioritization, and their potential desired outcomes from Strategy 2045.

For this initial presentation, the survey results were grouped into four categories: Water Supply Reliability Planning, Regulatory Compliance, Funding and Affordability, Institutional and Operational Optimization. Specifically, Institutional Optimization refers to how various institutions can work better together, while Operational Optimization refers to how facility infrastructure can work better.

The survey provided the following results:

1. Water Supply Reliability Planning:

Areas of Concern:	Desired Outcome(s) for Strategy 2045
<ul style="list-style-type: none">• Lack of updated holistic evaluation of supply needs for the BAWSCA region.• Limited studies on the technical feasibility and economics of alternative supply projects.• Need to ensure individual agency and regional water supply reliability in the face of climate change, regulations, and lands use uncertainties.	<ul style="list-style-type: none">• Comprehensive and independent assessment of regional supply needs under a range of potential regulatory and hydrologic scenarios.• Holistic look at the region's water supply opportunities and management, with a focus on achieving multiple benefits.• Provide building blocks for local agency planning and decision making, including regional tools and studies.

2. Regulatory Compliance:

Areas of Concern:	Desired Outcome(s) for Strategy 2045:
<ul style="list-style-type: none">Emerging and/or increasingly stringent regulations impacting water supply reliability (e.g., water quality, conservation, water reuse).	<ul style="list-style-type: none">Holistic look at the region's water supply opportunities and management, with a focus on achieving multiple benefits.

3. Funding and Affordability:

Areas of Concern:	Desired Outcome(s) for Strategy 2045:
<ul style="list-style-type: none">Limited funding for BAWSCA agencies' water supply projects, along with limited resources to successfully pursue and administer external funding.Ensuring affordability for customers, particularly for alternative water supplies as they may require expensive new capital infrastructure and development of operational capacity to integrate new supplies.	<ul style="list-style-type: none">Close the gap on funding needed for local and regional project implementation.Provide pathway to achieve water affordability for the region.

4. Institutional and Operational Optimization:

Areas of Concern:	Desired Outcome(s) for Strategy 2045:
<ul style="list-style-type: none">Framework for sharing supplies among BAWSCA agencies has not been tested or optimized.Contractual, operation, and financial barriers create roadblocks to joint implementation of projects.Limited understanding of system interconnections.Inconsistent dry year reliability across individual agencies.	<ul style="list-style-type: none">Overcome institutional hurdles to optimizing regional reliability by leveraging collective local and imported water resources and infrastructure.Inform local, regional, and state decision makers on the region's water supply challenges and opportunities on an ongoing basis.Provide framework for regional resilience and collaborative emergency planning to ensure a consistently high standard of water service.Establish regional LOS goals beyond SFPUC obligations and identify local and regional actions to achieve these goals.

In response to Director Doerr, Ms. Sandkulla stated that the slides showing the survey results reflect the same language used in the survey, with some abbreviation for presentation purposes.

In response to Ms. Schutte, BAWSCA Sr. Water Resources Engineer, Negin Ashoori, stated that Prop 18 was not brought up as an area of concern under “Funding and Affordability”.

Ms. Sandkulla noted that the results of the survey have been the most concrete level of information member agencies have ever provided BAWSCA about their concerns and expectations as individual agencies and as a region. It is powerful information that will be used and reflected in BAWSCA’s development of the draft goals, objectives, and approach to scoping Strategy 2045.

The draft proposed goals, objectives, and approach will be presented for discussion and feedback to the WMR at its November 2nd meeting and to the Board at the November 16th meeting. The dialogue will present the needs for further adjustments to inform an updated proposed goals, objectives and approach for Strategy 2045.

Ms. Sandkulla anticipates presenting the proposed goals, objectives and approach to the Board for its consideration at its January 2024 meeting. With that direction, staff can develop a draft scope of work for Strategy 2045 that can be presented and discussed with the Board in early 2024.

Ms. Sandkulla reminded the Committee that the development of the 2015 Strategy was in response to the SFPUC’s unilateral decision to provide wholesale customers no more than the 184 mgd Supply Assurance. This decision by the SFPUC had an immediate ramification on most of the BAWSCA member agencies on their water supply planning. As a result, BAWSCA’s 2015 Strategy was focused on finding alternative water supplies.

The result of this survey is very different from the need that drove the development of the 2015 Strategy. Ms. Sandkulla believes it is responsive to the regional role that BAWSCA has developed over the last 20 years and how the agencies look to BAWSCA to enable them, individually and collectively, to better serve the water customers. The similarities in the response from member agencies across the board is noteworthy.

Ms. Sandkulla welcomed questions and comments, as well as feedback that members of the Committee may find helpful to provide the Board.

Committee members asked questions, expressed concerns and provided feedback on the overall Strategy 2045

Director Schneider noted that specifically for Millbrae, water use increase can be driven by efforts such as emergency preparedness including earthquakes and moisture content for fire control, population growth and nature-based solutions that addresses climate change and noise. She asked whether those factors were included in the survey to help inform Strategy 2045, or are these factors that should be discussed locally.

Ms. Sandkulla stated that the short answer is yes, at a regional level. However, she noted that each member agency is its own entity responsible for having its own processes as well as agreements with its neighbors.

Regarding emergency preparedness, she referred to the agencies’ desired outcome under Institutional and Operational Optimization to; *“Provide framework for regional resilience and collaborative emergency planning to ensure a consistently high standard of water service.”*

Because there is an interest among the member agencies, there is a question of whether there is a role for BAWSCA to bring the agencies together as a region in achieving emergency resiliency on the water supply side that the BAWSCA Board would want to include in BAWSCA's workplan to achieve results for its member agencies.

Ms. Sandkulla explained that historically, BAWSCA has avoided independently addressing member agencies' emergency response. Rather, BAWSCA has previously supported the SFPUC's efforts on its required emergency preparedness by providing member agencies consultant resources to ensure their systems are hardened for earthquakes.

Regarding housing, BAWSCA's demand projections process is closely connected to the member agencies' land use practices. Demand projections are done every five years and BAWSCA is in the process of preparing a request for proposal to update its demand projections. The process of updating the demand projections will be a year-long process with the member agencies in order to reflect the most current type of use and projections for total growth. BAWSCA is not a land use agency, and therefore, BAWSCA relies on its member agencies and the associated adopted land use plans to develop its regional demand projections.

Addressing nature based solutions seem to fall under the One Water concept in which multi-benefit projects that are not directly related to water supply provide value for BAWSCA to be engaged in. It is anticipated that the scope of work for Strategy 2045 will look into what that engagement will entail for BAWSCA.

Director Smegal commented that the survey did not address the question of what potential roles and limitations does BAWSCA have on these matters, and what is the reason that BAWSCA would act rather than the individual agencies and/or SFPUC, or individual associations of the member agencies? The plan must be clear on which of these policy matters and strategy outcomes are appropriate for BAWSCA to undertake and have a role in. He inquired whether the question is asked on these potential policy and desired outcomes?

Ms. Sandkulla appreciated the question being explicitly raised, and stated that the question is spot on with the purpose of the scoping effort. The member agencies have now spoken through the survey response to help scope the development of the Strategy 2045, and the question for the board is whether to pursue the desired outcomes. Perhaps the Board decides to include all the desired outcomes, and in the process of developing Strategy 2045 may realize that BAWSCA's role is not as extensive, or may be more extensive than expected. Ms. Sandkulla stated that development of Strategy 2045 will provide additional details to assist BAWSCA and the Board in making that determination.

Director Zigterman referred to Director Smegal's comments about "whose strategy are we forming?" He noted three possibilities he sees;

1. Is Strategy 2045 things that member agencies would like the SFPUC to think about or implement?
2. Is it what is expected of BAWSCA and the collective agencies to pursue or not?
3. Is it what individual agencies all agree to have in their own strategies, along with unique things, to pursue?

Or should Strategy 2045 address all three?

Director Pierce commented that member agencies are different from each other and have different needs, but there are some areas where agencies coalesce around projects. She anticipates the development of a better defined direction after the scoping effort is completed.

Director Chambers agreed with Director Zigterman's comments and stated that when we have a design and outcome for Strategy 2045, it ought to have three levels identifying what efforts fall in SFPUC's scope, what efforts are appropriate for BAWSCA, and what the individual agencies ought to be doing.

Director Smegal asked if in the scoping of the Strategy, would the efforts that member agencies responded to as "barely or somewhat concerned with" be dropped or de-emphasized?

Ms. Sandkulla stated that the question remains to be answered because the areas of concern and desired outcome is not one to one, but there is an overlap. The results had instances where the area of concern were low, but the interest in the desired outcome was high.

Committee members provided comments on what would be helpful in better understanding the survey results. Following multiple comments, the committee agreed with Director Chambers' suggestion to use a standard deviation in presenting the result.

Committee members' comments included the following:

- Director Doerr stated that it would be helpful to know the number of agencies who participated, clarification that the results are the average value of the responses, and to see the written comments provided. She inquired about the factors that may have driven the responses to "Desired Outcomes" towards "Somewhat Helpful".
- Director Larsson would find it helpful to have all of the areas in one sorted chart that could be provided as an attachment to a memo as opposed to a presentation. This can provide a visual of what concerns elevated to the top. Providing the results to the Board a few more days in advance of the Board meeting will provide Board members time to process the information and have informed questions.
- Director Zigterman noted that there's not much distinction between somewhat helpful and very, and having the same distinctions that were made in areas of concern from very to extremely would have been helpful to see in the desired outcomes.
- Director Hardy suggested delineating efforts already being done. She pointed out that she may view a particular desired outcome as a high priority but that it may be something that BAWSCA is already doing in multiple ways. She asked if there was a way to show the efforts that BAWSCA is already doing and what it would mean to take on more.

Further discussion on the overall Strategy 2045 ensued.

Director Zigterman asked if there is a purpose statement formulated for Strategy 2045 that clarifies the question of whose strategy is this? Should we take a moment to think about what the purpose statement should be as he believed that it will help focus the development of the scope.

Ms. Sandkulla stated that the 2015 Strategy was developed for BAWSCA to identify the efforts it needs to do, independent of the SFPUC's contractual obligations to the wholesale customers.

Because the SFPUC has an obligation to the BAWSCA member agencies as its wholesale customers under the WSA, BAWSCA, on behalf of the agencies, needs to knowledgeably engage with the SFPUC in its efforts to ensure that the SFPUC meets its legal and contractual obligations, such as the Alternative Water Supply Plan.

The results of Strategy 2015 have supported specific results in BAWSCA's work plan since its completions including the regional demand projections that BAWSCA does every 5 years. Ms. Sandkulla envisions the development of Strategy 2045 in the same way. Starting with the input of the agencies at a staff level to inform the Board's policy decision.

Director Zigterman acknowledged the premise, but noted that it defines BAWSCA's role as the member agencies' liaison to the SFPUC and as an administrator of the WSA. Strategy 2045 ought to state what the member agencies collectively agree on, for example, what it wants the SFPUC to do; whether it be to provide additional water supply, or nothing more than it already does.

Ms. Sandkulla stated that BAWSCA engages with SFPUC on behalf of the member agencies under the authority it is granted by the WSA, and with the presumed authority that each agency delegates to BAWSCA in dealing with San Francisco. Because BAWSCA is not a signatory to the contract, BAWSCA carefully differentiates its efforts and discussions related to managing the contract from its role in ensuring overall water supply reliability for the member agencies and their customers. BAWSCA respects the individual contracts member agencies have with San Francisco as well as the authorities BAWSCA has under the WSA and the permissions that are given to BAWSCA as an entity.

Director Zigterman suggested reflecting that explanation in Strategy 2045 with respect to the three levels of roles between the SFPUC, BAWSCA, and the member agencies so that the options can be evaluated with some context moving forward.

Ms. Sandkulla agreed and stated that the draft goals, objectives and approach will be provided to, and discussed with, the Board in November. She stated that BAWSCA and the member agencies operate best when they are connected towards an agreed upon purpose as opposed to being directed, and the survey was a way to accomplish that. She emphasized that there are 26 member agencies and BAWSCA is committed to ensuring that each agency's perspective is heard in this process.

It is important to form the goals, objectives and approach based on the member agencies' input at both the staff and policy level instead of it being predetermined by BAWSCA. The idea of identifying the roles is a good approach without impeding contract management and obligation management. Ms. Sandkulla noted that having the same level of conversation again on what has been drafted will be appropriate to gather further feedback and input.

