



## BOARD POLICY COMMITTEE

**April 12, 2023**

**1:30 p.m.**

## Burlingame Community Center – Sequoia Room

**850 Burlingame Ave., Burlingame**

## AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
1. <u>Call To Order, and Roll Call</u>	(Hardy)	
Roster of Committee Members ( <i>Attachment</i> )		Pg 3
2. <u>Comments by Chair</u>	(Hardy)	
3. <u>Consent Calendar</u>	(Hardy)	
A. Approval of Minutes from the February 8, 2023 meeting ( <i>Attachment</i> )		Pg 5
4. <u>Public Comment</u>	(Hardy)	
<p><i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i></p>		
5. <u>Action Item</u>		
A. Proposed Fiscal Year 2023-24 Work Plan, Results to be Achieved, and Operating Budget ( <i>Attachment</i> )	(Francis/Tang)	Pg 23
<p><u>Issue:</u> What critical results must be achieved in FY 2023-24 to accomplish BAWSCA's goals and water reliability objectives?</p> <p><u>Information to Committee:</u> Memorandum presenting Proposed Fiscal Year 2023-24 Work Plan, Results to be Achieved, and Operating Budget.</p> <p><u>Committee Action Requested:</u> That the Board Policy Committee recommend Board approval of the:</p> <ol style="list-style-type: none"> <li>1. Proposed Fiscal Year 2023-24 Work Plan and Results to be Achieved;</li> <li>2. Proposed Operating Budget of \$4,814,667; and</li> <li>3. Proposed funding plan of 0% assessment increase (\$4,838,897) to fund the Operating Budget.</li> </ol>		
B. Authorization of Professional Services Contract to Support the Scoping of BAWSCA's Long-Term Reliable Water Supply Strategy 2045 ( <i>Attachment</i> )	(Francis)	Pg 57
<p><u>Issue:</u> What resources are needed to scope the development of Strategy 2045?</p> <p><u>Information to Committee:</u> Memorandum and oral report.</p> <p><u>Committee Action Requested:</u> That the Committee recommend Board approval of the proposed action.</p>		

- C. Proposed Modifications to BAWSCA's Investment Policy to Ensure Safety of Bank Deposits Over \$250,000. (Tang) Pg 63

Issue: What are the recommended modifications to the Investment Policy to ensure the safety of the agency's bank deposits?

Information to Committee: Memorandum and oral report

Committee Action Requested: That the Committee recommend Board approval of the proposed action

## 6. Report and Discussion

- A. Discussion of Board Member Compensation (Witt) Pg 75

Issue: Should the Board consider changing the Board member stipend?

Information to Committee: Memorandum and Oral Report

Committee Action Requested: Feedback and input on draft survey questions.

## 7. CEO Reports

(Sandkulla)

- A. Water Supply Conditions  
B. FERC/Bay Delta Plan Update  
C. CEO/General Manager's Letter (*Attachment*) Pg 87  
D. Board Policy Committee Calendar (*Attachment*) Pg 89  
E. Correspondence Packet ([Under Separate Cover](#))

## 8. Closed Session

(Witt)

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

## 9. Report from Closed Session

(Witt)

## 10. Comments by Committee Members

(Hardy)

## 11. Adjournment to the Next Meeting

(Hardy)

June 14, 2023 at 1:30pm

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE**

**2023 Committee Roster:**

Karen Hardy, City of Santa Clara (Chair)  
Louis Vella, Mid-Peninsula Water District (Vice Chair)  
Thomas Chambers, Westborough Water District (BAWSCA Vice Chair)  
Alison Cormack, City of Palo Alto  
Maria Doerr, City of Menlo Park  
Gustav Larsson, City of Sunnyvale (BAWSCA Chair)  
Barbara Pierce, City of Redwood City  
Ann Schneider, City of Millbrae  
Tom Smegal, California Water Service Company  
Tom Zigterman, Stanford University

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**  
**BOARD POLICY COMMITTEE**  
**February 8, 2023 – 1:30 p.m.**

<b>MINUTES</b>
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1. **Call to Order:** Committee Chair, Karen Hardy, called the meeting to order at 1:32 pm. CEO/General Manager, Nicole Sandkulla called the roll. Seven (7) members were present. A list of Committee members who were present (7), absent (3), and other attendees is attached.

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

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

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

**The motion passed unanimously.**

4. **Public Comments:** There were no public comments.
5. **Action Calendar:**
  - A. **Proposed Fiscal Year 2023-24 Bond Surcharges:** BAWSCA Finance Manager, Christina Tang, reported that BAWSCA's surcharge setting is an annual process to meet the financial obligation associated with the revenue bonds issued by BAWSCA. In 2013, BAWSCA issued revenue bonds to prepay the remaining capital debt that member agencies owed San Francisco as of June 30, 2013. The surcharges collected are used to pay for debt service payments, bond administration payments, and to replenish the stabilization fund as necessary.

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

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

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

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

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

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

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

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

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

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

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

Ms. Sandkulla added that in this calculation, ACWD's and CWS SSF's water purchases are relative to others. It is important to note that CWS SSF may not have been able to lower its usage as much as others because its per capita water use is already low, and ACWD's water source shifted to the SFPUC in 2021-22. Hence, the relative difference between the member agencies is a contributing factor.

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

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

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

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

**The motion passed unanimously.**

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

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

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

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

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

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

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

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

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

budget allowance for staff compensation that the Board approves is then allocated under the CEO/General Manager's authority.

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

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

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

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

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

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

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

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

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

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

**The motion carried unanimously.**

## **6. Reports and Discussion Item:**

- A. Preliminary Fiscal Year 2023-24 work Plan and Results to be Achieved:** Ms. Sandkulla reported that as always, BAWSCA builds a work plan for the next fiscal

year based on the long-range challenges and what is needed to address those anticipated challenges. The work plan is aligned with BAWSCA's legislative authority and its goal of ensuring a reliable supply of high-quality water at a fair price.

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

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

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

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

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

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

Water Supply Reliability:

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

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

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

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

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

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

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

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

A Drought Summary Report was prepared following the drought of 2014-2017 which served the member agencies well during the current drought. It

documented the actions taken by the State, SFPUC, Valley Water and the member agencies in detail. The proposed report for the drought of 2021 will include an analysis of the drought actions agencies implemented to examine its correlation with the actual water reductions experienced. That component will require an outside consultant and will have an estimated cost of \$40,000. Ms. Sandkulla emphasized the critical lessons learned from drought experiences and it is important to document them as they become invaluable information for the next time around.

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

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

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

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

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

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

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

Ms. Sandkulla stated that information for 2023 is not available yet to do the analysis. The next report regarding pension and OPEB obligations to the Board will be in November 2023. From the last report provided to the Board in September 2022, Ms. Sandkulla noted that BAWSCA's numbers look good and stated that the Board is very good about managing the time horizon for a pay-off, and sticking with the plan. BAWSCA's OPEB and unfunded liabilities are included in the budget process and adoption every year.

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

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

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

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

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

Fair Price:

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

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

Agency Effectiveness:

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

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

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

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

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

Director Schneider noted the City of Millbrae's interest in having BAWSCA present to the council such that they to gain a better understanding and appreciation of the work and role of BAWSCA, as well as to educate the

public in attendance to better inform them that there is an associated BAWSCA cost to provide its services. In light of the 20<sup>th</sup> Anniversary, Millbrae council welcomes a presentation from BAWSCA.

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

Director Cormack noted that addressing member agencies' governing bodies can help set the stage for the individual agency actions needed for the adoption of the updated Tier 2 plan, and is appropriate given BAWSCA's upcoming 20<sup>th</sup> Anniversary and transition to post-COVID setting operations.

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

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

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

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

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

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

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

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

Christina Tang will present the work plan and operating budget to the Committee in April.

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

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

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

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

**B. Potential Process for Consideration of Adjustments to Board Member Stipends:**

BAWSCA Chair Larsson reported that it was recently raised that BAWSCA's Board Member stipend remains the same as it was set 20 years ago at \$100 per meeting.

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

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

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

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

Committee members made the following points:

- It is a struggle to discuss stipends, particularly for those who are passionate about public service. However, being able to serve and make informed decisions involves time to read materials and attend meetings that can take several hours. Additionally, members travel to the meetings, expending time and cost, which perhaps should be considered in deciding whether or not to move forward.
- Part of BAWSCA's rationale to having a stipend, given the 26-member Board, is to help obtain a quorum at meetings.
- The stipend was set in 2002. It has been 20-years since the stipend was set and perhaps it is time to revisit.

