

BAWSCA

Bay Area Water Supply & Conservation Agency

BOARD POLICY COMMITTEE

December 13, 2023

1:30 p.m.

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

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(One Member of the Board will participate in this meeting by Teleconference. Locale shall be: 6311 N. Marina Pacifica, Long Beach, California. When any member of the board participates by teleconference, all votes taken at this meeting will be by roll call vote.)

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
1. <u>Call To Order, and Roll Call</u> Roster of Committee Members (<i>Attachment</i>)	(Hardy)	Pg 3
2. <u>Comments by Chair</u>	(Hardy)	
3. <u>Consent Calendar</u> A. Approval of Minutes from the October 11, 2023 meeting (<i>Attachment</i>)	(Hardy)	Pg 5
4. <u>Public Comment</u> <i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(Hardy)	
5. <u>Closed Session</u> 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).	(Schutte)	
6. <u>Report from Closed Session</u>	(Schutte)	

7. Action Calendar

- A. Proposed Fiscal Year 2024-25 Bond Surcharges (*Attachment*) **(Tang)** Pg 17
Issue: How much will the bond surcharges be for FY 2024-25?
Information to Committee: Staff memo and oral report.
Committee Action Requested: That the Committee recommend Board approval of the proposed FY 2024-25 bond surcharges as presented in the staff memorandum.
- B. Mid-Year 2023-24 Work Plan, Budget and General Reserve Review and Recommended Changes (*Attachment*) **(Sandkulla)** Pg 23
Issue: What resources are needed to address new work items and potential significant scope modifications that are critical to ensuring reliable supply of high-quality water at a fair price?
Information to Committee: Staff memo and oral report.
Committee Action Requested: Comments and feedback.

8. Reports and Discussions

- A. Update on Negotiations of a New Tier 2 Drought Allocation Plan (*Attachment*) **(McPherson)** Pg 43
- B. BAWSCA's Long Term Reliable Water Supply Strategy 2045 (*Attachment*) **(Sandkulla)** Pg 47

9. CEO Reports

(Sandkulla/Francis)

- A. Bay Delta Plan/FERC Update
- B. Review of FY 2024-25 Work Plan and Operating Budget Preparation Process
- C. CEO's Letter (*Attachment*) Pg 49
- D. Board Policy Committee Calendar (*Attachment*) Pg 59
- E. Correspondence Packet ([Under Separate Cover](#))

10. Comments by Committee Members

(Hardy)

11. Adjournment to the Next Meeting

(Hardy)

February 14, 2024 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)
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
October 11, 2023 – 1:30 p.m.

MINUTES

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

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

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

3. **Consent Calendar**:

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

The motion passed unanimously by a show of hands.

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

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

5. **Action Calendar**:

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

The Tier 2 Plan was adopted in the Winter/Spring of 2011 by the governing bodies of each wholesale customer in accordance with the Water Supply Agreement (WSA). It was formulated to expire on December 31, 2018, consistent with the timing of SFPUC's 2018 decision regarding the cities of San Jose and Santa Clara.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There were no comments provided by members of the public.

Director Vella made a motion, seconded by Director Chambers, that the Board Policy Committee recommend Board adoption of Resolution #2023-04 Extending the Term of the 2021 Amended and Restated Tier 2 Plan through December 31, 2024.

The motion carried unanimously by a show of hands.

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

6. CEO Reports:

- A. BAWSCA's Long-Term Reliable Water Supply Strategy 2045: Ms. Sandkulla presented the timeline for how engagement with the Board and the BPC is anticipated throughout

the development of the scope for Strategy 2045. As scheduled, she was pleased to provide the results of the member agency survey launched in September.

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

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

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

The survey provided the following results:

1. Water Supply Reliability Planning:

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

2. Regulatory Compliance:

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

3. Funding and Affordability:

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

4. Institutional and Operational Optimization:

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

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

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

Ms. Sandkulla noted that the results of the survey have been the most concrete level of information member agencies have ever provided BAWSCA about their concerns and

expectations as individual agencies and as a region. It is powerful information that will be used and reflected in BAWSCA's development of the draft goals, objectives, and approach to scoping Strategy 2045.

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

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

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

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

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

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

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

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

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

Because there is an interest among the member agencies, there is a question of whether there is a role for BAWSCA to bring the agencies together as a region in

achieving emergency resiliency on the water supply side that the BAWSCA Board would want to include in BAWSCA's workplan to achieve results for its member agencies.

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

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

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

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

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

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

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

Or should Strategy 2045 address all three?

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

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

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

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

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

Committee members' comments included the following:

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

Further discussion on the overall Strategy 2045 ensued.

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

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

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

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

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

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

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

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

It is important to form the goals, objectives and approach based on the member agencies' input at both the staff and policy level instead of it being predetermined by

BAWSCA. The idea of identifying the roles is a good approach without impeding contract management and obligation management. Ms. Sandkulla noted that having the same level of conversation again on what has been drafted will be appropriate to gather further feedback and input.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There were no further comments from members of the Committee.

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

Respectfully submitted,

Nicole Sandkulla, CEO/General Manager

NS/le

Attachments: 1) Attendance Roster

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting Attendance Roster

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

✓: present

☎: Teleconference

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

BAWSCA Staff:

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

Public Attendees:

Alison Kastama SFPUC

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Proposed Fiscal Year 2024-25 Bond Surcharges**

Summary:

This memorandum presents the proposed FY 2024-25 bond surcharge for each BAWSCA agency. The surcharge would take effect on July 1, 2024. This surcharge setting conforms to BAWSCA's Revenue Bond Indenture (Indenture) and reflects the savings generated from the settlement of the 2023A bonds to refund the 2013A bonds executed on January 5, 2023.

Recommendation:

That the Committee recommend Board approval of the proposed FY 2024-25 bond surcharges as presented in Table 1 in this memorandum.

Discussion:

The bond surcharge for each BAWSCA agency is typically a fixed annual amount that is adopted each fiscal year by the Board to ensure collection of necessary revenue to pay that year's obligated debt service. The bond surcharges are calculated in total to meet the requirements of the Bond Indenture entered into in connection with the 2013 and 2023 bond transactions to prepay the capital payments that BAWSCA agencies owed to SFPUC under the Water Supply Agreement (WSA) and to refund the 2013A Bonds, respectively.

The annual surcharges for FY 2024-25 reflect the savings from the prepayment program and the refunding transaction in January 2023. The proposed FY 2024-25 bond surcharges are calculated by multiplying the obligated debt service in 2025, minus a credit for excess bond funds, by each agency's percentage of total wholesale customer purchases in FY 2022-23 and adding a "true up" adjustment for the FY 2022-23 surcharges. One-twelfth of the annual surcharge, or the monthly surcharge, will be included in the first water bill sent from San Francisco to the BAWSCA agencies each month. The reason FY 2022-23's purchases are used for the FY 2024-25 surcharge calculations is because they represent the latest annual purchases data available as of today. For the same reason, the FY 2022-23 surcharges were calculated based on the latest annual purchases data available at that time, not FY 2022-23's. The "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2022-23 and to reimburse BAWSCA for some expenses incurred in FY 2022-23 in connection with the bond administration that were paid through BAWSCA's FY 2022-23 Operating Budget.

Per the Indenture, the Stabilization Fund at the Trustee has been reviewed and no replenishment amount is determined necessary at this time.

The proposed FY 2024-25 bond surcharge for each BAWSCA agency is shown in Table 1.

Table 1. Proposed BAWSCA FY2024-25 Bond Surcharges

Agency	Annual Bond Surcharge	Monthly Bond Surcharge	Agency	Annual Bond Surcharge	Monthly Bond Surcharge
Alameda County WD	\$2,298,768	\$191,564	Mid Pen WD	\$427,236	\$35,603
Brisbane Water	\$73,536	\$6,128	Millbrae	\$221,388	\$18,449
Burlingame	\$667,968	\$55,664	Milpitas	\$791,844	\$65,987
Coastside County WD	\$38,772	\$3,231	Mountain View	\$1,209,876	\$100,823
CWS - Bear Gulch	\$1,586,292	\$132,191	North Coast WD	\$327,396	\$27,283
CWS - Mid Peninsula	\$2,045,292	\$170,441	Palo Alto	\$1,601,148	\$133,429
CWS - South SF	\$1,320,708	\$110,059	Purissima Hills WD	\$178,668	\$14,889
Daly City	\$590,628	\$49,219	Redwood City	\$1,279,584	\$106,632
East Palo Alto WD	\$263,640	\$21,970	San Bruno	\$231,384	\$19,282
Estero Municipal ID	\$601,416	\$50,118	San Jose (North)	\$721,008	\$60,084
Guadalupe Valley	\$23,916	\$1,993	Santa Clara	\$531,588	\$44,299
Hayward	\$2,297,412	\$191,451	Stanford University	\$293,916	\$24,493
Hillsborough	\$322,728	\$26,894	Sunnyvale	\$1,415,052	\$117,921
Menlo Park	\$439,428	\$36,619	Westborough WD	\$130,632	\$10,886
Total				\$21,931,224	\$1,827,602

Background:

In 2013, BAWSCA issued Revenue Bond Series 2013A and Series 2013B to prepay the remaining capital cost recovery payments that the BAWSCA agencies owed San Francisco as of June 30, 2013, when the payments were paid off. The total bonds were issued in par amount of \$335.8 million, including a callable portion of Series 2013A tax-exempt bonds. The bond transaction and the prepayment program resulted in approximately \$62.3 million in net present value savings over the term of the bonds until 2034.

On January 5, 2023, BAWSCA completed the settlement of the 2023A bonds to refund the 2013A bonds based on a tax-exempt forward delivery. The total principal amount of the 2023A bonds issued were \$134.310 million at an all-in true interest rate of 2.06%. This refunding bond transaction will generate approximately \$27.1 million in net present value savings over the term of the bonds, starting in FY 2022-23. The combined net present value savings from recent refunding, along with the savings from the original 2013 bond issuance, will be approximately \$89.4 million to the water customers that BAWSCA represents from 2013 to 2034, or an annual average savings of \$6 million from 2023 to 2034 when the bonds will be paid off.

