

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD POLICY COMMITTEE
December 13, 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 members (9) of the Committee were present with one member participating via teleconference in accordance with the traditional Brown Act rules. 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. She expressed her appreciation for everyone's patience as new technology for livestreaming is tested.

3. **Consent Calendar:**

Director Doerr made a motion, seconded by Director Schneider, that the Committee approve the Minutes of the October 11, 2023 Board Policy Committee meeting.

The motion passed unanimously by roll call vote.

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. **Closed Session:** There were no comments from members of the public prior to adjourning to Closed Session. The Committee adjourned to Closed Session at 1:40 pm.
6. **Report from Closed Session:** The Committee reconvened to Open Session. Ms. Schutte reported that Closed Session concluded at 1:55 pm and no reportable action was taken.

Chair Hardy clarified that Director Pierce is participating in the meeting by teleconference under the traditional Brown Act rules, in which her location is noted on the agenda to allow any members of the public wishing to participate in the meeting to do so at, and make public comments from, her location.

Legal Counsel Allison Schutte added that while the meeting is being livestreamed, it is not a hybrid meeting. The meeting is being conducted under the traditional Brown Act rules, in which Committee Members, staff, and members of the public can only participate from the two locations noted on the agenda: Burlingame Community Center and 6311 N. Marina Pacifica, Long Beach.

7. **Action Calendar:**

- A. **Proposed Fiscal Year 2024-25 Bond Surcharges:** Ms. Tang reported that the bond surcharge setting is an annual process with the Board to meet the financial obligations associated with the revenue bonds issued by BAWSCA to prepay capital debt that the

BAWSCA agencies owed the SFPUC under the Water Supply Agreement (WSA). The original bonds were issued in 2013 to prepay the debt balance as of June 30, 2013. A refunding of bond series 2013A was completed in January 2023 based on a tax-exempt forward delivery with an all-in true interest rate of 2.06%.

The surcharges are used to make debt service payments, reimburse bond administration expenses, and replenish the Stabilization Fund as necessary. Based on the current review, no replenishment of the Stabilization Fund is necessary at this time.

The proposed FY 2024-25 surcharges reflect savings from the prepayment program in 2013 and the refunding completed in 2023. The combined average net present value savings are approximately \$6 million per year from 2023 to 2034 when the bonds will be paid off.

The surcharges are calculated based on the Bond Indenture, and the methodology used for FY 2024-25 is the same as last year's. Ms. Tang presented Table 1 of the staff report. The total surcharges are \$21,931,224, which is equivalent to \$0.36/ccf or \$156/acre-foot based on the latest SFPUC preliminary wholesale water consumption for FY 2024-25.

Director Smegal asked a clarifying question about what the actual charge is to the entity and whether it is shown as a monthly fee or on a per acre feet basis. Ms. Tang explained that the bond surcharge setting for FY 2024-25 includes a "true up" adjustment in the calculation. The "true-up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2022-23. Agencies are charged a fixed amount on a monthly basis by San Francisco.

In response to Director Doerr's inquiry about the "true up" amounts in the 6-digits, Ms. Sandkulla explained that those agencies, particularly ACWD, purchased significantly different amounts of water from SFPUC than normal to supplement its regular supply source during the recent drought period in FY 2022-23. Bond surcharges are calculated based on purchase projections, and any significant changes that occur with agencies' actual purchases will be reflected in the "true up" adjustments. Ms. Sandkulla noted that ACWD typically purchases 20%-22% of its water supply from San Francisco, but increased its purchase to over 50% of its water supply in FY 2022-23 due to reliability issues with its other supplies. The "true up" adjustments are strictly based on actual purchases.

With no further questions or comments from members of the Committee, Chair Hardy asked for a motion.

Director Chambers made a motion, seconded by Director Schneider, that the Committee recommend Board approval of the proposed FY 2024-25 bond surcharges.

There were no comments from members of the public.

The motion passed unanimously by roll call vote.

- B. Mid-Year 2023-24 Work Plan, Budget, and General Reserve Review and Recommended Changes: Ms. Sandkulla noted that the mid-year budget and workplan review is a critical process for the agency. When the Board adopts its Annual Budget, it includes a Work Plan that is very specific with the Board's expectations of what the agency will

achieve and deliver in that fiscal year. At its meeting in May, the Board adopts a workplan with specific results, and an operating budget that is built around achieving those results. The mid-year review looks at the expenditures, the progress made to date, and evaluates any changes necessary.

Ms. Sandkulla presented her findings from the FY 2023-24 mid-year review, the recommended changes, and a status report of the work plan items.