- Presumably, for those directors who are employees of their agencies, the stipend is not a meaningful distinction to serve.
- Former electeds who are BAWSCA/RFA members are serving as volunteers. If the Committee chooses to have legal counsel develop a process, it should look at:
  - How much are current electeds paid by their agencies
  - Was there a problem that surfaced? What is the issue that needs to be solved? Is it a hardship?
  - Consider the possibility of having regular increases such that future, detailed revisiting of stipend amounts is not needed.
  - This stipend amount could be financially meaningful for some, and to that extent, it should be an appropriate number in terms of reflecting the investment of time to be prepared for the meeting.
  - Is it legal and reasonable to have the stipend amount assessed in the current market environment?
- To the extent that someone who is paid by the hour is foregoing their income by their participation in the meetings, it might be worth pursuing.
- Travel time has gotten longer as traffic has increased.
- Having a stipend amount commensurate with expectations of current and future Board members can contribute to the agency's Resiliency.

Legal Counsel noted the following:

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

- It is reasonable for the Board to look at its Board Member compensation policy.

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

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

The Committee further noted:

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

- Provide data that would help determine what the appropriate number is should the Board decide to raise the stipend.

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

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

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

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

There were no public comments.

## **7. CEO Reports:**

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

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

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

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

Total deliveries are extremely low at 146 mgd. It reflects the wet conditions in January which impacted irrigation. BAWSCA's total potable water use reported to

the State as of December is 24% less than that of December 2013, and 17% less than December of 2020.

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

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

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

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

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

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

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

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

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

There were no public comments.

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

Respectfully submitted,

Nicole Sandkulla, CEO/General Manager

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Attachments: 1) Attendance Roster

# Bay Area Water Supply and Conservation Agency

## Board Policy Committee Meeting Attendance Roster

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

✓: present

☎: Teleconference

### February 8, 2023 Meeting Attendance (*In-Person*)

#### BAWSCA Staff:

Nicole Sandkulla	CEO/General Manager	Allison Schutte	Legal Counsel, Hanson Bridgett
Tom Francis	Water Resources Manager		
Kyle Ramey	Water Resources Specialist		
Danielle McPherson	Sr. Water Resources Specialist		
Christina Tang	Finance Manager		

#### Public Attendees:

Alison Kastama	SFPUC
Julia Nussbaum	Stanford University

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE MEETING**

**Agenda Title:**           **Proposed Fiscal Year 2023-24 Work Plan, Results to be Achieved, and Operating Budget**

**Summary:**

This memo presents the proposed Fiscal Year 2023-24 Work Plan, results to be achieved and Operating Budget. Comments received from the Board at the January 19, 2023 and March 16, 2023 board meetings have been reviewed and addressed.

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

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

The current level of assessments (\$4,838,897) is sufficient to fund the proposed operating budget. It is recommended to maintain the current level of assessments (no assessment increase) to fund the proposed FY 2023-24 Work Plan and Operating Budget.

**Board Policy Committee Action:**

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

**Recommendation:**

**That the Board Policy Committee recommend Board approval of the:**

- 1. Proposed Fiscal Year 2023-24 Work Plan and Results to be Achieved;**
- 2. Proposed Operating Budget of \$4,814,667; and**

**3. Proposed funding plan of 0% assessment increase (\$4,838,897) to fund the Operating Budget.**

**Discussion:**

**Proposed Work Plan**

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

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

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

- the 2018 WSA amendment; and,
- Ensure correct implementation of the recent WSA amendment allowing for transfer of a portion of minimum purchase obligation.
  - Participate in the SWRCB's Bay Delta Water Quality Control Plan Update to ensure member agency interests are represented.
  - Participate in the New Don Pedro and La Grange FERC proceedings to protect regional water supplies.
  - Develop and implement a new BAWSCA Grant Support Program with both a core and subscription component.
  - Support members in receiving reliable communication of water quality issues including:
    - Coordinating member participation in Joint Water Quality Committee; and
    - Relaying important water quality information to members and SFPUC as necessary.
  - Administer the WSA.
  - Administer BAWSCA's revenue bonds issued to retire capital debt owed by Wholesale Customers to San Francisco.
  - Implement BAWSCA's Student Internship Program.
  - Implement Board policy directives for management of BAWSCA's unfunded OPEB and pension liability obligations.
  - Maintain a motivated, trained, and effective workforce.
  - Prepare a staff-led plan to address BAWSCA's long-term policy and operational resilience to inform future policy decision making.

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

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

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

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

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

The SFPUC declared a water shortage (i.e., drought) emergency in November of 2021, asking its customers (both retail and wholesale) to reduce system-wide water use by 10 percent and later, in May 2022, 11 percent system-wide. The State of California, through executive orders issued by Governor Newsom, in 2021 and in 2022, also called for water use reduction by all Californians. As of March 2023, drought conditions in California have improved significantly. Portions of the State and the Governor's

executive orders, including his most recent Executive Order issued on March 23, 2023, remain in effect at this time, however the Governor has lifted the request for 15% water use reductions. Rain and snow accumulation within the SFPUC's upcountry watershed has been considerable to date and the SFPUC Commission is scheduled to consider rescinding its drought declaration on April 11, 2023, thereby removing the requirement for voluntary water use reduction.

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

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

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

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

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

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

**3. Work Plan Item 11d: Prepare a Staff-led Plan to Address BAWSCA's Long-Term Policy and Operations Resilience  
Estimated FY 2023-24 Cost: \$20K**

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

The proposed budget includes an estimated \$20,000 for this task.

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

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

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

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

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

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

Since the completion of the 2009 Strategy in 2015, there have been significant changes that impact the region's long-term water supply planning efforts. For example, the region has weathered the 2014-17 drought and the current drought of 2021-23, new Urban Water Management Plans have been prepared, COVID-19 has impacted the region, customer behavior has changed as a result of conservation measures being adopted

and embraced, SFPUC has made progress toward completing the WSIP, BAWSCA completed its 2020 Demand Study, and there have been profound regulatory actions at the State and Federal level that have an impact on water supply reliability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Alternatives to the Proposed Work Plan and Results to be Achieved:**

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

This alternative is not recommended for two separate reasons:

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

**PROPOSED FY 2023-24 OPERATING BUDGET:**

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

**Explanation and Alternatives for Salaries and Benefits:**

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

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

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

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

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

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

**Funding Considerations for the Proposed Operating Budget:**

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

1. Budget sufficient resources to achieve the desired Work Plan results.
2. Spend only what is needed to achieve the results.
3. Apply incremental and prudent increases in assessments as necessary.
4. Maintain a prudent General Reserve balance within Board guidelines.

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

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

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

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

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

**Funding Options and Recommendation:**

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

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

Table 7 presents the following range of three funding options based on the feedback received from the Board at its March meeting:

- **Option 1 “No Assessment Increase”:** No assessment increase (\$4,838,897) and a transfer of \$24,230 to the General Reserve. This results in a General Reserve balance of \$1,070,780, which is 22% of the proposed Operating Budget.
- **Option 2 “1% Assessment Increase”:** A 1% increase in assessments (\$4,887,286) and a transfer of \$72,619 to the General Reserve. This alternative results in a General Reserve balance of \$1,119,169, which is 23% of the proposed Operating Budget.
- **Option 3 “2% Assessment Increase”:** A 2% increase in assessments (\$4,935,675) and a transfer of \$121,008 to the General Reserve. This alternative results in a General Reserve balance of \$1,167,558, which is 24% of the proposed Operating Budget.

**Funding Option 1 is recommended as the proposed FY 2023-24 Work Plan and Operating Budget can be funded with no increase in assessments and with a General Reserve level within the agency's budgetary guidelines.**

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

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

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

**BAWSCA OBJECTIVE & FY 2023-24 WORK PLAN ITEM**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Table 5. Potential Future Large Efforts**

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

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

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

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

Note:

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

**Table 7. Analysis of Funding Options**

	FY 2022-23	FY 2023-24		
Fund Source	Adopted Funding Plan <sup>(1)</sup> as of 03/16/2023	Option 1 Proposed Work Plan & 0% Assessment Increase	Option 2 Proposed Work Plan & 1% Assessment Increase	Option 3 Proposed Work Plan & 2% Assessment Increase
Assessments	\$4,838,897	\$4,838,897	\$4,887,286	\$4,935,675
Transfer from/(to) General Reserve	(\$163,012)	(\$24,230)	(\$72,619)	(\$121,008)
Transfer from Balancing Account	\$75,000			
Total Available Operating Budget/Funds	\$4,750,885	\$4,814,667	\$4,814,667	\$4,814,667
Potential End of FY22-23 Transfer to General Reserve		\$0	\$0	\$0
Estimated Year-End Reserves <sup>(2)</sup>	\$1,046,550	\$1,070,780	\$1,119,169	\$1,167,558
% of Total Budget	22%	22%	23%	24%
% of Total Budget Excludes One-Time Expenses <sup>(3)</sup>	22%	22%	23%	24%
Assessment to Budget Ratio	102%	101%	102%	103%
Assessment to Budget Ratio Excl. One-Time Expenses <sup>(3)</sup>	103%	101%	102%	103%

Notes:

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

(2) For FY 2022-23, the actual General Reserve balance as of 3/16/2023 was \$1,046,550.