BAWSCA has been collecting the bond surcharge from member agencies since July 2013 through the SFPUC as a separate item on SFPUC’s monthly water bills to BAWSCA agencies. FY 2024-25 will be the twelfth year for BAWSCA to collect the bond surcharge payments that are used to make debt service payments on BAWSCA’s revenue bonds.

Calculating the “True Up” Adjustment

The FY 2024-25 bond surcharge setting includes a “true up” adjustment included in the calculation. This “true up” adjustment is used to reflect each agency’s actual percentage of water purchases in FY 2022-23 and to reimburse BAWSCA for some expenses incurred in FY 2022-23 in connection with the bond administration that were paid through BAWSCA’s FY 2022-23 Operating Budget. Those expenses include the fees to Bank of New York for its Trustee services and the costs of legal, financial advisor, investment advisor, and arbitrage rebate consultant. A “true up” adjustment is anticipated every year as part of the calculation of the Annual Bond Surcharge.

The annual surcharges collected from BAWSCA agencies in FY 2022-23 were calculated by multiplying the obligated debt service in 2023 by each agency's percentage of total wholesale customer purchases in FY 2020-21. FY 2020-21 purchases were used as a surrogate for FY 2022-23 purchases, which were not known when the FY 2022-23 bond surcharges were adopted.

Now that the actual wholesale customer purchases for FY 2022-23 and the actual expenses incurred in FY 2022-23 in connection with the bond administration are available, the actual surcharges for FY 2022-23 are calculated again by multiplying a sum of the obligated debt service in 2023 and the actual expenses incurred in FY 2022-23 by each agency's percentage of total wholesale customer purchases in FY 2022-23.

The difference between the surcharges that were actually collected in FY 2022-23, which were based on the surrogate purchase values, and the actual surcharges for FY 2022-23, which are based on actual FY 2022-23 purchases, are one component of the "true up" adjustments to be included in the annual surcharge setting for FY 2024-25. The second component of the "true up" adjustment is the inclusion of \$23,600 of actual expenses incurred by BAWSCA in FY 2022-23 in connection with the bond administration, which represents 0.1% of the annual debt service of the bonds in 2025. In addition, pursuant to the Prepayment and Collection Agreement between BAWSCA and San Francisco, BAWSCA shall reimburse San Francisco for specific expenses incurred for compliance with tax-exempt regulations. BAWSCA didn't receive any relevant bill from San Francisco in FY 2022-23. A "true up" adjustment for FY 2024-25 will be included in the surcharge setting for FY 2026-27.

Table 2 shows how the "true up" adjustment for each BAWSCA agency is determined and included in the proposed FY 2024-25 surcharge amount. Table 3 indicates how much the capital recovery payment cost would have been in FY 2022-23 (column A) if BAWSCA didn't issue the bonds to prepay the capital debt that the agencies owed to San Francisco. The actual savings to each agency in FY 2022-23 (column E) from both the original 2013 prepayment and the 2023 refunding are calculated accordingly.

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**Table 2. Impact of FY 2022-23 True-up Adjustment on
FY 2024-25 Proposed Surcharges**

Agency	FY 2022-23			FY 2024-25	
	Surcharge Collected (Based on FY 2020-21 Purchase)	Surcharge Obligation (Based on FY 2022-23 Purchase)	Difference: True-up Amount	Surcharge To Be Collected (Based on FY 2022-23 Purchase)	Proposed Surcharge Incl. True-up Amount for FY 2022-23
Alameda County WD	\$1,561,085	\$1,941,987	\$380,903	\$1,917,862	\$2,298,768
Brisbane Water	\$69,101	\$71,764	\$2,663	\$70,873	\$73,536
Burlingame	\$543,109	\$609,322	\$66,213	\$601,752	\$667,968
Coastside County WD	\$240,153	\$140,334	(\$99,819)	\$138,591	\$38,772
CWS - Bear Gulch	\$1,959,316	\$1,783,887	(\$175,428)	\$1,761,726	\$1,586,292
CWS - Mid Peninsula	\$2,139,160	\$2,105,302	(\$33,858)	\$2,079,148	\$2,045,292
CWS - South SF	\$755,260	\$1,044,470	\$289,210	\$1,031,494	\$1,320,708
Daly City	\$592,460	\$595,240	\$2,780	\$587,845	\$590,628
East Palo Alto WD	\$250,109	\$258,482	\$8,373	\$255,271	\$263,640
Estero Municipal ID	\$707,095	\$658,343	(\$48,751)	\$650,165	\$601,416
Guadalupe Valley	\$32,860	\$28,565	(\$4,294)	\$28,211	\$23,916
Hayward	\$2,388,791	\$2,357,747	(\$31,044)	\$2,328,456	\$2,297,412
Hillsborough	\$446,101	\$386,819	(\$59,282)	\$382,014	\$322,728
Menlo Park	\$484,347	\$464,775	(\$19,572)	\$459,001	\$439,428
Mid Pen WD	\$428,404	\$430,491	\$2,087	\$425,143	\$427,236
Millbrae	\$304,935	\$264,809	(\$40,127)	\$261,519	\$221,388
Milpitas	\$881,101	\$841,701	(\$39,400)	\$831,245	\$791,844
Mountain View	\$1,298,218	\$1,261,887	(\$36,331)	\$1,246,210	\$1,209,876
North Coast WD	\$427,428	\$379,769	(\$47,660)	\$375,051	\$327,396
Palo Alto	\$1,610,414	\$1,615,819	\$5,405	\$1,595,746	\$1,601,148
Purissima Hills WD	\$313,745	\$247,747	(\$65,998)	\$244,670	\$178,668
Redwood City	\$1,406,796	\$1,351,588	(\$55,208)	\$1,334,797	\$1,279,584
San Bruno	\$157,434	\$195,623	\$38,190	\$193,193	\$231,384
San Jose (North)	\$690,832	\$710,333	\$19,502	\$701,509	\$721,008
Santa Clara	\$523,665	\$530,923	\$7,257	\$524,327	\$531,588
Stanford University	\$222,051	\$259,594	\$37,543	\$256,369	\$293,916
Sunnyvale	\$1,596,880	\$1,515,376	(\$81,503)	\$1,496,551	\$1,415,052
Westborough WD	<u>\$128,752</u>	<u>\$130,502</u>	<u>\$1,750</u>	<u>\$128,881</u>	<u>\$130,632</u>
Totals	\$22,159,602	\$22,183,202	\$23,600	\$21,907,621	\$21,931,224

Table 3. Actual Savings to Each Agency for FY 2022-23 Resulting from BAWSCA 2013 and 2023 Bond Issuance

Agency	SFPUC Capital Recovery Payment*	Annual Surcharge Collected in FY 2022-23	True-ups To Be Collected or Refunded in FY 2024-25	BAWSCA Annual Surcharge Plus True-ups	Actual Savings
	A	B	C	D = B + C	E = A - D
Alameda County WD	\$2,468,717	\$1,561,085	\$380,903	\$1,941,987	\$526,729
Brisbane Water	\$91,229	\$69,101	\$2,663	\$71,764	\$19,465
Burlingame	\$774,590	\$543,109	\$66,213	\$609,322	\$165,268
Coastside County WD	\$178,397	\$240,153	(\$99,819)	\$140,334	\$38,063
CWS - Bear Gulch	\$2,267,735	\$1,959,316	(\$175,428)	\$1,783,887	\$483,848
CWS - Mid Peninsula	\$2,676,328	\$2,139,160	(\$33,858)	\$2,105,302	\$571,026
CWS - South SF	\$1,327,764	\$755,260	\$289,210	\$1,044,470	\$283,294
Daly City	\$756,688	\$592,460	\$2,780	\$595,240	\$161,448
East Palo Alto WD	\$328,591	\$250,109	\$8,373	\$258,482	\$70,109
Estero Municipal ID	\$836,907	\$707,095	(\$48,751)	\$658,343	\$178,564
Guadalupe Valley	\$36,313	\$32,860	(\$4,294)	\$28,565	\$7,748
Hayward	\$2,997,243	\$2,388,791	(\$31,044)	\$2,357,747	\$639,497
Hillsborough	\$491,737	\$446,101	(\$59,282)	\$386,819	\$104,918
Menlo Park	\$590,837	\$484,347	(\$19,572)	\$464,775	\$126,062
Mid Pen WD	\$547,254	\$428,404	\$2,087	\$430,491	\$116,763
Millbrae	\$336,633	\$304,935	(\$40,127)	\$264,809	\$71,825
Milpitas	\$1,069,997	\$881,101	(\$39,400)	\$841,701	\$228,296
Mountain View	\$1,604,151	\$1,298,218	(\$36,331)	\$1,261,887	\$342,264
North Coast WD	\$482,774	\$427,428	(\$47,660)	\$379,769	\$103,006
Palo Alto	\$2,054,082	\$1,610,414	\$5,405	\$1,615,819	\$438,262
Purissima Hills WD	\$314,944	\$313,745	(\$65,998)	\$247,747	\$67,197
Redwood City	\$1,718,182	\$1,406,796	(\$55,208)	\$1,351,588	\$366,594
San Bruno	\$248,683	\$157,434	\$38,190	\$195,623	\$53,059
San Jose (North)	\$902,999	\$690,832	\$19,502	\$710,333	\$192,665
Santa Clara	\$674,926	\$523,665	\$7,257	\$530,923	\$144,003
Stanford University	\$330,004	\$222,051	\$37,543	\$259,594	\$70,410
Sunnyvale	\$1,926,395	\$1,596,880	(\$81,503)	\$1,515,376	\$411,019
Westborough WD	\$165,899	\$128,752	\$1,750	\$130,502	\$35,396
Totals	\$28,200,000	\$22,159,602	\$23,600	\$22,183,202	\$6,016,798