Director Smegal agreed to not predetermine the categories of efforts and roles between SFPUC, BAWSCA and the agencies without completing the scoping effort.

Director Pierce suggested having a statement on the difference between what the Strategy is and BAWSCA's role as a reminder as well as information to new Board and agency staff members.

Director Chambers added that BAWSCA's critical role of ensuring that the SFPUC fulfills its Level of Service (LOS) goals which is a part of its Alternative Water Supply Program, and auditing the wholesale revenue calculations are roles that will not necessarily be laid out in the Strategy.

Ms. Schutte reminded the Committee that the WSA also recognizes that the wholesale customers believe that the SFPUC should still be obligated to provide more water than the 184mgd, and asserts the desire to have San Jose and San Clara as permanent customers of the SFPUC.

Ms. Sandkulla appreciated the feedback and noted that the comments and the concerns expressed are a critical part of the process for developing a robust set of goals, objectives and approach for the strategy.

- B. Bay Delta Plan/FERC Update: Ms. Sandkulla reported that oral arguments in the State Water Board cases that began the week of August 28th continue. BAWSCA monitored the CEQA arguments held on September 25th - 28th. Arguments are set to conclude on October 28th.

Ms. Sandkulla reiterated that BAWSCA's argument is that in developing the Bay Delta Plan, the State Board failed to consult with and consider the recommendations of local agencies, failed to effectively consider the economic impacts and the need for developing housing in the region, and failed to adequately evaluate substitute water supply options evaluated by the SFPUC in its water planning documents, all of which is required by law.

The judge asked a couple of questions which indicates that the judge connected with BAWSCA's arguments. BAWSCA was the only party that addressed the impacts to the Bay Area, the Regional Water System in any depth, the plan's impacts to housing, the feasibility of alternative water supplies, or the likelihood of rationing and the related risks and impacts.

The judge has 90 days following the conclusion of oral arguments to distribute a draft order.

Ms. Sandkulla reported that on September 28th the State Board released a Draft Staff Report and Substitute Environmental Document for Phase 2 Bay-Delta Plan and Voluntary Agreement for public review.

The report is a 6,000 page document that complies by CEQA and other state laws. This is an opportunity for public review and comment on the State Board's analysis of multiple alternatives including the unimpaired flow alternative and a voluntary agreement for the Phase 2 Bay-Delta Plan. BAWSCA is in the process of reviewing the document.

The State Board will convene a multi-day public hearing to receive overall comment on November 17th, December 1st and 11th. Two public workshops for presentations and questions are scheduled for October 19th and November 2nd.

BAWSCA will engage with its member agencies, SFPUC and Valley Water as part of its review.

There were no comments from members of the committee. There were no public comments.

7. **Closed Session:** There were no comments from members of the public prior to adjourning to Closed Session. The Committee adjourned to Closed Session at 2:54pm.
8. **Report from Closed Session:** The Committee reconvened to Open Session. Ms. Schutte reported that Closed Session concluded at 3:08pm and no reportable action was taken.
9. **Comments by Committee Members:** Director Schneider reported that Millbrae's lobbyist worked with Senator Allen on SB 676 which was signed into law by the Governor. The bill allows local government to have control over artificial turf, which will allow Millbrae to provide alternative landscape plans to its residents. She also reported that Millbrae will be working on its own legislative platform in November and invited Ms. Sandkulla to let her know of any legislation BAWSCA would be interested in.

Director Hardy reported that the City of Santa Clara is looking into its landscape rebate programs to be perpetual instead of just during drought.

Director Doerr inquired about the ability to go hybrid. In response, Ms. Sandulla reported that the Chair and Vice Chair are in discussion.

There were no further comments from members of the Committee.

10. **Adjournment:** The meeting was adjourned at 3:14pm. The next meeting is December 13th in Sequoia Room of Burlingame Community Center.

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting Attendance Roster

Agency	Director	Oct. 11, 2023	Aug. 11, 2023	Jun. 14, 2023	Apr. 12, 2023	Feb. 8, 2023	Dec. 14, 2022
Santa Clara	Hardy, Karen (C)	✓	MEETING CANCELLED	✓	✓	✓	✓
MPWD	Vella, Lou (VC)	✓		✓	✓		n/a
Westborough	Chambers, Tom	✓		✓	✓	✓	✓
Menlo Park	Doerr, Maria	✓			✓		n/a
Sunnyvale	Larsson, Gustav	✓		✓	✓	✓	✓
Redwood City	Pierce, Barbara	✓		✓	✓	✓	
Millbrae	Schneider, Ann	✓		✓	✓	✓	n/a
CalWater	Smegal, Tom	✓		✓	✓	✓	n/a
Stanford	Zigterman, Tom	✓		✓	✓		

✓: present

☎: Teleconference

October 11, 2023 Meeting Attendance (*In-Person*)

BAWSCA Staff:

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

Public Attendees:

Alison Kastama	SFPUC
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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING****SPECIAL MEETING
September 27, 2023 – 6:30 p.m.**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 6:30 pm.

BAWSCA Chair, Gustav Larsson, called the meeting to order. CEO/General Manager Nicole Sandkulla called the roll. Twenty (20) members of the Board were present at roll call. Two (2) members of the Board arrived after roll call. A list of Directors present (22) and absent (4) is attached.

2. Comments by the Chair:

Chair Larsson noted the 2 reports staff will provide the Board on BAWSCA's work that is directly related to its goal of a Reliable Supply of High-Quality Water at a Fair Price.

BAWSCA is facilitating the Tier 2 Drought Allocation Plan negotiations between the member agencies for a new Tier 2 Drought Allocation Plan, which continues to be challenging. The Board will be asked to consider a one-year extension of the existing Tier 2 Plan to provide more time to complete the negotiations and ensure that a Tier 2 Plan is in place in the event of a drought next year.

Staff will engage in Board discussions regarding the effort's purpose, objective, and desired outcomes of BAWSCA's Strategy 2045. Chair Larsson emphasized that the Board's feedback is critically important as BAWSCA works to scope Strategy 2045 this fiscal year. He noted SFPUC's comment at the July Board meeting that it is moving forward with its Alternative Water Supply Plan to ensure that it can meet its contractual and legal obligations for a reliable water supply to the BAWSCA agencies. At the same time, the SFPUC acknowledged the need for BAWSCA and its member agencies to be able to move forward with separate planning efforts to address the water supply needs for their communities beyond what the SFPUC believes are its obligations. BAWSCA's Strategy 2045 is one way to consider what further actions should be taken by BAWSCA to meet its goal of a Reliable Supply of High-Quality Water at a Fair Price.

Chair Larsson announced that the 20th anniversary recognition event for BAWSCA is rescheduled for November 16th. BAWSCA will host a modest reception starting at 5:30 prior to the Board meeting with light refreshments followed by a short presentation during the board meeting to highlight a few vital results and recognize key individuals.

There will be no Board Policy Committee Report as it did not meet in August.

3. SFPUC Report:

Ms. Alison Kastama, SFPUC Liaison to BAWSCA, provided a water supply condition update for the Regional Water System, and a status report on three legislations.

4. Consent Calendar:

Director Pierce made a motion, seconded by Director Vella, that the Board approve the Minutes of the July 20, 2023 meeting; receive and file the Pre-Audit Budget Status Report as of June 30, 2023, the Investment Report as of June 30, 2023, the Directors' Reimbursement Report as of June 30, 2023, and the Bond Surcharge Collection, Account Balance and Payment Report for Fiscal Year ending June 30, 2023.

The motion passed unanimously.

5. Public Comments on Items Not on the Agenda:

Public comments were provided by Dave Warner, Peter Drekmeier, and Susan Stansbury.

6. Reports and Discussions:

Ms. McPherson, Senior Water Resources Specialist, provided the Board with an update on negotiations of a new Tier 2 Drought Allocation Plan.

Comments and questions were taken from members of the Board. Public comments were provided by Peter Drekmeier and Chuck Piercey.

Ms. Sandkulla reported on BAWSCA's Long-Term Reliable Water Supply Strategy 2045.

Comments and Questions were taken from members of the Board. Public comments were provided by Peter Drekmeier.

8. CEO Reports:

Ms. Tang, Finance Manager, provided a update on BAWSCA's OPEB and Pension Liability Funded status, with an informational report on the SFPUC's OPEB and Pension Liability Funded status.

Ms. Sandkulla reported the recent actions by the State Board to move forward with the Bay Delta Plan Amendments.

Questions and comments were taken from members of the Board. Public comments were provided by Peter Drekmeier.

9. Closed Session #1:

There were no public comments prior to adjourning to Closed Session #1.

The meeting adjourned to Closed Session at 7:59pm

10. Report from Closed Session:

Chair Larsson reconvened the meeting to Open Session.

Legal Counsel, Allison Schutte, reported that the Board reconvened from Closed Session at 8:30 pm. There was no reportable action taken during Closed Session.

11. Closed Session #2:

There were no public comments prior to adjourning to Closed Session #2.

The meeting adjourned to Closed Session #2 at 8:31pm

12. Report from Closed Session #2

Chair Larsson re-convened open session and reported that Closed Session #2 ended at 9:18 pm. The Board reviewed the CEO/General Manager's performance and found her performance to be outstanding.

Chair Larsson opened the floor for a motion to extend the meeting.

Director Breault made a motion, seconded by Director Hamilton, to extend the meeting no later than 9:45pm.

The motion passed unanimously.

13. Action Following Closed Session:

There were no comments from members of the public.

Director Schneider made a motion, seconded by Director Smegal, that the Board approve the declaration that the compensation of the CEO/General Manager is under ongoing negotiation and is therefore uncertain and undetermined, and that any such new compensation for the CEO/General Manager, as may be subsequently adopted by the Board of Directors, may be applied effective as of September 27, 2023, in consideration of the services provided by the CEO/General Manager henceforth, should labor negotiations result in such a recommendation.

The motion passed unanimously.

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

There were no comments from members of the Board.

14. Date, Time and Location of Next Meeting: The next meeting is scheduled on November 16, 2023 at 6:30pm.**15. Adjournment:** The meeting adjourned at 9:26 pm

Respectfully submitted,

Nicole Sandkulla
CEO/General Manager

NS/le

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

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Roll Call & Voting Log - BAWSCA

Meeting Date: 27-Sep-23

Agency	Director					Weighted Voting ⁽²⁾	
		Present/ Absent	Item #4 Consent	Item #12A CEO/GM Comp	Other	Weighted "Yes" Votes	Weighted "No" Votes
Hayward	Andrews, Angela	✓	✓	✓			
Brisbane	Breault, Randy	✓	✓	✓			
Guadalupe	Breault, Randy	✓	✓	✓			
Westborough	Chambers, Tom	✓	✓	✓			
San Jose	Cohen, David	✓	✓	✓			
Menlo Park	Doerr, Maria	✓	✓	✓			
San Bruno	Hamilton, Tom	✓	✓	✓			
Santa Clara	Hardy, Karen						
Foster City	Hindi, Sam	✓	✓	✓			
Purissima	Jordan, Steve	✓	✓	✓			
Sunnyvale	Larsson, Gustav	✓	✓	✓			
East Palo Alto	Lopez, Antonio	✓	✓				
Daly City	Manalo, Juslyn						
Mountain View	Matichak, Lisa	✓	✓	✓			
Coastside	Mickelsen, Chris						
Milpitas	Montano, Carmen						
North Coast	Piccolotti, Tom	✓	✓	✓			
Redwood City	Pierce, Barbara	✓	✓	✓			
Hillsborough	Ragsdale, Leslie	✓	✓	✓			
Millbrae	Schneider, Ann	✓	✓	✓			
Cal Water	Smegal, Tom	✓	✓	✓			
Burlingame	Stevenson, Peter	✓	✓	✓			
Palo Alto	Stone, Greer	✓	✓	✓			
Mid-Peninsula	Vella, Louis	✓	✓	✓			
ACWD	Weed, John	✓	✓	✓			
Stanford	Zigterman, Tom	✓	✓	✓			

Vote Tally

				Weighted Vote Summary	
				"Yes"	"No"
Yes (y)	22	22	21		
No (n)		0	0		
Absent (0)	4	4	5		
Abstain (a)		0	0		
Item Carries by Simple Vote?					
Item Carries by Weighted Vote?					