There are six recommended changes to the adopted work plan and operating budget to ensure continued access to a reliable supply of high-quality water at a fair price. The changes include reducing the scope of three work plan items, increasing the technical and legal resources to support the Tier 2 Plan negotiations, and increasing legal resources related to some extraordinary Board and Agency administrative items.

Ms. Sandkulla noted that work plan items are set up in categories based on BAWSCA's goal of ensuring a reliable water supply, high-quality water, and fair price. Table 1 of the staff report lists the workplan items under each category, and are marked accordingly to identify the status:

- ! Needs Attention
- Experiencing Delay
- ✓ Complete/On Track
- ★ Extraordinary Result

Under the first category of Reliable Water Supply there are five areas of focus.

The first area is facility reliability which entails BAWSCA's work in monitoring SFPUC's WSIP, 10-year CIP and asset management program. Ms. Sandkulla was pleased to report that efforts are on track and are progressing as expected.

The second area is long-term supply solutions which entails BAWSCA's implementation of the current water supply strategy (2015 Strategy). This area includes, among others, work such as BAWSCA's efforts on the San Francisco Peninsula Regional Pure Water (SFPRP) Project, as well as scoping the activities for developing Strategy 2045. Progress is moving forward as anticipated for all items except for work on the Regional Water Supply Reliability Roundtable (Roundtable), item #2g. The Roundtable effort was originally anticipated to host quarterly meetings with BAWSCA member agencies and a broad network of water-impacted entities such as San Mateo County City/County Association of Governments (C/CAG) and the wastewater, stormwater and non-government organizations that are interested in discussing the connection of water in the three counties - Alameda, San Mateo, and Santa Clara. BAWSCA's work plan included a plan to host quarterly roundtable meetings in FY 2023-24. Given the increased activities on Tier 2 Negotiations and Strategy 2045, holding quarterly meetings has proved to be overly ambitious. A Roundtable meeting, however, will be hosted in the Spring 2024 as an additional resource mechanism for scoping Strategy 2045, where feedback and input can be gathered from the regional entities.

The first recommended change to the Work Plan is changing the scope for work plan item #2g to clearly state what can and will be delivered.

Original scope:

“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”.

Recommended Scope Change:

“Host a BAWSCA Regional Water Supply Reliability Roundtable meeting to discuss Strategy 2045 proposed scope and receive feedback.”

The third area of focus is the Near-Term Supply Solutions which entails BAWSCA’s water conservation and drought response efforts.

Ms. Sandkulla was pleased to report that interviews with prospective consultants for developing the 2020 through 2023 Drought Report just concluded and a recommendation for a selected consultant will be brought to the Committee in February, and to the Board for consideration at its meeting in March.

The report will document the drought of 2020 through 2023, and will include a new analysis on what worked and what did not work from the drought response actions taken by the agencies and their customers as part of the lessons learned from previous drought experiences. The work is behind schedule, but steady progress is being achieved at this time.

The second recommended change to the Work Plan is changing the scope for work plan item #3b.

The Board has been presented with reports and discussions on BAWSCA’s work to represent the agencies on statewide discussions with the Governor’s “Making Water Conservation a California Way of Life” requirements. The State’s progress with developing regulations in response to the Governor’s call for water conservation was significantly delayed. While draft regulations have now been released, substantial responses were received during the public comment period which indicates a potential for significant changes.

BAWSCA is recommending to change the workplan scope for work plan item 3b as follows:

Original scope:

“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”.

Recommended Scope Change:

“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”.

The scope change scales back the efforts until more information is known. BAWSCA will continue its collaboration with Valley Water, and anticipates the effort to roll into subsequent years as agencies continue to look to BAWSCA to develop an approach on how they can best meet the new regulations.

Director Schneider asked if the State regulations and/or BAWSCA's work plan include a list of recommended plants that are best suited for agencies that have wildland urban interface (WUI) lands.

Ms. Sandkulla stated that the draft regulations do not address plant recommendations, and that BAWSCA's Landscape Education Program is geared to residential customers. She suggests connecting Millbrae staff with BAWSCA's water resources team to look into resources at the state level that are geared to government entities.

Director Doerr asked about the proposed language being; "...the new requirements as appropriate", instead of; "...the new requirements, when adopted by the State Board, mostly likely in Summer 2024"?

Ms. Sandkulla explained that the use of "...as appropriate", in the proposed language for the scope change reflects the intention to only engage in efforts that will be valuable to the dollars and time spent. BAWSCA is having internal discussions and continuing its partnership with Valley Water on this effort to identify what efforts are worth making and what financial resources are worth investing in this fiscal year that will remain valuable despite a change the State may decide to make on the draft regulation.