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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Mid-Year 2023-24 Work Plan, Budget and General Reserve Review and Recommended Changes**

Summary:

A review of the FY 2023-24 Work Plan has been performed, with the results presented in the attached Table 1. To ensure continued access to a reliable supply of high-quality water at a fair price, efforts on six items in the adopted FY 2023-24 Work Plan are recommended for adjustment, with one item (item 6) requiring budget and funding changes through board action:

- 1) Work Plan Item 2g “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”. Change work plan item to read “Host one meeting of BAWSCA Regional Water Supply Reliability Roundtable to **discuss Strategy 2045 proposed scope and receive feedback**”.
- 2) Work Plan Item 3b “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 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”. Change work plan item to read “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 **meeting the new requirements as appropriate**”.
- 3) Work Plan Item 3f “Continue development of a leak repair and training certification program for implementation in FY 2024-25”: Change work plan item to read “Continue development of a leak repair and training certification program **for future implementation by an outside entity**”.
- 4) Work Plan Item 4e “Facilitate negotiations of an updated Tier 2 Plan”. Increase consultant contract budget with Woodard & Curran by an additional \$80K for a total contract amount of \$152K, funded using reallocation within the current approved FY 2023-24 Operating Budget.
- 5) Work Plan Item 6c “Develop and Implement new BAWSCA Grant Support Program with both a core and subscription component.” Delete work plan item 6c.
- 6) Work Plan Item 4e “Facilitate negotiations of an updated Tier 2 Plan” and Work Plan Item 11 “Manage the activities of the agency professionally and efficiently”. For Hanson Bridgett, increase consultant contract budget by an additional \$82K for Work Plan Item 3e “Facilitate negotiations of an updated Tier 2 Plan” and by \$30K for work plan item 11 “Manage the activities of the Agency professionally and efficiently”, for a total contract increase of \$112K and a total new contract amount of \$891,000, to be funded through a transfer from the General Reserve.

This memorandum presents: (1) the recommended changes to the FY 2023-24 Work Plan and associated budget implications, (2) the recommended adjustments to the adopted FY 2023-24 Operating Budget to fund the recommended changes, and (3) a discussion on the management of the General Reserve. For all other Work Plan items, expenses are tracking within the currently approved Operating Budget for FY 2023-24 of \$4,871,419.

Fiscal Impact:

Adoption of the recommended changes would result in (1) \$112K transfer from the General Reserve to fund the FY 2023-24 Operating Budget, (2) a corresponding \$112K increase to the FY 2023-24 Operating Budget to \$4,983,419, and (3) a General Reserve balance of \$1,543,390, or 31% of the modified Operating Budget.

Recommendation:

That the Committee recommend Board approval of the following FY 2023-24 Work Plan, Operating Budget and funding changes:

- 1) For Work Plan Item 2g, change description to read “Host one meeting of BAWSCA Regional Water Supply Reliability Roundtable to discuss Strategy 2045 proposed scope and receive feedback”;
- 2) For Work Plan Item 3b, change description to read “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 meeting the new requirements as appropriate”;
- 3) *For Work Plan Item 3f*, change description to read “Continue development of a leak repair and training certification program for future implementation by an outside entity”;
- 4) *For Work Plan Item 4e*, increase consultant contract budget with Woodard & Curran by an additional \$80K for a total contract amount of \$152K, funded using reallocation within the current approved FY 2023-24 Operating Budget;
- 5) *Work Plan Item 6c*, delete work plan completely; and
- 6) For Hanson Bridgett, increase consultant contract budget by an additional \$82K for Work Plan Item 3e “Facilitate negotiations of an updated Tier 2 Plan” and by \$30K for work plan item 11 “Manage the activities of the Agency professionally and efficiently”, for a total contract increase of \$112K and a total new contract amount of \$891,000, to be funded through a transfer from the General Reserve.

Prior Board Approved Work Plan and Budget Actions for FY 2023-24:

On May 18, 2023, the Board approved the following:

- 1) FY 2023-24 Work Plan and Results to be Achieved;
- 2) Operating Budget of \$4,814,667;
- 3) Funding plan of a 0% assessment increase (\$4,838,897) to fund the Operating Budget.

Discussion:

The mid-year review included (1) examining progress toward completing the Work Plan as adopted, (2) considering anticipated work that should be performed during the balance of this fiscal year, and (3) reviewing the need for any new Work Plan items. This Work Plan review resulted in the five changes recommended below. Following the Work Plan review, a budget review was performed, which resulted in the associated Operating Budget and funding changes recommended below.

Recommended FY 2023-24 Work Plan Changes and Budget Implications

Table 1 presents the Board-approved Work Plan for FY 2023-24 modified to show recommended revisions to the Work Plan. Explanations for the five recommended revisions are discussed below.

- 1) *Work Plan Item 2g “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”.* While originally, the work plan

anticipated as many as four Roundtable meetings, it is recommended to limit the number of Roundtable meetings in FY 2023-24 to one in the Spring of 2024 that is focused on Strategy 2045 for two main reasons. First, the Bay Area Clean Water Agency hosted a similar event focused on recycled water and targeted much of the same audience in Fall 2023. BAWSCA hosting such an event in Fall 2023 would have been duplicative. Second, BAWSCA is increasingly concerned with workshop fatigue by its member agencies given the large number of Tier 2 negotiation meetings and other meetings that BAWSCA is hosting this year to implement the other parts of its work plan. Focusing one Roundtable meeting on Strategy 2045 in the Spring of 2024 enables BAWSCA to best use the Roundtable to provide input on a critical work plan item.

It is recommended to change the work plan item to “Host **one meeting** of BAWSCA Regional Water Supply Reliability Roundtable to **discuss Strategy 2045 proposed scope and receive feedback**”.

- 2) Work Plan Item 3b “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 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”. The State Board released its draft regulation framework for review in August. BAWSCA provided written comments and was a signatory to comments from the Association of California Water Agencies. At this time, the State Board has indicated that it will produce a final framework and rules for adoption in Summer 2024. Given the scope and magnitude of comments submitted on the draft regulations, there is a potential for significant changes to the framework. As such, BAWSCA’s anticipated further work on this item should be delayed pending further information from the State Board and following further conversation with the member agencies and BAWSCA’s partner on this effort, Santa Clara Valley Water District.

It is recommended to change the work plan item to read “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 **meeting the new requirements as appropriate**”.

- 3) Work Plan Item 3f “Continue development of a leak repair and training certification program for implementation in FY 2024-25”. In FY 2021-22, BAWSCA and Valley Water committed program development funds for an analysis of a new potential Leak Detection & Repair Certification training targeted to residential water customers and engaged California Water Efficiency Partnership (CalWEP) to assist in developing the “framework” for how this program should be approached. The work was initiated in response to requests and the interest of BAWSCA agencies to create and have available a list of qualified professionals in this field. In FY 2023-24, following extensive research and outreach, CalWEP produced two reports: one report focused on indoor leak detection and repair certification, and a second report focused on outdoor leak detection and repair certification. Based on the results of the reports, BAWSCA, Valley Water, and CalWEP have concluded that further work is required prior to implementation, including securing the interest of a new educational entity, one experienced in conducting technical training and administering a certification program. Such an entity is central to the further development and implementation of this program. CalWEP at this time has expressed reluctance to serve as the educational entity. BAWSCA and Valley Water have paused further development of the program at this time and shifted focus on seeking this new entity.
- 4) Work Plan Item 4e “Facilitate negotiations of an updated Tier 2 Plan”: BAWSCA initiated the development of an updated Tier 2 Drought Response Implementation Plan in January 2022.

Work has continued into FY 2022-23 with individual one-on-one meetings with member agencies, presentations at Water Management Representatives and Board meetings, conducting a technical workshop monthly, and facilitating monthly negotiation meetings. In all these cases, both technical and legal support is generally required to ensure that progress continues.

Significant progress is being made and it is clear that additional consultant resources will be needed to develop an updated Plan that will be acceptable to the members and ready for adoption by the governing bodies in FY 2024-25. In particular, when planning for the necessary level of effort this fiscal year, the number of meetings requiring both technical and legal support were underestimated. As such, for FY 2023-24, additional legal and technical consultant resources are needed to continue progress with the goal of an agreed upon updated Tier 2 Plan that is ready for consideration of adoption by July 1, 2024.

An additional \$80K, for a total contract amount of \$152K for FY 2023-24, is requested for BAWSCA's technical consultant Woodard & Curran. This cost increase would be funded through reallocation of available funds within the current approved FY 2023-24 Operating Budget.

An additional \$82K contract increase is requested for BAWSCA's legal counsel, Hanson Bridgett, to support the Tier 2 Plan negotiations. This cost increase would be funded through an approved transfer from the General Reserve.

- 5) Work Plan Item 6c "Develop and Implement new BAWSCA Grant Support Program with both a core and subscription component." The need for a comprehensive review and consideration of grants and a regional grant support program was recently identified through the Needs Assessment task for Strategy 2045 scoping. Given the high amount of interest expressed by the member agencies on this topic, it is recommended to include further work on this effort in Strategy 2045 so that it can be considered comprehensively as part of BAWSCA's long term planning.

It is recommended to delete work plan item 6c.

- 6) Work Plan Item 4e "Facilitate negotiations of an update Tier 2 Plan" and Work Plan Item 11 "Manage the Activities of the Agency Professionally and Efficiently". For Hanson Bridgett, increase consultant contract budget by an additional \$82K for Work Plan Item 3e "Facilitate negotiations of an updated Tier 2 Plan" and by \$30K for work plan item 11 "Manage the activities of the Agency professionally and efficiently", for a total contract increase of \$112K to be funded through a transfer from the General Reserve.