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

## **APPENDICES**

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

### **Appendix A: Uses of Professional Services**

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

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

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

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

**Appendix B: History of Salary and Benefits Adjustments**

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

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

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

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

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

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

**Appendix E: Funding for Subscription Conservation Programs**

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

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

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

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

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

Fiscal Year and Program Name	Direct Program Cost - Reimbursed	BAWSCA Staff Cost - Reimbursed	BAWSCA Admin. Cost - Reimbursed
WaterSmart Reports	\$216,429		
Rain Barrel Rebate	\$900	\$200	
Water Loss Program	\$215,917		
Customer Meter Testing	\$4,570		
Smart Controller Rebate		\$1,200	
<b>Total</b>	<b>\$686,185</b>	<b>\$8,342</b>	<b>\$0</b>
<b>FY 2020-21</b>			
EarthCapades	\$95,515	\$2,200	
Large Landscape Audit	\$132,833	\$1,332	
Lawn Be Gone		\$360	
Lawn Be Gone Inspections	\$1,958		
Water Wise Ed. Kits	\$46,834	\$1,272	
Watersense Giveaways	\$2,902		
WaterSmart Reports	\$274,276		
Rain Barrel Rebate	\$400	\$390	
Water Loss Program	\$125,475		
Customer Meter Testing	\$17,280		
Smart Controller Rebate		\$1,600	
DSS Support Services	\$12,311.75		
<b>Total</b>	<b>\$711,384</b>	<b>\$5,554</b>	<b>\$0</b>
<b>FY 2021-22</b>			
EarthCapades	\$87,275	\$3,020	
Large Landscape Audit	\$169,697.50	\$1,628	
Lawn Be Gone		\$960	
Lawn Be Gone Inspections	\$3,234		
Water Wise Ed. Kits	\$68,018.51	\$1,621	
Watersense Giveaways	\$14,732.28		
WaterSmart Reports	\$293,124.64		
Rain Barrel Rebates	\$1,840	\$485	
Water Loss Program	\$239,366		
Customer Meter Testing	\$20,390		
Smart Controller Rebate		\$1,800	
DSS Support Services	\$0		
Irrigation Hardware Rebate		\$50	
<b>Total</b>	<b>\$897,678</b>	<b>\$9,564</b>	<b>\$0</b>

**Appendix G: Value for the Cost**

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

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

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

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

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

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

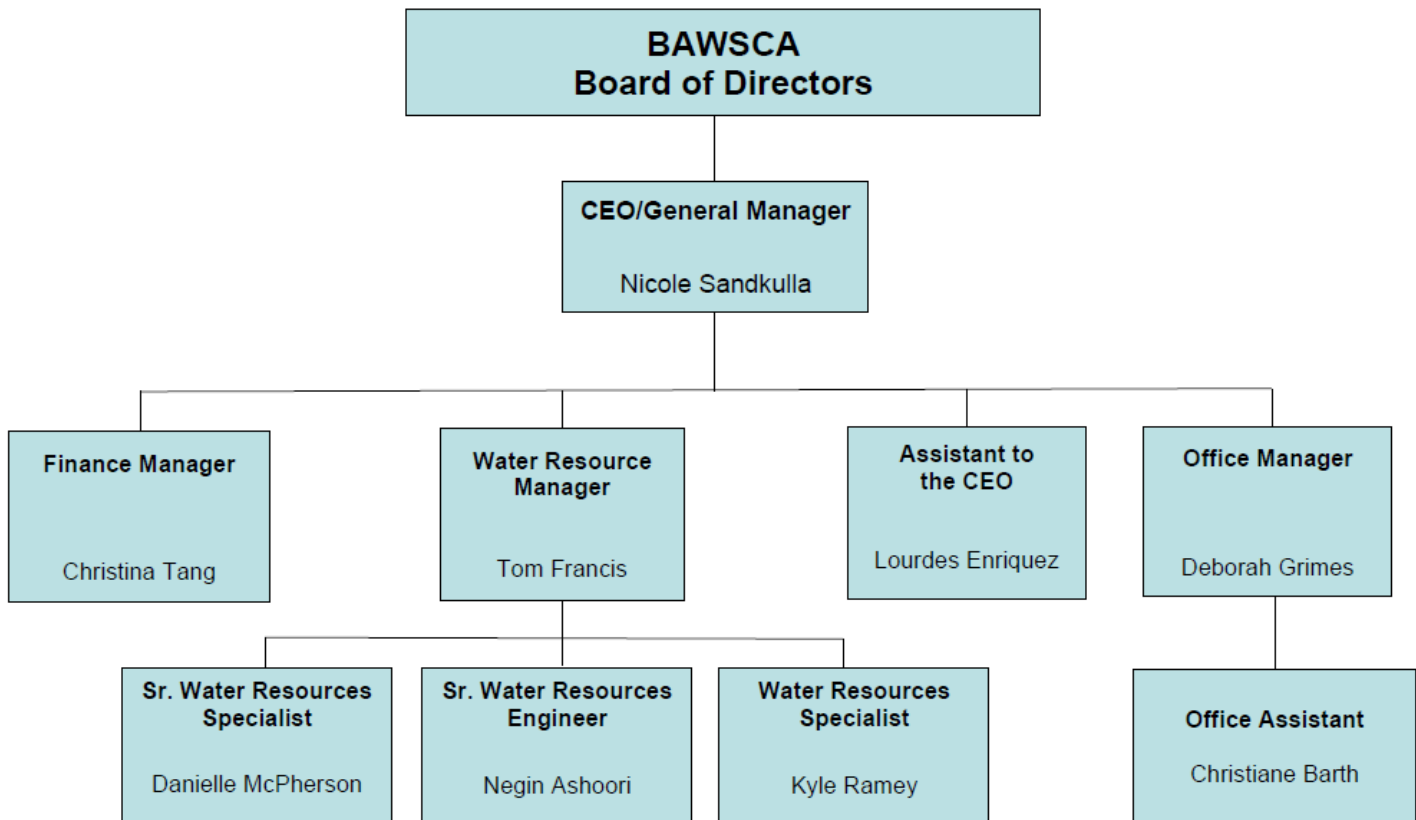
**Table H-1. Savings Resulting from BAWSCA's Annual WRR Review**

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

**Appendix I: Current Organization and Staffing**

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

**BAWSCA Organization Chart**



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

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

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

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

BAWSCA Goal and Associated Challenges	FY 2023-24 (Near-Term)	2025-2040 (Mid-Term)	2040-2060 (Long-Term)
<b>Reliable Supply: Ensure Long-Term Water Supply Reliability</b>			
Protection of member agencies' interests in long-term water supply reliability from the SF RWS and 184 MGD Supply Assurance in light of potential areas of risk, including climate change and regulatory challenges, as presented in the Long Term Vulnerability Analysis.	X	X	X
Protection of member agencies' interests in SFPUC development and implementation of its Alternative Water Supply Program including oversight of scope, schedule, and budget.	X	X	X
Protection of BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts, including completion of Updated Demand Projections.	X	X	X
Reflection of member agencies' long-term water supply needs and investments in regional planning efforts.	X	X	X
Support member agencies in their efforts to ensure system reliability during an emergency.	X	X	X
Representation of member agencies in Federal relicensing of New Don Pedro to protect SF RWS water supply reliability.	X	X	
Representation of member agencies in Bay Delta Plan Update to protect RWS water supply	X	X	
Assist member agencies in complying with the State's expanding regulatory requirements related to water use efficiency and reliability.	X	X	X
Protection of member agencies' interests in San Francisco's December 2028 decisions including deciding whether to make San Jose and Santa Clara permanent customers.	X	X	
Development of a new Tier 2 Drought Implementation Plan.	X	X	
<b>Reliable Supply: Ensure SF RWS Facility Reliability</b>			
Protection of water supply and financial interests of water customers in SFPUC's development and implementation of its 10-Year CIP.	X	X	X
Protection of water supply and financial interests of water customers in SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets.	X	X	X
Promote emergency resiliency of the SF RWS to protect interests of water customers.	X	X	X
Protection of water supply and financial interests of water customers in SFPUC's WSIP implementation, including extension of State oversight (exp. 12/2026) and RFA capability (exp. 1/2030).	X	X	
<b>High Quality Supply &amp; Fair Price: Enforce 2009 Water Supply Agreement (WSA)</b>			
Enforcement and amendment as necessary, of the WSA to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting obligations.	X	X	X
Protection of member agencies' water supply reliability interests against threats by outside forces including efforts by others to drain Hetch Hetchy that disregard their interests in reliability, quality	X	X	X
Protection of water customers interests in ensuring SF maintains its Tuolumne River water rights.	X	X	X
Extension or renegotiation of the WSA before it expires in 2034. The WSA can be extended 2 times, for a period of 5 years each. By December 2031, SFPUC must notify Wholesale Customers of desire to extend contract.		X	X
Management of BAWSCA's revenue bonds in accordance with Bond Indenture and other applicable laws to ensure accountability and ultimately to reduce overall cost to regional water customers (thru 2034).	X	X	
<b>Management of Agency</b>			
BAWSCA CalPERS pension & OPEB liability management			X
Ensure Agency's near-term and long-term resiliency	X	X	X

## Appendix K: Historical BAWSCA Operating Budgets and Assessments

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

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

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

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

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

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

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

Footnotes

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

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE MEETING**

**Agenda Title:**           **Authorization of Professional Services Contract to Support the Scoping of BAWSCA's Long-Term Reliable Water Supply Strategy 2045 (Strategy 2045)**

**Summary:**

This item requests the Committee to recommend the Board authorize the CEO/General Manager to negotiate and execute a contract to support the scoping of BAWSCA's Long-Term Reliable Water Supply Strategy 2045 (Strategy 2045). Consultant selection will be completed before the May 18, 2023 Board meeting. Information detailing the proposed scope of work and cost will be included in the Board agenda memo.