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

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

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

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

Bay Area Water Supply and Conservation Agency

Board of Directors Meeting Attendance Roster

Director	Agency	Sept. 27, 2023	July 20, 2023	May 18, 2023	Mar. 16 2023	Jan. 19, 2023	Nov. 17, 2022
Andrews, Angela	Hayward	✓	✓	✓		✓	✓
Breault, Randy	Guadalupe	✓	✓			✓	✓
Breault, Randy	Brisbane	✓	vacant	✓*	*	✓*	✓*
Chambers, Tom	Westborough	✓	✓	✓	✓	✓	✓
Cohen, David	San Jose	✓			✓	✓	*
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		✓		✓		
Piccolotti, Tom	North Coast	✓		✓	✓	✓	✓
Pierce, Barbara	Redwood City	✓	✓	✓	✓	✓	✓
Ragsdale, Leslie	Hillsborough	✓	✓	✓*	*	✓*	✓*
Schneider, Ann	Millbrae	✓	✓	✓	✓	✓	*
Smegal, Tom	Cal Water	✓	✓			✓	
Stone, Greer	Palo Alto	✓		✓*	✓*	✓*	✓*
Stevenson, Peter	Burlingame	✓	✓	✓*	✓*	✓*	✓*
Vella, Louis	Mid-Peninsula	✓	✓	✓	✓	✓	✓
Weed, John	ACWD	✓		✓	✓	✓	✓
Zigterman, Tom	Stanford	✓	✓	✓	✓		
Vacant	Brisbane	✓	vacant	✓*	*	✓*	✓*

✓ : Present

* : Predecessor


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: October 31 2023

SUBJECT: Budget Status Report as of September 30, 2023

This memorandum shows fiscal year budget status for FY 2023-24. 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 three-month period ending September 30, 2023, 25 percent into the fiscal year, total expenditures were \$1,215,715 or 25 percent of the total budget of \$4,871,419.

Table 1. Operating Budget Summary as of September 30, 2023

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	1,632,552	470,440	29%
Fair Pricing	272,500	32,036	12%
Administration	145,000	50,993	35%
Subtotal	2,050,052	553,468	27%
Administration and General			
Salary & Benefits	2,309,542	583,084	25%
Other Expenses			
BAWSCA	501,250	79,163	16%
BAWUA	1,050	0	0%
Subtotal	4,861,894	1,215,715	25%
Capital Expenses	5,000	0	0%
Budgeted Contingency	2,500	0	0%
Regional Financing Authority	2,025	0	0%
Grand Total	4,871,419	1,215,715	25%

Overview:

Overall expenditures for FY 2023-24 are tracking within budget.

Consultants

The \$105,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 7 percent expended. The Operating Budget allocation of \$172,500 for strategic counsel was 24 percent expended. The Operating Budget allocation of \$779,000 budget for legal counsel was 43 percent expended. The \$288,984 budget for water management and conservation-related activities was 9 percent expended. Over the next two months, the CEO will be closely reviewing consultant expenses, including legal counsel, as part of the mid-year budget review and will present her findings and potential Work Plan and Operating Budget modifications to the Board at its January 2024 meeting.

Administration and Other Expenses

Budgets for salaries and other expenses were 25 percent and 16 percent respectively.

Use of CEO's Discretionary Spending Authority:

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

- A second contract amendment with Granicus, LLC, in the amount of \$2,015 for services related to State required filings.

Use of Reserve and Reserve Fund Balance:

Unspent funds at the end of FY 2022-23 were \$665,592. The BAWSCA General Reserve balance as of September 30, 2023, shown below, does not reflect this deposit. Once the audited financial report has been accepted by the Board of Directors, the unspent balance from FY 2022-23 will be transferred to the General Reserve.

In accordance with the adoption of the FY 2023-24 annual budget in May 2023, the Board approved a transfer of \$56,752 from the General Reserve to fund services related to the 2045 Strategy. The General Reserve balance as of September 30, 2023 reflects this transfer and represents 20% of the adopted FY 2023-24 Operating Budget.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 06/30/23)	Account Balance (As of 09/30/23)
General Reserve	\$1,046,550	\$989,798

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Receive and File Annual Audit Report for BAWSCA and
Compilation Report for BAWUA for FY 2022-23**

Summary:

An independent auditor report for BAWSCA and a compilation report for Bay Area Water Users Association (BAWUA) have been completed for the year ending June 30, 2023. An audit of BAWSCA accounts is required by Division 31, Section 81426 of the Water Code. The compilation of BAWUA accounts is prepared in accordance with its bylaws, Article 8, Section 8.2. The reports are enclosed, under separate cover, for your review. A financial audit of the Regional Finance Authority is not required at this time.

Fiscal Impact:

None

Board Policy Committee Action:

None. The reports became available on November 3rd for staff review, allowing their inclusion in the BAWSCA board meeting agenda.

Recommendation:

That the Board receive and file the independent auditor's report for BAWSCA and the compilation report for BAWUA for the year ending June 30, 2023.

Discussion:

BAWSCA's and BAWUA's financial statements have been audited and compiled by the independent auditing firm of Chavan & Associates, LLP. The goal of an independent audit is to provide reasonable assurance that the financial statements are free from material misstatement.

Based on their review of the financial statements, the auditors have concluded that the financial statements are in conformance with generally accepted accounting principles, and fairly present, in all material respects, the financial position of both BAWSCA and BAWUA and the changes in financial position and cash flow for FY 2022-23.

As demonstrated by the statements, schedules and notes included in the auditor's reports, BAWSCA and BAWUA are meeting the requirements for sound financial management.

Enclosed Under Separate Cover:

1. BAWSCA FY 2022-23 Audit Report
2. BAWUA FY 2022-23 Compilation Report

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Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: October 27, 2023

**SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending
September 30, 2023**

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

There were no director expenses reimbursed for the quarter ending September 30, 2023.

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: October 27, 2023

SUBJECT: Employees' Reimbursement Quarterly Report for the Period Ending September 30, 2023

This report is prepared pursuant to Government Code Section 53065.5: Each special district, as defined by subdivision (a) of Section 56036, shall, at least annually, disclose any reimbursement paid by the district within the immediately preceding fiscal year of at least one hundred dollars (\$100) for each individual charge for services or product received. "Individual charge" includes, but is not limited to, one meal, lodging for one day, transportation, or a registration fee paid to any employee or member of the governing body of the district. The disclosure requirement shall be fulfilled by including the reimbursement, information in a document published or printed at least annually by a date determined by that district and shall be made available for public inspection.

Table 1 presents the reimbursed expenses for BAWSCA Employees during the quarter ending September 30, 2023.

Table 1. Employee Reimbursement Expenses

BAWSCA Employee	Expense Amount	Purpose
Tom Francis	\$1,859.62	Travel Expense for Urban Water Institute Conference 8/23/2023
Deborah Grimes	\$500.39	Reimbursement for Agency Comcast expense
Kyle Ramey	\$125.19	Travel expenses - meetings
Christina Tang	\$160	Reimbursement for GFOA Agency Membership Renewal
Lourdes Enriquez	\$199	Reimbursement for Annual Dropbox service

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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: November 7, 2023

SUBJECT: Bond Surcharge Collection, Account Balance and Payment Report
 as of September 30, 2023

In February 2013, 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. In January 2023, BAWSCA completed the settlement of Series 2023A bonds to refund the 2013A bonds based on a tax-exempt forward delivery, which resulted in a reduced monthly surcharge from the agencies starting March 2023. The bond transactions and the prepayment program are anticipated to generate approximately \$89.4 million in net present value savings to the water customers from 2013 to 2034 when the bonds will be paid off.

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 July 2023 have been collected and remitted to BAWSCA's trustee account. Payments of surcharges billed for August and September 2023 are still being received and expected to be remitted to the trustee account by November 15. Table 1 below presents a summary of financial transactions related to BAWSCA's Bond Series 2023A and 2013B for the three months.

Table 1: Summary of Surcharges Remitted to Trustee for Quarter Ending 9/30/2023

<u>Month</u>	<u>Amount Billed</u>	<u>Amount Remitted to Trustee</u>	<u>Difference</u>
July 2023	\$1,826,481	\$1,826,481	\$0
August 2023	\$1,826,481	\$1,792,430	\$34,051
September 2023	<u>\$1,826,481</u>	<u>\$860,317</u>	<u>\$966,164</u>
Total	\$5,479,443	\$4,479,228	\$1,000,215

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 9/30/2023

	25,198,602	Account Market Value as of 6/30/2023
<i>plus:</i>	<i>4,824,154</i>	<i>Surcharge Collected in July 2023 through September 2023</i>
<i>plus:</i>	<i>186,370</i>	<i>Money Market Fund Interest, Security Coupons/Accrued Interest Received</i>
<i>plus:</i>	<i>4,885</i>	<i>Change in Market Value of Held and Matured Treasury Bonds</i>
<i>plus:</i>	<i>(19,720)</i>	<i>Reimbursement to BAWSCA for bond administration expenses</i>
	30,194,291	Account Market Value as of 9/30/2023

In April 2023, BAWSCA re-evaluated its investment strategy for the bond stabilization fund during the annual review of the Investment Policy. As the Federal Reserve has raised interest rates to its highest level in over twenty years in its efforts to tame elevated inflation, rates in the 0-5 year range have risen significantly. 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 September 30, 2023, the book yield and market yield on BAWSCA's revised portfolio strategy was 1.95% and 4.79% respectively, as compared to the yield of 5.23% 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.

Revenue Bond Series 2023A and Series 2013B Debt Service Payment Status

The recent debt service payment of \$14,072,026 was made on October 1, 2023. It was paid using the bond surcharges collected from the agencies, consistent with the bond indenture. The next debt service payment of \$4,280,534 will be made on April 1, 2024. 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 & 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: November 6, 2023

SUBJECT: Investment Report – As of September 30, 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. As a result of the recent review of the policy, proposed modifications to the current statement of investment policy ensuring safety of bank deposits over the FDIC limit were presented and approved by the Board at its May 18, 2023 meeting.

BAWSCA funds not deposited in banks are invested in the BAWSCA's 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>06/30/23</u>	<u>09/30/23</u>
\$3,176,924	\$3,202,755

Of the total in the BAWSCA LAIF account as of September 30, 2023, \$989,798 represents BAWSCA's General Reserve Fund, equivalent to approximately 20 percent of FY 2023-2024 Operating Budget. The remaining amount consists of Subscription Conservation Program funds and unrestricted funds.

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

<u>06/30/23</u>	<u>09/30/23</u>
3.15%	3.59%

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Adoption of Resolution 2023-04 Approving the Extension of the 2021 Amended and Restated Tier 2 Drought Response Implementation Plan**

Summary:

The Tier 2 Drought Response Implementation Plan (Tier 2 Plan or Plan) is the method for allocating the collective Wholesale Customer share of the Regional Water System (RWS) supply made available by the San Francisco Public Utilities Commission (SFPUC) during shortages of 20 percent or less caused by drought. The Tier 2 Plan calculates the proportion of total available RWS supply made available to each Wholesale Customer.

The Tier 2 Plan was first adopted by each Wholesale Customer in the winter/spring of 2011 pursuant to Section 3.11.C of the July 2009 Water Supply Agreement between the City and County of San Francisco and the Wholesale Customers (WSA). That Tier 2 Plan, which initially expired on December 31, 2018, was extended three times in 2018, 2019, and 2020. In 2021, the Tier 2 Plan was amended to address unintended consequences as a result of changed circumstances over time and extended in anticipation of starting a comprehensive update of the Plan. The current Tier 2 Plan was extended in November 2022 and expires December 31, 2023.

BAWSCA and the member agencies initiated negotiations to update the Tier 2 Plan in January 2022. Negotiations are still in progress and not anticipated to be completed by December 31, 2023.

In order to provide more time for the Wholesale Customers to complete negotiations of an updated Tier 2 Plan and to ensure that a Plan is in place in the event of a drought next year, it is recommended that the Board extend the 2021 Amended and Restated Tier 2 Plan for one calendar year; from January 1, 2024 through December 31, 2024.

Board Policy Committee Action:

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

Recommendation:

That the Board adopt Resolution 2023-04 extending the term of the 2021 Amended and Restated Tier 2 Plan through December 31, 2024.