As discussed in item 4, legal counsel is a critical part of the Tier 2 Plan facilitation effort and further funding is needed to ensure sufficient legal resources can be provided to this critical work effort.

As a routine matter, legal counsel provides overall support for customary agency and board operations and administration. So far this fiscal year, there have been several extraordinary items that have required unplanned legal counsel resources, including the board desire to consider changing its meeting format, an incompatible offices analysis related to a potential new board member appointment, and a CalPERS class action suit unrelated to BAWSCA but requiring legal support. As such, an additional \$30K contract increase is requested for BAWSCA's legal counsel, Hanson Bridgett, to cover these unanticipated expenses. This cost increase would be funded through an approved transfer from the General Reserve.

Budget Changes Needed to Complete Work Expected During FY 2023-24:

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

- 1) \$112K transfer from the General Reserve to fund the FY 2023-24 Operating Budget, and
- 2) a corresponding \$112K increase to the FY 2023-24 Operating Budget to \$4,983,419.

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

Review and Management of General Reserve:

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

The current General Reserve balance of \$1,655,390 reflects the deposit of \$665,592 of FY 2022-23 unspent funds.

This level of General Reserve represents 34% of the approved Operating Budget. Approval of the recommended action would result in a General Reserve balance of \$1,543,390, or 31% of the modified Operating Budget, which is within the current guideline for the General Reserve balance for budgetary purposes of 20% to 35% of the annual operating expense.

Based on results of the FY 2023-24 mid-year Work Plan and budget review, no other changes to the General Reserve are requested at this time.

Attachments:

1. Table 1. Work Plan and Results to be Achieved in FY 2023-24: Progress and Recommended Changes
2. Table 2. Historical Annual Assessments and Year-End Reserves

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**Table 1. Proposed FY 2023-24 Work Plan and Results to Be Achieved: Progress and Recommended Changes
(Recommended Changes to Adopted Work Plan Identified in Underlined, Blue, Italic Font)**

(Mid-Year Status Shown in 1st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)		
STATUS	BAWSCA OBJECTIVE & FY 2023-24 WORK PLAN ITEM	
	RELIABLE WATER SUPPLY	
	1. Facility Reliability: Monitor SFPUC’s WSIP, 10-Year Capital Plan, Asset Mgmt. Program, and Emergency Response	
✓	a. Monitor WSIP scope, cost, and schedule as San Francisco continues an aggressive construction schedule through to completion. Press the SFPUC and the city's political leadership to meet the adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests. Track WSIP projects designated as critical drought water supply components to verify they have been completed in such a fashion that they can meet their intended Level of Service (LOS) goals.	<ul style="list-style-type: none"> Reviewed the FY 2022-23 WSIP Annual Report and provided formal comment letters to both the SFPUC and State oversight agencies. Completed review of two Quarterly WSIP Reports, compiled comments and questions, and met with SFPUC to review and address concerns.
✓	b. Review and monitor SFPUC’s Regional 10-Year Capital Plan to ensure that identified projects and programs meet the needs of the members in a cost-effective and appropriate manner.	<ul style="list-style-type: none"> Met with SFPUC staff to discuss the first draft of a proposed 10-Year Capital Plan for FY 2024-2033. Prepared a formal comment letter, dated Nov. 22, 2023, to SFPUC staff which provided BAWSCA’s project priorities, observations and suggestions as to how to approach various project budget decisions that must be made as the draft final budget is developed. BAWSCA is to be provided an opportunity to review the draft-Final 10-year CIP in mid to late December 2023. Reviewed SFPUC Annual Report on its Water Enterprise Managed CIP project (projects less than \$5M in size). A comment letter is in development and will be sent in December 2023.
✓	c. Review and monitor SFPUC's Asset Management Program to ensure ongoing long-term maintenance and protection of RWS assets, including performing tasks or	<ul style="list-style-type: none"> Continued engagement with SFPUC regarding its lack of progress regarding the preparation of a Meter Testing Plan as required by the WSA. SFPUC has committed to

(Mid-Year Status Shown in 1st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)		
STATUS	BAWSCA OBJECTIVE & FY 2023-24 WORK PLAN ITEM	
	deeper reviews identified in the audit of SFPUC's asset management practices per WSA.	providing a draft Testing Plan to BAWSCA by the end of December 2023.
✓	d. Provide assistance to members and help facilitate engagement with the SFPUC regarding emergency response matters.	<ul style="list-style-type: none"> On-going
✓	e. Review and comment on SFPUC's current and long-term labor capacity to maintain and operate the RWS.	<ul style="list-style-type: none"> Reviewed September 9, 2023 SFPUC Commission memo detailing the progress of its Capital Planning Improvements Initiative. BAWSCA provided comments to the SFPUC suggesting that a formal report on this initiative and its results is needed.
	<u>2. Long-Term Supply Solutions: Implement the Long-Term Reliable Water Supply Strategy to Ensure a Reliable, High-Quality Supply of Water is Available Where and When Needed</u>	
✓	a. Complete scoping activity for Long-Term Reliable Water Supply Strategy 2045 (Strategy 2045) and initiate development.	<ul style="list-style-type: none"> Secured consultant support to provide assistance in late Summer 2023. Scope in development and scheduled to be completed in Spring 2024.
✓	b. Participate in the Bay Area Regional Reliability (BARR) Partnership.	<ul style="list-style-type: none"> On-going. Participated in monthly BARR Partnership meetings to discuss possible future BARR work efforts.
✓	c. Complete Basis of Design Report (BODR) for the San Francisco-Peninsula Regional Pure Water Project.	<ul style="list-style-type: none"> BODR development continues on schedule for completion in Spring 2024.
✓	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.	<ul style="list-style-type: none"> On-going
✓	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	<ul style="list-style-type: none"> Awaiting completion of VA review by the SWRCB, followed by information as need from the SFPUC, such that it can be included in the Model for analysis.

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STATUS	BAWSCA OBJECTIVE & FY 2023-24 WORK PLAN ITEM	
	provide, and to estimate the corresponding need to ration during droughts.	
✓	f. Facilitate use of the BAWSCA Model by members via Subscription Program.	<ul style="list-style-type: none"> Subscription program renewed and available for use by agencies in Spring 2024 to support their State-required “Water Supply and Deficiency Analysis” submittals by June 30 of 2024.
! ●	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. <u>Recommended Scope Change:</u> <u>Modify work plan item 2g to read “Host a BAWSCA Regional Water Supply Reliability Roundtable meeting to discuss Strategy 2045 proposed scope and receive feedback.”</u>	<ul style="list-style-type: none"> No roundtable meetings were held in the first half of the fiscal year. At this time, hosting one roundtable meeting in Spring 2024 is proposed during which the proposed scope of the updated Long-Term Reliable Water Supply Strategy 2045 (Strategy 2045) will be shared.
	<u>3. Near-term Supply Solutions: Water Conservation and Drought Response</u>	
●	a. Provide staff-only drought support to members & their customers, assuming dry conditions in FY 2023-24 and prepare a drought summary report following drought conclusion.	<ul style="list-style-type: none"> The State and SFPUC lifted drought-related water use reduction calls due to significantly improved water supply conditions that took place following the wet winter of FY 2022-23. No additional drought support was needed by member agencies for the first half of FY 2023-24. For the preparation of the drought summary report, proposals were received on November 3, 2023 from consultants and BAWSCA is in the process of consultant selection. It is anticipated that a recommended action will be brought to the Board for consideration at its March 2024 meeting. Based on proposals received, this work is anticipated to extend into Fiscal Year 2024-25 and may require additional funds in FY 2023-24.

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STATUS	BAWSCA OBJECTIVE & FY 2023-24 WORK PLAN ITEM	
! ●	<p>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 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.</p> <p><u>Recommended Scope Change:</u> <u>Modify work plan item 3b to read “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 meeting the new requirements as appropriate.”</u></p>	<ul style="list-style-type: none"> • Provided written and oral comments to the State Board on its proposed regulations for Making Water Conservation a California Way of Life. • The State Board continues to need additional time to develop rules, as the public opposition to elements of their proposal was significant, and likely to result in modifications to their approach. As a result, BAWSCA’s planned further work is on hold, likely into FY 2024-25, pending future developments. BAWSCA is working with its partner, Valley Water, to identify what further tasks may appropriately be considered for completion this fiscal year.
✓	<p>c. Provide regional coordination to support members’ Advanced Metering Infrastructure (AMI) implementation and data management.</p>	<ul style="list-style-type: none"> • AMI survey completed in July of 2023 and results documented in corresponding report. Survey results were shared with the BPC and Board in the Fall 2023.
✓	<p>d. Administer and implement BAWSCA’s core water conservation programs.</p>	<ul style="list-style-type: none"> • On-going
✓	<p>e. Administer BAWSCA’s subscription conservation rebate programs that benefit and are paid for by participating members.</p>	<ul style="list-style-type: none"> • On-going
! ●	<p>f. Continue development of a leak repair and training certification program for implementation in FY 2024-25.</p> <p><u>Recommended Scope Change:</u> <u>Modify work plan item 3f to read “Continue development of a leak repair and training certification program for future implementation by an outside entity.”</u></p>	<ul style="list-style-type: none"> • Reports were produced by the California Water Efficiency Partnership (CalWEP), which is BAWSCA’s partner on this work along with Valley Water, that detail how contractor training programs for indoor as well as outdoor leaks should be conducted, and the further work needed to continue the development of a training certification program. Moving this effort forward requires the commitment on behalf of an organization that focuses on training (such as CalWEP) to proceed. At this time, no entity has yet to agree to take on that assignment. For

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		<p>this reason, it is anticipated that this work would not be moved forward by BAWSCA or Valley Water unless and until a training partner is secured.</p> <ul style="list-style-type: none"> • BAWSCA will continue to pursue the interest of another organization to move this program forward.
✓	g. Pursue partnership opportunities with San Mateo County’s C/CAG related to a potential greywater pilot program.	<ul style="list-style-type: none"> • On-going. While C/CAG continues to seek funding opportunities, it has yet to be successful. BAWSCA and C/CAG would partner when and if monies can be sourced.
✓	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.	<ul style="list-style-type: none"> • On-going
	<u>4. Take Actions to Protect Members’ Water Supply and Financial Interests in WSA Administration</u>	
✓	a. Review and comment on SFPUC Alternative Water Supply (AWS) Plan, anticipated for Commission consideration Summer 2023.	<ul style="list-style-type: none"> • The SFPUC published the Draft AWS Plan for public review on June 28, 2023. On August 31, BAWSCA submitted a formal comment letter to the SFPUC. SFPUC has held informal discussions with BAWSCA as to how it intends to address BAWSCA’s comments. A Final AWS Plan is anticipated in February 2024.
✓	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.	<ul style="list-style-type: none"> • On-going
✓	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.	<ul style="list-style-type: none"> • On-going. • Reviewed the proposed Level of Service Goals update as provided to the SFPUC Commission on November 28, 2023, to ensure they are in the best interest of BAWSCA agencies and consistent with the WSA.
✓	d. Adopt a temporary extension of the existing Tier 2 Plan that expires Dec. 2024 if necessary.	<ul style="list-style-type: none"> • Complete. The Tier 2 Plan was extended by the Board at its November 16, 2023 meeting.