She added that the effort was designed to help agencies develop a process to classify and identify their Commercial, Industrial, Institutional (CII) accounts, and track them along with the requirements set forth by the State. The work involves knowing the CII classification categories and with that information, developing a process that enables agencies to adjust their internal methods of CII classifications to align with the State. Once that step is completed, the BAWSCA team would assist member agencies in meeting other requirements of the new regulations. There remains uncertainty at the State level as to what those new CII categories will be, and moreover what additional regulatory requirements associated with CII customers will be required. It is anticipated that the State will not finalize its requirements this fiscal year.

The third recommended change to the Work Plan is changing the scope for work plan item #3f.

BAWSCA's Leak Detection and Repair Certification Training program is in partnership with Valley Water to develop a training curriculum for professionals who can be certified and put on a list that could then be provided to homeowners who ask for help with resolving property leaks that are outside the scope of a plumber. The result achieved to date is the development of a program "framework" by California Water Efficiency Partnership (CalWEP) under a Memorandum of Agreement. A detailed report was provided in the CEO letter regarding the current state of the effort.

In summary, BAWSCA and Valley Water have paused further development of the program this fiscal year to focus on seeking an organization that can fulfill the role of developing the curriculum as well as being the lead agency in conducting the training and certification of the trainees.

BAWSCA is recommending to change the workplan scope for work plan item 3f as follows:

Original scope:

“Continue development of a leak repair and training certification program for implementation in FY 2024-25”.

Recommended Scope Change:

“Continue development of a leak repair and training certification program for future implementation by an outside entity”.

Ms. Sandkulla reported that member agencies continue to have interest in developing the program and expressed their willingness to reach out to CalWEP to support its continued engagement. The effort remains on a positive track, and the change in the scope is to reflect what is expected to get done in FY 2023-24.

The fourth area of focus is protecting the water customers interests in the administration of the WSA, which includes work that is delegated to BAWSCA in its engagement with the member agencies and their connection to the San Francisco and the Regional Water System (RWS).

This is where BAWSCA represents the member agencies’ water supply and financial interests and includes efforts such as engaging with SFPUC on its development of its Alternative Water Supply (AWS) Plan, ensuring SFPUC meets its legal and contractual obligations to the wholesale customers, and facilitating negotiations of an updated Tier 2 Drought Plan.

The negotiation of an updated Tier 2 Drought Plan is a significant work item and while progress is being made, additional technical and legal resources are needed.

The fourth recommended change to the Work Plan is a budget adjustment for work plan item #4e.

- 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**
- 2. Increase consultant contract with Hanson Bridgett by an additional \$82K, funded by a transfer from the General Reserve.**

The budget adjustments are to maintain the momentum of progress being made by continuing to hold half-day in-person meetings with the member agencies once a month, pre-meetings to go over technical information that support the negotiations, one-on-one meetings with agencies that are held either in person or remote, group meetings, and sub-group meetings in which technical and legal consultants are needed to be in attendance.

The fifth recommended change to the Work Plan is deleting work plan item #6c.

The adopted work plan included the development and implementation of a new core and subscription BAWSCA Grant Support Program for the member agencies. Ms. Sandkulla reported that as work on the scoping of Strategy 2045 progressed, this item became a very important issue for the member agencies, and it proved to be more appropriate to be rolled into Strategy 2045.

The recommended change is to delete it as work plan item #6c, and move it to be addressed in the development of Strategy 2045.

The sixth recommended change to the Work Plan is increasing the consultant contract budget with Hanson Bridgett by an additional \$30K funded by a transfer from the General Reserve.

Ms. Sandkulla noted that the budget for legal counsel is set very closely to what each item in the work plan needs to achieve, with a total not to exceed for the fiscal year.

The need to increase legal counsel's contract agreement by \$30K comes from unanticipated administrative issues such as the board's desire to consider meeting format changes, analysis related to a new board member appointment, and a CalPERS class action suit unrelated to BAWSCA but nevertheless, required legal support to respond.

Unplanned issues that arise and require legal support can sometimes be accommodated within the budget if the rest of the budget for legal counsel is lighter than planned. But that has not been the case this fiscal year.

In Summary, the Mid-Year Budget and Work Plan review recommends the following six (6) changes:

1. Work Plan Item 2g will change 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 will change 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 will change to read "Continue development of a leak repair and training certification program for future implementation by an outside entity."
4. Work Plan Item 4e will 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, will be included in Strategy 2045; and
6. Consultant contract budget for Hanson Bridgett will increase by an additional:
 - \$82K for Work Plan Item 3e "Facilitate negotiations of an updated Tier 2 Plan" and,
 - \$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.