Discussion:

The Tier 2 Plan describes the method for allocating the RWS supply made available by the SFPUC among the Wholesale Customers during shortages caused by drought. The Tier 2 Plan was adopted by each Wholesale Customer pursuant to Section 3.11.C of the WSA in the winter/spring of 2011. The Tier 2 Plan, which initially expired on December 31, 2018, was extended each subsequent year through action by the BAWSCA Board.

Recommendation to Extend the Present Tier 2 Plan for One Year

The WSA provides that the SFPUC will honor allocations of water among the Wholesale Customers provided by BAWSCA, or unanimously agreed to by all Wholesale Customers.

Legal Counsel has determined that the Board may rely on the water allocations included in the present Tier 2 Plan and continue to use those for the current drought in accordance with Section 3.11.C.3 of the WSA.

Given that the WSA has a provision that gives the BAWSCA Board the authority to set an allocation method, BAWSCA staff recommends that the Board extend the term of the 2021 Amended and Restated Tier 2 Plan through December 31, 2024.

Status of Ongoing Tier 2 Plan Update Negotiations

In January 2022, BAWSCA and the member agencies initiated an update to the Tier 2 Plan. BAWSCA is facilitating negotiations among its member agencies, with technical support from the consulting firm Woodard & Curran. Early on, each agency appointed a lead negotiator to represent its agency's interests and perspectives. Notable progress to date includes agreement on a set of policy principles that are guiding development of an updated methodology and consideration of several model concepts developed by Woodard & Curran.

Between January and August 2022, negotiations were held during monthly Water Management Representatives (WMR) meetings in a remote setting. Since September 2022, negotiation meetings have been held in person on a monthly basis to allow for more engaged discussions among the agencies and to speed up progress on the negotiations, including dedicated in-person workshops. Progress has improved with the transition to in-person meetings.

In April 2022, the agencies agreed to policy principles to guide the development of an updated Tier 2 Plan. To date, the in-person meetings have focused on translating those policy objectives into technical steps that may be included in a Tier 2 calculation. The WMR will continue to evaluate options for achieving the policy principles over the next few months, with the goal of developing one or two model concepts for more thorough evaluation and scenario analysis by early- to mid-2024.

While the productive discussions and progress made to date is encouraging, it is not feasible to finalize an updated Tier 2 Plan and have all member agencies adopt it by the end of the calendar year. BAWSCA will continue to regularly update the Board on the progress of negotiations.

Background:

The WSA with San Francisco includes a Tier 1 Plan, which divides the available water supply between San Francisco retail customers and the collective Wholesale Customers during a drought. The WSA also provides that the SFPUC will honor allocation of water among the Wholesale Customers provided by BAWSCA, or unanimously agreed to by the Wholesale Customers. In 2011, the Wholesale Customers adopted the original Tier 2 Plan, which takes that collective Wholesale Customer allocation and further divides it among each Wholesale Customers. The Tier 2 Plan details the methodology used to divide the available supply during a drought.

The Tier 2 Plan applies when the SFPUC determines that a system-wide water shortage of 20 percent or less exists, as set forth in a declaration of water shortage emergency adopted by the SFPUC pursuant to California Water Code Sections 350 *et seq.* The Tier 2 Plan applies only to water acquired and distributed by the SFPUC to the Wholesale Customers and has no effect on water obtained by a Wholesale Customer from any source other than the SFPUC.

The Tier 2 Plan initially established December 31, 2018 as the Plan's expiration date to allow for the consideration of matters such as the inclusion of the cities of San Jose and Santa Clara as permanent customers, and to allow for the development of a new Tier 2 Plan. In May 2018, the

Tier 2 Plan was extended by the Board's adoption of Resolution 2018-01 to provide formal drought allocations to the SFPUC through December 31, 2019. Resolutions with similar extensions were adopted by the Board in 2019, and 2020. In 2021, the Board acted to amend the Tier 2 Plan and extend the term through December 31, 2022. The current Tier 2 Plan was extended in November 2022 and expires December 31, 2023.

Existing Tier 2 Plan Methodology

The Tier 2 Plan's methodology consists of a stepwise process that is followed to determine each Wholesale Customer's allocation. More specifically, a seven-step allocation process is followed which takes into account factors such as: volume of water purchased by each agency in most recent non-drought year(s); seasonal demand fluctuations; Individual Supply Guarantee (ISG) allocations; minimum and maximum cutback levels; and the public health and safety needs of East Palo Alto.

The estimation process is iterative, in that if after one "round" of calculations, one or more agencies has a proposed cutback of less than 10 percent of their normal supply or if a proposed cutback for a particular agency is quite severe, adjustments are made to the calculation procedure and a revised estimate is developed.

The above discussion is brief in that it does not go into the complexity and nuances of the estimation process. The estimate takes time to perform and a firm understanding of member agency water use specifics.

BAWSCA's Role in the Tier 2 Plan

The Tier 1 Plan identifies BAWSCA as the party to perform the Tier 2 Plan calculations. The Tier 1 Plan requires SFPUC to allocate water to each Wholesale Customer in accordance with BAWSCA's calculations. By adopting the WSA and the Tier 2 Plan, each Wholesale Customer thereby authorized BAWSCA to perform the allocation calculations. BAWSCA interacts with both the SFPUC and the Wholesale Customers to obtain needed input data.

BAWSCA's role in developing the existing Tier 2 Plan was as follows:

- Assist agencies in agreeing on a formula that could be accepted unanimously;
- Providing the structure for the discussion and analyses to support decision making;
- Encouraging decisions regarding the adoption of a proposed method based on fact, analyses, and practicality; and
- Supporting agencies in the adoption process.

When a new Tier 2 Plan is developed, if the allocation method incorporated into the Plan is not unanimously adopted by the BAWSCA member agencies, the WSA provides that the BAWSCA Board has the authority to set an allocation method. If the BAWSCA Board does not set an allocation method, the SFPUC retains final authority to allocate water among the Wholesale Customers during a drought.

Attachments:

1. Draft Resolution 2023-04 Approving the Extension of the 2021 Amended and Restated Tier 2 Drought Response Implementation Plan

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**RESOLUTION NO. 2023-04
BY THE BOARD OF DIRECTORS OF THE
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**APPROVING THE EXTENSION OF
THE AMENDED AND RESTATED TIER 2 DROUGHT RESPONSE IMPLEMENTATION
PLAN**

WHEREAS, the Bay Area Water Supply and Conservation Agency ("BAWSCA") is organized and established pursuant to the Bay Area Water Supply and Conservation Agency Act, Water Code section 81300, et seq. (the "Act"); and

WHEREAS, the July 2009 Water Supply Agreement between the City and County of San Francisco and the Wholesale Customers in Alameda County, San Mateo County and Santa Clara County (WSA) sets forth the terms for ensuring the Wholesale Customers receive a reliable supply of high-quality water at a fair price; and

WHEREAS, section 3.11(C)(1) of the WSA established the Water Shortage Allocation Plan (Tier 1 Shortage Plan) to allocate water from the Regional Water System between Retail and Wholesale Customers during system-wide shortages of 20% or less; and

WHEREAS, pursuant to section 3.11(C)(2) of the WSA and section 5.5 of the Tier 1 Shortage Plan, the Tier 1 Shortage Plan will remain in effect for the term of the WSA; and

WHEREAS, subsequent to the Tier 1 Shortage Plan, the Wholesale Customers adopted the Tier 2 Drought Response Implementation Plan (Tier 2 Plan), to document the method of allocating, among the Wholesale Customers, the collective Wholesale Customer share of the water made available by the San Francisco Public Utilities Commission (SFPUC); and

WHEREAS, the Tier 2 Plan was adopted in the Winter and Spring of 2011 by the governing bodies of each Wholesale Customer; and

WHEREAS, the 2011 Tier 2 Plan established December 31, 2018 as an interim expiration deadline in order to allow for the consideration of matters such as the inclusion of the cities of San Jose and Santa Clara as permanent customers and to allow for the development of a new Tier 2 Plan; and

WHEREAS, in 2015, the State Water Resources Control Board implemented water conservation targets for each BAWSCA member agency that effectively negated the implementation of the Tier 2 Plan during the 2015 to 2017 drought; and

WHEREAS, in May 2018, the BAWSCA Board of Directors adopted Resolution 2018-01 extending the Tier 2 Plan for one year until December 31, 2019; and

WHEREAS, in 2018, the California Legislature adopted Senate Bill 606 and Assembly Bill 1668 which established a process for developing and implementing long-term water use efficiency targets for urban water suppliers; and

WHEREAS, in November 2019, the BAWSCA Board of Directors adopted Resolution 2019-02 extending the Tier 2 Plan for one year until December 31, 2020; and

WHEREAS, in November 2020, the BAWSCA Board of Directors adopted Resolution 2020-03 extending the Tier 2 Plan for one year until December 31, 2021; and

WHEREAS, in November 2021, the BAWSCA Board of Directors adopted the 2021 Amended and Restated Tier 2 Plan, by Resolution 2021-03 to amend the Tier 2 Plan and extend the term through December 31, 2022; and

WHEREAS, on November 23, 2021, the SFPUC adopted a system-wide voluntary water use reduction of 10% consistent with Shortage Level 1 of its Water Shortage Contingency Plan (WSCP) and initiated implementation of the Tier 1 and Tier 2 Plans for the first time; and

WHEREAS, in January 2022, BAWSCA and the member agencies began to negotiate an update to the Tier 2 Plan, with negotiations expected to continue into 2023; and

WHEREAS, in November 2022, the BAWSCA Board of Directors adopted the 2021 Amended and Restated Tier 2 Plan, by Resolution 2022-11 to amend the Tier 2 Plan and extend the term through December 31, 2023; and

WHEREAS, the BAWSCA member agencies have determined that an extension of the allocation method in the 2021 Amended and Restated Tier 2 Plan is appropriate at this time given the additional time needed for the Wholesale Customers to negotiate and unanimously adopt an updated Tier 2 Plan; and

WHEREAS, section 3.11(C)(3) of the WSA provides that the SFPUC will honor allocations of water among the Wholesale Customers provided by BAWSCA or if unanimously agreed to by all Wholesale Customers; and

WHEREAS, pursuant to section 3.11(C)(3) of the WSA, BAWSCA is authorized to provide the SFPUC with the allocations set forth in the Tier 2 Plan; and

WHEREAS, the BAWSCA Board of Directors desires to continue to rely on the allocation methodology set forth in the 2021 Amended and Restated Tier 2 Plan for one year, thereby effectively extending the Tier 2 Plan for one year until December 31, 2024.

BE IT RESOLVED, that the Board of Directors of the Bay Area Water Supply and Conservation Agency will rely on the methodology provided in the 2021 Amended and Restated Tier 2 Drought Implementation Plan for one additional year, through December 31, 2024, and requests the CEO/General Manager to transmit the methodology to the San Francisco Public Utilities Commission for drought planning purposes.

PASSED AND ADOPTED this ____ day of _____, 2023, by the following vote:

AYES:

NOES:

ABSENT:

Chair, Board of Directors

ATTEST:

Secretary

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: Update on Negotiations of a New Tier 2 Drought Allocation Plan

Summary:

The Tier 2 Plan (Plan) lead negotiators have made significant progress towards checking off a list of outstanding questions and narrowing in on components of the strawperson concept. In September and October, the lead negotiators discussed potential adjustments to baseline data to account for unforeseen circumstances. For example, adjustments to address loss of alternative supplies or significant growth in demand not captured in the baseline data. These adjustments were considered as a means to implement policy principle #3, which states that the Plan should, “Provide predictability of drought allocations through consistent and predetermined rules for calculation, while allowing flexibility to respond to unforeseen circumstances.” Ultimately, implementing adjustments was determined to be too complex given the short timeline for BAWSCA and the SFPUC to implement the Tier 1 and Tier 2 Plans.

In November, the lead negotiators continued discussions on the appropriate weighting of different variables in the strawperson concept. For example, how much of the allocation should be based on SFPUC purchases in the baseline data versus an agency’s Individual Supply Guarantee (ISG). Over the next few months, the lead negotiators will continue these discussions as well as ways to implement the policy principles.

BAWSCA encourages Board members to engage with their appointing agency’s lead negotiator for updates on the negotiations. A list of each agency’s lead negotiator and attendance at meetings to date is provided as an attachment.