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STATUS	BAWSCA OBJECTIVE & FY 2023-24 WORK PLAN ITEM	
! ✓	<p>e. Facilitate negotiations of an updated Tier 2 Plan.</p> <p><u>Recommended Budget Adjustment:</u></p> <p><u>(1) Increase consultant contract with Woodard & Curran by an additional \$80K for a total contract amount of \$152K, funded by reallocation of available funds within the current approved FY 2023-24 Operating Budget; and</u></p> <p><u>(2) Increase consultant contract with Hanson Bridgett by an additional \$82K, funded by a transfer from the General Reserve.</u></p>	<ul style="list-style-type: none"> • BAWSCA initiated the development of an updated Tier 2 Drought Response Implementation Plan in January 2022. Work has continued into FY 2023-24 including facilitation of negotiations between members, presentations at WMR meetings as well as conducting monthly workshops on the topic. • Significant progress is being made yet it is clear that additional time and consultant resources will be needed to develop an updated Plan that will be acceptable to the members and ready for adoption by the end of Fiscal Year 2023-24. • For FY 2023-24, additional consultant resources are needed to continue progress with the goal of an agreed upon updated Tier 2 Plan ready for adoption by June 30, 2024. • A proposed \$80K will be added to the Woodard & Curran contract budget for a total contract amount of \$152K to fund the consultant’s continued work through the end of June 2024.
✓	<p>f. Protect members’ water supply and financial interests in the SFPUC’s required 2028 decisions.</p>	<ul style="list-style-type: none"> • On-going. BAWSCA facilitates monthly meetings with SFPUC, Santa Clara, San Jose and BAWSCA to discuss potential projects, that if implemented could address Santa Clara’s and San Jose’s interest in becoming permanent customers. Through these meetings, a potential potable reuse project by the parties is included in SFPUC’s AWS Plan. Discussions will continue thru FY 2023-24 and beyond.
✓	<p>g. Ensure correct implementation of asset classification adjustments associated with 2018 WSA amendment.</p>	<ul style="list-style-type: none"> • On-going
✓	<p>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</p>	<ul style="list-style-type: none"> • On-going

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STATUS	BAWSCA OBJECTIVE & FY 2023-24 WORK PLAN ITEM	
	5. <u>Protect Members’ Interests in a Reliable Water Supply</u>	
✓	a. Participate in SWRCB Bay Delta Plan Update to ensure members’ interests are represented, including ongoing legal intervention.	<ul style="list-style-type: none"> • Actively engaged with the SFPUC on its efforts with the State Board as it performs its analysis of a voluntary agreement for the Tuolumne River as an amendment to the adopted Phase 1 Bay-Delta Plan. • Actively engaged in State Board proceedings including ongoing legal intervention, settlement discussions and other SWRCB activity. • Observe and track the State Board in its efforts surrounding a Phase 2 Water Quality Control Plan for the Bay-Delta, which addresses tributaries to the Sacramento River and its tributaries, and review documents associated with Phase 2.
✓	b. Participate in the Don Pedro Project/La Grange Project FERC licensing process to protect customers’ long-term interests in Tuolumne River water supplies, including ongoing legal intervention.	<ul style="list-style-type: none"> • On-going.
	6. <u>Pursue Grant Opportunities Independently and in Coordination with Regional Efforts</u>	
✓	a. Pursue and use grant funds for water conservation programs and for regional supply projects and programs, including Prop 1 Integrated Regional Water Management conservation grant.	<ul style="list-style-type: none"> • On-going.
✓	b. Pursue, with regional partners, grant funding to support studies that aim to improve regional water supply reliability.	<ul style="list-style-type: none"> • On-going

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STATUS	BAWSCA OBJECTIVE & FY 2023-24 WORK PLAN ITEM	
!●	c. Develop and implement new BAWSCA Grant Support Program with both a core and subscription component. <u>Recommended Scope Change:</u> <u>Delete work plan item 6c</u>	<ul style="list-style-type: none"> It is recommended to delete this work plan item as planning for a new grant support program has been incorporated into the scope consideration for Strategy 2045. This changed approach will better enable BAWSCA to determine the appropriate scope and scale of this potential program in concert with other programs to support BAWSCA agencies.
✓	d. Investigate potential for grant funds to support the implementation of BAWSCA's Strategy.	<ul style="list-style-type: none"> Development of a funding approach for implementation of Strategy 2045 will be included in the Strategy 2045 Scope and initiated in FY 2024-25.
	<u>7. Reporting and Tracking of Water Supply and Conservation Activities</u>	
✓	a. Complete BAWSCA FY 2022-23 Annual Survey.	<ul style="list-style-type: none"> On-going. Development commenced in November 2023 and document completion is anticipated in Spring 2024.
✓	b. Complete BAWSCA FY 2022-23 Annual Water Conservation Report.	<ul style="list-style-type: none"> Work will commence in the early Spring of 2024, with completion scheduled for June 2024.
✓	c. In partnership with members, operate and maintain BAWSCA's updated WCDB.	<ul style="list-style-type: none"> The WCDB update is complete and made available for member agency use in October 2023. Agency training on the updated WCDB was performed in September 2023. Agencies are now using the updated WCDB to provide the information that BAWSCA requires for the development of its Annual Surveys.
	HIGH QUALITY WATER	

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	8. <u>Support Members in Receiving Reliable Communication of Water Quality Issues</u>	
✓	a. Coordinate members participation in Joint Water Quality Committee to ensure it addresses Wholesale Customer needs.	<ul style="list-style-type: none"> • Participation in the Committee including two regular Committee meetings.
✓	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).	<ul style="list-style-type: none"> • Participating as a key Stakeholder in the SFPUC’s update of its Water Quality Strategic Plan. Participation includes the review of various supporting documents, and attendance at nine virtual workshops to discuss elements of the Plan’s update. The SFPUC intends to complete its update by the end of calendar year 2023. • No significant water quality events have taken place to date this fiscal year.
✓	c. Review and act on, if necessary, State legislation affecting water quality regulations.	<ul style="list-style-type: none"> • Provided information to member agencies regarding actions (if any) needed to opt in or opt out of two class action PFAS litigation items, including but not limited to informing them of San Francisco’s planned opt-out action.
	FAIR PRICE	
	9. <u>Perform Matters that Members Agencies Delegated to BAWSCA in the WSA</u>	
✓	a. Administer the WSA with San Francisco to protect the financial interests of members.	<ul style="list-style-type: none"> • Completed review of the SFPUC’s calculation of the annual Wholesale Revenue Requirement and changes in the Balancing Account for FY 2020-21, and waiting for the SFPUC’s response to the questions raised. • Ongoing effort to ensure that SFPUC meets its financial reporting obligations required by the WSA.
✓	b. Administer BAWSCA’s revenue bonds issued to retire capital debt owed by the Wholesale Customers to San Francisco.	<ul style="list-style-type: none"> • Ongoing administration of bond surcharge collection from members each month and proper fund allocation at the Trustee according to the Bond Indenture to ensure sufficient fund for on time debt service payments. • Performed account reconciliation based on the SFPUC’s

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		<p>surcharge collection report and Trustee’s account statements at the end of each month.</p> <ul style="list-style-type: none"> • Ongoing maintenance of proper records to ensure on time annual continuing disclosure filing to the Municipal Securities Rulemaking Board. • Prepared Quarterly Bond Surcharge Collection Report for the Board that presents the status of surcharge
✓	c. Monitor SFPUC’s unfunded pension and OPEB liabilities, which is not a BAWSCA obligation.	<ul style="list-style-type: none"> • Provided a status update of BAWSCA’s unfunded OPEB and pension liabilities, including the SFPUC’s OPEB and pension liability funded status, to the Board in September 2023. • Consulted and confirmed with BAWSCA auditor that SFPUC’s unfunded liabilities are not liabilities of BAWSCA or its member agencies. • Consulted with the legal counsel, who agreed with BAWSCA auditor’s opinion as stated above.
	AGENCY EFFECTIVENESS	
	10. <u>Maintain Community Allies and Contacts with Environmental Interests</u>	
✓	a. Maintain close relationships with BAWSCA’s local legislators and allies, and activate them, if necessary, to safeguard the health, safety, and economic well-being of residents and communities.	<ul style="list-style-type: none"> • Actively engaged with elected officials, business and labor representatives and others on matters related to the potential negative impacts of the State Board’s Bay-Delta Plan on members and their water customers and to support inclusion of the Tuolumne River in a Voluntary Agreement. • Supported local elected official participation in BAWSCA’s 20th anniversary event, held in conjunction with the November 16, 2023 Board meeting.
✓	b. Maintain a dialogue with responsible environmental and other groups, who will participate in the permitting and approval process for efforts to maintain system reliability.	<ul style="list-style-type: none"> • Participation in the Bay Area Water Stewards (BAWS) group that is regularly convened by the SFPUC to provide input in ongoing SFPUC water policy discussions.