BAWSCA solicited proposals from qualified water resources planning consultants (proposer or consultant) to assist BAWSCA in the development of a scope of work for Strategy 2045. The development of the Strategy 2045 scope of work would commence in FY 2023-24 following completion of the consultant selection and agreement negotiation processes. Agreement execution is contingent upon approval by the BAWSCA Board.

BAWSCA issued a Request for Proposal (RFP) for services on February 21, 2023 with proposals due by March 24, 2023. The proposal review and consultant selection process is anticipated to be complete by April 30, 2022, such that this item will be brought to the Board for consideration in May with a request for authorization to negotiate and execute a contract with the selected consultant. Of the eleven consultants invited to propose, two teamed together, and only one proposal was received from this team. The remaining nine consultants, for various reasons, elected not to submit a proposal.

**Fiscal Impact:**

The approved FY 2023-24 budget includes an allocation of \$35,000 for Strategy 2045 scoping assistance. The FY 2022-23 budget included an allocation of an additional \$35,000 under the assumption that work would begin during the last quarter of FY 2022-23. The proposal received had a cost estimate of \$211,200. BAWSCA is reviewing the proposal and accompanying cost estimate in an effort to determine if the expense is justified or if it can be reduced.

**Recommendation:**

**That the Board Policy Committee recommend the Board authorize the CEO/General Manager to negotiate and execute a contract with the selected consultant, subject to legal counsel's final review, to support the scoping for BAWSCA's Long-Term Reliable Water Supply Strategy 2045.**

**Discussion:**

In 2009, BAWSCA launched the development of a Long-Term Reliable Water Supply Strategy (Strategy) to provide a comprehensive, regional assessment of the BAWSCA member agencies' water supply reliability needs, complete an evaluation of potential water management actions that could be implemented to meet these needs, and identify potential actions for consideration by the BAWSCA Board to achieve an increased level of regional reliability. Successful implementation of the Strategy was seen as essential to ensuring that BAWSCA met its water management objective to ensure that a reliable, high-quality supply of water is available where and when people, businesses, and community agencies within the BAWSCA service area need it. The Strategy was finalized in February of 2015.

Implementation of the Strategy recommendations have been incorporated into the yearly BAWSCA Work Plan since FY2015-16. Once Strategy 2045 is finalized, it too will be incorporated into ensuing yearly Work Plans.

The Strategy has served BAWSCA and its member agencies very well. At this time, given changed conditions, an update to the Strategy is recommended. Examples of changed conditions include: updated demand studies, new Urban Water Management Plans; development of new member agency water supply projects; regulatory pressures which have the potential to impact existing supply reliability; advancement of large regional water supply projects, such as the Los Vaqueros Reservoir Expansion Project; and the SFPUC's Alternative Water Supply Plan which will inform BAWSCA and its member agencies of the SFPUC's plans for meeting its water supply reliability legal and contractual obligations.

#### Consultant Selection Process

BAWSCA released a Request for Proposals (RFP) for the work on February 21, 2023. RFPs were sent to eleven firms that BAWSCA determined may be qualified to provide the services. The RFP was also posted on BAWSCA's website. Proposals were due to BAWSCA on or before March 24, 2023.

Of the eleven invited to propose, two decided to team and submit a single proposal. No other proposals were received. BAWSCA contacted the firms that elected not to submit a proposal. From those discussions, two indicated that existing work for the SFPUC prevented them from submitting a proposal due to a perceived conflict of interest. Several firms also indicated that they lack sufficient and appropriate staff availability to conduct the work due to staff commitments to other projects.

A panel consisting of staff from BAWSCA, a member agency, and an outside agency are reviewing the proposal received. The selection process also includes the potential for a consultant interview. BAWSCA anticipates finalizing consultant selection by April 30, 2023.

The single proposal received will be evaluated based on the following criteria as specified in the RFP:

- Qualifications and experience of firm and key personnel (25%);
- Understanding of the project and approach to the scope of work (25%);
- Ability to meet project timeline (25%); and
- Overall value illustrated by the proposer as provided within the project budget (25%).

The proposed FY 2023-24 Operating Budget includes an allocation of \$35,000 to secure specialized, technical consultant services to complete this work. There is also a budget allocation of an additional \$35,000 in the adopted FY 2022-23 budget, with the assumption that work would begin during the last quarter of FY 2022-23. This budget estimate was prepared by staff. While BAWSCA recognized that actual costs of services may vary, it is a concern that the cost included in the one proposal received is \$211,200, significantly greater than the combined FY 2022-23 and FY 2023-24 budget allocation.

Assuming the responding proposal is acceptable to BAWSCA from a qualifications and scope perspective, BAWSCA will be closely reviewing the proposal to determine if the proposed costs are justified, and moreover if there is an ability to reduce the costs. Cost discussions will be a significant component of contract negotiations.

**Development of Strategy 2045**

The selected consultant will evaluate issues and, together with BAWSCA, develop the scope of work to prepare Strategy 2045. This scoping is seen as 'Phase 1' of Strategy 2045. Developing Strategy 2045 is seen as 'Phase 2'.

The consultant awarded the contract for Phase 1, is not disqualified from performing the services needed for Phase 2, preparing Strategy 2045.

**Scope of Work:**

A copy of the project description and tasks as detailed in the RFP is provided in Exhibit A.

A draft scope of work as developed by the selected consultant coupled with a cost proposal and billing rates will be included in the agenda memo for this item for the May 18, 2023 Board meeting.

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## **Exhibit A**

### **Task 1 – Document Review**

The Consultant will review existing documents prepared by BAWSCA as well as other agencies pertinent to BAWSCA's water supply reliability needs. The purpose of the document review will be to assess what elements of the Strategy merit update and/or continued inclusion, and moreover to inform BAWSCA as to what tasks should be included as part of the development of Strategy 2045.

The Consultant will also review no fewer than two (2) water supply strategy plans prepared by large water agencies outside of the BAWSCA service area in an effort to identify what other efforts, in addition to those followed by BAWSCA, are worthy of consideration by BAWSCA

### **Task 2 – Stakeholder Engagement**

Following the completion of Task 1, the Consultant in coordination with BAWSCA staff, shall interact with representatives from BAWSCA member agencies to receive their input on the approach for developing the Scope of Work to prepare Strategy 2045. BAWSCA envisions that feedback will be gathered through a combination of 1) feedback forms of some nature via email, and, 2) via one (1) in-person workshop approximately 3 hours in length. The Consultant is expected to develop presentation materials, assist BAWSCA if needed during the discussion that takes place, and keep meeting notes. BAWSCA will arrange the meeting location facilities.

It is also anticipated that at least one informational item will be brought to the BAWSCA Board of Directors for discussion and input. The consultant would work with BAWSCA staff to prepare materials, attend meetings, and take notes.

### **Task 3: Attend Meetings and Provide Technical Support**

The Consultant will support BAWSCA in its communications with the BAWSCA member agencies and Board as the work progresses. As such, this task includes up to six meetings between Consultant and BAWSCA, as well as telephone conference calls and status reports.

BAWSCA anticipates holding up to four meetings with member agency representatives and one with the Board. At BAWSCA's request, the Consultant will support BAWSCA in developing materials to present at those meetings, including, but not limited to, agendas, tables, figures, PowerPoint slides, and other supporting information.

### **Task 4: Development of the Scope of Work for Phase 2, preparing Strategy 2045**

Utilizing the results of the work efforts of Tasks 1 through 3, the Consultant will prepare the proposed scope of work for Phase 2, preparing Strategy 2045. It is anticipated that this document will form the basis for the work plan that BAWSCA will embark upon, though BAWSCA retains the right to make changes and adjustment as desired following its consideration of the proposed scope of work.