Fiscal Impact:

None

Recommendation:

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

Discussion:

The Tier 1 Plan allocates water between the San Francisco retail customers and the Wholesale Customers collectively. The Tier 2 Plan is the method for allocating the collective Wholesale Customer share of the Regional Water System (RWS) supply made available by the San Francisco Public Utilities Commission (SFPUC) during shortages of up to 20 percent or less caused by drought. The Tier 2 Plan calculates the proportion of total available RWS supply made available to each Wholesale Customer.

The existing Tier 2 Plan was first adopted by each Wholesale Customers in the winter/spring of 2011 pursuant to Section 3.11.C of the Water Supply Agreement between the City and County of San Francisco and the Wholesale Customers (WSA). That Tier 2 Plan, which was initially set to expire on December 31, 2018, was extended three times in 2018, 2019, and 2020 by the Board. In 2021, the Board adopted a slightly modified Tier 2 Plan that addressed unintended consequences resulting from changed circumstances over time, and extended the Plan again in anticipation of starting a comprehensive update of the Plan. The current Tier 2 Plan expires December 31, 2023.

At this time, it is anticipated that the Board will need to consider another one-year extension of the existing Tier 2 Plan. To support the Board's potential future action, monthly updates on the Tier 2 Plan negotiations are provided to the Board.

Current Tier 2 Plan Negotiations

In January 2022, BAWSCA and the member agencies initiated an update to the Tier 2 Plan. BAWSCA is facilitating negotiations among the WMR, with technical support from the consulting firm Woodard & Curran. Early on, each agency appointed a lead negotiator to represent its agency's interests and perspectives. Notable progress to date includes agreement on a set of policy principles that are guiding development of an updated methodology; identification of the range of factors to be considered for inclusion on the potential Tier 2 formula being negotiated and how those factors should be calculated; and a strawperson concept which brings these factors together into a spreadsheet tool that can be manipulated for negotiation purposes.

In April 2022, the lead negotiators agreed to the following set of policy principles that have been used to guide the discussions:

1. Provide sufficient water for basic health and safety needs of customers.
2. Minimize economic and other adverse impacts of water shortages on customers and the BAWSCA region.
3. Provide predictability of drought allocations through consistent and predetermined rules for calculation, while allowing flexibility to respond to unforeseen circumstances.
4. Recognize benefits of, and avoid disincentives for, water use efficiency and the development of alternative water supply projects.

Using these policy principles, BAWSCA and the technical consultant identified and presented to the WMR the range of factors that could be incorporated into an updated Tier 2 Plan. For example, consideration for health and safety, non-residential and seasonal use, and ISG. The WMR have engaged in discussions about these factors, how to calculate each factor, and narrowed the potential factors down to a single strawperson concept. A high-level summary of this concept is provided below.

Strawperson Concept

Combining the policy principles and identified list of factors to be considered in a new Tier 2 formula, an Excel-based spreadsheet tool has been created that can be manipulated for illustration and negotiation purposes. Using this spreadsheet tool, a strawperson concept has been developed that reflects the following allocation priorities:

1. Provides water for health and safety needs of the agency's customers from the Regional Water System.
2. Provides water for non-residential indoor use to avoid adverse economic impacts.
3. Ensures a minimum amount of water to each agency based upon past purchases.
4. Remaining water is provided based upon 1) each agency's ISG and 2) each agency's seasonal (outdoor) demand.

The WMR continue to negotiate inputs and thresholds to this strawperson concept to ensure it achieves the policy principles. For example - What should the health and safety floor be? How much weight should be given to ISG? What should the minimum and maximum cutbacks be?

BAWSCA's Role in the Tier 2 Plan

The Tier 1 Plan identifies BAWSCA as the party to perform the Tier 2 Plan calculations. The Tier 1 Plan requires SFPUC to allocate water to each Wholesale Customer in accordance with BAWSCA's calculations. In adopting the WSA and the Tier 2 Plan, each Wholesale Customer authorized BAWSCA to perform the allocation calculations. BAWSCA interacts with both the SFPUC and the Wholesale Customers to obtain needed input data.

BAWSCA's role in developing the current Tier 2 Plan was as follows:

- Provided the structure for the discussion and analyses to support decision making;
- Facilitated negotiations on a formula that could be accepted unanimously; and
- Supporting agencies in the adoption process.

When the WMR agree to a new Tier 2 Plan, each BAWSCA member agency's governing board will need to consider whether to adopt the Plan. If the allocation method incorporated into the Plan is not unanimously adopted by the BAWSCA member agencies, the WSA provides that the BAWSCA Board has the authority to set an allocation method. If the BAWSCA Board does not set an allocation method, the SFPUC retains final authority to allocate water among the Wholesale Customers during a drought.

ATTACHMENT A: Tier 2 Plan Update Lead Negotiators and Meeting Attendance*

Agency	Lead Negotiator	Sep-22	Sep-22	Oct-22	Nov-22	Dec-22	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
ACWD	Leonard Ash	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Brisbane/GVMID	Randy Breault	✓			✓	✓			✓			✓		✓		✓
Burlingame	Kevin Okada	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Coastside	Mary Rogren	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
CWS	Scott Wagner	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
Daly City	Thomas Piccolotti	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
East Palo Alto	Humza Javed	✓	✓	✓	✓	✓			✓		✓	✓	✓	✓	✓	
Estero	Louis Sun	✓	✓	✓	✓		✓	✓			✓	✓	✓	✓	✓	✓
Hayward	Cheryl Muñoz	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
Hillsborough	Paul Willis		✓	✓		✓	✓	✓		✓	✓		✓	✓	✓	
Menlo Park	Pam Lowe	✓	✓		✓	✓	✓	✓		✓			✓	✓	✓	
Mid-Peninsula	Rene Ramirez	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Millbrae	Bill Giang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Milpitas	Elaine Marshall	✓	✓	✓					✓		✓	✓		✓		✓
Mountain View	Elizabeth Flegel	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
North Coast	Adrianne Carr	✓	✓			✓	✓	✓	✓	✓	✓	✓		✓		✓
Palo Alto	Lisa Bilir	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Purissima Hills	Phil Witt	✓		✓					✓		✓	✓	✓	✓	✓	✓
Redwood City	Justin Chapel	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓		✓	✓
San Bruno	Steven Salazar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
San Jose	Jeff Provenzano				✓	✓		✓		✓	✓	✓		✓	✓	✓
Santa Clara	Shilpa Mehta	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Stanford	Julia Nussbaum	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sunnyvale	Mansour Nasser	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	
Westborough	Patricia Mairena			✓	✓										✓	

* Meeting attendance includes in-person meetings only starting September 2022. Additional meetings were held via Zoom and at Water Management Representative meetings in the first half of 2022.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **BAWSCA's Long-Term Reliable Water Supply Strategy 2045**

Summary:

This memo is for informational purposes to provide the Board with an update on the current work related to the scoping of the Long-Term Reliable Water Supply Strategy 2045 (Strategy 2045). This memo also provides information to assist the upcoming discussions with the BAWSCA Board regarding the draft proposed purpose and objectives of Strategy 2045. Board feedback on those matters will enable BAWSCA to select the tasks that will be included in the Strategy 2045 scope of work development effort, which will commence in FY 2024-25.

As part of the scoping effort, BAWSCA must define the purpose and objectives of Strategy 2045. Board feedback is critical to that definition. BAWSCA has completed a draft Needs Assessment that provides an overview of the input given by BAWSCA agencies on the water supply management challenges to be addressed through Strategy 2045. Attachments A, B, and C present the agency survey and results.

In consideration of this input, BAWSCA has prepared a draft proposed purpose and six specific objectives to address the water supply management challenges presented by BAWSCA agencies. A summary of the draft Needs Assessment and the draft proposed purpose and objectives of Strategy 2045 are provided below and will be presented to the Board.

Board Policy Committee Action:

The Committee reviewed the preliminary details of the Needs Assessment, including the agency survey results, and provided insight into what additional information would be useful for the Board for a similar discussion at the November meeting. The Committee asked for further information on:

- Further defining the context of Strategy 2045 in relationship to BAWSCA's work with SFPUC on behalf of the BAWSCA Agencies, including clarification of what will not be included within the Strategy 2045 scope in regard to implementing the Water Supply Agreement (WSA) and ensuring San Francisco fulfills its contractual obligations.
- Additional comments received by the BAWSCA Agencies beyond what was provided in the agency survey results.
- Better representation of the complete survey results, including standard deviation and data analysis depending on agency size, location, etc.

BAWSCA addressed the input provided by the Committee in the preparation of this Board memo. The spatial representation of the individual agency results, which was discussed with the Committee, is not included at this time since the survey was intended to show regional concerns and presentation of individual agency results were not indicated to BAWSCA Agencies when they were completing the survey.

Recommendation:

This item is for information and discussion purposes only. No action is requested at this time. Feedback from the Board regarding the review of the draft proposed Strategy 2045 purpose and objectives are welcome.

Discussion:

BAWSCA recently completed a draft Needs Assessment as the next step in scoping of Strategy 2045. The Needs Assessment provides:

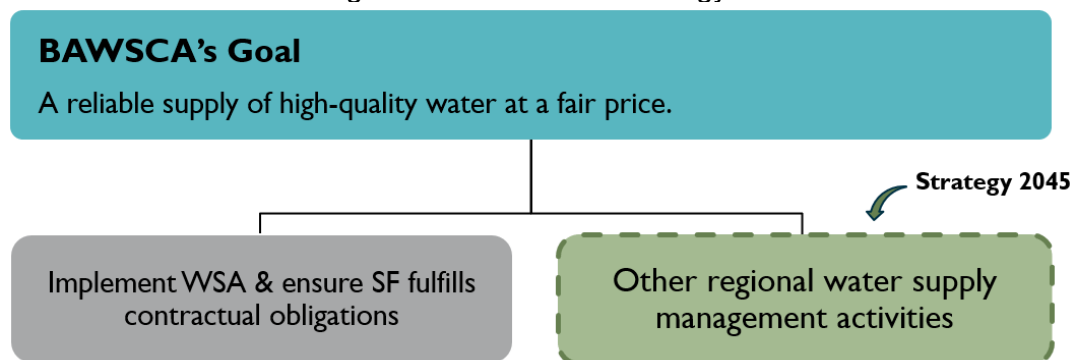
- (1) an overview of the background of Strategy 2045 in relation to BAWSCA's water supply management goal;
- (2) a summary of the input provided by BAWSCA agencies on the water supply management challenges to be addressed through Strategy 2045 and desired outcomes; and
- (3) the draft proposed purpose for Strategy 2045 and regional water supply management objectives to be addressed through Strategy 2045.

Context for Strategy 2045

BAWSCA's goal is to ensure a reliable supply of high-quality water at a fair price. Consistent with this goal, one of BAWSCA's core responsibilities is to oversee the Water Supply Agreement (WSA) between San Francisco and its Wholesale Customers, the BAWSCA Agencies, and ensure that San Francisco fulfills its legal and contractual obligations.

As a planning document, Strategy 2045 will support BAWSCA's goal separate from its role in overseeing the WSA by enabling BAWSCA to identify and determine what other regional water supply management activities BAWSCA should do to achieve its goal (Figure 1). Additionally, Strategy 2045 will complement BAWSCA's engagement with the SFPUC's Alternative Water Supply Plan by providing additional context and the tools necessary for BAWSCA to continue to effectively represent the interests of BAWSCA agencies and addressing the BAWSCA region's water supply management needs beyond San Francisco's obligations.

Figure 1: BAWSCA's Overarching Goal and Focus of Strategy 2045



As the initial step in the Strategy 2045 scoping process, BAWSCA developed a Planning Framework Assessment and Condition Assessment TM (TM #1) to provide:

- (1) an assessment of local and regional planning needs, opportunities, and knowledge or technical gaps that could potentially be addressed through Strategy 2045;
- (2) potential desired outcomes for the Strategy 2045;

- (3) an assessment and evaluation of the planning frameworks employed by other regional agencies that have achieved similar outcomes through recent planning efforts.

The results of TM #1 were used to prepare a survey of the BAWSCA Agencies.

BAWSCA Agencies' Input on Water Management Challenges and Desired Outcomes

The BAWSCA Agencies are being engaged throughout the scoping process for Strategy 2045 to gain insight into how Strategy 2045 can support local efforts, recognizing the differing water management challenges facing the BAWSCA agencies and the potential opportunities for regional support.