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STATUS	BAWSCA OBJECTIVE & FY 2023-24 WORK PLAN ITEM	
✓	c. Maintain effective communications with members, customers, and others to achieve results and support goals.	<ul style="list-style-type: none"> • On-going.
✓	d. In conjunction with San Francisco, conduct or co-sponsor tours of the Regional Water System for selected participants.	<ul style="list-style-type: none"> • In coordination with the SFPUC, organized two tours of the Regional Water System for Board Members and Water Management Representatives. Tour 1, held on October 19, 2023, was focused on the Sunol Watershed facilities. Tour 2, held on October 25, 2023, was focused on the Peninsula Watershed facilities.
	<p>11. <u>Manage the Activities of the Agency Professionally and Efficiently</u></p> <p><u><i>Recommended Budget Adjustment:</i></u> <u><i>Increase consultant contract with Hanson Bridgett by an additional \$30K, funded by a transfer from the General Reserve.</i></u></p>	<ul style="list-style-type: none"> • To date, work this fiscal year has included several extraordinary items that have required legal counsel resources to assist in addressing: (1) the board desire to consider changing its meeting format have required assistance from legal counsel; (2) an incompatible offices analysis related to a potential new board member appointment; and (3) a CalPERS class action suite unrelated to BAWSCA but requiring legal support. • This works has resulted in unanticipated expenses that require additional funding given the overall anticipated high-level of legal counsel support this year.
✓	a. Implement BAWSCA’s Student Internship Program.	<ul style="list-style-type: none"> • BAWSCA’s 2nd intern started in the Summer of 2023 and continued on through the end of December 2023. • The selection of BAWSCA’s 3rd intern will commence in early 2024, with a planned start date of June 2024.
✓	b. Implement Board policy directives for management of BAWSCA’s unfunded OPEB and pension liability obligations.	<ul style="list-style-type: none"> • On-going
✓	c. Maintain a motivated, trained, and effective Workforce.	<ul style="list-style-type: none"> • On-going
✓	d. Prepare a staff-led plan to address BAWSCA’s long-term policy and operational resilience to inform future policy decision making.	<ul style="list-style-type: none"> • A kickoff meeting to discuss resiliency was held on August 30, 2023. Follow-up work, such as having each staff member document their recurring work activities and responsibilities, is on-going. A status report will be provided to the Board in early 2024.

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Table 2. Historical Annual Assessments and Year-End Reserves

Fiscal Year	Assessments	Year-End Reserves	Operating Budget	Reserve as a % of Budget
2003-04	\$1,668,550	\$276,480	\$1,821,350	15%
2004-05	\$1,641,995	\$246,882	\$1,838,490	13%
2005-06	\$1,953,998	\$240,000	\$2,099,975	11%
2006-07	\$2,117,904	\$654,000	\$2,291,904	29%
2007-08	\$2,117,904	\$691,474	\$2,508,967	28%
2008-09	\$2,309,000	\$507,474	\$2,763,196	18%
2009-10	\$2,517,000	\$407,192	\$2,766,945	15%
2010-11	\$2,517,000	\$653,763	\$2,680,394	24%
2011-12	\$2,517,000	\$916,897	\$2,619,705	35%
2012-13	\$2,517,000	\$985,897	\$2,780,504	35%
2013-14	\$2,516,812	\$521,897	\$3,280,189	16%
2014-15	\$2,642,653	\$225,461	\$2,939,286	8%
2015-16	\$3,276,889	\$776,620	\$3,201,679	24%
2016-17	\$3,440,734	\$1,202,592	\$3,468,008	35%
2017-18	\$3,543,957	\$1,561,144	\$3,704,572	42%
2018-19	\$3,579,397	\$1,115,848	\$4,278,585	26%
2019-20	\$3,686,779	\$1,037,877	\$4,569,750	23%
2020-21	\$3,686,779	\$758,794	\$4,359,129	17%
2021-22	\$3,871,118	\$951,806	\$4,783,794	16%
2022-23	\$4,838,897	\$1,076,550	\$4,720,885	23%
2023-24	\$4,838,897	\$1,655,390*	\$4,814,667	34%

*As of November 30, 2023

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

The Tier 2 Plan (Plan) lead negotiators continue to make progress negotiating an updated Plan. The next meeting is scheduled for December 11, 2023. A verbal update from that meeting will be provided at the BPC meeting on December 13, 2023.

BAWSCA encourages Board members to engage with their appointing agency's lead negotiator for updates on the negotiations. Table 1 presents a list of each agency's lead negotiator and attendance at meetings to date.

Fiscal Impact:

None

Recommendation:

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

Discussion:

Throughout the fiscal year, BAWSCA, the lead negotiators, legal counsel, and the technical consultants have met in person for half-day meetings and at least once virtually on a monthly basis to support the ongoing negotiations. Additionally, BAWSCA regularly meets one-on-one with agencies. Legal counsel and the technical consultants attend these meetings on an as needed basis as well. This level of engagement is expected to continue through the end of the FY 2023-24.

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Table 1: Tier 2 Plan Update Lead Negotiators and Meeting Attendance*

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

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

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

Summary:

This memo is for informational purposes to provide the Board Policy Committee with an update on the current work related to the scoping of the Long-Term Reliable Water Supply Strategy 2045 (Strategy 2045). BAWSCA will finalize the scope of work this fiscal year. The development of Strategy 2045 will begin in FY 2024-25.

An updated proposed Strategy 2045 purpose and regional water management objectives have been prepared to reflect the feedback received from the Board and Water Management Representatives (WMR). Additionally, as part of the scoping effort, BAWSCA must develop the key tasks and desired outcomes of Strategy 2045. The proposed updated purpose and objectives as well as an update on the status of development of key tasks and desired outcomes of Strategy 2045 will be presented to the Committee. Committee and Board feedback is critical to this development.

Recommendation:

This item is for information and discussion purposes only. No action is requested at this time. Feedback from the Committee regarding the development of key tasks and desired outcomes of Strategy 2045 are welcome.

Discussion:

BAWSCA recently completed a draft Needs Assessment as the next step in the scoping of Strategy 2045. The goal of the Needs Assessment was to define the draft proposed purpose for Strategy 2045 and the regional water supply management objectives to be addressed through Strategy 2045.

The draft proposed purpose and water management objectives for Strategy 2045 were reviewed with the BAWSCA Agencies at the November 2nd Water Management Representatives (WMR) workshop and the Board at its November 16th meeting. Input received at the WMR workshop and Board meeting informed the update of the purpose and objectives of Strategy 2045.

In reflection of this input, the updated proposed **purpose of Strategy 2045** is:

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

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

Updated Proposed Strategy 2045 Regional Water Supply Management Objectives:

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

The next step of the scoping of Strategy 2045 is the development of key tasks and desired outcomes of the Strategy to meet the overall purpose and objectives.

Preliminary details related to the development of Strategy 2045 key tasks and desired outcomes will be presented to the Committee at its December 13th meeting with the goal of receiving questions and comments from the Committee. The BPC will also be asked to provide insight into what additional information would be useful for the Board for a similar discussion at its January meeting, which will include a presentation of the key tasks and desired outcomes of Strategy 2045.



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MEMORANDUM

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

BAWSCA Regional Water Demand and Conservation Projection Study:

BAWSCA prepares a Regional Water Demand and Conservation Projection Study (Demand Study) on a five-year cycle to support regional planning efforts and to facilitate its member agencies' preparation of state required Urban Water Management Plans (UWMP). The most recent demand study was completed in 2020 with a major update in 2022 that considered the impact that the COVID-19 global pandemic had on water demand within the BAWSCA region. The 2022 Demand Study Update also included a sensitivity analysis to assess how a range of influences could impact water demand under various future scenarios.

BAWSCA now seeks to produce a new demand study for the service area. This new study is to be ready for use by BAWSCA agencies for their respective preparations of UWMPs (which will be due to the State in June of 2026). The new demand study would also be used to support BAWSCA's update of its Long-Term Reliable Water Supply Strategy (Strategy 2045). The new demand study will continue to include a sensitivity analysis.

BAWSCA uses a professional services consultant to assist in demand study preparation. At this point in time, BAWSCA has prepared a draft Request for Proposal that is under review by BAWSCA management and legal counsel. It is proposed that consultant procurement will take place in the Spring of 2024, and this work would be included in BAWSCA's FY 2024-25 work plan and budget. BAWSCA's Board and BPC will be kept informed as consultant procurement proceeds.

Drought Report:

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

A review panel consisting of BAWSCA staff, select BAWSCA agency representatives, and staff from an agency outside of BAWSCA, reviewed and scored the proposals received. Two proposers were invited to interviews, which took place on Friday December 5, 2023.

Discussions with the consultant identified as the leading proposer will take place in the latter portion of December 2023. Those discussions will include scope refinement, as needed, along with budget and schedule adjustments.

Staff will recommend a selected consultant to the BPC at its February 14, 2024 meeting for its recommendation for the Board’s approval at its meeting on March 20, 2024. Under that schedule, work would comment in April of 2024 and continue into the first half of FY 2024-25.

SFPUC Level of Service Goals:

On Tuesday November 28, 2023, the SFPUC approved the amended and updated Level of Service (LOS) Goals for its Power and Water Enterprises. SFPUC staff engaged with BAWSCA on the development of the LOS goals during their update. A copy of the Commission resolution and final LOS Goals as adopted are attached.