In response to Director Smegal, Ms. Sandkulla stated that Table 2 of the staff report provides the historical annual assessments and Year-End Reserves. The number for FY 2023-24 is an estimate, and will change based on Board actions in January, and transfers at year end.

Director Schnieder asked about the timeline for finding an entity for item #3F, Leak Detection Training and Certification Program, and for rolling out the program.

She suggested considering the University of California Environmental Studies as a potential partner.

Additionally, she noted that item 6C, development and implementation of a core and subscription Grant Support Program was important for Millbrae as it can provide Millbrae the leverage against larger cities and entities applying for grant funding. She asked how far this program would be pushed back as part of Strategy 2045 efforts.

Ms. Sandkulla stated that for item 3F, she estimates a minimum of 2 years and possibly a maximum of 4-5 years. BAWSCA is looking for qualified entities that can lead the effort, as well as partners that can help develop a robust curriculum and implement it.

For item 6c, she estimates needing at least 2 years, because developing and implementing a program within a year may not be feasible. She recognizes the need and is striving to fill the need without losing focus on the agencies' primary mission of ensuring water reliability, high quality and fair price. BAWSCA will continue to provide support letters to agencies as requested in support of individual grant applications. Originally, the scope of the grant program was to have consultant support that assists agencies in identifying grant opportunities and in writing grant proposals on a subscription basis.

Director Doerr asked what changed in the work plan that caused consideration of item 6c to be moved under Strategy 2045? Given the inflation reduction act funds and with the bi-partisan infrastructure law funds that are coming down to the State, it seems like a missed opportunity if BAWSCA does not assist member agencies in accessing grant opportunities. Director Doerr expressed her interest to see this effort continued. Since this effort was just added to the work plan in May, there are months left before the year is out and she would like to see the BAWSCA staff do research, meet with potential contractors, and set up a structure for agencies to have access to consultants that can provide support for grant writing.

Second, Director Doerr shares Director Schnieder's concern with Item 3f and the 4-5 years of estimated timeline for the program to roll out. She was curious what more can BAWSCA do as it is elemental to the work of BAWSCA.

Third, she commented that for Item 2g, she was interested this years' meeting of BAWSCA's Roundtable covering additional topics beyond just Strategy 2045, which she sees as a long-term planning effort. Specifically, she is interested in this year's Roundtable covering not only long term water supply options, but also include discussions to explore potential water supply partnership opportunities, particularly if in the short term there are certain opportunities available.

In response, Ms. Sandkulla discussed that as this fiscal year has unfolded, BAWSCA staff have been committed to high priority work efforts. The ability to work on the

development of a grant support program was hampered by those other commitments. Specifically, she noted that the negotiation of a new Tier 2 Plan has required more resources from both staff and consultants than anticipated, and the Board has expressed its significant interest in moving the Tier 2 efforts forward to resolution. Similarly, BAWSCA staff must focus on the Strategy 2045 work effort, which is also of great interest to the BAWSCA Board.

Additionally, Ms. Sandkulla explained that developing a program for successful implementation is not a simple or short assignment. It requires time to write and release the necessary request for proposals, consider qualified proposals, interview consultants, and methodically set up the program for the member agencies' success. Part of managing the pieces of the work plan is finding where in the work plan can items be shifted and still deliver the critical results the agency needs to achieve. If it is the Committee's interest to keep Item 6c in the work plan as it is, another way to reshuffle the work plan efforts will need to be considered.

For work plan item 3f, Ms. Sandkulla explained that Valley Water's continued interest in a partnership for the Leak Detection and Repair program is very positive, but as noted in the CEO letter, the reports released on the "framework" for how the program should be approached indicates that the development of the program is a much bigger effort than anticipated, even in partnership with Valley Water. The next step is for BAWSCA and Valley Water to find a partner that will develop a curriculum and that will implement the training and certification process. Just who that entity will be must be determined, and following that determination, BAWSCA and Valley Water will need to consider how that work will fit within the programs and projects proposed for the years ahead.

For work plan item 2g, Ms. Sandkulla and Water Resources Manager, Tom Francis, stated that the language can be modified to include broader topics that are relevant to the effort.

Director Schneider noted San Mateo County's slush fund, called Measure K, has an extra \$40M. She was curious whether BAWSCA can accept some funding from Measure K to help with developing the grant structure process of item 6c, understanding that BAWSCA staff would have program management and contract management time commitments beyond those costs.