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE MEETING**

**Agenda Title:**           **Proposed Modifications to BAWSCA's Investment Policy to Ensure Safety of Bank Deposits Over \$250,000**

**Summary:**

The Board's Investment Policy states that the CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting. The previous review occurred on November 17, 2022 and resulted in no changes to the policy. An investment report is provided to the Board every two months. The last investment report was provided to the Board on March 16, 2023.

BAWSCA's Investment Policy applies to all funds and investment activities under the direction of the agency. It also specifies permitted investment instruments for the bond proceeds, and delegates the management and oversight of the investments to the CEO/General Manager.

The current Investment Policy requires the agency funds that are not invested in the Local Agency Investment Fund (LAIF) to be deposited only in state or national banks and state or federal savings associations with offices in California that meet the requirements and conditions of the California Government Code. It further limits that maximum amount of funds deposited with any bank or savings association shall be \$250,000.

To safeguard bank deposits over the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000 and to more effectively manage fluctuating bank account balances, BAWSCA recommends modifying the policy to require the bank deposits over the FDIC limit to be collateralized with securities in accordance with State law, and to eliminate the limit of \$250,000 that can be deposited with any bank or savings association.

Legal counsel has confirmed that the proposed modified Investment Policy reflects language consistent with current State law. Except for the recommended modifications to require the bank deposits to be collateralized and to eliminate the maximum deposit limit of \$250,000, no other changes to the Policy are recommended at this time.

**Fiscal Impact:**

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

**Recommendation:**

**That the Board Policy Committee recommend Board approval of the proposed modifications to the current Statement of Investment Policy by requiring the bank deposits in excess of the FDIC limit to be collateralized with securities in accordance with State law and to eliminate the maximum deposit limit of \$250,000.**

**Discussion**

The primary objectives of BAWSCA's Investment Policy are safety, liquidity and return on investment. All BAWSCA funds shall be invested in accordance with the Investment Policy and the California Government Code.

The current Investment Policy requires the agency funds that are not invested in LAIF to be deposited only in state or national banks and state or federal savings associations with offices in California that meet the requirements and conditions of the Government Code. It further limits that maximum amount of funds deposited with any bank or savings association shall be \$250,000.

In terms of the cash flow needs, BAWSCA bills the member agencies for their assessment payments on a quarterly basis, except Cal Water who pays each month. The member agencies make the payments, ranging from \$2,532 to \$127,026 via wires or checks, at different times throughout the year. At the same time, BAWSCA has no control over when any checks that it issues (approximately 50 checks per month) get cleared through the bank. In addition, LAIF restricts the total number of transactions to 15 times a month. Due to BAWSCA's ongoing cash flow needs for day-to-day operations and the challenges described above, the bank account balance fluctuates and sometimes exceeds \$250,000.

BAWSCA has reviewed the California Government Code and Government Finance Officers Association (GFOA) recommended best practices, consulted with its investment advisor, and queried the member agencies about how they address getting security for bank deposits over \$250,000. Based on this evaluation and the feedback received, it is recommended that the BAWSCA Investment Policy be modified to require all bank deposits above the FDIC limit be collateralized with securities in accordance with State law.

#### **Bank Deposits Secured by Collateralization Agreement**

Collateralization of public deposits through the pledging of appropriate securities by depositories is an important safeguard for such deposits. California Government Code Sections 53630-53687 govern the reporting and collateralization of California local agency deposits by insured depository institutions. BAWSCA will contract with an insured depository institution to create a collateralization agreement that is in accordance with California Government Code Section 53630-53687. The insured depository institutions shall pledge eligible securities as collateral against its public deposits over the FDIC limit, and the collateral amount is required to be at least 110% of deposits for most securities, as required by California Government Code Section 53652. Further, Section 16522 specifies the types of securities that may be used as collateral.

#### **GFOA Recommendations on Collateralizing Public Deposits**

The GFOA recommendations include: i) the use of a written agreement with pledging requirements as protection for state or local government's deposits; ii) that all pledged collateral be held at a third-party institution; and (iii) that the governmental entity should establish and follow procedures for on-going review of collateral. All collateralization agreements between financial institutions and public entities must adhere to state and federal laws, including FDIC regulations. In the event of the failure of the bank, the FDIC will honor the collateralization agreement if the agreement is valid and enforceable under applicable law.

#### **LAIF Deposits Are Confirmed Safe**

According to a recent statement, LAIF confirmed that all funds are safe. LAIF is one of the participants in the Pooled Money Investment Account (PMIA), which has no current or past exposure to Silicon Valley Bank or Signature Bank. All of the securities within the PMIA are highly rated, as required by California Government Code and the PMIA's Investment Policy.

**Bond Proceeds Secured by Full Faith and Credit of US Government**

BAWSCA's bond proceeds are held in a separate trust account at the Bank of New York Mellon Trust Company (Trustee), and are invested in accordance with the Bond Indenture and the agency's Investment Policy. The Bond Indenture specifies investments in which BAWSCA is permitted to invest bond proceeds. BAWSCA's Investment Policy further restricts allowable investments for bond proceeds to four specific instruments: Federal Securities, US Agency Securities, Money Market Mutual Funds, and Certificates of Deposit.

In March, BAWSCA confirmed with its investment advisor that all bond funds held at the Trustee are safe and backed by the full faith and credit of United States Government. BAWSCA's bond funds are currently invested in US Treasury Securities and the Money Market Fund, whose funds are subsequently invested in Government Guaranteed Securities.

Based on a recent review of the agency's circumstances, BAWSCA believes the current permitted investment instruments are consistent with the agency's risk tolerances and primary investment objectives. No changes to the permitted investments for the bond proceeds are recommended at this time.

**Attachments:**

1. Recommended Statement of Investment Policy, showing revisions in redlined format
2. Recommended Statement of Investment Policy, incorporating revisions

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**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**  
**STATEMENT OF INVESTMENT POLICY**

**1. Introduction**

The investment policies and practices of the Bay Area Water Supply & Conservation Agency (BAWSCA) are based on state law and prudent money management. All funds will be invested in accordance with the Agency's Investment Policy and the California Government Code.

**2. Scope**

This policy applies to all funds and investment activities under the direction of the Agency, including funds held in the name of the Bay Area Water Users Association (BAWUA), a California nonprofit corporation of which the Agency is the sole member.

**3. Prudence**

The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency.

Investments shall be made with the judgment and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived, and in accordance with the provisions of Government Code Section 53600 et seq.

**4. Objectives**

The primary objectives, in priority order, of the Agency's investment activities shall be:

A. Safety. Safety of principal is the foremost objective of the investment program. The Agency's funds shall be invested in a manner that seeks to ensure preservation of capital.

B. Liquidity. The Agency's investments will remain sufficiently liquid to enable the Agency to meet its cash flow requirements.

C. Return on Investment. The Agency's investments shall be designed with the objective of attaining a market rate of return consistent with the constraints imposed by its safety and liquidity objectives.

## 5. Delegation of Authority

The management and oversight responsibility for investments is hereby delegated to the CEO/General Manager who shall monitor and review all investments for consistency with this Investment Policy.

## 6. Investment of Funds

### A. Permitted Investments and Depositories

(i) Agency funds may be deposited only in state or national banks and state or federal savings associations with offices in California that meet the requirements and conditions of the California Government Code, as it may be amended from time to time.

(ii) Collateralization will be required on all deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limit, in accordance with Government Code Sections 53630-53687 and Section 16522.

(iii) Funds not deposited in banks or savings associations shall be invested in the Local Agency Investment Fund administered by the Treasurer of the State of California, in accordance with Government Code Section 16429.1.

### B. Other Limitations

(i) ~~The maximum amount of funds deposited with any bank or savings association shall be \$250,000; provided that if funds are each separately insured by the Federal Deposit Insurance Corporation ("FDIC"), the General Manager may maintain separate accounts for the Agency and for BAWUA (to a maximum of \$250,000 for each entity) at one bank or savings association. The temporary increase from \$100,000 to \$250,000 in the standard maximum deposit insurance amount has been permanently extended by the Dodd-Frank Wall Street Reform and Consumer Protection Act.~~

(ii) Investment maturities shall be based on a review of cash flow forecasts and shall be scheduled so as to allow the Agency to meet all projected obligations. The maturity of any certificate of deposit shall not exceed 12 months.

## 7. Investment of Bond Proceeds

Permitted Investments and Depositories. Pursuant to Government Code section 53601(m), a local agency may invest bond proceeds "in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance of those bonds." Typically, a local agency will specify in its investment policy that the investment of bond proceeds is out of the scope of the investment policy because permitted investments are specified in the bond indenture.