SFPUC’s LOS goals were originally approved in 2008 as part of the Water System Improvement Program Environmental Impact Report. They were used to establish the basis for design and construction of SF RWS facilities.

In 2019, the SFPUC’s Water Enterprise began developing more comprehensive LOS Goals to 1) address the operation and maintenance of all of its facilities including its in-City water system, and 2) consider additional policy objectives of the SFPUC.

Los Vaqueros Expansion Project - Update:

The Los Vaqueros Reservoir Expansion (LVE) Project continues to move forward. Efforts are being led by LVE’s Joint Powers Authority (JPA). Much of the discussion and work taking place focuses on the development and execution of agreements needed prior to construction. Those agreements include a “Backstop Agreement” between East Bay Municipal Utility District (EBMUD) and Contra Costa Water District (CCWD). CCWD is seeking a water supply “backstop” agreement from EBMUD to address the fact that the portion of their total supply that comes from storage in the existing Los Vaqueros Reservoir would be compromised during the reservoir’s expansion construction. There is also a Design and Construction Agreement (DCA) that must be negotiated between the JPA and CCWD. Additionally, partner agencies must also work with the JPA to develop agency-specific service areas that specify financial and operational responsibilities. The goal of the JPA is to have all agreements executed by August of 2024.

Additional project information, including upcoming meetings are available at www.losvaquerosjpa.com

CalWEP Leak Detection & Repair Certification Training Framework:

In FY 2021-22, BAWSCA and Valley Water committed program development funds for an analysis of a potential new Leak Detection & Repair Certification training targeted to residential water customers. The work was initiated in response to requests by and interest of BAWSCA agencies to create and have available a list of qualified professionals in this field. BAWSCA Agencies would provide that list of qualified contractors to their customers in response to their request for help.

It was clear at the onset that BAWSCA and Valley Water needed the assistance of an entity with experience in contractor training. The California Water Efficiency Partnership (CalWEP) was approached, due in part to its extensive experience in the training and certification of landscapers on water efficiency. CalWEP agreed to enter into a Memorandum of Agreement (MOA) with BAWSCA and Valley Water to assist with the program development. BAWSCA and Valley Water provided financial contribution and CalWEP staff led the development.

During FY 2022-23, CalWEP's work focused on developing the "framework" for how this program should be approached. To prepare the framework, CalWEP conducted extensive research and outreach. Specifically, CalWEP surveyed water agencies throughout the State to understand their needs and interests, met with industry and trade organizations to gain their input, held roundtable discussions with interested parties, and held focus group discussions with landscape professionals and plumbers. As part of its scope of work, CalWEP produced two reports produced in which the research and outreach were documented, and where the framework for the program was presented. One report focused on indoor leak detection and repair certification, and a second report focused on outdoor leak detection and repair certification. That effort concluded in the early Fall FY 2023-24 with the publication of the reports.

Following the work to develop both reports and the review of the actual reports themselves, BAWSCA, Valley Water, and CalWEP determined that having a framework in place does not equate to being ready to begin the actual training and certification of leak professionals. Instead, it serves as a step toward that ultimate goal.

The next step in the development process would be to utilize both frameworks to approach education consultants, perhaps through a Request for Proposal effort, for assistance. Because education consultants have experience with curriculum development and with professional certification, they would be tasked to build the required coursework and provide the suggested means and methods to best certify professionals.

The entity that would contract with the education consultant would be the most appropriate entity that would commit to conducting the training and leading the certification of professionals. At this time, neither BAWSCA nor Valley Water see themselves as that entity. CalWEP, while potentially capable, has not expressed a firm commitment to step into that role.

Given this current status, BAWSCA and Valley Water have paused further development of the training/certification program this fiscal year and will focus on either seeking an organization that will fulfill the role, or encourage CalWEP to take on the responsibility. BAWSCA and Valley Water are meeting with CalWEP leadership on December 11, 2023 to further this discussion. BAWSCA's BPC and Board will be kept apprised of the outcome of that December discussion and other discussions or actions that may take place in the coming months.

AWWA Presentation on Tier 2 Plan:

In October, BAWSCA and its technical consultant on the Tier 2 Plan update presented at the California/Nevada Section of American Water Works Association's (AWWA) Annual Conference. The presentation highlighted key points including BAWSCA and the member agency's efforts on this complex topic, successful strategies used to find agreement among such a large group with diverse perspectives, and lessons learned to date.

When the presentation abstract was submitted to AWWA in early 2023, BAWSCA had hoped to be finalizing the updated Tier 2 Plan with the member agencies by the October conference. However, the progress made to date prompted engaging discussion with program attendees about the technical, communication, and interpersonal tools used to help tackle complex topics involved with sharing a limited supply of water in a drought.

ACWA JPIA Leadership Essentials for the Water Industry Training Program:

Danielle McPherson, BAWSCA Senior Water Resources Specialist, has been accepted to, and started, the Association of Clean Water Agencies (ACWA) Joint Powers Insurance Association's (JPIA) Leadership Essentials for the Water Industry program. Leadership Essentials is a one-year professional development program for general managers and senior staff to develop leadership skills and facilitate growth. The program incorporates peer interaction along with practical, on-the-job application of concepts learned to enable leaders to adapt to the ever-changing world of work, foster innovation and successfully lead the water workforce of tomorrow.

ACWA 2023 Fall Conference

In November, BAWSCA's CEO/GM, Nicole Sandkulla, and Senior Water Resources Engineer, Negin Ashoori, attended the Association of California Water Agencies (ACWA) 2023 Fall Conference & Expo in Indian Wells, California. The conference included more than 1,000 local water agency leaders from throughout California to discuss updates, analyses and perspectives on water-related topics affecting every part of the state. Panel discussions explored current and emerging issues affecting California's water supply and its management. A few topics included infrastructure funding, groundwater recharge, conservation regulations, wildfire preparedness, as well as water quality.

Attachments:

- SFPUC Amended and Updated LOS Goals and Resolution

Amended and Updated Water System LOS Goals and Objectives November, 2023

In 2008, the SFPUC adopted Level of Service Goals and Objectives (Levels of Service or LOS) for the Water Enterprise in conjunction with the approval of the Water System Improvement Program Programmatic Environmental Impact Report. Those Levels of Service provided the basis for many of the WSIP project designs. These Amended and Updated LOS Goals and Objectives build from the base of those adopted in 2008. They generally retain the 2008 Levels of Service and carry them forward with additions to be sure that Levels of Service are maintained, to clarify them, and to cover areas that were not included in 2008, such as In-City Delivery Reliability and Workforce and Community Support.

GOAL: Drinking Water Quality – *maintain high water quality*

Objectives:

- Operate and maintain Regional Water System facilities to comply with or surpass all current and future federal and state drinking water quality requirements.
- Provide clean, unfiltered water originating from Hetch Hetchy Reservoir, filtered water from Bay Area watersheds, and appropriately treated water from other sources.
- Continue to implement watershed protection measures in the SFPUC’s Peninsula, Alameda and Tuolumne watersheds to protect watershed ecosystems and drinking water quality.
- Maintain applied research, planning and outreach programs to ensure customer water quality expectations are met.
- Respond to 100% of In-City customer service inquiries or complaints about water quality within 2 business hours of initial contact and regional water system events upon exceedance of established threshold criteria.

GOAL: Regional Seismic Reliability – *maintain ability to meet current seismic standards*

Objectives:

- Design and construct water and related power system improvements to meet current seismic standards (e.g., Division of Safety of Dams), and regularly evaluate the ability of the system to meet current seismic standards.
- Maintain or resume delivery of 229 million gallons per day (mgd) to the three regions in the SFPUC service area (East/South Bay, Peninsula, and San Francisco) within 24 hours after a major earthquake. The performance objective is to provide delivery to at least 70 percent of the turnouts in each region, with 104, 44, and 81 mgd delivered to the East/South Bay, Peninsula, and San Francisco, respectively.
- Restore facilities to meet a daily demand of 265 mgd within 30 days after a major earthquake.

GOAL: Regional Delivery Reliability – *maintain delivery reliability during normal operations and maintenance*

Objectives:

- Meet all local, state, and federal water, power, and environmental regulations to support the proper operation of the water system and proper operation of power facilities¹ essential to the operation of the water system
- Provide operational flexibility to allow planned maintenance shutdown of individual facilities without interrupting customer service.
- Provide operational flexibility to minimize the risk of service interruption due to unplanned facility upsets or outages.
- Maintain emergency response and recovery plans for major water delivery assets to minimize the duration of unplanned outages.
- Provide operational flexibility and system capacity to replenish local reservoirs as needed.
- Operate and maintain Regional Water System facilities to meet a daily peak demand of 300 mgd.
- Operate and maintain Regional Water System facilities to meet a daily demand of 265 mgd under the conditions of one planned shutdown of a major facility for maintenance (a reach of a San Joaquin Pipeline or a reach of a Bay Division Pipeline) concurrent with one unplanned facility outage due to a natural disaster, emergency, or facility failure/upset. During planned shutdowns of the Tuolumne River supply, the system is able to meet full winter demands (approximately 150 mgd). In the event of an unplanned loss of

¹ Kirkwood and Moccasin penstocks and powerhouses; electric transmission lines 3 – 6 and 9 - 11; and Intake, Warnerville and Calaveras substations/switchyards.

Amended and Updated Water System LOS Goals and Objectives November, 2023

one water treatment plant, the water system can still meet a minimum delivery of 115 mgd, until the Tuolumne River supply can be returned to service. Planned shutdowns of the Tuolumne River supply are restricted to the period November 1 through March 31, and no longer than 60 days with special exceptions for shutdowns of up to 100 days. The return-to-service goal for planned shutdowns of the Tuolumne River supply is no more than 7 days.