Using the results of TM #1, in September 2023, an online survey was circulated to the BAWSCA Agencies seeking further input on their water management and planning needs and potential desired outcomes for Strategy 2045. In conjunction, the BAWSCA Agencies were provided with TM #1 with the goal of enabling all BAWSCA Agencies to start from the same baseline understanding of the regional planning context and water management challenges impacting the BAWSCA region. All of the 26 BAWSCA Agencies responded to the online survey. The findings from the survey provided the basis for the articulation of the draft proposed purpose and objectives for Strategy 2045.

Online BAWSCA Agency Survey Results on Water Management Challenges

Survey participants were first asked to identify which of the water management challenges described in **Attachment A** are of concern to their agency. Recognizing there may be multiple challenges of equal concern, the BAWSCA Agencies were asked to indicate their agency's level of concern (i.e., extremely concerned, very concerned, somewhat concerned, or not concerned) for each individual challenge rather than rank or prioritize the challenges.

In general, the BAWSCA Agencies indicated that they are facing multiple water management challenges beyond water supply reliability. Specifically, more than half of BAWSCA Agencies indicated they are very or extremely concerned about the following water management challenges:

- Emerging and/or increasingly stringent regulations (e.g., water quality, conservation, water reuse) impacting water supply reliability (88% consensus among respondents).
- Ensuring affordability for customers, particularly for alternative water supplies as they may require expensive new capital infrastructure and development of operational capacity to integrate new supplies (88% consensus among respondents).
- Need to ensure individual agency and regional water supply reliability in the face of climate change, regulations, and land use uncertainties (83% consensus among respondents).
- Limited funding for BAWSCA Agencies' water supply projects, along with limited resources to successfully pursue and administer external funding (64% consensus among respondents).
- Inconsistent dry year reliability across individual agencies (60% consensus among respondents).
- Contractual, operational, and financial barriers creating roadblocks to joint implementation of new supply projects by BAWSCA Agencies (56% consensus among respondents).

Average survey results, including their standard deviation, for all 26 BAWSCA Agencies that responded to the online survey regarding water management challenges are summarized in **Attachment B**.

Online Agency Survey Results on Desired Outcomes for Strategy 2045

Survey participants were then asked to identify how helpful it would be for Strategy 2045 to achieve the potential desired outcomes described in **Attachment A** to address the specific needs of their agencies. Similar to the previous question, BAWSCA Agencies were asked to indicate the level of helpfulness (i.e., very helpful, somewhat helpful, neither helpful nor unhelpful, somewhat unhelpful, and very unhelpful) for Strategy 2045 to achieve each individual desired outcome to address the specific needs of their agency.

Average survey results for all 26 BAWSCA Agencies that responded to the online survey regarding desired outcomes for Strategy 2045 are summarized in **Attachment B**. Findings suggest that BAWSCA Agencies are interested in collaborating to address water management challenges beyond water reliability. More than half of BAWSCA Agencies indicated that it would be very or somewhat helpful for Strategy 2045 to achieve all of the desired outcomes presented in the survey. The top desired outcomes, with more than half of the BAWSCA Agencies indicating that it would be very helpful for Strategy 2045 to achieve, included:

- Provide pathway to achieve water affordability for the region (60% consensus among respondents).
- Inform local, regional, and state decision makers on the region's water supply challenges and opportunities on an ongoing basis (56% consensus among respondents).
- Facilitate collaboration to collectively address known regulatory challenges and enable advocacy for local needs and impacts in state regulatory policy and funding discussions (52% consensus among respondents).
- Provide building blocks (e.g., demand studies, modeling tools) for local agency planning and decision making, including regional tools and studies (50% consensus among respondents).

BAWSCA Agencies were given the opportunity to submit additional water management challenges and desired outcomes that are of concern to their agencies beyond the ten challenges and ten desired outcomes provided in the online survey. The additional responses can be seen in **Attachment C**.

Strategy 2045 Draft Proposed Purpose and Regional Water Supply Management Objectives

Through the online survey, many BAWSCA Agencies indicated they are very concerned about water supply reliability in the face of climate change, emerging and/or increasingly stringent regulations, and water affordability. BAWSCA Agencies also indicated a desire for Strategy 2045 to provide a framework for addressing these issues. Specifically, the BAWSCA Agencies shared that it would be helpful for the Strategy 2045 to facilitate collaboration on common challenges, articulate the region's water management needs and opportunities, provide the building blocks for ongoing planning and decision-making, and support water affordability and project funding.

In consideration of this input, the draft proposed **purpose of Strategy 2045** is:

To identify the water supply management needs and opportunities for the BAWSCA region and establish a framework to collectively support water reliability and resilience.

Six draft proposed regional water management objectives for the BAWSCA region have been identified to achieve the draft proposed Strategy 2045 purpose. These six draft proposed regional water management objectives are in addition to BAWSCA's work to oversee the WSA and align with BAWSCA's goal of a reliable supply of high-quality water at a fair price.

Draft Proposed Strategy 2045 Regional Water Supply Management Objectives:

- *Provide a comprehensive picture of the region's supply needs and options.*
- *Establish a framework for collectively maintaining and improving regional water supply reliability and resilience.*
- *Elevate awareness of new and emerging regulations that impact water supply management.*
- *Expand regional dialogue and collaboration to collectively address common needs.*
- *Close the gap on funding needed for water supply resilience and reliability.*
- *Support availability of affordable water supplies to all customers.*

Because Strategy 2045 is intended to provide a framework for achieving the regional water supply management objectives, it will be a comprehensive plan and is anticipated to include not only actions to be implemented by BAWSCA, but also support actions contributing to the region's water reliability and resilience led by BAWSCA Agencies. BAWSCA's role in implementing the actions defined in Strategy 2045 and in providing overall leadership for its implementation will be defined during the development of Strategy 2045.

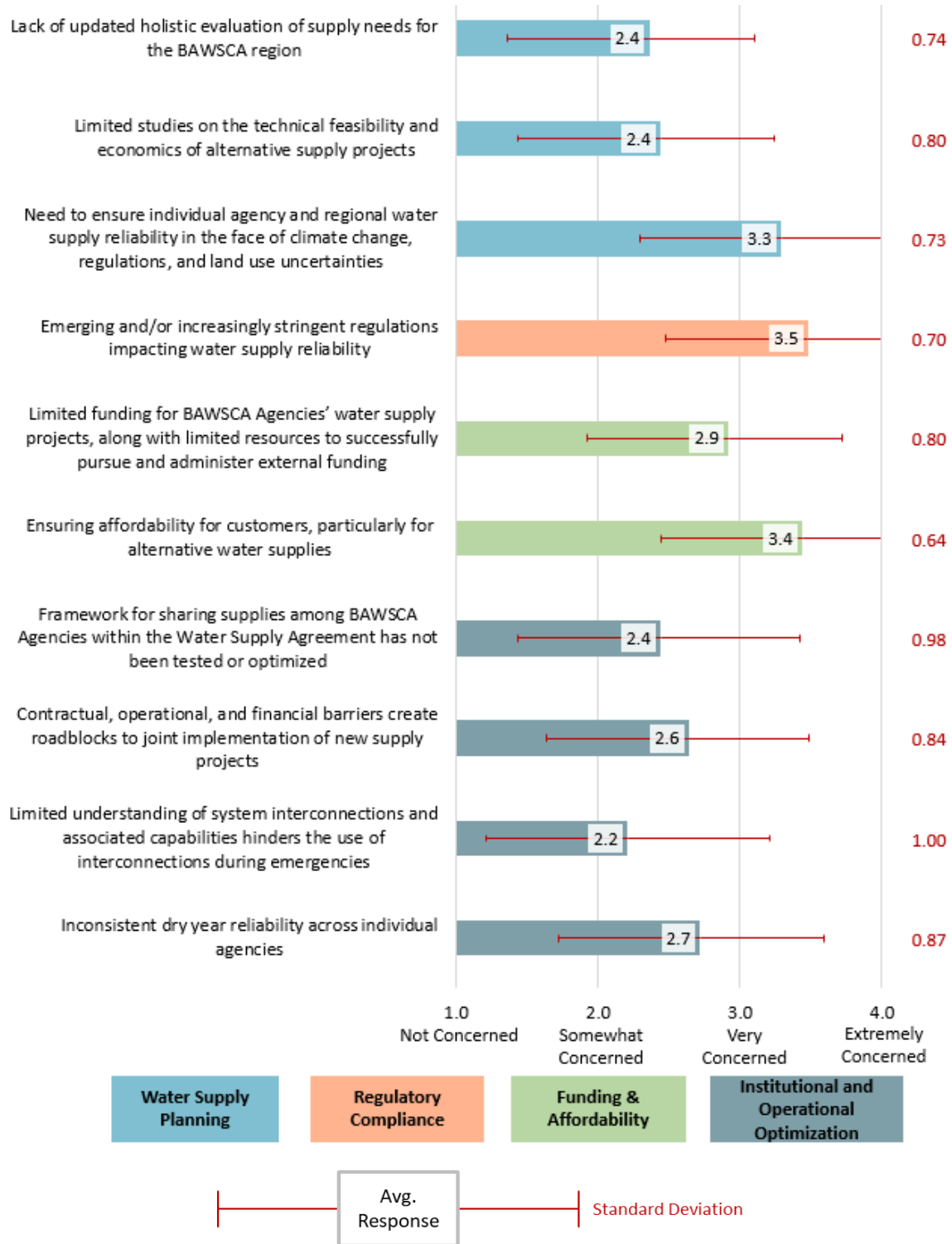
The draft proposed purpose and water management objectives for Strategy 2045 were reviewed with the BAWSCA Agencies at the November 2nd Water Management Representatives (WMR) workshop and will be reviewed with the BAWSCA Board at the November 16th Board of Directors meeting. Input received at the WMR workshop and Board meeting will assist in defining the final purpose and objectives of Strategy 2045 and the Strategy 2045 Scope of Work.

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Attachment A: Known Challenges and Potential Desired Outcomes of Strategy 2045