Instead, BAWSCA has determined that it would like to at least temporarily use its Investment Policy to restrict the vehicles permitted for the investment of bond proceeds to more conservative investments than are permitted by the Revenue Bond Indenture, dated January 1, 2013, by and between BAWSCA and the Trustee (the "Indenture"). This gives BAWSCA the flexibility to, through amendments to future Investment Policies, gradually expand permitted investments for bond proceeds to include some or all of the investment vehicles permitted in the Indenture. As such, notwithstanding language allowing a broader range of investment vehicles in the Indenture, bond proceeds may be invested only in the following instruments:

(i) "Federal Securities" meaning direct and general obligations of the United States of America, or those which are fully and unconditionally guaranteed as to timely payment of principal and interest by the same;

(ii) "Money Market Mutual Funds" meaning funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of "AAAm-G" or "AAAm" and, if rated by Moody's, having a rating by Moody's of "Aaa," including money market funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund or for which the Trustee or any of its affiliates serve as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(iii) "Certificates of Deposit" (including those placed by third parties pursuant to an agreement between the Agency and the Trustee), trust funds, trust accounts, overnight bank deposits, interest bearing money market accounts, time deposits, savings accounts, deposit accounts, bankers' acceptances or money market deposits which are fully insured by the Federal Deposit Insurance Corporation, including those of the Trustee or its affiliates; and

(iv) "U.S. Agency Securities" meaning bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies: (1) senior debt obligations of the Federal Home Loan Bank System; (2) senior debt obligations of the Federal Home Loan Mortgage Corporation (FHLMC); (3) senior debt obligations of the Federal National Mortgage Association (FNMA); and (4) consolidated systemwide bonds and notes of the Farm Credit System. The investment in U.S. Agency Securities has a sector allocation limit not to exceed 40% of total stabilization fund market value at the time of purchase.

## **8. Reporting Requirements**

The CEO/General Manager shall provide the Board a quarterly investment report, which shall include the information specified in Government Code Section 53646.

9. **Annual Review of Investment Policy**

The CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting. The Agency shall also annually verify that deposits are properly collateralized.

## **BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

### **STATEMENT OF INVESTMENT POLICY**

#### **1. Introduction**

The investment policies and practices of the Bay Area Water Supply & Conservation Agency (BAWSCA) are based on state law and prudent money management. All funds will be invested in accordance with the Agency's Investment Policy and the California Government Code.

#### **2. Scope**

This policy applies to all funds and investment activities under the direction of the Agency, including funds held in the name of the Bay Area Water Users Association (BAWUA), a California nonprofit corporation of which the Agency is the sole member.

#### **3. Prudence**

The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency.

Investments shall be made with the judgment and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived, and in accordance with the provisions of Government Code Section 53600 et seq.

#### **4. Objectives**

The primary objectives, in priority order, of the Agency's investment activities shall be:

A. Safety. Safety of principal is the foremost objective of the investment program. The Agency's funds shall be invested in a manner that seeks to ensure preservation of capital.

B. Liquidity. The Agency's investments will remain sufficiently liquid to enable the Agency to meet its cash flow requirements.

C. Return on Investment. The Agency's investments shall be designed with the objective of attaining a market rate of return consistent with the constraints imposed by its safety and liquidity objectives.

## 5. Delegation of Authority

The management and oversight responsibility for investments is hereby delegated to the CEO/General Manager who shall monitor and review all investments for consistency with this Investment Policy.

## 6. Investment of Funds

### A. Permitted Investments and Depositories

(i) Agency funds may be deposited only in state or national banks and state or federal savings associations with offices in California that meet the requirements and conditions of the California Government Code, as it may be amended from time to time.

(ii) Collateralization will be required on all deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limit, in accordance with Government Code Sections 53630-53687 and Section 16522.

(iii) Funds not deposited in banks or savings associations shall be invested in the Local Agency Investment Fund administered by the Treasurer of the State of California, in accordance with Government Code Section 16429.1.

### B. Other Limitations

(i) The General Manager may maintain separate accounts for the Agency and for BAWUA.

(ii) Investment maturities shall be based on a review of cash flow forecasts and shall be scheduled so as to allow the Agency to meet all projected obligations. The maturity of any certificate of deposit shall not exceed 12 months.

## 7. Investment of Bond Proceeds

Permitted Investments and Depositories. Pursuant to Government Code section 53601(m), a local agency may invest bond proceeds "in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance of those bonds." Typically, a local agency will specify in its investment policy that the investment of bond proceeds is out of the scope of the investment policy because permitted investments are specified in the bond indenture.

Instead, BAWSCA has determined that it would like to at least temporarily use its Investment Policy to restrict the vehicles permitted for the investment of bond proceeds to more conservative investments than are permitted by the Revenue Bond Indenture, dated January 1, 2013, by and between BAWSCA and the Trustee (the "Indenture"). This gives

BAWSCA the flexibility to, through amendments to future Investment Policies, gradually expand permitted investments for bond proceeds to include some or all of the investment vehicles permitted in the Indenture. As such, notwithstanding language allowing a broader range of investment vehicles in the Indenture, bond proceeds may be invested only in the following instruments:

(i) “Federal Securities” meaning direct and general obligations of the United States of America, or those which are fully and unconditionally guaranteed as to timely payment of principal and interest by the same;

(ii) “Money Market Mutual Funds” meaning funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor’s of “AAAm-G” or “AAAm” and, if rated by Moody’s, having a rating by Moody’s of “Aaa,” including money market funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund or for which the Trustee or any of its affiliates serve as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(iii) “Certificates of Deposit” (including those placed by third parties pursuant to an agreement between the Agency and the Trustee), trust funds, trust accounts, overnight bank deposits, interest bearing money market accounts, time deposits, savings accounts, deposit accounts, bankers’ acceptances or money market deposits which are fully insured by the Federal Deposit Insurance Corporation, including those of the Trustee or its affiliates; and

(iv) “U.S. Agency Securities” meaning bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies: (1) senior debt obligations of the Federal Home Loan Bank System; (2) senior debt obligations of the Federal Home Loan Mortgage Corporation (FHLMC); (3) senior debt obligations of the Federal National Mortgage Association (FNMA); and (4) consolidated systemwide bonds and notes of the Farm Credit System. The investment in U.S. Agency Securities has a sector allocation limit not to exceed 40% of total stabilization fund market value at the time of purchase.

## **8. Reporting Requirements**

The CEO/General Manager shall provide the Board a quarterly investment report, which shall include the information specified in Government Code Section 53646.

**9. Annual Review of Investment Policy**

The CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting. The Agency shall also annually verify that deposits are properly collateralized.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE MEETING**

**Agenda Title:**            **Discussion of Board Member Compensation**

**Summary:**

Compensation for a public agency board member is typically set by statute, which provides the compensation amount per day of service and limitations on the days of service per month. The Bay Area Water Supply and Conservation Agency (BAWSCA) Board members are compensated at the rate of \$100 per day of service, for up to four days of service per month. At the direction of the Board and to facilitate a discussion on Board member compensation, legal counsel and staff have prepared this staff report to include data on other water agency compensation limits and potential survey questions for the Board Policy Committee to consider. There has not been a formal outside study comparing the compensation of the BAWSCA Board with peer agencies in the Bay Area. This agenda item is for discussion purposes only.

**Recommendation:**

**This item is for discussion purposes only.**

**Discussion:**

The Board Policy Committee has asked legal counsel and staff to prepare a short memo outlining the parameters and limits for any possible change to compensation for both BAWSCA and Regional Financing Authority boards. An evaluation of Board member compensation requires consideration of various factors.

Possible variables to consider when determining the appropriate compensation per day of service are whether the wages are suitable for the amount of effort expended, travel costs, babysitting or caregiving costs, and the opportunity cost of the work.<sup>1</sup> A low compensation amount may be a barrier to entry for individuals. On the other hand, too high of a compensation amount may not be necessary to incentivize interest in serving as a Board member or may incentivize Board members to unnecessarily maximize days of services, thereby harming the public financial interests.

Additionally, the Board may consider increasing the maximum number of days of service per month. The primary factor to consider here are whether four days of service per month is adequate to fulfill Board member obligations for BAWSCA.

**Comparator Agency Compensation**

To assist in the reexamination of the compensation amounts for Board members, the following chart compares the compensation amounts of some of BAWSCA's peer agencies.

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<sup>1</sup> The actual out-of-pocket expenses for attending meetings, trainings, and conferences are *reimbursed* according to BAWSCA's Reimbursement Policy (Res. 2006-02). This is different from the Board member compensation amount, which *compensates* Board members for each day of service.