Ms. Sandkulla stated that BAWSCA already engages with other entities to receive funding for programs, and therefore presumably can accept funding from Measure K. However, a consideration is that BAWSCA is a three-county agency that would have to parse the funding out 3-ways. This is why rolling efforts into Strategy 2045, one large strategic plan, is helpful in determining where the Board would want to allocate the agency's resources, in both staff and funds, and among all the options presented. This also provides a better sense of what efforts are going to cost, what resources are necessary, as well as the timeline, so the Board can make informed decisions.

While BAWSCA can strive to do what the Board wants to accomplish, the agency must be aware of workload limitations. The Board will need to make tough choices, and the Strategy is going to help the Board make those decisions, thoroughly, from the recommendations that the Strategy will provide.

There are going to be efforts the Board will not want to invest in, but the Board should want to know the costs, benefits, and priorities of the region to establish a list of what it

should do for the service area. This planning exercise is necessary, given the breadth of work that has to get done and to look at the longer-term issues as part of Strategy 2045. Ms. Sandkulla will need to further review the workplan to evaluate how to reshuffle the items so that item 6c (Grant Support Program) can remain as it is or perhaps be adjusted to meet a portion of what was originally envisioned when the budget and workplan was proposed.

Director Vella commented that developing a work plan is a question of prioritization. There are going to be items that will need to be on the top of the list that will push other items to the bottom. The scope of the work plan will continue to grow, and it will need resources to support it in terms of staff time and skills, funding, and consultant support.

Ms. Sandkulla referenced the results the agency has achieved in the past 20 years, which was highlighted at the 20th Anniversary acknowledgement in November. One of the critical reasons BAWSCA is able to achieve the results it has over the years is the work plan process, and the fact that the Board focuses on the results the agency needs to achieve. The Board is diligent in recognizing the critical results necessary to be achieved, and the efforts that are not within the agency's scope. The Board prioritizes the efforts wisely and does not fool itself in believing that the agency can do everything only to set the agency up for failure. A focus on implementing the work plan is an important task for the Board to continue achieving the results it sets out to achieve on behalf of the member agencies and the water customers.

Director Doerr suggested looking into other ways of supporting member agencies with how they can pursue grants and support for grant writing. Perhaps creating an organized list of potential grant funds agencies can look into as well as potential consultant grant writers agencies can reach out to for support.

Director Schneider expressed her support for the suggestion and found it a good compromise.

Ms. Sandkulla took the suggestion as the Committee's direction to look into what it will take to produce the document and report on that further.

Director Pierce appreciates the committee members' interests in maintaining additional programs in the work plan as they are important, and points to the value that BAWSCA provides its member agencies. She is pleased to see Tier 2 moving forward given the comments received from Board members about having to extend the old formula. The effort is coming so close to a resolution and the Board needs to put focus on resources needed to resolve Tier 2. She is glad to see a compromise on a less time-intensive way to assist some of the member agencies with their search for grant opportunities and grant writing.

As a long-time Board member, she noted that it is not easy when Board members have to decide not to do something that will be a real benefit to their agency. But BAWSCA is staffed by 9 people working diligently to serve 26 member agencies. She appreciates the committee's interests in moving things forward and maintaining the work plan within budget.

There were no further comments from members of the Committee or members of the public.

Director Smegal made a motion, seconded by Director Larsson, to recommend Board approval of the recommendation, with modifications to the proposed scope change for Item 2g so that the recommendation reads as follows;

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 possible near-term water supply options, demand management, and local partnership opportunities as well as to receive feedback on the Strategy 2050 proposed scope.”
- 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 4e “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.

The motion passed unanimously by roll call vote.

6. Reports and Discussions:

- A. Update on Negotiations of a New Tier 2 Drought Allocation Plan: Ms. Sandkulla reported that the negotiations for a new Tier 2 plan continue to progress. The strawperson concept, previously discussed with the Board, has several steps with the first one being public health and safety. The last step is now the focus of discussion to decide whether the allocation should be towards base period purchases [needs] vs. Interim Supply Guarantee (ISG) [contract].

The agencies are equally on either side of the spectrum and hold strong positions on what is appropriate. BAWSCA staff has clearly indicated that there is a lot of room for compromise at the December negotiations meeting with the agencies, and they recognize that. There were good discussions on how to narrow the range of what will be

acceptable. January's negotiation meetings will continue those discussions, including determining what is the minimum and maximum cutbacks.