- Operate upcountry and Bay Area water reservoirs to optimize water supply and comply with environmental regulations while mindful of downstream conditions.
- Provide Wholesale Customers with timely information and data sufficient to support operational decision-making of their retail systems.

GOAL: In-City Seismic Reliability – *reduce vulnerability to earthquakes*

Objectives:

- **Storage.** Maintain seismically reliable potable water storage to provide at least 20 pounds per square inch (psi) pressure throughout each pressure zone.
- **Fire Suppression.** In conjunction with the Emergency Firefighting Water System, within three hours of a major earthquake, provide at least 50% of anticipated water demand from post-seismic fires in each of 46 Fire Response Areas, and at least 90% of City-wide average water demand from post-seismic fires.
- **Water Supply Restoration.** Deliver basic life sustaining water supply (for hygiene, sanitation, and consumption if boiled or disinfected) and ensure potable water system restoration.
 - Within 24 hours, limited network of critical transmission mains (greater than or equal to 12-inch diameter) that serve major hospitals² will be pressurized.
 - Within 72 hours, limited network of critical secondary distribution system pipelines (< 12-inch diameter) will be pressurized.
 - Within 7 days, limited network of critical transmission and distribution mains will be disinfected and restored to potable service.
 - Within 90 days, secondary distribution system will be restored to potable service.
 - Utilize alternative water sources such as groundwater to supplement Sunset & Sutro Reservoirs.

GOAL: In-City Delivery Reliability – *reliably deliver water to all in-City retail customers*

Objectives:

- Maintain potable water storage to provide at least two days of winter day demand plus minimum 2 hours of fire suppression at 3 hydrants (1,500 gallons per minute [gpm] from each hydrant) in each pressure zone with storage greater than one million gallons, and two hydrants (1,500 gpm from each hydrant) for each pressure zone with storage \leq one million gallons.
- Maintain minimum pressure of 20 psi throughout the distribution system.
- Respond to 100% of customer service inquiries or complaints regarding water service within 2 business hours of initial contact.
- Maintain deliveries such that \leq 1.0% of service connections are without water for up to 4 hours as a result of an unplanned outage per year.
- Maintain deliveries such that \leq 0.5% of service connections are without water for 8 hours or longer as a result of an unplanned outage per year.

GOAL: Water Supply – *meet customer water needs in non-drought and drought periods*

Objectives:

- Meet an average annual water demand of 265 mgd from the SFPUC watersheds for retail and wholesale customers during non-drought years consistent with the Water Supply Agreement between San Francisco and its Wholesale Customers in Alameda, San Mateo, and Santa Clara Counties.
- Meet dry-year delivery needs while limiting rationing to a maximum 20 percent system-wide reduction in water service during extended droughts.
- Diversify and improve use of new water sources and drought management, including groundwater, recycled water, conservation, transfers, storage expansion, purified water, desalinated water, and technological innovations that can increase supply and/or water use efficiency.

² Current goal is major trauma centers (UCSF Medical Center and SF General Hospital) but may be expanded to additional critical care facilities in coordination with San Francisco Department of Emergency Management and other City agencies.

Amended and Updated Water System LOS Goals and Objectives November, 2023

- Maintain San Francisco retail residential potable water use below 45 gallons per capita per day.
- Realize annual Real Water Losses³ of less than 10% of water supplied to San Francisco.
- Meet 80% of San Francisco's Recreation and Parks Department irrigation demands with recycled water by December 31, 2025.

GOAL: Environmental Stewardship – *maintain high environmental performance standards*

Objectives:

- Meet all current and anticipated environmental legal requirements.
- Manage SFPUC watershed and right of way lands to protect and restore native ecological resources, protect and preserve cultural resources, and minimize wildfire risk.
- Manage and operate the Water Enterprise assets consistent with the Water Enterprise Environmental Stewardship Policy.

GOAL: Sustainability – *enhance sustainability in all system activities (environmental, economic, and social)*

Objectives:

- **Energy Utilization**
 - Maintain a gravity-driven water system.
 - Minimize the carbon footprint of all water system operations through sustainable design and operational practices.
- **Security**
 - Comply with or surpass all current and future federal and state physical and cyber security requirements.
- **Workforce Support**
 - Attract, develop, and retain a healthy, safe, well-trained, productive, and well-equipped workforce, reflective of the communities the SFPUC serves.
 - Provide and promote opportunities for knowledge transfer and staff development in areas critical to meeting the Levels of Service.
 - Implement the Water Enterprise Racial Equity Action Plan.
- **Community Support**
 - Be mindful of and responsive to community needs throughout the SFPUC service area, as part of operating and maintaining the water system.
 - Maintain a proactive program of public outreach regarding all aspects of the water system.
 - Provide the public with appropriate educational opportunities by providing education programs and recreational opportunities (where appropriate) in cooperation with other local, state, and federal agencies.
 - Expand targeted, thoughtful efforts to build relationships with Federally Recognized Tribes and other California Native Americans.⁴
 - Manage watershed and right of way lands to protect cultural and tribal resources.
- **Effective Asset Management**
 - Ensure cost-effective use of funds and other resources.
 - Implement effective asset management programs for all assets (facilities, lands, and equipment) consistent with the SFPUC's Asset Management Policy.
 - Adequately maintain Regional Water System assets - annually complete 80% of preventive maintenance work, 80% of corrective maintenance work, and have <10% of assets in unserviceable state.
 - Provide water meter data for fair and timely billing of both wholesale and retail water customers, as well as effective management of water supplies.
- **Strategic Planning**
 - Continually evaluate and plan for changing environmental, fiscal, and social conditions, (e.g. climate change, development, regulation and other factors outside of the SFPUC's control) that influence the ability to achieve these Levels of Service.

³ Water that escapes the water distribution system, including leakage and storage overflows.

⁴ California Governor Executive Order B-10-11 and Native American Heritage Commission

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PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 23-0210

WHEREAS, The San Francisco Public Utilities Commission (SFPUC) Water Enterprise operates the Regional Water System, which delivers water to communities in Alameda, San Mateo and Santa Clara Counties, and customers within the City and County of San Francisco; and

WHEREAS, On October 30, 2008, by Resolution No. 08-0200, this Commission approved the Water System Improvement Program (WSIP) to upgrade San Francisco's regional and local water system and achieve Level of Service Goals and Objectives, which include meeting average annual water demand of 265 million gallons per day (mgd) through 2018; reevaluation of forecasted 2030 Regional Water System demand projections and water supply options by 2018, and SFPUC decision in 2018 regarding Regional Water System deliveries after 2018; and meeting dry year delivery needs while limiting rationing to a maximum of twenty percent system wide during droughts; and

WHEREAS, Prior to approval of the WSIP, the San Francisco Planning Department prepared a Program Environmental Impact Report for the WSIP in compliance with the California Environmental Quality Act (CEQA) and the San Francisco Planning Commission certified the WSIP Final Program Environmental Impact Report in Planning Commission Motion No. 17734; and

WHEREAS, In its Resolution 08-0200, this Commission reviewed and considered the WSIP Program Environmental Impact Report and made findings about the identified significant impacts, mitigation measures and alternatives, as well as a statement of overriding considerations, as required by CEQA, and adopted a Mitigation Monitoring and Reporting Program as part of its approval of the WSIP; and

WHEREAS, on November 14, 2023, the San Francisco Planning Department determined that the proposed 2023 Amended and Updated LOS Goals and Objectives would not meet the definition of a project under CEQA Guidelines sections 15378 and 15060(c)(2) because they would not result in a direct or indirect physical change in the environment, and even if they were a project under CEQA, the amendments would not require additional review per CEQA Guidelines section 15162, as there is no indication that any of the circumstances specified therein requiring additional review have occurred; and

WHEREAS, The 2023 Amended and Updated LOS Goals and Objectives accomplish the following purposes, with reference to the 2008 LOS Goals and Objectives:

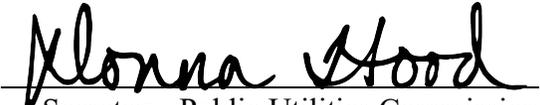
- Keeping the 2008 LOS Goals and Objectives largely intact with some modifications.

- Expanding the LOS Goals and Objectives from designing and constructing facilities to include operating and maintaining facilities, and periodically reviewing the standards that are referenced in the 2008 LOS Goals and Objectives.
- Expanding the LOS Goals and Objectives to include seismic reliability and delivery reliability for In-City facilities.
- Expanding the LOS Goals and Objectives for Water Supply to delete the “through 2018” text in the LOS goal addressing the ability to ultimately deliver up to 265 MGD of average annual demand with no more than 20% rationing and include maintaining a low level of residential per capita demand in-City and maintaining a low level of Real Water Loss.
- Expanding and renaming the Environmental Stewardship LOS Goals and Objectives to better reflect the SFPUC’s commitment to Environmental Stewardship.
- Including a new Sustainability Goals and Objectives section to ensure alignment with the SFPUC’s Strategic Plan for Energy Utilization, Workforce Support, Community Support, Cost-effectiveness, and Strategic Planning;

now, therefore, be it

RESOLVED, That this Commission hereby approves the 2023 Amended and Updated LOS Goals and Objectives.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of November 28, 2023.


Secretary, Public Utilities Commission

Board Policy Committee Policy Calendar Through June 2024

Meeting Date	Purpose	Issue or Topic
February 2024	R&D	Presentation of Preliminary FY 2024-25 Work Plan and Budget
	R&D	Tier 2 Drought Plan Negotiations
	R&D	Strategy 2045
	R&D	Review of Water Supply Forecast
	R	Annual WSA Balancing Account Update
	R	Review of Regular Consultant Rates
April 2024	D&A	Consideration of Proposed FY 2024-25 Work Plan and Budget
	R&D	Tier 2 Drought Plan Negotiations
	R&D	Strategy 2045
	R&D	Review of Water Supply Forecast
June 2024	D&A	Review of CEO/GM Evaluation Procedure