<b>Comparison Agency</b>	<b>Compensation per Day of Service</b>	<b>Limitation on Days of Service per Month</b>
BAWSCA	\$100/day	4 days/month
Alameda County Water District	\$290/day	10 days/month
Coastside County Water District	\$150/day	6 days/month, max of \$600/month
Contra Costa Water District	\$100/day	10 days/month
Mid-Peninsula Water District	\$100/day	10 days/month
North Coast County Water District	\$100/day	10 days/month
Purissima Hills Water District	\$100/day	6 days/month
Santa Clara Valley Water District	\$331.86/day	15 days/month
Westborough Water District	\$100/day	N/A
San Francisco Public Utilities Commission	\$100/month	N/A

**Draft Survey Questions**

Use of a survey of the Board members has been suggested to enable a better understanding of the variables for determining Board member compensation. The five draft survey questions below have been prepared. If use of a survey is desired, feedback from the BPC on the draft survey questions is requested, including additional questions that should be considered.

- How far away do you live from the BAWSCA administrative office in San Mateo?  
☐ 0 – 10 miles    ☐ 10 – 20 miles    ☐ 20 – 30 miles    ☐ 30+ miles
- How many hours per month do you estimate you spend on BAWSCA work?  
☐ 0 – 10 hours    ☐ 10 – 20 hours    ☐ 20 – 30 hours    ☐ 30+ hours
- What are the costs associated with your attendance at Board of Directors meetings, e.g., childcare, lost wages, etc.?  


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- How many days of service for BAWSCA do you usually render per month?  
☐ 1 – 2 day    ☐ 3 days    ☐ 4 days    ☐ 5+ days
- Would a larger compensation amount for each day of service increase your participation in BAWSCA activities?  
☐ Yes    ☐ No

**Background:**

BAWSCA's enabling legislation, AB 2058 (Papan), establishes the compensation amount for each day of service for its Board members. California Water Code section 81339 allows BAWSCA to compensate Board members up to \$100 per day for each day's attendance at

meetings of the Board, not to exceed four meetings in any calendar month. Both the compensation per day of service and number of compensable days of service per month may be increased by Ordinance pursuant to California Water Code section 20200 *et seq.* However, the statute limits the increase to (i) the compensation per day of service to no more than 5% for each year following the date of the last adjustment, and (ii) the days of service per month to no more than 10 days in a calendar month.

BAWSCA has not changed its Board member compensation, per Ordinance 2004-01, since the agency was formed in 2003. This discussion item is intended to facilitate a discussion on the appropriate Board member compensation amounts.

**Attachments:**

1. Ordinance No. 2004-01 Providing for Compensation of Members of the Board of Directors
2. Resolution 2006-02 Adopting Policy on Reimbursement of Directors' Expenses

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**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**ORDINANCE NO. 2004-01**

**PROVIDING FOR COMPENSATION  
OF MEMBERS OF THE BOARD OF DIRECTORS**

THIS ORDINANCE IS ADOPTED WITH REFERENCE TO THE FOLLOWING  
FACTS AND CIRCUMSTANCES:

1. Members of the Board of Directors receive compensation in the amount of \$100 per day for attendance at meetings of the Board, pursuant to Water Code Section 81339.
2. Water Code Section 20201 authorizes compensation, not to exceed \$100 per day, for “services rendered as a member of the board at the request of the board.”
3. The Board of Directors, at the recommendation of the Start Up Advisory Committee, has determined that the Agency would be well served by establishing a standing committee to meet periodically to consider matters that staff proposes to present to the full Board of Directors, as well as any other matters which members of such committee deem important to implementation of the Agency’s purposes and goals.
4. The Board of Directors believes that members who serve on this committee, or other committees, of the Board or who perform specific services for the Agency in their capacity as members of the Board and at the request of the Board, should also receive compensation for such services.
5. The Board of Directors further believes that the total amount of compensation for all such services, including attendance at meetings of the Board and any committee of the Board, should not exceed \$400 per month, as provided by Water Code Section 81339. *[Or a lower limit.]*
6. The Board of Directors has called and held a public hearing on the question of providing compensation to directors for attendance at committee meetings and for other service rendered at the request of the Board. Notice of the hearing was published by the Acting Secretary of the Agency in a newspaper of general circulation in the Agency pursuant to Government Code Section 6066.

BE IT ORDAINED by the Board of Directors of the Bay Area Water Supply & Conservation Agency as follows:

Section 1. Each director shall receive compensation in the amount of One Hundred Dollars (\$100) per day for each day's attendance at meetings of the Board, for attendance at meetings of committees of the Board, and for each day's service otherwise rendered as a director by request of the Board, commencing on the first day of September, 2004. The Board may, by resolution, determine the types of activities that constitute service rendered "by request of the Board," for purposes of eligibility for compensation pursuant to this section.

Section 2. The number of days for which any director may be compensated shall not exceed four (4) *[or fewer]* days in any calendar month.

Section 3. This ordinance shall become effective sixty (60) days from the date of its adoption.

Section 4. A summary of this ordinance shall be published in a newspaper of general circulation within the Agency.

PASSED AND ADOPTED this 17<sup>th</sup> day of June, 2004,  
by the following vote:

AYES: Beecham, Cooper, Craig, Hershman, Kasperzak, Livengood, Mickelsen,  
O'Mahoney, Parle, Reed, Reynolds, Risch, Seidel, Vella, Weed

NOES: Fannon, Gage, Goff, O'Connell, Panza, Ruskin, Wykoff

ABSENT: Breault, Kinney, Nelson, Piccolotti, Tissier, Woods

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:

  
\_\_\_\_\_  
Acting Secretary

**RESOLUTION NO. 2006-02**

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**ADOPTING POLICY ON REIMBURSEMENT OF DIRECTORS' EXPENSES**

WHEREAS, Water Code Section 81339 provides that BAWSCA directors may be reimbursed for actual, necessary and reasonable expenses incurred in the performance of duties performed at the request of the board; and

WHEREAS, Government Code Section 53232.2 provides that, if a local agency reimburses members of its legislative body for actual and necessary expenses incurred in the performance of official duties, the agency's governing board shall adopt a written policy, in a public meeting, specifying the types of activities that qualify for reimbursement; and

WHEREAS, the board of directors recognizes that effective and efficient conduct of the Agency's business requires directors from time to time to incur expenses for travel, meals, lodging, tuition, and ancillary costs which should, in fairness, be reimbursed by the Agency; and

WHEREAS, the board of directors is also mindful of the need to conserve Agency resources and keep expenses within community standards for public officials.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Bay Area Water Supply and Conservation Agency that

1. The "Policy on Reimbursement of Expenses Incurred by Members of Board of Directors" attached hereto is adopted.

**POLICY ON REIMBURSEMENT OF EXPENSES  
INCURRED BY MEMBERS OF BOARD OF DIRECTORS**

**1. Background**

Water Code Section 81339 provides that directors may be reimbursed for actual, necessary and reasonable expenses incurred in the performance of duties performed at the request of the board.

Government Code Section 53232.2 provides that if a local agency reimburses members of its legislative body for actual and necessary expenses incurred in the performance of official duties, then the agency's governing board shall adopt a written policy, in a public meeting, specifying the types of activities that qualify for reimbursement of expenses such as those related to travel, meals, and lodging.

**2. Authorized Activities**

A. The following types of activities are deemed to be official duties performed at the request of the board of directors, and expenses necessarily and reasonably incurred in connection with them are eligible for reimbursement, provided that the other provisions of this policy are met:

- Attendance at a meeting of the BAWSCA board of directors;
- Attendance at a meeting of a committee of the BAWSCA board to which the director has been appointed;
- Attendance at a meeting of a multi-agency organization (such as the CSDA Local Government Risk Management Authority) to which the director has been appointed as BAWSCA's representative;
- Attendance by the Chair or Vice Chair at a meeting held or sponsored by the San Francisco Public Utilities Commission, the California Department of Water Resources, the California Seismic Safety Commission, the California Department of Health Services, the Santa

Clara Valley Water District, a committee of the State Legislature, an agency that is a member of BAWSCA, or with a consultant or consultants under contract to BAWSCA, that in the judgment of the Chair or Vice Chair requires representation by the leadership of the BAWSCA board of directors;

- Attendance at any of the meetings identified above by any director at the specific request of the Chair or Vice Chair;
- Attendance at or participation in an event providing training in ethics required by California law, including Government Code Section 53234 *et seq.*
- Attendance at or participation in an event that the Chair (or, in the absence or unavailability of the Chair, the Vice-Chair) determines should have a representative of the Agency board of directors in attendance;

B. All other expenditures require prior approval by the Agency's board of directors.

C. Examples of expenses which the Agency will not reimburse include:

- The personal portion of any trip;
- Family expenses, including those of partners, spouses or children when accompanying a director on Agency-related business;
- Entertainment expenses, including theatre, movies, sporting events;
- Non-mileage personal automobile expenses, including repairs, traffic citations, insurance or gasoline;
- Purchase of alcoholic beverages.