Ms. Sandkulla added that the negotiations are at a point in which anonymity among the agencies regarding their positions no longer exists because transparency is now critical for the success of the negotiations. Polls that will be done moving forward will identify responders so that agencies can communicate and understand each other's positions and why. Negotiations will not get less complex, but Ms. Sandkulla is pleased with the developments and looks forward to reporting continued progress to the Board.

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

- B. BAWSCA's Long Term Reliable Water Supply Strategy 2045: Senior Water Resources Engineer, Negin Ashoori, reported that input received in November from the Committee, the full Board, and Water Management Representatives informed the update to the proposed purpose and objective for Strategy 2045. Based on that update, preliminary key tasks were developed. The Committee is being presented with the updated proposed purpose and objectives for Strategy 2045 and the preliminary key tasks to obtain the Committee's input so that staff can be prepared to give a well-structured presentation to the Board in January.

The key change to the updated proposed purpose and objectives for Strategy 2045 is the specific reference to demand management in the language of the purpose and objectives for Strategy 2045 as opposed to it being under the umbrella of water reliability in the previous language.

The updated purpose now reads:

"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."

Ms. Ashoori went through the six objectives and highlighted the changes that specifically refer to conservation and demand management.

The updated objectives now reads:

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

The updated proposed purpose and objectives for Strategy 2045 support the identification of seven tasks for the scope of work:

1. Evaluate Water Supply Reliability

An example of this is to conduct scenario planning to assess water supply during identified uncertainties, such as climate change, evolving regulations, and other uncertainties at both the local level and regional level. This would utilize BAWSCA's regional modeling tool and demand study projections to quantify the effects of these stressors on water supply to inform decision making and adaptive management in response to such stressors.

2. Assess Regulatory Setting and Collaboration Opportunities

This is to understand what the current as well as what the anticipated near and long term regulations are and how it impacts water management and project implementation. Some of the factors may include water use efficiency requirements, water quality, and potable reuse regulations. The potential risks as well as opportunities from these regulations will be assessed to identify the impacts they can have on the BAWSCA region. Impacts can include water supply availability, costs, staffing, and project implementation.

3. Evaluate Existing Project Concepts/Identify New Regional Project Opportunities

This is to establish a refined project inventory where projects identified by the member agencies through the One Water Roundtable series and other regional planning efforts can be compiled in a single and shareable database. The database can then be refined to include yield, potential benefits, capital costs, as well as Operations and Management (O&M).

4. Provide Funding Support

Ms. Ashoori discussed this task after tasks 5,6, and 7 to present the details more thoroughly. The task would include determining the level of funding support desired by the agencies. It would also clarify the proper role that BAWSCA should have given the agency's goal and purpose. Additional discussion is provided below.

5. Document Water Affordability Challenges and Opportunities

This is looking at and understanding other regional efforts and findings related to affordability that exists outside the BAWSCA service area to assess affordability programs and develop recommendations on potential programs and models that can be considered on either a local or regional scale. For example, researching rate assistance programs that other agencies have implemented.

6. Develop Method to Track and Report on Status of Strategy 2045 Implementation

This is to prepare a way to collaborate and track progress on the Strategy 2045 development and ultimately the progress toward meeting the objectives from Strategy 2045. A system of measurement for tracking the progress of projects will be formulated. The system of measurement could include level of service goals or metrics for regulatory compliance. Sub tasks could include understanding what those metrics are and creating an evaluation criteria for determining what the water supply portfolio looks like with respect to costs and what the dry-year reliability benefits are from projects.

7. Report Preparation – Including Findings, Near and Long-Term Recommendations

This would be a document presenting the task results including a path forward to achieving the purpose and objectives for Strategy 2045, both short term and long term.

Ms. Ashoori noted that the task list is preliminary and will be updated based on feedback received from the Water Management Representatives at its meeting on January 4th. It is being presented to the Committee for its input before the January 18th Board meeting.

Ms. Ashoori referred back to Task #4 - Funding Support to present, in further detail, the sub-tasks that fall under it and the anticipated outcomes and deliverables from it. She noted that each of the sub-tasks support the main objectives for Strategy 2045.

Subtask 4A is developing a Grants Tracking tool to identify existing and upcoming funding opportunities and provide ongoing updates to incorporate new ones. This aligns with the development of a project inventory (Tasks #3) to identify projects that are both eligible and competitive for funding, with an anticipated outcome of having a grant tracking tool in which agencies can access information that explains what grants exist, how to pursue them, and what support is available. This sub-task supports objectives 1,2,4, and 5 for Strategy 2045.