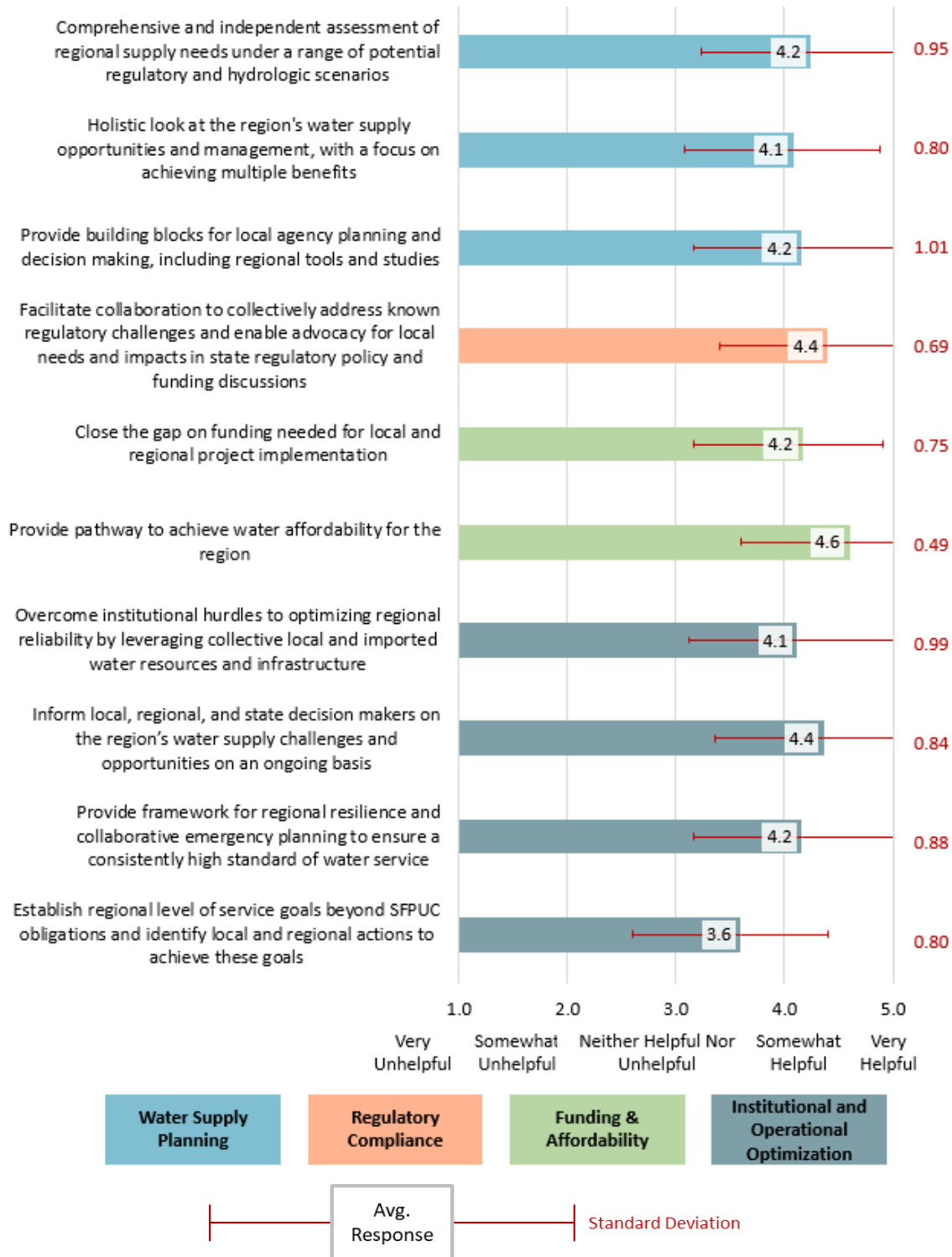
Water Management Needs and Challenges	Potential Desired Outcome
Water Supply Reliability Planning	
Lack of updated holistic evaluation of supply needs for the BAWSCA region through the planning horizon.	Comprehensive and independent assessment of regional supply needs under a range of potential regulatory and hydrologic scenarios.
Limited studies on the technical feasibility and economics of alternative supply projects.	Holistic look at the region's water supply opportunities and management, with a focus on achieving multiple benefits.
Need to ensure individual agency and regional water supply reliability in the face of climate change, regulations, and land use uncertainties.	Provide building blocks (e.g., demand studies, modeling tools) for local agency planning and decision making, including regional tools and studies.
Regulatory Compliance	
Emerging and/or increasingly stringent regulations (e.g., water quality, conservation, water reuse), currently being addressed in silos at the individual agency level and impacting water supply reliability.	Facilitate collaboration to collectively address known regulatory challenges and enable advocacy for local needs and impacts in state regulatory policy and funding discussions.
Funding and Affordability	
Limited funding for BAWSCA Agencies' water supply projects, along with limited resources to successfully pursue and administer external funding.	Close the gap on funding needed for local and regional project implementation.
Ensuring affordability for customers, particularly for alternative water supplies as they may require expensive new capital infrastructure and development of operational capacity to integrate new supplies.	Provide pathway to achieve water affordability for the region.
Institutional and Operational Optimization	
Framework for sharing supplies among BAWSCA Agencies within the Water Supply Agreement, including exchanges and normal and dry-year transfers between agencies, has not been tested or optimized.	Overcome institutional hurdles to optimizing regional reliability by leveraging collective local and imported water resources and infrastructure.
Contractual, operational, and financial barriers create roadblocks to joint implementation of new supply projects by BAWSCA Agencies.	Inform local, regional, and state decision makers on the region's water supply challenges and opportunities on an ongoing basis.
Limited understanding of system interconnections and associated capabilities hinders the use of interconnections during emergencies.	Provide framework for regional resilience and collaborative emergency planning to ensure a consistently high standard of water service.
Inconsistent dry year reliability across individual agencies.	Establish regional level of service goals beyond SFPUC obligations and identify local and regional actions to achieve these goals.

Attachment B: Survey Results on Known Water Management Challenges – Average Responses with One Standard Deviation Identified¹



¹ One standard deviation (represented by the number in red on the right side of the chart) captures 68% of all survey responses from the average response (represented by the number in the white box).

Survey Results on Desired Outcomes for Strategy 2045 – Average Responses with One Standard Deviation Identified²



² One standard deviation (represented by the number in red on the right side of the chart) captures 68% of all survey responses from the average response (represented by the number in the white box).

Attachment C: Agency Responses Beyond Those Provided in the Agency Survey

BAWSCA Agencies were given the opportunity to submit additional water management challenges that are of concern to their agencies beyond the ten challenges provided in the online survey. Additional challenges identified include:

- Need for additional staff to address ever-increasing regulations.
- Need for project feasibility assessments to account for staffing shortages.
- Need for BAWSCA Agencies to develop alternative supplies to close the gap between SFPUC's contractual obligations and regional demands as mentioned in SFPUC's Draft Alternative Water Supply Plan (AWSP).
- Need for additional reliable, drought resilient, alternative water supplies.
- Increasing water age as water conservation and alternative water supplies are implemented, resulting in degraded water quality via nitrification and disinfectant byproducts.
- Increasing water affordability challenges as infrastructure depreciates and regulations increase.
- Differing conservation requirements across BAWSCA Agencies.
- Limited willingness among BAWSCA Agencies to temporarily transfer water supplies during drought.
- Competing interests between water supply availability and Regional Housing Needs Allocation (RHNA) requirements.
- SFPUC's self-limited diversions and unused Individual Supply Guarantee (ISG).

BAWSCA Agencies were also given the opportunity to submit additional desired outcomes to address the needs of their agencies beyond the ten desired outcomes provided in the online survey. Additional desired outcomes identified include:

- Leverage BAWSCA's knowledge of the Bay-Delta Water Quality Control Plan (Bay-Delta Plan) and ongoing water supply legislation/challenges to inform BAWSCA Agencies on regional supply needs and what to expect from SFPUC's contractual obligations in the future.
- Facilitate institutional collaboration across agencies to optimize opportunities to work with SFPUC.
- Facilitate coordination and collaboration with Santa Clara Valley Water District.
- Facilitate the development of alternative water supplies to close the gap between SFPUC's contractual obligations and demand in the region and develop a financial structure for mutually beneficial projects.
- Consider water supplies available through the environmental review process for diversions from the Tuolumne River and implement a regional advocacy plan.
- Identify strategies that encourage residential water use efficiency.
- Facilitate partnerships for implementing multi-agency alternate water supply projects such as recycled/purified water projects where a single agency does not have the resources to implement.
- Provide a platform for BAWSCA Agencies to share guidance and lessons learned on alternate water supply project implementation.



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MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: November 9, 2023
SUBJECT: Chief Executive Officer/General Manager's Letter

Drought Report:

BAWSCA solicited proposals from qualified water resources providers to assist BAWSCA in preparing a 2021-2023 Drought Report summarizing BAWSCA, its member agencies and other entities' activities and efforts in response to the 2021-2023 drought. Proposals were due to BAWSCA November 3, 2023. Three consultants submitted proposals.

A review panel consisting of BAWSCA staff, select BAWSCA agency representatives, and staff from an agency outside of BAWSCA, are reviewing and scoring the proposals received. Proposers scoring highest will take part in consultant interviews, scheduled to take place on November 17, 2023.

It is anticipated that at its December 13, 2023 meeting the Board Policy Committee will be asked to recommend Board approval to negotiate an agreement with the consultant identified through the above-detailed selection process. Consideration of the recommended consultant contract is anticipated by the Board at its January 18, 2024 meeting.

Consultant Rate Analysis and Results of Diversity, Equity and Inclusion (DEI) Survey:

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

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

BAWSCA has initiated a review of the billing rates established for FY 2023-24 for agreements in place with consultants under contract. This review effort considers the

service-type provided, the staff assigned and associated billing category, and the degree that consultant continuity is required for any particular work effort. The results of the review will be shared with the Board upon its completion.

Additionally, at the direction of the Board and as part of the contract execution process in the beginning of FY 2023-24, BAWSCA requested its consultants to complete Diversity, Equity, and Inclusion Survey prepared by BAWSCA's legal counsel. The information collected is strictly informational, is not a part of consultant selection, and has no bearing on current or future contracts with BAWSCA. Forms have now been collected, and the Board will be provided with a summary of the results as part of the consultant rate analysis report.

SFPUC Capital Improvement Program Status Update:

A primary role of BAWSCA is to monitor the SFPUC's operation and long-term maintenance of the Hetch Hetchy Regional Water System (RWS) that provides two-thirds of the water supply delivered by BAWSCA's 26 member agencies. The SFPUC's 10-year Capital Improvement Program (10-year CIP) presents the critical projects necessary to ensure long-term water supply reliability for the BAWSCA service area. BAWSCA's interest is that the necessary projects and programs to ensure that the SFPUC can meet its contractual and legal obligations to the BAWSCA Agencies are included in the 10-year CIP. Further, it is important that those projects have an appropriate implementation schedule, accurate cost estimates and secured budgets. Per the Water Supply Agreement, the SFPUC is contractually obligated to engage with BAWSCA in its CIP development.

The SFPUC adopts a 10-year CIP every two years. The SFPUC also adopts a mid-cycle update if there are significant changes to the CIP following year one. The SFPUC is currently preparing its FY 2024-2033 10-year CIP. In the development of this latest 10-year CIP, the SFPUC committed to deeper consideration of project deliverability and affordability factors. Importantly, the SFPUC indicated it would utilize the results of an internal assessment of its financial and project management systems, its policies and the processes governing capital delivery and budgeting, which revealed ways to improve its approach to capital planning. BAWSCA will be seeking to identify how this latest CIP factors in this changed approach.

The SFPUC held its first meeting with BAWSCA staff on October 31, 2023, to provide an initial summary of the projects that would be included in the 10-year CIP and the associated costs. The SFPUC indicated that further refinement will take place internally within the SFPUC as they work toward a final draft of the 10-year CIP in advance of the Commission's January 2024 budget hearings.

BAWSCA is reviewing the information shared by the SFPUC at that first meeting. Additional information will be provided by the SFPUC in the weeks ahead. BAWSCA will inform the Board of comments or concerns raised as part of that review.

BAWSCA Comment on WSIP Annual Report:

BAWSCA has reviewed the San Francisco Public Utilities Commission's (SFPUC) Water System Improvement Program (WSIP) Annual Report for Fiscal Year 2022-23, dated September 1, 2023 (Annual Report). BAWSCA's comment letter to the SFPUC includes a request that the Commission direct staff to implement the five recommendations provided with BAWSCA's comments ([click here to access a copy from the Correspondence Packet](#)). BAWSCA's CEO / General Manager, Nicole Sandkulla, presented the results of BAWSCA's review to the Commission at its regular meeting on Tuesday, September 24, 2023.

BAWSCA also sent a letter to the State oversight agencies – the Joint Legislative Audit Committee, the Seismic Safety Commission, and the State Division of Drinking Water – relaying the results of BAWSCA's reviewing, including recommended requests to the SFPUC that the State should consider.

As documented in BAWSCA's letter, the overall WSIP program has had significant achievements associated with project completion since its inception. However, there remain two key projects that have yet to be implemented. Those two projects are the Alameda Creek Recapture Project (ACRP), located in the SFPUC's Sunol Valley Region, and the Regional Groundwater Storage and Recovery Project (RGSRP), located in the SFPUC's San Francisco (Regional) Region. Key BAWSCA recommendations were related to the completion of those two projects.

BAWSCA Water Conservation Database (WCDB) Launch:

BAWSCA's Water Conservation Database (WCDB) is used by BAWSCA to collect data in a consistent format for three specific efforts: (1) conservation activity reporting, (2) BAWSCA Annual Survey reporting on water use and demographic data, and (3) Demand Support System (DSS) modeling and demand projections support. The WCDB is designed to facilitate data collection, provide data monitoring, and compile data for reporting.

In FY 2022-23, BAWSCA initiated a redesign of its current WCDB in order to maintain and utilize the best available data to support various planning efforts. Woodard & Curran was selected as the consultant to develop and implement an updated WCDB. The WCDB update is now complete and in October 2023, the new WCDB was launched in advance of BAWSCA's Annual Survey reporting. BAWSCA member agencies are now using the new database to provide water use data, conservation program analytics, and demand projections as part of their yearly reporting responsibilities to BAWSCA. Moving forward, the updated WCDB will be the central hub for all BAWSCA's various datasets and will increase efficiency and usability for BAWSCA and its member agencies.

Making Water Conservation a Way of Life:

In 2018, the California State Legislature passed Assembly Bill (AB) 1668 and Senate Bill (SB) 606, directing the State Water Resources Control Board (State Board) to adopt efficiency standards and performance measures for commercial, industrial, and institutional water use. As part of the proposed regulation, Urban Retail Water Suppliers – not individual households or businesses – will be held to annual "urban water use objectives."