### 3. **Cost Control Guidelines**

To conserve Agency resources and to keep expenses within community standards for public officials, reimbursement of expenses will be limited to amounts within the following guidelines:

A. Travel

- Airfare: Air travel should be by coach class via the most direct route.
- Automobile: Automobile mileage is reimbursed at the Internal Revenue Service rate contained in the most recent edition of IRS Publication 463. Tolls and parking are reimbursed at cost.
- Car Rental: Rental rates that are equal to or less than those available through the State of California Department of General Services website ([www.catravelsmart.com](http://www.catravelsmart.com)) are considered reasonable for purposes of reimbursement.

B. Lodging

Lodging will be reimbursed when travel on Agency business reasonably requires an overnight stay.

- Conferences: If lodging is in connection with a conference, lodging expenses must not exceed the group rate published by the conference sponsor if such rates are available at the time the reservation is made.
- Other: Directors must request government rates when available. A list of hotels offering government rates is available at [www.catravelsmart.com](http://www.catravelsmart.com). Rates equal to or less than government rates are considered reasonable for reimbursement. In the event that government rates are not available at a particular time or in the particular area, rates that do not exceed \$150 per night are considered reasonable. This amount will be annually adjusted to reflect changes in Consumer Price Index, All Urban Consumers, for the San Jose-San Francisco-Oakland Metropolitan Area published by the U.S. Department of Labor, Bureau of Labor Statistics.

C. Meals.

Meal expenses, including tips, will be reimbursed up to the following amounts:

Breakfast: \$12

Lunch:	\$18
Dinner	\$35

These amounts will also be adjusted annually by the CPI index identified above.

**4. Expense Reimbursement Forms**

All expense reimbursement requests must be submitted to the General Manager on an expense report form provided by the Agency. Receipts documenting each expense in excess of \$10 must accompany the report. Directors must submit their expense reports within 30 days after the expenses are incurred. All expenses are subject to verification.

**5. Reports to Board of Directors**

Each director requesting reimbursement of expenses shall, at the following BAWSCA board meeting, briefly report on meetings and other events attended at Agency expense. If more than one director attended a meeting or event, a joint report may be made.

**6. Reporting of Expenses and Reimbursement**

All Agency expenditures are public records subject to disclosure under the Public Records Act. In addition, the Agency is required to compile a quarterly report showing the amount of expenses reimbursed to each director during the preceding three months and make this report available during a public meeting.

2. The activities described in Section 2 of the attached Policy shall also constitute "services rendered as a member of the board at the request of the board" for purposes of Ordinance No. 2004-01, providing for compensation of members of the board of directors pursuant to Water Code Sections 81339 and 20201.

PASSED AND ADOPTED this 16 day of March, 2006 by the following vote:

AYES: Beecham, Claire; Fannon, Fergusson, Gage, Goff, Guzzetta  
Hershman, Mickelsen, O'Connell, O'Mahony, Piccolotti, Reynolds,  
NOES: Risch, Seidel, Vella, Weed, Wykoff  
NONE

ABSENT: Breault, Bologoff, Cooper, Craig, Kolstad, Kasperzak, Livengood,  
Reed, Tissier, Woods.

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:

  
\_\_\_\_\_  
Secretary of the Board



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

**MEMORANDUM**

**TO:** BAWSCA Board of Directors  
**FROM:** Nicole Sandkulla, CEO/General Manager  
**DATE:** April 7, 2023  
**SUBJECT:** Chief Executive Officer/General Manager's Letter

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**BARR Share Water Access Program – Final Report**

Beginning in 2014, the Bay Area Regional Reliability (BARR) partnership was developed as a framework for eight San Francisco Bay Area water agencies to strengthen drought resilience and preparedness, and address water supply reliability concerns on a mutually beneficial and regionally focused basis. BARR Partners work together to play several different roles in water management across the San Francisco Bay Area, serving as retail and/or wholesale suppliers, groundwater sustainability agencies, watershed stewards, and flood protection managers. The BARR Partners include Alameda County Water District, Bay Area Water Supply and Conservation Agency (BAWSCA), Contra Costa Water District, East Bay Municipal Utility District, Marin Municipal Water District (Marin Water), San Francisco Public Utilities Commission (SFPUC), Santa Clara Valley Water District (Valley Water), and Zone 7 Water Agency (Zone 7).

BARR's first effort was to develop a Drought Contingency Plan, which was completed in early 2017. The plan identified a series of drought mitigation measures (possible partnership projects and activities) that, individually or combined, could improve the region's water supply reliability during times of drought. As a continuing effort to build regional resilience and support overall water supply reliability in the San Francisco Bay Area, BARR initiated the development of the Bay Area Shared Water Access Program (SWAP) with the objective of establishing a roadmap to guide future water supply transfers and exchanges in the area.

Funded in part by Reclamation under a Title XVI WaterSMART grant awarded in 2017, BARR SWAP is one of many drought mitigation measures under the BARR Drought Contingency Plan. It is not a "one-stop shop" to solve all water supply reliability challenges across the region. It does, however, complement the separate and ongoing planning efforts of the BARR Partners to balance future water supplies and demands in part via water transfers and exchanges.

The work associated with the BARR SWAP was completed in March of 2023, and included the preparation of a final report. Information contained in the report helps guide future transfers and exchanges to address urgent supply shortfalls in times of need. This BARR SWAP Strategy Report also serves as a resource to assist BARR Partners and other water managers in planning future water transfers and exchanges. Further, the report highlights stakeholder input as an important component of this planning process. The report can be found on the BARR website with this link:

[https://www.bayareareliability.com/uploads/files/Bay%20Area%20SWAP\\_%20FINAL%20Strategy%20Report\\_3-17-23.pdf](https://www.bayareareliability.com/uploads/files/Bay%20Area%20SWAP_%20FINAL%20Strategy%20Report_3-17-23.pdf)

**BAWSCA FY 2021-22 Annual Survey:**

Each year, BAWSCA conducts an annual survey of its members in order to update key BAWSCA service area information including population, current and projected water use, and climatology. The document is heavily referenced by BAWSCA, BAWSCA member agencies, SFPUC, and the public at large. Information compiled in the document includes population and water demand, water use by source, water use by customer class, past and current SF RWS purchases, per capita water use, and climatology.

The complete FY 2021-22 Annual Survey was finalized in late March 2023. The document is posted on the BAWSCA website at this link: <https://bawasca.org/water/supply/survey>

**BAWSCA Water Supply Reliability Roundtable – Final Report:**

BAWSCA's Water Supply Reliability Roundtable (Roundtable) was a series of four interactive stakeholder meetings led by BAWSCA that occurred between May 2022 and February 2023. The meetings brought together different water professionals spanning across the BAWSCA service area including its member agencies, non-governmental organizations (NGOs), Bay Area counties, wastewater agencies, and other leaders and experts in water related fields.

The Roundtable brought parties together to share information regarding the numerous water supply and conservation projects and programs underway throughout the BAWSCA service area. These projects cover an array of different strategies for increasing supply reliability, including recycled water efforts, stormwater and flood water control concepts, groundwater supply investigations, and more. These projects have the potential to create local and regional water supply benefits. By learning more about the interests and work of each participating organization, opportunities for collaboration, funding, and execution were hoped to be identified. The Roundtable provided participants with an opportunity for networking, information sharing, and learning through presentations by the BAWSCA and invited guest speakers. Participation in breakout room discussions offered a space for smaller and more intimate discussions. More explicitly, the three primary goals of the Roundtable Series were to: (1) understand how existing and planned projects in the region fit within a One Water concept, (2) identify the potential for collaborative opportunities, and (3) offer ideas for how entities could potentially support, help finance, permit, approve, and expand projects or programs that have the potential to offer multiple benefits.

As noted above, BAWSCA committed to hosting four Roundtable meetings. BAWSCA also committed to preparing a report following the conclusion of the fourth meeting summarizing the discussions that took place, as well as work products that BAWSCA prepared as part of the Roundtable. Those work products include Project Information Forms filled out by Roundtable participants detailing their respective water resources efforts underway or planned for the future. The Roundtable Report is complete and has been posted on the BAWSCA website. [Click here](#) to access the report.

# Board Policy Committee Policy Calendar Through February 2024

Meeting Date	Purpose	Issue or Topic
June 2023	D&A D&A D&A R&D R&D	Discussion and Possible Action on CEO/GM Evaluation Procedure Review of BAWSCA's Personnel Handbook Review and Update BAWSCA Check Signature Authority Update on SFPUC Alternative Water Supply Program Update on Tier 2 Plan Negotiations
August 2023	R&D	Update on Tier 2 Plan Negotiations ( <i>possible meeting cancellation</i> )
October 2023	D&A D&A D&A	Annual Review and Consideration of BAWSCA's Statement of Investment Policy Review and Consideration of BAWSCA's General Reserve Policy Consideration of Action Regarding Tier 2 Drought Allocation Plan
December 2023	R&D	Mid-Year 2023-24 Work Plan, Budget and General Reserve Review
February 2024	D&A R&D	Consideration of FY 2023-24 Bond Surcharges Discussion of Preliminary FY 2023-24 Work Plan and Budget