Subtask 4B is to establish a comprehensive regional funding strategy and advocacy approach to maximize funding in the BAWSCA region. This assesses what the funding needs are and considers the project inventory from Task #3, as well as other data collected from BAWSCA agencies, to establish a comprehensive regional funding strategy and advocacy approach to maximize funding in the BAWSCA region. The funding strategy will outline potential opportunities, coordinate messaging, and recommend next steps. The anticipated potential outcome from this subtask is a technical memo on a regional funding strategy for the BAWSCA region. This subtask supports objectives 2, 4, 5 and 6.

Subtask #4C is a development of a subscription program that provides funding application support to member agencies in pursuing funding for individual and regional projects at its various stages, including 1) project development to increase funding readiness and fundability, 2) preparation of grant applications and associated materials, and 3) grant administration services. The anticipated outcome from this subtask is the ability to track and make recommendations on potential funding opportunities and grouping, as well as funding assistance on a subscription basis.

Ms. Ashoori noted that the subtasks 4A and 4C encompass what was in the FY 2023-24 work plan as Item #6c, which is now being integrated in the scope of work for Strategy 2045. BAWSCA hopes to complete these subtasks at the beginning of FY 2024-25 because of its importance.

Progress in completing the scope of work for Strategy 2045 is on track for FY 2023-24. The next steps towards preparing a draft Scope of Work is to propose the tasks and desired outcomes to the WMR and the full Board at its respective meetings in January. Inputs and comments received will be considered prior to finalizing the draft Scope of Work, which will then be presented for discussion with the Board in early 2024. The current schedule anticipates a Board action to authorize a recommended consultant contract and associated scope of work in Spring 2024.

Director Hardy thanked Ms. Ashoori for her presentation and for the details it provided about item 6c of the work plan as part of Strategy 2045. They clearly address the concerns expressed during the prior discussions.

There were no comments and questions from members of the Committee or members of the public.

7. CEO Reports:

- A. Bay-Delta Plan and FERC Update: Ms. Sandkulla reminded the Committee that the oral arguments in the State Water Board Cases that started the week of August 28th concluded on October 24th. On October 25th, the Judge issued an Order separating the case into two phases: the “Merits” Phase, and the “Potential Remedies” Phase. The Judge indicated that he would make a ruling on the “Merits” Phase by January 22, 2024. Based upon that ruling, the Judge will move forward as appropriate with the “Potential Remedies” Phase. This development extends the timeline for the Judge’s final decision to potentially early summer.

The Bay Delta Phase 1 and Phase 2 Plan Amendments and Voluntary Agreements are moving forward on multiple fronts. Ms. Sandkulla reminded the Committee that the Tuolumne River is included in the Phase 1 Plan, and the Phase 1 Voluntary Agreement as an amendment to the adopted Bay Delta Plan is now undergoing a CEQA review by the State Board.

She noted that the Tuolumne River Scientific Basis Report Supplement for Phase 1 VA, which is the newly added scientific information to supplement the adopted Bay Delta Plan in support of the Voluntary Agreement, was anticipated in the Fall of 2023, but is now delayed and no new date for its release is known.

The staff report for evaluation of Phase 1 VA and the State Board workshop and consideration of Phase 1 VA are both expected in the Winter/Spring of 2024.

For the Phase 2 Plan, the State Board issued a draft staff report (6000 pages) for review and comment on September 28th with a deadline for written comments extended from December 15th to January 19, 2024. Stakeholders across the board feel that the document is significantly large, complex and too important to review within the given timeframe and have expressed interest for more time, but the State has indicated no further extension will be made.

BAWSCA is actively engaging with its member agencies, the SFPUC and Valley Water as part of its review of the document and will submit comments as appropriate.

The State Board has held a series of hearings, spread out within a 2 month period. The most recent was held on December 11th where Secretary Crowfoot spoke on behalf of the Natural Resources Committee that he heads. In his statement, he indicated his support of the Voluntary Agreement and provided helpful background information to the State Board members, including how the Voluntary Agreement came about, clarifying that the State Board, if it adopts the VA, have the ability to implement and control the steps in the process. As BAWSCA continues to support the VA as a resolution to the issues of the Bay Delta Plan, Ms. Sandkulla was pleased with the statement Mr. Crowfoot delivered.

Director Larsson referenced a statement that Ms. Sandkulla made to the SFPUC back in January 2021 that clarified the responsibilities of BAWSCA to its member agencies and of the SFPUC to its wholesale customers. He believes that statement helped lay the groundwork for a lot of what has come afterwards. He noted that public agencies do not operate in a vacuum, and instead have a system of assigned responsibilities and roles in

which BAWSCA has a part to play by staying on task. That is what helps the system work very effectively.