The Department of Water Resources and State Board have been working for several years on developing a new regulatory framework that would be used to implement the 2018 legislation. That draft framework establishes individualized efficiency goals for each Urban Retail Water Supplier. The State Board believes that the draft framework considers the unique characteristics of the supplier's service area and will give suppliers the flexibility to implement locally appropriate solutions. Once implemented, these goals are expected to reduce urban water use significantly, helping California adapt to the water supply impacts brought on by climate change.

Specifically, the framework requires suppliers to annually calculate a water use objective, which is the sum of efficiency budgets for a subset of urban water uses: residential indoor water use, residential outdoor water use, real water loss, and commercial, industrial and institutional landscapes with dedicated irrigation meters. Each efficiency budget will be calculated using a statewide efficiency standard and local service area characteristics such as population, climate, and landscape area. Where relevant, suppliers may also include in

their objective “variances” for unique uses, or a bonus incentive for potable recycled water use.

The State Board’s draft framework was released for public review and comment on August 18, 2023. A workshop was held on October 4, 2023, at which time the public was invited to provide oral public comment. BAWSCA, along with a host of other water agencies, were present and made oral public comments, as did representatives from groups such as the Association of California Water Agencies (ACWA). Commentors voiced multiple concerns with the draft framework, emphasizing the challenges and impact of the proposed rules on water agencies, and noted that many of the rules would require significant staff time and resources to comply with the regulations, financial hardship, and extensive reporting requirements. The consensus among water agencies was that the rules, as prescribed, would not necessarily result in added water savings.

Written comments to the draft framework were due on October 17, 2023. BAWSCA provided written comments and was also a signatory to ACWA’s comments ([click here to access a copy from the Correspondence Packet](#)).

The State Board plans to consider comments and produce a final framework and rules for adoption Summer 2024. Assuming that the schedule holds, rules would become effective on October 1, 2024. BAWSCA will continue to engage on this issue with the Water Management Representatives and keep the Board updated as the framework moves forward.

Watershed Tours:

The SFPUC hosted BAWSCA representatives on two recent tours of the Hetch Hetchy Regional Water System’s local (Bay Area) watershed facilities. The first tour was held on October 19th and highlighted the SFPUC’s facilities located in Alameda County near the town of Sunol. Other stops included the SFPUC’s native plant nursery, their new Alameda Creek Watershed Center, the Sunol Water Treatment Plant, Calaveras Dam, and Turner Dam. Twenty-one people took part in the tour, not including SFPUC staff.

The second tour was held on October 25th and highlighted the Hetch Hetchy Regional Water System’s facilities located in the peninsula. This tour included stops at the Pulgas Water Temple, SFPUC’s Bay Area Ridge Trail’s Southern Skyline Blvd Trail Extension, the San Andreas Dam and Spillway, the Harry Tracy Water Treatment Plant, and Lower Crystal Springs Dam and downstream Pump Station. Seventeen people took part in the tour, not including SFPUC staff.

Attendees for both tours include a mix of Board Members, BAWSCA staff members, and member agency staff.

Board of Directors

Policy Calendar Through July 2024

Meeting Date	Purpose	Issue or Topic
January 2024	D&A R&D R&D R&D R S	Mid-Year 2023-24 Work Plan, Budget and General Reserve Review Tier 2 Drought Allocation Plan Negotiations Strategy 2045 Review of Water Supply Forecast Review of Consultant Billing Rate Market Analysis FY 2023-24 Work Plan and Budget Study Session
March 2024	D&A R&D R&D R&D R&D R	Consideration of FY 2024-25 Bond Surcharges Discussion of Preliminary FY 2024-25 Work Plan and Budget Tier 2 Drought Allocation Plan Negotiations Strategy 2045 Review of Water Supply Forecast Annual WSA Balancing Account Update
May 2024	D&A R&D R&D R&D	Consideration of Proposed FY 2024-25 Work Plan and Budget Tier 2 Drought Allocation Plan Negotiations Strategy 2045 Review of Water Supply Forecast
July 2024	R&D R&D R&D	Review of CEO/GM Evaluation Procedure Strategy 2045 SFPUC Alternative Water Supply Program Update

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

Meeting Schedule through December 2024

Schedule for BAWSCA Board Meetings (Meetings are held from approx. 6:30 – 8:45 p.m.)	
<u>Date</u>	<u>Location</u>
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
Thursday – September 19, 2024	Burlingame Community Center – Sequoia Room
Thursday – November 21, 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, 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
Wednesday, August 14, 2024	Burlingame Community Center – Sequoia Room B
Wednesday, October 9, 2024	Burlingame Community Center – Sequoia Room B
Wednesday, December 11, 2024	Burlingame Community Center – Sequoia Room B

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**OPEN SESSION MATERIALS
SEPTEMBER 19, 2024 BAWSCA AGENDA ITEM #15A & #15B**

**CONSIDER COMPENSATION ADJUSTMENT FOR CEO/
GENERAL MANAGER FOR FY 2024-25 AND**

**REVISED BAWSCA PUBLICLY AVAILABLE PAY
SCHEDULE**

FOR ADDRESSEE ONLY

**PLEASE DO NOT SHARE OR DISCUSS
CONTENTS WITH NON-ADDRESSEES**

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Consider Compensation Adjustment for CEO/General Manager for FY 2024-2025 and Revised BAWSCA Publicly Available Pay Schedule**

Summary:

The Board of Directors (Board) of the Bay Area Water Supply and Conservation Agency (BAWSCA) evaluated the CEO/General Manager's performance during FY 2023-24 and found Ms. Sandkulla had an outstanding year, meeting and exceeding the Board's expectations of the CEO/General Manager. The Chair recommends the Board approve a 3.2% total compensation increase consistent with the COLA for the San Francisco Bay Area.

Fiscal Impact:

The CEO/General Manager's current total compensation is \$341,052, composed of current salary of \$333,259 and an annual car allowance of \$7,800. The car allowance will remain the same, so the effective base salary increase would be an increase of \$10,907 dollars from \$333,259 to \$344,166 (an increase of 3.273%). This adjustment would bring the annual total compensation to \$351,966, effective on her anniversary date of September 30, 2024. Funds are available for the compensation adjustment without an increase to the total operating budget.

Recommendation:

That the Board approve the contract amendment to the CEO/General Manager's Employment Agreement, effective September 30, 2024.

That the Board approve the revised BAWSCA Publicly Available Pay Schedule to reflect the updated CEO/General Manager's salary range.

Background:

In accordance with the CEO/General Manager's Employment Agreement, the Board considers compensation for the CEO/General Manager at the time of her yearly evaluation.

The CEO/General Manager's Employment Agreement (signed in 2013) provides that she may be awarded a salary increase, merit pay (bonus), or both. Section 3.A of the Employment Agreement states that salary adjustments may be considered annually.

In recognition of Ms. Sandkulla's outstanding executive leadership through the demonstration of her ability to manage known, anticipated, and unanticipated events this year and through her hiring, and utilization of, a highly competent and professional staff, the BAWSCA Board of Directors desires to modify the CEO/General Manager's Employment Agreement to provide a 3.273% increase to Ms. Sandkulla's base salary so that her new annual base salary is \$344,166.

Attachments:

1. Eleventh Amendment to CEO/General Manager's Employment Agreement
2. Revised BAWSCA CEO/GM Publicly Available Salary Schedule

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ELEVENTH AMENDMENT TO EMPLOYMENT AGREEMENT

THIS ELEVENTH AMENDMENT TO EMPLOYMENT AGREEMENT is made as of September 30, 2024, by and between the BAY AREA WATER SUPPLY & CONSERVATION AGENCY ("Agency") and NICOLE SANDKULLA ("Ms. Sandkulla").

WHEREAS, the Agency and Ms. Sandkulla entered into an Employment Agreement ("Agreement") as of July 19, 2013, and Ms. Sandkulla began serving as CEO and General Manager beginning on September 30, 2013;

WHEREAS, Section 3.A. of the Employment Agreement provides that the Board of Directors will review the performance of the CEO and General Manager on an annual basis and authorizes the Board of Directors, in its sole discretion, to approve contract adjustments, including increases in Ms. Sandkulla's salary;

WHEREAS, in recognition of Ms. Sandkulla's outstanding performance during her second through tenth years, the Board of Directors of the Agency previously amended the Employment Agreement ten times as follows:

1. On September 19, 2014 ("First Amendment"), to provide a 3% increase to Ms. Sandkulla's base salary and a one-time \$10,000 merit bonus;
2. On September 17, 2015 ("Second Amendment"), to provide a 3% increase to Ms. Sandkulla's base salary and a one-time \$10,000 merit bonus;
3. On September 15, 2016 ("Third Amendment"), to provide a 3% increase to Ms. Sandkulla's base salary and a one-time \$10,000 merit bonus;
4. On September 21, 2017 ("Fourth Amendment"), to provide a 3% increase to Ms. Sandkulla's base salary and a one-time \$15,000 merit bonus;
5. On September 20, 2018 ("Fifth Amendment"), to provide a 5% increase to Ms. Sandkulla's base salary;
6. On November 21, 2019 ("Sixth Amendment"), to provide a 21% increase to Ms. Sandkulla's base salary;
7. On September 17, 2020 ("Seventh Amendment"), to provide a 5% increase to Ms. Sandkulla's base salary;
8. On September 16, 2021 ("Eighth Amendment"), to provide a 5% increase to Ms. Sandkulla's base salary;
9. On September 22, 2022 ("Ninth Amendment"), to provide a 7% increase to Ms. Sandkulla's base salary; and
10. On September 27, 2023 ("Tenth Amendment"), to provide a 4.63% increase to Ms. Sandkulla's base salary and a one-time \$38,221 merit bonus;

WHEREAS, the Board of Directors evaluated the performance of the CEO and General Manager in 2023-24 and found that Ms. Sandkulla continues to exhibit outstanding performance in meeting BAWSCA's goal of "a reliable supply of high-quality water at a fair price";

WHEREAS, in recognition of Ms. Sandkulla's sustained outstanding performance and her continuing to deliver extraordinary results in all areas of her work, according to the Board's own review process, the Board of Directors of the Agency now desires to modify the Employment Agreement to provide a 3.273% increase to Ms. Sandkulla's base salary pursuant to Section 3.A. of the Agreement, effective on her anniversary date of September 30, 2024; and

WHEREAS, the Agency and Ms. Sandkulla wish to memorialize these actions.

NOW, THEREFORE, the parties agree as follows:

1. Compensation. Section 3.A. of the Agreement, is amended by deleting and replacing the first sentence of that section in its entirety as follows:

A. Salary and Evaluation. Agency agrees to pay Ms. Sandkulla an annual base salary of Three Hundred, Forty-Four Thousand, One Hundred and Sixty-Six Dollars (\$344,166), payable in installments at the same time and in the same manner as other management employees of the Agency are paid, effective as of September 30, 2024, for the faithful and diligent performance of the duties and obligations of the CEO and General Manager.

2. Except as expressly modified by the First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, and Eleventh Amendments, all terms and conditions of the Employment Agreement remain in full force and effect.

IN WITNESS WHEREOF the parties have executed this Eleventh Amendment to Employment Agreement as of the day and year first above written.

BAY AREA WATER SUPPLY AND
CONSERVATION AGENCY

By: _____
NICOLE SANDKULLA
CEO and General Manager

By: _____
THOMAS CHAMBERS
President, Board of Directors

Approved as to form:

By: _____
ALLISON C. SCHUTTE
Legal Counsel



CHIEF EXECUTIVE OFFICE/GENERAL MANAGER

Salary Schedule – Proposed To Be Effective September 30, 2024

Proposed To Be Effective Date	Annual
September 30, 2024	\$280,000 - 344,166

Salary Schedule - Effective Sept. 30, 2014 through Sept. 30, 2023

Effective Date	Annual
September 30, 2023	\$179,755 - \$333,259
September 30, 2022	\$179,755 - \$318,512
September 30, 2021	\$179,755 - \$297,675
September 30, 2020	\$179,755 - \$285,000
September 30, 2019	\$179,755 - \$270,000
September 30, 2018	\$179,755 - \$222,766
September 30, 2017	\$174,519 - \$212,158
September 30, 2016	\$174,519 - \$205,979
September 30, 2015	\$174,519 - \$199,980
September 30, 2014	\$174,519 - \$194,155