Cities, for example, tend to have broad responsibilities, but BAWSCA, as a Special District set up by the State Legislature, was given specific tasks. BAWSCA is not a general-purpose watchdog for the SFPUC, but instead has very specific oversight roles with the SFPUC. An example is its oversight of SFPUC's WSIP that comes from the legislation, and oversight of the Wholesale Revenue Requirement that comes from the Water Supply Agreement (WSA). For BAWSCA's first 20 years, it has been critical that the Board has stayed on task - this has made the Board very effective in governing the agency.

In Ms. Sandkulla's January 2021 statement to the SFPUC regarding the Bay Delta Plan and Voluntary Agreement, she referenced the SFPUC's responsibility for operating the system in accordance with its adopted environmental stewardship policy. BAWSCA supports the SFPUC in that responsibility and member agencies pay their fair share of the costs for those efforts. In addition to the SFPUC's responsibilities, there are other state and federal agencies that have their own environmental responsibilities with their own respective authorities, including the State Water Board with its decision-making authority. BAWSCA has the responsibility to engage with the State Water Board in its process and to make sure that the interests of the water users are represented. Director Larsson noted the links to videos of SFPUC's workshops on the Bay Delta that Ms. Sandkulla distributed to the Board via email and encouraged Board members to review these for reference information.

Director Larsson emphasized that through its enabling state legislation, BAWSCA has been given the mission to represent the water supply interests of the member agencies' constituents for a reliable supply of high-quality water at a fair price. This has informed the agency's purpose and what it has accomplished over the past 20 years. He encouraged the Committee to stay focused on the responsibilities that BAWSCA has been given and emphasized that BAWSCA is not a general-purpose agency. It is critical to stay focused on the specific tasks it has been given.

Director Hardy appreciated Director Larsson's comments and noted that the Committee is tasked to make recommendations to the Board following discussions to help 26 board members reach consensus on critical decisions.

- B. FY 2024-25 Work Plan and Budget Preparation Process: Ms. Sandkulla reported that the development of the FY 2024-25 Work Plan and Operating Budget has begun internally. The process is started with the assessment of long-term critical issues and major challenges that BAWSCA has to deal with. The assessment involves looking at a long-term view between now and the year 2060 and identifies the critical results and the associated timeline to achieve them. BAWSCA then uses that information in developing the work plan that is presented to the Board. The January Board meeting will have a Work Plan and Budget Planning session in which a long-term view will be presented for the board to provide feedback on. A preliminary work plan will be presented to the Committee in February for discussion, and to the Board in March. Based on the feedback received from the Committee and the Board, a proposed Work Plan and Operating Budget will be presented to the Committee in April, for the Board's consideration in May.

There were no questions or comments from members of the Committee and members of the public on the CEO reports.

8. Comments by Committee Members:

Director Schneider reported that the City of Millbrae's lobbyist is working on a legislative packet that is anticipated to be ready come January. She noted that there may be an overlap on legislation issues among the various BAWSCA jurisdictions and was open to speaking on legislation that is useful for BAWSCA.

She also appreciated the AB 1661 Training offered by BAWSCA and Legal Counsel.

Director Vella commented that both the BPC and Board have robust communications on agenda items, where important questions and comments are made and are encouraged because it is a way for Board and Committee members to support the conversation and to learn from each other. He encouraged members, however, that if there are questions that arise during board members' review of materials in the agenda packet, to address them with the CEO/General Manager prior to the meeting so that staff can ensure that full and accurate information can be made available to members of the Board.

- 9. Adjournment:** The meeting was adjourned at 3:39pm. The next meeting is February 14, 2024 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	Dec. 13, 2023	Oct. 11, 2023	Aug. 11, 2023	Jun. 14, 2023	Apr. 12, 2023	Feb. 8, 2023
Santa Clara	Hardy, Karen (C)	✓	✓	MEETING CANCELLED	✓	✓	✓
MPWD	Vella, Lou (VC)	✓	✓		✓	✓	
Westborough	Chambers, Tom	✓	✓		✓	✓	✓
Menlo Park	Doerr, Maria	✓	✓			✓	
Sunnyvale	Larsson, Gustav	✓	✓		✓	✓	✓
Redwood City	Pierce, Barbara	☎	✓		✓	✓	✓
Millbrae	Schneider, Ann	✓	✓		✓	✓	✓
CalWater	Smegal, Tom	✓	✓		✓	✓	✓
Stanford	Zigterman, Tom	✓	✓		✓	✓	

✓: present

☎ : Teleconference

December 13, 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: